| MINISTRY OF FINANCE<br>-------- | SOCIALIST REPUBLIC OF VIETNAM<br>Independence - Freedom - Happiness<br>--------------- |
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| No. 200/2014/TT-BTC | *Hanoi, December 22, 2014* |

# CIRCULAR

ON GUIDELINES FOR ACCOUNTING POLICIES FOR ENTERPRISES

*Pursuant to the Law on Accounting dated June 17, 2003;*

*Pursuant to the Decree No. 129/2004/NĐ-CP dated May 31, 2004 of the Government on guidelines for the Law on Accounting in the business operation.;*

*Pursuant to the Government's Decree No. 215/2013/NĐ-CP dated December 23, 2013 defining the functions, tasks, entitlements and organizational structure of the Ministry of Finance;*

*At the request of Director of the Department of Audit and Accounting Regulation,*

*The Minister of Finance issues a Circular on guidelines for accounting policies for enterprises.*

**Chapter I**

## GENERAL PROVISIONS

### Article 1. Regulated entities

This Circular promulgates accounting policies applying to enterprises in every business lines and every economic sector.  Small and medium-sized enterprises applying the accounting policies for small and medium-sized enterprises may apply regulations in this Circular for accounting.

### Article 2. Scope

This Circular promulgates bookkeeping, preparation and presentation of financial statements, not applying to determination of tax liabilities of enterprises to government budget.

### Article 3. Monetary unit in accounting

“Monetary unit in accounting” means Vietnamese dong (national sign: “đ”; international sign: “VND”) used for bookkeeping, preparation and presentation of financial statements of enterprises. If an accounting unit that mainly receives revenues and pays expenses in foreign currencies, provided that it conforms to standards prescribed in Article 4 of this Circular may choose a type of foreign currencies as a monetary unit for bookkeeping.

### Article 4. Selection of monetary unit in accounting

1. Any enterprise that mainly receive revenues and pays expenses in foreign currencies shall base on regulations of the Law on accounting for consideration of selection of monetary unit in accounting and take legal responsibility. When selecting the monetary unit in accounting, the enterprise must notify supervisory tax authority.

2. The monetary unit in accounting means a monetary unit meeting requirements below:

a) It is mainly used in sales, provisions of services of the enterprise, which have great impact on selling prices and service fees and it is normally used as posting prices and used for payments; and

b) It is mainly used in purchases of goods or services, which have great impact on labor costs, materials costs and other production costs or operating costs and it is normally used for payments of that costs.

3. The following factors may also be considered as evidence of monetary unit in accounting of the enterprise:

a) The monetary unit used in mobilization of financial resources (such as issuance of shares or bonds);

b) The monetary unit which is regularly collected from business operation and accumulated.

4. The monetary unit in accounting reflects transactions, events, condition pertaining to the operation of the enterprise. After choosing the certain monetary unit in accounting, the enterprise shall not change it unless there are major changes in the transactions, events or condition.

### Article 5. Conversion of financial statements made in foreign currency into Vietnamese dong

1. If an enterprise uses a foreign currency as monetary unit in accounting, it must not only prepare a financial statement in foreign currency but also converse their financial statement into Vietnamese dong when announcing and submitting the financial statement to regulatory authorities.

2. Rules for conversion of financial statements made in foreign currency into Vietnamese dong, comparison information between them shall be reported in accordance with Chapter III of this Circular.

3. When converting the financial statement made in foreign currency into Vietnamese dong, the enterprise must clarify the impact (if any) on the financial statement due to the conversion in the Description of financial statement.

**Article 6. Audit of financial statements using foreign currency as monetary unit in accounting**

The lawful financial statement used to announce and submit to Vietnamese competent agencies is a financial statement made in Vietnamese dong and audited.

**Article 7. Changes in monetary unit in accounting**

If there are major changes in managerial and business operations leading to the monetary unit in accounting used in economic transactions failing to satisfy the requirements specified in Clause 2 and 3 of Article 4 of this Circular, enterprises may change their monetary units in accounting. The change of a monetary unit for bookkeeping to another may be effected only at the beginning of a new fiscal year. The enterprise must notify supervisory tax authority of the change in monetary unit in accounting within 10 working days after the final day of the fiscal year.

**Article 8. Rights and obligations of enterprises pertaining to organization of accounting in dependent accounting units having no legal status (hereinafter referred to as dependent accounting unit)**

1. Enterprises must organize their accounting structures and accounting task delegation of dependent accounting unit in conformity with their operation and management requirements and not contrary to regulations of law.

2. The following accounts shall be kept records by dependent accounting units having accounting divisions according to the decision issued by the enterprise:

a) Operating capital granted by the enterprise: the operating capital shall be recorded to liabilities or owner's equity according to the decision of the enterprise;

b) Transactions in sale, purchase or circulation of goods or services intra-company: revenues or costs of goods sold only are separately recorded in every dependent accounting unit if such circulation creates added value in the goods or services. The recording of revenues from internal transactions to the financial statement does not depend on the format of accounting records (invoices or internal transaction documents);

c) Task delegation: Depending on centralized or decentralized accounting model, the dependent accounting units may record undistributed post-tax profit or record revenues and expenses.

**Article 9. Registration for amendments to Accounting policies**

1. Chart of accounts

a) According to chart of accounts of accounting policies for enterprises issued together with this Circular, the enterprise shall apply and detail chart of accounts in conformity with requirements pertaining business and management of every business line and unit, provided that it conforms to content, structure and method of accounting of equivalent ledger accounts.

b) If the enterprise need to add accounts or sub-accounts or modify accounts or sub-accounts about names, signs, content and accounting methods, the approval issued by the Ministry of Finance before the supplement or modification is required.

c) The enterprise may open sub-accounts or sub-sub accounts if the Chart of accounts prescribed in Appendix 1 of this Circular does not regulate such accounts without the approval of the Ministry of Finance.

2. Financial statements

a) According to forms and contents of items of the financial statement prescribed in Appendix 2 of this Circular, the enterprise shall detail the items (available) of the financial statement system in conformity with operation and management of every business line and unit.

b) If the enterprise need to add or modify names, signs, content of items of the financial statement, the approval issued by the Ministry of Finance before the supplement or modification is required.

3. Accounting documents and accounting records

a) All accounting documents are optional, enterprise may use forms issued together with Appendix No. 3 of this Circular or design their forms in conformity with their operation and management provided that their forms satisfy all requirements as prescribed in the Law on Accounting and their amended documents.

b) All forms of accounting records (including Ledgers or Journals) are optional. The enterprise may apply the forms as prescribed in Appendix No. 4 of this Circular or amendments to forms or accounting cards in conformity with their operation and management provided that they are sufficient, clear and easy to control.

**Article 10. Accounting policies applying to foreign contractors**

1. Foreign contractors having permanent resident facilities in Vietnam which are not an independent unit having legal status shall carry out accounting policies in Vietnam as follows:

a) There are particular contractors eligible for particular accounting policy issued by the Ministry of Finance;

b) Contractors not eligible for particular accounting policy issued by the Ministry of Finance may whether fully and partly apply Accounting policies for Vietnamese enterprises in conformity with their operation and management.

c) If the contractor applies Accounting policies for Vietnamese companies fully, it is required to apply during the fiscal year.

d) The contractor must notify the tax authority of the accounting policy applied within 90 days from the date on which it runs business in Vietnam. If there is any change in applying of accounting policy, the contractor must notify the tax authority within 15 working days from the date on which the change occurs.

2. Foreign contractor must keep records of every contract license, every transaction in details to settle contract and make tax declaration.

3. If a foreign contractor who applies fully Accounting policies for Vietnamese companies wishes to supplement or modify the policies, it is required to comply with Article 9 of this Circular and obtain approval issued by the Ministry of Finance. Within 15 working days from the date on which the sufficient documents are received, the Ministry of Finance must send response on registration of amendments of accounting policies to the foreign contractor.

**Chapter II**

## CHART OF ACCOUNTS

**Article 11. Rules for cash accounting**

1. The accountant must keep records of revenues, expenses, dispatching or receiving of cash funds or foreign currencies in the Journals and then calculate the fund balance and every account in the bank at all times for verification.

2. Deposits made by other enterprises or individuals in the enterprise shall be managed and recorded similarly to money of the enterprise.

3. When obtaining revenues or paying for expenses, the receipt or payment slips with sufficient signatures are required as prescribed in regulations on accounting source documents.

4. The accountant must keep records of cash according to currency in details when generating transactions in foreign currencies, the foreign currencies shall be converted into VND following rules below:

- Debit accounts shall apply actual exchange rates;

- Credit accounts shall apply weight average bookkeeping rates;

5. When preparing financial statements as prescribed, the enterprise must re-evaluate balance of foreign currencies and monetary gold according to actual exchange rates.

**Article 12. Account 111 – Cash on hand**

**1. Rules for accounting**

a) This account is used to record revenues, expenses and balance of the enterprise’s fund, including: Vietnamese dong, foreign currencies and monetary gold. Only received, dispatched or inventoried cash, foreign currencies, monetary gold shall be recorded to account 111 “Cash”. If the receipts are transferred immediately to bank (not through enterprise ‘cash fund), these amounts shall not be recorded to Dr 111 “cash”, but recorded to Dr 113 “cash in transit”.

b) Cash deposits made by other enterprises and individuals shall be managed and recorded similarly to monetary assets of the enterprise.

c) When receiving or dispatching cash fund, receipt slips, payment slips with signatures of payees and payers, competent persons are required in accordance with accounting source document.  Deposit order and payment order must be attached in special cases.

d) The accountant of cash fund must write a Cash daybook and record all day-to-day financial transactions: revenues, expenses, dispatch or receiving of cash funds, foreign currencies and then calculate the fund balance at all times.

dd) The cashier shall be responsible for management, receiving and dispatch of the cash fund. The cashier must verify the actual cash balance, then collate the figures between cash fund book and cash ledger every day. If there is any difference, the accountant and the cashier must verify them again in order to uncover reasons and propose solutions for the differences.

e) When entering into transactions in foreign currencies, the accountant shall convert the foreign currencies into VND according to the following rules:

- Actual exchange rate shall be applied to Dr 1112. If the foreign currencies are withdrawn from banks to pay in the cash fund, the bookkeeping rate of account 1122 shall be applied;

- Weighted average rate shall be applied to Cr 1112

The actual exchange rate shall be determined as prescribed in guidelines for account 413 - Differences between exchange rates and relevant accounts.

g) Monetary gold recorded in this account is gold used for value storage, not including the gold recorded to inventory account and used as raw materials for production of goods for sale. The management and use of monetary gold shall comply with regulations of law in force.

h) Whenever preparing financial statements as prescribed, the enterprise must re-evaluate the balance of foreign currencies and monetary gold following the rules below:

- The actual exchange rate applied in the re-evaluation of the balance of foreign currencies in cash is the foreign currency-selling rate of the commercial bank where the enterprise regularly enters into transactions (chosen by the enterprise) at the time in which the financial statement is prepared.

- The monetary gold shall be re-evaluated according to the buying prices on the domestic market at the time in which the financial statement is prepared. The buying prices on the domestic market are prices announced by the State bank. In case the State bank fails to announce gold buying-prices, the buying-prices announced by enterprise entitled to trade in gold as prescribed shall be chosen.

**2. STRUCTURE AND CONTENTS OF ACCOUNT 111 – CASH**

**Debit:**

- Received cash, foreign currency or monetary gold;

- Cash, foreign currency or monetary gold in excess detected under verification;

- Exchange differences due to re-evaluation of foreign currency balance at the reporting time (if foreign currency rate rises against VND);

- Differences due to re-evaluation of monetary gold at the reporting time.

**Credit:**

- Dispatched cash, foreign currency or monetary gold;

- Cash, foreign currency or monetary gold in deficit detected under verification;

- Exchange rate differences due to re-evaluation of foreign currency balance at the reporting time (if foreign currency rate falls against VND);

- Differences due to re-evaluation of monetary gold at the reporting time.

**Debit balance:**

Inventoried cash, foreign currency or monetary gold at the reporting time;

**Account 111 – Cash, comprises 3 sub-accounts:**

- Account 1111 – VND: reflecting revenues, expenses, balance in VND of the cash fund.

- Account 1112 – Foreign currencies: reflecting revenues, expenses, exchange rate differences and foreign currency balance of cash fund which is converted into VND.

- Account 1113 – Monetary gold reflecting the fluctuation and value of monetary gold of the enterprise's fund.

**3. Method of accounting for several major transactions**

3.1. When selling products, goods or providing services for immediate cash, the following accounts shall be recorded:

a) With regard to products, goods, investment property subject to VAT, special excise duty, import duty, environmental protection tax, revenues according to the tax-exclusive selling prices shall be recorded as follows (indirect taxes payable must be separated, including VAT payable using subtraction method:

Dr 111 – Cash (total payment)

Cr 511 – Revenues (tax-exclusive prices)

Cr 333 – Taxes and other payables to the State.

b) In case it fails to separate the taxes payable, the taxes payable must be included in the revenues. Tax liabilities and the decrease in revenues shall be recorded as follows:

Dr 511 – Revenues

Cr 333 – Taxes and other payables to the State.

3.2 When receiving payments of allowance or subsidy in cash from government budget, the following accounts shall be recorded:

Dr 111 - Cash

Cr 333 – Taxes and other payables to the State (3339).

3.3. When generating financial income or other incomes in cash, the following accounts shall be recorded:

Dr 111 – Cash (total payment)

Cr 515 – Financial income (prices excluding VAT)

Cr 711 – Other incomes (prices excluding VAT)

Cr 3331 – VAT payable (33311).

3.4. When withdrawing cash in bank to pay in cash fund; applying for long-term or short-term loans in cash (VND or foreign currency according to actual exchange rates), the following accounts shall be recorded:

Dr 111 – Cash (1111, 1112)

Cr 112 – Cash in bank (1121, 1122)

Cr 341 - Financial loan and financial lease liabilities (3411).

3.5. When recovering amounts receivables, granting loans, making deposits in cash; receiving deposits in cash from other enterprises, the following accounts shall be recorded:

Dr 111 – Cash (1111, 1112)

Cr 128, 131, 136, 138, 141, 244, 344.

3.6. When selling short-term or long-term investment and collect cash, the accountant shall record the difference between collected amount of money and cost price of investment (according to weighted average method) to financial income or financial expenses, the following accounts shall be recorded:

Dr 111 – Cash (1111, 1112)

Dr 635 - Financial expenses

Cr 121 – Trading securities (cost price)

Cr 221, 222, 228 (cost price)

Cr 515 – Financial income.

3.7. When receiving stakes in cash of owners, the following accounts shall be recorded:

Dr 111 - Cash

Cr 411 – Owner's invested equity.

3.8. When receiving money of contracting parties of Business Cooperation Contract (BCC) without establishment of legal entity to cover general operation, the following accounts shall be recorded:

Dr 111 - Cash

Cr 338 - Other payables.

3.9. When dispatching cash fund then crediting to bank’s accounts or depositing, the following accounts shall be recorded:

Dr 112 – Cash in bank

Dr 244 – Pledge, mortgage or deposit

Cr 111 – Cash.

3.10. When dispatching cash fund to buy securities, granting loans or investing in subsidiary companies or joint-venture companies, the following accounts shall be recorded:

Dr 121, 128, 221, 222, 228

Cr 111 – Cash.

3.11. When dispatching cash fund to buy inventory (using regularly declared method), buying fixed assets, spending on capital investment, the following accounts shall be recorded:

- If input VAT is eligible for deduction, the buying price excluding VAT shall be recorded as follows:

Dr 151, 152, 153, 156, 157, 211, 213, 241

Dr 133 – Deductible VAT (1331)

Cr 111 – Cash.

- If input VAT is not eligible for deduction, the buying price including VAT shall be recorded as follow:

3.12. When dispatching cash fund to buy inventory (using periodically declared method), if input VAT is eligible for deduction, the following accounts shall be recorded:

Dr 611 – Good purchase (6111, 6112)

Dr 133 – Deductible VAT (1331)

Cr 111 – Cash.

If input VAT is not eligible for deduction, the buying price including VAT shall be recorded as follows:

3.13. When buying raw materials immediately used in business in cash, if input VAT is eligible for deduction, the following accounts shall be recorded:

Dr 621, 623, 627, 641, 642, etc.

Dr 133 – Deductible VAT (1331)

Cr 111 – Cash.

If input VAT is not eligible for deduction, the costs including VAT shall be recorded.

3.14. When dispatching cash fund to pay amounts payable, the following accounts shall be recorded:

Dr 331, 333, 334, 335, 336, 338, 341

Cr 111 – Cash.

3.15. When dispatching cash fund for financial activities or other activities, the following accounts shall be recorded:

Dr 635, 811, etc.

Dr 133 – Deductible VAT (if any)

Cr 111 – Cash.

3.16. If the cash deficit is detected under verification without reasons, the following accounts shall be recorded:

Dr 138 – Other receivables (1381)

Cr 111 – Cash.

3.17. If the cash excess is detected under verification without reasons, the following accounts shall be recorded:

Dr 111 - Cash

Cr 338 - Other payables (3381).

3.18. Accounting contract of resale of Government bonds: in accordance with Account 171 – Trading in Government bonds.

3.19. Foreign currency related-transactions in cash.

a) When buying goods or services in foreign currencies in cash.

- If losses on exchange rates are generated, the following accounts shall be recorded:

Dr 151,152,153,156,157,211,213,241, 623, 627, 641, 642, 133, etc. (according to actual exchange rates on the transaction date)

Dr 635 - Financial expenses (losses on exchange rates)

Cr 111 (1112) (according to bookkeeping rates).

- If profits on exchange rates are generated, the following accounts shall be recorded: 0}

Dr 151,152,153,156,157,211,213,241, 623, 627, 641, 642, 133, etc. (according to actual exchange rates on the transaction date)

Cr 111 (1112) (according to bookkeeping rates).

Cr 515 – Financial income (profits on exchange rates).

b) When paying debts payable in foreign currencies:

- If losses on exchange rates are generated, the following accounts shall be recorded:

Dr 331, 335, 336, 338, 341, etc. (according to bookkeeping rates).

Dr 635 - Financial expenses (loss of exchange rate)

Cr 111 (1112) (according to bookkeeping rates).

- If profits on exchange rates are generated, the following accounts shall be recorded:

Dr 331, 336, 341, etc. (according to bookkeeping rates).

Cr 515 – Financial income (profits on exchange rates).

Cr 111 (1112) (according to bookkeeping rates).

- When paying advances in foreign currencies to sellers, the Debit account – Trade payables shall apply actual exchange rates at the prepayment time, the following accounts shall be recorded:

Dr 331 – Trade payables (actual exchange rates)

Dr 635 - Financial expenses (losses on exchange rates)

Cr 111 (1112) (according to bookkeeping rates).

Cr 515 – Financial income (profits on exchange rates).

c) When generating revenues or other incomes in foreign currencies in cash, the following accounts shall be recorded:

Dr 111 (1112) (actual exchange rates)

Cr 511, 515, 711, etc. (actual exchange rates).

d) When collecting debts receivables in foreign currencies:

- If losses on exchange rates are generated, the following accounts shall be recorded:

Dr 111 (1112) (according to actual exchange rates on the transaction dates)

Dr 635 - Financial expenses (losses on exchange rates)

Cr 131, 136, 138, etc. (according to bookkeeping rates).

- If profits on exchange rates are generated, the following accounts shall be recorded:

Dr 111 (1112) (according to actual exchange rates on the transaction dates)

Cr 515 – Financial income (profits on exchange rates).

Cr 131, 136, 138, etc. (according to bookkeeping rates).

- When paying advances in foreign currency to sellers, the Credit account – Trade receivables shall apply actual exchange rates at the pre-receipt time, the following accounts shall be recorded:

Dr 111 (1112) (actual exchange rates at the pre-receipt time)

Cr 111 (1112) (actual exchange rates at the pre-receipt time)

3.20. The actual exchange rates (selling rates of banks) shall be used to re-evaluate foreign currencies in cash at the time in which the financial statements are prepared:

- If the foreign currency rate rises against VND, the profits on exchange rate shall be recorded as follows:

Dr 111 (1112)

Cr 413 - Exchange differences (4131).

- If the foreign currency rate falls against VND, the losses on exchange rates shall be recorded as follows:

Dr 413 - Exchange differences (4131)

Cr 111 (1112).

- After balancing profits or losses on exchange rates generating due to re-verification, the differences in profits or losses shall be transferred to financial income (if profits are larger than losses) or to financial expenses (if profits are smaller than losses).

3.21. Re-evaluation of monetary gold

- If re-evaluated value of monetary gold generates profits, financial income shall be recorded as follows:

Dr 1113 – Monetary gold (according to domestic buying prices)

Cr 515 – Financial income.

- If re-evaluated value of monetary gold generates losses, financial income shall be recorded as follows:

Dr 635 - Financial expenses

Cr 1113 – Monetary gold (according to domestic buying prices)

**Article 13. Account 112 – Cash in bank**

**1. Rules for accounting**

This account shall be used to record current amounts and increases and decreases in demand deposits of the enterprise in a bank. Credit notes, debit notes or bank statements enclosed with original documents (payment order, collection order, depository transfer check, certified check, etc) shall be recorded to Account 112 "Cash in bank".

a) When receiving documents sent from the bank, the accountant must collate them with enclosed original documents. If there is any difference between figures in enterprise's ledger, in original documents and in the bank's documents, the enterprise must notify the bank to collate, verify and promptly handle. At the end of the month, if it fails to uncover the reasons for differences, the accountant shall record according to the bank's figures stated in debit notes, credit notes or bank's statements. The difference (if any) shall be recorded to Dr 138 “Other receivables” (1388) (if the accountant’s figures are larger than the bank’s figures) or recorded to Cr 338 “Other payables” (3388) (if the accountant's figures are smaller than the bank’s figures). In the following month, the reasons shall be kept collating, verifying and uncovering to adjust the figures.

b) With regard to enterprises having dependent accounting organizations or departments, they may open collection-only accounts, payment-only accounts or appropriate payment accounts serving the transactions or payments. The accountant must keep records of every type of deposits in details (VND, foreign currencies).

c) It is required to record particularly the deposits conformable to every account in bank for verification and collation.

d) The bank overdrafts are not recorded as “-“(negative sign) on bank deposit accounts, they shall be recorded similarly to bank loans.

dd) When entering into transactions in foreign currencies, foreign currencies shall be converted into VND according to the following rules:

- Dr 1122 applies actual exchange rate. If the cash fund is withdrawn to send to banks, they must be converted into VND according to bookkeeping rates of account 1112.

- Cr 1122 applies weighted average rates.

The actual exchange rate shall be determined as prescribed in guidelines for account 413 - Differentials between exchange rates and relevant accounts.

e) Monetary gold recorded in this account is the gold used for value storage, not including the gold recorded to inventory account used as raw materials for production of goods for sale. The management and use of monetary gold shall comply with regulations of law in force.

g) Whenever preparing financial statements as prescribed, the enterprise must re-evaluate the balance of foreign currency and monetary gold following the rules below:

- The actual exchange rates applied when re-evaluating the balance of cash in bank in foreign currency is the foreign currency-buying rate of the commercial bank where the enterprise opens foreign currency account at the time in which the financial statement is prepared. In case the enterprise has multiple foreign currency accounts in different banks and their buying rates are not considerately different, a buying rate of any bank may be chosen as the basis for re-valuation.

- The monetary gold shall be re-evaluated according to the buying prices on the domestic market at the time in which the financial statement is prepared. The prices on the domestic market are prices announced by the State bank. In case the State bank fails to announce gold buying-prices, the buying-prices announced by enterprise entitled to trade in gold as prescribed.

**2. Structure and contents of account 112 – Cash in bank**

**Debit:**

- Deposited VND, foreign currencies or monetary gold;

- Exchange rate differences due to re-evaluation of foreign currency balance at the reporting time (if foreign currency rate rises against VND).

- Positive differences due to re-evaluation of monetary gold at the reporting time.

**Credit:**

- Withdrawn VND, foreign currencies or monetary gold;

- Exchange rate differences due to re-evaluation of foreign currency balance at the end of accounting period (if foreign currency rate falls against VND);

- Negative differences due to re-evaluation of monetary gold at the reporting time.

**Debit balance:**

Actual deposited VND, foreign currencies or monetary gold at the reporting time.

***Account 112 – Cash in bank, comprises 3 sub-accounts:***

- *Account 1121 – VND:* reflecting deposits, withdrawals and balance in the bank in VND.

- *Account 1122 – Foreign currency:* reflecting deposits, withdrawals and balance in the bank in foreign currencies converting into VND.

- *Account 1123 – Monetary gold:* reflecting the fluctuation and value of monetary gold deposited in the bank of the enterprise at the reporting time.

**3. Method of accounting for several major transactions**

3.1. When selling products, goods or providing services for immediate cash using cash in bank, the following accounts shall be recorded as follow:

a) With regard to products, goods, investment property subject to indirect taxes (VAT, special excise duty, import duty, environmental protection tax), the revenues according to the tax-exclusive selling prices shall be recorded as follows (indirect taxes payable must be separated, including VAT payable using subtraction method):

Dr 112 – Cash in bank (total payment)

Cr 511 – Revenues (tax-exclusive prices)

Cr 333 – Taxes and other payables to the State.

b) In case it fails to separate the taxes payable, the accountant shall record the revenue including the taxes payable.

Tax liabilities and the decrease in revenues shall be recorded as follows:

Dr 511 – Revenues

Cr 333 – Taxes and other payables to the State.

3.2. When receiving payments of allowance or subsidy by cash in bank from government budget, the following accounts shall be recorded:

Dr 112 – Cash in bank

Cr 333 – Taxes and other payables to the State (3339).

3.3. When generating financial income or other incomes in cash in bank, the following accounts shall be recorded:

Dr 112 – Cash in bank (total payment)

Cr 515 – Financial income (prices excluding VAT)

Cr 711 – Other incomes (prices excluding VAT)

Cr 3331 – VAT payable (33311).

3.4. When dispatching cash fund to deposit in bank's accounts, the following accounts shall be recorded:

Dr 112 – Cash in bank

Cr 111 - Cash

3.5. When receiving an advance or any customer pays debts using wire transfer, according to the credit note of the bank, the following accounts shall be recorded:

Dr 112 – Cash in bank

Cr 131 – Customers receivable

Cr 113 – Cash in transit

3.6. When recovering amounts receivables, granting loans, making deposits by cash in bank; receiving deposits in cash from other enterprises, the following accounts shall be recorded:

Dr 112 – Cash in bank (1121, 1122)

Cr 128, 131, 136, 141, 244, 344.

3.7. When selling short-term or long-term investment by cash in bank, the difference between collected amount of money and cost price of investment (according to weighted average method) shall be recorded to financial income or financial expenses as follows:

Dr 112 – Cash in bank (1121, 1122)

Dr 635 - Financial expenses

Cr 121 - Trading securities (cost price)

Cr 221, 222, 228 (cost price)

Cr 515 – Financial income.

3.8. When receiving stakes in cash of owners, the following accounts shall be recorded:

Dr 112 – Cash in bank

Cr 411 – Owner's invested equity.

3.9. When receiving money of contracting parties of Business Cooperation Contract (BCC) without establishment of legal entity to cover general operation, the following accounts shall be recorded:

Dr 112 – Cash in bank

Cr 338 – Others payable.

3.10. When withdrawing cash in bank to pay in cash fund then crediting to bank’s accounts or depositing, the following accounts shall be recorded:

Cr 111 - Cash

Dr 244 - Pledge, mortgage, deposits.

Cr 112 – Cash in bank.

3.11. When buying securities, granting loans or investing in subsidiary companies or joint-venture companies by cash in bank, the following accounts shall be recorded:

Dr 121, 128, 221, 222, 228

Cr 112 – Cash in bank.

3.12. When buying inventory (using regularly declared method), buying fixed assets, spending on capital investment by cash in bank, the following accounts shall be recorded:

- If input VAT is eligible for deduction, the buying price excluding VAT shall be recorded as follows:

Dr 151, 152, 153, 156, 157, 211, 213, 241

Dr 133 – Deductible VAT (1331)

Cr 112 – Cash in bank.

- If input VAT is not eligible for deduction, the buying price including VAT shall be recorded as follow:

3.13. When buying inventory by cash in bank (using periodically declared method), if input VAT is eligible for deduction, the following accounts shall be recorded:

Dr 611 – Good purchases (6111, 6112)

Dr 133 – Deductible VAT (1331)

Cr 112 – Cash in bank.

If input VAT is not eligible for deduction, the buying price including VAT shall be recorded.

3.14. When buying raw materials immediately used in business by cash in bank, if input VAT is eligible for deduction, the following accounts shall be recorded:

Dr 621, 623, 627, 641, 642, etc.

Dr 133 – Deductible VAT (1331)

Cr 112 – Cash in bank.

If input VAT is not eligible for deduction, the cost including VAT shall be recorded.

3.15. When paying amounts payable, the following accounts shall be recorded:

Dr 331, 333, 334, 335, 336, 338, 341

Cr 112 – Cash in bank.

3.14. When paying financial expenses or other expenses, the following accounts shall be recorded:

Dr 635, 811, etc.

Dr 133 – Deductible VAT (if any)

Cr 112 – Cash in bank.

3.17. When paying stakes or dividends or profits to contributing partners, paying welfare fund by cash in bank, the following accounts shall be recorded:

Dr 411 - Owner's equity.

Dr 421 - Unallocated post-tax profits

Dr 353 - Welfare fund

Cr 112 – Cash in bank.

3.18. When paying commercial discounts, sales rebates or sales returns accounts, the following accounts shall be recorded:

Dr 521 – Revenue deductions

Dr 3331- – VAT payable (33311).

Cr 112 – Cash in bank.

3.19. Accounting contract of resale of Government bonds: in accordance with Account 171 – Trading in Government bonds.

3.20. Foreign currency related-transactions: the accounting methods applying to foreign currency-related transactions by cash in bank shall be carried out similarly to those in cash (refer to account 111).

3.21. Accounting for re-evaluation of monetary gold

- If the re-evaluation price of monetary gold generates profits, the following accounts shall be recorded:

Dr 1123 – Monetary gold (according to domestic buying prices)

Cr 515 – Financial income.

- If the re-evaluation price of monetary gold generates losses, the following accounts shall be recorded:

Dr 635 - Financial expenses

Cr 1123 – Monetary gold (according to domestic buying prices).

**Article 14. Account 113 – Cash in transit**

**1. Rules for accounting**

This account shall be used to record amounts of money which an enterprise paid to the State bank, the State Treasury, or transferred by post to a bank, but no credit note or confirmation of payment to other enterprises has been received; or the enterprise made wire transfer from their bank account to other enterprises, but no debit note or bank statement has been received.

Cash in transit includes VND and foreign currencies which are transited in following cases:

- Collecting cash or checks then paying directly in a bank;

- Making postal remittance in order to pay other enterprises;

- Collecting revenues from good sales then transferring to Treasuries to pay taxes (payment collected from purchaser shall be transferred to State Treasury by the enterprise).

**2. Structure and contents of account 113 – Cash in transit**

**Debit:**

- Cash or checks in VND, or foreign currencies which are paid to a bank or transferred to a bank by post, but the credit note has not been received;

- Exchange rate differences due to re-evaluation of foreign currency balance at the reporting time.

**Credit:**

- The amounts of money transferred to account 112 – Cash in bank, or relevant accounts;

- Exchange rate differences due to re-evaluation of foreign currency balance at the reporting time.

**Debit balance:**

The amounts of money in transit at the reporting time.

***Account 113 – Cash in transit, comprises 2 sub-accounts:***

*- Account 1131 – amounts in VND: recording amounts in VND in transit.*

*- Account 1132 – Foreign currencies:* recording foreign currencies in transit.

**3. Accounting methods for several major transactions:**

a) When collecting money from good sales or customers' debts or other incomes in cash or check then transferring to the bank (not via the fund), but the credit note of bank has been received, the following accounts shall be recorded:

Dr 113 – Cash in transit (1131, 1132)

Cr 131 – Customers receivable (of customers' debts)

Cr 511 – Revenues

Cr 515 – Financial income.

Cr 711 – Other incomes

Cr 3331 – VAT payable (33311) (if any).

b) When dispatching cash fund to deposit in bank's accounts but the credit note of bank has not been received, the following accounts shall be recorded:

Dr 113 – Cash in transit (1131, 1132)

Cr 111 – Cash (1111, 1112).

c) Completing wire transfer from bank's accounts to pay creditors, but the debit note of the bank has not been received; the following accounts shall be recorded:

Dr 113 – Cash in transit (1131, 1132)

Cr 112 – Cash in bank (1121, 1122).

d) When a customer pays an advance of good purchase in check, the enterprise has paid check to a bank, but the credit note of bank has not been received, the following accounts shall be recorded:

Dr 113 – Cash in transit (1131, 1132)

Cr 131 – Customers receivable.

dd) When the cash in transit has been credited in the deposit account of the enterprise and the credit note is received; the following accounts shall be recorded:

Dr 112 – Cash in bank (1121, 1122)

Cr 113 – Cash in transit (1131, 1132).

e) When the cash in transit has been transferred to sellers or service provider and the debit not is received, the following accounts shall be recorded:

Dr 331 – Trade payables

Cr 113 – Cash in transit (1131, 1132).

g) The re-evaluation of foreign currency balance in transit shall be carried out similarly to foreign currency balance in cash (refer to account 111)

**Article 15. Account 121 - Trading securities**

**1. Rules for accounting**

a) This account is used to record the sales, purchases and payments of securities as prescribed which are held for business purposes (including over-12-month matured securities which are traded for profits). Trading securities include:

- Shares, bonds listed on securities market;

- Securities and other financial instruments.

This account is not used to record the held to maturity investment, such as: loans under agreements, cash in bank, bonds, commercial papers, treasury bills, exchange bills,…held to maturity date.

b) Trading securities must be recorded in the ledger according to original prices: buying prices plus (+) buying costs (if any) (brokerage, transactions, information provision, taxes, bank's fees and charges. The basis price of trading securities shall be determined according to fair value of payments at the time in which the transaction takes place the trading securities shall be recorded when the investors acquire ownership, in particular:

- Listed securities are recorded at the time of matching (T+0);

- Unlisted securities are recorded at the time in which the ownership is acquired as prescribed in regulations of law.

c) At the end of the fiscal year, if the market prices of trading securities devalue against their original prices, the provisions for devaluation shall be made.

d) The enterprise must record incomes from investment in trading securities sufficiently and promptly. The dividends paid in the period before investment date shall be recorded as a decrease in value of investment. When the investor receives additional shares without paying money to joint-stock companies using share premium, the funds belong to owners' equity and unallocated post-tax profits (dividends are allocated by shares) to issue additional shares, the investor only observes the quantity of additional shares according to the presentation of financial statement, not records the received share value, not records financial income and not records the investment value in joint-stock companies.

With regard to enterprises whose charter capital is wholly held by the state, the accounting for dividends allocated by shares shall comply with regulations on wholly-state-owned enterprises.

dd) Before any share is exchanged, its value must be determined according to fair value on the exchanging date. The determination of fair value of shares shall comply with regulations below:

- Regarding shares of listed companies, fair value of their shares are closing prices listed on the securities market on the exchange date. In case the securities market closes transaction on the exchange date, the fair value of shares is closing prices of the session preceding the exchange date.

- Regarding unlisted shares permitted to transact on the UPCOM, the fair value of shares are closing prices of UPCOM on the exchange date. In case the UPCOM closes transactions on the exchange date, the fair value of shares is closing prices of the session preceding the exchange date.

- With regard to other unlisted shares, the fair value of shares is prices dealt by contracting parties or book value at the exchange date.

e) The accountant must keep records of every type of trading securities holding by the enterprise in details (according to every security; every entity, face value, actual buying price or every type of currency used for investment, etc).

g) When liquidating or transferring trading securities (according to every type of security), the cost price shall be determined according to mobile weighted average method (weighted average for every purchase).

**2. Structure and contents of account 121 – Trading securities**

**Debit:** Trading security buying-value.

**Credit:** trading security selling-value.

**Debit balance:** Trading security value at the reporting time.

***Account 121 - Trading securities, comprises 3 sub-accounts:***

- *Account 1211 – Shares:* recording the purchases or sales of shares for profits.

- *Account 1212 – Bonds:* recording the purchases, sales and payments of bonds for profits.

- *Account 1218 – Securities and other financial instruments:* recording the purchases or sales of securities and other financial instruments as prescribed for profits, such as fund certificates, stock options, warrants, call options, put options, futures contracts, commercial papers, etc. This account also records the purchases or sales of other valuable papers including commercial papers or bill of exchange for profits.

**3. Accounting methods for several major transactions:**

a) When buying trading securities, according to buying costs (buying prices plus (+) costs of brokerage, transaction, information, bank fees or charges, etc), the following accounts shall be recorded:

Dr 121 – Trading securities

Cr 111, 112, 331

Cr 141 - Advance

Cr 244 - Pledge, mortgage, deposits.

b) When collecting interests of bonds and other securities periodically:

- If the received interests are used for purchases of additional bonds or treasury bills, the following accounts shall be recorded:

Dr 121 – Trading securities

Cr 515 – Financial income.

- When receiving interests in cash, the following accounts shall be recorded:

Dr 111, 112, 138, etc.

Cr 515 – Financial income.

- When receive investment interests including the investment interests accrued before re-buy that investment, that interests must be allocated. Only the interests of periods in which the enterprise buys that investment shall be recorded to financial income; the interests accrued before the enterprise re-buys that investments shall be recorded to as a decrease in value of such investment as follows:

Dr 111, 112, 138, etc (total collected interests)

Cr 121 – Trading securities (interests accrued before the enterprise re-buys the investment)

Cr 515 – Financial income (interests after the enterprise buys the investment).

c) Accounting for dividends or divided profits:

- If the dividends are received after the investment date, the following accounts shall be recorded:

Dr 111, 112, etc.

Dr 138 – Others receivable (deferred payments)

Cr 515 – Financial income.

- If the dividends are received before the investment date, the following accounts shall be recorded:

Dr 111, 112, 138, etc (total collected interests)

Cr 121 – Trading securities (interests accrued before the enterprise re-buys the investment)

- When receiving dividends or profits used for recording of increase in state capital, they shall not be recorded to financial income, but they shall be recorded to devaluation of financial investment, the following accounts shall be recorded:

Dr 112, 138

Cr 121 – Trading securities.

d) When transferring trading securities, according to securities sale prices:

- If the profits generate, the following accounts shall be recorded:

Dr 111, 112, 131, etc (total payment price)

Cr 121 - Trading securities (weight average cost price)

Cr 515 – Financial income. (Positive difference between the buying price and the cost price).

- If the losses generate, the following accounts shall be recorded:

Dr 111, 112, 131, (total payment prices)

Dr 635 – Financial income. (negative difference between the buying price and the cost price).

Cr 121 - Trading securities (weight average cost price)

- Expenditures on security sales, the following accounts shall be recorded:

Dr 635 - Financial expenses

Cr 111, 112, 331, etc.

dd) When withdrawing or paying matured trading securities, the following accounts shall be recorded:

Dr 111, 112, 131

Cr 121 – Trading securities.

Cr 515 – Financial income.

e) If the enterprise transfers the trading securities in the form of share exchange, the enterprise must determine the fair value of shares received at the exchange time. The difference (if any) between fair value of shares received and book value of shares used for exchange shall be recorded to financial income (in case of profits) or financial expenses (in case of losses).

- If the share exchange generates profits, the following accounts shall be recorded:

Dr 121 – Trading securities (fair value of shares received)

Cr 121 - Trading securities (book value of shares used for exchange according to weight average method)

Cr 515 - Financial income (positive difference between the fair value of shares received and the book value of shares used for exchange)

- If the share exchange generates losses, the following accounts shall be recorded:

Dr 121 – Trading securities (fair value of shares received)

Dr 635 - Financial income (negative difference between the fair value of shares received and the book value of shares used for exchange)

Cr 121 - Trading securities (book value of shares used for exchange according to weight average method)

g) When re-evaluating balance of securities in conformity with definition of accounts derived from foreign currencies (bonds, commercial papers in foreign currencies, etc).

- If the profits generate, the following accounts shall be recorded:

Dr 121 – Trading securities (1212, 1218)

Cr 413 - Exchange rate differences.

- If the losses generate, the following accounts shall be recorded:

Dr 413 - Exchange rate differences.

Cr 121 – Trading securities (1212, 1218).

**Article 16. Account 128 – Held to maturity investments**

**1. Rules for accounting**

a) This account is used to record current amounts and increases and decreases in held to maturity investments (other than trading securities), such as: term deposits (including treasury bills, promissory notes), bonds, preference shares which the issuer is required to re-buy them in a certain time in the future and held to maturity loans to earn profits periodically and other held to maturity investments.

This account shall not record bonds and debt securities held for sales (recorded to account 121 – Trading securities)

b) The accountant must keep records of every held to maturity investment in details according to every term, entity, type of currency or quantity, etc. When preparing financial statements, the accountant shall base on remaining term (under 12 months or 12 months and longer from the reporting time) to record those to short-term accounts or long-term accounts.

c) The enterprise must record deposit interests, loan interests, profits or losses on liquidation or transfer of held to maturity investments to financial income sufficiently and promptly.

d) With regard to held to maturity investments, if it fails to make provisions for doubtful debts as prescribed, the accountant must evaluate the recovery. If it is evident that a part or all of investment is unable to recover, the accountant shall record the losses to financial expenses within the fiscal year. In case it is unreliable to determine the losses, the accountant is entitled not to record them to revaluation of investment, but the recovery of investment must be reported on the financial statements.

dd) When the financial statement is prepared, the accountant must re-evaluate investment classified as accounts derived from foreign currencies according to actual exchange rates at the end of the accounting period:

- Exchange rates applying to deposits in foreign currencies are buying-exchange rates of the bank where the enterprise opens its deposit account;

- Exchange rates applying to other held to maturity investments are buying-exchange rates of the bank where the enterprise regularly enters into transactions (chosen by the enterprise).

**2. Structure and contents of account 128 – Held to maturity investments**

**Debit:**

Value of held to maturity investments increases.

**Credit:**

Value of held to maturity investments decreases.

**Debit balance:**

Value of current held to maturity investments at the reporting time.

***Account 128 – Held to maturity investments comprises 3 sub-accounts:***

- *Account 1281 - Term deposits:* recording the increases, decreases and balance of term deposits.

- *Account 1282 - Bonds:* recording the increases, decreases and balance of bonds which it intends to hold till maturity.

- *Account 1283 – Loans:* recording the increases, decreases and balance of loans under agreements which are not transacted on the market similarly to securities. According to every contract, loans under agreements may be recovered fully on the maturity date or recovered periodically.

- *Account 1288 – Other held to maturity investments: recording the increases, decreases and balance of other held to maturity investments (other than bank deposits, bonds and loans), such as preference shares* which the issuer is required to re-buy them in a certain time in the future*, commercial papers.*

**3. Accounting methods for several major transactions:**

3.1. When making term deposits, granting loans, buying held to maturity investments, the following accounts shall be recorded:

Dr 128 – Held to maturity investments

Cr 111, 112.

3.2. When collecting deposit interests, bond interests or loan interests periodically, the following accounts shall be recorded:

Dr 138 - Other receivables (1388)

Cr 128 – Held to maturity investments (interest included in principal)

Cr 515 - Financial income.

3.3. When recovering held to maturity investments, the following accounts shall be recorded:

Dr 111, 112, 131, 152, 156, 211, etc (according to fair value)

Dr 635 - Financial expenses (in case of losses)

Cr 128 – Held to maturity investments (book value)

Cr 515 - Financial income (in case of profits).

3.4. When investing held to maturity investments in subsidiary companies, joint-venture companies, the following accounts shall be recorded:

Dr 221, 222 (according to fair value)

Dr 635 - Financial expenses (in case of losses)

Cr 128 – Held to maturity investments (book value)

Cr relevant accounts (if the additional investment is required)

Cr 515 - Financial income (in case of profits).

3.5. Accounting for transactions of held to maturity bonds:

a) Buying bonds and receiving interests in advance:

- When buying bonds and receiving interests in advance, the following accounts shall be recorded:

Dr 128 – Held to maturity investments (1282)

Cr 111, 112, etc (actual amounts of money)

Cr 3387 – Unearned revenues (interests received in advance).

- When calculating and transferring interests of tax period according to interests receivable periodically, the following accounts shall be recorded:

Dr 3387 - Unearned revenues

Cr 515 - Financial income.

- When recovering original prices of bonds on the maturity date, the following accounts shall be recorded:

Cr 111, 112, etc.

Cr 128 – Held to maturity investments (1282).

b) Buying bonds and receiving interests periodically:

- When buying bonds, the following accounts shall be recorded:

Dr 128 – Held to maturity investments (1282)

Cr 111, 112, etc.

- When receiving bond interests periodically, the following accounts shall be recorded:

Dr 111, 112, 138, etc.

Cr 515 - Financial income.

- When recovering original prices of bonds on the maturity date, the following accounts shall be recorded:

Cr 111, 112, etc.

Cr 128 – Held to maturity investments (1282).

c) Buying bonds and receiving deferred interests:

- When buying bonds, the following accounts shall be recorded:

Dr 128 – Held to maturity investments (1282)

Cr 111, 112, etc.

- When calculating interests and recording revenues according to the interests receivable periodically, the following accounts shall be recorded:

Dr 138 - Other receivables (1388)

Cr 515 - Financial income.

- When recovering principal and interests of bonds on the maturity date, the following accounts shall be recorded:

Cr 111, 112, etc.

Cr 128 – Held to maturity investments (1282).

Cr 138 - Other receivables (1388) (interests of previous tax period)

Cr 515 - Financial income (regarding interests on maturity date).

3.6. Accounting for losses due to failure of recovery of held to maturity investments which are not made provisions for doubtful debts;

If it is evident that a part or all of investment are unable to recover (the issuer is insolvent or goes into bankruptcy. If the losses are determined reliably, the negative difference between recoverable value and book value shall be recorded to financial expenses as follows:

Dr 635 - Financial expenses

Cr 128 – Held to maturity investments (1281, 1282, and 1288).

- After recording the losses, if it is evident that the losses are recoverable, the positive difference between recoverable value and book value shall be recorded to financial expenses as follows:

Dr 128 – Held to maturity investments (1281, 1282, and 1288).

Cr 635 - Financial expenses

3.7. When re-evaluating balance of held to maturity investments which are classified accounts derived from foreign currencies, the following accounts shall be recorded:

- In case of profits, the following accounts shall be recorded:

Dr 128 – Held to maturity investments

Cr 413 – Exchange rate differences.

- In case of losses, the following accounts shall be recorded:

Dr 413 – Exchange rate differences.

Cr 128 – Held to maturity investments.

**Article 17. Rules for accounting for receivables**

1. The receivables shall be kept records in details according to period receivables, entities receivables, types of currency receivable and other factors according to requirements for management.

2. The amounts receivable shall be classified into trade receivables, intra-company receivables, and other receivables following rules below:

a) Trade receivables include commercial receivables generating from purchase-sale related transactions, such as: receivables from sales, services, liquidation or transfer of assets (fixed assets, investment property, and financial investments) between enterprises and buyers (independent unit against buyers, including receivables between parent companies and subsidiary companies or joint-venture companies). Those receivables include receivables from sale of exported goods given by the trustor through the trustee;

b) Intra-company receivables include receivables between superior organizations and affiliated organizations having no legal status and dependent cost-accounting.

c) Other receivables include non-commercial or non-trading receivables, such as:

- Receivables generating financial income, such as: receivables from loan interests, deposit interests, dividends and divided profits;

- Payment on behalf of a third party eligible for recovery; receivables on behalf of the trustor which are collected by the trustee

- Non-commercial receivables include borrowed assets, fine receivables, compensation, assets in shortage awaiting resolution, etc.

3. When preparing financial statements, the receivables shall be classified into short-term receivables or long-term receivables according to their remaining terms. Receivables items of balance sheet may include amounts recorded to other than receivables, such as: loans recorded to account 1283; deposits recorded to account 244, advance recorded to account 141, etc. The provisions for doubtful debts shall be determined according to the items which are classified into short-term receivables and long-term receivables of the balance sheet.

4. The receivables conformable to definition of accounts derived from foreign currencies (refer to account 413 – Exchange rate differences) must be re-evaluated at the closing tax period when preparing financial statements.

**Article 18. Account 131 – Trade receivables**

**1. Rules for accounting**

a) This account is used to record receivables and payments of receivables of customers from goods, investment properties, fixed assets, financial investment or services. This account is also used to record receivables from contractors and contract awarder related to finished infrastructure development. This account is not used to record immediate cash.

b) The customer receivables must be recorded specifically to every entity, every receivables item and monitor the recovery terms (above 12 months or not exceeding 12 months from the reporting time) and keep record for every payment. Receivable entities are customers entering into transactions in purchase of goods, provisions of services, including fixed assets, investment property or other financial investments with the enterprise.

c) The export trustor shall record receivables for sale of exported goods from export trustee to above account similarly to normal transactions in sales or services.

d) When recording this account, the debts shall be classified into coverable debts, doubtful debts or bad debts to determine provisions for doubtful debts or solutions for bad debts.

dd) If the goods, investment property or services are provided unconformity with agreements between the enterprise and customers, the customers may request the enterprise to discount the goods or they may return the received goods.

e) The enterprise must monitor debts receivable of customers according to every currency. Receivables in foreign currencies shall follow rules below:

- When trade receivables generate (Dr 131), those receivables shall be converted into VND according to actual exchange rates at the generating time (buying rates of the commercial bank where the customers repays the debts). With regard to the advance received from the buyers, when criteria for recognition of revenues are met, the Dr 131 shall apply the specific identification bookkeeping rate.

- When recover trade receivables (Cr 131), the accountant must convert them into VND according to actual bookkeeping rate for every type of debtors (if the debtors enter into multiple transactions, the actual bookkeeping rate shall equal weight average rate applying to those transactions). With regard to advance received from buyers, the Cr 131 shall apply actual exchange rates (the rate recorded to the Debit account - Cash) at the receiving time;

- The enterprise must re-evaluate trade receivables derived from foreign currencies at the times in which the financial statements are prepared as prescribed. The actual exchange rates applying to revaluation of trade receivables are foreign currency-buying rates of the commercial bank where the customers make payment, which is appointed by the enterprise when preparing financial statements. In case the enterprise has multiple receivables and enters into transactions in the multiple banks, they may choose the buying rate of any bank of those commercial banks. Units in a group shall apply a common rate defined by the parent company (provided that it closes to the actual exchange rates) to re-evaluate trade receivables derived from foreign currencies arising from transactions of internal group.

**2. Structure and contents of account 131 – Trade receivables**

**Debit:**

- Trade receivables generating within a tax period from sale of goods, investment property, fixed assets, services or financial investments;

- Extra cash payable to customers.

- Revaluation of receivables in foreign currencies (if the foreign currency rates rise against VND).

**Credit:**

- Customers' repayment;

- Advances received from customers.

- Discounts offered to customers after customers receive goods and lodge complaints;

- Sales of returned goods (with or without VAT).

- Amount of payment discounts and trade discounts offered to buyers.

- Revaluation of receivables in foreign currencies (if the foreign currency rates fall against VND).

**Debit balance:**

Remaining trade receivables.

This account may have credit balance Credit balance records amounts of advance or collected amounts which are larger than trade receivables according to every specific entity. When preparing balance sheet, it is required to record specific balance according to every receivable of this account to items "Asset" and "Equity".

**3. Accounting methods for several major transactions:**

3.1. When selling goods or providing services without collecting immediate cash (including receivables from sales of exported goods of trustors), the following accounts shall be recorded:

a) Regarding goods, services, investment property subject to VAT, Special excise duty, import tax or environment protection tax, the revenues from goods and services without taxes shall be recorded as follows (above indirect taxes must be separated when recording, including VAT payable using subtraction method):

Dr 131 – Trade receivables (total payment)

Cr 511 - Revenues (tax-exclusive prices)

Cr 333 – Taxes and other payables to the State.

b) In case it fails to separate the taxes payable, the taxes payable must be included in the revenues. Tax liabilities and the decrease in revenues shall be recorded as follows:

Dr 511 – Revenues

Cr 333 – Taxes and other payables to the State.

3.2. Accounting for returned goods.

Dr 5213 – Returned goods (prices without taxes)

Dr 333 – Taxes and other payables to the State (VAT of returned goods, clarifying each type of taxes)

Cr 131 – Trade receivables.

3.3. Accounting for trade discounts and sales rebates

a) In case the amounts of trade discounts or sales rebates are stated in the invoices, the prices excluding above discounts (recording according to net revenues) and amounts of trade discounts or sales rebates shall not be separately recorded;

b) In case the amounts of trade discounts or sales rebates are not stated in the invoices because the customers are not eligible for those discounts, the revenues shall be recorded the prices including discounts (gross revenues) After recording revenues, if the customers are eligible for above discounts, these discounts shall be recorded separately so that a decrease in revenue shall be recorded periodically as follows:

Dr 521 – Revenue deductions (5211, 5212) (tax-exclusive prices)

Dr 333 – Taxes and other payables to the State (VAT of trade discounts or sales rebates)

Cr 131 – Trade receivables (total amounts of discounts).

3.4. The payment discounts payable to the buyers, excluding debts receivables, the following accounts shall be recorded:

Dr 111 - Cash

Dr 112 – Cash in bank

Dr 635 - Financial expenses (amounts of payment discounts)

Cr 131 – Trade receivables.

3.5. When receiving payment of customers (including interests of debts – if any) or receiving advance of customers according to agreements on sale of goods or provision of services, the following accounts shall be recorded:

Dr 111, 112, etc.

Cr 131 – Trade receivables.

Cr 515 - Financial income (profits).

When receiving advance in foreign currencies, the Cr 131 shall apply actual exchange rates at the receiving time (buying rates of the bank)

3.6. Method of accounting for contractor's receivables from customers related to construction contract:

a) In case the contractor may make payment following the schedule under the construction contract:

- If the result of performance of construction contract is estimated reliably, the following accounts shall be recorded according to documents on revenues in proportion to finished work (other than invoices) determined by the contractor:

Dr 337 – Payment under schedule of construction contract

Cr 511 – Revenues.

- According to the invoices issued following the schedule, the amounts which are paid by customers shall be recorded as follows:

Cr 131 – Trade receivables.

Dr 337 – Payment under schedule of construction contract

Cr 3331 – VAT payable (33311).

b) In case the construction contract regulates that the contractor shall be paid according to their workload, when the result of performance of construction contract is determined reliably and certified by customers, the finished work must be stated in the invoices and certified, the following accounts shall be recorded:

Cr 131 – Trade receivables.

Cr 511 – Revenues.

Cr 3331 – VAT payable (33311).

c) When collecting the bonus paid to the contractor by customer because the performance of construction contract reaches or overshoots the specific targets mentioned in the contract, the following accounts shall be recorded:

Dr 131- – Trade receivables.

Cr 511 – Revenues.

Cr 3331 – VAT payable (33311).

d) When collecting the compensation paid by customers or other contracting parties to cover the costs not including in the value of contract (the delay or mistakes of customers and disputes about changes in contract performance), the following accounts shall be recorded:

Cr 131 – Trade receivables.

Cr 511 – Revenues.

Cr 3331 – VAT payable (33311).

dd) When collecting payment for finished works or advance from customers, the following accounts shall be recorded:

Cr 111, 112, etc.

Cr 131 – Trade receivables.

3.7. In case the customer makes payment in goods instead of cash (in the form of barter), according to the value of materials or exchanged goods (according to fair value stated in the VAT invoice or sales invoice of customers) which is deducted from customers' debt receivables, and the following accounts shall be recorded:

Dr 152 - Materials

Dr 153 - Tools

Dr 156 - Goods

Dr 611 – Good purchases (inventory accounted by periodical verification method)

Dr 133 – Deductible VAT (if any)

Cr 131 – Trade receivables.

3.8. When eliminating doubtful debts unable to recover according to the report on debt relief, the following accounts shall be recorded:

Dr 229 – Provision for asset losses (2293) (amounts of provision)

Dr 642 – Enterprise administrative expenses (amounts of non-provision)

Cr 131 – Trade receivables.

3.9. When collecting entrustment fees from the export/import trustees, the following accounts shall be recorded:

Cr 131 – Trade receivables.

Cr 511 – Revenues (5113)

Cr 3331 – VAT payable (33311).

3.10. When preparing financial statements, the outstanding debt in foreign currencies of customers shall be evaluated according to actual exchange rates at the time in which the financial statements are prepared:

- If the foreign currency rates rise against VND rates, the following accounts shall be recorded:

Cr 131 – Trade receivables.

Cr 413 – Exchange rate differences (4131).

- If the foreign currency rates fall against VND rates, the following accounts shall be recorded:

Dr 413 – Exchange rate differences (4131).

Cr 131 – Trade receivables.

**Article 19. Account 133 – Deductible VAT**

**1. Rules for accounting**

a) This account is used to record input VAT which are deductible, deducted and shall be deducted of the enterprise.

b) The deductible input VAT and non-deductible input VAT must be recorded separately. In case they fail to be recorded separately, the input VAT shall be recorded to account 133. At the end of the tax period, the deductible input VAT and non-deductible input VAT shall be determined in accordance with regulations of law on VAT.

c) The non-deductible input VAT shall be recorded to value of assets, costs of goods sold or production or operation costs according to specific cases.

d) The input VAT eligible for deduction, declaration or tax payment shall be determined in accordance with regulations of law on VAT.

**2. Structure and contents of account 133 – Deductible VAT**

**Debit:**

Deductible VAT.

**Credit:**

- Deducted VAT.

- Transfer of non-deductible input VAT.

- Input VAT of goods which are returned or offered discounts;

- Refunded input VAT.

**Debit balance:**

Remaining deductible input VAT, refundable input VAT which has not been refunded by government budget.

***Account 133 – Deductible VAT, comprises 2 sub-accounts:***

*- Account 1331 – Deductible VAT of goods or services: recording deductible input VAT of materials, goods or services bought to used in production of goods or provision of services subject to VAT using credit-invoice method.*

*- Account 1332 – Deductible VAT of fixed assets: recording deductible input VAT of fixed assets bought to use in production of goods or provision of services subject to VAT using credit-invoice method, or of the purchase of investment property.*

**3. Accounting methods for several major transactions:**

3.1. When buying inventory, fixed assets, investment property, if the input VAT is deductible, the following accounts shall be recorded:

Dr 152, 153, 156, 211, 213, 217, 611 (prices excluding VAT)

Dr 133 – Deductible VAT (1331, 1332)

Cr 111, 112, 331, etc. (total payment).

3.2. When buying materials, goods or tools, if the input VAT is deductible, the following accounts shall be recorded:

Dr 621, 623, 627, 641, 642, 241, 241, etc. (VAT-exclusive prices)

Dr 133 – Deductible VAT (1331)

Cr 111, 112, 331, etc. (total payment).

3.3. When buying goods and buying them to customers immediately (without inventory), if the input VAT is deductible, the following accounts shall be recorded:

Dr 632 – Costs of goods sold (prices not excluding VAT)

Dr 133 – Deductible VAT (1331)

Cr 111, 112, 331, etc. (total payment).

3.4. When importing materials, goods, fixed assets:

- Accounting for value of import materials, goods or fixed assets including total amount payable to sellers (according to actual exchange rates), import tax, special excise duty, environment protection tax payable (if any), transport expenses, the following accounts shall be recorded:

Dr 152, 153, 156, 211, etc.

Cr 331 – Trade payables

Cr 3331 – VAT payable (33312) (if the input VAT of imported goods are not deductible)

Cr 3332 - Special excise duty.

Cr 3333 – Export or import tax (specific import tax)

Cr 33381 - Environment protection tax

Cr 111, 112, etc.

- If the input VAT of imported goods is not deductible, the following accounts shall be recorded:

Dr 133 – Deductible VAT (1331, 1332)

Cr 333 – Taxes and other payables to the State (33312).

3.5. With regard to returned goods or goods offering discounts due to their degradation: According to documents on sales returns and relevant documents, the value of returned goods or purchased goods eligible for sales rebate and the non-deductible input VAT) shall be recorded as follows:

Dr 111, 112, 331 (total payment).

Cr 133 – Deductible VAT (input VAT of returned goods or discounted goods)

Cr 152, 153, 156, 211, etc. (prices not excluding VAT).

3.6. With regard to deductible input VAT unable to record separately:

a) When buying materials, goods or fixed assets, the following accounts shall be recorded:

Dr 152, 153, 156, 211, 213 (prices excluding VAT)

Dr 133 – Deductible VAT (input VAT)

Cr 111, 112, 331, etc.

b) At the end of the tax period, the deductible input VAT and non-deductible input VAT shall be determined in accordance with regulations of law on VAT. The non-deductible input VAT shall be recorded to costs of goods sold in the accounting period, the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 133 – Deductible VAT (1331)

3.7. With regard to input materials, goods or fixed assets which are damaged by natural disasters, conflagration, lost and covered by an organization or individual, if the input VAT of those goods are not deductible:

- If it fails to uncover the reason for damages, the following accounts shall be recorded:

Dr 138 - Other receivables (1381)

Cr 133 – Deductible VAT (1331, 1332)

- If there is decision on compensation issued by the competent agency, the following accounts shall be recorded:

Cr 111, 334, etc. (amounts of compensation)

Dr 632 – Costs of goods sold (if they are recorded to costs)

Cr 138 - Other receivables (1381)

Cr 133 – Deductible VAT (if the reasons are uncovered and there is a resolution decision)

3.8. At the end of the month, when determining the VAT payable in the tax period by deducting the deductible input VAT from output VAT, the following accounts shall be recorded:

Dr 3331 – VAT payable (33311).

Cr 133 – Deductible VAT.

3.9. When the input VAT of goods or services are refunded, the following accounts shall be recorded:

Dr 111, 112, etc.

Cr 133 – Deductible VAT (1331)

**Article 20. Account 136 – Intra-company receivables**

**1. Rules for accounting**

a) This account is used to record receivables and payments of receivables between the parent company and affiliated units or between affiliated units. The affiliated units are dependent accounting units which have no legal status, but they have accounting divisions, such as branches, plants, or project management board, etc.

b) The transactions between the enterprise and dependent accounting units (members, plants) which have legal status shall not be recorded in this account, but they shall be recorded similarly to subsidiaries.

c) Content of intra-company receivables recorded to account 136:

- In the superior enterprise:

+ Capital, funds or funding allocated to affiliated units;

+ Amounts payable to superior enterprise by affiliated units as prescribed;

+ Amounts collected by affiliated units;

+ Amounts of expenses paid on behalf of affiliated units;

+ Amounts allocated to affiliated units to perform internal fixed works and receive value of fixed works

+ Other current receivables.

- In the dependent accounting units:

+ Amounts allocated by the superior enterprise which have not been received;

+ Value of goods or services transferred to superior enterprise or other affiliated units for sale; revenues from goods or services provided for the affiliated units;

+ Amounts collected by superior enterprise or other affiliated units;

+ Amounts paid for superior enterprise or other affiliated units;

+ Other current receivables.

d) Account 136 must be kept records of every inferior unit in details and every intra-company receivables must be separately monitored. The enterprise must take measure for intra-company receivables within the tax period.

dd) At the end of tax period, it is required to collate and certify incurred amounts or balance of account 136 "Intra-company receivables", account 336 "Intra-company receivables" with affiliated units in the payment relationship must be verified, collated and certified. Offsetting for every account of each subsidiary in relationship, and offsetting account 136 "Intra-company receivables" against 336 "Internal payable" (for every entity). When comparing, if there is any difference, it is required to uncover reasons and adjust promptly.

**2. Structure and contents of account 136 – Intra-company receivables**

**Debit:**

- Operating capital provided for affiliated units;

- Funding allocated to project management board by investor; other amounts shall be recorded as increases in receivables of investor from project management board;

- Amounts paid on behalf of superior enterprise or other affiliated units;

- Amounts receivables collected by superior enterprise or amounts payable made by affiliated units;

- Amounts receivables collected by affiliated units, amounts payable provided by superior enterprise;

- Amounts receivables of goods or services between affiliated units.

- Other intra-company receivables.

**Credit:**

- Capital or fund recovery of affiliated units;

- Settlement of public funding allocated and used by affiliated units;

- Value of finished fixed assets transferred from project management board; other amounts shall be recorded as decreases in receivables of investor from project management board;

- Collected amounts of intra-company receivables.

- Offsetting intra-company receivables against intra-company payables of an entity.

**Debit balance:** Outstanding receivables from subsidiaries.

***Account 136 – Intra-company receivables, comprises 4 sub-accounts:***

- *Account 1361 – Operating capital provided for affiliated units:* This account is only opened by the superior enterprise to record current business capital of dependent accounting units allocated by the superior enterprise.

This account does not record capital which a parent company invests in their subsidiaries or capital which the enterprise invests in dependent accounting units having legal status. Above investment shall be recorded to account 221 "Investment in subsidiaries".

- *Account 1362 – Intra-company receivables for exchange differences:* This account is only opened in enterprises which are investors establishing project management boards, used to record exchange differences transferred by the project management board.

- *Account 1363 – Intra-company receivables for cost of loans eligible for capitalization:* This account is only opened in enterprises which are investors establishing project management board, used to record capitalized borrowing costs incurring in project management board.

- *Account 1368 – Other intra-company receivables: recording other receivables between affiliated units.*

**3. Accounting methods for several major transactions:**

***3.1. In dependent accounting units:***

a) When paying on behalf of the superior enterprise and other affiliated units, the following accounts shall be recorded:

Dr 136 - Other receivables (1368)

Cr 111, 112.

b) According to notification of welfare fund allocated by superior enterprise, the following accounts shall be recorded:

Dr 136 - Other receivables (1368)

Cr 353 - Welfare fund.

c) When selling goods or providing services for subsidiaries in the enterprise, according to operation and task delegation in every unit:

- In case the dependent accounting unit is in charge of recording revenues, the following accounts shall be recorded:

Dr 136 - Other receivables (1368)

Cr 511 – Revenues (specific internal sale)

Cr 333 – Taxes and other payables to the State.

Concurrently, the cost prices shall be recorded as follow:

Dr 632 – Costs of goods sold

Cr 154, 155, 156, etc.

- In case the dependent accounting unit is not in charge of recording revenues, value of goods or services provided for subsidiaries shall be recorded to internal receivables:

Dr 136 - Other receivables (1368)

Cr 154, 155, 156

Cr 333 – Taxes and other payables to the State.

dd) When receiving money, materials or assets from superior enterprise or other internal enterprises for amounts receivables, the following accounts shall be recorded:

Dr 111, 112, 152, 153, etc.

Cr 136 - Other receivables (1368).

e) When offsetting intra-company receivables against internal payables of the same entity, the following accounts shall be recorded:

Dr 336 - Other receivables (3368)

Cr 136 - Other receivables (1368).

***3.2. In superior enterprise***

a) When a superior enterprise provides operating capital for inferior dependent accounting units having no legal status:

- If the business capital is in money, the following accounts shall be recorded:

Dr 1361 – Operating capital in affiliated units

Cr 111, 112.

- If the business capital is fixed assets, the following accounts shall be recorded:

Dr 136 - Other receivables (residual value of fixed assets) (1361)

Dr 214 - Depreciation of fixed assets (value of depreciation of fixed assets)

Cr 211 – Tangible fixed assets (cost prices).

b) In case the dependent accounting units receive operating capital directly from government budget according to the authorization of superior enterprise, when the affiliated units receive capital, the superior enterprise shall record as follow:

Dr 136 - Other receivables (1361)

Cr 411 - Owner's invested equity.

c) When the superior enterprise provides public funding or projects to affiliated units, the following accounts shall be recorded:

Dr 136 - Other receivables (1368)

Cr 111, 112, 461, etc.

d) In case the dependent accounting unit is required to refund the business capital to the superior enterprise, when the superior enterprise receives the refund, the following accounts shall be recorded:

Dr 111, 112, etc.

Cr 136 - Other receivables (1361).

dd) According to report on operating capital paid to government budget by the dependent accounting unit under authorization of superior enterprise, the following accounts shall be recorded:

Dr 411 - Owner's invested equity.

Cr 136 - Other receivables (1361).

e) When selling goods or providing services for affiliated units in the enterprise, according to operation and gradation in every unit, the revenue may be recorded either at the time in which the goods or services are transferred to dependent accounting units or at the time in which the dependent accounting units sell goods or services:

- If the revenue is recorded when the goods or services are transferred to dependent accounting units, the following accounts shall be recorded:

Dr 136 - Other receivables (1368)

Cr 511 – Revenues (specific internal sale)

Cr 333 – Taxes and other payables to the State.

- If the revenue is not recorded when the goods or services are transferred to dependent accounting units, the following accounts shall be recorded:

+ When transferring goods or services:

Dr 136 - Other receivables (1368)

Cr 154, 155, 156

Cr 333 – Taxes and other payables to the State (if any).

+ When the dependent accounting unit notifies that it has sold their goods or services to a third party outside the enterprise, the following accounts shall be recorded:

Dr 136 - Other receivables (1368)

Cr 511 – Revenues.

Concurrently, the cost prices shall be recorded as follow:

Dr 632 – Costs of goods sold

Cr 136 - Other receivables (1368).

g) When collecting interest receivables arising from business or other operation of subsidiaries, the following accounts shall be recorded:

Dr 136 - Other receivables (1368)

Cr 421 – Unallocated profits.

h) When paying for dependent accounting units, the following accounts shall be recorded:

Dr 136 - Other receivables (1368)

Cr 111, 112, etc.

I) When receiving the business interests from affiliated units or repayment of amounts paid on behalf of the affiliated units, the following accounts shall be recorded:

Cr 111, 112, etc.

Cr 136 - Other receivables (1368).

k) When offsetting intra-company receivables against internal payable of the same entity, the following accounts shall be recorded:

Dr 336 - Other receivables (3368)

Cr 136 - Other receivables (1368).

***3.3. Accounting pertaining to investors establishing project management board***

a) When an investor issues a decision on allocation of investment capital in money, materials or fixed assets to project management board, the following accounts shall be recorded:

Dr 136 - Other receivables (1361)

Dr 214 - Depreciation of fixed assets

Cr 111, 112, 152

Cr 211 - Tangible fixed assets

b) When project management boards transfer deposit interests from temporarily unused capital, the following accounts shall be recorded:

Dr 136 - Other receivables (1368)

Cr 515 - Financial income.

c) When the investor transfers the capitalized borrowings costs to project management board to the construction costs, the following accounts shall be recorded:

Dr 136 - Other receivables (1363)

Cr 111, 112, 242, 335.

d) When revenues, financial income or other incomes submitted by project management boards are received, the following accounts shall be recorded:

Dr 136 - Other receivables (1361, 1368)

Cr 515, 711.

dd) When project management boards transfer input VAT on purchases of materials, tools, fixed assets or services for project of investment to the investor for deduction, the following accounts shall be recorded:

Dr 133 – Deductible VAT

Cr 136 - Other receivables (1368).

e) When receiving cost prices for services, financial expenses or other expenses transferred by project management boards, the following accounts shall be recorded:

Dr 632, 635, 811, etc.

Cr 136 - Other receivables (1362, 1368).

g) When the project is finished and received, the following accounts shall be recorded:

- When receiving the building work which is settled, the investor shall record the value of the building work to settled price as follows:

Dr 111, 112, 152, 153, 211, 213, 217, 1557

Dr 133 – Deductible VAT (if any)

Cr 136 - Intra-company receivables (1361)

Cr 331, 333, etc. (debts payable, if any).

- When receiving building work which is not settled, the investor shall record the value of the building work to estimated price. When the building work is settled, the value of the building work shall be adjusted to the settled price.

+ If the settled price is greater than the estimated price, the following accounts shall be recorded:

Dr 211, 213, 217, 1557

Cr, relevant accounts.

+ If the settled price is smaller than the estimated price, the following accounts shall be recorded:

Dr, relevant accounts.

Cr 211, 213, 217, 1557.

**Article 21. Account 138 – Other receivables**

**1. Rules for accounting**

This account is used to record debt receivables other than account 131, 136 and payment of debts, containing:

- Value of shortage of assets detected, but the reasons are not uncovered awaiting resolution;

- Material compensation for losses or damage to materials, goods or capital, etc caused by individuals or groups (inside or outside enterprise);

- Non-monetary assets borrowed by other entities (if lending in money, the loan shall be recorded to account 1283);

- Expenditures on public activities, projects, investment in capital investment, production or business shall be recovered because they are not approved by competent agency;

- Expenditures on behalf of a third party required recovery, such as banking fees, customs inspection fees, delivery expenses, material handling expenses, taxes, etc

- Receivables arising from equitization of state-owned enterprises, such as: equitization costs, allowance for unemployed, support for re-training provided for employees in the equalized enterprises, etc.

- Loan interests, dividends, profits receivables from financial investment;

- Other receivables.

**2. Structure and contents of account 138 – Other receivables**

**Debit:**

- Value of assets in shortage awaiting resolution;

- Receivables from individuals or groups (inside or outside enterprise) for assets in shortage whose reasons are uncovered and there is a resolution report,

- Receivables from equitization of state-owned enterprises;

- Loan interests, deposit interests, dividends or profits receivables from financial investment;

- Expenditures on behalf of a third party subject to recovery, debts receivables;

- Revaluation of receivables in foreign currencies (if the foreign currency rates rise against VND).

**Credit:**

- Transfer value of assets in shortage to relevant accounts according to resolution decision;

- Transfer receivables to equitization of state-owned enterprises;

- Collected amounts of other debts receivables.

- Revaluation of receivables in foreign currencies (if the foreign currency rates fall against VND).

**Debit balance:**

Non-collected amounts of other debts receivables.

*This account may have balance in Credit side.* The balance of Credit side records the positive difference between collected amounts and amounts receivables (in details).

***Account 138 – Other receivables, comprises 3 sub-accounts:***

- *Account 1381 – Assets in shortage awaiting resolution:* recording value of assets in shortage awaiting resolution.

In principle, whenever asset deficiency is detected, the reasons and the person in charge must be uncovered. The asset deficiency is only recorded to account 1381 if reasons for deficiency, losses or damage of assets in shortage awaiting resolution are not uncovered. In case the reasons for asset deficiency are uncovered and they are settled within a tax period, they shall be recorded to equivalent accounts, not recorded to account 1381.

- *Account 1385 – Equitization receivables*: recording equitization receivables which the enterprise spends, such as: equitization costs, unemployment allowances, support for re-training of employees in the equitized enterprises, etc.

- *Account 1388 – Other receivables*: recording receivables of the enterprise other than amounts receivables recorded to accounts 131, 133, 136 and 1381, 1385, such as: dividends, profits or interests receivables; compensation receivables due to losses of money or assets; etc.

**3. Accounting methods for several major transactions:**

3.1. If the deficiency of tangible fixed assets for business are detected without reasons and pending settlement, the following accounts shall be recorded:

Dr 138 - Other receivables (1381) (residual value of fixed assets)

Dr 214 - Depreciation of fixed assets (depreciation value)

Cr 211 - Tangible fixed assets (cost prices).

3.2. If the deficiency of tangible fixed assets for public, projects or welfare are detected without reasons and pending settlement, the decrease in fixed assets shall be recorded as follows:

Dr 214 - Depreciation of fixed assets (depreciation value)

Dr 466 – Funding sources forming fixed assets (residual value) (fixed assets used for public or projects)

Dr 3533 – Welfare funds forming fixed assets (residual value) (fixed assets used for welfare)

Cr 211 – Tangible fixed assets (cost prices).

And the residual value of assets in shortage awaiting resolution shall be recorded as follows:

Dr 138 - Other receivables (1381)

Cr 353 - Welfare fund (3532)

Cr 338 – Others payable (fixed assets for public or projects).

3.3. When the deficiency of cash balance, materials, goods, etc is detected:

a) If the reasons for deficiency are not uncovered and pending settlement, the following accounts shall be recorded:

Dr 138 - Other receivables (1381)

Cr 111, 152, 153, 155, 156.

b) If there is a written settlement of asset deficiency issued by the competent agency, the following accounts shall be recorded:

Dr 111 – Cash (individual or organization paying compensation)

Dr 1388 – Others receivables (individual or organization paying compensation)

Dr 334 – Amounts payable to employees (compensation offsetting against salaries)

Dr 632 – Costs of goods sold (value of depreciation of inventory after offsetting against compensation according to the written settlement)

Dr 811 - Other receivables (residual value of deficient fixed assets shall be accounted for losses of the enterprise)

Cr 1381 – Assets in shortage awaiting resolution.

c) If the reasons and persons in charge of asset deficiency are uncovered, the following accounts shall be recorded according to the reasons or persons in charge:

Dr 1388 – Others receivables (1388 – Others receivables) (amounts of compensation)

Dr 334 – Amounts payable to employees (compensation offsetting against salaries)

Dr 632 – Costs of goods sold (value of depreciation of inventory after offsetting against compensation according to the written settlement)

Cr 621 – Direct material costs

Cr 627 - Factory overhead

Cr 152, 153, 155, 156.

Cr 111, 112.

3.4. Temporary asset borrowings shall be recorded as follows:

Dr 138 - Other receivables (1388)

Cr 152, 153, 155, 156, etc.

3.5. Expenditures on behalf of a third party subject to recovery, other receivables, and the following accounts shall be recorded as follows:

Dr 138 - Other receivables (1388)

Cr, relevant accounts.

3.6. Accounting for trust transactions in import-export carried out by the trustee:

a) When the trustee pays for the trustor, the following accounts shall be recorded:

Dr 138 - Other receivables (1388) (if the trustor has not paid advance)

Dr 3388 - Other receivables (offsetting against payment of trustor)

Cr 111, 112, etc.

b) When the export trustor offsets against expenses paid on behalf of a third party, the export trustee shall record as follows:

Dr 338 - Other receivables (3388)

Cr 138 - Other receivables (1388)

c) Transactions in export-import entrustment shall be accounted similarly to account 138 – Others receivables; VAT on imported goods, special excise duty, import duty carried out by the trustee and the trustor shall be accounted similarly to account 333 – Taxes and other payables to the State.

3.7. When determining loan interests, deposit interests, dividends or profits receivables, the following accounts shall be recorded:

Dr 111, 112, etc. (collected amounts)

Dr 138 - Other receivables (1388)

Cr 515 - Financial income.

3.8. When collecting other debt receivables, the following accounts shall be recorded:

Dr 111 - Cash

Dr 112 – Cash in bank

Cr 138 - Other receivables (1388)

3.9. When receiving decision on solutions for other debt receivables unable to recover:

Dr 111 – Cash (compensation paid by individuals or groups)

Dr 334 – Amounts payable to employees (compensation offsetting against salaries)

Dr 229 – Provision for asset losses (2293) (using provision for doubtful debts, if applicable)

Dr 642 - Administrative expenses (recording to costs)

Cr 138 - Other receivables (1388 – Other receivables).

3.10. When enterprises have sold other receivables (recording in balance sheet) to debt trading company, the following accounts shall be recorded:

Dr 111, 112, etc. (Collected amounts of sale of debts receivables)

Dr 229 – Provision for asset losses (2293) (using provision for bad debts for the differences)

Debit of relevant accounts (difference between original price of doubtful debt and collected amounts of sale of doubtful debt shall be covered by provision for doubtful debt)

Cr 138 - Other receivables (1388)

3.11. When incurring costs of equitization of state-owned enterprises, the following accounts shall be recorded:

Dr 1385- Equitization receivables (detail costs of equitization)

Cr 111, 112, 152, 331, etc.

3.12. When finishing equitization, the enterprise must send reports and make declaration of expenditures on equitization to agency deciding the equitization. Total costs of equitization, allowances for unemployment, re-training of employees, etc shall be deducted (-) from collected amounts of sale of state-owned stocks collected from equitization of state-owned enterprises, the following accounts shall be recorded:

Dr 3385 – Equitization payable (collected amounts of sale of state-owned stocks)

Cr 1385 – Equitization receivables.

3.13. With regard to expenditures on public activities, projects, investment in capital investment or business which is not approved by competent agency and subject to recovery, the following accounts shall be recorded:

Dr 138 - Other receivables

Cr 161, 241, 641, 642, etc.

3.14. When preparing financial statements, other outstanding debts receivables derived from foreign currencies shall apply actual exchange rates:

- If foreign currency rates rise against VND rates, the following accounts shall be recorded:

Dr 138 - Other receivables

Cr 413 – Exchange rate differences (4131).

- If foreign currency rates fall against VND rates, the following accounts shall be recorded:

Dr 413 – Exchange rate differences (4131)

Cr 138 - Other receivables

**Article 22. Account 141 – Advances**

**1. Rules for accounting**

a) This account is used to record advances of an enterprise paid to employees in the enterprise and payment of those advances.

b) Advance is an amount or material given to receivers to do business or deal with any approved tasks. The receivers must be employees working at the enterprise. The regular receivers (working in department of material provision, administration) must be appointed by Director in writing.

c) The receiver (individual or group) must take responsibility for received advance and use the advance for proper purposes and approved tasks. If the received advance is unused or remained, it is required to repay to the fund. The receiver shall not transfer the advance to others.

When finishing the tasks, the receiver must make an advance payment sheet (enclose with original documents) to pay fully received advance, used advance or difference between received advance and used advance (if any). If the unused advance is not repaid to the fund, the receiver's salary shall be deducted. If the expenditure is greater than the received advance, the enterprise shall give additional expenditure on the deficiency.

d) The advance of this tax period is only received if the advance of previous tax period is settled. The accountant must keep records of receivers, receiving and payment of advances.

**2. Structure and contents of account 141 – Advances**

**Debit:**

Amounts of money or materials advanced to employees of the enterprise.

**Credit:**

- Paid advances;

- Unused advances which are required to repay to the fund or deducted from salaries;

- Unused materials which are re-stored.

**Debit balance:**

Unpaid advances;

**3. Accounting methods for several major transactions:**

a) When advancing amounts of money or materials to employees of the enterprise, the following accounts shall be recorded:

Dr 141 - Advances

Cr 111, 112, 152, etc.

b) When finishing assignment, the receiver shall make the advance payment sheet enclosed with approved original documents for settlement of the advance; the following accounts shall be recorded:

Dr 152, 153, 156, 241, 331, 621, 623, 627, 642, etc.

Cr 141 – Advances.

c) Unused advances which are repaid to the fund, re-stored or deducted from the receiver’s salary, the following accounts shall be recorded:

Dr 111 - Cash

Dr 152 – Raw materials, materials

Dr 334 – Amounts payable to employees

Cr 141 – Advances.

d) If the approved actual expenditure is greater than received advance, the accountant shall make additional payment to the receiver; the following accounts shall be recorded:

Dr 152, 153, 156, 241, 621, 622, 627, etc.

Cr 111 – Cash.

**Article 23. Rules for accounting for inventory**

1. Group of inventory accounts is used to record existing value and changes in inventory of the enterprise (if the enterprise accounts for inventory using regular declaration method) or record value of inventory in the opening or closing tax period (if the enterprise accounts for inventory using periodical declaration method).

2. Inventory of the enterprise is assets bought for production or sale in an ordinary course of business, including:

- Goods in transit;

- Raw materials, materials; tools;

- Unfinished goods;

- Commercial products, goods; consignments;

- Goods stored in tax-suspension warehouse of the enterprise.

With regard to unfinished goods, if their period of production or circulation exceeding a normal business cycle, they shall not be recorded to inventory in the balance sheet, but shall be recorded to long-term assets.

With regard to equipment and spare parts for replacement whose preserve period is more than 12 months or more than an ordinary course of business, they shall not be recorded to inventory in the balance sheet, but shall be recorded to long-term assets.

3. The goods, materials, assets under agreement on keeping, deposit, import-export trust, processing,...which are not under ownership and control of the enterprise shall not be recorded to inventory.

4. Accounting for inventory must comply with regulations on Vietnamese accounting standard (VAS) "Inventory" when determining original prices of inventory, method for calculation of value of inventory, determination of net realizable value, making provision against devaluation of goods in stock and recording costs.

5. Rules for determination of original prices of inventory are applied specifically to every type of materials, goods, according to sources and time in which the prices are determined

6. Non-refundable taxes which are recorded to value of inventory include: non-deductible input VAT on inventory, Special excise duty, import tax, environmental protection tax payable when buying inventory.

7. When buying inventory, if goods, equipment or spare parts for replacement are attached (provision for breakdown), the changeable goods, equipment or accessories shall be recorded according to fair value. The value of purchased goods shall equal total value of purchases goods minus (-) value of changeable goods, equipment or spare parts for replacement.

8. When selling inventory, the original prices of sold inventory shall be recorded to production cost within a tax period in conformity with relevant revenues which are recorded and in conformity with their nature of transactions. When releasing inventory for promotion or advertisement, the rules below shall be followed:

a) If the inventory are released for promotion or advertisement without collecting money, providing additional conditions (compulsory purchase of goods, etc), the value of inventory shall be recorded to selling expenses (goods for promotion or advertisement for detail);

b) If the inventory are released for promotion or advertisement with additional conditions that the customers are required to buy goods (e.g. buy two, get one free, etc) The collected amounts shall be allocated to revenues from complimentary products, the value of complimentary products shall be included in their cost (nature of transaction is sale rebates).

9. When determining value of closing inventory, the enterprise applies one of following methods:

a) Specific identification method: Specific identification method shall be applied according to actual value of every purchased good or every sold good, so that it is only applied to enterprises having a few items of products or stable and identifiable goods.

b) Weighted average method: value of every inventory item shall equal mean value of each opening inventory item and value of each inventory item sold or produced in current period. Mean value may be calculated in every period or after import consignment, depending on specific conditions of every enterprise.

c) First in, first out method (FIFO): This method assumes that inventory purchased or manufactured first is sold first and newer inventory purchased or manufactured near the end of the accounting period remains unsold. According to this method, value of inventory sold shall apply prices of purchased inventory at or near the beginning of the accounting period; value of closing inventory shall apply prices of purchased inventory at or near the end of accounting period.

Every inventory costing method has their certain advantages and disadvantages. The accuracy and reliability of every method bases on management requirements, standards, professional competence and calculating equipment or means of information processing of the enterprise. And bases on preservation requirements, complexity of types, specifications and fluctuation of materials or goods of the enterprise.

10. Regarding inventory purchased in foreign currencies, value of received inventory shall base on actual exchange rates at the arising time (if the seller is received an advance, the value of received inventory shall be equivalent to the advance exchange rates. Import duty payable shall be determined according to exchange rates for calculation of import duty provided by customs authority as prescribed. Accounting for exchange differences shall comply with regulations of Article 69 – Guidelines for accounting method for exchange rate differences.

11. At the end of the accounting period, if the inventory value is not recovered enough due to damage or out of fashion, decrease in selling prices or increase in cost of improvement or selling expenses, a decrease in original prices of inventory shall be recorded leading the equal between the original cost and net realizable value of inventory.  Net realizable value is selling price of inventory estimated in an ordinary course of business minus (-) estimated cost of product improvement or cost of consumption.

The decrease in original prices of inventory leading the equal between the original cost and net realizable value shall be covered by provision against devaluation of inventory.  The provision against devaluation of inventory is the positive difference between original cost and net realizable value of inventory.

All differences between provision against devaluation of inventory made at the end of this accounting period must be greater than provision made at the end of previous accounting period, the deficiency or losses of inventory shall be recorded to production cost in the period after minus (-) compensation of individual or unallocated factory overhead. All differences between provision against devaluation of inventory made at the end of this accounting period must be greater than provision made at the end of previous accounting period, the deficiency or losses of inventory shall be recorded to production cost in the period after minus (-) compensation of individual or unallocated factory overhead.

12. Inventory value and inventory in kind must be specifically accounted for every kind, specification of goods or materials, management and use place, ensure the conformity between actual materials or goods and general ledger and ledger.

13. An enterprise (an accounting unit) may only apply one of two accounting methods for inventory: perpetual inventory system, periodic inventory system. The accounting method for inventory shall be selected at the enterprise according to characteristics, quantity, types of materials or goods and management requirements and in the accounting period.

Accounting methods for inventory.

a) Perpetual inventory system: Periodic inventory system is a method monitoring and keeps up-to-date inventory records to account for additions to, subtractions from or balance of inventory on the accounting records. When applying perpetual inventory system, inventory accounts shall be used to record current amounts, increase or decrease in materials or goods. Therefore, value of inventory on accounting record may be determined at any time in the accounting period.

At the end of accounting period, the physical inventory count shall be compared with inventory data in ledger. In principle, the actual inventory data must conform to inventory data in ledger. If there is any difference, it is required to uncover reasons and provide solutions. The perpetual inventory system is usually applied to manufacturing enterprise (industry, construction, etc) And commercial enterprises dealing in high value items such as machinery, equipment, engineering goods, high quality , etc.

b) Periodic inventory system:

- The periodic inventory system shall be used to update the ending inventory balance in the general ledger according to the physical inventory count and calculate cost of goods or materials sold following the formulary below:

| | | | | | | |
|---|---|---|---|---|---|---|
| Cost of goods sold | = | Beginning inventory | + | Purchases | - | Ending inventory |

- According to periodic inventory system, any changes in materials or goods (additions to or subtractions from inventory) shall not be recorded to inventory accounts. Value of materials or goods purchased and added to inventory in the period shall be recorded to a separate account (account 611 "Purchases").

- The physical inventory count and determination of cost of goods or materials sold (for production or for sale) shall be conducted at the end of accounting period and used as the basis for accounting of account 611 "Purchases". When applying periodic inventory system, inventory accounts shall only used at the beginning of the accounting period (for transfer of opening balance) and at the ending of the accounting period (for recording actual ending inventory).

- This method is usually applied to enterprises trading in multiple types of goods or materials with different specification or models, low value, and those goods or materials are regularly sold for use or sale (retail outlets, etc). This method is simple and easy for accounting. But the accuracy of materials or goods sold is affected by the management of warehouses, depot.

**Article 24. Account 151 – Goods in transit**

**1. Rules for accounting**

a) This account is used to record value of goods, materials (raw materials, materials, tools; goods) purchased under ownership of the enterprise which are on the way of delivery, in ports, depot, bonded warehouses or have arrived at the enterprise but they are pending storing

b) Goods or materials under ownership of the enterprise, but not been stocked, including:

- Goods or materials purchased payment or acceptance of payment, but still in warehouses of seller, in ports, depot or on the way of delivery;

- Goods or materials arrived at the enterprise but still are verification for stock.

c) Goods in transit shall be recorded to account 151 according to original prices as prescribed in VAS "Inventory"

d) Every day, when receiving purchase invoices, but the goods are not stocked, the accountant shall not keep records but compare them with economic contract and store invoices in a separate dossier "Goods in transit".

Within a month, if the goods are stocked, they shall be recorded to account 152 "Raw materials, materials", account 153 "Tools", account 156 "Goods" or account 158 "tax-suspension warehouse goods" according to warehouse receipt and purchase invoices.

dd) If the goods are not arrived at the end of the month, they shall be recorded to account 152 "Goods purchased in transit" according to purchase invoices. The accountant must keep specific records of goods in transit according to every type of goods, materials, consignment or economic contracts.

**2. Structure and contents of account 151 – Goods in transit**

**Debit:**

- Value of goods or materials purchased in transit;

- Transfer of actual value of goods or materials purchased in transit at the end of the accounting period (if the enterprise accounts for inventories using periodic inventory system)

**Credit:**

- Value of goods or materials purchased in transit which are stored or delivered to customers;

- Transfer of actual value of goods or materials purchased in transit at the begin of the accounting period (if the enterprise accounts for inventories using periodic inventory system)

**Debit balance: Value of goods or materials purchased in transit (not stored in the enterprise's warehouse).**

**3. Accounting methods for several major transactions:**

a) The enterprise accounts for inventories using perpetual inventory system.

- At the end of accounting period, according to purchase invoices of goods purchased which are not stored in warehouse, if the input VAT is deductible, the following accounts shall be recorded:

Dr 151 - Goods in transit (prices without VAT)

Dr 133 – Deductible VAT

Cr 331 – Trade payables; or

Cr 111, 112, 141, etc.

- If the input VAT is not deductible, value of goods purchased shall include VAT

- Next month, when goods are stored in warehouse, according to invoices and warehouse receipts, the following accounts shall be recorded:

Dr 152 – Raw materials, materials

Dr 153 - Tools

Dr 156 - Goods

Cr 151 - Goods in transit.

- Next month, if the goods or materials purchased in transit which are not stored in warehouses but delivered to customers under economic contract at the seller's vehicle or warehouses, at ports, depot or delivered directly to customers, deposited at the agencies, the following accounts shall be recorded:

Dr 632 – Costs of goods sold; or

Dr 157 – Goods dispatched for sale

Cr 151 - Goods in transit.

- In case the goods purchased in transit are in shortage detected immediately or at the ending inventory, according to report on shortage, the value of deficiency or losses of inventories shall be recorded as follows:

Cr 1381 – Assets in shortage awaiting resolution.

Cr 151 - Goods in transit.

b) If the enterprise accounts for inventories using periodic inventory system.

- At the ending inventory, according to actual value of goods or material in transit which is transferred at the ending inventory before transferred actual value of goods or materials in transit at the beginning inventory, the following accounts shall be recorded:

Dr 611 – Purchase of goods

Cr 151 - Goods in transit.

- At the beginning inventory, according to result of inventory to determine actual value of goods or materials purchased but have not stored in warehouses (ending goods in transit), the following accounts shall be recorded:

Dr 151 - Goods in transit.

Cr 611 – Purchase of goods.

**Article 25. Account 152 – Raw materials inventory**

**1. Rules for accounting**

a) This account is used to record current cost or increase or decrease in cost of all component parts currently in enterprise's stock. Raw materials of the enterprise are labor materials purchased outside or home-made processed for business. Raw materials or materials recorded to this account shall be classified as follows:

*- Direct materials: These are materials incorporated into the final products.* Hence, direct materials term shall accompany with a specific manufacturer. There is not direct or indirect materials term in the enterprises engaged in commerce or services. Direct materials also include semi-finished goods purchased for incorporation into the finished goods.

- *Indirect materials:* These are materials not incorporated into the final product, but which are combined with direct materials during the production process to change colors, tastes, shapes or increase in quality of the final product or facilitate production process, technology, packaging or preservation; or serve the operation.

*- Fuels: These are any materials providing heat energy during the production process and facilitate the process of making usual product.* Fuels can exist in liquid, solid and gas.

- *Replaced supplies:* These are any materials used for replacement or repair of machinery, equipment, vehicle, manufacturing tools or supplies, etc.

- *Materials and equipment for capital investment:* These are materials and equipment used for capital investment. The construction equipment items for capital investment include equipment required installation, equipment required non-installation, tools, instruments and materials used to install in the capital investment projects.

b) The received, dispatched or inventoried raw materials recorded to account 152 shall be accounted according to historical costs as prescribed accounting standard "Inventory". Historical costs of raw materials shall be determined according to every source.

*- Historical costs of raw materials include: Buying costs stated in invoices, import duty, Special excise duty, import VAT, environmental protection tax payable (if any), cost of delivery, material handling, preservation, classification, insurance, etc; of raw materials from the supplier to the enterprise's stock, expenses incurred from employees in charge of purchase, expenses incurred from independent department of purchase, other costs directly related to purchase of raw materials and natural deficiency within the quotas (if any):*

+ If the VAT on imported goods is deductible, cost of raw materials purchased shall not include VAT. If the input VAT is not deductible, cost of raw materials purchased shall include VAT.

+ Accounting for raw materials purchased in foreign currencies shall comply with regulations of Article 69 – Guidelines for accounting method for exchange rate differences.

- *Historical cost of raw materials home-made processed includes:* actual cost of materials for processing and cost of processing.

- *Historical cost of raw materials processed under outsourcing agreement includes:* actual cost of materials for outsourcing processing, cost of delivery from the enterprise to processing facility and vice versa, cost of outsourcing processing.

- *Historical cost of raw materials contributed to joint venture or joint-stock companies* is the cost which all parties involved in joint venture approve.

c) The cost of raw materials inventory shall be calculated according to one of following methods:

- Specific costing method;

- Weighted average method after receiving raw materials or at ending inventory;

- First in, first out method.

The enterprise must apply the chosen method throughout the accounting period.

d) The raw materials shall be specifically accounted according to every inventory, type, group, materials item. In case the enterprise uses the accounting cost in the recording of received or dispatched raw materials, at the end of the period, the difference coefficient between actual cost and accounting cost of the raw materials shall be determined according to following formula:

$$\text{Difference coefficient between actual cost and accounting cost of raw materials} = \frac{\text{Beginning inventory cost} + \text{Cost of raw materials purchased}}{\text{Beginning inventory accounting cost} + \text{Accounting cost of raw materials purchased}}$$

$$\text{Cost of raw materials sold} = \text{Accounting cost of raw materials sold} \times \text{Difference coefficient between actual cost and accounting cost of raw materials}$$

dd) Raw materials not under ownership of the enterprise (raw materials kept or materials received for processing or materials received from the export-import trustor, etc) shall not be recorded to this account.

**2. Structure and contents of account 152 – Raw materials**

**Debit:**

- Actual cost of raw materials purchased, hand-made processed, outsourced, processed, received as contribution or received from other sources;

- Cost of raw materials excess detected when conducting physical inventory count;

- Transfer of actual cost of ending raw materials inventory (if the enterprise uses periodic inventory system)

**Credit:**

- Actual cost of raw materials sold for production, business, sale, outsourcing, or contribution as capital;

- Cost of raw materials returned to sellers or sales rebates

- Trade discount on raw materials purchased;

- Cost of raw materials detected lost when conducting physical inventory count;

- Transfer of actual cost of beginning raw materials inventory (if the enterprise uses periodic inventory system)

**Debit balance:**

Actual cost of ending raw materials inventory.

**3. Accounting methods for several major transactions:**

**3.1. Enterprise using perpetual inventory system.**

a) When buying raw materials to add to inventory, according to invoices, warehouse receipt and relevant documents recording received raw materials cost:

- If input VAT is deductible, the following accounts shall be recorded:

Dr 152 – Raw materials (cost without VAT)

Dr 133 – Deductible VAT (1331)

Cr 111, 112, 141, 331, etc. (total payment)

- If the input VAT is not deductible, cost of raw materials shall include VAT.

b) Raw materials returned to sellers, trade discount or sales discount received when buying raw materials shall be accounted as follows:

- When returning raw materials to sellers, the following accounts shall be recorded:

Cr 331 – Trade payables

Cr 152 – Raw materials

Cr 133 – Deductible VAT

- In case the trade discount or sales discount is discounted after buying raw materials (including fines for violations against economic contracts leading a decrease in payment made by the purchaser), the trade discount or sales discount shall be allocated according to the increase or decrease in raw materials, inventoried raw materials, dispatched raw materials for production or construction investment or consumed during a period:

Dr 111, 112, 331, etc.

Cr 152 – Raw materials (if raw materials are still inventoried)

Cr 621, 623, 627, 154 (if raw materials are dispatched for production)

Cr 241 – Works-in-progress (if raw materials are dispatched for construction investment)

Cr 632 – Cost price of goods (if the product in which those raw materials are incorporated is determined as consumed during a period)

Cr 641, 642 (raw materials used for sale or management)

Cr 133 – Deductible VAT (1331) (if any).

c) In case the enterprise has received sales invoices but raw materials have not received in the enterprise's stock, the sales invoices shall be archived in a separate dossier "Goods in transit".

- Within a month, if the raw materials have been received in the enterprise's stock, they shall be recorded to account 152 "Raw materials" according to sales invoices and warehouse receipt.

- At the end of the month, if the raw materials have not been received, they shall be accounted for temporary cost according to sales invoices:

Dr 151 – Goods in transit

Dr 133 – Deductible VAT (1331)

Cr 331 – Trade payables; or

Cr 111, 112, 141, etc.

- Next month, if the raw materials have been received in the enterprise's stock, the following accounts shall be recorded according to sales invoices and warehouse receipt:

Dr 152 – Raw materials

Cr 151 – Goods in transit

d) When make payments to sellers, if the enterprise qualifies for payment discounts, those payment discounts shall be recorded to financial income as follows:

Cr 331 – Trade payables

Cr 515 – Financial income (payment discounts).

dd) Imported raw materials:

- When importing raw materials, the following accounts shall be recorded:

Dr 152 – Raw materials

Cr 331 – Trade payables

Cr 3331 – Deductible VAT (33312) (if input VAT on imported goods are not deductible)

Cr 3332 – Special excise duty (if any).

Cr 3333 – Import/export duty (detail).

Cr 33381 – Environmental protection tax.

- If input VAT on imported goods is deductible, the following accounts shall be recorded:

Dr 133 – Deductible VAT

Cr 3331 – Deductible VAT (33312).

- When buying raw materials, if the seller is receive an advance in foreign currencies, the cost of raw materials equivalent to the advance shall be recorded according to actual exchange rates at the time in which the advance is paid. The cost of raw materials not yet paid in foreign currencies shall be recorded according to actual exchange rates at the time in which the raw materials are purchased.

e) The expenditures on purchase, material handling, and transport of raw materials to the enterprise's stock shall be recorded as follows:

Dr 152 – Raw materials

Dr 133 – Deductible VAT (1331)

Cr 111, 112, 141, 331, etc.

g) Regarding raw materials processed under outsourcing agreement which is received in the enterprise's stock:

- When dispatching raw materials to process, the following accounts shall be recorded:

Dr 154 - Work in progress

Cr 152 – Raw materials.

- When incurring cost of outsourcing, the following accounts shall be recorded:

Dr 154 - Work in progress

Dr 133 – Deductible VAT (1331) (if any).

Cr 111, 112, 131, 141, etc.

- When re-receiving the out-sourced raw materials, the following accounts shall be recorded:

Dr 152 – Raw materials

Cr 154 - Work in progress

h) Hand-made raw materials which are received in stock:

- When dispatching raw materials for self-processing, the following accounts shall be recorded:

Dr 154 - Work in progress

Cr 152 – Raw materials.

- When receiving handmade raw materials, the following accounts shall be recorded:

Dr 152 – Raw materials

Cr 154 - Work in progress.

i) With regard to excess of raw materials detected under physical inventory count, if the reasons for excess are uncovered, it shall be the basis for accounting, if not, the cost of raw materials in excess shall be the basis for accounting:

Dr 152 – Raw materials

Cr 338 – Other payable or receivables (3381).

- When there is a decision on settlement of raw materials in excess detected under physical inventory count, the following accounts shall be recorded:

Dr 338 – Other payable or receivables (3381)

Cr, relevant accounts.

- If the raw materials in surplus belong to other enterprises and an increase in account 152 is not recorded, they shall not be recorded to account 338 (3381) but the enterprise shall actively keep records and state in the presentation of financial statements.

k) When dispatching raw materials for business, the following accounts shall be recorded:

Dr 621, 623, 627, 641, 642, etc.

Cr 152 – Raw materials.

l) When dispatching raw materials for capital investment or major repair of fixed assets, the following accounts shall be recorded:

Dr 241 – Construction in progress

Cr 152 – Raw materials.

m) When contributing raw materials to subsidiaries, joint-venture companies, the following accounts shall be recorded:

Dr 221, 22 (according to re-evaluated value)

Dr 811 – Other costs (re-evaluated value is smaller than book value)

Cr 152 – Raw materials (according to book value)

Cr 711 – Other costs (re-evaluated value is greater than book value)

n) When dispatching raw materials to sell capital holding in subsidiaries, joint-venture companies, the following accounts shall be recorded:

- The revenues from sale of raw materials and investment in subsidiaries, joint-venture companies, and the following accounts shall be recorded:

Dr 221, 222 (according to fair value)

Cr 511 – Revenues from sale of merchandises and services rendered

Cr 3331 – Output VAT payable.

- Cost prices of raw materials used for purchase of capital contribution in subsidiaries, joint-venture companies shall be recorded as follows:

Dr 632 – Costs of goods sold

Cr 152 – Raw materials.

o) Raw materials in excess detected when conducting physical inventory count:

Every case in which the shortage of raw materials in stock or preservation is detected when conducting physical inventory count must be make reports and uncover the reasons and offenders. According to reports on physical inventory count and decision of competent agency, the accounting shall be recorded as follow:

- If figures on ledger are error or are not updated, they are required to be additionally provided or adjusted;

- If the cost of raw materials in deficiency is under deficiency quotas, the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 152 – Raw materials.

- If the reasons for the deficiency or losses are uncovered pending settlement, the following accounts shall be recorded:

Dr 138 – Other payable (1381—Assets in shortage awaiting resolution)

Cr 152 – Raw materials.

- When there is a decision on settlement, the following accounts shall be recorded:

Dr 111 – Cash (compensation of offenders)

Dr 138 – Other receivables (1388) (compensation of offenders)

Dr 334 – Payables to employees (deducting salaries of offenders)

Dr 632 – Costs of goods sold (remaining value of shortage of raw materials which is included in the costs of goods sold)

Cr 138 – Other payable (1381—Assets in shortage awaiting resolution)

p) Unused raw materials or waste:

- When liquidating or selling raw materials or waste, cost prices shall be recorded as follows:

Dr 632 – Costs of goods sold

Cr 152 – Raw materials.

- Revenues from sale of raw materials or waste shall be recorded as follows:

Dr 111, 112, 131.

Cr 511 – Revenues from sale of merchandises and services rendered (5118)

Cr 333 – Taxes and other payables to the State.

***3.2. Enterprises using periodic inventory system.***

a) At the beginning of accounting period, when transferring cost of beginning raw materials inventory, the following accounts shall be recorded:

Dr 611 – Purchases

Cr 152 – Raw materials.

b) At the ending of accounting period, according to physical inventory count for ending raw materials inventory, the following accounts shall be recorded:

Dr 152 – Raw materials

Dr 611 – Purchases

**Article 26. Account 153 – Tools and supplies**

**1. Rules for accounting**

a) This account is used to record current value and fluctuation of tools and supplies of the enterprise. Tools and supplies are labor materials not satisfying requirements pertaining to value and use time prescribed in regulations of fixed assets. Thus, tools and supplies shall be managed and recorded similarly to raw materials or materials. According to regulations in force, the following labor materials shall be recorded tools and supplies if they fail to satisfy requirements for fixed assets:

- The scaffolding, formwork, tools, jigs used for construction manufacturing;

- Types of packaging enclosed with goods charged separately, but their value is depreciated during preservation of goods in transit and storage in the warehouses;

- Tools or supplies made of glass, porcelain, ceramic;

- Management facilities, office supplies;

- Clothing, footwear designed exclusively for work, etc.

b) Received dispatched or inventoried tools or supplies recorded to account 153 shall apply original prices. Rules for determination of original prices of received tools or supplies shall comply with regulations on raw materials or materials (refer to account 152).

c) The value of inventoried tools or supplies shall be calculated according to one of following three methods:

- First in – First out;

- Specific identification;

- Weight average.

d) Tools or supplies shall be accounted for according to every inventory, type, and group, type of tools or supplies. Dispatched tools or supplies for business or lease must be kept records of items and value according to using place, lease entities and persons in charge of compensation. The precious and worth tools or supplies must be preserved specially.

dd) With regard to tools and supplies holding low value used for business, they shall be recorded once to production cost.

e) In case the tools and supplies, reusable packaging materials or instruments for renting related to business in several accounting periods, they shall be recorded to account 242 “Prepaid expenses" and allocated to production cost.

g) Accounting for tools and supplies related to transactions in foreign currencies shall comply with regulations of Article 69 – Guidelines for accounting method for exchange rate differences.

**2. Structure and contents of account 153 – Tools and supplies**

**Debit:**

- Actual cost of received tools and supplies purchase, handmade, outsourced, or contributed as capital;

- Cost of received tools and supplies for lease;

- Actual cost of tools and supplies in excess detected when conducting physical inventory count;

- Transfer of actual cost of ending tools and supplies inventory (if the enterprise uses periodic inventory system)

**Credit:**

- Actual cost of dispatched tools and supplies for business, lease or contribution as capital;

- Trade discounts on tools and supplies purchased;

- Cost of tools and supplies returned to sellers or tools and supplies eligible for discounts;

- Cost of tools and supplies in deficiency detected when conducting physical inventory count;

- Transfer of actual cost of beginning tools and supplies inventory (if the enterprise uses periodic inventory system)

**Debit balance:** Actual cost of tools and supplies inventory.

***Account 153 – Tools and supplies, comprises 4 sub-accounts:***

- *Account 1531 – Tools and supplies:* recording current cost and decrease or increase in tools and supplies.

- *Account 1532 – Reusable packaging materials*: recording current cost and decrease or increase in circulated packages used for business Reusable packaging materials is packaging designed for multiple reusability in business cycle. The cost of dispatched reusable packaging materials shall be allocated to production cost of multiple accounting periods.

- *Account 1533 – Instruments for renting:* recording current cost and decrease or increase in tools and supplies for renting. Only tools and supplies purchased for renting are recorded to this account, if not, they shall be recorded to account 1531. If those are used for enterprise' operation, they shall be both recorded to an account and a sub-account.

- *Account 1534 – Equipment and spare parts for replacement:* recording current cost and decrease and increase in equipment and spare parts for replacement not meeting requirements pertaining to fixed assets for enterprise's operation. Costs of equipment and spare parts for replacement dispatched entirely shall be recorded to operating costs or wholly allocated to operating costs if they are used as tools and supplies.

**3. Accounting methods for several major transactions:**

***3.1. Enterprise using perpetual inventory system.***

a) When buying tools and supplies to add to stock, if the input VAT is deductible, the cost of tools and supplies shall be recorded according to the VAT-exclusive prices, the following accounts shall be recorded according to invoices, warehouse receipts and relevant documents:

Dr 153 – Tools and supplies (VAT-exclusive prices)

Dr 133 – Deductible VAT (input VAT) (1331)

Cr 111, 112, 141, 331, etc. (total payment).

If the input VAT is not deductible, cost of input tools and supplies shall include VAT.

b) In case the trade discounts or sales rebates are received after buying tools and supplies (including fines for violations against economic contracts leading decrease in payment made by the purchaser), those discounts shall be allocated according to decrease or increase in tools and supplies (inventoried or dispatched tools and supplies for operation):

Dr 111, 112, 331, etc.

Cr 153 – Tools and supplies (if those tools and supplies are still inventoried)

Cr 154 - Work in progress (if those tools and supplies are dispatched for operation)

Cr 641, 642 (if those tools and supplies are dispatched for sale or enterprise management)

Cr 242 – Prepaid expenses (if they are gradually allocated)

Cr 632 – Costs of goods sold (if the product in which those raw materials are incorporated is determined in an accounting period)

Cr 133 – Deductible VAT (1331) (if any).

c) When returning tools and supplies sold to sellers, the following accounts shall be recorded:

Cr 331 – Trade payables

Cr 153 – Tools and supplies (cost of returned tools and supplies)

Cr 133 – Deductible VAT (if any) (input VAT on tools and supplies returned to sellers).

d) When accounting for payment discounts (if any), the following accounts shall be recorded:

Cr 331 – Trade payables

Cr 515 - Financial income.

dd) When dispatching tools and supplies for operation:

- If costs of tools and supplies, reusable packaging materials, instruments for renting relate to an accounting period, they shall be wholly recorded to operating expenses as follows:

Dr 623, 627, 641, 642

Cr 153 - Tools and supplies (1531, 1532).

- If costs of tools and supplies, reusable packaging materials, instruments for renting relate to more than one accounting period, they shall be gradually recorded to operating expenses as follows:

When dispatching tools and supplies, reusable packaging materials or instruments for renting, the following accounts shall be recorded:

Dr 242 – Prepaid expenses

Cr 153 - Tools and supplies.

+ When distributing to costs of operation for every accounting period, the following accounts shall be recorded:

Dr 623, 627, 641,642, etc.

Cr 242 – Prepaid expenses.

- Revenues from tools and supplies for renting shall be recorded as follows:

Dr 111, 112, 131, etc.

Cr 511 – Revenues from sale of merchandises and services rendered (5113)

Cr 3331 – Deductible VAT (33311).

- When receiving tools and supplies for renting, the following accounts shall be recorded:

Dr 153 - Tools and supplies (1533)

Cr 242 – Prepaid expenses (residual value not recorded to expenses)

g) Imported tools and supplies:

- When importing tools and supplies, the following accounts shall be recorded:

Dr 153 - Tools and supplies

Cr 331 – Trade payables

Cr 3331 – Deductible VAT (33312) (if input VAT on imported goods are not deductible)

Cr 3332 – Special excise duty (if any).

Cr 3333 – Import/export duty (detail on import duty).

Cr 33381 – Environmental protection tax.

- If input VAT on imported goods is deductible, the following accounts shall be recorded:

Dr 133 – Deductible VAT

Cr 3331 – Deductible VAT (33312).

- When buying tools and supplies, if the seller is received an advance in foreign currencies, the cost of tools and supplies equivalent to the advance shall be recorded according to actual exchange rates at the time in which the advance is paid. The remaining cost of tools and supplies shall be recorded according to actual exchange rates at the time in which the tools and supplies are purchased.

h) When conducting physical inventory count, if it is detected that the tools and supplies are excess, deficient, lost or damaged, they shall be settled similarly to raw materials (refer to account 152).

i) Unused tools and supplies:

- When liquidating or selling tools and supplies, their costs shall be recorded as follows:

Dr 632 – Costs of goods sold

Cr 153 - Tools and supplies.

- Revenues from sale of tools and supplies shall be recorded as follows:

Dr 111, 112, 131.

Cr 511 – Revenues from sale of merchandises and services rendered (5118)

Cr 333 – Taxes and other payables to the State.

***3.2. Enterprises using periodic inventory system.***

a) At the beginning of accounting period, when transferring actual costs of beginning tools and supplies inventory, the following accounts shall be recorded:

Dr 611 – Purchases

Cr 153 - Tools and supplies.

b) At the ending of accounting period, according to physical inventory count for ending tools and supplies inventory, the following accounts shall be recorded:

Dr 153 - Tools and supplies

Cr 611 – Purchases.

**Article 27. Account 154 - Work in progress**

**1. Rules for accounting**

a) This account is used to record general operating costs to calculate prime costs of products or services in enterprises applying perpetual inventory system. In the enterprises applying perpetual inventory system, the account 154 is used to record actual costs of ending work in progress.

b) Account 154 “Work in progress” records operating costs incurred in an accounting period; operating costs of finished goods in an accounting period; beginning or ending work in progress of the main or secondary operation and outsourcing processing provided by manufacturers or service providers. This account also records operating costs of processing operation, or services rendered by commercial enterprises (if any).

c) The operating costs recorded to 154 shall be clarified according to places in which the costs incurred (workshops, production divisions, production groups, construction sites, etc); types, groups of products, or product parts; types of services or service stages.

d) Operating costs recorded to account 154 shall include following costs:

- Direct raw materials cost;

- Direct labor cost;

- Costs of construction machinery (construction contracts);

- Factory overhead.

dd) The raw materials or labor costs exceed the normal rate and non-allocated fixed operating cost shall not be recorded to inventory cost but recorded to costs of goods sold of an accounting period.

e) At the end of the accounting period, it is required to distribute and transfer fixed factory overhead to processing cost for each product unit under common capacity (Cr 627, Dr 154). If actual capacity is smaller than common capacity, the fixed factory overhead shall be allocated to processing costs for each product unit under common capacity. The non-allocated fixed factory overhead (not included in prime cost) shall be recorded to costs of goods sold in an accounting period (Cr 627, Dr 632). All variable factories overhead shall be allocated to processing costs for each product unit according to actual costs incurred.

g) The following costs shall not be recorded to account 154:

- Selling expenses;

- General administration expenses;

- Financial expenses;

- Other expenses;

- Corporate income tax;

- Non-business expenses, project expenses;

- Capital expenditure;

- Other expenses covered by other sources

**2. Method for applying account 154 in industry**

a) Account 154 - “Work in progress” applying to industry is used to collect production costs and calculate prime cost of workshops, production divisions. Regarding manufacturers using outsourcing for processing, labor, services or manufacturing, those costs are also recorded to account 154.

b) Only following costs shall be recorded to account 154:

- Direct raw materials cost for manufacture of products;

- Direct labor cost for manufacture of products;

- Factory overhead for direct manufacture of products.

c) In industrial enterprises, the account 154 shall be specifically recorded according to places in which the costs incurred (workshops, the production divisions), types or groups of products, products, or product parts.

d) Regarding manufacturers using outsourcing for processing, labor, services or manufacturing, those costs shall be recorded to account 154.

**3. Method for applying account 154 in agriculture**

a) Account 154 - “Work in progress” applying to industry is used to collect total production costs and calculate prime cost of cultivation, processing of agricultural products or services. This account shall be specifically recorded according to agricultural lines of business (cultivation, animal husbandry, processing, etc), places in which costs incurred (workshops, production divisions, etc), kinds of sapling and products or services.

b) Actual prime cost of agricultural products shall be determined at the end of the crop year or at the end of the year. The prime cost shall be calculated in the year when the products are harvested. Hence, if the costs incur in this year, but products are harvested in the succeeding year, the prime cost shall be calculated in the latter year.

c) In cultivation, the costs shall be recorded according to 3 following plants:

- Short-day crops (rice, potatoes, cassava, etc);

- Multi-harvesting single plant (pineapples, bananas, etc);

- Perennial plants (teas, coffees, rubbers, peppers, fruit plants, etc).

For crops harvested two or three times in a year, or harvested one time in two years, or crops having both new planting and plant care in the same year,...the costs between two continuous crops, two areas, two continuous years,…shall be recorded according to actual condition,...

d) The expenses incurred from land reclamation, planting and caring of perennial plants under capital investment, selling expenses, administrative expenses, financial activities or other expenses.

dd) In principle, production costs of agriculture shall be recorded to Dr 154 “Work in progress” according to every expense object. Regarding the costs related to multiple recording entities, multiple crops or multiple periods, it shall be recorded to separate accounts, then recorded to prime cost of relevant products: cost of irrigation water, the cost of land preparation and planting of crops harvested several times (this cost does not belong to capital expenditure), etc.

e) On the same acreage, if two or more short-term crops are intercropped, the costs incurred directly related to (such as seeds, cost of planting, harvesting, ...), costs incurred for several crops (cost plowing, irrigation, ...) shall be separately collected and allocated to every kind of plant according to their planting area or appropriate criteria.

d) Regarding perennial plants, the progress from tillage, sowing, plant care to the onset of production (harvesting or bearing) shall be recorded to account 241 “Construction in progress” similarly to capital investment in requisition of fixed asset. Expenses incurred from perennial gardens during the operation shall include expenses incurred from plant care or harvesting process.

h) When recording expenses of animal husbandry on the account 154, the following notes must be taken:

- The expenses incurred from animal husbandry must be kept records in details for every type of husbandry (cattle farming, pig farming, etc), for every group or every type of livestock and poultry;

- Young animals of basic livestock herd after maternal separation shall be kept records in details according to actual price; - Basic animals which are eliminated to be converted into large livestock, fattening animal shall be recorded to account 154 according to the remaining value of basic livestock;

- Cost prices in the animal husbandry are: 1 kg of milk, 1 standard calf, 1 kg of meat prices, the price of 1 kg of meat, the price of 1 day/ animal husbandry, etc.

i) The direct material costs, labor costs in excess of normal rate, and fixed factory overheads which are unallocated, shall not be charged to product cost, but be charged to cost of goods sold of the accounting period.

**4. Method for applying account 154 in services**

a) Account 154 “Work in progress” shall apply to service providers, such as: transport, post office, tourism, services, etc. This account is used to record total cost (direct raw materials, direct labor, and factory overheads) and prime cost of the service rendered.

b) Regarding transport industry, this account is used to record cost related to road transport (motorcars, trams, other non-motorized vehicle, etc. rail transport, waterway, aerial transport, pipeline transport, etc. Account 154 applying to transport sector must be kept records in details for every operation (passenger transport, freight transport, etc) Regarding every enterprise or service division.

c) During transport progress, the tires shall be replaced several times because they are worn out more quickly than the depreciation of the car, however, the value of the tires shall be depreciated steadily in every month instead of including in the cost of transport at once. Therefore, the vehicular transport enterprise may appropriate cost of tires to transport cost (payables) as prescribed in financial regime in force every month.

d) The direct material costs, labor costs in excess of normal rate, and fixed factory overheads which are unallocated, shall not be charged to product cost, but be charged to cost of goods sold of the accounting period.

dd) Regarding tourism industry, this account is used to record every activity, such as: guided tours, hotel, tourism transport, etc.

e) In the hotel business, the account 154 is used to record every type of service, such as: eating, drinking, accommodation, entertainment, other services (laundry, haircuts, telegram, sports, etc).

**5. Method for applying account 154 in construction industry**

a) Because the construction business only applies perpetual inventory system, not periodic inventory system, so that the account 154 is only used to record operating expenses used for determination of products or services of the construction enterprise.

b) The direct material costs, labor costs in excess of normal rate, and fixed factory overheads which are unallocated, shall not be charged to cost of building work, but be charged to cost of goods sold of the accounting period.

c) This account (in the construction industry) comprises 4 sub-accounts:

- *Account 1541 – Construction:* records costs, prime cost of construction products and value of construction in progress at the end of the period;

- *Account 1542 – Other products:* records costs, prime cost of other products and record value of other products in progress at the end of the period (finished goods, structural elements, etc);

- *Account 1543 – Services:* records costs, prime cost of services and record cost of service in progress at the end of the period;

- *Account 1544 – Construction warranty costs:* records expenses incurred from construction warranty and actual installation arising in the period and the value of construction in progress under warranty at the end of the period.

d) The production cost, prime cost of the installation product must be recorded according to every building work, work item and cost item specified in the estimated construction price, including:

- Materials cost;

- Labor cost;

- Costs of construction machinery;

- Overheads.

The factory overheads shall be recorded to Dr 1541 “Construction”: only include general costs incurred from the construction contractor or construction site. And the general administration cost of construction enterprise (as a part of overheads) shall be recorded to Dr 642 "General administration expenses ". Those expenses shall be transferred to Dr 911 “Income statement” and included in the prime cost of the construction product and sold during a period.

dd) The investor of the property construction shall use this account to record expenses incurred from construction of finished property. If the property is constructed for multiple purposes (office, lease or sale, for example mix-used buildings), it is required to follow rules below:

- If there are sufficient evidence for separate accounting or the portion of expenses incurred from property construction for sale (finished property) and expenses incurred from property construction for lease or office (fixed assets or investment property), the expenses incurred from construction of finished property shall be separately recorded to the account 154. The expenses incurred from construction of fixed assets or investment property shall be separately recorded to account 241 – Construction in progress.

- If the account is not recorded separately or the proportion of construction costs for components of finished property, fixed assets or property investments are determined, the costs incurred directly related to the investment construction shall be recorded to account 241. When the project is completed and put into use, the costs of construction investment shall be transferred in conformity with the nature of each asset according to the method of use of the asset.

**6. Structure and contents of account 154 - Work in progress**

**Debit:**

- Direct raw materials costs, direct labor costs, costs of construction machinery, factory overheads incurred in an accounting period which is related to manufacture of products and costs of services rendered;

- Direct raw materials costs, direct labor costs, costs of construction machinery, factory overheads incurred in an accounting period which is related to prime cost of internal fixed price;

- Transfer of ending work in progress (if the enterprise uses periodic inventory system).

**Credit:**

- Actual costs of manufactured products which are stocked transferred for sale, internal use or immediate use in capital investment;

- Cost prices of construction products finished and partially or completely transferred which are consumed during a period, or transferred to main construction contract unit (superior or internal contract unit), or cost price of finished construction products to be consumed.

- Actual expenses of services finished and provided for customers;

- Value of returned scraps, value of damaged products which are not repairable;

- Value of raw materials, materials, goods which are completely processed and returned to warehouse;

- Recording direct material costs, labor costs in excess of normal rate, and fixed factory overheads which are unallocated, will not be charged to inventory value, but must be charged to cost of goods sold of the accounting period. For enterprises manufacturing according to orders, or enterprises having long production cycle, fixed factory overheads are transferred to account 154 every accounting period. When products are finished then fixed factory overheads will be identified and not charged to value of inventory, but to costs of goods sold (Cr 154, Dr 632);

- Transferring work in process at beginning of period (in case business applies periodical inventory).

**Debit balance:** Ending work in progress.

**7. Method of accounting for several major transactions in Industry sector**

7.1. Accounting for inventory using perpetual inventory system

a) At the end of period, when transferring direct raw material expenses according to every expense object, the following accounts shall be recorded:

Dr 154 – Work in progress

Dr 632 - Costs of goods sold (portion of direct material costs in excess of normal rate)

Cr 621 – Direct raw materials.

b) At the end of period, when transferring direct labor costs according to every expense object, the following accounts shall be recorded:

Dr 154 – Work in progress

Dr 632 - Costs of goods sold (portion of direct labor costs in excess of normal rate)

Cr 622 – Direct labor costs.

c) In case actual product capacity is higher than or equal to normal capacity, at end of accounting period, computed, total factory overheads (including variable factory overheads and fixed factory overheads) shall be calculated, allocated and transferred according to every expense object, and the following accounts shall be recorded:

Dr 154 – Work in progress

Cr 627 – Factory overheads.

d) In case actual product capacity is lower than normal capacity, fixed factory overheads shall be calculated and allocated to processing cost per unit of product at the normal capacity. Unallocated factory overheads (positive deference between actual fixed factory overheads and fixed factory overheads charged to prime cost of product shall not be charged to prime cost of product) shall be recorded to costs of goods sold during a period as follows:

Dr 154 – Work in progress

Dr 632 – Costs of goods sold (portion of fixed factory overheads unallocated to prime cost of product)

Cr 627- – Factory overheads.

dd) Value of raw materials, materials outsourced for processing and returned to warehouse, the following accounts shall be recorded:

Dr 152 – Raw materials

Cr 154 – Work in progress

e) Value of unrepairable damaged products which was compensated by offender, the following accounts shall be recorded:

Dr 138 – Other receivables (1388)

Dr 334 – Payables to employees.

Cr 154 – Work in progress

g) In an enterprise having long production and trade cycle, and direct material costs, direct labor costs, and factory overheads were transferred to Account 154 during an accounting period, then, the portion of direct material costs of direct labor costs in excess of normal rates, and portion of fixed factory overheads not charged to prime cost of product (not charged to value of inventory) shall be determined and recorded to costs of goods sold in the accounting period as follows:

Dr 632 - Costs of goods sold

Cr 154 – Work in progress (when expenses are transferred from accounts 621, 622, 627 to account 154).

h) When delivering goods to inventory during a period, the prime costs of goods shall be recorded as follows:

Dr 155 – Finished goods

Cr 154 – Work in progress

i) In case finished goods are not stored but delivered for internal use or capital investment, the following accounts shall be recorded:

Dr 641, 642, 241

Cr 154 – Work in progress

k) After dispatching raw materials to production, if any trade discount or sales rebate (including fines for violations against business contracts leading a decrease in payment of the purchaser) on such raw materials is received, a decrease in work in progress pertaining to trade discount or sales rebate corresponding to dispatched raw materials shall be recorded as follows:

Dr 111, 112, 331, etc.

Cr 154 – Work in progress (trade discounts or sales obtained equivalently to dispatched raw materials)

Cr 133 – Deductible VAT (1331) (if any).

l) Accounting for experimental products:

- Production cost of experimental products shall be recorded to account 154 similarly to other products. When recovering (sale or liquidation) experimental products, the following accounts shall be recorded:

Dr 111, 112, 131

Cr 154 – Work in progress

Cr 3331 – VAT payables (if any).

- Transferring difference between experimental production cost and amounts collected from sale or liquidation of experimental products:

+ If the experimental production cost is greater than the amounts collected from sale or liquidation of experimental products, an increase in value of construction asset shall be recorded as follows:

Dr 241 – Construction in progress

Cr 154 – Work in progress

+ If the experimental production cost is smaller than the amounts collected from sale or liquidation of experimental products, a decrease in value of construction asset shall be recorded as follows:

Dr 154 – Work in progress

Cr 241 – Construction in progress

m) In case finished goods are not stored but delivered directly to purchaser (water, electricity products), the following accounts shall be recorded:

Dr 632 - Costs of goods sold

Cr 154 – Work in progress

7.2. Accounting for inventory using periodic inventory system:

a) At the end of the accounting period, according to the actual physical inventory count, the actual value of work in progress shall be determined and transferred as follows:

Dr 154 – Work in progress

Cr 631 – Production costs

b) At the beginning of accounting period, when transferring actual work in progress, the following accounts shall be recorded:

Dr 631 – Production costs

Cr 154 – Work in progress

**8. Method of accounting for several major transactions in Agriculture sector**

***8.1. Accounting for inventory using perpetual inventory system***

a) At the end of accounting period, direct material costs shall be calculated and transferred according to operating expense object as follows:

Dr 154 – Work in progress

Dr 632 - Costs of goods sold (portion of direct material costs in excess of normal rate)

Cr 621 – Direct raw materials.

b) At the end of accounting period, direct labor costs shall be calculated and transferred according to expense object as follows:

Dr 154 – Work in progress

Dr 632 - Costs of goods sold (portion of direct labor costs in excess of normal rate)

Cr 622 – Direct labor costs.

c) At the end of accounting period, factory overheads shall be calculated and transferred according to expense object as follows:

Dr 154 – Work in progress

Dr 632 – Costs of goods sold (portion of fixed factory overheads unallocated to prime cost of product)

Cr 627 – Factory overheads.

d) Value of returned subsidiary products shall be recorded as follows:

Dr 152 – Raw materials

Cr 154 – Work in progress

dd) Value of returned scraps, of raw materials and trade expenses outsourcing, and have been completely processed, returned to storehouse shall be recorded as follows:

Dr 152 – Raw materials

Cr 154 – Work in progress

e) Value of young domestic animals and raised domestic animals transferred to working animals or reproductive animals shall be recorded as follows:

Dr 211 – Tangible fixed asset (2116)

Cr 154 – Work in progress

g) Actual production cost of output products, stored or immediately consumed shall be recorded as follows:

Dr 155 – Finished goods

Dr 632 - Costs of goods sold

Cr 154 – Work in progress

h) Output products which are internally consumed without inventory shall be recorded as follows:

Dr 641, 642, 241

Cr 154 – Work in progress

***8.2. Accounting for inventory using periodic inventory system:***

Accounting method for severed major trade activities at Account 154 in Agriculture is similar to that of Industry.

**9. Method of accounting for several major transactions in Services sector**

Accounting method for severed major trade activities at Account 154 in Services is similar to that of Industry. Notes:

a) Actual cost of service which is completed, transferred to purchased and determined as sale during a period shall be transferred as follows:

Dr 632 - Costs of goods sold

Cr 154 – Work in progress

b) When using internal consumes service, the following accounts shall be recorded:

Dr 641, 642.

Cr 154 – Work in progress

**10. Method of accounting for several major transactions in Construction sector**

10.1. Accounting method for collecting construction expenses (Dr 1541 "Construction"):

a) Accounting for items of direct raw materials:

- Items of direct raw materials consist of: Actual value of main materials, subsidiary materials, component parts on dismantled parts, circulating materials participating in formation of construction product substances, or support for implementation and performance of construction volume (not including subsidiary materials for machinery and operation facilities, and main materials expenses included in factory overheads).

- Accounting rules for items of direct raw materials: Raw materials or materials used for some work items must be charged directly to those work items according to original documents with actual volume of used materials, and with actual delivery price (weighted average price, FIFO price, and specific identification).

- At the end of accounting period or when construction is completed, residual materials inventory at production site (if any) shall be undergone physical inventory count to record as a decrease in costs of direct materials delivered for use in construction.

- If direct material costs for each building work or work item is not feasible to calculate in actual conditions, then the enterprise may apply material allocation method for consumed objects with reasonable criteria for (in proportion to consume quota on raw materials, etc).

- According to Table of materials allocated for each building work or work item, the following accounts shall be recorded:

Dr 154 – Work in progress (material costs)

Dr 632 - Costs of goods sold (direct material costs in excess of normal rate)

Cr 621 – Direct raw materials.

b) Accounting for direct labor costs: similar to Industry sector

c) Accounting for costs of construction machinery

- Costs of construction machinery shall include: Expenses incurred from machinery operation to perform construction volume by machine. Operating machinery is a kind of machine served directly for construction. Such as, machinery operated by hydro steam engine, diesel, and petrol and by electricity, etc. (including kinds of machine served for construction and assembly).

- Expenses of machinery operation consist of permanent expenses and temporary expenses. Permanent expenses for operation of machinery consist of: Expenses of labor handling machine, serving machine, etc; expenses of materials, of instruments and tools; depreciation expenses of fixed assets, expenses of outsourced services (small repairs, electricity and water expenses, trucks and machine expenses, etc); other expenses in cash.

- Temporary expenses for operation of machinery consist of: Expenses for great repairs of operating machine (maintenance overhaul, repairs of medium importance, etc) which are not eligible for recording as an increase in historical cost of operating machine; expenses for temporary works for operating machine (huts, sheds, platform, railway for machines). Temporary expenses of machine may incur in advance (debited Account 142 or Account 242), and they will be deferred to Account 623 "Operating machine expenses", or incurred later, but they must be charged in advance to construction expenses during a period (because they relate to actual use of operating machines during the period). In this case it is necessary to accrue expenses, Cr 332 "Provisions", Dr 623 "Costs of construction machinery".

- Expenses summary and calculation of costs of construction machinery must be separately recorded for each operating machine (see guidance on Account 623 "Costs of construction machinery").

- According to Table of costs of construction machinery (actual expenses of machine shift) for every building work or work item, the following accounts shall be recorded:

Dr 154 – Work in progress

Dr 632 - Costs of goods sold (costs in excess of normal rate)

Cr 623 – Costs of construction machinery.

d) Accounting for factory overheads:

- Factory overheads record production costs of construction team or work sites, including: salaries of factory management staff, of construction teams and groups, social insurance and health insurance appropriation and trade union fees appropriation will be computed with regulated proportion on salaries payables for construction direct workers, operating machine operators, and management staffs of factories, teams and groups; fixed assets depreciation used for total activities of teams, and other related expenses of team activities, etc.

When these expenses incur during a period, the following accounts shall be recorded:

Dr 627 – Factory overheads.

Dr 133 – Deductible VAT (if any).

Cr 111, 112, 152, 153, 214, 242, 334, 338, etc.

- When determining provisions for construction warranty, the following accounts shall be recorded:

Dr 627 – Factory overheads.

Cr 352 – Provisions.

- When incurring expenses incurred from repair and warranty of the construction, such as expenses incurred from direct raw materials, direct labor costs, costs of construction machinery, factory overheads, these expenses shall be recorded to relevant accounts, the following accounts shall be recorded:

Dr 621 – Direct raw materials.

Dr 622 – Direct labor costs.

Dr 623 – Costs of construction machinery.

Dr 627 – Factory overheads.

Dr 133 – Deductible VAT (if any).

Cr 111, 112, 152, 153, 214, 242, 334, 338, etc.

- At the end of the period, actual expenses incurred from direct raw materials, direct labor costs, costs of construction machinery, factory overheads related to repair and warranty of construction to record expenses incurred from repair and warranty and calculate prime cost of warranty, the following accounts shall be recorded:

Dr 154 – Work in progress

Cr 621 – Direct raw materials.

Cr 622 – Direct labor costs.

Cr 623 – Costs of construction machinery.

Cr 627 – Factory overheads.

- When finishing repair or warranty of the construction and transferring them to customers, the following accounts shall be recorded:

Dr 352 – Provisions.

Cr 154 – Work in progress

- When warranty on construction works expires, if the works are not warranted or the provisions for construction work warranty are greater than the actual costs incurred, the difference must be reverted, and then the following accounts shall be recorded:

Dr 352 – Provisions.

Cr 711 – Other income.

- At the end of the accounting period, according to the Table of factory overheads allocation, the factory overheads shall be allocated and transferred to relevant building works or work items (equivalent to labor costs); the following accounts shall be recorded:

Dr 154 – Work in progress

Dr 632 – Costs of goods sold (portion of fixed factory overheads unallocated to prime cost of construction)

Cr 627 – Factory overheads.

10.2. Method of accounting for and transferring construction expenses (Cr 1541 "Construction"):

a) Unrecoverable cost of the contract cannot be recovered (e.g., not enough legal enforcement such as there is doubts about its validity, or the contract that the customers cannot fulfill their obligations ...) must be recorded to expenses during the period as follows:

Dr 632 - Costs of goods sold

Cr 154 – Work in progress

b) Expenses directly related to every contract may be eligible for deduction if other receipts not including in the revenue of the contract. For example: receipts from sale of raw materials in surplus and disposal of machinery or equipment when terminating the construction contract:

- When delivering raw materials in surplus to inventory at the expiration of the construction contract, the following accounts shall be recorded:

Dr 152 – Direct raw materials (according to original cost)

Cr 154 – Work in progress.

- When recovering scrap then delivering them to inventory, the following accounts shall be recorded:

Dr 152 – Direct raw materials (according to recoverable cost)

Cr 154 – Work in progress.

- If the materials in surplus and recovered scrap which are sold without delivered to inventory, receipts from materials in surplus and scrap and a decrease in expenses shall be recorded as follows:

Dr 111, 112, 131, etc.  (total payment)

Cr 3331 – VAT payable (33311)

Cr 154 – Work in progress.

- Accounting for disposal of machinery or equipment specially used for construction contract and these fixed assets are depreciated fully on the expiry date of the construction contract:

+ The receipts from disposal of machinery or equipment shall be recorded as follows:

Dr 111, 112, 131, etc.

Cr 3331 – VAT payable (33311)

Cr 154 – Work in progress.

+ The expenses incurred from disposal of machinery or equipment (if any) shall be recorded as follows:

Dr 154 – Work in progress

Dr 133 – Deductible VAT (1331).

Cr 111, 112, etc.

+ A decrease in fully depreciated fixed assets which are special machinery or equipment shall be recorded as follows:

Dr 214 – Depreciation of fixed assets

Cr 211 – Tangible fixed asset.

c) At the end of the accounting period, according to cost price of construction product actually finished and identified to be sold (partly transfer or completely transfer to project management board - Party A), or transferred to internal main contract business:

- In case transferring to Party A (including transfer of finished construction volume according to internal contract, if contract unit has separate account division), the following accounts shall be recorded:

Dr 632 - Costs of goods sold

Cr 154 – Work in progress (1541).

- In case construction product is finished to be sold (constructing houses for sales,...), or construction products finished but are not yet transferred, according to cost price of finished construction product to be sold, the following accounts shall be recorded:

Dr 155 – Finished goods

Cr 154 – Work in progress (1541).

- In case transferring finished construction product to main construction contract unit (superior, or internal unit - when implementing internal construction contract, contract unit has separate account division but only adjust account up to costs of construction production), the following accounts shall be recorded:

Dr 352 – Intra-company receivables (3368)

Cr 154 – Work in progress (1541).

**Article 28. Account 155 – Finished goods inventory**

**1. Rules for accounting**

a) This account is used to record current cost and decrease or increase in finished goods of the enterprise. Finished goods inventory are products which have been completely processed through manufacturing process of manufactured business, or products completely outsourced and verified as compliance with technical standards and stored.

In the transactions in export entrustment, this account is only used by trustor, not by trustee

b) The finished goods manufactured by direct production divisions and indirect production divisions of the enterprise must be evaluated according to prime cost, including: direct raw materials cost, direct labor cost, factory overhead and direct relevant costs related to manufacture of products.

- Variable factory overhead shall be wholly allocated to processing cost of each product unit according to actual cost incurred within an accounting period.

- Fixed factory overhead shall be allocated to processing cost of each product unit according to common capacity of manufacturing machinery and equipment. Common capacity means common volume of products manufactured in the normal manufacturing condition.

- If the actual capacity is greater than common capacity, the fixed factory overhead shall be allocated to each unit according to actual costs incurred.

- If the actual capacity is lower than common capacity, the fixed factory overhead shall only be allocated to processing cost for each unit according to the common capacity. The non-allocated factory overhead shall be recorded to the cost for income output (recorded to costs of goods sold) within an accounting period.

c) The following costs shall not be recorded to prime costs of finished goods:

- Costs of raw materials, labor and other operating costs incurred exceeding normal rates;

- Cost of preservation of inventory deducted from cost of preservation of inventory for next manufacturing process and preservation cost as prescribed in Accounting standard “Inventory”;

- Selling expenses;

- General administration expenses;

d) Finished goods processed under outsourcing agreement shall be evaluated according to actual prime cost of processing, including: direct raw materials cost, outsourcing cost and other costs related to outsourcing process.

dd) The cost of finished goods inventory shall be calculated according to one of following method: specific identification; weight average; or first in – first out.

e) In case the enterprise uses the periodic inventory system, the finished goods which are received and dispatched inventory shall be recorded daily according to accounting cost (may be planned prime cost or regulated inventory cost). At the end of the month, the actual prime cost of inventoried finished goods must be calculated and difference between actual prime cost and accounting cost of finished goods (including the difference of beginning finished goods) which is the basis for calculation of actual prime cost of received or dispatched finished goods within an accounting period (using the formula prescribed in account 152 “Raw materials”).

g) The finished goods shall be specifically accounted according to every inventory, type, group, finished good items.

**2. Structure and contents of account 155 – Finished goods**

**Debit:**

- Cost of inventoried finished goods;

- Cost of finished goods in surplus under physical inventory count;

- Transfer of cost of ending finished goods inventory (if the enterprise uses periodic inventory system)

**Credit:**

- Actual cost of dispatched finished goods;

- Cost of finished goods in shortage under physical inventory count;

- Transfer of actual cost of beginning finished goods inventory (if the enterprise uses periodic inventory system)

**Debit balance:** Actual cost of ending finished goods inventory.

***Account 155 – Finished products, comprises 2 sub-accounts:***

*- Account 1551 – Inventoried finished goods: recording current cost and decrease or increase in inventoried finished goods (other than finished goods which are real estate);*

*- Account 1557 – Finished goods – property: recording current cost and decrease or increase in Finished goods – property of the enterprise.* Finished goods – property include: land use rights; housing; or housing and land use rights; infrastructure invested for the ordinary course of business

**3. Accounting methods for several major transactions:**

***3.1. Enterprise using perpetual inventory system.***

3.1.1. When receiving finished goods manufactured by the enterprise or under outsourcing agreement, the following accounts shall be recorded:

Dr 155 – Finished goods

Cr 154 - Work in progress.

3.1.2. When dispatching finished goods for sale to customers, the costs of finished goods sold shall be recorded as follows:

a) Finished goods – non-real estate

Dr 632 – Costs of goods sold

Cr 155 – Finished goods

b) Finished goods – property (for building work invested by the enterprise)

b1) Original prices of Finished goods – property shall include total costs directly related to investment in construction of real estate (including costs of construction of infrastructure associated with the real estate) making the real estate available for sale.

b2) Costs related to investment in construction of real estate must be incurred costs which obtain acceptance report.

b3) In case the enterprise has not compiled documents on costs related to investment of construction of real estate, but the revenues from sale of the real estate generated, the enterprise may extract a portion of the cost to provisionally calculate costs of goods sold. When the documents are sufficiently compiled or the real estate is constructed wholly, the enterprise must settle total costs which are accrued from costs of goods sold The positive difference between accrued cost in advance and actually incurred cost shall be recorded as a decrease in costs of goods sold during the accounting period subject to settlement.

b4) The advanced costs deducted for provisional costs of Finished goods – property must follow the rules below:

- The enterprise may only accrue an advance of costs stated in the estimates for investment in construction, but there are not enough documents for acceptance and specific presentation of reasons, accrued expenses incurred from every work item within an accounting period.

-The enterprise may only accrue costs to calculate provisionally costs of goods sold for finished real estate, which is sold within an accounting period and qualify for recording revenues as prescribed in this Circular.

- Provisional accrued expenses and actual cost incurred shall be recorded to costs of goods sold provided that they are equivalent to quota of cost according to total estimate cost of the portion of real estate which is sold (defined by area).

b5) Accounting method for costs of Finished goods – property sold.

- When selling the portion of finished goods, the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 155 – Finished goods

- When extracting costs to provisionally calculate costs of Finished goods – property sold within an accounting period, the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 335 – Expenses payable.

- The actual cost of investment in construction incurred which have sufficient and accepted documents shall be compiled to calculate cost of investment in construction of real estate, the following accounts shall be recorded:

Dr 154 - Work in progress

Dr 133 – Deductible VAT

Cr, relevant accounts.

- When there are sufficient documents proved prepaid expenses incurred actually, decreases in prepaid expenses and work in progress shall be recorded as follows:

Dr 335 – Expenses payable.

Cr 154 - Work in progress.

- When the whole project for real estate finishes, the final settlement must be made and a decrease in remaining prepaid expenses (if any) shall be recorded as follows:

Dr 335 – Expenses payable.

Cr 154 - Work in progress.

Cr 632 – Costs of goods sold (the remaining prepaid expenses must be greater than actual expenses incurred).

3.1.3. When dispatching finished goods for sale or agencies, the following accounts shall be recorded:

Dr 157 – Consignment goods (through agencies)

Cr 155 – Finished goods

3.1.4. When a buyer returns finished goods sold: If the returned goods subject to VAT using credit-invoice method, revenues from goods returned (VAT-exclusive prices), and the following accounts shall be recorded:

Dr 521 – Revenue deductions (5213)

Dr 3331 – VAT payable (33311).

Cr 111, 112, 131, etc.  (total cost of goods returned).

And the costs of finished goods sold which are delivered to inventory shall be recorded as follows:

Dr 155 – Finished goods

Cr 632 – Costs of goods sold.

3.1.5. Internal consumer goods shall be recorded as follows:

Dr 641, 642, 241, 211

Cr 155 – Finished goods

3.1.6. Dispatching finished goods and transferring to dependent accounting units of the enterprise:

- In case the dependent accounting units are in charge of recording revenues, costs of goods, the costs of finished goods sold shall be recorded as follows:

Dr 632 – Costs of goods sold

Cr 155 – Finished goods

- In case the dependent accounting unit is not in charge of recording revenues, costs of goods, the costs of products circulated intra-company shall be intra-company receivables and be recorded as follows:

Dr 136 - Intra-company receivables

Cr 155 – Finished goods

Cr 333 – Taxes and other payables to the State (in detail).

3.1.7 When contributing finished goods to subsidiaries, joint-venture companies as capital, the following accounts shall be recorded:

Dr 221, 22 (according to re-evaluated value)

Dr 811 – Other expenses (re-evaluated value is smaller than book value of finished goods)

Cr 155 – Finished goods

Cr 711 – Other incomes (re-evaluated value is greater than book value of finished goods)

3.1.8 When dispatching finished goods to sell capital holding in subsidiaries, joint-venture companies, the following accounts shall be recorded:

- The revenues from sale of raw materials and investment in subsidiaries, joint-venture companies, and the following accounts shall be recorded:

Dr 221, 222 (according to fair value)

Cr 511- – Revenues

Cr 3331 – Output VAT payable.

- The costs of finished goods to sell capital holding in subsidiaries, joint-venture companies shall be recorded as follows:

Dr 632 – Costs of goods sold

Cr 155- – Finished goods

3.1.9 Whenever the surplus or shortage of finished goods is detected under physical inventory count, it is required to make report and uncover reasons and look for offender(s). According to reports on physical inventory count and decision of competent agency, the accounting shall be recorded as follow:

- If the surplus or shortage of finished goods caused by errors or are not updated, they are required to be additionally provided or adjusted on the accounting records;

- In case it fails to uncover reasons for surplus or shortage, it shall be pending for settlement:

+ If the finished goods are surplus, the following accounts shall be recorded:

Dr 155 – Finished goods (according to fair value)

Cr 338 – Other payables or receivables (3381).

When there is a decision of settlement made by the competent agency, the following accounts shall be recorded:

Dr 338 – Other payables or receivables.

Cr, relevant accounts.

+ If the finished goods are deficient, the following accounts shall be recorded:

Dr 138 – Other payables (1381 – Assets in shortage awaiting resolution)

Cr 155 – Finished goods

- When there is a decision on settlement made by the competent agency, the following accounts shall be recorded:

Dr 111, 112, etc.  (if the offender pays compensation in cash)

Dr 334 – Payables to employees (deducting salaries of offenders)

Dr 138 – Other receivables (1388) (compensation of offenders)

Dr 632 – Costs of goods sold (remaining shortage after offsetting against compensation)

Cr 138 - Other receivables (1381).

3.1.10 When the enterprise uses products for giving, promotion or advertisement (under law on commerce):

a) If the products are manufactured for giving, promotion or advertisement without collecting money or any additional conditions (compulsory purchase of goods, etc), the costs of products shall be recorded to selling expenses as follows (goods for promotion or advertisement for detail):

Dr 641 – Selling expenses

Cr 155 – Finished goods (production cost of products).

b) If the products are manufactured for promotion or advertisement with additional conditions that the customers are required to buy goods (e.g. buy two, get one free, etc) The collected amounts of moneys shall be recorded to revenues (including promotion goods), costs of promotion goods shall be recorded to costs of goods sold (nature of transaction is a decrease in good costs).

- When dispatching promotion goods, the costs of promotion goods shall be recorded to costs of goods sold as follows:

Dr 632 – Cost prices of goods sold (prime cost)

Cr 155 – Finished goods

- When receiving revenues from promotion goods shall be recorded to goods sold and promotion goods as follows:

Dr 111, 112, 131, etc.

Cr 511 – Revenues

Cr 3331 – Deductible VAT (33311) (if any).

c) If products manufactured for giving staff using welfare fund, the revenues and costs of goods shall be recorded similarly to ordinary selling transactions as follows:

- The products for giving to staff and employees shall be recorded to costs of goods sold:

Dr 632 – Costs of goods sold

Cr 155 – Finished goods

- Products for giving using welfare fund shall be recorded to revenues as follows:

Cr 353 - Welfare fund (total payment)

Cr 511 – Revenues

Cr 3331 – Deductible VAT (33311) (if any).

3.1.11. Paying salaries to employees by products

- The revenues from products for paying salaries to employees shall be recorded as follows:

Dr 334 – Payables to employees (total costs)

Cr 511 – Revenues

Cr 3331 – VAT payable (33311).

Cr 3335 – Deductible VAT (if any).

- The cost of products for paying salaries to employees shall be recorded to costs of goods sold as follows:

Dr 632 – Costs of goods sold

Cr 155 – Finished goods

3.1.12. When liquidating or selling unused finished goods, their costs shall be recorded as follows:

Dr 632 – Costs of goods sold

Cr 155 – Finished goods

***3.2. Enterprises using periodic inventory system.***

a) At the beginning inventory, according to the physical inventory count of finished goods which are transferred from previous ending inventory, the beginning finished goods inventory shall be recorded to account 632 “Costs of goods sold” as follows:

Dr 632 – Costs of goods sold

Cr 155 – Finished goods

b) At the ending of accounting period, according to physical inventory count for finished goods inventory, the ending finished goods inventory shall be transferred as follows:

Dr 155 – Finished goods

Cr 632 – Costs of goods sold.

**Article 29. Account 156 – Goods**

**1. Rules for accounting**

a) This account is used to record current value and increase or decrease in merchandise inventory of an enterprise, including merchandise in inventories, properties held for sale. Merchandise inventory is goods that have been purchased by an enterprise, with the intent of selling the goods to third parties (wholesale or retail). If the merchandise purchased for both sale and operation, it shall still be recorded to account 156 “Merchandise inventory”

In the import-export entrustment transaction, this account is only used by the trustor not by the trustee. Trading in merchandise inventory related to transactions in foreign currencies shall comply with regulations of Article 69 – Guidelines for accounting method for exchange rate differences.

b) The following merchandise shall not be recorded to account 156 “Merchandise inventory”:

- Consignment goods sold or kept on behalf of other enterprises;

- Merchandise purchased for operation (recorded to account 152 “Raw materials", or account 153 “Tools and supplies", etc).

c) The received, dispatched or inventoried merchandise inventory recorded to account 156 shall be accounted according to original prices as prescribed accounting standard “Inventory”. Historical cost of merchandise inventory purchased includes: Purchasing prices or incidental purchase costs (transport, material handling, preservation of merchandise from suppliers to the enterprise’s warehouse, insurance cost, etc), import duty, special excise tax, environmental protection tax (if any), VAT on imported goods (if they are not deductible). If the enterprise purchases merchandise for resale, but they must be processed, semi-processed, refurbished, classified for additional value and quick sale of merchandise, the merchandise cost shall include processing or semi-processing cost.

- The historical cost of merchandise purchased shall be calculated according to every input source and the purchasing price and incidental purchase cost shall be recorded separately.

- When determining cost of merchandise inventory, the enterprise may apply one of following methods:

+ First in - first out;

+ Specific identification;

+ Weight average;

- Some particular units (supermarkets or similar) may determine cost of ending inventory balances using retail inventory method. This method may be used in the retail to calculate cost of inventory in bulk of merchandise which vary promptly and have similar margin unable to use other method calculating original prices. The original cost of merchandise inventory shall equal selling price of merchandise inventory minus (-) margin (reasonable rate). That is used with due account taken of merchandise pieces which has fallen to less than its original price Each retailer usually uses separate average rate of percent.

- The incidental purchase cost in an accounting period shall be charged to consume merchandise during the period and ending merchandise inventory. The incidental purchase cost shall be allocated according to specific condition of every enterprise, but it is required to be consistent.

d) When buying merchandise, if goods, equipment or accessories for replacement are attached (provision for breakdown), the goods, equipment or accessories for replacement shall be recorded with proper cost. Cost of imported goods is the price subtracted from cost of goods, equipment or accessories for replacement.

dd) The merchandise inventory shall be specifically accounted according to every inventory, type, group of merchandise items.

**2. Structure and contents of account 156 – Merchandise inventory**

**Debit:**

- Cost of merchandise purchased stated in the sale invoice (including non-refundable taxes);

- Incidental purchase cost;

- Cost of merchandise under outsourcing agreement (including input prices and processing cost);

- Cost of goods returned;

- Cost of merchandise inventory in surplus detected under physical inventory count;

- Transfer of ending merchandise inventory balances (if the enterprises use periodic inventory system);

- Cost of properties held to sale purchased or converted from investment property.

**Credit:**

- Cost of dispatched merchandise for sale or sending to agents, affiliated enterprises; performance of outsourcing agreement, or for operation;

- Incidental purchase cost allocated to merchandise sold during the period;

- Trade discount on merchandise purchased;

- Sale discount on merchandise purchased;

- Cost of goods returned;

- Cost of merchandise inventory in shortage detected under physical inventory count;

- Transfer of beginning merchandise inventory balances (if the enterprises use periodic inventory system);

- Cost of properties held to sale sold or converted into investment property, property used by the owner or fixed assets.

**Debit balance:**

- Cost of merchandise inventory purchases;

- Incidental purchase cost of merchandise inventory.

***Account 156 – Merchandise inventory, comprises 2 sub-accounts:***

*- Account 1561 – Purchase costs: recording current cost and decrease or increase in merchandise purchased and inventoried (according to purchase costs);*

*- Account 1562 – Incidental purchase costs:* recording incidental purchase costs incurred relating to amounts of received merchandise during a period and the distribution of current incidental purchase costs in the period to amounts of merchandise purchased during a period and ending merchandise inventory balances (including inventoried merchandise and merchandise on consignment, unsold goods on consignment). The incidental purchase costs recorded in this account only include the costs directly related to the processing of purchasing merchandise, such as: insurance cost of merchandise, depot rents, etc, costs of transport, material handling, preservation of merchandise from supplier to the enterprise's stock; normal losses incurred during processing of purchasing merchandise.

*- Account 1567 – Properties held for sale: recording current cost and decrease or increase in properties held for sale of the enterprise.* Properties held for sale include: land use rights; housing; or housing and land use rights; infrastructure purchased for sale in the ordinary course of business; investment properties shall be recorded to inventory when the owner put them for sale.

a) Structure and contents of account 1561 – Purchase costs

**Debit:**

- Purchased merchandise cost according to sales invoice (inventoried);

- Import duty or special excise tax on imported goods or VAT on imported goods, input VAT – if they are not deductible, imposed on inventoried merchandise purchased;

- Cost of inventoried merchandise subject to processing agreement, including: purchase costs and costs of processing;

- Cost of merchandise allocated as capital;

- Cost of inventoried goods returned;

- Cost of merchandise inventory in surplus detected under physical inventory count;

- Transfer of cost of ending merchandise inventory (if the enterprise uses periodic inventory system)

**Credit:**

- Actual cost of merchandise dispatched during a period (dispatch for sale, exchange, giving to agencies or dependent accounting units, internal use, capital contribution in joint-venture);

- Trade discount on merchandise purchased;

- Sale discount on merchandise purchased;

- Cost of goods returned;

- Costs of merchandise in shortage or losses;

- Transfer of beginning merchandise inventory balances (if the enterprises use periodic inventory system);

**Debit balance:** Actual cost of ending merchandise inventory.

b) Structure and contents of account 1562 – Incidental purchase costs

**Debit:** Actual incidental purchase costs incurred relating to amounts of merchandise purchased and received in a period.

**Credit:** Incidental purchase costs of amounts of merchandise consumed during a period.

**Debit balance:** Ending incidental purchase cost balances.

c) Structure and contents of account 1567 – Properties held for sale

**Debit:**

- Actual cost of properties held to sale;

- Residual value of investment properties converted into property inventory;

- Cost of repair, renovation, upgrade of property for sale which is recorded as an increase in original cost of properties held for sale

**Credit:**

- Actual cost of properties held to sale during a period;

- Cost of properties held to sale converted into investment properties or fixed assets.

**Debit balance:** Actual cost of ending properties held for sale balances.

**3. Accounting methods for several major transactions:**

***3.1. Enterprise using perpetual inventory system.***

3.1.1. Merchandise purchased and delivered to the enterprise's warehouse, according to sales invoices, warehouse receipts and relevant documentary evidence:

a) When purchasing merchandise, if input VAT on merchandise is deductible, the following accounts shall be recorded:

Dr 156 – Merchandise inventory (1561) (detail in merchandise purchased and merchandise used as substitute provisional for damage)

Dr 1534 – Equipment and spare parts for replacement (fair value)

Dr 133 – Deductible VAT (1331) (input VAT)

Cr 111, 112, 141, 331, etc. (total payment).

If the input VAT is not deductible, value of merchandise purchased shall include VAT

b) Importing merchandise:

- When importing merchandise, the following accounts shall be recorded:

Dr 156 – Merchandise inventory

Cr 331 – Trade payables

Cr 3331 – Deductible VAT (33312) (if input VAT on imported goods are not deductible)

Cr 3332 – Special excise duty (if any).

Cr 3333 – Import/export duty (detail on import duty).

Cr 33381 – Environmental protection tax.

- If input VAT on imported goods is deductible, the following accounts shall be recorded:

Dr 133 – Deductible VAT

Cr 3331 – Deductible VAT (33312).

- When buying merchandise and prepaying the seller an advance in foreign currency, the cost of merchandise equivalent to the advance shall be recorded according to actual exchange rates at the time in which the prepayment is made The remaining cost of merchandise purchased in foreign currency shall be recorded according to actual exchange rates at the purchasing time.

- The merchandise purchase under import entrustment shall comply with regulations on account 331 – Trade payables

3.1.2. At the end of the accounting period, if the sales invoice sent by the seller is received but the merchandise has not been received, the following accounts shall be recorded:

Cr 151 – Goods in transit

Dr 133 – Deductible VAT (if any)

Cr 111, 112, 331, etc.

- Next accounting period, when the merchandise purchase in transit, the following accounts shall be recorded:

Dr 156 – Merchandise inventory (1561)

Cr 151 – Goods in transit

3.1.3 In case the trade discounts or sales rebates are received after buying merchandise (including fines for violations against economic contracts leading decrease in payment made by the purchaser), those discounts shall be allocated according to decrease or increase in tools and supplies (inventoried or dispatched merchandise during a period):

Dr 111, 112, 331, etc.

Cr 156 – Merchandise inventory (if merchandise are still inventoried)

Cr 632 – Costs of goods sold (if they are consumed during a period)

Cr 133 – Deductible VAT (1331) (if any).

3.1.4 Cost of merchandise purchased which is returned to sellers due to failure of specifications under economic contract, the following accounts shall be recorded:

Cr 111, 112, etc.

Cr 331 – Trade payables

Cr 156 – Merchandise inventory (1561)

Cr 133 – Deductible VAT (1331) (if any).

3.1.5 Purchase costs of merchandise inventory shall be recorded as follows:

Dr 156 – Merchandise inventory (1562)

Dr 133 – Deductible VAT (if any)

Cr 111, 112, 141, 331, etc.

3.1.6 When purchasing merchandise making deferred payment, the following accounts shall be recorded:

Dr 156 – Merchandise inventory (cash prices)

Dr 133 – Deductible VAT (if any)

Dr 242 – Prepaid expenses {interest on deferred payment is difference between total payment minus (-) cash prices deducted from VAT (if it is deductible)}

Cr 331 – Trade payables (total costs)

The interests on deferred payment shall be periodically recorded to financial expenses as follows:

Dr 635 - Financial expenses

Cr 242 – Prepaid expenses.

3.1.7. When purchasing properties held for sale, the purchase costs and incidental purchase costs of properties held for sale shall be recorded as follows:

Dr 1567 – Properties held for sale (VAT-exclusive prices)

Dr 133 – Deductible VAT (1332)

Cr 111, 112, 331, etc.

3.1.8. If the investment properties convert into inventory when the owner repairs, innovates or upgrades them for sale:

- When the owner repairs, innovates or upgrades investment properties for sale, the following accounts shall be recorded:

Dr 156 – Merchandise inventory (1567) (residual value of investment properties)

Dr 214 - Depreciation of fixed assets (2147 – accrued depreciation)

Cr 217 – Investment properties (cost prices).

- When incurring costs of repair, renovation, upgrade of investment properties for sale, the following accounts shall be recorded:

Dr 154 - Work in progress

Dr 133 – Deductible VAT

Cr 111, 112, 152, 334, 331, etc.

- When finishing the repair, innovation or upgrade of investment properties for sale, total cost shall be transferred and an increase in properties held for sale shall be recorded:

Dr 156 – Merchandise inventory (1567)

Cr 154 - Work in progress.

3.1.9 Value of goods for sale which are consumed shall be recorded as follows:

Dr 632 – Costs of goods sold

Cr 156 – Merchandise inventory (1561)

Concurrently, sales revenues shall be recorded as follows:

- If indirect taxes are separable, the revenues shall be recorded follows:

Dr 111, 112, 131, etc.  (total payment).

Cr 511 – Revenues

Cr 333 – Taxes and other payables to the State.

- If indirect taxes are not separable, the revenues including taxes shall be recorded. Tax liabilities and the decrease in revenues shall be periodically recorded as follows:

Dr 511 – Revenues (total payment)

Cr 333 – Taxes and other payables to the State.

3.1.10. Outsourcing agreement

- When dispatching merchandise inventory to process, the following accounts shall be recorded:

Dr 154 - Work in progress

Cr 156 – Merchandise inventory (1561)

- When costs of processing incurred, the following accounts shall be recorded:

Dr 154 - Work in progress

Dr 133 – Deductible VAT (if any)

Cr 111, 112, 331, etc.

- When the processing is finished, the merchandise shall be received in inventory and the following accounts shall be recorded:

Dr 156 – Merchandise inventory (1561)

Cr 154 - Work in progress.

3.1.11. When dispatching merchandise to customers or agencies consigning companies, etc, the following accounts shall be recorded:

Dr 157 – Goods on consignment

Cr 156 – Merchandise inventory (1561)

3.1.12. Dispatching merchandise inventory to dependent accounting units of the enterprise for sale:

- In case the dependent accounting units are in charge of recording revenues, costs of goods, the costs of merchandise sold shall be recorded as follows:

Dr 632 – Costs of goods sold

Cr 156 – Merchandise inventory.

Concurrently, sales revenues shall be recorded as follows:

Dr 111, 112, 131, etc.  (total payment).

Cr 511 – Revenues

Cr 333 – Taxes and other payables to the State.

- In case the dependent accounting unit is not in charge of recording revenues, costs of goods, the costs of products circulated intra-company shall be intra-company receivables, the following accounts shall be recorded:

Dr 136 - Intra-company receivables

Cr 156 – Merchandise inventory.

Cr 333 – Taxes and other payables to the State.

3.1.13. When dispatching merchandise for internal use, the following accounts shall be recorded:

Dr 641, 642, 241, 211

Cr 156 – Merchandise inventory.

3.1.14. When the enterprise uses products for giving, promotion or advertisement (under law on commerce):

a) If the merchandise inventory is released for promotion or advertisement without collecting money, not providing additional conditions (compulsory purchase of goods, etc), the cost of merchandise inventory shall be recorded to selling expenses (detail in promotion or advertisement);

Dr 641- – Selling expenses

Cr 156 – Merchandise inventory (cost prices).

b) If the merchandise is released for promotion or advertisement with additional conditions that the customers are required to buy goods (e.g. buy two, get one free, etc) The collected amounts of moneys shall be recorded to revenues (including promotion goods), costs of promotion goods shall be recorded to costs of goods sold (nature of transaction is a decrease in good costs).

- When dispatching merchandise for promotion, the costs of promotion merchandise shall be recorded to costs of goods sold as follows:

Dr 632 – Cost prices of goods sold (prime cost)

Cr 156 – Merchandise inventory.

- When receiving revenues from promotion merchandise, the collected amounts shall be recorded to goods sold and promotion goods as follows:

Dr 111, 112, 131, etc.

Cr 511 – Revenues

Cr 3331 – Deductible VAT (33311) (if any).

c) If merchandise purchased for giving staff using welfare fund, the revenues and costs of goods shall be recorded similarly to ordinary selling transactions as follows:

- The cost of merchandise for giving to staff and employees shall be recorded to costs of goods sold:

Dr 632 – Costs of goods sold

Cr 156 – Merchandise inventory.

- Merchandise for giving using welfare fund shall be recorded to revenues as follows:

Cr 353 - Welfare fund (total payment)

Cr 511 – Revenues

Cr 3331 – Deductible VAT (33311) (if any).

d) In case the enterprise is a commercial distributor receiving merchandise (non-payment) from manufacturers for promotion or advertisement given to customers of the manufacturer or distributor

- When receiving merchandise from manufacturer (non-payment) for promotion or advertisement given to customers, the distributor must keep track of amounts of merchandise items in their internal management system and present received merchandise items and merchandise items used for promotion on financial statement.

- When the promotion program closes, if the amounts of unused merchandise items for promotion are not returned to the manufacturer, the non-returned remaining unused merchandise items shall be recorded to other incomes as follows:

Dr 156 – Merchandise inventory (according to fair value)

Cr 711 - Other income.

3.1.15. Paying salaries to employees by merchandise

- Revenues shall be recorded as follows:

Dr 334 – Payables to employees (total costs)

Cr 511 – Revenues

Cr 333 – Taxes and other payables to the State.

Cr 3335 – Personal income tax.

- The cost of merchandise for paying salaries to employees shall be recorded to costs of goods sold as follows:

Dr 632 – Costs of goods sold

Cr 156 – Merchandise inventory.

3.1.16 When contributing merchandise to subsidiaries, joint-venture companies as capital, and the following accounts shall be recorded:

Dr 221, 22 (according to re-evaluated value)

Dr 811 – Other expenses (re-evaluated value is smaller than book value of merchandise)

Cr 156 – Merchandise inventory.

Cr 711 – Other incomes (re-evaluated value is greater than book value of merchandise).

3.1.17. At the end of accounting period, when distributing incidental purchase costs of merchandise sold during a period, the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 156 – Merchandise inventory (1562)

3.1.18. When the surplus of merchandise is detected in any process of business, it is required to make a report and uncover reasons. According to the reasons uncovered, the surplus of merchandise shall be settled and accounted for as follows:

- If the reasons are mistakes in measuring or counting, failure to keep records, etc, the accounting record shall be adjusted.

- If the merchandise in surplus belong to other enterprises, the value of merchandise in surplus in the presentation of financial statements.

- In case it fails to uncover reasons for surplus, it shall be pending for settlement:

Dr 156 – Merchandise inventory

Cr 338 – Other payables or receivables (3381).

- When there is a decision of settlement made by the competent agency, the following accounts shall be recorded:

Dr 338 – Other payable or receivables (3381)

Cr, relevant accounts.

3.1.19. When the shortage of merchandise is detected in any process of business, it is required to make a report and uncover reasons. According to decision of competent agency, the shortage of merchandise shall be settled and accounted for as follows:

- In case it fails to uncover reasons for surplus, it shall be pending for settlement:

Dr 138 – Other payables (1381- – Assets in shortage awaiting resolution)

Cr 156 – Merchandise inventory.

- When there is a decision of settlement made by the competent agency, the following accounts shall be recorded:

Cr 111, 112, etc. (the compensation is required if the offender is an individual)

Dr 334 – Payables to employees (the deducting in salaries is required if the offender is an individual)

Dr 138 – Other receivables (1388) (compensation of offenders)

Dr 632 – Costs of goods sold (residual value)

Cr 138 - Other receivables (1381).

3.1.20. If the properties held for sale are sold in a period, according to VAT invoice or sales invoice, transfer note of properties held for sale, the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 156 – Merchandise inventory (1567 – Properties held for sale)

Concurrently, revenues from sale of properties held for sale shall be recorded as follows:

Dr 111, 112, 131, etc.

Cr 511 – Revenues from sale of merchandises and services rendered (5117)

Cr 3331 – Deductible VAT (33311) (if any).

3.1.21. When liquidating or selling unused merchandise, their costs shall be recorded as follows:

Dr 632 – Costs of goods sold

Cr 156 – Merchandise inventory.

***3.2. Enterprises using periodic inventory system.***

a) At the beginning of accounting period, according to the value of ending inventory of previous accounting period which is transferred to value of beginning inventory of current accounting period, the following accounts shall be recorded:

Dr 611 – Purchases

Cr 156 – Merchandise inventory.

b) At the ending of accounting period:

- Conducting physical inventory count on quantity and cost of ending merchandise inventory. According to total cost of ending merchandise inventory, the following accounts shall be recorded:

Dr 156 – Merchandise inventory

Cr 611 – Purchases.

- According to total cost of merchandise sold, the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 611 – Purchases.

**Article 30. Account 157 – Goods on consignment**

**1. Rules for accounting**

a) Goods on consignment which are recorded to account 157 shall be accounted according to original prices as prescribed accounting standard “Inventory”. The account 157 “Goods on consignment” only records costs of goods or finished goods sent to customers or agents (consignees), services rendered transferred to customers under business contracts or orders by the enterprise (consignor), those goods are not determined as 'sold' (the goods or services on consignment are not recorded to sales revenues during a period).

b) The goods or finished goods recorded to this account are still under ownership of the consignor, they must be recorded in the accounting record in every consignment until they are sold.

c) The cost of transport, material handling, payment on behalf of customers, etc shall not be recorded to this account. The account 157 may record every type of goods, finished goods or services rendered on consignment to every customer or consignee.

**2. Structure and contents of account 157 – Goods on consignment**

**Debit:**

- Cost of goods or finished goods on consignment sent to customers, consignees; or dependent accounting units;

- Cost of services rendered to customers, but they are not sold;

- Ending cost of goods or finished goods on consignment but they are not sold (if the consignor uses periodic inventory system).

**Credit:**

- Cost of goods, finished goods, services rendered on consignment which are sold;

- Cost of goods, finished goods or services on consignment which are returned;

- At the beginning of accounting period, cost of goods, finished goods, services rendered which are not sold and transferred (if the consignor uses periodic inventory system).

**Debit balance:**

Cost of goods, finished goods, services rendered on consignment which are sold during a period;

**3. Accounting methods for several major transactions:**

***3.1. Enterprise using perpetual inventory system.***

a) When consigning goods or finished goods to customers, consignees under economic contracts, according to delivery order, the following accounts shall be recorded:

Dr 157 – Goods on consignment

Cr 156 – Merchandise inventory.

Cr 155 – Finished goods

b) Cost of services rendered to customers, but they are not sold during a period, the following accounts shall be recorded:

Dr 157 – Goods on consignment

Cr 154 - Work in progress.

c) When consigning goods or services to customers and they are sold during a period:

- If the indirect taxes are not separable at the time in which the revenues are recorded, the revenues from sale of goods, finished goods or services (tax-exclusive prices) shall be recorded:

Cr 131 – Trade receivables

Cr 511 – Revenues

Cr 333 – Taxes and other payables to the State.

- If indirect taxes are not separable, the revenues including taxes shall be recorded. When paying indirect taxes, a decrease in revenues shall be periodically recorded as follows:

Dr 511 – Revenues

Cr 333 – Taxes and other payables to the State.

- And the costs of finished goods sold which are delivered to inventory shall be recorded as follows:

Dr 632 – Costs of goods sold

Cr 157 – Goods on consignment.

d) If goods or finished goods are consigned for sale but they are returned;

- If those goods or finished goods are still merchantable or repairable, the following accounts shall be recorded:

Dr 156 – Merchandise inventory; or

Dr 155 – Finished goods

Cr 157 – Goods on consignment.

- If those goods or finished goods are not merchantable or repairable, the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 157 – Goods on consignment.

***3.2. Enterprises using periodic inventory system.***

a) At the beginning of accounting period, if cost of goods or finished goods sent to customers are transferred but they are not sold during a period, or cost of goods or services consigned to customer but they are not sold during a period, the following accounts shall be recorded:

Dr 611 – Purchases (for goods)

Dr 632 – Costs of goods sold (for finished goods or services)

Cr 157 – Goods on consignment.

b) At the end of accounting period, according to the physical inventory count, the cost of goods, products (finished goods or semi-finished goods) or services rendered to customers; or consigned to consignees which are not sold at the ending accounting period:

- Cost of goods sent to customers but the payment is not accepted; goods consigned to consignees; or dependent accounting units shall not determined as sale at ending accounting period shall be recorded as follows:

Dr 157 – Goods on consignment

Cr 611 – Purchases.

- At the end of accounting period, cost of finished goods provided for customers or goods on consignment; cost of services rendered to customers who are not sold shall be transferred as follows:

Dr 157 – Goods on consignment

Cr 632 – Costs of goods sold.

**Article 31. Account 158 – Goods in bonded warehouse**

**1. Rules for accounting**

a) This account is used to record current value and increase or decrease in goods delivered to bonded warehouse. Bonded warehouses are only applied to foreign-invested companies to serve the production of imported goods, subject to special customs supervision, in which the raw materials imported to serve the production shall be stored in the bonded warehouses and released from assessment and payment of import duties and other taxes.

b) Imported raw materials stored in bonded warehouse include raw materials provided for production and products of that enterprise.

c) The enterprise must keep records of quantity and value of every raw material and good whenever they are received or dispatched.

**2. Structure and contents of account 158 – Goods in bonded warehouses**

**Debit:** Costs of raw materials, finished goods or goods delivered to bonded warehouse during a period.

**Credit:** Costs of raw materials, finished goods or goods dispatched from bonded warehouse during a period.

**Debit balance:** Costs of ending raw materials, finished goods or goods inventory balances in the bonded warehouse.

**3. Accounting methods for several major transactions:**

a) When importing raw materials for production of exported products, or processing of exported goods, if they are stored in a bonded warehouse, they shall be released from payment of import duty and VAT on imported goods and the following accounts shall be recorded:

Dr 158 – Goods in bonded warehouses

Cr 331 – Trade payables.

b) When dispatching raw materials in bonded warehouse for production or processing of exported goods, the following accounts shall be recorded:

Dr 621 – Direct material costs

Cr 158 – Goods in bonded warehouses.

c) When delivering finished goods, exported goods or outward processing goods into bonded warehouse (if any), the following accounts shall be recorded:

Dr 158 – Goods in bonded warehouses

Cr 156, 155, etc.

d) When exporting goods in bonded warehouses (if any):

- The costs of exported goods in bonded warehouse shall be recorded as follows:

Dr 632 – Costs of goods sold

Cr 158 – Goods in bonded warehouses.

- The revenues from sale of exported goods in bonded warehouse shall be recorded as follows:

Dr 111, 112, 131, etc.

Cr 511 – Revenues.

dd) If export rate is lower than deferred tax rate of the enterprise subject to import duty and VAT on imported goods (if any) pertaining to difference between amounts of to-be-exported products and amounts of actually-exported products, the enterprise must pay import duty and VAT on imported goods (if any):

- When determining import duty payables (if any), the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 333 – Taxes and amounts payable to the State (3333).

- When determining VAT on imported goods payables (if any), the following accounts shall be recorded:

Dr 133 – Deductible VAT (1331)

Cr 333 – Taxes and amounts payable to the State (33312).

- When paying import duty and VAT on imported goods payables (if any), the following accounts shall be recorded:

Dr 333 – Taxes and amounts payable to the State (3333, 33312).

Cr 111, 112, etc.

e) In case the enterprise is permitted to sell goods in bonded warehouses on Vietnam market by the competent agency, the enterprise must pay import duty and other taxes as prescribed.

- When the enterprise is permitted to use goods in bonded warehouses, it is required to follow procedures for dispatch of goods from bonded warehouse, receipt of goods or products to the enterprise's warehouse and pay taxes on those goods, and then the following accounts shall be recorded:

Dr 155, 156

Cr 158 – Goods in bonded warehouses.

- When determining import duty payables (if any), the following accounts shall be recorded:

Dr 155, 156

Cr 333 – Taxes and amounts payable to the State (3333).

- When determining VAT on imported goods payables (if any), the following accounts shall be recorded:

Dr 155, 156 (if they are not deductible)

Dr 133 – Deductible VAT (1331)

Cr 333 – Taxes and amounts payable to the State (33312).

- When paying import duty and VAT on imported goods, the following accounts shall be recorded:

Dr 333 – Taxes and amounts payable to the State (33312, 3333).

Cr 111, 112, etc.

g) When selling goods in bonded warehouses on domestic market:

- The costs of goods in bonded warehouse sold shall be recorded as follows:

Dr 632 – Costs of goods sold

Cr 158 – Goods in bonded warehouses.

Concurrently, the import duty and VAT on imported goods pertaining to those products, goods or raw materials must be recorded.

- The revenues from sale of exported goods in bonded warehouse on domestic market shall be recorded as follows:

Dr 111, 112, 131, etc.

Cr 511 – Revenues from sale of goods and services

Cr 333 – Taxes and amounts payable to the State (33311).

h) In case the raw materials or goods delivered to bonded warehouse are damaged or degraded and failed to meet export requirements, they must be re-imported or destroyed:

- In case of re-import, the following accounts shall be recorded:

Dr 155, 156, etc.

Cr 158 – Goods in bonded warehouses.

- Concurrently, paying the import duty and VAT on imported goods payables pertaining to those products, goods or raw materials, the taxes payable shall be recorded in entry (e); when paying taxes, the following accounts shall be recorded:

Dr 333 – Taxes and amounts payable to the State (33312, 3333).

Cr 111, 112, etc.

- In case of re-export (returns to sellers), the following accounts shall be recorded:

Dr 331 – Trade payables

Cr 158 – Goods in bonded warehouses

- In case of destruction of goods or raw materials in bonded warehouses, the following accounts shall be recorded:

Dr 632 - Costs of goods sold (destroyed goods or raw materials)

Cr 158 – Goods in bonded warehouses

**Article 32. Account 161 – Non-business expenditures**

**1. Rules for accounting**

a) This account is recorded to expenditures for non-business activities or projects (hereinafter referred to as non-business expenditures to perform economical, political or social tasks assigned by the State or superior enterprise other than business activities and for non-profit purposes. The non-business expenditures shall be covered by non-business or project funding granted by government budget or superior enterprise, or non-refundable grants. This account is used in enterprises having non-business activities or project activities (hereinafter referred to as non-business activities) which are covered by government budget or superior enterprises or received non-refundable grants, or the enterprises are permitted to collect non-business receipts to cover those expenses.

b) It is required to keep records of non-business expenditures according to every source of funding, fiscal year and governmental budgetary classification.

c) The non-business expenditures must be recorded in conformity with budget estimates and between accounting records and documents and financial statements.

d) This account shall record annual non-business expenditures of the enterprise, including both regular and irregular non-business expenditures as prescribed in financial regime in force.

dd) At the end of fiscal year, if the balance sheet is not approved, total non-business expenditures within the year shall be transferred from Cr 1612 "Current non-business expenditures" to Dr 1611 "Brought forward non-business expenditures" for observation until the balance sheet is approved.

**2. Structure and contents of account 161 – Non-business expenditures**

**Debit**: Actual non-business expenditures incurred.

**Credit:**

- Non-business expenditures which are not recorded and required to be recovered;

- Non-business expenditures which are recorded and covered by non-business funds.

**Debit balance:** Non-business expenditures which are not recorded.

***Account 161 – Non-business expenditures comprise 2 sub-accounts:***

- *Account 1611 – Brought forward non-business expenditures:* recording non-business expenditures which are covered by non-business funds of the preceding year and not recorded.

- *Account 1612 – Current non-business expenditures:* recording non-business expenditures of current year.

**3. Method of accounting for several major transactions:**

a) When providing non-business expenditures uncovered by non-business funds, the following accounts shall be recorded:

Dr 161 – Non-business expenditures (1612)

Cr 111, 112, etc.

b) Salaries and other payables to employees of the enterprise, sellers or service providers shall be recorded as follows:

Dr 161 – Non-business expenditures (1612)

Cr 334 – Payables to employees

Cr 331 – Trade payables.

c) When dispatching raw materials, tools or supplies inventory for non-business activities, the following accounts shall be recorded:

Dr 161 – Non-business expenditures (1612)

Cr 152 – Raw materials

Cr 153 – Tools and supplies

d) When receiving funding from superior enterprises or withdrawing non-business expenditure estimates to pay for non-business activities, the following accounts shall be recorded:

Dr 161 – Non-business expenditures (1612)

Cr 461 – Non-business funds source.

If the non-business expenditure estimates are withdrawn, the enterprise must keep track of those expenditures in conformity with characteristics of the enterprise, etc.

dd) When transferring major repairs of fixed assets for non-business activities, the following accounts shall be recorded:

Dr 161 – Non-business expenditures (1612)

Cr 241 – Construction in progress (2413 – Major repairs of fixed assets).

e) When purchasing fixed assets or investing in capital investment for non-business activities covered by non-business funds:

- In case of purchasing fixed assets or finishing construction put into operation, the following accounts shall be recorded:

Dr 211 – Tangible fixed assets

Cr 111, 112, 331, 241, 461, etc.

- And the following accounts shall be recorded:

Dr 161 – Non-business expenditures (1612)

Cr 466 – Non-business funds used for fixed assets acquisitions.

When withdrawing non-business expenditure estimates for purchases of fixed assets, the enterprise must keep appropriate records.

g) When deducting social insurance, health insurance, unemployment insurance or union funds for non-business activities of the enterprise, the following accounts shall be recorded:

Dr 161 – Non-business expenditures (1612)

Cr 338 – Other payables or receivables (3382, 3383, 3384, 3386).

h) At the end of fiscal year, if the financial report is not approved, the debit balances 1612 "Current non-business expenditures" shall be transferred to "Brought forward non-business expenditures"; the following accounts shall be recorded:

Dr 1611 – Brought forward non-business expenditures

Cr 1612 – Current non-business expenditures.

i) When the financial report is approved, non-business expenditures covered by non-business funds shall be recorded as follows:

Dr 461 – Non-business funds source (4611 – Brought forward non-business funds source)

Cr 161 – Non-business expenditures (1611 – Brought forward non-business expenditures).

k) Non-business expenditures paid in contrary to regulations which are not approved by the competent agency and required to be recovered shall be recorded as follows:

Dr 138 – Other receivables (1388)

Cr 161 – Non-business expenditures (1611 – Brought forward non-business expenditures).

**Article 33. Account 171 – Government bonds purchased for resale**

**1. Rules for accounting**

a) This account is used to record transactions in government bonds purchased for resale incurred during a period. This account only records value of agreement on resale of Government bonds, not records coupons received by buyer on the behalf or seller in conformity with times specified in the agreement.

b) The enterprise must comply with regulations on types of transactions, deadlines for transactions and revenues from Government bonds in the resale transactions prescribed in financial regime in force on resale of Government bonds.

c) The buyer of bonds under resale agreement shall not record 'coupon payment' received from the seller to revenues account at the times during the term of repurchase agreement but record to other payables or receivables account.

**2. Structure and contents of account 171 – Government bond repos (Repurchase agreements on Government bonds)**

**Debit:**

- Value of government bonds repurchased by seller at the maturity date of the agreement;

- Value of government bonds purchased by the purchaser when the government bond repo takes effect;

-  Difference between the resale price and the original purchase price of Government bonds under the government bonds received by purchaser.

**Credit:**

- Value of Government bonds resold by the purchaser at the maturity date of the agreement;

- Value of government bonds sold by the seller when the government bond repo takes effect;

- Difference between the original sale price and the repurchase price of Government bonds under the government bonds paid by the seller.

**Debit balance:** Value of government bonds held by the purchaser to the maturity.

**Credit balance:** Value of government bonds held by the seller to the maturity.

**3. Method of accounting for several major transactions:**

3.1. Accounting for government bonds' sellers under repo

a) When the government bond repo takes effect, the following accounts shall be recorded:

Dr 111, 112 (sale price)

Cr 171 – Government bond repos.

b) Periodically, the seller shall distribute the difference between original sale prices and repurchase price of government bonds to expenses as follows:

Dr 635 – Financial expenses (other than securities company)

Cr 171 – Government bond repos (distributing time in conformity with time of agreement)

c) On the maturity date of the government bond repo, the seller shall make payment specified in the government bond repo and receive those securities, and then the following accounts shall be recorded:

Dr 171 – Government bond repos

Cr 111, 112 (repurchase price specified in the repo).

d) When the purchaser pays for coupons which the purchaser keeps on behalf of the seller at the times during the term of the repo, the seller shall record as follows:

Dr 111, 112, 138

Cr 515 – Financial incomes (other than securities company) (numbers of coupon payments of bonds).

3.2. Accounting for government bonds' purchasers under repo

a) When the agreement takes effect, according documents on cash disbursement and other documents, the following accounts shall be recorded:

Dr 171 – Government bond repo

Cr 111, 112 (purchase price)

b) Periodically, the purchaser shall distribute the difference between original purchase price and resale price of government bonds to revenues as follows:

Dr 171 – Government bond repo

Cr 515 – Financial incomes (other than securities company) (allocated according to duration of agreement).

c) When receiving coupon payments of bonds from the seller at the times during the term of the repo, the following accounts shall be recorded:

Dr 111, 112, etc.

Cr 338 – Other payables or receivables (3388).

d) When the agreement expires, the following accounts shall be recorded:

Dr 111, 112, 138

Cr 171 – Government bond repo.

Concurrently, when repaying coupons of bonds which the purchaser keeps on behalf of the seller at the times during the term of repo, the following accounts shall be recorded:

Dr 338 – Other payables or receivables.

Cr 111, 112, etc.

**Article 34. Rules for accounting for fixed assets, investment properties and construction in progress**

1. Fixed assets, investment properties and construction in progress must be kept track, recorded, managed and used in accordance with regulations of law in force.

2. The source acquiring fixed assets shall be kept track to distribute depreciation costs following the rules below:

- If the fixed assets are acquired from loan capital or owner's equity for operation, their depreciation costs shall be allocated to operating costs;

- If the fixed assets are acquired from welfare funds, science and technology development funds or funding source, their depreciation costs shall be recorded as decreases in such funds or funding source.

3. Fixed assets and investment properties shall be classified according to their use purposes. If there is an asset used for multiple purposes, e.g. a mixed-use building for offices, lease and sale, their fair value (every part) shall be estimated in conformity with their use purposes.

- If a major part of the asset is used for a specific purpose other than purposes of remaining parts, the total asset shall be classified according to that major part;

- If there is any change in function of parts of the asset, the asset shall be re-classified according to use purposes prescribed in relevant VAS.

4. When buying fixed assets, if they are bundled with equipment or spare parts for replacement (provision for break down), the equipment or spare parts for replacement shall be recorded separately with fair value. If equipment or spare parts for replacement meet requirements for fixed assets, they shall be recorded to fixed assets account, if not, they shall be recorded to inventory account. Historical cost of a fixed asset purchased shall equal total cost of the fixed asset minus (-) cost of equipment or spare parts for replacement.

5. Fixed assets, investment properties and construction in progress related to foreign currencies shall be accounted for in accordance with Article 69 – Guidance on accounting method for exchange rate differences.

**Article 35. Account 211 – Tangible fixed assets**

**1. Rules for accounting**

a) This account is used to record current cost and decrease and increase in total tangible fixed assets of an enterprise according to their historical costs.

b) Tangible fixed assets mean assets in physical forms which are possessed by an enterprise for operation in conformity with the recognition criteria of tangible fixed assets.

c) Tangible fixed assets having independent structure, or separate parts associated in a system for performance of one or several functions, the system shall not be operated in case of lack of any part. An asset meeting all four recognition criteria below shall be treated as a fixed asset:

- Future economic benefits will surely be obtained;

- Their historical cost has been determined reliably;

- Their useful life is at least 1 year;

- It meets all value criteria as prescribed in regulations in force.

In a system associated by separate parts, in which every part has different useful life and the system still operate normally regardless of lack of any part, if every part is managed and used separately and meets all four recognition criteria, they shall be treated as independent tangible fixed assets.

With regard to working animals or producing animals for production of commodities, if each animal species meets all four recognition criteria for fixed assets, they shall be treated as tangible fixed assets.

With regard to perennial gardens, if every garden or plant meets all four recognition criteria for fixed assets, they shall be treated as tangible fixed assets.

d) The costs of tangible fixed assets shall be recorded to account 211 according to their historical costs. The historical costs of each fixed asset must be keep records specifically. Depending on acquisition sources, the historical cost of a tangible fixed asset shall be determined as follows:

d1) Historical costs of purchased tangible fixed assets include: purchase prices (deducted from trade discounts or rebates), taxes (excluding refundable taxes) and any directly-attributable expenses of putting such assets into ready-for-use state, such as site preparation, initial delivery and material handling, installation or testing costs (deducted (-) from any recoverable values on products or scraps from testing), professional fees and any other directly-attributable expenses. The interest cost from loans for purchase of completed fixed assets (fixed assets available for immediate use without construction investment) shall not be capitalized on historical costs of fixed assets.

- When purchasing fixed assets, if they are bundled with equipment or spare parts for replacement, such equipment or spare parts shall be determined and recorded separately according to their fair value. Historical cost of a fixed asset purchased shall equal total costs of putting the fixed asset into ready-for-use state minus (-) cost of equipment or spare parts for replacement.

- Historical costs of tangible fixed assets purchased in instalment: equal purchase price (lump sum payment) plus (+) directly related costs of putting such assets into ready-for-use state (excluding refundable taxes). The difference between the instalment price and lump sum price shall be recorded to operating costs according to the payment schedule.

- Historical costs of fixed assets-properties: When buying properties, the value of land use right and properties on land shall be separated as prescribed. The properties on land shall be recorded to tangible fixed assets; land use rights shall be recorded to intangible fixed assets or prepaid expenses incurred from a case-by-case basis as prescribed.

d2) Historical costs of tangible fixed assets acquired from capital investment

- Historical costs of fixed assets under contract awarding: equal settled costs of building works as prescribed in Regulations on investment and construction management in force plus (+) directly-attributable expenses and property transfer taxes (if any). With regard to fixed assets which are working animals or producing animals, perennial gardens, their historical costs shall equal total actual costs covered their development up to putting them into use plus (+) directly related costs.

- Self-constructed or self-made tangible fixed assets:

The historical cost of self-constructed tangible fixed assets is the settled cost of the building work which is put into use. If the fixed asset is put into used but it is not settled, their historical cost shall be recorded to provisional cost and it shall be adjusted after settlement of the finished building work.

The historical cost of a self-made tangible fixed asset is the actual cost of tangible fixed assets plus (+) directly-attributable expenses of putting such fixed asset into ready-for-use state.

- In above both cases, the historical cost of the fixed asset includes installation and testing costs (deducted from any recoverable values on products or scraps from testing) Internal profits and unreasonable expenses (wasted raw materials, labor or other costs in excess of the normal levels arising in the self-constructed or self-made process) shall not be included in the historical cost of tangible fixed assets.

d3) The historical cost of a tangible fixed asset purchased in the form of exchange for a dissimilar tangible fixed asset or other assets shall be determined according to their fair value of the received tangible fixed assets, or the fair value of the exchanged ones, after adjusting the cash amounts or cash equivalents which are additionally paid or received plus (+) directly-attributable expenses of putting such asset into ready-for-use state (excluding refundable taxes).

The historical cost of a tangible fixed asset purchased in the form of exchange for similar one, or possibly formed through its sale in exchange for ownership of similar ones (similar assets are those with similar utilities, in the same business field and having equivalent value). In both cases, no gain or loss is recorded during the exchange. The historical cost of the received fixed asset shall be the residual value of the exchanged one.

d4) The historical cost of a tangible fixed asset which is granted or transferred shall equal: residual value shall be recorded to fixed assets account in the accounting records of the donating or presenting enterprise or the value assessed by the Board of exchange or a professional appraisal organization as prescribed plus (+) directly-attributable expenses (transport, material handling, upgrade, installation, testing or registration property transfer taxes (if any), etc paid by the asset receiver up to time in which the fixed asset is put into ready-for-use state.

The historical cost of a tangible fixed asset transferred between dependent accounting units having no legal status of an enterprise shall be their historical cost recorded in the transferor in conformity with dossier on such fixed asset. The received unit shall record the fixed assets to their accounting records according to the historical cost, accumulated depreciation, residual value stated in the accounting records and dossier on such fixed asset. The costs related to donations of fixed assets between dependent accounting units having no legal status shall not be recorded an increase in historical cost of fixed assets but they shall be recorded to operating cost during a period.

d5) The historical cost of a tangible fixed asset contributed as capital or return of capital is the value assessed by founding members or shareholders or agreed by the enterprise and contributors or assessed by a professional appraisal organization as prescribed and approved by the founding members or shareholders.

d6) The historical cost of a tangible fixed asset which is donated or presented shall equal: actual value assessed by the Board of exchange or a professional appraisal organization plus (+) directly-attributable expenses (transport, material handling, installation, testing or property transfer taxes (if any), etc paid by the asset receiver up to time in which the fixed asset is put into ready-for-use state.

d7) The historical cost of a fixed asset purchased in foreign currencies shall comply with regulations in Article 69 – Guidance on accounting method for exchange rate differences.

dd) The historical cost of a tangible fixed asset shall only be modified in following cases:

- The fixed asset is undergone a re-evaluation as prescribed in regulations of the State;

- The fixed asset is constructed or equipped with additional parts;

- Parts of the tangible fixed asset are modified to extend their useful life or to increase their capacity;

- Parts of the tangible fixed asset are upgraded to substantially increase product quality;

- New technology process is adopted to reduce operating expenses;

- One or several parts of the tangible fixed asset shall be dismantled.

Any case of increase or decrease in tangible fixed assets must be prepared exchange reports, liquidation reports on fixed assets and following procedures as prescribed. The accountant is responsible for preparation and completion of accounting records of fixed assets.

e) The repair and maintenance costs of a fixed asset shall not be recorded to fixed assets account but they are shall be recorded to expenses incurred during a period. With regard to those fixed assets subject to periodical repair or maintenance (power plants' turbines, aircraft engines, etc), a provision payable shall be made and recorded to operating costs in a given period for the repair or maintenance.

g) Operating lease tangible fixed assets still are depreciated in accordance with VAS and financial policies in force.

h) The tangible fixed assets must be kept in details by every item of fixed assets, every type of fixed assets and every place in which they are used, managed or preserved.

**2. Structure and contents of account 211 –Tangible fixed assets**

**Debit:**

- An increase in historical cost of the tangible fixed asset due to completed constructions, purchase, receipt of capital contribution, grant, donation, present, or surplus;

- An increase in historical cost of the fixed assets after adjustment due to additional construction or equipment, or upgrade;

- An increase in historical cost of the fixed assets due to re-evaluation.

**Credit:**

- An decrease in historical cost of the tangible fixed assets due to transfer to other enterprises, liquidation or contribution into joint venture, etc.

- A decrease in historical cost of the fixed asset due to dismantlement of one or several parts;

- A decrease in historical cost of the fixed asset due to re-evaluation.

**Debit balance:** Current historical costs of the fixed assets of the enterprise.

***Account 211 –Tangible fixed assets comprises 6 sub-accounts:***

*- Account 2111 – Buildings and structures:* records the cost of construction works, such as buildings, structures, hedges, basins, water towers, ground; or infrastructures, such as roads, bridges, railroads, peers, wharfs, etc.

*- Account 2112 – Machinery and equipment:* records costs of machinery or equipment used in operation of an enterprise, including special-use machines; work machinery or equipment, technological lines and individual machines.

*- Account 2113 – Means of transportation and transmitters:* records costs of means of transport, including roads, rail, waterborne, waterway, air, pipes and transmitters.

*- Account 2114 – Office equipment and furniture:* records costs of equipment and furniture used in management, business and administrative management.

*- Account 2115 – Perennial plants, working and producing animals:* records costs of fixed assets such as perennial plants, working and producing animals.

- *Account 2118 – Other fixed assets:* records costs of other fixed assets not recorded to above sub-accounts.

**3. Method of accounting for several major transactions**

***3.1. Accounting for increases in tangible fixed assets***

a) When receiving owner's equity or capital in form of tangible fixed assets, the following accounts shall be recorded:

Dr 211 – Tangible fixed assets (negotiable prices)

Cr 411 – Owner's invested equity.

b) Purchased fixed assets:

- When purchasing a tangible fixed asset whose input VAT is deductible, according to documents on purchase of such fixed asset, the historical cost of the fixed asset shall be determined, accounting records and receipt slip of fixed asset shall be prepared and the following accounts shall be recorded:

Dr 211 – Tangible fixed assets (VAT-exclusive prices)

Dr 133 – Deductible VAT (1332)

Cr 111, 112, etc.

Cr 331 – Trade payables

Cr 341 – Borrowings and finance lease liabilities (3411).

- When purchasing tangible fixed assets bundled with equipment or spare parts for replacement, the following accounts shall be recorded:

Dr 211 – Tangible fixed assets (fixed asset purchased and equipment or spare parts for replacement treated as fixed assets in details)

Dr 153 – Tools and supplies (1534) (equipment or spare parts for replacement)

Dr 133 – Deductible VAT (1332)

Cr 111, 112, etc.

Cr 331 – Trade payables

Cr 341 – Borrowings and finance lease liabilities (3411).

*- If the input VAT is not deductible, the historical cost of the fixed asset includes VAT.*

- If the fixed asset is purchased by capital expenditure used for operation, if the financial report is approved by the competent agency, an increase in operation capital and a decrease in capital shall be recorded as follows:

Dr 441 – Capital expenditure funds

Cr 411 – Owner's invested equity.

c) When purchasing tangible fixed assets in deferred payment or instalment:

- When purchasing tangible fixed assets in deferred payment or instalment and put them into use, the following accounts shall be recorded:

Dr 211 – Tangible fixed assets (historical cost – cash prices)

Dr 133 – Deductible VAT (1332) (if any)

Dr 242 – Prepaid expenses (deferred interest equals (=) total payment minus (-) cash price and VAT (if any).

Cr 111, 112, 331.

- When make periodical payment to sellers, the following accounts shall be recorded:

Dr 331 – Trade payables

Cr 111, 112 (periodical payables, including periodical principal and interest in deferred payment or instalment payables).

- The interest in deferred payment or instalment payables shall be periodically recorded as follows:

Dr 635 – Financial expenses

Cr 242 – Prepaid expenses.

d) When the enterprise receives donated or presented tangible fixed assets for put in use, the following accounts shall be recorded:

Dr 211 – Tangible fixed assets

Cr 711 - Other income.

Other directly-attributable expenses incurred from donated or presented tangible fixed assets shall be recorded to historical cost as follows:

Dr 211 – Tangible fixed assets

Cr 111, 112, 331, etc.

dd) Self-made tangible fixed assets:

When converting self-made products of the enterprise to tangible fixed assets, the following accounts shall be recorded:

Dr 211 – Tangible fixed assets

Cr 155 – Finished goods (dispatched from inventories)

Cr 154 – Work in progress (put into use).

e) When purchasing tangible fixed assets in the form of exchange:

- Exchange between two similar tangible fixed assets: When receiving similar tangible fixed assets in exchange and put into use, the following accounts shall be recorded:

Dr 211 – Tangible fixed assets (historical cost of the received tangible fixed asset shall be recorded according to residual value of the exchanged fixed asset)

Dr 214 – Depreciation of fixed asset (depreciation of exchanged fixed asset)

Cr 211 – Tangible fixed assets (historical cost of exchanged fixed asset)

- Exchange between two dissimilar tangible fixed assets:

+ When transferring the tangible fixed asset to exchanging entity, the following accounts shall be recorded:

Dr 811 – Other expenses (residual value of exchanged fixed asset)

Dr 214 – Depreciation of fixed assets (depreciated value)

Cr 211 – Tangible fixed assets (historical cost).

+ And an increase in income shall be recorded due to exchange of fixed assets:

Dr 131 – Trade receivables (total payment)

Cr 711 – Other expenses (residual value of exchanged fixed asset)

Cr 3331 – VAT payables (33311) (if any)

+ When receiving the fixed asset in exchange, the following accounts shall be recorded:

Dr 211 – Tangible fixed assets (residual value of received fixed asset)

Dr 133 – Deductible VAT (1332) (if any)

Cr 131 – Trade receivables (total payment)

+ If it is required to collect additional payment because the cost of exchanged fixed asset is greater than the received fixed asset, the following accounts shall be recorded when the additional payment is received:

Dr 111, 112 (additional payment)

Cr 131 – Trade receivables.

+ If it is required to collect additional payment because the residual value of exchanged fixed asset is smaller than the received fixed asset, the following accounts shall be recorded when the additional payment is received:

Dr 131 – Trade receivables.

Cr 111, 112, etc.

g) When purchasing fixed assets which are buildings, structures associated with land use rights put into use, the following accounts shall be recorded:

Dr 211 – Tangible fixed assets (historical cost – buildings, structures in details).

Dr 213 – Intangible fixed assets (historical cost – land use rights).

Dr 133 – Deductible VAT (if any)

Cr 111, 112, 331, etc.

h) Increase in tangible fixed assets due to completion of capital investment: In case the construction work or work items have been completed and put into use, but their capital expenditure has not been approved, the historical cost shall be provisionally determined according to actual capital expenditure in order to record the increase or decrease in fixed assets (for calculating and depreciating the fixed asset put into use). Once the settlement of capital expenditure is approved, if there is any difference with provisional value of the fixed asset, the increase or decrease in the difference shall be adjusted.

- In case the capital investment progress is recorded in the same accounting book system of the enterprise:

+ Upon the completion of the construction and putting assets into use, the following accounts shall be recorded:

Dr 211 – Intangible fixed assets (historical cost).

Cr 241 – Construction in progress.

+ If the self-constructed assets documents not meet all recognition criteria for tangible fixed assets as prescribed in the accounting standard on tangible fixed assets, the following accounts shall be recorded:

Dr 152, 153 (if they are materials, inventoried tools and supplies)

Cr 241 – Construction in progress.

- In case the capital investment progress is not recorded in the same accounting book system of the enterprise (investor has a project management board having its own accounting system to keep track of the capital investment progress): When receiving construction, the investor shall record as follows:

Dr 111, 112, 152, 153, 211, 213

Cr 136 – Intra-company receivables

Cr 331, 333, etc (accept receivables, if any)

- If the fixed asset is invested by capital expenditure, when the settlement is approved by the competent agency, an increase in owner's invested equity shall be recorded as follows:

Dr 441 – Capital expenditure funds

Cr 411 – Owner's invested equity.

- Once the settlement is approved, if there is any difference between settled price and provisional price, the historical cost of the fixed asset shall be adjusted as follows:

+ A decrease in historical cost shall be recorded as follows:

Dr 138 – Trade receivables (amounts of recovery shall not be settled)

Cr 211 – Tangible fixed assets.

+ An increase in historical cost shall be recorded as follows:

Dr 211, 213, 217, 1557

Cr, relevant accounts.

i) When receiving fixed assets from internal General company (without payment), the following accounts shall be recorded:

Dr 211 – Tangible fixed assets (historical cost).

Cr 214 – Depreciation of fixed assets (depreciated value)

Cr 336, 411 (residual value).

k) When putting fixed assets purchased by non-business funds into use in non-business activities, the following accounts shall be recorded:

Dr 211 – Tangible fixed assets

Cr 111, 112

Cr 241 – Construction in progress.

Cr 331 – Trade payables

Cr 461 – Non-business funds (4612).

An increase in non-business funds used for acquisition of the fixed asset shall be recorded as follows:

Dr 161 – Non-business expenditure (1612).

Cr 466 – Non-business funds used for fixed asset acquisitions.

When withdrawing estimates to purchase fixed assets, the enterprise shall keep records of them in the presentation of financial statements.

l) When putting fixed assets purchased by welfare funds into use in cultural and welfare fund, the following accounts shall be recorded:

Dr 211 – Tangible fixed assets (total payment)

Cr 111, 112, 331, 3411, etc.

- And, the following accounts shall be recorded:

Dr 3532 – Welfare fund

Cr 3533 – Welfare funds used for fixed asset acquisitions.

m) Costs incurred after initial recognition of tangible fixed assets (repair, innovation or upgrade):

- When incurring costs of repair, innovation or upgrade after initial recognition of tangible fixed assets:

Dr 241 – Construction in progress.

Dr 133 – Deductible VAT (1332)

Cr 112, 152, 331, 334, etc.

- Completion of repair, innovation or upgrade of fixed assets put into use:

+ If there is an increase in historical cost of tangible fixed assets, the following accounts shall be recorded:

Dr 211 – Tangible fixed assets

Cr 241 – Construction in progress.

+ If there is not an increase in historical cost of tangible fixed assets, the following accounts shall be recorded:

Dr 623, 627, 641, 642 (if their value is small)

Cr 242 – Prepaid expenses. (if their value is great, they must be allocated gradually)

Cr 241 – Construction in progress.

***3.2. Accounting for decreases in tangible fixed assets***

An decrease in historical cost of the tangible fixed assets due to sale, liquidation, losses, shortage detected under physical inventory count, contribution into joint venture or transfer to other enterprises, dismantlement of one or several parts, etc.  Any case of decrease in tangible fixed assets shall be followed procedures and exactly determined the losses and income (if any). According to relevant documents, every specific case shall be keep records as follows:

3.2.1. In case of sale of fixed assets used for business or non-business activities: the purchased fixed asset is unnecessary or deems ineffective. The fixed asset must be purchase following procedures prescribed in regulations of law. According to receipt slip of the fixed asset and documents on sale of the fixed asset:

a) When selling fixed assets used for business, the following accounts shall be recorded:

Dr 111, 112, 131, etc.

Cr 711 – Other income (VAT-exclusive prices)

Cr 3331 – VAT payables (33311).

If the VAT is not separable, the other income shall include VAT. A decrease in VAT payables shall be recorded to other income.

- A decrease in purchased fixed asset shall be recorded according to receipt slip of fixed asset:

Dr 214 – Depreciation of fixed assets (2141) (depreciated value)

Dr 811 – Other expenses (residual value)

Cr 211 – Tangible fixed assets (historical cost).

- Costs related to sale of fixed assets shall be recorded to Dr 811 “Other expenses”.

b) In case of selling fixed assets used for non-business activities:

- A decrease in sold fixed asset shall be recorded according to receipt slip of fixed asset as follows:

Dr 466 – Funds used for fixed asset acquisitions (residual value)

Dr 214 – Depreciation of fixed assets (depreciated value)

Cr 211 – Tangible fixed assets (historical cost).

-Revenues and expenses related to sale of the fixed asset shall be recorded to relevant accounts as prescribed in regulations of competent agency.

c) In case of selling fixed assets used for culture or activities welfare:

- A decrease in sold fixed asset shall be recorded according to receipt slip of fixed asset as follows:

Dr 353 – Welfare fund (3533) (residual value)

Dr 214 – Depreciation of fixed assets (depreciated value)

Cr 211 – Tangible fixed assets (historical cost).

- Receipts from sale of the fixed asset shall be recorded as follows:

Dr 111, 112, etc.

Cr 353 – Welfare fund (3532)

Cr 333 – Taxes and other payables to the State (3331) (if any)

- Expenditures on sale of the fixed asset shall be recorded as follows:

Dr 353 – Welfare fund (3532)

Cr 111, 112, etc.

3.2.2. Liquidation of fixed assets: Liquidated fixed assets are damaged fixed assets impossible for use, obsolete fixed assets or not appropriate to operating activities. Once there is any fixed asset subject to liquidation, the enterprise must issue a decision on liquidation and establish a Liquidation board of fixed assets. The Liquidation board of fixed assets is responsible for carrying out liquidation of fixed assets following procedures as prescribed in financial management regime and make "Report on liquidation of fixed assets" as prescribed. The report shall be prepared into two copies, one copy shall be transferred to accounting department to record, and one copy shall be transferred to the department in charge of management and use of the fixed asset.

According to the report on liquidation of fixed asset and other documents on revenues and expenses incurred from liquidation of fixed assets, etc the liquidation of fixed asset shall be recorded similarly to sale of fixed assets.

3.2.3. When contributing tangible fixed assets as capital to subsidiaries, joint-venture companies, the following accounts shall be recorded:

Dr 221, 222 (re-evaluated value)

Dr 214 – Depreciation of fixed assets (depreciated value)

Dr 811 – Other expenses (re-evaluated value is smaller than residual value of the fixed asset)

Cr 211 – Tangible fixed assets (historical cost).

Cr 711 – Other expenses (re-evaluated value is greater than residual value of the fixed asset)

3.2.4. Shortage or surplus of tangible fixed assets: The reason for any shortage or surplus of fixed assets must be uncovered. The shortage or surplus must be accurately and promptly recorded according to "Report on physical inventory count of fixed assets" and Conclusion issued by the Inventory board according to specific reasons:

a) Surplus of fixed assets:

- If the surplus of fixed assets is detected due to unrecording, an increase in fixed assets shall be recorded according to dossier on fixed assets as follows:

Dr 211 – Tangible fixed assets

Cr 241, 331, 338, 411, etc.

- If the fixed assets in surplus are being used, apart from recording the increase in tangible fixed assets, the depreciation value used for calculation and deduction of additional depreciation of fixed asset used for welfare, non-business or project purpose, the following accounts shall be recorded:

Dr, operating costs (fixed assets used for business)

Dr 3533 – Welfare funds used for fixed asset acquisitions (used for welfare)

Dr 466 – Non-business funds used for fixed asset acquisitions.

Cr 214 – Depreciation of fixed assets (2141).

- If the fixed assets in surplus are fixed assets of other enterprises, the owner of such fixed assets must be notified. If it fails to determine the owner of such fixed assets, the superior agency and finance agency must be notified for handling (regarding state-owned enterprises) During handling period; those fixed assets shall be provisionally kept and monitored according to documents on physical inventory count.

b) Shortage of fixed assets: it is required to uncover reasons, offenders and handled as prescribed in financial regime in force.

- In case there is a decision on handling of shortage: the historical cost and depreciated value of such asset must be accurately determined according to approved "Report on handling of shortage of fixed assets" and dossier on fixed assets, then record an decrease in fixed assets and handle the residual value of the fixed assets. According to the decision on handling of shortage, the following accounts shall be recorded:

+ The shortage of fixed assets used for business shall be recorded as follows:

Dr 214 – Depreciation of fixed assets (depreciated value)

Dr 111, 112, 334, 138 (1388) (if the offender is required to make compensation)

Dr 411 – Owner's invested equity (if the decrease in equity is permitted to be recorded)

Dr 811 – Other expenses (if the enterprise suffers losses)

Cr 211 – Tangible fixed assets.

+ The shortage of fixed assets used for non-business activities shall be recorded as follows:

A decrease in the fixed asset shall be recorded as follows:

Dr 214 – Depreciation of fixed assets (depreciated value)

Dr 466 – Funds used for fixed asset acquisitions (residual value)

Cr 211 – Tangible fixed assets (historical cost).

The residual value of the shortage of fixed assets must be recovered according to the decision on handling of shortage and the following accounts shall be recorded:

Dr 111, 112 (if collecting money)

Dr 334 – Payables to employees (deducted from salaries of employees)

Cr, relevant accounts (according to report on handling).

+ The shortage of fixed assets used for culture or activities welfare shall be recorded as follows:

A decrease in the fixed asset shall be recorded as follows:

Dr 214 – Depreciation of fixed assets (depreciated value)

Dr 3533 – Funds used for fixed asset acquisitions (residual value)

Cr 211 – Tangible fixed assets (historical cost).

The residual value of the shortage of fixed assets must be recovered according to the decision on handling of shortage and the following accounts shall be recorded:

Dr 111, 112 (if collecting money)

Dr 334 – Payables to employees (deducted from salaries of employees)

Cr 3532 – Welfare fund

- If the reasons for shortage of fixed assets are not uncovered and awaiting solutions:

+ The shortage of fixed assets used for business shall be recorded as follows:

A decrease in fixed assets shall be recorded for residual value of the shortage of fixed assets:

Dr 214 – Depreciation of fixed assets (2141) (depreciated value)

Dr 811 – Other expenses (residual value)

Cr 211 – Tangible fixed assets (historical cost).

If there is a decision on handling of residual value of shortage of fixed assets, the following accounts shall be recorded:

Dr 111, 112 (compensation)

Dr 138 – Other receivables (1388) (if the offender is required to make compensation)

Dr 334 – Payables to employees (deducted from salaries of employees)

Dr 411 – Owner’s invested equity (if the decrease in equity is permitted to be recorded)

Dr 811 – Other expenses (if the enterprise suffers losses)

Cr 138 - Other income (1381).

+ The shortage of fixed assets used for non-business activities shall be recorded as follows:

A decrease in the fixed asset shall be recorded as follows:

Dr 214 – Depreciation of fixed assets (depreciated value)

Dr 466 – Funds used for fixed asset acquisitions (residual value)

Cr 211 – Tangible fixed assets (historical cost).

The residual value of the shortage of fixed assets shall be recorded to account 1381 “Assets in shortage awaiting resolution” as follows:

Dr 1381 – Assets in shortage awaiting resolution

Cr 138 - Other payables or receivables.

When there is a decision on compensation for residual value of the shortage of fixed assets, the following accounts shall be recorded:

Dr 111, 334, etc.

Cr 1381 – Assets in shortage awaiting resolution

Concurrently, the compensation for residual value of the shortage of fixed assets shall be recorded to relevant accounts according to the decision issued by the competent agency as follows:

Dr 138 - Other payables or receivables.

Cr, relevant accounts (333, 461, etc).

+ The shortage in fixed assets used for culture or activities welfare shall be recorded as follows:

A decrease in the fixed asset shall be recorded as follows:

Dr 214 – Depreciation of fixed assets (depreciated value)

Dr 3533 – Funds used for fixed asset acquisitions (residual value)

Cr 211 – Tangible fixed assets (historical cost).

The residual value of the shortage of fixed assets shall be recorded to account 1381 “Assets in shortage awaiting resolution” as follows:

Dr 1381 – Assets in shortage awaiting resolution

Cr 3532 – Welfare fund

When there is a decision on compensation for residual value of the shortage of fixed assets, the following accounts shall be recorded:

Dr 111, 334, etc.

Cr 1381 – Assets in shortage awaiting resolution

3.2.5. With regard to tools and supplies not meeting all recognition criteria of tangible fixed assets used for business, the following accounts shall be recorded:

Dr 623, 627, 641, 642 (if their residual value is small)

Dr 242 – Prepaid expenses. (if their value is great, they must be allocated gradually)

Dr 214 – Depreciation of fixed assets (depreciated value)

Cr 211 – Tangible fixed assets (historical cost of fixed asset).

3.2.6. Accounting for sale and leaseback of tangible fixed assets which is operating lease (refer to account 811 or 711).

***3.3. Accounting for tangible fixed assets under physical inventory count under evaluation of enterprises for equitization of wholly-state-owned enterprises***

a) Reports on physical inventory count: When receiving notification or decision on equitization of the competent agency, the equitized enterprise must conduct physical inventory count and classify tangible fixed assets under management and use of the enterprise at the time in which the enterprise is undergone evaluation.

- In case of shortage of tangible fixed assets, the following accounts shall be recorded:

Dr 1381 – Assets in shortage awaiting resolution (residual value)

Dr 214 – Depreciation of fixed assets (cumulatively-depreciated value)

Cr 211 – Tangible fixed assets (historical cost).

- In case of surplus of fixed assets: the enterprise shall keep records of surplus of fixed assets in the presentation of the financial statement  Once the reasons for surplus are uncovered and the decision on resolution to surplus is issued by the competent agency, they shall be recorded to relevant accounts in the balance sheet.

b) Accounting for surplus or shortage of tangible fixed assets under physical inventory count: the enterprise must uncover the reasons for the surplus or shortage and determine material responsibility for compensation taken by organizations or individuals as prescribed. The value of shortage of tangible fixed assets (deducted from compensation) shall be recorded to other expenses.

- With regard to shortage of assets detected under physical inventory count, according to "Report on resolution to shortage or surplus of assets under physical inventory count", the following accounts shall be recorded:

Dr 111 – Cash (individual or organization paying compensation)

Dr 1388 - Other receivables (individual or organization paying compensation)

Dr 334 – Payables to employees (deducted from salaries of employees)

Dr 811 – Other expenses (residual value of shortage of fixed assets detected under physical inventory count shall be recorded to losses of the enterprise)

Cr 1381 – Assets in shortage awaiting resolution.

- With regard to surplus of assets detected under physical inventory count, according to "Report on resolution to shortage or surplus of assets under physical inventory count", the following accounts shall be recorded:

Dr 3381 – Surplus of assets awaiting resolution.

Cr 331 – Trade payables (if the assets in surplus belong to sellers)

Cr 138 - Other payables or receivables (3388)

Cr 411 – Owner's invested equity (regarding tangible fixed assets impossible to uncover reasons and determine the owner).

c) Accounting for sale or liquidation of unnecessary assets or unsold assets pending liquidation: after receiving approval issued by agency deciding the equitization, the enterprise shall sell or liquidate assets as prescribed. The revenues, expenses and decreases in assets shall be recorded as follows:

- Revenues from sale or liquidation of unnecessary fixed assets or fixed assets pending liquidation shall be recorded as follows:

Dr 111,112,131

Cr 711 - Other income.

Cr 3331 – VAT payables (if any).

- Expenditures on sale or liquidation of unnecessary fixed assets or fixed assets pending liquidation shall be recorded as follows:

Dr 811 – Other expenses

Dr 133 – Deductible VAT (if any)

Cr 111, 112, 331.

- Decreases in fixed assets which are sold or liquidated shall be recorded as follows:

Dr 811 – Other expenses (residual value)

Dr 214 – Depreciation of fixed assets

Cr 211 – Tangible fixed assets.

d) When the enterprise transfers tangible fixed assets which are unnecessary or pending liquidation as prescribed, the following accounts shall be recorded:

Dr 411 – Owner's invested equity.

Dr 214 – Depreciation of fixed assets

Cr 211 – Tangible fixed assets.

dd) Accounting for transfer assets which are welfare constructions

- When transferring housing of officials or employees of the enterprise invested by the welfare funds to real estate authority of the local government to manage, the following accounts shall be recorded:

Dr 3533 – Funds used for fixed asset acquisitions (residual value)

Dr 214 – Depreciation of fixed assets (depreciated value)

Cr 211 – Tangible fixed assets (historical cost).

- If the equitized enterprise uses the welfare constructions invested by state capital for business, the following accounts shall be recorded:

Dr 466 – Non-business funds used for fixed asset acquisitions.

Cr 411 – Owner's invested equity.

e) Accounting for value of tangible fixed assets which are undergone re-valuation.

According to dossier on revaluation of the enterprise, the value of the tangible fixed assets shall equal: Increase in residual value of fixed asset which is recorded to Cr 412 - Differences upon asset revaluation; Decrease in residual value of fixed asset which is recorded to Dr 412 - Differences upon asset revaluation and such differences must be in details according to every fixed asset. In particular:

- In case the value of re-evaluated fixed asset is greater than book value and historical cost of the fixed asset or re-evaluated cumulative depreciation is greater than book value, the following accounts shall be recorded:

Dr 211 – Historical costs of fixed assets (increase evaluation).

Cr 214 – Depreciation of fixed assets (increase evaluation).

Cr 412 - Differences upon asset revaluation (value of fixed asset in increase).

- In case the value of re-evaluated fixed asset is smaller than book value and historical cost of the fixed asset or re-evaluated cumulative depreciation is smaller than book value, the following accounts shall be recorded:

Dr 214 – Depreciation of fixed assets (decrease evaluation).

Dr 412 - Differences upon asset revaluation (value of fixed asset in decrease).

Cr 211 – Historical costs of fixed assets (decrease evaluation).

The enterprise depreciates the fixed asset according to new historical cost determined after re-evaluation.

g) Transferring fixed assets to joint-stock companies

- Equitization of independent enterprises

With regard to equitization of independent enterprises, it is required to comply with regulations on transfer of assets, accounts payables and capital funds of joint-stock companies. All accounting documents, accounting records and financial statements of the equalized enterprise required archive shall be transferred to the joint-stock company for keep archiving.

- With equitization of dependent accounting enterprises of state-owned companies, groups, general companies, parent companies, or independent accounting companies of the general companies.

When transferring assets, accounts payables and capital funds to joint-stock companies, the value of tangible fixed assets transferred to the joint-stock company shall be recorded as follows according to receipt slip of assets, appendixes, relevant accounting records or documents.

Dr 411 – Owner's invested equity.

Dr 214 – Depreciation of fixed assets (depreciated value).

Cr 211 – Tangible fixed assets.

**Article 36. Account 212 – Financial lease fixed assets**

**1. Rules for accounting**

a) This account is used to record current value and increase and decrease in total financial lease fixed assets of an enterprise. This account is used to record historical costs of financial lease fixed assets of the lessee (such fixed assets are not under ownership of the enterprise, but the enterprise has legal liability to manage and use them similarly to their assets).

b) Financial lease: a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Ownership of the asset may be transferred at the end of the lease term.

c) Recognition of financial lease: a financial lease must satisfy at least one of five criteria below:

- Ownership of the asset is transferred to the lessee at the end of the lease term;

- At the inception of the lease, the lessee has an option to purchase the asset at a price which is expected to be sufficiently lower than the value at the end of the lease term;

- The lease term is for the major part of the economic life of the asset even if title is not transferred;

- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;

- The leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

d) An asset lease shall be considered a financial lease if it meets at least one of three criteria below:

- If the lessee cancels the lease and compensates the losses caused by the cancellation of the lease to the lessor;

- Gains or losses from variation in the fair value of the residual value of the leased asset shall be borne by the lessee;

- The lessee has ability to continue the lease after the termination of the lease at a rent which is lower than the market rent. Leases of assets which are land use rights shall be classified as operating lease.

dd) Historical cost of a financial lease fixed asset shall equal fair value of the lease or present value of minimum lease payments amounts (in case the fair value is greater than present value of minimum lease payments amounts) plus (+) initial direct costs incurred in connection with financial leasing activities.

If the input VAT is deductible, present value of minimum lease payments amounts shall not include VAT payables to the lessor.

When calculating the present value of minimum lease payments amounts, the enterprise may use the implicit interest rate, interest rate stated in the lease or the incremental borrowing interest rate of the lessee.

e) The non-deductible input VAT on the leased asset which is paid by the lessee on behalf of the lessor shall be recorded as follows:

- If the non-deductible input VAT is made a lump sum payment when recording the leased asset, the historical cost of the leased asset shall include VAT;

- If the non-deductible input VAT is paid instalment, it shall be recorded to operating cost during a period in conformity with depreciation costs of financial lease assets.

g) Operating lease fixed assets shall not be recorded to this account.

h) The lessee shall calculate, depreciate the fixed asset and charge to operating costs periodically in conformity with the depreciation policy applied to its owned-fixed assets in kind. If it not sure that the lessee shall acquire the ownership of the asset at the end of the lease term, the leased asset shall be depreciated according to the lease term if the lease term is shorter than the useful life of the leased asset.

i) Account 212 shall be detailed to keep track of every type of leased fixed asset.

**2. Structure and contents of account 212 – Financial lease fixed assets**

**Debit:** Increases in historical costs of the financial lease fixed assets.

**Credit:** Decreases in historical costs of financial lease fixed assets due to returning to the lessor at the end of the lease term or buying and converting into the fixed assets of the enterprise.

**Debit balance:** Historical cost of existing financial lease fixed assets.

***Account 212 – Financial lease fixed assets comprises 2 sub-accounts***

*- Account 2121 – Financial lease tangible fixed assets: records current value and increases and decreases in total financial lease tangible fixed assets of the enterprise;*

*- Account 2122 – Financial lease intangible fixed assets: records current value and increases and decreases in total financial lease intangible fixed assets of the enterprise.*

**3. Method of accounting for several major transactions**

3.1. When incurring initial direct cost in connection with the financial lease asset before receiving the leased asset, such as: commission fees, legal fees, etc, the following accounts shall be recorded:

Dr 242 – Prepaid expenses

Cr 111, 112, etc.

3.2. When paying an advance of the financial lease rent or deposit to secure the lease, the following accounts shall be recorded:

Dr 341 – Borrowings and finance lease liabilities (3412) (prepaid lease payments)

Dr 244 – Mortgage, collaterals and deposits

Cr 111, 112, etc.

3.3. When receiving a financial lease fixed asset, the value of the financial lease fixed assets (input VAT-exclusive prices) shall be recorded according to the lease and related documents, the following accounts shall be recorded:

Dr 212 – Financial lease fixed assets (VAT-exclusive prices)

Cr 341 – Borrowings and finance lease liabilities (3412) (present value of minimum lease payments amounts or fair value of the leased asset, excluding refundable taxes).

Initial direct costs in connection with financial lease activities shall be recorded to the historical cost of the financial lease fixed assets as follows:

Dr 212 – Financial lease fixed assets

Cr 242 – Prepaid expenses, or

Cr 111, 112, etc. (Direct costs in connection with financial lease activities incurred when receiving the financial lease asset).

3.4. Periodically, upon the receipt of the financial lease invoices:

When paying the principal and lease interest to the lessor, the following accounts shall be recorded:

Dr 635 – Financial expenses (lease interest of current period)

Dr 341 – Borrowings and finance lease liabilities (3412) (lease principal of current period)

Cr 111, 112, etc.

3.5. When receiving an invoice for input VAT sent by the lessor who is paid by the lessee:

a) If the VAT is deductible, the following accounts shall be recorded:

Dr 133 – Deductible VAT (1332)

Cr 112 – Cash in bank (lump sum payment)

Cr 338 - Other payables (input VAT payables to the lessor).

b) If the VAT is not deductible, the following accounts shall be recorded:

Dr 212 – Financial lease fixed assets (if the input VAT is not deductible and the VAT is paid lump sum when recording the financial lease fixed assets)

Dr 627, 641, 642 (if the non-deductible input VAT is paid whenever the invoice is received)

Cr 112 – Cash in bank (lump sum payment)

Cr 338 - Other payables (input VAT payables to the lessor).

3.6. When paying the commitment fees to the lessor, the following accounts shall be recorded:

Dr 635 – Financial expenses.

Cr 111, 112, etc.

3.7. When returning the financial lease fixed assets as mentioned in the lease to the lessor, a decrease in the value of the financial lease fixed assets shall be recorded as follows:

Dr 214 – Depreciation of fixed assets (2142)

Cr 212 – Financial lease fixed assets.

3.8. If the lease prescribes that the lessee only rent a part of the value of the asset and buy it then, when the lessee receives the transfer of the ownership of the asset, a decrease in financial lease fixed assets and an increase in tangible fixed assets under ownership of the enterprise shall be recorded. When converting the financial lease asset to the asset under ownership of the enterprise, the following accounts shall be recorded:

Dr 211 – Tangible fixed assets

Cr 212 – Financial lease fixed assets (residual value of the financial lease fixed asset)

Cr 111, 112, etc. (additional payables).

And, when transferring depreciated value, the following accounts shall be recorded:

Dr 2142 – Depreciation of financial lease fixed assets

Cr 2141 – Depreciation of tangible fixed assets

3.9. Accounting for sale and leaseback of financial lease fixed assets:

a) If the sale and leaseback gives the price which is greater than the residual value of the fixed asset:

- Accounting for the sale transaction (refer to account 711)

- Those entries recording leased assets and accounts payables in connection with finance lease shall comply with regulations from Point 3.1 to 3.6 of this Article.

- Periodically, the depreciation of the financial lease fixed asset shall be calculated, deducted and recorded to operating costs as follows:

Dr 623, 627, 641, 642, etc.

Cr 2142 – Depreciation of financial lease fixed assets

- Periodically, when transferring the difference between the price and residual value of the leased back fixed asset (profit) to operating costs of the period over then lease term, the following accounts shall be recorded:

Dr 3387 - Unearned revenue

Cr 623, 627, 641, 642, etc.

b) If the sale and leaseback gives the price which is smaller than the residual value of the fixed asset:

- Accounting for the sale transaction (refer to account 711)

- Those entries recording leased assets and accounts payables in connection with finance lease, periodical rents shall comply with regulations from Point 3.1 to 3.6 of this Article.

- Periodically, when transferring the difference between the price and residual value of the leased back fixed asset (loss) to operating costs of the period over then lease term, the following accounts shall be recorded:

Dr 623, 627, 641, 642, etc.

Dr 242 – Prepaid expenses

**Article 37. Account 213 – Intangible fixed assets**

**1. Rules for accounting**

a) This account is used to record current value and increases and decreases in intangible fixed assets of the enterprise; Intangible fixed assets mean assets which have no physical form but the value of which can be determined and which are held and used by the enterprises in their business or leased to other entities in conformity with the recognition criteria of intangible fixed assets.

b) Historical costs of intangible fixed assets means all costs incurred by the enterprises to acquire intangible fixed assets up to the time of putting these assets into use as expected.

- The historical cost of an intangible fixed asset purchased separately shall equal its purchase price (minus (-) any trade discounts and rebates), taxes (excluding refundable taxes) and directly-attributable expenses incurred from putting the asset into use as expected;

- If the intangible fixed asset is purchased in instalment or deferred payment, their historical cost shall be recorded to the cash price. The difference between the deferred price and the cash price shall be recorded to operating costs according to the payment period, unless such difference is recorded to the historical cost of the intangible fixed assets (capitalization) as prescribed in VAS “Borrowing costs";

- If an intangible fixed asset is purchased in the form of exchange with another dissimilar intangible fixed asset, their value shall equal the fair value of the received asset or the fair value of the exchanged asset after adjustment. If the exchange and payment against documents is related to the capital ownership of the enterprise, the historical cost shall equal the fair value stated in such documents.

- The historical cost of an intangible fixed asset which is land use rights means an amount of money paid to acquire lawful land use rights (including expenses paid to the transferor or expenses incurred from compensation for land clearance, leveling of premises, property transfer taxes, etc) or an amount agreed by contracting parties when contributing capital. The land use rights shall be considered whether or not intangible fixed assets in accordance with regulations of relevant law provisions.

- The historical cost of an intangible fixed asset granted by the State or presented shall equal the initial fair value plus (+) directly-attributable expenses incurred from putting the asset into use as expected.

- The historical cost of the intangible fixed assets transferred shall be the historical cost recorded in the accounting records of the receiver.

c) All actual expenses incurring during the development stage which fails to be recognized as intangible fixed asset shall be recorded to operating costs in the period. If the development stage of the asset meets recognition criteria of intangible fixed assets as prescribed in VAS “Intangible fixed assets”, expenses of the development stage shall be recorded to account 241 “Construction in progress” (2412). At the end of the development stage, those expenses incurred from historical cost of intangible fixed assets acquisitions during the development stage must be transferred to the Dr 213 "Intangible fixed assets".

d) During the operation process, it is required to depreciate and record the intangible fixed asset to the operating costs as prescribed in VAS for intangible fixed assets. With regard to fixed assets which are land use rights, only intangible fixed assets which are termed land use rights are depreciated.

dd) Costs related to intangible fixed assets, which are incurred after initial recognition, must be recognized as operating costs in the period; if they meet all two following criteria, an increase in the historical costs of the intangible fixed asset shall be recorded:

- These costs can help intangible fixed assets generate more future economic benefits than the original operation evaluation;

- These costs are appraised in a certain way and associated with a specific intangible asset.

e) The costs incurred to generate future economic benefits for the enterprises include enterprise establishment cost, personnel-training cost and advertising cost incurred before the newly-set up enterprises start to operate, costs for the research stage, relocation cost, shall be recorded to operating costs in the period or gradually allocated into operating costs in the maximum period of three years.

g) Costs related to intangible assets, which have been recorded by the enterprises to costs of determining the business operation results in the previous period, shall not be re-recorded to the historical cost of intangible fixed assets.

h) Trademarks, brand names, distribution right, customers’ name list and similar items which are internally established in the enterprise shall not be recognized as intangible fixed assets.

i) Intangible fixed assets shall be kept records in details according to every item in the “Fixed assets register”.

**2. Structure and contents of account 213 – Intangible fixed assets**

**Debit: Increases in historical costs of intangible fixed assets.**

**Credit: Decreases in historical costs of intangible fixed assets.**

**Debit balance: Historical costs of existing intangible fixed assets of the enterprise.**

***Account 213 – Intangible fixed assets comprise 7 sub-accounts:***

*- Account 2131 – Land use rights: records land use rights which are recognized as intangible fixed assets as prescribed.*

Value of intangible fixed assets which are land use rights shall equal actual expenses directly related to land use rights, such as: money paid for the land use rights, expenses incurred from compensation, land clearance, leveling of premises (if the land use rights are acquired separately from any investment in buildings and structures on land), property transfer taxes (if any), etc. This account shall not record any expenses incurred from constructions on land.

*- Account 2132 – Copy rights:* records value of intangible fixed assets which are total actual expenses paid to acquire copyrights.

*- Account 2133 – Patents and inventions:* records value of intangible fixed assets which are total actual expenses paid to acquire patents and inventions.

*- Account 2134 – Trademarks and trade names:* records value of intangible fixed assets which are total actual expenses paid for trademarks of goods.

*- Account 2135 – Computer software:* records value of intangible fixed assets which are total actual expenses paid for computer software.

*- Account 2136 - Licenses and franchises:* records value of intangible fixed assets which are expenses incurred from licenses and franchises, such as: development permits, permits for production of new products, etc.

*- Account 2138 – Other intangible fixed assets:* records value of other intangible fixed assets which are not recorded to above accounts.

**3. Method of accounting for several major transactions**

3.1. Purchase of intangible fixed assets:

- When purchasing intangible fixed assets used for business which are subject to VAT using credit-invoice method, the following accounts shall be recorded:

Dr 213 – Intangible fixed assets (VAT-exclusive prices)

Dr 133 – Deductible VAT (1332)

Cr 112 – Cash in bank

Cr 141 - Advances

Cr 331 – Trade payables

- When purchasing intangible fixed assets used for business which are not subject to VAT, the following accounts shall be recorded:

Dr 213 – Intangible fixed assets (total payments)

Cr 112, 331, etc (total payments)

3.2. Purchase of intangible fixed assets in instalment or deferred payment:

- When purchasing intangible fixed assets used for business which are subject to VAT using credit-invoice method, the following accounts shall be recorded:

Dr 213 – Intangible fixed assets (VAT-exclusive cash prices)

Dr 242 – Prepaid expenses

(deferred interest shall equal (=) difference between total payment minus (-) cash price and input VAT (if any))

Dr 133 – Deductible VAT (1332)

Cr 111, 112

Cr 331 – Trade payables

- When purchasing intangible fixed assets used for business which are not subject to or subject to VAT using subtraction method, the following accounts shall be recorded:

Dr 213 – Intangible fixed assets (VAT-exclusive cash prices)

Dr 242 – Prepaid expenses (deferred interest shall equal (=) difference between total payment minus (-) cash price)

Cr 331 – Trade payables (total payments).

- When paying the interest for purchase of intangible fixed assets in instalment or deferred payment periodically, the following accounts shall be recorded:

Dr 635 – Financial expenses.

Dr 242 – Prepaid expenses

- When making payment to the seller, the following accounts shall be recorded:

Dr 331 – Trade payables

Cr 111, 112, etc.

3.3. Purchase of intangible fixed assets in the form of exchange

a) Exchange of two similar intangible fixed assets: When receiving an intangible fixed asset in exchange of a similar intangible fixed asset and putting into operation, the following accounts shall be recorded:

Dr 213 – Intangible fixed assets (the historical cost of the received intangible fixed asset shall be recorded according to the residual value of the exchanged intangible fixed asset)

Dr 214 – Depreciation of fixed assets (2143) (depreciation of exchanged fixed asset)

Cr 213 – Intangible fixed assets (2143) (historical cost of exchanged fixed asset)

b) Exchange of two dissimilar intangible fixed assets:

- A decrease in the exchanged intangible fixed assets shall be recorded as follows:

Dr 214 – Depreciation of fixed assets (depreciation value)

Dr 811 – Other expenses (residual value of the exchanged fixed asset)

Cr 213 – Intangible fixed assets (historical cost)

- And the revenue from exchange of fixed assets shall be recorded as follows:

Dr 131- – Trade receivables (total payments)

Cr 711 – Other income (fair value of exchanged fixed asset)

Cr 3331 –VAT payables (33311) (if any).

- An increase in the exchanged intangible fixed assets shall be recorded as follows:

Dr 213 – Intangible fixed assets (fair value of the received fixed asset)

Dr 133 – Deductible VAT (1332) (if any)

Cr 131 – Trade receivables (total payments).

3.4. Value of intangible fixed assets acquired intra-company in the development stage:

a) When incurring expenses in the development stage, if the results do not satisfy recognition criteria of intangible fixed assets, such expenses shall be recorded to operating costs within a period or prepaid expenses, the following accounts shall be recorded:

Dr 242 – Prepaid expenses (for great value) or

Dr 642 – General administration expenses

Cr 111, 112, 152, 153, 331, etc.

b) If the result of development stage satisfies recognition criteria of intangible fixed assets:

- When collecting actual expenses incurring in the development stage to add to the historical cost of the intangible fixed assets, the following accounts shall be recorded:

Dr 241 – Construction in progress

Dr 133 – Deductible VAT (1332 - if any)

Cr 111, 112, 152, 153, 331, etc.

- When completing development stage, total actual expenses incurring which shall be recorded to the historical cost of the intangible fixed asset, the following accounts shall be recorded:

Dr 213 – Intangible fixed assets

Cr 241 – Construction in progress

3.5. When purchasing intangible fixed assets which are land use rights associated with buildings or structures on land, the intangible fixed assets which are land use rights and tangible fixed assets which are buildings or structures must be separately recorded as follows:

Dr 211 – Tangible fixed assets (historical costs of buildings or structures)

Dr 213 – Intangible fixed assets (historical costs of land use rights)

Dr 133 – Deductible VAT (1332 - if any)

Cr 111, 112, 331, etc.

3.6. When an intangible fixed asset acquired by exchange of documents on capital ownership of joint-stock companies, the historical cost of such intangible fixed asset shall be the fair value stated in those documents, and the following accounts shall be recorded:

Dr 213 – Intangible fixed assets

Cr 411 – Owner's invested equity.

3.7. Granted, donated or presented intangible fixed assets which are put into operation:

- When receiving a granted, donated or presented intangible fixed asset, the following accounts shall be recorded:

Dr 213 – Intangible fixed assets

Cr 711 – Other income

- When incurring expenses related to donated or presented intangible fixed assets, the following accounts shall be recorded:

Dr 213 – Intangible fixed assets

Cr 111, 112, etc.

3.8. When receiving land use rights as capital, the following accounts shall be recorded according to dossiers on transfer of land use rights:

Dr 213 – Intangible fixed assets

Cr 411 – Owner's invested equity.

3.9. When converting use purposes of the investment properties which are land use rights to intangible fixed assets, the following accounts shall be recorded:

Dr 213 – Intangible fixed assets (2131)

Cr 217 – Investment properties.

And when transferring cumulative depreciation of the investment properties to cumulative depreciation of the intangible fixed assets, the following accounts shall be recorded:

Dr 2147 – Depreciation of investment properties

Cr 2143 – Depreciation of tangible fixed assets

3.10. When investing in subsidiaries or joint-venture companies in the form of contribution of intangible fixed assets, according to re-evaluated value of intangible fixed assets:

a) In case the re-evaluated value is smaller than the residual value of the contributed intangible fixed asset, the following accounts shall be recorded:

Dr 221, 222 (according to re-evaluated value)

Dr 214 – Depreciation of fixed assets (2143) (depreciation value)

Dr 811 – Other expenses (the negative difference between the re-evaluated and the residual value of the intangible fixed asset)

Cr 213 – Intangible fixed assets (historical cost).

b) In case the re-evaluated value is greater than the residual value of the contributed intangible fixed asset, the following accounts shall be recorded:

Dr 221, 222 (according to re-evaluated value)

Dr 214 – Depreciation of fixed assets (2143) (depreciation value)

Cr 213 – Intangible fixed assets (historical cost).

Cr 711 – Other expenses (the positive difference between re-evaluated value and the residual value of the intangible fixed asset).

3.11. The sale or liquidation of intangible fixed assets shall be recorded similarly to the sale or liquidation of tangible fixed assets (refer to account 211).

**Article 38. Account 214 – Depreciation of fixed assets**

**1. Rules for accounting**

a) This account is used to record increases or decreases in depreciation value and accumulated depreciation of fixed assets and investment properties due to deduction from depreciation of fixed assets, investment properties and other increases or decreases of depreciation of fixed assets or investment properties.

b) In principle, all fixed assets or investment properties of the enterprise for lease related to operation (including unused, unnecessary or liquidation-pending assets) must be depreciated as prescribed in regulations in force. The depreciation of fixed assets used for operation and depreciation of investment properties shall be recorded to operating costs within a period; depreciation of unused, unnecessary, or liquidation-pending fixed assets shall be recorded to other expenses. With regard to special cases not subject to depreciation (such as fixed assets for reservation or common use in society, etc), the enterprise must comply with regulations of law in force. It is not required to depreciate fixed assets used for non-business activities or welfare, only depreciation of such fixed asset are calculated and decreases in funds for those fixed assets acquisition are recorded.

c) Pursuant to regulations of law and management requests of the enterprise, one of methods of calculation or deduction of depreciation as prescribed in conformity with every fixed asset or investment property in order to develop business and ensure the recovery of payback promptly, sufficiently and in conformity with financial ability of the enterprise.

The depreciation method applying to every fixed asset or investment property must be conducted consistently and may be changed when there is any change in method of recovering economic benefits of the fixed asset or investment property.

d) The useful life and depreciation method must be re-considered at least at the end of every fiscal year.

If the estimated useful life of the asset is different significantly from previous estimated useful life, the useful life must be changed equivalently. The method of depreciation of fixed assets shall be changed once there is a significant change in payback of economic benefits of the fixed assets. In this case, the depreciation costs of the current year and succeeding years shall be adjusted and they shall be presented in the financial statements.

dd) If a fixed asset is fully depreciated (the capital is fully paid back), but it is still be used in operation, it shall not be kept depreciating. If a fixed asset is not fully depreciated (the capital is not fully paid back), but it is damaged or pending liquidation, it is required to uncover reasons, responsibility of groups or individuals for compensation; and the residual value of the fixed asset which is not paid back or compensated shall be compensated by the amounts collected from the liquidation of such fixed asset, the amounts of compensation shall be decided by the leaders of the enterprise. If the amounts collected from liquidation or compensation is not enough to compensate the residual value of the fixed asset which is not paid back or the value of the lost fixed asset, the remaining difference shall be considered loss from liquidation and recorded to other expenses. With regard to state-owned enterprises, they shall be handled according to current financial policies of the Government.

e) Regarding intangible fixed assets, depending on the effective period of time of such assets for depreciating from they are put into use (according to the contract, commitment or decision of the competent agency) Regarding intangible fixed assets which are land use rights, only term land use rights are depreciated. If it fails to determine useful life, they shall be not depreciated.

g) Regarding financial lease fixed assets, during the period in which the assets are used; the lessee must depreciate over the lease term and charge to operating costs in order to recover all capital.

h) Regarding investment properties for operating lease, they shall be depreciated and recorded to operating costs within a period. The enterprise may estimate the useful life and determine the appropriate depreciation method according to owner-occupied property in kind. If an investment property is held for capital appreciation, the enterprise shall not depreciate but determine the loss due to depreciation.

**2. Structure and contents of account 214 – Depreciation of fixed assets**

**Debit:** Decreases in depreciation of fixed assets, investment properties because the fixed assets or investment properties are liquidated, sold, or transferred to other enterprises or contributed to other enterprises as capital.

**Credit:** Increases in depreciation of fixed assets or investment properties because the fixed assets or investment properties are depreciated.

**Debit balance:** Accumulated depreciation of existing fixed assets or investment properties of the enterprise.

***Account 214 – Depreciation of fixed assets, comprise 4 sub-accounts:***

- *Account 2141 – Depreciation of tangible fixed assets:* records the depreciation value of tangible fixed asset during the using period and other increases or decreases of tangible fixed assets.

- *Account 2142 – Depreciation of financial lease fixed assets:* records the depreciation value of tangible fixed asset during the using period and other increases or decreases of financial lease fixed assets.

- *Account 2143 – Depreciation of intangible fixed assets:* records the depreciation value of intangible fixed asset during the using period and other increases or decreases of intangible fixed assets.

- *Account 2147 – Depreciation of investment properties:* records depreciation value of investment properties used for operating lease of the enterprise.

**3. Method of accounting for several major transactions**

a) Periodically, when calculating, deducting and recording fixed assets to operating costs, the following accounts shall be recorded:

Dr 623, 627, 641, 642, 811

Cr 214 – Depreciation of fixed assets (appropriate sub-account)

b) When receiving used fixed assets which are transferred intra-company between dependent accounting units having no legal status, the following accounts shall be recorded:

Cr 211 – Tangible fixed assets (historical cost).

Cr 336, 411 (residual value)

Cr 214 – Depreciation of fixed assets (2141) (depreciation value)

c) Periodically, when deducting depreciation of investment properties for operating lease, the following accounts shall be recorded:

Dr 632 – Costs of goods sold (investment property operating expenses)

Cr 214 – Depreciation of fixed assets (2147)

d) If there is any decrease in fixed assets or investment properties, decreases in both historical costs of the fixed assets and depreciated value of the fixed assets or investment properties shall be recorded (refer to accounts 211, 213, and 217).

dd) When calculating depreciation value of fixed assets for non-business activities at the end of the fiscal year, the following accounts shall be recorded:

Dr 466 – Non-business funds used for fixed asset acquisitions

Cr 214 – Depreciation of fixed assets

e) When calculating depreciation value of fixed assets for cultural activities or welfare at the end of the fiscal year, the following accounts shall be recorded:

Dr 3533 – Welfare funds used for fixed asset acquisitions

Cr 214 – Depreciation of fixed assets.

g) At the end of the fiscal year, the enterprise shall review the useful life and the depreciation methods for fixed assets, if there is any change in the depreciation rate, the depreciation recorded in the accounting records shall be adjusted as follows:

- If the depreciation rate rises against the depreciated amounts in the year leading an increase in the depreciation difference due to the adjustment of the depreciation methods or period, the following accounts shall be recorded:

Dr 623, 627, 641, 642 (increase in depreciation difference)

Cr 214 – Depreciation of fixed assets (appropriate sub-account)

- If the depreciation rate falls against the depreciated amounts in the year leading a decrease in the depreciation difference due to the adjustment of the depreciation methods or period, the following accounts shall be recorded:

Dr 214 – Depreciation of fixed assets (appropriate sub-account)

Cr 623, 627, 641, 642 (decrease in depreciation difference)

h) Accounting for value of tangible fixed assets which are undergone re-valuation: According to dossier on revaluation of the enterprise, the value of the tangible fixed assets shall equal: Increase in residual value of fixed asset which is recorded to Cr 412 -  Differences upon asset revaluation; Decrease in residual value of fixed asset which is recorded to Dr 412 - Differences upon asset revaluation and such differences must be recorded in details according to every fixed asset In particular:

- In case the value of re-evaluated fixed asset is greater than book value and historical cost of the fixed asset or re-evaluated accumulated depreciation is greater than book value, the following accounts shall be recorded:

Dr 211 - Historical costs of fixed assets (the increase value)

Cr 412 - Differences upon asset revaluation (value of additional assets)

Cr 214 – Depreciation of fixed assets (the increase value)

- In case the value of re-evaluated fixed asset is smaller than book value and historical cost of the fixed asset or re-evaluated accumulated depreciation is smaller than book value, the following accounts shall be recorded:

Dr 214 – Depreciation of fixed assets (the decrease value)

Dr 412 - Differences upon asset revaluation (value of additional assets)

Cr 211 - Historical costs of fixed assets (the decrease value)

The enterprise shall deduct depreciation of fixed assets according to new historical cost after re-evaluation. Time for re-evaluation of depreciation of fixed assets when evaluating a joint-stock company is the date on which the equitized enterprise is granted Certificate of Business registration of a joint-stock company.

i) Equitization of dependent accounting units of independent state-owned companies, groups, general companies, parent companies, independent accounting units of the general companies:

When transferring a fixed asset to the joint-stock company, an increase in asset transferred to joint-stock company shall be recorded, according to receipt slip of assets, special appendixes on transfer of assets to joint-stock company and relevant documents or accounting records:

Dr 411 – Owner's invested equity (residual value)

Dr 214 – Depreciation of fixed assets (depreciated value)

Cr 211,213 (historical cost).

**Article 39. Account 217 – Investment properties**

**1. Rules for accounting**

1.1 This account is used to record current value and increases or decreases in investment properties of an enterprise according to their historical costs, which is kept records similarly to fixed assets. Investment property includes land-use rights, a building or part of a building or both, infrastructure held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation, rather than for:

- Use in the production or supply of goods or services or for administrative purposes; or

- Sale in the ordinary course of business.

1.2. This account is used to record value of investment properties meeting recognition criteria of investment properties. Property held for sale in the ordinary course of business or in the process of construction or development for such sale, owner-occupied property, or property that is being constructed or developed for future use as investment property shall not be recorded to this account.

Investment property shall be recognized as an asset when the following conditions are met:

- It is probable that the future economic benefits associated with the investment property will flow to the enterprise; and

- The cost of the investment property can be measured reliably.

1.3. An investment property shall be recorded in this account according to their cost. Cost of an investment property means the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an investment property at the time of its acquisition or construction.

- Depending on cases, cost of an investment property shall be determined as follows:

The cost of a purchased investment property comprises its purchase price, and any directly-attributable expenses, such as: professional fees for legal services, property transfer taxes and other transaction costs, etc.

+ If payment for an investment property is deferred, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit, except when the difference is charged to cost of investment property in accordance with VAS “Borrowing Costs”;

+ The cost of a self-constructed investment property is its actual cost and directly-attributable expense on the date when the construction or development is completed;

+ If a finance lease property for operating lease meets recognition criteria of an investment property, the cost of such investment property at the initial lease shall comply with VAS “Leases”.

- The cost of an investment property is not increased by:

+ Start-up costs (unless they are necessary to bring the property to its working condition);

+ Initial operating losses incurred before the investment property achieves the planned level of occupancy;

+ Abnormal amounts of wasted material, labor or other resources incurred in constructing or developing the property.

1.4. Subsequent expenditure relating to an investment property that has already been recognized should be added to the net-book value of the investment property when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property, will flow to the enterprise and an increase in the cost of the investment property shall be recorded.

1.5. During the operating lease period, the investment property must be depreciated and recorded to business costs (including postponement period). The enterprise may estimate the useful life and determine the appropriate depreciation method according to owner-occupied property in kind.

- In case the enterprise records revenue from total advances from investment property lease, total estimated cost equivalent to the revenue shall be recorded (including calculated depreciation in advance).

- The cost of an investment property includes: investment property depreciation expenses and directly-attributable expenses, such as: outsourcing expense, salaries of employees in charge of management of the leased property, depreciation expense on auxiliary construction serving the investment property lease.

1.6. Property held for capital appreciation shall not be depreciated. In case it is evident that the investment property falls against market fair value and the decrease is determined reliably, the decrease in cost of the investment property and the loss shall be recorded to costs of goods sold (similarly to provision for properties held for sale).

1.7. With regard to purchased investment properties which must be constructed, innovated or upgraded before being used for investment purpose, the value of the property, purchasing costs and constructing, innovating or upgrading costs shall be recorded to account 241 “Construction in progress”. Upon the construction, innovation or upgrading completes, the cost of the investment property must be determined and transferred to account 217 “Investment property".

1.8. The transfer from owner-occupied property to investment property or from investment property to owner-occupied property or inventory shall be made only if there is any change in use purpose as following cases:

- Investment property shall be converted into owner-occupied property when the owner begins to use this property;

- Investment property shall be converted into inventory when the owner begins to sell it;

- Owner-occupied property shall be converted into investment property when the owner finishes using that property and leasing it to other party for operation;

- Inventory shall be converted into investment property when the owner begins to lease it to other party for operation;

- Construction property shall be converted into investment property at the end of the construction period and put into investment period (during the construction period, it shall be recorded to VAS "Tangible fixed assets").

The transfer of use purpose between investment property and owner-occupied property or inventory does not change the book value of the transferred asset and the cost of the property for their evaluation or for preparation of financial statements.

1.9. When the enterprise decides to sell an investment property without repair, innovation or upgrading period, the investment property still be recorded to account 217 “Investment property” until it is sold (not converted into inventory).

1.10. The whole purchase price of an investment property shall be recorded to revenues (VAT-exclusive prices regarding enterprises subject to VAT using credit-invoice method). If payment for an investment property is deferred, the consideration received is recognized initially at the cash price equivalent (VAT-exclusive prices regarding enterprises subject to VAT using credit-invoice method). The difference between the nominal amount of the consideration and the cash price equivalent is recognized as interest revenue.

1.11. A decrease in investment property shall be recorded in following cases:

- Converting use purposes from investment property to inventory or owner-occupied property;

- Selling or disposing investment property;

- Returning investment property to the lessor at the end of the financial lease.

**2. Structure and contents of account 217 – Investment property**

**Debit:** Increases in costs of investment property in the period.

**Credit:** Decreases in costs of investment property in the period.

**Debit balance:** Costs of existing investment property.

**3. Method of accounting for several major transactions**

3.1. Purchase of investment properties:

a) If the instalment payment is made and the input VAT is deductible, the following accounts shall be recorded:

Dr 217 – Investment property

Dr 133 – Deductible VAT (1332)

Cr 111, 112.

If the VAT is not deductible, the historical cost of the investment property shall include VAT.

b) If the deferred payment is made:

- And the input VAT is deductible; the following accounts shall be recorded:

Dr 217 – Investment property (VAT-exclusive cash prices)

Dr 242 – Prepaid expenses (deferred interest shall equal (=) total payment minus (-) cash price minus (-) input VAT)

Dr 133 – Deductible VAT (1332)

Cr 331 – Trade payables

If the VAT is not deductible, the historical cost of the investment property shall include VAT.

- Periodically, when calculating and allocating the interest payable of the purchased investment property in deferred payment, the following accounts shall be recorded:

Dr 635 – Financial expenses.

Dr 242 – Prepaid expenses

- When making payment to seller, the following accounts shall be recorded:

Dr 331 – Trade payables

Cr 515 – Financial income (discount obtained due to early payment, if any)

Cr 111, 112, etc.

3.2. Acquisition of investment property due to completion of:

- When incurring construction expenses of investment property, they shall be recorded to Dr 241 “Construction in progress” according to relevant documents and materials (similarly to construction of tangible fixed assets, refer to account 211 “Tangible fixed asset”).

- When the construction in progress is completed and the investment asset is converted into investment property, the following accounts shall be recorded according to the transferred documents:

Dr 217 – Investment property

Cr 241 – Construction in progress.

3.3. When converting owner-occupied property or inventory to investment property, the following accounts shall be recorded according to documents on convert of use purposes:

a) When converting a fixed asset into an investment property:

Dr 217 – Investment property

Cr 211 – Tangible fixed asset, or

Cr 213 – Intangible fixed assets.

And, when transferring accumulated depreciation, the following accounts shall be recorded:

Dr 2141, 2143.

Cr 2147 – Depreciation of investment property (property for lease)

Cr 217 – Investment property (property held for capital appreciation).

b) When converting from inventory into investment property, the following accounts shall be recorded according to the documents on convert of use purposes:

Dr 217 – Investment property

Cr 1557, 1567.

If the investment property is used for lease, it shall be depreciated as prescribed. If the investment property is held for capital appreciation, it shall not be depreciated, but the decrease in the investment property shall be determined If the loss due to depreciation is determined reliably, the loss shall be recorded to costs of goods sold and the decrease in cost of the investment property shall be recorded.

3.4. When renting an asset under finance lease in order to lease them under one or multiple operating leases, if such asset meets recognition criteria of investment property:

a) According to financial lease and relevant documents, the following accounts shall be recorded:

Dr 217 – Investment property

Cr 111, 112, 3412.

(Lease payments shall be made upon the receipt of financial lease invoice as prescribed in account 212 “Financial lease fixed assets”).

b) When the finance lease expires

- When returning financial lease investment property which is classified as investment property, the following accounts shall be recorded:

Dr 2147 – Depreciation of investment properties

Dr 632- Costs of goods sold (difference between cost of the leased investment property and accumulated depreciation)

Cr 217 – Investment property (cost).

- When purchasing a financial lease investment property which is classified as an investment property, an increase in investment property (additional payables) shall be recorded as follows:

Dr 217 – Investment property

Cr 111, 112, etc

- When purchasing a financial lease property which is classified as an investment property used for operation or management of the enterprise, it shall be classified as an owner-occupied property and the following accounts shall be recorded:

Dr 211 – Tangible fixed asset, or

Dr 213 – Intangible fixed assets

Cr 217 – Investment property

Cr 111, 112, (additional payables).

And, when transferring accumulated depreciation, the following accounts shall be recorded:

Dr 2147 – Depreciation of investment properties

Cr 2141, 2143.

3.5. When subsequent expenses relating to an investment property occur after initial recognition of investment property, if they satisfy the criteria to be capitalized or they are necessary to make the investment property to be ready for use, an increase in the cost of the investment property shall be recorded:

- When subsequent expenses (upgrading or innovating) relating to an investment property actually occurring after initial recognition of investment property shall be recorded as follows:

Dr 241 – Construction in progress.

Dr 133 – Deductible VAT (1332)

Cr 111, 112, 152, 331, etc.

- When completing upgrading, innovation, etc of investment property, an increase in the cost of the investment property shall be recorded as follows:

Dr 217 – Investment property

Cr 241 – Construction in progress.

3.6. Accounting for sale or disposal of investment property;

a) Recognition of revenue from sale or disposal of investment property:

- If the output VAT payable is separable when the investment property is sold or disposed, the following accounts shall be recorded:

Dr 111, 112, 131 (total payment)

Cr 511 – Revenues (5117) (VAT-exclusive disposal prices)

Cr 3331 – VAT payables (33311).

- If the output VAT payable is inseparable when the investment property is sold or disposed, the revenue shall include output VAT payable. Periodically, the VAT payables shall be determined and decreases in revenues shall be recorded as follows:

Dr 511 - Revenues

Cr 3331 – VAT payables.

b) Decreases in the cost and residual value of sold or disposed investment property shall be recorded as follows:

Dr 214 – Depreciation of fixed assets (2147 – Depreciation of investment property - if any)

Dr 632 – Costs of goods sold (residual value of investment property)

Cr 217 – Investment property (cost of investment property).

3.7. Accounting for investment property lease

a) Revenues from investment property lease shall be recorded as follows:

Dr 111, 112, 131

Cr 511 – Revenues (5117).

b) Recognition of the cost of investment property lease

- When collecting total cost of investment property, the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 214 – Accumulated depreciation (2147)

Cr 111, 112, 331, etc.

- If the total cost of investment property is not collected because a part of the project is not completed (leasing out the completed part), the cost shall be estimated similarly to estimating method applying to sale of property.

3.7. Converting investment property into inventory or owner-occupied property:

a) If the investment property is converted into inventory when the owner decides to repair, innovate or upgrade it for sale:

- When there is a decision on repair, innovation or upgrade of investment property for sale, the residual value of the investment property shall be transferred to account 156 “Goods”, the following accounts shall be recorded:

Dr 156 – Goods (Account 1567 – Residual value of investment property)

Dr 214 – Depreciation of fixed assets (2147 – accumulated depreciation - if any)

Cr 217 – Investment property (cost).

- When incurring expenses incurred from repair, innovation or upgrade for sale, the following accounts shall be recorded:

Dr 154 – Work in progress

Dr 133 – Deductible VAT (if any)

Cr 111, 112, 152, 334, 331, etc.

- When the repairing, innovation and upgrading are completed for sale, all the expenses shall be added to the cost of the property for sale, the following accounts shall be recorded:

Dr 156 – Goods (1567)

Cr 154 – Work in progress.

b) When converting investment property into owner-occupied property, the following accounts shall be recorded:

Dr 211, 213.

Cr 217 – Investment property.

And, the following accounts shall be recorded:

Dr 2147 – Depreciation of investment properties (if any)

Cr 2141, 2143.

3.8. If the investment property is held for capital appreciation, it shall not be depreciated, but the loss due to depreciation shall be determined (similarly to determination of provision for decline in value of properties held for sale). If the loss is determined reliably, the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 217 – Investment property.

**Article 40. Rules for accounting for investments in associates**

1. Investments in associates include investments in subsidiaries, joint ventures and other investments for long-term held. The investment may be conducted in the following forms:

a) Investments in the form of capital contribution in associates (capital mobilized by the investee): in this form, the assets contributed by the contributor shall be recorded to balance sheet of the investee;

b) Investments in the form of purchase of capital contribution of other associates (purchase of owner’s equity): in this form, the assets of the buyer (the investor or transferee) shall be transferred to the seller (the transferor); they shall not be recorded to balance sheet of the unit issuing equity instruments (investee)

2. When investing by non-monetary assets, the investor must apply appropriate accounting method according to type of investment, in particular:

a) If a non-monetary asset is used for capital contribution, the investor must re-evaluate such asset under agreement. The difference between book value or residual value and re-evaluate price of the asset for capital contribution shall be recorded to other income or other expenses;

b) Sale of capital holding of other associates and payment of non-monetary asset to the transferor:

- If the non-monetary asset for payment is an inventory, the ethnic minorities shall account for them similarly to sale of inventories in the form of barter agreement (the revenue and cost of the inventory used for exchange with purchased capital holding shall be recorded);

- If the non-monetary asset for payment is a fixed asset or an investment property, the investor shall account for them similarly to sale of fixed assets or investment properties (revenue, other income or other expenses shall be recorded, etc);

- If the non-monetary asset for payment is an equity instrument (shares) or a debt instrument (bonds, receivables, etc), the investor shall account for them similarly to sale of investments (gains or losses shall be recorded to financial income or financial expenses).

3. The cost of an investment shall be recorded according to their original cost, including purchase price plus (+) directly-attributable expenses (if any), such as: transactions, brokerage, consultancy, auditing, fees, taxes and bank's fees, etc. In case a non-monetary asset is invested, the cost of the investment shall be recorded according to the fair value of the non-monetary asset at the incurring time.

4. Every investment spread over each subsidiary, joint-venture company or other associate shall be kept records in details. A long-term financial investment shall be recorded when the ownership is acquired, in particular:

- Listed securities are recorded at the time of matching (T+0);

- Unlisted securities, other investments shall be recorded at the time in which the ownership is required as prescribed.

5. All dividends and profits allocated to the financial statement of the parent company must be kept records sufficiently and promptly. The dividends and profits shall be recorded as follows:

a) Dividends and profits allocated in money or non-monetary asset after investment date shall be recorded to financial income according to the fair value on the date in which the dividends and profits are received;

b) Dividends and profits allocated in money or non-monetary asset before investment date shall not be recorded to financial income according to the fair value but they shall be recorded as a decrease in value of investment.

c) When determining value of the enterprise for equitization, if investments in other units are recorded as an increase equivalent to the portion of ownership of the equitized enterprise in the undistributed post-tax profits of the subsidiary, joint venture or associate, the equitized enterprise must record the increase in state capital as prescribed. When the equitized enterprise receives the dividends or profits which are used for evaluation of state capital, it shall not record financial income but record a decrease in value of investment.

d) If the dividends are received in the form of shares, it is required to follow rules below:

- Non-wholly-state-owned companies shall only keep track of number of shares stated in the financial statement, but not record an increase in value of investment and financial income.

- Wholly-state-owned companies shall comply with regulations of law on wholly-state-owned companies.

6. When liquidating or selling financial investments, their costs shall be determined according to mobile weighted average.

7. The enterprise is not required to classify investments in subsidiary, joint venture or associate into trade securities, unless it liquidated or sold those investments, leading losing control of subsidiary, losing jointly control over joint venture and no longer having significant influence on the associate.

8. The control, jointly control, significant influence shall be temporarily determined when the investments are initially recorded. In this case, those investments shall be recorded to investments in other units or trade securities, but not recorded to investments in subsidiary or joint venture or associate.

9. When preparing the financial statement, the enterprise must determine value of investment loss to create allocation for investment loss.

**Article 41. Account 221 – Investments in subsidiaries**

**1. Rules for accounting**

a) This account is used to record current value and increases or decreases in capital directly invested in subsidiaries. Subsidiary is an entity which has legal status, does independent accounting, and is controlled by another enterprise (parent company), (including associate companies of general company and other units having legal status and doing independent accounting).

b) The account 221 "Investments in subsidiaries" is only recorded if the investor holds over 50% voting shares in the subsidiary (except for the case prescribed in below Point c) and has significant influence on financial and operating activities to gain economic benefits from such activities. When the parent company has no longer influence on the subsidiary, a decrease in investment in the subsidiary shall be recorded. In case the investor temporarily holds over 50% voting shares in the subsidiary, but the investor does not intend to exercise that voting shares because their investment purpose is trading in equity instruments for profit (investment held for commercial purpose and the control right is temporary), such investment shall not be recorded to this account but to short-term investments.

c) When a parent company holds under 50% voting shares in a subsidiary, the following investments are still recorded to account 221 "Investments in subsidiaries" if there are other agreements:

- Other investors agree to give the parent company over 50% voting shares;

- The parent company has influence on financial or operating policies under agreed regulations;

- The parent company has right to assign or dismiss most of board of directors' members or equivalent;

- The parent company has right to vote a majority of ballots at Board of Directors' meetings or at equivalent management level's meetings;

d) When buying an investment in a subsidiary in the business combination transaction, the buyer must determine the acquisition date, the cost of the business combination and follow accounting procedures as prescribed in VAS "Business combination".

dd) Accounting for investments in subsidiaries must comply with rules prescribed in Article 40 of this Circular.

e) In case the parent company dissolves the subsidiary and merge all assets and liabilities of the subsidiary into the parent company (the parent company inherits all interests and liabilities of the subsidiary), the accounting shall be done according to rules below:

- A decrease in book value of investments in subsidiaries of the parent company shall be recorded,

- All assets or liabilities of the dissolved subsidiary shall be recorded to balance sheet of the parent company according to fair value on the date on which the subsidiary is merged into the parent company;

- The difference between the cost of investment in subsidiary and the fair value of assets and liabilities shall be recorded to financial income or financial expenses.

g) The profits shall be allocated to owners of the parent company according to non-allocated post-tax profits under ownership of the parent company on the consolidated financial statements. When allocating profits in cash, the enterprise must consider following issues:

- There is enough cash flow to allocate;

- The profits from negative goodwill shall not be allocated until disposal of the subsidiary;

- The profits from transactions related to revaluation (differences upon re-valuation of asset contributed as capital or financial instruments) shall not be allocated until disposal or sale of investments;

- The profits from applying equity capital method shall not allocate until such profits are received in cash or other assets from joint-venture companies.

d) The enterprise may not convert investments in subsidiaries into trade securities or other investments unless such investments are disposed leading out of control. The control right to the subsidiary shall not consider temporary even if the enterprise has intention of disposing the subsidiary in the future.

**2. Structure and contents of account 221 – Investments in subsidiaries**

**Debit:** Increases in actual value of investments in subsidiaries.

**Credit:** Decreases in actual value of investments in subsidiaries.

**Debit balance:** Actual value of existing investments in subsidiaries of the parent company.

**3. Method of accounting for several major transactions**

3.1. Capital contribution

a) When a parent company invests money in subsidiaries, the following accounts shall be recorded according to amounts of investments and directly-attributable expenses:

Dr 221 – Investments in subsidiaries

Cr 111, 112, 3411, etc.

And every type of shares at face value shall be kept records in details (investments in subsidiaries in the form of purchase of shares).

b) Capital contribution in non-monetary assets:

When the parent company contributes capital to the subsidiary by inventory or a fixed asset (other than business combination transactions), the parent company must record the difference between book value (for materials or goods) or residual value (for fixed assets) and re-evaluated value of the contributed asset to other income or other expenses; when receiving the contributed asset, the subsidiary must record the increase in the owner's invested equity and received asset according to contractual price.

- In case the book value or the residual value of the contributed asset is smaller than re-evaluated value, the increase in asset shall be recorded to other income as follows:

Dr 221 – Investments in subsidiaries

Dr 214 – Depreciation of fixed assets

Cr 211, 213, 217 (contributing fixed assets or investment properties)

Cr 211, 213, 217 (contributing inventories)

Cr 711 – Other income (increase in difference of evaluation).

- In case the book value or the residual value of the contributed asset is greater than re-evaluated value, the decrease in asset shall be recorded to other expenses as follows:

Dr 221 – Investments in subsidiaries

Dr 214 – Depreciation of fixed assets

Dr 811 – Other expenses (decrease in difference of evaluation).

Cr 211, 213, 217 (contributing fixed assets or investment properties)

Cr 152, 153, 155, 156 (contributing inventories)

3.2. Purchase of capital contribution:

In this case, the cost of investment shall be determined in accordance with VAS "Business combination". On acquisition date, the acquirer shall measure the cost of a business combination as the aggregate of the fair values, on the exchange date, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control rights of the acquiree plus (+) any costs directly attributable to the business combination. Concurrently, the acquirer, which is the parent company, shall record the acquirer's interest in the subsidiary similarly to an investment in subsidiary.

a) If the trading in business combination is paid in cash or cash equivalent by the acquirer, the following accounts shall be recorded:

Dr 221 – Investments in subsidiaries

Cr 111, 112, 121, etc.

b) If the trading in business combination is carried out by the acquirer 'share issuance:

- And issue price (according to fair value) of the share on the exchange date is greater than face value of the share; the following accounts shall be recorded:

Dr 221 – Investments in subsidiaries (according to fair value)

Cr 4111 – Contributed capital (according to face value)

Cr 4112 – Capital surplus (positive difference between the fair value and the face value of the share).

- And issue price (according to fair value) of the shares on the exchange date are smaller than face value of the share, the following accounts shall be recorded:

Dr 221 – Investments in subsidiaries (according to fair value)

Dr 4112 – Capital surplus (negative difference between the fair value and the face value of the share).

Cr 4111 – Contributed capital (according to face value)

- Stock floatation cost actually induced will be recorded as follows:

Dr 4112 – Capital surplus

Cr 111, 112, etc.

c) If the trading in business combination is carried out by exchange of assets between the acquirer and the acquiree:

- When exchanging fixed assets, a decrease in fixed assets shall be recorded as follows:

Dr 811 – Other expenses (residual value of the exchanged fixed assets)

Dr 214 – Depreciation of fixed assets (depreciation value)

Cr 211 – Tangible fixed asset (cost).

And, an increase in other income and investments in subsidiaries due to exchange of fixed assets shall be recorded as follows:

Dr 221 – Investments in subsidiaries (total payment)

Cr 711 – Other income (residual value of the exchanged fixed assets)

Cr 3331 – VAT payables (account 33311) (if any).

- When dispatching goods for exchange, the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 155, 156, etc.

And, an increase in investments in subsidiaries and revenues shall be recorded as follows:

Dr 221 – Investments in subsidiaries

Cr 511 - Revenues

Cr 333 – Taxes and other payables to the State (33311).

d) If the trading in business combination is carried out by the acquirer's bond issuance:

- When paying by bonds at par value, the following accounts shall be recorded:

Dr 221 – Investments in subsidiaries (according to fair value)

Cr 34311 - Par value of bonds.

- When paying by discount bonds, the following accounts shall be recorded:

Dr 221 – Investments in subsidiaries (according to fair value)

Dr 34312 – Bond discounts (discount amount)

Cr 34311 - Par value of bonds

- When paying by premium bonds, the following accounts shall be recorded:

Dr 221 – Investments in subsidiaries (according to fair value)

Cr 34311 - Par value of bonds.

Cr 34313 – Bond premiums (premium amount).

dd) Directly-attributable expenses to business combination such as legal services, price appraisal, etc, the following accounts shall be recorded by the acquirer:

Dr 221 – Investments in subsidiaries

Cr 111, 112, 331, etc.

3.3. Accounting for dividends or profits which are divided in cash or non-monetary assets (excluding receipt of dividends in shares):

a) When receiving notification of dividends or profits divided issued by the subsidiary after investment date, the following accounts shall be recorded:

Dr 138 – Other receivables (1388)

Cr 515 – Financial income.

When receiving dividends or profits divided, the following accounts shall be recorded:

Dr, relevant accounts (according to fair value)

Cr 138 – Other receivables (1388)

b) When receiving notification of dividends or profits divided before the date on which investments in subsidiaries are made, the following accounts shall be recorded:

Dr 138 – Other receivables (1388)

Cr 221 – Investments in subsidiaries

c) When receiving the dividends or profits which are used for re-evaluation of cost of investments in subsidiaries in case of evaluation of the parent company for equitization, an increase in state capital shall be recorded as follows:

Dr 138 – Other receivables (1388)

Cr 221 – Investments in subsidiaries

3.4. When providing additional investment in order to convert investments in joint-venture companies or financial instruments into investments in subsidiaries, the following accounts shall be recorded:

Dr 221 – Investments in subsidiaries

Cr 121, 128, 222, 228

Cr, relevant accounts (fair value of additional investment amounts)

3.5. When disposing a part or total investments in subsidiaries, the following accounts shall be recorded:

Dr, relevant accounts (fair value of collected amounts from disposal)

Dr 222 - Investments in joint ventures or associates (the subsidiary becomes a joint venture or an associate)

Dr 228 – Other investments (the subsidiary becomes ordinary investment)

Dr 635 – Financial expenses (for losses)

Cr 221 – Investments in subsidiaries (book value)

Cr 515 – Financial income (for gains).

3.6. When dissolving a subsidiary to merge all their assets and liabilities to their parent company, a decrease in investments in subsidiaries and assets or liabilities of the subsidiary according to the fair value on the merging date, the following accounts shall be recorded:

Dr, accounts recording assets (according to fair value on the merging date)

Dr 635 – Financial expenses (positive difference between book value of the investment and the fair value of merged assets or liabilities)

Cr, accounts recording liabilities (according to fair value on the merging date)

Cr 221 – Investments in subsidiaries (book value)

Cr 515 – Financial expenses (negative difference between book value of the investment and the fair value of merged assets or liabilities)

**Article 42. Account 222 – Investments in joint ventures or associates**

**1. Rules for accounting**

a) This account is used to record all equity contributed into a joint venture and an associate; recovery of invested equity in joint ventures or associates; gains or losses from investments in the joint venture or associate. This account shall not record transactions in the form of business cooperation contract (BCC) which does not require a legal entity.

- A joint venture is established by joint venturers who have joint control over financial and operating policies and it is an independent accounting unit having legal status. The joint venture must do accounting separately as prescribed in regulations of law on accounting in force, take responsibility for control of assets, liabilities, revenues, other income and expenses incurred. Each joint venturer shall receive a portion of operating outcome of the associate according to the joint venture agreement.

- An investment shall be classified as an investment in the associate when investors directly or indirectly hold from 20% to under 50% voting shares of the investee without any other agreement.

b) Accounting for investments in a joint venture must comply with rules prescribed in Article 40 of this Circular.

c) When the investor no longer has joint control, a decrease in investments in joint ventures shall be recorded; when the investor no longer has significant influence over associates, a decrease in investments in associates shall be recorded.

d) Directly-attributable expenses to investments in joint ventures or associates shall be recorded to financial expenses within a period.

dd) When disposing, selling or recovering contributed capital in joint ventures or associates, a decrease in contributed capital shall be recorded according to recovered asset value. The difference between the fair value of recovered amounts and the book value of investments shall be recorded to financial income (gains) or financial expenses (losses).

e) Every investment spread over each joint venture or associate shall be kept records in details in every investment, disposal or sale.

**2. Structure and contents of account 222 – Investments in joint ventures or associates**

**Debit:** Increases in investments in joint ventures or associates

**Credit:** Decreases in investments in joint ventures or associates due to disposal, sale or recovery.

**Debit balance:** Ending balance of investments in joint ventures or associates**.**

**3. Method of accounting for several major transactions**

3.1. When contributing joint venture capital in cash to joint ventures or associates, the following accounts shall be recorded:

Dr 222 - Investments in joint ventures or associates Cr 111, 112.

3.2. When incurring directly-attributable expenses to investments in joint ventures or associates (information, brokerage, transactions investment progress), the following accounts shall be recorded:

Dr 222 – Investments in joint ventures or associates

Cr 111, 112.

3.3. In case the joint venturer contributes non-monetary assets to a joint venture or an associate:

When investing inventory or fixed assets in a joint venture or an associate, it is required to record the difference between book value (for materials or goods) or residual value (for fixed assets) and re-evaluated value of the contributed assets to other income or other expenses; when receiving the contributed assets, the joint venture or associate must record an increase in the owner's invested equity and received asset according to contractual price.

- In case the book value or the residual value of the contributed asset is smaller than re-evaluated value, an increase in asset shall be recorded to other income as follows:

Dr 222 – Investments in joint ventures or associates

Dr 214 – Depreciation of fixed assets

Cr 211, 213, 217 (contributing fixed assets or investment properties)

Cr 152, 153, 155, 156 (contributing inventories)

Cr 711 – Other income (increase in difference of evaluation).

- In case the book value or the residual value of the contributed asset is greater than re-evaluated value, a decrease in asset shall be recorded to other expenses as follows:

Dr 222 – Investments in joint ventures or associates

Dr 214 – Depreciation of fixed assets

Dr 811 – Other expenses (decrease in difference of evaluation).

Cr 211, 213, 217 (contributing fixed assets or investment properties)

Cr 152, 153, 155, 156 (contributing inventories)

3.4. Purchase of capital contribution in joint ventures or associates:

On acquisition date, the acquirer shall measure the cost of investments in the joint venture or associate as the aggregate of the fair values, on the exchange date, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control rights of the acquiree plus (+) any costs directly attributable to the purchase of capital contribution in the joint venture or associate.

- If the investments in the joint venture or associate are paid in cash or cash equivalent by the acquirer, the following accounts shall be recorded:

Dr 222 – Investments in joint ventures or associates

Cr 111, 112, 121, etc.

- If the investments in the joint venture or associate are carried out by the acquirer ‘share issuance:

+ And issue price (according to fair value) of the share on the exchange date is greater than face value of the share; the following accounts shall be recorded:

Dr 222 – Investments in joint ventures or associates (according to fair value)

Cr 4111 – Contributed capital (according to face value)

Cr 4112 – Capital surplus (positive difference between the fair value and the face value of the shares).

+ And issue price (according to fair value) of the share on the exchange date is smaller than face value of the share; the following accounts shall be recorded:

Dr 222 – Investments in joint ventures or associates (according to fair value)

Dr 4112 – Capital surplus (negative difference between the fair value and the face value of the share).

Cr 4111 – Contributed capital (according to face value)

+ Stock floatation cost actually induced will be recorded as follows:

Dr 4112 – Capital surplus

Cr 111, 112, etc.

- If the investments in the joint venture or associate are paid by non-monetary assets:

+ When exchanging fixed assets, a decrease in fixed assets shall be recorded as follows:

Dr 811 – Other expenses (residual value of the exchanged fixed assets)

Dr 214 – Depreciation of fixed assets (depreciation value)

Cr 211 – Tangible fixed asset (cost).

And, an increase in other income and investments in joint ventures or associates due to exchange of fixed assets shall be recorded as follows:

Dr 222 – Investments in joint ventures or associates (total payment)

Cr 711 – Other income (residual value of the exchanged fixed assets)

Cr 3331 – VAT payables (account 33311) (if any).

+ When dispatching goods for exchange, the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 155, 156, etc.

And, an increase in investments in joint ventures or associates and revenues shall be recorded as follows:

Dr 222 – Investments in joint ventures or associates

Cr 511 - Revenues

Cr 333 – Taxes and other payables to the State (33311).

- If the investments in joint ventures or associates are carried out by the acquirer ‘share issuance:

+ When paying by bonds at face value, the following accounts shall be recorded:

Dr 222 – Investments in joint ventures or associates (according to fair value)

Cr 34311 - Face value of bonds.

+ When paying by discount bonds, the following accounts shall be recorded:

Dr 222 – Investments in joint ventures or associates (according to fair value)

Dr 34312 – Bond discounts (discount amount)

Cr 34311 - Face value of bonds.

+ When paying by premium bonds, the following accounts shall be recorded:

Dr 222 – Investments in joint ventures or associates (according to fair value)

Cr 34311 - Par value of bonds.

Cr 34313 – Bond premiums (premium amount).

+ Directly-attributable expenses to investments in joint ventures or associates such as legal services, price appraisal, etc, the following accounts shall be recorded by the acquirer:

Dr 222 – Investments in joint ventures or associates

Cr 111, 112, 331, etc.

3.5. When incurring attributable expenses to joint ventures or associates within a period, such as loan interests for capital contribution or other expenses, the following accounts shall be recorded:

Dr 635 – Financial expenses

Dr 133 – Deductible VAT (if any).

Cr 111, 112, 152, etc.

3.6. Accounting for dividends or profits:

- When receiving notification of dividends or profits divided in cash from the joint venture or associate after the investment date, the following accounts shall be recorded:

Dr 138 – Other receivables (1388)

Cr 515 – Financial income.

- When receiving dividends or profits before the investment date or the dividends or profits (divided in cash) are used for re-evaluation of value of investments in joint ventures or associates in case of evaluation of the enterprise for equitization, the following accounts shall be recorded:

Dr 112, 138.

Cr 222 – Investments in joint ventures or associates

3.7. Accounting for disposal or sale of investments in joint ventures or associates:

Dr 111, 112, 131, 152, 153, 156, 211, 213, etc.

Dr 228 – Other investment (significant influence no longer exists)

Dr 635 – Financial expenses (for losses)

Cr 222 – Investments in joint ventures or associates

Cr 515 – Financial income (for gains).

3.8. When incurring expenses incurred from disposal or sale of investments in joint ventures or associates, the following accounts shall be recorded:

Dr 635 – Financial expenses

Dr 133 – Deductible VAT

Cr 111, 112, 331, etc.

3.9. When providing additional investment in order to the joint venture or associate becoming a subsidiary and hold control rights, the following accounts shall be recorded:

Dr 221 – Investments in subsidiaries

Cr 111, 112, etc.

Cr 222 – Investments in joint ventures or associates

3.10. Accounting for joint venture capital in form of land use rights allocated by the State:

- When a Vietnamese enterprise is allocated land by the State to participate in joint venture with foreign enterprises in form of land use rights, water surface use rights, sea surface use rights, after receiving decision on allocation of land issued by the State and procedures for joint venture, the following accounts shall be recorded:

Dr 222 – Investments in joint ventures or associates

Cr 411 – Owner’s invested equity (state capital in details).

- In case the Vietnamese enterprise is allocated land by the State to participate in joint venture, when transferring contributed capital:

+ When transferring joint venture capital to foreign parties and returning land use rights to the State, the following accounts shall be recorded:

Dr 411 – Owner's invested equity

Cr 222 – Investments in joint ventures or associates.

+ If the party pays an asset other than land use rights to Vietnamese party (the joint venture changes to land lease), the following accounts shall be recorded:

Dr 111, 112, etc.

Cr 515 – Financial income.

- If the Vietnamese party transfers joint venture capital to the foreign party and returns land use rights and changes to land lease. The joint venture must record a decrease in land use rights and decrease in operating capital equivalent to land use rights. The capital shall be preserved or recorded increases depending on the following investments of the owner. Land rents paid by that enterprise shall not include in the owner’s equity but they shall be recorded to operating costs in the equivalent periods.

3.11. Accounting for trading between joint venturers and joint venture: similarly to accounting for trading with ordinary customers (unless the owner's equity method is applied).

**Article 43. Account 228 – Other investments**

**1. Rules for accounting**

a) This account is used to record current value and increases or decreases in other investments (other than investments in subsidiaries, investments in joint ventures or associates), such as:

- Investments in equity of other entities but not control or joint control, or significant influence on the investee;

- Precious metals or gemstones which are not used as raw materials for production or trading; value paintings, photographs or documents which are not put into normal operation.

- Other investments.

The investments or capital contribution related to BBC which does not require a legal entity shall not be recorded to this account.

b) Other investments shall be kept records in details according to invested quantity or entities.

b) Accounting for other investments shall comply with rules prescribed in Article 40 of this Circular.

**2. Structure and contents of account 228 – Other investments**

**Debit:** Increases in other investments.

**Credit:** Decreases in other investments.

**Debit balance:** Value of other existing investments at the reporting time.

***Account 228 – “Other investments” comprises 2 sub-accounts:***

*- Account 2281 – Investments in equity of other entities:* records investments in equity instruments which the enterprise has no right to hold control or joint control or significant influence on the investee.

*- Account 2288 – Other investments*: records investments in non-financial assets other than investment properties and others related to investment activities recorded in other accounts. Other investments may include precious metals or gemstones (not used as inventories), value paintings, photographs or documents (other than items classified as fixed assets), etc, which are not put into normal operation but they are purchased to held for capital appreciation.

**3. Method of accounting for several major transactions**

3.1. When the enterprise buys shares or contributes long-term capital but it has no right to hold control or joint control or significant influence on the investee:

a) In case of investment in cash

Dr 228 – Other investments (2281) (the original cost of investment + directly-attributable expenses incurred from investment activities, such as brokerage expenses, etc)

Cr 111, 112.

b) In case of investment by non-monetary assets:

- When contributing a non-monetary asset as capital, the following accounts shall be recorded according to re-evaluated value of materials, goods or fixed assets:

Dr 228 – Other investments (2281)

Dr 214 – Depreciation of fixed assets (depreciation value)

Dr 811 – Other expenses (negative difference between re-evaluated value and the book value of materials or goods or residual value of fixed assets)

Cr 152, 153, 156, 211, 213, etc.

Cr 711 – Other income (positive difference between re-evaluated value and the book value of materials or goods or residual value of fixed assets)

- In case of sale of capital contribution by non-monetary assets:

+ When exchanging fixed assets:

Dr 811 – Other expenses (residual value of the exchanged fixed assets)

Dr 214 – Depreciation of fixed assets (depreciation value)

Cr 211, 213 (cost).

And, an increase in other income and long-term investments due to exchange of fixed assets shall be recorded as follows:

Dr 22 – Other investments (2281) (total payment)

Cr 711 – Other income (residual value of received investment)

Cr 3331 – VAT payables (account 33311) (if any).

+ When dispatching goods for exchange, the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 155, 156, etc.

And, an increase in other investments and revenues shall be recorded as follows:

Dr 22 – Other investments (2281) (total payment)

Cr 511 – Revenues (fair value of received investment)

Cr 333 – Taxes and other payables to the State (33311).

3.2. Accounting for dividends or profits which are divided in cash or non-monetary assets (excluding receipt of dividends in shares):

- When receiving notification of dividends or profits divided after the investment date, the following accounts shall be recorded:

Dr 138 – Other receivables (1388)

Cr 515 – Financial income.

- When receiving notification of dividends or profits divided before the investment date, the following accounts shall be recorded:

Dr 138 – Other receivables (1388)

Cr 228 – Other investments (2281)

- When receiving the dividends or profits which are used for re-evaluation of cost of investments in case of evaluation of the company for equitization, an increase in state capital shall be recorded as follows:

Dr 138 – Other receivables (1388)

Cr 228 – Other investments (2281)

3.3. When the investor no longer has control or joint control and significant influence over associates because it sells a part of investment to subsidiary, joint venture or associate, the following accounts shall be recorded:

Dr 111, 112, 131, etc.

Dr 228 – Other investments (2281)

Dr 635 – Financial expenses (for losses)

Cr 221, 222

Cr 515 – Financial income (for gains).

3.4. Disposal or sale of other investments:

- When earning profits from sale or disposal, the following accounts shall be recorded:

Dr 111, 112,131, etc.

Cr 228 – Other investments (book value)

Cr 515 – Financial income (sale price is greater than book value).

- When incurring losses from sale or disposal, the following accounts shall be recorded:

Dr 111, 112,131, etc.

Dr 635 – Financial expenses (sale price is smaller than book value)

Cr 228 – Other investments (book value).

3.5. When the investor contributes additional capital and becomes parent company which has joint control or significant influence, the following accounts shall be recorded:

Dr 221, 222.

Cr 111, 112 (additional investment)

Cr 228 – Other investments

**Article 44. Accounting for BCC**

**1. Rules for accounting**

A BCC means a cooperation contract between two or more venturers in order to carry out specific business activities, but it does not require establishment of a new legal entity. Those activities may be jointly controlled by venturers under BCC (hereinafter referred to as venturers) or controlled by one of them.

1.2. BCC may be conducted under form of jointly controlled assets or jointly controlled operations. Contracting parties of BCC may agree to divide revenues, products or post-tax profits.

1.3. In any cases, when receiving money or assets from other entities in the BCC, they should be recorded to liabilities, not be recorded to owner's equity.

1.4. BCC in the form of jointly controlled assets

a) Jointly controlled asset under BCC mean any asset which is purchased or constructed by BCC venturers the purposes of the joint ventures.  Venturers shall record their portions in the jointly controlled assets to their assets account on their financial statements.

b) Each venturer may take a share of the output from the jointly controlled assets and each bears an agreed share of the expenses incurred.

c) A venturer must keep records in the same system of accounting records and record in its financial statements:

- Its share of the jointly controlled assets, classified according to the nature of the assets;

- Any liabilities that it has incurred;

- Its share of any liabilities incurred jointly with the other venturers in the relation to the joint venture;

- Any income from the sale or use of its share of the output of the venture, together with its share of any expenses incurred by the joint venture;

- Any expenses that is has incurred in respect of its interest in the joint venture.

With regard to fixed asset or investment property which is contributed to BCC and the ownership of the contributor is not transferred to the joint ownership of BCC venturers, the receiver shall keep records of assets without recording any increase in assets or business funds; the contributor shall not include a decrease in assets in the accounting records but keep records of the places of assets.

With regard to fixed asset or investment property which is contributed to BCC and the ownership of the contributor is transferred to the joint ownership; during construction of jointly controlled assets, the contributor shall include a decrease in assets in the accounting records and the value of assets shall be recorded to construction in progress. After putting jointly controlled assets into operation, the venturers shall record their increases in assets in conformity with their use purposes according to value of their assets' shares.

1.5. BCC in the form of jointly controlled operations

a) BCC in the form of jointly controlled operations is a joint venture which does not require establishment of a new business entity. Venturers shall fulfill obligations and exercise rights according to the BCC. The joint venture activities may be carried out alongside other ordinary activities of each venture.

b) Each venture shall bear its own expenses incurred from its share in jointly controlled operations. The joint expenses (if any) shall be divided to venturers according to the BCC

c) A BCC venturer must include in accounting records and record in its financial statements:

- The assets of joint venture that it controls;

- The liabilities that it incurs;

- Its share of the income that it earns from the sale of goods or services by the joint venture;

- The expenses that it incurs.

d) When any joint expenses incur, they shall be kept records. If the BCC regulates joint expense allocation, a Table of joint expense allocation shall be made, certified and held by every venturer (original copy). Each venture shall account for joint expenses allocated from BCC according to the table of joint expense allocation together with lawful original documents.

e) In the BCC regulates shares of products, a Table of shares of products shall be made, certified quantity or specifications of shares of products from BCC and held by every venturer (original copy). When receiving products, the venturer must make two copies of receipt slips of products (or delivery order); one venturer shall hold one copy. The receipt slip of product shall be the basis for accounting records and disposal of contracts.

d) In case any joint expenses or income borne or earned by venturers under BCC, the venturers must comply with regulations on accounting similarly to jointly controlled operations.

1.6. BCC in the form of shares of post-tax profits

a) BCC in the form of shares of post-tax profits is usually in the form of jointly controlled operations or individually controlled operations. When giving shares of post-tax profits under BCC, all venturers shall appoint a venture to account for all transactions in BCC, record revenues, expenses, separately keep records of income statement of BCC and make tax declaration. When the venturers decide to enter into BCC in above form, they must consider the risks possibly take due to:

- Any expenses which is not included in the taxable expense due to failure in transfer of assets among venturers, for example:

+ Depreciation expenses incurred from several fixed assets are not accepted by the tax authority because the venturer fails to transfer ownership of the fixed assets to the venture in charge of accounting and tax declaration for BCC;

+ Several expenses of the venturers shall not be accepted by the tax authority because the input invoices do not state the name of the venture in charge of accounting and tax declaration for BCC;

+ Several expenses of the venturers which are unable to transfer to the venture in charge of accounting and tax declaration due barrier of law, for example, the venturer has an invoice of payment of land levies, but the law does not allow that venturer re-lease their land to the venture in charge of accounting and tax declaration, so that the land lease expense shall not be included in the expenses of BCC.

- Risks of policies:

+ The venturer in charge of accounting and tax declaration for BCC may incur accumulated losses, but the output of BCC activities must generate profits. In this case, the enterprise still be required to pay corporate income tax on BCC instead of offsetting BCC profits against other activities' losses; if the BCC incurs losses but other activities generate profits, the enterprise may only offset a portion of the loss in proportion to its share of the BCC;

+ If other venturers put their fixed assets into operation of BCC, their depreciation expenses incurred from the fixed assets shall not be considered deductible expenses in the enterprise because they are not used in the enterprise's operation (not conformity with revenues from other operations).

b) If the BCC regulates shares of post-tax profits, the venture in charge of accounting and tax declaration must do accounting following the rules below:

- If the BCC regulates that other venturers shall earn an amount of fixed profit regardless of output of BCC activities, in this case, the legal form of the contract is BCC, but it is a lease in the nature. In this case, the venturer in charge of accounting and tax declaration shall has right to administrate and govern the BCC activities, apply accounting method for lease to the contract, and include payables to other venturers in expenses incurred from determination of output of business within a period, in particular:

+ All revenues, expenses and post-tax profits of BCC shall be included in their income statements; earnings per share and financial standards shall be calculated according to total income, expenses and post-tax profits of BCC;

+ Total post-tax profits of BCC shall be included in the item "Undistributed post-tax profits" of the balance sheet, financial standards related to post-tax profit ratio which is calculated including total output of BCC.

+ Other venturers shall record their shares of BCC to revenues from lease.

- If the BCC regulates that other venturers of BCC may only be divided profits if the BCC activities generate profits and they must suffer losses, in this case, even though the legal form of BCC is post-tax profit division but the nature of BCC is division of revenues and expenses, they usually have rights, condition and ability to jointly control operation and cash flow of BCC. The venturer in charge of accounting and tax declaration must apply accounting method for shares of income under BCC to record revenues, expenses and business output within a period, and provide evidence for tax declaration to other venturers, in particular:

+ All revenues, expenses and shares of profits under BCC shall be included in their income statements; earnings per share and financial indicator shall only be calculated according to the revenues, expenses and profits stated in the income statements; the venturer in charge of tax declaration shall provide copies of documents on fulfillment in obligations of BCC to government budget in order to serve the tax declaration of other venturers of BCC;

+ Undistributed post-tax profits of the balance sheet only include shares of post-tax profit of each venturer.

+ Other venturers shall send reports on their shares of revenues and expenses whose tax liabilities are covered stated in the income statements to the tax authority in order to adjust their corporate income tax payables.

**2. Method of accounting for BCC in the form of jointly controlled assets**

2.1. In case venturers jointly buy jointly controlled assets, the following accounts shall be recorded according to actual amounts of money of each venturer:

Dr 211, 213, 217

Dr 133 – VAT payables (if any).

Cr 111, 112, 331, 341.

2.2. In case venturers construct jointly controlled assets themselves or cooperate with other entities to construct the jointly controlled assets, the following accounts shall be recorded according to actual expenses paid by each venturer:

Dr 241 – Construction in progress (jointly controlled assets in details)

Dr 133 – VAT payables (if any).

Cr 111, 112, 152, 153, 155, 156, 211, 213, etc.

Cr 331, 3411, etc.

2.3. When the construction works are completed and put into operation, the venturers must make declaration and divide the value of the jointly controlled assets. According to the report on shares of jointly controlled asset, venturers shall determine the fair value of each asset to keep records in accordance with regulations of law as follows:

Dr 211, 213, 217 (fair value of shares of jointly controlled assets in details)

Dr 138 – Other receivables (un-approved and recoverable expenses)

Dr 811 – Other expenses (if the fair value of the share of asset is smaller than the construction expense)

Cr 241 – Construction in progress

Cr 711 – Other expenses (if the fair value of the share of asset is greater than the construction expense)

2.4. The method of accounting for expenses or incomes borne or earned by the venturers under BCC in the form of jointly controlled assets and BCC which is converted into the form of jointly controlled operations shall be applied similarly to BCC in the form of jointly controlled operations.

**3. Method of accounting for BCC in the form of jointly controlled operations.**

3.1. Accounting for contributed capital of jointly controlled operations

a) For the capital contributee

- According to the report on capital contribution of the venturer of jointly controlled BCC, the contributee shall record as follows:

Dr 111, 112, 152, 155, 156, etc.

Cr 138 – Other payables, receivables.

When returning contributed capital to venturers, reverse the above entry. If there is any difference between the fair value of returned asset and the value of contributed capital of venturers, such difference shall be recorded to other income or other expenses.

- If a fixed asset is received without any transfer of ownership, the contributee shall keep records of that asset in their administration system and record to asset held under a trust.

b) For the capital contributor

- According to the report on capital contribution of the venturer of jointly controlled BCC, the contributor shall record as follows:

Dr 138 – Other receivables

Cr 111, 112, 152, 155, 156, etc.

When receiving contributed capital by the contributee, reverse the above entry. If there is any difference between the fair value of received asset and the value of contributed capital of venturers, such difference shall be recorded to other income or other expenses.

- If a fixed asset is received without any transfer of ownership, the contributor shall not record a decrease in fixed assets but keep records of that asset in their administration system and present the place where the asset is located.

3.2. Accounting for own expenses of each venturer

- According to relevant invoices or documents on own expenses borne by each venture in the jointly controlled operations, the following accounts shall be recorded:

Dr 621, 622, 627, 641, 642 (BCC in details)

Dr 133 – VAT payables (if any).

Cr 111, 112, 331, etc.

- When transferring separate expenses to add to operating expense of BCC at the end of the accounting period, the following accounts shall be recorded:

Dr 154 – Work in progress (BCC in details)

Cr 621, 622, 627, (BCC in details)

3.3. Accounting for joint expenses borne by every venture:

a) In the venturer bearing joint expenses:

- When incurring joint expenses borne by every venture, the following accounts shall be recorded according to relevant invoices or documents:

Dr 621, 622, 627, 641, 642 (BCC in details)

Dr 133 – VAT payables (if any).

Cr 111, 112, 331, etc.

- If the BCC regulates shares of joint expenses, a Table of shares of joint expenses shall be made and certified by all venturers, then the following accounts shall be recorded:

Dr 138 – Other receivables (in details for every venturer)

Cr 133 – Deductible VAT (for input VAT).

Cr 3331 – VAT payables (if all amounts of input VAT on joint expenses are deductible, an increase in output VAT payable shall be recorded).

Cr 621, 622, 627, 641, 642.

b) In the venturer whose joint expenses incurred from BCC are not accounted:

According to the Table of shares of joint expenses approved by the venturers (notified by a venturer bearing joint expenses), the following accounts shall be recorded:

Dr 621, 622, 623, 641, 642 (BCC in details)

Dr 133 – VAT payables (if any).

Cr 338 – Other payables (in details for the venturer bearing joint expenses).

3.4. Accounting for products sharing agreement:

- When receiving shares of products from BCC and delivering them to inventory, the following accounts shall be recorded according to receipt slip, delivery order and relevant documents:

Dr 152 – Raw materials (if the shares of products are not finished goods)

Dr 155 – Finished goods (if the shares of products are finished goods)

Dr 157 – Goods on consignment (if the shares of products are sold without delivering to inventories)

Cr 154 – Work in progress (including separate expenses and joint expenses borne by every venturers) (BCC in details)

- When receiving shares of products from BCC and putting them into production of other products, the following accounts shall be recorded according to receipt slip and relevant documents:

Dr 621 – Direct raw materials costs

Cr 154 – Work in progress (including separate expenses and joint expenses borne by every venturers) (BCC in details)

- If the BCC regulates assigning a venturer to sell products instead of sharing products, after issuing invoices to the seller, transferring separate expenses and joint expenses borne by every venturers to costs of goods sold, the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 154 – Work in progress (including separate expenses and joint expenses borne by every venturers) (BCC in details)

3.5. Accounting for revenues from sale of products in case a venturer sells products under a trust and share revenues to other venturers:

a) For the seller:

- When selling products under the BCC, the sell must issue invoices for all sold products and total amounts of sale of products shall be recorded as follows:

Dr 111, 112, 131, etc.

Cr 338 – Other payables or receivables (BCC in details)

Cr 3331 – VAT payables (if any).

- According to provisions of the BCC and the table of revenue allocation, the shares of revenues received by each venture shall be recorded as follows:

Dr 338 – Other payables or receivables (BCC in details)

Cr 511 – Revenues (interests earned by the seller under BCC).

- After comparing joint expenses borne by each venture and shares of revenues earned by each venture, the other receivables and the other payables shall be offset (in details for each venturer), then the following accounts shall be recorded:

Dr 138 – Other payables, receivables.

Cr 138 – Other receivables

- When giving shares of products sold to other venturers (other than the seller), the following accounts shall be recorded:

Dr 338 – Other payables or receivables (every venturers)

Cr 111, 112, etc.

b) For other venturers (other than the seller):

- According to the table of revenue allocation certified by all venturers and documents provided by the seller, other venturers shall issue invoices of their shares of revenues and give them to the seller and the following accounts shall be recorded:

Dr 138 – Other receivables (including VAT if output VAT is shared, in details for the sellers)

Cr 511 – Revenues (BCC in details and amounts of shares).

Cr 3331 – VAT payables (in case of sharing output VAT).

- When the venturers repay for sale of products, the following accounts shall be recorded according to the actual received amounts:

Dr 111, 112, etc.  (amounts repaid by venturers)

Cr 138 – Other receivables (in details for every seller).

**4. Method of accounting for BCC in the form of post-tax profits**

4.1. In case venturers receive fixed shares regardless of business output of BCC (the venturer in charge of accounting and tax declaration shall control the BCC):

a) For the venturer in charge of accounting and tax declaration for BCC

- When receiving money, materials or goods from capital contributors, the following accounts shall be recorded:

Dr 112, 152, 156, etc.

Cr 138 – Other payables, receivables.

- When incurring revenues or expenses incurred from BCC, the venturer in charge shall record total income or expenses similarly to their transactions as prescribed.

- When determining amounts payable to other venturers periodically under BCC, the following accounts shall be recorded:

Dr 627, 641, 642

Cr 138 – Other payables, receivables.

- When returning amounts of money or materials contributed as capital, the following accounts shall be recorded:

Dr 138 – Other payables, receivables.

Cr 112, 152, 156, etc.

If there is any difference between the fair value of returned asset and the value of contributed capital of venturers, such difference shall be recorded to other income or other expenses.

b) For the venturer not in charge of accounting and tax declaration for BCC

- When contributing capital to BCC, the following accounts shall be recorded:

Dr 138 – Other receivables

Cr 112, 152, 156, etc.

- When receiving notification of shares of profits earned from BCC, the following accounts shall be recorded:

Dr 138 – Other receivables

Cr 511 – Revenues (5113)

- When receiving contributed capital, the following accounts shall be recorded:

Dr 112, 152, 156, etc.

Cr 138 – Other receivables

If there is any difference between the fair value of received asset and the value of contributed capital of venturers, such difference shall be recorded to other income or other expenses.

4.2. In case the venturers receive shares of profits depending on the business output of BCC (they have rights to jointly control BCC):

a) For the venturer in charge of accounting and tax declaration

a1) The recording of contributed capital and returning of contributed capital to venturers shall comply with Point 4.1.

a2) When recording revenues of BCC, total revenues included in accounting records in account 511 shall be the basis for comparison, explanation and determination of taxable revenues for BCC:

- Revenues for BCC shall be recorded as follows:

Dr 112, 131.

Cr 511 - Revenues

Cr 3331 – VAT payables.

On the income statement, only shares of revenues are included in the item “Revenues”

- Periodically, a decrease in shares of revenues for BCC, the following accounts shall be recorded:

Dr 511 - Revenues

Dr 3331 – VAT payables (if VAT is shared).

Cr 138 – Other payables, receivables.

a3) Total expenses incurred from accounting records shall be the basis for comparison and determination of taxable expenses of BCC:

- When incurring expenses of BCC, the following accounts shall be recorded:

Dr 632, 641, 642, etc.

Cr 112, 331, 154, 155, etc.

On the income statement, only shares of revenues are included in the item “Expenses”

- Periodically, a decrease in expenses incurred from BCC borne by venturers, the following accounts shall be recorded:

Dr 138 – Other receivables

Cr 632, 641, 642.

- After determining the corporate income tax payables for BCC, the venturer in charge shall notify other venturers of amounts payable and the following accounts shall be recorded:

Dr 8211 – Expenses incurred from corporate income tax (tax payables of the venturer in charge)

Dr 138 – Other receivables (tax payables of other venturers in the BCC)

Cr 3334 – Corporate income tax (total corporate income taxes payable)

- After comparing joint expenses borne by each venture and shares of revenues earned by each venture, the other receivables and the other payables shall be offset (in details for each venturer), then the following accounts shall be recorded:

Dr 138 – Other payables, receivables.

Cr 138 – Other receivables

b) For the venturer not in charge of accounting and tax declaration

- When contributing capital to BCC, the following accounts shall be recorded:

Dr 138 – Other receivables

Cr 112, 152, 156, etc.

- According to the Table of shares of joint expenses approved by the venturers (notified by a venturer bearing joint expenses), the following accounts shall be recorded:

Dr 621, 622, 623, 641, 642 (BCC in details)

Dr 133 – VAT payables (if any).

Cr 138 – Other payables, receivables.

- According to the amounts of corporate income tax payable notified by the venturer in charge, the following accounts shall be recorded:

Dr 821 – Expenses incurred from corporate income tax in force

Cr 138 – Other payables, receivables.

- According to the table of shares of revenues certified by all venturers and documents provided by the seller, other venturers shall issue invoices of their shares of revenues and give them to the seller and the following accounts shall be recorded:

Dr 138 – Other receivables (including VAT if output VAT is shared, in details for the seller)

Cr 511 – Revenues (BCC in details and amounts of shares).

Cr 3331 – VAT payables (if sharing output VAT).

- After comparing joint expenses borne by each venture and shares of revenues earned by each venture, the other receivables and the other payables shall be offset (in details for each venturer), then the following accounts shall be recorded:

Dr 138 – Other payables, receivables.

Cr 138 – Other receivables

- When the venturers repay for sale of products, the following accounts shall be recorded according to the actual received amounts:

Dr 111, 112, etc.  (amounts repaid by venturers)

Cr 138 – Other receivables (in details for every seller).

- When receiving contributed capital, the following accounts shall be recorded:

Dr 112, 152, 156, etc.

Cr 138 – Other receivables

If there is any difference between the fair value of received asset and the value of contributed capital of venturers, such difference shall be recorded to other income or other expenses.

**Article 45. Account 229 – Allowances for impairment of assets**

**1. Rules for accounting**

This account is used to record current value and increases or decreases in allowance for impairment of assets, including:

a) Allowance for decline in value of trading securities: means an allowance for impairment caused by decline in value of trading securities of an enterprise;

b) Allowance for impairment of investments in other entities: means an allowance for impairment because the contributee (subsidiaries, joint ventures or associates) suffers losses leading the irrecoverability of the investor or allowance due to decline in investments in subsidiaries, joint ventures or associates.

- With regard to investments in a joint venture or an associate, the investor only create allowance due to the losses of the joint venture or the associate if the financial statement is not applied the owner's equity method for investments in joint ventures or associates.

- With regard to long-term investments (other than trade securities) not influencing significantly on the investee, the allowances shall be carried out as follows:

+ If an investment in listed shares or the fair value of the investment is determined reliably, the allowance shall be made according to the market value of the shares (similarly to allowance for decline in value of trading securities);

+ With regard to an investment whose fair value is not identifiable at the reporting time, the allowance shall be made according to the loss of the investee (allowance for impairment of investments in other entities)

c) Allowance for doubtful debts: means an allowance for receivables and other held for maturity investments which are similar to doubtful debts.

d) Allowance for decline in inventories: means an allowance for decline in inventories due to increases in net realizable value against original value of inventories.

1.2. Method of accounting for allowance for decline in value of trading securities

a) The enterprise may create allowance for the probable impairment loss if it is evident that the market value of held for sale securities of the enterprise decline against the book value.

b) Requirements bases and allowance which is created or reverted shall comply with regulations of law.

c) The creating or reverting of allowance for decline in value of trading securities shall be carried out at the time in which the financial statement is prepared:

- If the allowance for current year is higher than the allowance in the accounting records, the enterprise shall create the additional difference of allowance and record it to financial expenses within a period.

- If the allowance for current year is lower than the unused allowance for previous year, the enterprise shall revert such difference and record a decrease in financial expenses.

1.3. Method of accounting for allowance for impairments in other entities

a) If the investee is a parent company, the investor shall create an allowance for impairments in other entities according to the consolidated financial statement of such parent company. If the investee is an independent company having no subsidiary, the investor shall create an allowance for impairments in other entities according to the consolidated financial statement of such investee.

b) The creating or reverting of allowance for impairments in other entities shall be carried out at the time in which the financial statement for every investment is prepared:

- If the allowance for current year is higher than the allowance in the accounting records, the enterprise shall create the additional difference of allowance and record it to financial expenses within a period.

- If the allowance for current year is lower than the unused allowance for previous year, the enterprise shall revert such difference and record a decrease in financial expenses.

1.4. Method of accounting for allowance for doubtful debts

a) When preparing financial statement, the enterprise shall determine doubtful debts and held to maturity investments whose nature is similar to doubtful debts to create or revert the allowance for doubtful debts.

b) The enterprise shall make an allowance for doubtful debts when:

- An overdue debt under an economic contract, a loan agreement, a contractual commitment or a promissory note has been demanded for several times, but it is unrecoverable. The time overdue of the doubtful debt requiring creation of the allowance shall be determined according to time in which the principal is repaid according to the sale contract, exclusive of the debt rescheduling between contracting parties;

- The debts are not due but the debtor is close to bankruptcy or undergone procedures for dissolution, or the debtor is missing or makes a getaway;

c) Requirements or bases for allowance for doubtful debts

- Original documents or promissory note of the debtor about the outstanding debts, including: economic contracts, loan agreements, liquidation of contract, promissory note, etc.

- The amounts of allowance for doubtful debts shall be created as prescribed in regulations in force.

- Other requirements as prescribed in regulations of law.

d) The establishing or reverting of allowance for doubtful debts shall be carried out at the time in which the financial statement is prepared:

- If the amount of allowance for doubtful debts at the end of current accounting period is greater than the allowance recorded in the accounting records, the positive difference shall be recorded to an increase in allowance and an increase in administrative expenses of the enterprise.

- If the amount of allowance for doubtful debts at the end of current accounting period is greater than the allowance recorded in the accounting records, the positive difference shall be recorded to an increase in allowance and an increase in administrative expenses of the enterprise.

e) With regard to doubtful debts for several years, if the enterprise fails to collect payment of debts regardless of all measures taken and they are bad debts, the enterprise shall sell that debts to Vietnam Asset Management Company (VAMC) or eliminate doubtful debts account on the accounting records. The elimination of doubtful debts account must be complied with regulations of law and the charter of the enterprise. These doubtful debts shall be monitored in the administration system of the enterprise and presented in the financial statement. After elimination, if the enterprise may collect payment of these doubtful debts, they shall be recorded to the account 711 "Other income".

1.5. Method of accounting for allowance for decline in inventories

a) The enterprise shall create an allowance for decline in inventories if it is evident that there is a decrease in net realizable value against the original cost of inventories. Allowance for decline in inventories means an estimated amount of decline in value of inventories against book value of inventories which is included in the operating cost in order to compensating actual damage caused by the decline.

b) The allowance for decline in inventories shall be created at the time in which the financial statement is prepared. The creation of allowance for decline in inventories must be complied in accordance with VAS “Inventories” and financial regime in force.

c) The allowance for decline in inventories shall be created according to every inventoried material or good. With regard to services in progress, the allowance for decline in inventories shall be created according to every service having their own prices.

d) Net realizable value (NRV) means the estimated selling price in the ordinary course of business minus (-) any cost to complete and to sell the goods.

dd) When preparing financial statement, the creation of allowance for decline in inventories shall be determined according to quantity, original cost and NRV of every material, good or service in progress:

- If the amount of allowance for decline in inventories at the end of current accounting period is greater than the allowance for decline in inventories recorded in the accounting records, the positive difference shall be recorded to an increase in allowance and an increase in costs of goods sold.

- If the amount of allowance for decline in inventories at the end of current accounting period is smaller than the allowance for decline in inventories recorded in the accounting records, the negative difference shall be recorded to a decrease in allowance and a decrease in costs of goods sold.

**2. Structure and contents of account 229 – Allowance for impairment of assets**

**Debit:**

- Reverting negative difference between the allowance of this period and the unused allowance of previous period;

- Compensating for investments in other entities when the created allowance is compensated for the impairment loss.

- Compensating for the value of allowance for doubtful debts which is eliminated due to unrecoverability.

**Credit:**

Creating allowances for impairment of assets at the time in which the financial statement is prepared.

**Credit balance:** Ending allowance for impairment of assets.

***Account 229 – Allowance for impairment of assets comprises 4 sub-accounts***

*Account 2291 – Allowance for decline in value of trading securities:* this account is used to record creating or reverting of allowance for decline in value of trading securities.

*Account 2292 – Allowance for impairments in other entities: this account is used to record creating or reverting of allowance for impairments suffered by an investor due the loss of the investee.*

*Account 2293 – Allowance for doubtful debts:* This account is used to record creating or reverting of allowance for doubtful receivables and held to maturity investments.

*Account 2294 – Allowance for decline in inventories:* this account is used to record creating or reverting of allowance for decline in inventories.

**3. Method of accounting for several major transactions**

3.1. Method of accounting for allowance for decline in value of trading securities

a) When preparing a financial statement, if the allowance created in this period is greater than the allowance created in the previous period, the difference between them shall be additionally created according to the variation in market value of trading securities and the following accounts shall be recorded:

Dr 635 – Financial expenses

Cr 229 – Allowance for impairment of assets (2291).

a) When preparing a financial statement, if the allowance created in this period is smaller than the allowance created in the previous period, the difference between them shall be reverted according to the variation in market value of trading securities and the following accounts shall be recorded:

Dr 229 – Allowance for impairment of assets (2291).

Cr 635 – Financial expenses

c) Accounting for allowance for decline in value of trading securities of an wholly-state-owned enterprise before it is converted into a joint-stock company: The remaining allowance for decline in value of trading securities after compensating for the impairment loss shall be recorded to an increase in state capital as follows:

Dr 229 – Allowance for impairment of assets (2291).

Dr 635 – Financial expenses (amounts not covered by the allowance)

Cr 121 – Trading securities (amounts recorded to the decrease in the enterprise's value)

Cr 411 – Owner's invested equity (created allowance is greater than the impairment loss).

3.2. Method of accounting for allowance for impairments in other entities

a) When preparing a financial statement, if the allowance created in this period is smaller than the allowance created in the previous period, the difference between them shall be created and the following accounts shall be recorded:

Dr 635 – Financial expenses

Cr 229 – Allowance for impairment of assets (2292).

b) When preparing a financial statement, if the allowance created in this period is smaller than the allowance created in the previous period, the difference between them shall be reverted and the following accounts shall be recorded:

Dr 229 – Allowance for impairment of assets (2292).

Cr 635 – Financial expenses

c) When the impairment loss incurs, the investments are unrecoverable or recoverable with the cost which are lower than the original cost, if the enterprise use the allowance for decline in value of long-term investments to compensate for impairment losses of the long-term investment, the following accounts shall be recorded:

Dr 111, 112, etc. (if any)

Dr 229 – Allowance for impairment of assets (2292) (created allowance)

Dr 635 – Financial expenses (amount not covered by the allowance)

Cr 221, 222, 228 (the original cost of investments suffering losses)

d) The remaining allowance for decline in value of long-term investments after compensating for the impairment loss shall be recorded to an increase in state capital as follows when a wholly-state-owned enterprise is converted into a joint-stock company:

Dr 229 – Allowance for impairment of assets (2292).

Cr 411 – Owner's invested equity.

3.3. Method of accounting for allowance for doubtful debts

a) When preparing a financial statement, if the allowance for doubtful debts created in this period is greater than the unused allowance for doubtful debts created in the previous period, the difference between them shall be additionally created and the following accounts shall be recorded:

Dr 642 – General administration expenses

Cr 229 – Allowance for impairment of assets (2293).

b) When preparing a financial statement, if the allowance for doubtful debts created in this period is smaller than the unused allowance for doubtful debts created in the previous period, the difference between them shall be reverted and the following accounts shall be recorded:

Dr 229 – Allowance for impairment of assets (2293).

Cr 642 – General administration expenses.

c) With regard to doubtful debts which are considered bad debts, the elimination of debts shall be carried out in accordance with regulations of law in force According to the decision on elimination of debts; the following accounts shall be recorded:

Dr 111, 112, 331, 334, etc (organization or individual subject to compensation)

Dr 229 – Allowance for impairment of assets (2293) (created allowance)

Dr 642 – General administration expenses (amounts recorded to expenses)

Cr 131, 138, 128, 244, etc.

d) With regard to doubtful debts which are eliminated, if they are recovered, the following accounts shall be recorded according to the actual value of the recovered debts:

Dr 111, 112, etc.

Cr 711 – Other income.

dd) With regard to overdue debts sold at contractual prices, the following accounts shall be recorded:

- If there is not any allowance for overdue debts, the following accounts shall be recorded:

Dr 111, 112 (according to contractual prices)

Dr 642 – General administration expenses (impairment loss from sale of debts)

Cr 131, 138,128, 244, etc.

- If there is an allowance for overdue debts, but such allowance is not enough for compensating for impairment loss from sale of debts, the remaining loss shall be recorded to the general administration expenses as follows:

Dr 111, 112 (according to contractual prices)

Dr 229 – Allowance for impairment of assets (2293) (created allowance)

Dr 642 – General administration expenses (impairment loss from sale of debts)

Cr 131, 138,128, 244, etc.

e) Accounting for allowance for doubtful debts of a wholly-state-owned enterprise before it is converted into a joint-stock company: The remaining allowance for doubtful debts after compensating for the impairment loss shall be recorded to an increase in state capital as follows:

Dr 229 – Allowance for impairment of assets (2293).

Cr 411 – Owner's invested equity.

3.4. Method of accounting for allowance for decline in inventories

a) When preparing a financial statement, if the allowance for decline in inventories created in this period is greater than the allowance created in the previous period, the difference between them shall be additionally created and the following accounts shall be recorded:

Dr 632 – Costs of goods sold

Cr 229 – Allowance for impairment of assets (2294).

b) When preparing a financial statement, if the allowance for decline in inventories created in this period is smaller than the allowance created in the previous period, the difference between them shall be converted and the following accounts shall be recorded:

Dr 229 – Allowance for impairment of assets (2294).

Cr 632 – Costs of goods sold.

c) Accounting for allowance for decline in inventories regarding materials or goods which are destroyed after expiry date, degraded, deteriorates, or useless, the following accounts shall be recorded:

Dr 229 – Allowance for impairment of assets (2292) (compensation covered by the allowance)

Dr 229 – Costs of goods sold (if the impairment loss is greater than the allowance)

Cr 152, 153, 155, 156.

d) Accounting for allowance for decline in inventories before the wholly-state-owned enterprise is converted into a joint-stock company: The remaining allowance for decline in inventories after compensating for the impairment loss shall be recorded to an increase in state capital as follows:

Dr 229 – Allowance for impairment of assets (2294).

Cr 411 – Owner's invested equity.

**Article 46. Account 241 – Construction in progress**

**1. Rules for accounting**

a) This account is only used in a non-project management board unit to record expenses of capital investment projects (including new acquisition of fixed assets, new construction, repairs, improvement, extension or refurbishment of construction), and settlement condition of capital investment projects in those enterprises having fixed assets acquisitions, capital investment, or major repairs of fixed assets.

Capital investment and major repairs of fixed assets of the enterprise may be carried out under contract awarding method and or self-constructed method. If the enterprise carries out capital investment under self-constructed method, this account must also record expenses incurred during construction or repair process.

Those units establishing project management board and accounting structure shall comply with regulations in the Circular No. 195/2012/TT-BTC on guidelines for Accounting standards for investors.

b) Expenses of capital investment projects are total necessary expenses of new construction, repairs, improvement, extension or technical refurbishment of construction. Expenses of capital investment are determined according to work volume, economic and technical indicators or quotas and state policies, and in conformity with objective factors of the market in every period and carried out with regulations in capital investment management. Capital investment expenses include:

- Construction expenses;

- Equipment expenses.

- Compensation, support and resettlement expenses;

- General administration expenses;

- Construction consultancy expenses;

- Other expenses.

The account 241 is kept recorded in details for each building work, work item. Each work item must be specifically recorded every capital investment expenses and is observed on accrual basis from the commencement date until the date on which the building works or work items are finished and put into operation.

c) In capital investment, construction and equipment expenses are usually charged directly to every building work, general administration expenses and other expenses are usually common expenses. Investors must calculate and allocate general administration expenses and other expenses incurred from every building work according to following rules:

- General administration expenses and other expenses related directly to each building work shall be charged directly to that building work.

- General administration expenses and other common expenses generally related to many building works but not charged directly to every building work shall be allocated to every building work which is most appropriate.

d) In case the project is finished and put into operation, but project settlement report is not approved, the enterprise shall record an increase in fixed assets historical cost at provisional price (provisional price will be based on actual expenses disbursed to acquire the fixed assets) for depreciation, but then the provisional price shall be adjusted by the approved settlement price.

dd) Repair or maintenance expenses incurred from the fixed assets shall be directly recorded to operating costs within a period. If the repair or maintenance expenses incur periodically, an allowance payable may be created then the allowance shall be included in operating costs.

e) The investor of property construction shall use this account to record fixed asset construction expenses and investment property construction expenses. In case the property is used for multiple purposes (office, lease or sale, i.e. mixed-used building), the construction-directly attributable expenses still be recorded to the account 241. When the building work is completed and put into operation, the construction expenses shall be transferred in conformity with the nature of every asset according to method of use of asset.

g) Exchange rate differences arising from capital investment progress shall following rules below:

Exchange rate differences before operation:

+ Regarding wholly-state-owned enterprises performing tasks of security, national defense or macroeconomic stability, exchange rate differences arising before the operation shall be accumulatively recorded to the account 413 – Exchange rate differences. When the building work is put into operation, the exchange rate differences shall be gradually allocated from account 413 to account 515 – Financial income (in case of profits) or account 635 – Financial expenses (in case of losses). If the allocation may not expire the regulated duration, if the exchange rate loss is recorded to Dr 413, the income statement shall state zero profit (the enterprise may not both record exchange rate loss to the item – Exchange differences in the balance sheet and record post-tax profit in the income statement).

+ Regarding other enterprises, the exchange rate differences before the operation shall be recorded to financial income (in case of profits) or financial expenses (in case of losses), but not stated in the exchange rate difference on the account 413.

- Regarding exchange rate differences relating to capital investment when the enterprise put into operation (including new investment and extension investment):

All types of enterprises, including wholly-state-owned enterprises performing tasks of security, national defense or macroeconomic stability, exchange rate differences arising from capital investment (including new investment or extension investment) shall be recorded to financial income (in case of profits) or financial expenses (in case of losses), not recorded to exchange rate differences on the account 413.

h) If the project of investment is cancelled, the enterprise must dispose and recover the expenses incurred from the project. The difference between actual investment expenses and amounts collected from disposal shall be recorded to other expenses or the compensation of the organization or individual.

***Account 241 – Construction in progress, comprise 3 sub-accounts:***

*- Account 2411: Fixed assets acquisition:* records expenses of fixed assets acquisition and settlement of fixed assets expenses in case fixed assets must be assembled and operated for testing before put into use (including both new fixed assets acquisition or used fixed assets). If acquired fixed assets need additional investment or furnishment before being use, then total expenses of additional investment or furnishment must be recorded to this account.

*- Account 2412: Capital construction:* records capital investment expenses and settlement of capital expenditure. This account is kept records in details for each building work or work item (for each asset acquired though investment) and every capital investment expense incurred in each asset must be kept records in details.

*- Account 2413: Major repairs of fixed assets:* records major repairs expenses of fixed assets and settlement of major repairs expenses of fixed assets. The expenses incurred in regular repairs of fixed assets shall not be recorded to this account, but be charged directly to operating costs within a period.

**2. Structure and contents of account 241 – Construction in progress**

**Debit:**

- Expenses incurred from capital construction, purchase or major repairs of fixed assets (tangible fixed assets and intangible fixed assets);

- Expenses incurred from renovation or upgrading of fixed assets;

- Expenses incurred from sale of investment properties (in case construction investment stage is necessary);

- Expenses incurred from capital investment properties:

- Expenses incurred after initial recording of fixed assets or investment properties.

**Credit:**

- Value of fixed assets acquired from capital construction investment or sale which is put into operation.

- Value of rejected works and other expenses which were approved to be rejected and transferred when settlement report is approved.

- Value of major repairs of fixed assets which is completed and transferred when the settlement report is approved.

- Value of investment property acquired from capital construction which is finished.

- Transferring expenses incurred after initial recording of fixed assets or investment properties to related accounts.

**Debit balance:**

- Expenses incurred from construction investment project and major repairs of fixed assets in progress.

- Value of construction and major repairs of fixed assets which are finished, but have not been yet put into operation or settlement report is not yet approved.

- Value of construction of investment property in progress.

**3. Method of accounting for several major transactions**

***3.1. Accounting for capital investment expenses***

3.1.1. Advances paid to contractors

a) Advances in VND:

- When paying an advance in VND to a contractor, the following accounts shall be recorded:

Dr 331 – Trade payables

Cr 112 – Cash in bank (1122) (weighted average book rates).

- When accepting completed the capital investment, the construction in progress expenses for advance amounts shall be recorded as follows:

Dr 241 – Construction in progress

Cr 331 – Trade payables.

b) Advances paid in foreign currencies:

- When paying an advance in foreign currency to a contractor according to the actual exchange rate at the payment time, the following accounts shall be recorded:

Dr 331 – Trade payables (actual exchange rates)

Dr 635 – Financial expenses (if losses of exchange rates incur)

Cr 112 – Cash in bank (1122) (weighted average book rates).

Cr 515 – Financial expenses (if profits of exchange rates incur)

- When accepting completed the capital investment, the construction in progress expenses for advance amounts in foreign currency shall be recorded as follows according to the book exchange rates (actual exchange rates at the payment time):

Dr 241 – Construction in progress

Cr 331 – Trade payables.

3.1.2 When receiving the completed capital investment or repaired fixed assets from the contractor, if the input VAT is deductible, the following accounts shall be recorded according to awarding contract, acceptance report or sale invoice:

Dr 241 – Construction in progress (2412, 2413)

Dr 133 – Deductible VAT (1332) (if any)

Cr 331 – Trade payables.

- If the input VAT is not deductible, the value of capital investment expenses in progress shall include VAT.

- If the awarding contract regulates that the contract is paid in foreign currencies, the amounts payable (after deducting from advance amounts) shall be recorded according to the actual exchange rates at the accepting time (selling exchange rates of the commercial bank where the enterprise regularly enters into transactions).

3.1.3. When buying capital investment equipment, if the input VAT is deductible, the following accounts shall be recorded according to invoices or warehouse receipt:

Dr 152 – Raw materials (VAT-exclusive prices)

Dr 133 – Deductible VAT (1332)

Cr 331 – Trade payables (total payment)

When transferring directly non-assembly equipments to working site for the contractor, the following accounts shall be recorded:

Dr 241 – Construction in progress

Dr 133 – Deductible VAT (1332)

Cr 331 – Trade payables.

Cr 151 – Goods in transit

3.1.4. When paying to the contractor, or material, good or service suppliers related to capital construction, the following accounts shall be recorded:

Dr 331 – Trade payables

Cr 111, 112, etc.

3.1.5. Delivering capital investment equipment to the contractor:

a) For non-assembly equipment, the following accounts shall be recorded:

Dr 241 – Construction in progress

Cr 152 – Raw materials.

b) For assembly equipment:

- When delivering capital investment equipment to the contractor, only the assembly equipment is kept records in details.

- When receiving finished assembly volume transferred by party B, which is accepted for payment, then value of equipment delivered for new assembly will be charged to capital investment expenses and the following accounts shall be recorded:

Dr 241 – Construction in progress (2412)

Cr 152 – Raw materials.

3.1.6. When incurring other expenses, such as interest expenses, expenses incurred from capitalized bond issuance, tender expenses, (after offsetting against amounts of money collected from sale of tender dossiers), expenses incurred from dismantling for premises returning (after offsetting against recoverable wastes), etc, the following accounts shall be recorded:

Dr 241 – Construction in progress (2412)

Dr 133 – Deductible VAT (1332) (if any)

Cr 111, 112, 331, 335, 3411, 343, etc.

The remaining amounts of money collected from sale of tender dossiers (after offsetting against tender expenses) shall be recorded to a decrease in construction expenses (recorded to Cr 241).

3.1.7. When the contractor collects fines leading a decrease in amounts payable to the contractor, the following accounts shall be recorded:

Dr 112, 331

Cr 241 – Construction in progress

3.1.8. Any exchange rate difference incurring from capital investment (including before-operation stage) shall be recorded financial income (in case of profits) or financial expenses (in case of losses) at the incurring time (other than enterprises prescribed in Point 3.1.9 below):

- When incurring exchange rate profits, the following accounts shall be recorded:

Dr, relevant accounts

Cr 515 – Financial income

- When incurring exchange rate losses, the following accounts shall be recorded:

Dr 635 – Financial expenses

Cr, relevant accounts

3.1.9. Regarding wholly-state-owned enterprises performing tasks of security, national defense or macroeconomic stability, if exchange rate differences arise before the operation (not engaged in the operation):

- When incurring exchange rate profits, the following accounts shall be recorded:

Dr, relevant accounts

Cr 413 – Exchange rate differences

- When incurring exchange rate losses, the following accounts shall be recorded:

Dr 413 – Exchange rate differences

Cr, relevant accounts

- When the building work is put into operation, the exchange rate differences shall be transferred to financial income or financial expenses, and the following accounts shall be recorded:

+ When transferring exchange rate profits, the following accounts shall be recorded:

Dr 413 – Exchange rate differences

Cr 515 – Financial income

+ When transferring exchange rate losses, the following accounts shall be recorded:

Dr 635 – Financial expenses

Cr 413 – Exchange rate differences

3.1.10. With regard to testing expenses and amounts of money collected from sale of experimental products:

a) Regarding testing expenses without production of experimental products, the following accounts shall be recorded:

Dr 241 – Construction in progress

Cr, relevant accounts

b) With regard to testing expenses and amounts of money collected from sale of experimental products:

- When incurring testing expenses with production of experimental products, total expenses shall be recorded as follows:

Dr 154 – Work in progress

Cr, relevant accounts

- When delivering experimental products to inventory, the following accounts shall be recorded:

Dr 1551 – Finished goods inventory

Cr 154 – Work in progress.

- When selling experimental products, the following accounts shall be recorded:

Dr 112, 131

Cr 1551 – Finished goods inventory

Cr 154 – Work in progress (sale without inventory)

Cr 3331 – VAT payable (if any)

- The differences between testing expenses and amounts of money collected from sale of experimental products shall be transferred as follows:

+ In case the testing expenses are greater than the amounts of money collected from sale of experimental products, the positive difference between them shall be recorded to an increase in construction in progress; the following accounts shall be recorded:

Dr 241 – Construction in progress

Cr 154 – Work in progress.

+ In case the testing expenses are smaller than the amounts of money collected from sale of experimental products, the negative difference between them shall be recorded to a decrease in construction in progress; the following accounts shall be recorded:

Dr 154 – Work in progress.

Cr 241 – Construction in progress

3.1.11. When the building work is completed and totally accepted and put into operation: If the financial report is approved instantly, the accounting records shall be kept according to the value of assets acquired through investments. If the financial report is not approved, an increase in value of the assets acquired through investment shall be recorded according to provisional prices (provisional prices are actual expenses paid to acquire the assets according to account 241). The following accounts shall be recorded in above both cases:

Dr 211, 213, 217

Dr 1557 - Finished goods – property (a part of property shall be used for sale which is not recorded to account 154)

Cr 241 – Construction in progress (approved prices or provisional prices)

In case the building work is finished, but it is not transferred for use, awaiting preparation or approval for report, it shall be kept records to account 241 “Construction in progress” in details.

3.1.12. When the financial report on capital investment is approved, the provisional prices shall be adjusted according to the approved value of assets:

- If the approved value of asset acquired though capital investment is smaller than the provisional price, the following accounts shall be recorded:

Dr 138 – Other receivables (rejected expenses subject to recovery)

Cr 211, 213, 217, 1557.

- If the approved value of asset acquired though capital investment is greater than the provisional price, the following accounts shall be recorded:

Dr 211, 213, 217, 1557

Cr, relevant accounts

- If the fixed asset invested by capital expenditure funds and the competent agency permit to increase operating capital and the following accounts shall be recorded:

Dr 441 – Capital expenditure funds

Cr 241 – Construction in progress (damages approved to be rejected)

Cr 411 – Owner's invested equity (approved value of asset)

- If the fixed asset is acquired by welfare funds and used for welfare purpose, when the investor approves the settlement of investment capital, an increase in the welfare fund used for fixed asset acquisitions:

Dr 3632 – Welfare fund

Cr 3533 – Welfare fund used for fixed asset acquisitions.

3.1.13. If the enterprise is an investor having project management board to do accounting for capital investment:

a) Accounting for investor:

- When receiving the settled building work, the investor shall record the value of building work to settled value as follows:

Dr 211, 213, 217, 1557

Dr 133 – Deductible VAT (if any)

Dr 111, 112, 152, 153

Cr 136 – Intra-company receivables

Cr 331, 333, etc (receiving liabilities, if any).

- When receiving the non-settled building work, the investor shall record the value of building work to provisional value. When carry out the settlement, the value of building work shall be adjusted according to the approved price:

+ If the approved price is greater than the provisional price, the following accounts shall be recorded:

Dr 211, 213, 217, 1557

Cr, relevant accounts

+ If the approved price is smaller than the provisional price, the following accounts shall be recorded:

Dr, relevant accounts

Cr 211, 213, 217, 1557.

b) Accounting for project management board: comply with regulations of the Circular No. 195/2012/TT-BTC dated November 15, 2012 of the Ministry of Finance on guidelines for Accounting standards for investors and amended documents (if any).

3.1.14. If the project of investment is canceled or revoked, the liquidation of project and revocation of investment expenses shall be accounted. The difference between investment expenses and amounts of money collected from the liquidation shall be recorded to other expenses or covered by the compensation of organization or individual, and the following accounts shall be recorded:

Dr 111, 112, - Amounts of money collected from liquidation of project

Dr 138 – Other receivables (compensation paid by organization or individual)

Dr 811 – Other expenses (charged to expenses)

Cr 241 – Construction in progress

***3.2. Accounting for repair of fixed assets***

Repairs of fixed assets of the enterprise may be carried out under contract awarding method and or self-constructed method.

a) When repair expenses are incurred, they shall be recorded to Dr 241 “Construction in progress” (2413) and be kept records in details for every building work or each fixed asset repair. According to documents on expenses:

- If the input VAT is deductible, the following accounts shall be recorded:

Dr 241 – Construction in progress (2413) (VAT-exclusive prices)

Dr 133 – Deductible VAT (1332)

Cr 111, 112, 152, 214, etc. (total payment).

- If the input VAT is not deductible, the expenses incurred from repairs of fixed assets shall include VAT and the following accounts shall be recorded:

Dr 241 – Construction in progress (2413) (total payment)

Cr 111, 112, 152, 214, 334, etc. (total payment).

b) When the repair is completed, if an increase in historical cost of fixed asset may not be recorded:

Dr 623, 627, 641, 642

Dr 242 – Financial expenses (if the expenses are great, they shall be gradually allocated)

Dr 352 – Provisions (if the periodical repair expenses are prepaid)

Cr 241 – Construction in progress (2413).

- In case upgrading of fixed assets is eligible to record an increase in historical cost of fixed assets, the following accounts shall be recorded:

Dr 211 – Tangible fixed asset

Cr 241 – Construction in progress (2413).

**Article 47. Account 242 – Prepaid expenses**

**1. Rules for accounting**

a) This account is used to record expenses actually incurred but they are related to operation output of many accounting period and the transfer of these expenses to operating expenses of subsequent accounting periods.

b) Types of prepaid expenses include:

- Prepaid expenses of infrastructure lease or fixed assets operating lease (land use rights, factories, warehouses, offices, shops and other fixed assets) to serve operation in several accounting periods.

- Enterprise foundation expenses or advertising expenses incurred in before-operation stage shall be is allocated for within 3 years;

- Expenses incurred from insurance purchase (conflagration and explosive insurance, owner’s transport facilities civil liability insurance, car body insurance, assets insurance), and charges which the enterprise buys and pays lump sum for many accounting periods.

- Tools and supplies, reusable packaging materials or instruments for renting relating to operation activities in many accounting periods;

- Prepaid loan's expenses, such as loan's prepaid interests or prepaid bond's interest at issuance time;

- Fixed assets major repairs expenses incurring one time which are not prepaid but allocated gradually for within 3 years;

- Negative difference between selling price and residual value of leased back fixed assets which is financial lease;

- Negative difference between selling price and residual value of leased back fixed assets which operating lease;

- In case business combination does not lead to parent company – subsidiaries relationship which creates goodwill or equitization of state-owned enterprise creates goodwill;

- Other prepaid expenses serving the operation of many accounting periods.

Research expenses and expenses incurred from development stage which is not recorded to intangible fixed asset or prepaid expenses shall be recorded to operating expenses.

c) The calculation and allocation of prepaid expenses to operating expenses for each accounting period must be based on nature and extent of each type of expenses to select appropriate method and criteria.

d) Each prepaid expense incurred shall be kept records in details, and allocated to objects subject to expenses of each accounting period and residual expenses, which have not been allocated to expenses.

dd) With regard to prepaid expenses in foreign currencies, at the report-preparing time, if it is evident that the seller is unable to provide goods or services and the enterprise shall definitely receive prepaid expenses in foreign currencies, they shall be considered accounts derived from foreign currencies and subject to re-evaluation according to the actual exchange rates at the reporting time (buying rate of the commercial bank where the enterprise regularly enters into transactions).

**2. Structure and contents of account 242 – Prepaid expenses**

**Debit:** Prepaid expenses incurred during a period.

**Credit:** Prepaid expenses included in operating expenses during a period.

**Debit balance:** Prepaid expenses not included in operating expenses during a period.

**3. Method of accounting for several major transactions**

a) When incurring prepaid expenses, which must be allocated gradually to operating expenses for many accounting periods, the following accounts shall be recorded:

Dr 242 – Prepaid expenses

Dr 133 – Deductible VAT (if any)

Cr 111, 112, 153, 331, 334, 338, etc.

When allocating prepaid expenses to operating expenses periodically, the following accounts shall be recorded:

Dr 623, 627, 635, 641, 642

Cr 242 – Prepaid expenses.

b) When prepaying fixed assets rent and infrastructure rent under operating lease, which used for operation for many accounting periods, the following accounts shall be recorded:

Dr 242 – Prepaid expenses

Dr 133 – Deductible VAT (if any)

Cr 111, 112, etc.

- If the input VAT is not deductible, the prepaid expenses shall include VAT.

c) With regard to tools and supplies, reusable packaging materials or instruments for renting related to operation in many accounting periods, when dispatching them for use or lease, the following accounts shall be recorded:

- When dispatching them for use or lease, the following accounts shall be recorded:

Dr 242 – Prepaid expenses

Cr 153—Tools and supplies.

- Periodically, the value of tools and supplies, reusable packaging materials or instruments for renting shall be dispatched from inventory according to appropriate criteria. The expenses are allocated for every accounting period according to useful life or volume of tools and supplies, reusable packaging materials or instruments for renting put into operation in every accounting period. When allocating, the following accounts shall be recorded:

Dr 623, 627, 641, 642, etc.

Cr 242 – Prepaid expenses.

d) Purchase of fixed assets and investment property under deferred or installment payment:

- When buying tangible or intangible fixed assets or investment property under deferred payment or installment payment, and putting them into operation, or held to capital appreciation or for operating lease, the following accounts shall be recorded:

Dr 211, 213, 217 (historical cost – according to cash price)

Dr 133 – Deductible VAT (if any)

Dr 242 - Prepaid expenses (deferred interests shall equal (=) total payment minus (-) cash price minus (-) VAT (if any))

Cr 331 – Trade payables (total payment)

- Periodically, when paying to the seller, the following accounts shall be recorded:

Dr 331 – Trade payables

Cr 111, 112 (periodical payables include principal and interests paid under deferred or instalment payment).

- Periodically, deferred interests or installment interests payables are charged to expenses as follows:

Dr 635 – Financial expenses

Cr 242 – Prepaid expenses.

dd) In case expenses incur from major repairs of fixed assets and the enterprise does not prepay such expenses, they shall be allocated gradually for many accounting periods when the major repairs are completed:

- When transferring expenses incurred from repair of fixed asset to prepaid expenses, the following accounts shall be recorded:

Dr 242 – Prepaid expenses.

Cr 241 – Construction in progress (2413).

- Periodically, when allocating expenses incurred from repair of fixed asset to operating expenses during a period, the following accounts shall be recorded:

Dr 623, 627, 641, 642, etc.

Cr 242 – Prepaid expenses.

e) The enterprise prepays interests to the lender:

- When prepaying interests, the following accounts shall be recorded:

Dr 242 – Prepaid expenses

Cr 111, 112.

- Periodically, when allocating interests under schedule to financial expenses or capitalizing such interests to the value of assets in progress, the following accounts shall be recorded:

Dr 635 – Financial expenses (if borrowings expenses are recorded to operating expenses during a period).

Dr 241 – Construction in progress (if borrowings expenses are capitalized to the value of assets in progress)

Dr 627 – Construction in progress (if borrowings expenses are capitalized to the value of assets in progress)

Cr 242 – Prepaid expenses.

g) When the enterprise issues bond at par value to mobilize loan capital, if business prepays bond's interests on issue date, the borrowing expenses shall be recorded to Dr 242 (prepaid bond interests in details), and allocated to expenses accounts.

- On the bond issue date, the following accounts shall be recorded:

Dr 111, 112 (total amounts of money collected)

Dr 242 – Prepaid expenses (prepaid bond interests in details)

Cr 34311 – Par value of bonds.

- Periodically, when allocating prepaid bond interests to borrowings expenses of each accounting period, the following accounts shall be recorded:

Dr 635 – Financial expenses (if borrowings expenses are recorded to financial expenses during a period).

Dr 241 – Construction in progress (if borrowings expenses are recorded to value of construction in progress)

Dr 627 – Factory overheads (if borrowings expenses are capitalized to assets in progress)

Cr 242 – Prepaid expenses (prepaid bond interests in details) (bond interests allocated during a period).

h) With regard to business combination does not lead to parent company – subsidiaries relationship (buying net asset) and their goodwill is created on the purchase date:

- If the trading in business combination is paid in cash by or cash equivalents, the following accounts shall be recorded:

Dr 131, 138, 152, 153, 155, 156, 211, 213, 217, etc (according to fair value of purchased assets)

Dr 242 – Prepaid expenses (goodwill in details)

Cr 331, 3411, etc (according to fair value of liabilities and potential debts)

Cr 111, 112, 121 (amounts of cash or cash equivalents paid by the purchaser).

- If the trading in business combination is carried out by the bond issuance of the buyer, the following accounts shall be recorded:

Dr 131, 138, 152, 153, 155, 156, 211, 213, 217, etc (according to fair value of purchased assets)

Dr 242 – Prepaid expenses (goodwill in details)

Dr 4112 – Capital surplus (the issue price is smaller than face price)

Cr 4111 – Owner's invested equity (according to face value)

Cr 331, 3411…, etc (according to fair value of liabilities and potential debts)

Cr 4112 – Capital surplus (the issue price is greater than the face price).

i) If the exchange difference losses are not fully allocated in the before-operation stage, the total accumulated losses shall be transferred from account 242 to account 635 – Financial expenses to determine the operation output during a period and the following accounts shall be recorded:

Dr 635 – Financial expenses

Cr 242 – Prepaid expenses.

k) When the assets are undergone physical inventory count at the time in which the enterprise is evaluated for equitization of wholly-state-owned enterprise, if the prepaid land rents not meet recognition of intangible fixed asset criteria, an increase in state capital shall be recorded as follows:

Dr 242 – Prepaid expenses

Cr 411 – Owner's invested equity.

l) When the assets are undergone physical inventory count at the time in which the enterprise is evaluated for equitization of wholly-state-owned enterprise, if the actual value of state capital is greater than their book value, the difference between them shall be recorded to goodwill as follows:

Dr 242 – Prepaid expenses

Cr 411 – Owner's invested equity.

m) The goodwill creating when equitization of state-owned enterprise is carried out shall be recorded to account 242 and allocated for within 3 years and the following accounts shall be recorded:

Dr 642 – General administration expenses

Cr 242 – Prepaid expenses.

**Article 48. Account 243 – Deferred tax assets**

**1. Rules for accounting**

a) This account is used to record current value, and increases or decreases of deferred tax assets.

| | | | | | | |
|---|---|---|---|---|---|---|
| Deferred tax asset | = | Deductible temporary difference | + | Deductible value transferred to subsequent year of unused taxable losses or preferred taxes | x | Enterprise income tax rate (%) |

When recording a deferred tax asset, if the change in enterprise income tax rates in the future has been known and the deferred tax asset is reverted when the new tax rates have been taken effect, the new tax rates shall be applied to the deferred tax assets.

b) Tax basis of an asset or a liability and temporary difference:

- The tax basis of assets is the value deducting from taxable income when recovering the book value of the assets. If the income is not subject to taxes, the tax basis of the asset shall equal book value of such asset. The tax basis of a liability equals (=) its book value minus (-) value to-be deducted from taxable income when the liability is paid in future periods. The tax basis of an unearned revenue shall equal (=) its book value minus (-) value of non-taxable revenue in the future periods.

- Temporary difference equals (=) book value of the asset or liability in the balance sheet minus (-) the tax basis of such asset or liability. Temporary differences include: deductible temporary difference and taxable temporary difference. Deductible temporary difference means an temporary difference arising deductible amounts when determining taxable income in future when the book value of asset items are recovered or liabilities are paid.

+ Temporary difference in time is a type of temporary difference, for example: if the book profits recorded in this accounting period but the taxable income is recorded in another accounting period.

+ A temporary difference between book value of an asset or a liability and the tax basis of such asset or liability cannot be a temporary difference in time, for example: When an asset is re-evaluated, the book value of that asset changes but its tax basis does not change, a temporary difference shall arise. However, the recovering time of the book value and the tax basis does not change, so that such temporary difference is not a temporary difference in time.

+ Because the time in which the asset or the liability must be recovered or such asset or liability is offset against taxable income is limited, when determining deferred tax, the term “Permanent difference” shall not be used to distinguish temporary difference.

c) If the enterprise estimates that it is definite to earn taxable future profits to use the deductible temporary difference, taxable losses and unused preferential tariff treatment, deferred tax assets shall be recorded relating to:

- Deductible temporary differences (other than temporary difference arising from initial recognition of the asset or liability paid for a transaction other than business combination transactions; and do not affect to accounting profits and taxable income (or taxable losses) at the transaction time).

- The remaining taxable losses and unused preferential tariff treatment after deduction shall be transferred to subsequent year.

d) At year-end, the enterprise must prepare “Statement of deductible temporary difference determination”, “Statement of deductible unused temporary difference observation”, the deductible value transferred to subsequent year of unused taxable losses and preferred taxes shall be the basis to prepare “Statement of deferred tax asset determination”, to determine value of deferred tax assets recognized or reverted during a year.

dd) The recognition of deferred tax asset in a year shall be carried out by offsetting deferred income tax assets arisen this year against business income tax assets recognized in previous years, but they are reverted in this year according to the following rules:

- If the deferred tax assets arisen during a year are greater than deferred tax assets reverted during the year, the difference between them shall be recognized as deferred tax assets and a decrease in deferred tax expenses shall be recorded.

- If the deferred tax assets arisen during a year are smaller than deferred tax assets reverted during the year, the difference between them shall be recognized as a decrease in deferred tax assets and an increase in deferred tax expenses shall be recorded.

e) When the taxable losses or preferential tariff treatment are used and deductible temporary difference no longer have influence on taxable profits (when assets are recovered or liabilities are paid partly or totally), the deferred tax assets must be reverted.

g) When preparing financial statements, if the enterprise estimates that it is definite to earn taxable future profits, the deferred tax assets not recognized in the previous years shall be recorded to a decrease in deferred tax expense.

h) The offsetting between deferred tax assets and deferred tax payables shall be carried out only if the balance sheet is prepared, not when the deferred tax assets are recorded on the accounting records.

**2. Structure and contents of account 243 – Deferred tax assets**

**Debit:** Increases in value of deferred tax assets.

**Credit:** Decreases in value of deferred tax assets.

**Debit balance:** Balance of value of deferred tax assets at the end of period.

**3. Method of accounting for several major transactions**

a) If the deferred tax asset arisen during a year is greater than the deferred tax asset reverted during the year, the positive difference between the deferred tax asset arisen and the deferred tax asset reverted during a year shall be recorded to value of deferred tax assets as follows:

Dr 243 - Deferred tax assets

Cr 8212 – Deferred tax expenses.

b) If the deferred tax asset arisen during a year is smaller than the deferred tax asset reverted during the year, the negative difference between the deferred tax asset arisen and the deferred tax asset reverted during a year shall be recorded to a decrease in deferred tax assets as follows:

Dr 8212 – Deferred tax expenses.

Cr 243 - Deferred tax assets

**Article 49. Account 244 – Pledges, mortgages or deposits**

**1. Rules for accounting**

a) This account is used to record a sum of money or something valuable that the enterprise uses for pledge, mortgage or deposit purpose in other enterprises or organizations in economic relation as prescribed.

b) The amounts of money or assets which are used for pledge, mortgage and deposit purpose shall be observed and promptly recovered after the agreement on pledge, mortgage or deposit expires. In case deposits which the enterprise is paid back are overdue to recover, the enterprise may create allowance for them similarly to doubtful debts.

c) The enterprise must keep track of pledges, mortgages or deposits according to each type, entity, term or currency. When preparing a financial statement, the amounts whose remaining term is less than 12 months shall be classified as short-term assets; These amounts whose remaining term is above 12 months shall be classified as long-term assets.

d) The assets used for pledge, mortgage or deposit purpose shall be recorded to the book value of the enterprise. The same price of a non-monetary asset used for pledge, mortgage or deposit purpose shall be recorded when it is dispatched from or delivered to inventory. If there are deposits in cash or cash equivalents which are paid back in foreign currencies, they shall be re-evaluated according to actual exchange rates on the date on which the financial statement is prepared (buying rate of the commercial bank where the enterprise regularly enters into transactions). Collaterals in the form of Certificates of ownership (i.e. property) shall not be recorded to a decrease in assets but they shall be kept records in the accounting records in details (collaterals in details) and presented in the financial statement.

**2. Structure and contents of account 244 – Pledges, mortgages and deposits**

**Debit:**

**-** Value of collaterals or cash deposits.

- Exchange rate differences due to re-evaluation of balance of deposits which are paid back in foreign currency at the reporting time (if the foreign currency rate rises against VND).

**Credit:**

**-** Value of collaterals or cash deposits which are paid back or paid;

- Deducted (fined) from cash deposits shall be charged to other expenses;

- Exchange rate differences due to re-evaluation of balance of deposits which paid back in foreign currency at the reporting time (if the foreign currency rate falls against VND).

**Debit balance:** Value of collaterals or cash deposits which are still under pledge, mortgage or deposit agreement.

**3. Method of accounting for several major transactions**

a) When using cash or cash in bank for deposit purpose, the following accounts shall be recorded:

Dr 244 – Pledge, mortgages and deposits

Cr 111, 112.

b) When using a fixed asset for pledge purpose, the following accounts shall be recorded:

Dr 244 – Pledge, mortgages and deposits (residual value)

Dr 214 – Depreciation of fixed assets (depreciation value)

Cr 211, 213 (historical cost).

If documents (certificate of ownership of land or property) are used for mortgage, they shall not be recorded to this account but they are not kept records in details.

c) When using other assets for pledge or mortgage purpose, the following accounts shall be recorded:

Dr 244 – Pledge, mortgages and deposits (in details)

Cr 152, 155, 156, etc.

d) Receiving collaterals or cash deposits:

- When receiving cash deposits, the following accounts shall be recorded:

Dr 111, 112.

Cr 244 – Pledge, mortgages and deposits.

- When receiving collaterals which are fixed assets, the following accounts shall be recorded:

Dr 211, 213 (historical cost of the fixed assets used for pledge purpose).

Cr 244 – Pledge, mortgages and deposits (residual value)

Cr 214 – Depreciation of fixed assets (depreciation value)

- When receiving other assets used for pledge or mortgage purpose, the following accounts shall be recorded:

Dr 152, 155, 156, etc.

Cr 244 – Pledge, mortgages and deposits (in details)

dd) If the enterprise fails to fulfill their commitment and faces fines for violations against the contract which are deducted from their cash deposits, the following accounts shall be recorded:

Dr 811 – Other expenses (deducted amount)

Cr 244 – Pledge, mortgages and deposits.

e) When using cash deposits to pay for the seller, the following accounts shall be recorded:

Dr 331 – Trade payables

Cr 244 – Pledge, mortgages and deposits.

g) When preparing a financial statement, if the deposits which are paid back derived from foreign currencies, they shall be evaluated according to actual exchange rates on the date on which the financial statement is prepared:

- If the foreign currency rate rises against VND, the following accounts shall be recorded:

Dr 244 – Pledge, mortgages and deposits

Cr 413 – Exchange rate differences (4131).

- If the foreign currency rate falls against VND, the following accounts shall be recorded:

Dr 413 – Exchange rate differences (4131).

Cr 244 – Pledge, mortgages and deposits.

**Article 50. Accounting rules for liabilities**

1. Liabilities of an enterprise must be kept records in details according to payment schedule, creditor, type of currency and other factors according to requirements of the enterprise.

2. Liabilities shall be classified into trade payables, intra-company payables and other payables according to following rules:

a) Trade payables include commercial amounts payable arisen from purchase of goods, services or asset and the seller is independent with the buyer, including amounts payables between parent company and subsidiaries, joint ventures or associates). Amounts payable include amounts payable when importing through the trustee (in the import trust transaction);

b) Intra-company payables include amounts payable between parent company and dependent accounting subsidiaries having no legal status;

c) Other payables include non-commercial amounts payable, or amounts payable relating to trading in goods or services:

- Payables relating to financial expenses, such as: interests payable, dividends payable and profits payable, financial investment expenses payable;

- Payables paid by another party; payables which the trustor receives from relevant entities to pay for import-export trust transactions;

- Non-commercial payables, such as: borrowings payable, fines payable, compensation payable, assets in surplus awaiting resolution, payables related to social insurance, health insurance, unemployment insurance, or union funds, etc.

3. When preparing a financial statement, the amounts payable shall be classified into long-term payables or short-term payables according to their remaining terms.

4. If it is evident that there is an unavoidable loss, an amount payable shall be recorded according to cautious rules.

5. When preparing the financial statement, these amounts payable meeting definition of accounts derived from foreign currencies (refer to account 413 – Exchange rate differences) for re-valuation at the ending of accounting period.

**Article 51. Account 331 - Trade payables**

1. Rules for accounting

a) This account is used to record payment of liabilities of an enterprise to the sellers of materials, goods or suppliers of services, sellers of fixed assets, investment properties or financial investment under concluded business contracts. This account is used to record the payment of liabilities to main contractors or sub contractors. The buy in cash shall not be recorded to this account.

b) Liabilities to sellers, providers or contractors shall be kept records in details for every entity. This account also records prepayment to the sellers, providers or contractors but the goods, services or constructions have not been received.

c) The enterprise must keep records of trade payables in details for each type of currency. With regard to trade payables in foreign currencies, the rules below shall be followed:

- When incurring trade payables (Cr 331) in foreign currencies, those payables shall be converted into VND according to actual exchange rates at the incurring time (selling exchange rate of the commercial bank where the enterprise regularly enters into transactions). With regard to prepayment to contractors or sellers, when it is qualified to record assets or expenses, the Cr 331 shall apply specific identification bookkeeping rate for the amounts of prepayment.

- When paying trade payables (Cr 331) in foreign currencies, those payables shall be converted into VND according to specific identification bookkeeping rates for every creditor (if the creditor has multiple transactions the specific identification bookkeeping rate shall be determined according to mobile weight average of such transactions). When entering into a transaction in prepayment to contractors or sellers, the Dr 331 shall be applied actual exchange rates (selling rates of the commercial bank where the enterprise regularly enters into transactions) at the time in which the prepayment given;

- The enterprise must re-evaluate trade payables derived from foreign currencies on the dates on which the financial statements are prepared as prescribed. Actual exchange rates determined when the trade payables are re-evaluated is selling rates of the commercial bank where the enterprise regularly enters into transactions on the date on which the financial statement is prepared. Units in a group shall apply a common rate defined by the parent company (provided that it closes to the actual exchange rates) to re-evaluate trade receivables derived from foreign currencies arising from transactions of internal group.

d) The import trustor shall record the trade payables for imported goods to the import trustee to this account similarly to ordinary trade payables.

dd) At the end of a month, if there has not been invoices of received materials, goods or services, provisional prices may be used for bookkeeping, when those invoices are received, the prices must be adjusted and the seller shall be notified the official prices.

e) When those accounts are accounted in details, if the payment discounts, trade discounts or sales rebates of the seller or the supplier are not recorded in the sales invoices, they must be kept records in details.

**2. Structure and contents of account 331 – Trade payables**

**Debit:**

- Amounts paid to sellers, suppliers or contractors;

- Prepayment to sellers, suppliers, contractors but materials, goods, services and constructions are not received;

- Amounts of sales approved by sellers;

- Payment discounts and trade discounts which the sellers approve for enterprises to deduct from trade payables;

- Value of materials or goods in shortage or inferior quality which are received back by the sellers.

- Re-evaluation of trade payables in foreign currencies (if the foreign currency rate falls against VND).

**Credit:**

- Amounts payable to sellers, suppliers or contractors;

- Adjustment of negative difference between provisional price and actual price of amount of materials, goods and services when the invoice or notification of official price is received.

- Re-evaluation of trade payables in foreign currencies (if the foreign currency rate rises against VND).

**Credit balance:** Outstanding balance payable to sellers, suppliers or contractors.

This account may have a Debit balance. Debit balance (if any) records prepayment to sellers or payment in excess of payables to sellers, according to every specific subject. When preparing the balance sheet, detailed balance of every subject reflected in this account will be taken to record to “Assets” and “Capital” account.

**3. Method of accounting for several major transactions**

**3.1.** When purchasing materials or goods without payment for inventory using perpetual inventory method or purchasing fixed assets:

a) Domestic purchase:

- If the input VAT is deductible, the following accounts shall be recorded:

Dr 152, 153, 156, 157, 211, 213 (VAT-exclusive prices)

Dr 133 – Deductible VAT (1331)

Cr 331 – Trade payables (total payment).

- If the input VAT is not deductible, the value of materials, goods or fixed assets shall include VAT (total payment).

b) Import:

- Value of imported goods, including special excise tax, export duty or environmental protection tax (if any) shall be recorded as follows:

Dr 152, 153, 156, 157, 211, 213

Cr 331 – Trade payables

Cr 3332 – Special excise tax (if any)

Cr 3333 – Import – export duty (in details, if any)

Cr 33381 - Environmental protection tax

- If the input VAT is deductible, the following accounts shall be recorded:

Dr 133 – Deductible VAT (1331)

Cr 3331 – VAT payables (33312).

**3.2.** When purchasing materials or goods without payment for inventory using periodical inventory method:

a) Domestic purchase:

- If the input VAT is deductible, the following accounts shall be recorded:

Dr 611 – Purchase (VAT-exclusive prices)

Dr 133 – Deductible VAT

Cr 331 – Trade payables (total payment).

- If the input VAT is not deductible, the value of materials or goods shall include VAT (total payment)

b. Import:

- Value of imported goods, including special excise tax, export duty or environmental protection tax (if any) shall be recorded as follows:

Dr 611 - Purchase

Cr 331 – Trade payables

Cr 3332 – Special excise tax (if any)

Cr 3333 – Import – export duty (in details, if any)

Cr 33381 - Environmental protection tax

- If the input VAT is deductible, the following accounts shall be recorded:

Dr 133 – Deductible VAT (1331)

Cr 3331 – VAT payables (33312).

**3.3.** If the enterprise carries out capital investment under contract awarding and receives completed construction from the contractor, according to awarding contract and transfer note of completed construction:

- If the input VAT is deductible, the following accounts shall be recorded:

Dr 241 – Construction in progress (VAT-exclusive prices)

Dr 133 – Deductible VAT

Cr 331 – Trade payables (total payment).

- If the input VAT is not deductible, the value of capital investment shall include VAT (total payment)

**3.4.** When paying advance or paying trade payables to sellers, providers or contractors, the following accounts shall be recorded:

Dr 331 – Trade payables

Cr 111, 112, 341, etc.

- When paying to the contractor in foreign currencies, those payables shall be converted into VND according to actual exchange rates at the incurring time (selling exchange rate of the commercial bank where the enterprise regularly enters into transactions).

- When paying an advance to the contractor in foreign currency, the value of capital investment shall be recorded corresponding to the amount of advance according to actual exchange rates at the time in which the advance is given. The outstanding balance payable of capital investment (after deducted from the advance) shall be recorded to actual exchange rates at the incurring time.

Dr 331 – Trade payables (actual exchange rates)

Dr 635 – Financial expenses (if the actual exchange rate is smaller than bookkeeping rate of the cash account)

Cr 111, 112, etc. (bookkeeping rate)

Cr 515 – Financial income (if the actual exchange rate is greater than bookkeeping rate of the cash account)

**3.5.** When receiving back the advance from the seller because the seller fails to sell goods or provide services, the following accounts shall be recorded:

Dr 111, 112, etc.

Cr 331 – Trade payables.

**3.6.** When receiving services rendered (expenses incurred from goods transportation, electricity, water, telephone, auditing, consultancy, advertisement and other services) from suppliers:

- If the input VAT is deductible, the following accounts shall be recorded:

Dr 156 – Goods (1562)

Dr 241 – Construction in progress

Dr 242 – Prepaid expenses

Dr 623, 627, 641, 642, 635, 811

Dr 133 – Deductible VAT (1331) (if any)

Cr 331 – Trade payables (total payment).

- If the input VAT is not deductible, the value of services shall include VAT (total payment)

**3.7.** When receiving payment discounts on sale of materials or goods due to prepayment and deducting trade payables, the following accounts shall be recorded:

Dr 331 – Trade payables

Cr 515 – Financial income.

**3.8.** When purchased materials and goods are returned or eligible for sales rebates because they do not meet specification and quality, they shall be deducted from trade payables and the following accounts shall be recorded:

Dr 331 – Trade payables

Cr 133 – Deductible VAT (1331) (if any)

Cr 152, 153, 156, 611, etc.

**3.9.** In case liabilities paid to sellers (creditors) who were not found out or they did not call loans, the debts shall be recorded as an increase in enterprises' income as follows:

Dr 331 – Trade payables

Cr 711 – Other income.

**3.10.** When determining value of construction volume payables to subcontractors, according to the contract signed between main contractor and sub contractor, invoices, voucher of project price, acceptance report of completed construction volume and sub bidding contract, the following accounts shall be recorded:

Dr 632 – Costs of goods sold (VAT-exclusive prices)

Dr 133 – Deductible VAT (1331)

Cr 331 – Trade payables (total payables to the subcontractor, including input VAT).

**3.11.** Enterprises which are commission agents for sale at fixed prices.

- When receiving goods for wholesale, the enterprise shall report them in the financial statement.

- When receiving wholesale goods, the following accounts shall be recorded:

Dr 111, 112, 131, etc. (total payment)

Cr 331 – Trade payables (agency prices + taxes).

And the enterprise shall report sold goods for wholesale in the financial statement.

*- When determining commission earned by the agent who is charged to commission revenue for wholesale, the following accounts shall be recorded:*

*Dr 331 – Trade payables*

Cr 511 – Revenues

Cr 3331 – VAT payables (if any).

*- When paying to consignor, the following accounts shall be recorded:*

*Dr 331 – Trade payables (selling prices - taxes).*

Cr 111, 112, etc.

**3.12.** Accounting for trade payables at the import trustor:

- When prepaying an amount for import entrustment contract to the import trustee to open L/C, etc, the following accounts shall be recorded according to relevant documents:

Dr 331 – Trade payables (every trustee in details)

*Cr 111, 112, etc.*

- When receiving import entrustment goods delivered by the trustee, it shall follow procedures for ordinary imported goods.

- When paying for imported goods and directly-attributable expenses incurred from imported goods to the trustee, the following accounts shall be recorded according to relevant documents:

Dr 331 – Trade payables (every trustee in details)

*Cr 111, 112, etc.*

- Import entrustment fees paid to the trustee shall be recorded to value of imported goods; the following accounts shall be recorded according to relevant documents:

Dr 151, 152, 156, 211, etc.

Dr 133 – Deductible VAT

*Cr 331- – Trade payables (every trustee in details)*

- The payment of tax liability for imported goods shall comply with regulations of account 333 – Taxes and other payables to the State.

- The trustee may not use this account to record payment of entrustment but record to account 138 and 338.

**3.13.** When preparing a financial statement, the outstanding trade payables in foreign currency shall be evaluated according to actual exchange rates on the date on which the financial statement is prepared:

- If the foreign currency rate falls against VND, the following accounts shall be recorded:

Dr 331 – Trade payables

Cr 413 – Exchange rate differences (4131).

- If the foreign currency rate rises against VND, the following accounts shall be recorded:

Dr 413 – Exchange rate differences (4131).

Cr 331 – Trade payables.

**Article 52. Account 333 – Taxes and other payables to the State**

**1. Rules for accounting**

a) This account is used to record relation between enterprises and State about taxes, fees, charges and other payables, payment and outstanding payables to State budget in the fiscal year.

b) The enterprise shall actively calculate and determine taxes, fees, charges and other payables to State in compliance with law, and promptly reflect taxes payable, paid taxes, deductible taxes or tax refund, etc in accounting book.

c) The nature of indirect taxes including VAT (including using credit-invoice method or subtraction method), special excise tax, export duty, environmental protection tax and other indirect taxes is receipts on behalf of a third party. Therefore, these indirect taxes are eliminated from revenues stated in the financial statement or other statements.

The enterprise may record revenues and indirect taxes payable in the accounting records following one in two methods below:

- The indirect taxes payable (including VAT payable using subtraction method) shall be separately recorded at the time in which the revenues are recorded. In this method, the revenues included in accounting records shall not include indirect taxes payable, in conformity with figures of revenues stated in the financial statement and reflected the nature of the transaction.

- The indirect taxes payable shall be recorded as a decrease in revenues in the accounting records. In this method, a decrease in revenues for indirect taxes payable shall be recorded periodically, the figures of revenues stated in the accounting record are different from the revenues stated in the financial statement.

In any cases, the item “Revenues” and "Revenue deductions” of the income statement shall not include indirect taxes payable.

d) Regarding taxes eligible for refund or deduction, it is required to distinguish these taxes are paid in purchase process or sale process and follow rules below:

- Regarding those taxes paid into purchase process eligible for refund (i.e. temporary import transaction: special excise tax, import duty, environmental protection tax which are paid shall be refunded the goods are re-exported, etc), a decrease in value of goods purchased or a decrease in costs of goods sold or other expenses. If the input VAT is eligible for refund, a decrease in deductible VAT shall be recorded;

- Regarding taxes paid in import process but imported goods are not under ownership of the enterprise, if they are eligible for refund, a decrease in other receivables shall be recorded (i.e. paid import duty on processed goods which is refunded when the goods are re-exported, etc);

- Regarding taxes payable for sale of goods or services which are eligible for deduction or refund, they shall be recorded to other income (i.e. refund of export duty, deduction in special excise tax, VAT, environmental protection tax payable for sale of goods or services).

dd) Liability for government budget in export-import entrustment transactions:

- In export-import entrustment transactions (other similar transactions), the trustor shall take over liability for government budget

- The trustor shall provide services including document preparation, declaration, and payment to government budget (taxpayer on behalf of the trustor).

- Account 333 is only used by the trustor not the trustee. The trustee shall record taxes payable to government budget as expenses on behalf of a third party in the account 3388 and receive the amounts paid on behalf of the trustor to account 138. The liability of the trustor for government budget shall be reflected according to:

+ When receiving notification of taxes payable, the trustee shall transfer all documents, materials or notification of taxes payable issued by the competent agency to the trustor to record the taxes payable to account 333.

+ According to payment slip to government budget of the trustee, the trustor shall record a decrease in payables to the government budget.

e) Each tax, fee, charge and other amounts payable, paid amounts and outstanding amounts payable shall be keep records in details.

**2. Structure and contents of account 333 – Taxes and other payables to the State**

**Debit:**

- Deductible VAT during a period;

- Taxes, fees, charges and other amounts payable or paid amount to the government budget;

- Taxes deducted from taxes payables;

- VAT of sales returns and sales rebates.

**Credit:**

- Output VAT and VAT on import goods payable;

- Taxes, fees, charges and other payables to the government budget;

**Credit balance:**

Taxes, fees, charges and other payables to the government budget;

In particular case, Account 333 may have the debit balance. Debit balance (if any) of Account 333 reflects tax payments and other payments greater than taxes and payables to State, or may reflect the paid taxes eligible for exemption, deduction or refund, but the refund has not been made.

*Account 333 - Taxes and other payables to the State, comprises 9 sub-accounts:*

- *Account 3331 – VAT payable:* Recording input VAT, VAT payable of import goods, deductible VAT, paid VAT and outstanding VAT payable to government budget.

*Account 3331 comprises 2 sub-accounts:*

+ *Account 33311 – output VAT:* Recording amount of output VAT, output deductible VAT, VAT on sales return or sales rebates, VAT payable, paid VAT and outstanding VAT payable of products, goods or services rendered during a period.

+ *Account 33312 – VAT on imported goods:* Recording amounts payable, paid amounts and outstanding amounts payable of VAT on imported goods to government budget.

- *Account 3332 – Special excise tax:* Recording amounts payable, paid amounts and outstanding amounts payable of special excise tax to government budget.

- *Account 3333 – Export-import duty:* Recording amounts payable, paid amounts and outstanding amounts payable of export-import duty to government budget.

- *Account 3334 – Enterprise income tax:* Recording amounts payable, paid amounts and outstanding amounts payable of enterprise income tax to government budget.

- *Account 3335 – Personal income tax:* Recording amounts payable, paid amounts and outstanding amounts payable of personal income tax to government budget.

- *Account 3336 – Natural resource tax:* Recording amounts payable, paid amounts and outstanding amounts payable of natural resource tax government budget.

- *Account 337 – Land tax and land rent:* Recording amounts payable, paid amounts and outstanding amounts payable of land tax and land rent to government budget.

- *Account 338 – Environmental protection tax and other taxes:* Recording amounts payable, paid amounts and outstanding amounts payable of environmental protection tax and other taxes, such as: Business rates, tax payable on behalf of oversea organizations and individuals having business activities in Vietnam, etc.

+ *Account 33381: environmental protection tax:* Recording amounts payable, paid amounts and outstanding amounts payable of environmental protection tax;

+ *Account 33382: Other taxes:* Recording amounts payable, paid amounts and outstanding amounts payable of other taxes. Every tax shall be kept records in sub-accounts in details.

- *Account 3339 – Fees, charges and other payables:* Recording amounts payable, paid amounts and outstanding amounts payable of fees, charges and other payables to State other than amounts recorded to accounts 3331 through 3338. This account also reflects government grants (if any).

**3. Method of accounting for several major transactions**

**3.1. VAT payable (3331)**

***3.1.1. Accounting for output VAT (Account 33311)***

a) Accounting for output VAT payable using credit-invoice method:

When issuing a VAT invoice and paying VAT using credit-invoice method, the income shall be recorded according to VAT-exclusive prices (VAT payable shall be recorded separately at the issuing time) as follows:

Dr 111, 112, 131 (total payment)

Cr 511, 515, 711 (VAT-exclusive prices)

Cr 3331 - VAT payable (33311).

b) Accounting for output VAT payable using subtraction method:

One of two methods below shall be chosen:

- Method 1: VAT payable is recorded separately when issuing invoices in accordance with above Point a;

- Method 2: Recording income including VAT payable using subtraction, when determining VAT payable periodically, a decrease in income shall be recorded:

Dr 511, 515, 711

Cr 3331 - VAT payable (33311).

c) When paying VAT to the government budget, the following accounts shall be recorded as follows:

Dr 3331 - VAT payable

Cr 111, 112.

***3.1.2. Accounting for VAT on imported goods (33312)***

a) When importing materials, goods, tangible fixed assets, import VAT payable, total payment and value of materials, goods, tangible fixed assets imported (excluding VAT of import goods) shall be recorded as follows:

Dr 152, 153, 156, 211, 611, etc.

Cr 333 – Taxes and other payables to the State (3333)

Cr 111, 112, 331, etc.

b) Recording VAT payable on imported goods:

- When deducting VAT payable on imported goods, the following accounts shall be recorded as follows:

Dr 133 – Deductible VAT

Cr 3331 - VAT payable (33312).

- If the VAT payable on the imported good is not deductible, it shall be included in the value of materials, goods or import fixed asset as follows:

Dr 152, 153, 156, 211, 611, etc.

Cr 3331 - VAT payable (33312).

c) When paying VAT to the government budget actually, the following accounts shall be recorded as follows:

Cr 3331 - VAT payable (33312).

Cr 111, 112, etc.

d) Import entrustment (applying for the trustor)

- When receiving notification of VAT payable on imported goods from the trustee, the trustor shall record deductible VAT payable on imported goods as follows:

Dr 133 – Deductible VAT

Cr 3331 - VAT payable (33312).

- When receiving tax payment slip from the trustee, the trustor shall record a decrease in the liability with government budget on VAT on import goods as follows:

Cr 3331 - VAT payable (33312).

Cr 111, 112 (if the trustee receives cash instantly)

Cr 3388 – Other payables (if the VAT on imported goods is not paid instantly to the trustee)

Cr 138 – Other payables (a decrease in the advance paid to the trustee for payment of VAT on imported goods)

- The trustee does not record the VAT payable on import goods similarly to the trustor, that VAT shall be recorded as VAT paid on behalf of the trustor and the following accounts shall be recorded as follows:

Dr 138 – Other payables (collecting the VAT paid on behalf of the trustor)

Dr 3388 – Other payables (deducting from received amounts from the trustor)

Cr 111, 112.

***3.1.3. Accounting for deductible VAT***

- Periodically, deductible VAT from output VAT payable during a period shall be determined and recorded as follows:

Cr 3331 - VAT payable (33311).

Cr 133 – Deductible VAT.

- When a transaction takes place, if it fails to determine that the input VAT on goods or services is whether or not deductible, all input VAT shall be recorded to account 133. Periodically, when determining the VAT not deductible from output VAT, it shall be recorded relevant expenses as follows:

Dr 632 - Costs of goods sold (non-deductible input VAT of inventory sold)

Dr 641, 642 (non-deductible VAT of sales expenses or enterprise administration expenses)

Cr 133 – Deductible VAT.

***3.1.4. Accounting for deduction in VAT payable***

If the enterprise is eligible for deduction in VAT payable, such VAT shall be recorded to other income as follows:

Dr 33311 – VAT payable (if deduction in VAT payable)

Dr 111, 112 - If the deduction is received in cash.

Cr 711 – Other income.

***3.1.5. Accounting for refund of input VAT***

If the enterprise is eligible for VAT refund as prescribed in regulations of law because the input VAT is greater than the output VAT, the following accounts shall be recorded as follows:

Dr 111, 112.

Cr 133 – Deductible VAT.

**3.2. Special excise tax (3332)**

3.2.1. Rules for accounting

- This account is used by the special excise taxpayer as prescribed. In the export-import entrustment, this account is used by the trustor, not by the trustee.

- Enterprises selling goods subject to special excise tax shall record their revenues excluding special excise tax. At the time recording income, if it fails to separate the special excise tax payable, the revenue shall be recorded including such tax, but the special excise tax payable shall be recorded as a decrease in revenue periodically. In any cases, the item “Revenues” and “Revenue deductions” in the income statement shall not include special excise tax payable when selling goods or providing services.

- Enterprises importing or selling domestic goods or fixed assets subject to special excise tax, their special excise tax payable shall be recorded to original cost of inventories. If the enterprise imports goods on behalf of a third party without ownership of such goods, for example, temporary import on behalf of a third party, the import duty payable shall not be recorded to value of goods but be recorded to other receivables.

- Accounting for special excise tax eligible for refund or deduction:

+ If the special excise tax paid for import of goods or services is eligible for refund, a decrease in costs of goods sold (goods dispatched for sale) or a decrease in value of goods (goods dispatched for loans or borrowings, etc) shall be recorded;

+ If the special excise tax paid for import of fixed assets is eligible for refund, a decrease in other expenses (sale of fixed assets) or a decrease in historical costs of fixed assets (fixed assets for return) shall be recorded;

+ If the special excise tax paid for import of goods or fixed assets is eligible for refund by the entity having no ownership, a decrease in other receivables shall be recorded.

+ If the special excise tax paid for sale of goods or services is eligible for refund or deduction, such tax shall be recorded to other income.

3.2.2. Accounting for special excise tax

a) Accounting for special excise tax payable for sale of goods or services:

- When a transaction takes place, if it fails to separate the special excise tax payable, the revenues shall be recorded excluding special excise tax as follows:

Dr 111, 112, 131 (total payment)

Cr 511 - Revenues

*Cr 3332 - Special excise tax.*

- When a transaction takes place, if it fails to separate the special excise tax payable, the revenues shall be recorded including special excise tax as follows: When determining special excise tax payable, a decrease in revenues shall be recorded as follows:

Cr 511 - Revenues

*Cr 3332 - Special excise tax.*

b) When importing goods subject to special excise tax, according to sale invoices of imported goods and tax notification issued by the competent agency, the special excise tax payable on imported goods shall be determined and recorded as follows:

Dr 152, 156, 211, 611, etc.

*Cr 3332 - Special excise tax.*

Regarding to temporary goods not under ownership of the enterprise, i.e. transit goods which are re-exported at the bonded warehouse, when paying special excise tax on imported goods, the following accounts shall be recorded as follows:

Dr 138 – Other receivables

*Cr 3332 - Special excise tax.*

c) When paying special excise tax to the government budget, the following accounts shall be recorded as follows:

Dr 3332 - Special excise tax.

*Cr 111, 112.*

d) Accounting for refund of special excise tax in the import process:

- When re-exporting goods whose special excise tax is eligible for refund, the following accounts shall be recorded as follows:

Dr 3332 – Special excise tax

Cr 632 – Costs of goods sold (goods dispatched for sale)

Cr 152, 153, 156 (goods dispatched for return).

- When re-exporting fixed assets whose special excise tax is eligible for refund, the following accounts shall be recorded as follows:

Dr 3332 – Special excise tax

Cr 211 – Tangible fixed assets (fixed assets dispatched for return)

Cr 811 – Other receivables (sale of fixed assets).

- When re-exporting goods not under ownership of the enterprise whose special excise tax is eligible for refund, the following accounts shall be recorded as follows:

Dr 3332 – Special excise tax

Cr 138 – Other receivables.

dd) Accounting for special excise tax payable for sale of goods or services which is eligible for refund or deduction: When receiving notification of special excise tax eligible for refund or deduction in the sale process issued by the competent agency, the following accounts shall be recorded as follows:

Dr 3332 – Special excise tax

Cr 711 – Other income.

e) When dispatching goods or services subject to special excise tax for internal consumption, giving, promotion or advertisement without collecting money, the following accounts shall be recorded as follows:

Dr 641, 642.

Cr 154, 155.

Cr 3332 – Special excise tax

g) Import entrustment (applying for the trustor)

- When receiving the special excise tax notification from the trustee, the trustor shall record the special excise tax payable as follows:

Dr 152, 156, 211, 611, etc.

*Cr 3332 - Special excise tax.*

- When receiving tax payment slip from the trustee, the trustor shall record a decrease in the liability with government budget on special excise tax as follows:

Dr 3332 - Special excise tax.

Cr 111, 112 (if the trustee receives cash instantly)

Cr 3388 – Other payables (if the special excise tax is not paid instantly to the trustee)

Cr 138 – Other payables (a decrease in the advance paid to the trustee for payment of special excise tax).

- The trustee does not record the special excise tax payable similarly to the trustor, that tax shall be recorded as special excise tax paid on behalf of the trustor and the following accounts shall be recorded as follows:

Dr 138 – Other payables (collecting the VAT paid on behalf of the trustor)

Dr 3388 – Other payables (deducting from received amounts from the trustor)

Cr 111, 112.

**3.3. Export duty (3333)**

3.3.1. Rules for accounting

- This account is used by the export se taxpayer as prescribed. In the export-import entrustment, this account is used by the trustor, not by the trustee.

- Export duty is an indirect tax and not included in the revenue structure of the enterprise. When exporting goods, the export duty payable shall be separated from revenues. At the time recording revenues, if it fails to separate the export duty payable, the revenue shall be recorded including such tax, but the export duty payable shall be recorded as a decrease in revenue periodically. In any cases, the item “Revenues” and “Revenue deductions” in the income statement shall not include export duty payable when selling goods or providing services.

- If the export duty paid for export is eligible for refund or deduction, it shall be recorded to other income

3.3.2. Method of accounting

a) Accounting for export duty payable for sale of goods or services:

- When a transaction takes place, if it fails to separate the export duty payable, the revenues shall be recorded excluding export duty as follows:

Dr 111, 112, 131 (total payment)

Cr 511 - Revenues

*Cr 3333 – Export-import duty (export duty in details).*

- When a transaction takes place, if it fails to separate the export duty payable, the revenues shall be recorded including export duty as follows: When determining export duty payable, a decrease in revenues shall be recorded as follows

Dr 511 - Revenues

*Cr 3333 – Export-import duty (export duty in details).*

b) When paying export duty to the government budget, the following accounts shall be recorded as follows:

Dr 3333 – Export-import duty (export duty in details).

Cr 111, 112, etc.

c) Export duty eligible for refund or deduction (if any), the following accounts shall be recorded as follows:

Dr 111, 112, 3333

Cr 711 – Other income.

d) Import entrustment (applying for the trustor)

**-** When buying goods or services subject to export duty, the revenues and export duty payable shall be recorded similarly to ordinary export as prescribed in Point a of this section.

- When receiving tax payment slip from the trustee, the trustor shall record a decrease in the liability with government budget on export duty as follows:

Dr 3333 – Export-import duty (export duty in details).

Cr 111, 112 (if the trustee receives cash instantly)

Cr 3388 – Other payables (if the export duty is not paid instantly to the trustee)

Cr 138 – Other payables (a decrease in the advance paid to the trustee for payment of export duty).

- The trustee does not record the export duty similarly to the trustor, that export duty shall be recorded as export duty paid on behalf of the trustor and the following accounts shall be recorded as follows:

Dr 138 – Other payables (collecting the VAT paid on behalf of the trustor)

Dr 3388 – Other payables (deducting from received amounts from the trustor)

Cr 111, 112.

**3.4. Export duty (3333)**

3.4.1. Rules for accounting

- This account is used by the export taxpayer as prescribed. In the export-import entrustment, this account is used by the trustor, not by the trustee.

- Enterprises importing goods or fixed assets shall record import duty payable to the original cost of goods or fixed assets. If the enterprise imports goods on behalf of a third party without ownership of such goods, for example, temporary import on behalf of a third party, the import duty payable shall not be recorded to value of goods but be recorded to other receivables.

- Accounting for import duty eligible for refund or deduction:

+ If the import duty paid for import of goods or services is eligible for refund, a decrease in costs of goods sold (goods dispatched for sale) or a decrease in value of goods (goods dispatched for loans or borrowings, etc);

+ If the import duty paid for import of fixed assets is eligible for refund, a decrease in other expenses (sale of fixed assets) or a decrease in historical costs of fixed assets (fixed assets for return);

+ If the import duty paid for import of goods or fixed assets is eligible for refund by the entity having no ownership, a decrease in other receivables shall be recorded (i.e. temporary imported goods for processing, etc)

3.4.2. Method of accounting for import duty

a) When importing materials, goods or fixed assets, import duty payable, total payment or paid amounts to the seller and value of imported materials, goods or fixed assets (import duty-inclusive prices) shall be recorded as follows:

Dr 152, 156, 211, 611, etc.  (import duty-inclusive prices)

Cr 3333 – Export-import duty (import duty in details).

Cr 111, 112, 331, etc.

Regarding to temporary imported goods not under ownership of the enterprise, i.e. transit goods which are re-exported at the bonded warehouse, when paying import duty; the following accounts shall be recorded as follows:

Dr 138 – Other receivables

*Cr 3333 – Export-import duty (import duty in details).*

b) When paying import duty to the government budget, the following accounts shall be recorded as follows:

Dr 3333 – Export-import duty (import duty in details).

Cr 111, 112, etc.

c) Accounting for refund of import duty in the import process

- When re-exporting goods whose import duty is eligible for refund, the following accounts shall be recorded as follows:

Dr 3333 – Export-import duty (import duty in details).

Cr 632 – Costs of goods sold (goods dispatched for sale)

Cr 152, 153, 156 – Goods (goods dispatched for return).

- When re-exporting fixed assets whose special excise tax is eligible for refund, the following accounts shall be recorded as follows:

Dr 3333 – Export-import duty (import duty in details).

Cr 211 – Tangible fixed assets (fixed assets dispatched for return)

Cr 811 – Other receivables (sale of fixed assets).

- Regarding import duty paid in import process but imported goods are not under ownership of the enterprise, if they are eligible for refund (i.e. paid import duty on processed goods), the following accounts shall be recorded as follows:

Dr 3333 – Export-import duty (import duty in details).

Cr 138 – Other receivables.

- When receiving money from the government budget, the following accounts shall be recorded as follows:

Dr 112 – Cash in bank

Cr 3333 – Export-import duty (import duty in details).

d) Import entrustment (applying for the trustor)

- When receiving notification of import duty from the trustee, the trustor shall record import duty payable as follows:

Dr 152, 156, 211, 611, etc.  (import duty-inclusive prices)

Cr 3333 – Export-import duty (import duty in details).

- When receiving tax payment slip from the trustee, the trustor shall record a decrease in the liability with government budget on import duty as follows:

Dr 3333 – Export-import duty (import duty in details).

Cr 111, 112 (if the trustee receives cash instantly)

Cr 3388 – Other payables (if the import duty is not paid instantly to the trustee)

Cr 138 – Other receivables (a decrease in the advance paid to the trustee for payment of import duty).

- The trustee does not record the import duty similarly to the trustor, that import duty shall be recorded as import duty paid on behalf of the trustor and the following accounts shall be recorded as follows:

Dr 138 – Other payables (collecting the VAT paid on behalf of the trustor)

Dr 3388 – Other receivables (deducting from received amounts from the trustor)

Cr 111, 112.

**3.5. Enterprise income tax (3334)**

a) According to enterprise income tax payable to the government budget quarterly, the following accounts shall be recorded as follows:

Dr 821 - Enterprise income tax expenses (8211)

Cr 3334 - Enterprise income tax.

b) When paying enterprise income tax to the government budget, the following accounts shall be recorded as follows:

Dr 3334 - Enterprise income tax.

Cr 111, 112.

c) Determination of enterprise income tax payable at the end of the fiscal year:

- If the enterprise income tax payable is smaller than the provisional enterprise income tax every quarter, the difference between them shall be recorded as follows:

Dr 3334 - Enterprise income tax.

Cr 821 - Enterprise income tax expenses (8211).

- If the enterprise income tax payable is greater than the provisional enterprise income tax every quarter, the difference between them shall be recorded as follows:

Dr 821 - Enterprise income tax expenses (8211)

Cr 3334 - Enterprise income tax.

**3.6. Personal income tax (3335)**

When determining personal income tax payable which is deducted from taxable income of staff and other employees, the following accounts shall be recorded as follows:

Dr 334 – Payables to employees

Cr 333 – Taxes and other payables to the State (3335)

- When paying salaries to outsourcing people, the enterprise must determine personal income tax payable subject to irregular upon each generation of income, the following accounts shall be recorded as follows:

+ When paying remuneration, fees for outsourcing, etc instantly to outsourcing people, the following accounts shall be recorded as follows:

Dr 623, 627, 641, 642, 635 (total payment); or

Dr 161 – Non-business expenses (total payment); or

Dr 353 – Welfare funds (total payment) (3531)

Cr 333 – Taxes and other payables to the State (3333) (deductible personal income tax)

Cr 111, 112 (actual payment).

+ When paying liabilities to outsourcing people having income, the following accounts shall be recorded as follows:

Dr 331 – Trade payables (total payables)

Cr 333 – Taxes and other payables to the State (deductible personal income tax)

Cr 111, 112 (actual payment).

- When paying personal income tax to the government budget on behalf of the people having income, the following accounts shall be recorded as follows:

Dr 333 – Taxes and other payables to the State (3335)

Cr 111, 112, etc.

**3.7. Natural resource tax (3336)**

- When determining natural resource tax payable which is included in the factory overheads, the following accounts shall be recorded as follows:

Dr 627 – Factory overheads (6278)

Cr 3336 – Natural resource tax.

- When paying natural resource tax to the government budget actually, the following accounts shall be recorded as follows:

Dr 3336 – Natural resource tax.

Cr 111, 112, etc.

**3.8. Land tax and land rent (3337)**

- When determining land tax and land rent payable which is included in the general administration expenses, the following accounts shall be recorded as follows:

Dr 642 - Enterprise income tax expenses (6425)

Cr 3337 - Land tax and land rent.

**-** When paying land tax and land rent to the government budget, the following accounts shall be recorded as follows:

Dr 3337 - Land tax and land rent.

Cr 111, 112, etc.

**3.9. Environmental protection tax**

3.9.1. Rules for accounting

- This account is used by the environment protection taxpayer as prescribed. In the import entrustment, this account is used by the trustor, not by the trustee.

- Enterprises selling goods subject to environmental protection tax shall record their revenues excluding environmental protection tax payable. At the time recording revenues, if it fails to separate the environmental protection tax payable, the revenue shall be recorded including such tax, but the environmental protection tax payable shall be recorded as a decrease in revenue periodically.

- Enterprises importing or selling domestic goods or fixed assets subject to environmental protection tax shall record their environmental protection tax payable to original cost of inventories.

- Accounting for environmental protection tax eligible for refund or deduction:

+ If the environmental protection tax paid for import of goods or services is eligible for refund, a decrease in costs of goods sold (goods dispatched for sale) or a decrease in value of goods (goods dispatched for loans or borrowings, etc);

+ If the environmental protection tax paid for import of fixed assets is eligible for refund, a decrease in other expenses (sale of fixed assets) or a decrease in historical costs of fixed assets (fixed assets for return);

+ If the environmental protection tax paid for import of goods or fixed assets is eligible for refund by the entity having no ownership, a decrease in other receivables shall be recorded.

+ If the environmental protection tax paid for sale of goods or services is eligible for refund or deduction, such tax shall be recorded to other income.

**3.9.2. Method of accounting for environmental protection tax**

a) When selling goods or providing services subject to environmental protection tax and VAT, the revenues shall be recorded excluding environmental protection tax and VAT as follows:

Dr 111, 112, 131 (total payment)

Cr 511 – Revenues (Environment protection and VAT-exclusive prices)

Cr 3331 - VAT payable (33311).

*Cr account 33381 - Environmental protection tax*

When a transaction takes place, if it fails to determine the environmental protection tax payable, the revenue shall be recorded including such tax, but the environmental protection tax payable shall be recorded as a decrease in revenue periodically.

Dr 511 - Revenues

*Cr 333 – Taxes and other payables to the State (in details).*

b) When importing goods subject to environmental protection tax, according to sale invoices of imported goods and tax notification issued by the competent agency, environmental protection tax payable on imported goods shall be determined and recorded as follows:

Dr 152, 156, 211, 611, etc.

*Cr account 33381 - Environmental protection tax:*

- When dispatching goods or services subject to environmental protection tax for internal consumption, giving, promotion or advertisement without collecting money, the following accounts shall be recorded as follows:

Dr 641, 642.

Cr 152, 154, 155, etc.

Cr account 33381 - Environmental protection tax:

c) In case the enterprise is an import trustee who pays environmental protection tax on behalf of the import trustor, when determining the environmental protection tax payable, the following accounts shall be recorded as follows:

Dr 138 – Other receivables

*Cr account 33381 - Environmental protection tax:*

**-** When paying environmental protection tax to the government budget, the following accounts shall be recorded as follows:

Dr 33381 - Environmental protection tax

*Cr 111, 112, etc.*

d) Accounting for refund of environmental protection tax in the import process

- When re-exporting goods whose environmental protection tax is eligible for refund, the following accounts shall be recorded as follows:

Dr 33381 - Environmental protection tax

Cr 632 – Costs of goods sold (goods dispatched for sale)

Cr 152, 153, 156 (goods dispatched for return).

- When re-exporting fixed assets whose special excise tax is eligible for refund, the following accounts shall be recorded as follows:

Dr 33381 - Environmental protection tax

Cr 211 – Tangible fixed assets (fixed assets dispatched for return)

Cr 811 – Other receivables (sale of fixed assets).

**-** When re-exporting goods not under ownership of the enterprise whose environmental protection tax is eligible for refund, the following accounts shall be recorded as follows:

Dr 33381 - Environmental protection tax

Cr 138 – Other receivables.

dd) Accounting for environmental protection tax payable for sale of goods or services which is eligible for refund or deduction: When receiving notification of special excise tax eligible for refund or deduction in the sale process issued by the competent agency, the following accounts shall be recorded as follows:

Dr 33381 - Environmental protection tax

Cr 711 – Other income.

**3.10. Other taxes (33382), fees, charges and other payables (3339)**

**-** When determining property transfer taxes subject to value of purchased asset (registration of ownership or rights to use), the following accounts shall be recorded as follows:

Dr 211 – Tangible fixed assets

Cr 333 – Taxes and other payables to the State (3339)

**-** When paying other taxes (i.e. foreign contractor tax), fees, charges and other payables actually, the following accounts shall be recorded as follows:

Dr 333 – Taxes and other payables to the State (33382, 3339)

Cr 111, 112.

**3.11. Accounting government grants for enterprises**

**-** When receiving decisions on government grants for enterprises providing goods or services at the request of the state; the government grants shall be recorded to revenues as follows:

Dr 333 – Taxes and other payables to the State (3339)

Cr 511 – Revenues (5114).

**-** When receiving government grants, the following accounts shall be recorded as follows:

Dr 111, 112.

Cr 333 – Taxes and other payables to the State (3339)

**Article 53. Account 334 – Payables to employees**

**1. Rules for accounting**

This account is used to record payables and payment of payables to employees of enterprises, including salaries, wages, bonuses, social insurance and other payables included in employees' incomes.

**2. Structure and contents of account 334 – Payables to employees**

**Debit:**

- Salaries, wages and bonuses, social insurance and other items which are paid or paid in advance to employees;

- Amounts deducted from salaries or wages of employees

**Credit:** Salaries, wages and bonuses, social insurance and other items which are paid to employees;

**Credit balance:** Outstanding salaries, wages and bonuses, social insurance and other items payable to employees;

Account 334 may have debit balance. Debit balance of account 334 is particular – recording negative difference between paid amounts and salaries, wages or other payables to employees (if any).

Account 334 shall be recorded according to: Salary payment and other payments.

***Account 334 – Payables to employees, comprises 2 sub-accounts:***

*- Account 3341 – Payables to staff:* This account is used to record payables and payment of payables to staff of enterprises, including salaries, wages, bonuses, social insurance and other payables included in staff' incomes.

*- Account 3348 – Payables to other employees:* This account is used to record payables and payment of payables to other employees of enterprises, including salaries, wages, bonuses, social insurance and other payables included in employees' incomes.

**3. Method of accounting for several major transactions**

a) When determining salaries or allowances payable to employees as prescribed, the following accounts shall be recorded as follows:

Dr 241 – Construction in progress

Dr 622, 623, 627, 641, 642.

*Cr 334 – Payables to employees (3341, 3348).*

b) Bonuses paid to staff:

- When determining bonuses paid to staff from welfare fund, the following accounts shall be recorded as follows:

Dr 353 – Welfare funds (3531)

*Cr 334 – Payables to employees (3341).*

*- When paying bonuses, the following accounts shall be recorded as follows:*

*Dr 334 – Payables to employees (3341).*

*Cr 111, 112, etc.*

c) When determining social insurance (illness, pregnancy, work-related accidents, etc) payable to staff, the following accounts shall be recorded as follows:

Dr 338 – Other payables or receivables (3383)

*Cr 334 – Payables to employees (3341).*

d) When determining actual annual leave salary to staff, the following accounts shall be recorded as follows:

Dr 623, 627, 641, 642.

Dr 335 - Expenses payable (Enterprises accrue salary of annual leave)

*Cr 334 – Payables to employees (3341).*

dd) Items must be deducted from salary and income of staff and other employees of enterprises, such as unspent advances, medical insurance, social insurance, collected compensation of assets in shortage awaiting resolution, etc, the following accounts shall be recorded as follows:

Dr 334 – Payables to employees (3341, 3348).

*Cr 141 - Advances*

*Cr 338 – Other payables or receivables*

*Cr 138 – Other receivables.*

e) When determining personal income tax of staff and other employees of the enterprise payable to the state, the following accounts shall be recorded as follows:

Dr 334 – Payables to employees (3341, 3348).

*Cr 333 – Taxes and other payables to the State (3335)*

g) When giving advance or paying salaries or wages to staff and other employees of enterprises actually, the following accounts shall be recorded as follows:

Dr 334 – Payables to employees (3341, 3348).

*Cr 111, 112, etc.*

h) When making payables to staff and other employees of the enterprise, the following accounts shall be recorded as follows:

Dr 334 – Payables to employees (3341, 3348).

*Cr 111, 112, etc.*

i) In case of paying salary or bonus to staff or other employees of the enterprise by products, goods, the sale revenues excluding VAT shall be recorded as follows:

Dr 334 – Payables to employees (3341, 3348).

*Cr 511 - Revenues*

*Cr 3331 - VAT payable (33311).*

k) Determination and payment of other payables to staff and employees of the enterprise such as shift-meal, rents, phone bills, school fees, membership cards, etc:

- When determining payables to staff and employees of the enterprise, the following accounts shall be recorded as follows:

Dr 622, 623, 627, 641, 642.

*Cr 334 – Payables to employees (3341, 3348).*

- When making payables to staff and employees of the enterprise, the following accounts shall be recorded as follows:

Dr 334 – Payables to employees (3341, 3348).

*Cr 111, 112, etc.*

**Article 54. Account 335 – Accrued expenses payable**

**1. Rules for accounting**

a) This account is used to record payables to goods or services received from the seller or provided for the seller during a reporting period, but payments of such goods or services have not been made due to lack of invoices or documents on accounting, which are recorded to operating expenses of the reporting period.

This account is also recorded payables to employees during a period, such as annual leave salary and operating expenses during the reporting period which are deducted in advance, for example:

- Expenses in seasonal cessation of production period, in case production cessation plan can be set up. The expenses payables in cessation period shall be calculated and recorded to operating expenses during the period.

- Accruing interest expenses incurred from loans payable in case of deferred loans interests, deferred bonds interests (at maturity of bonds).

- Accruing expenses to provisionally calculate cost of property finished products sold.

b) It is required to differentiate accrued expenses and provisions recorded to the account 352 and report in the financial statement in conformity with each item, in particular:

- Provisions are current liabilities without specific payment schedule; accrued expenses are current liabilities with specific payment schedule;

- Provisions are amounts payable which are not identified (i.e. provisions for warranty on goods or building works); accrued expenses are amounts payable which is identified.

- In the financial statement, provisions are separated with trade payables and other payables but accrued expenses are a part of trade payables or other payables.

- The recording of accrued expenses to operating expenses during a period shall be carried out in conformity with revenues and expenses incurring during a period. The payables not incurring because the goods or services are not received which are recorded to operating expenses in advance in this period to avoid suddenness in the operating expenses shall be recorded to provisions.

c) The accrued amounts not recorded to account 335 but to provisions account, such as:

- Expenses incurred from major repairs of specific tangible fixed assets due to cyclical large production, enterprises are allowed to accrue repair expenses for planning-year or several years later;

- Provisions for warranty on goods, building works or restructure;

- Other provisions (refer to account 352).

d) Accruement and recording of expenses which have not yet incurred into operating expenses during a period, must be calculated strictly (preparing an estimate for expenses approved by the competent agency) and have reasonable and reliable evidences on expenses which have to accrue in the period, to ensure amount of expenses payable recorded in this account in conformity with actual expenses incurred. Strictly forbid accruement in expenses contents which are not allowed to be charged to operating expenses.

dd) In principle, accrued expenses payable must be settled with actual expenses incurred. The difference between accruement and actual expenses must be reverted.

e) The accruement of expenses to provisionally determine the costs of property goods shall also meet following rules:

- The enterprise may only accrue expenses stated in the investment estimates without sufficient documents for acceptance to the costs of goods sold and reasons and contents of accruement for every work item must be presented.

- The enterprise may only accrue expenses to provisionally determine the costs of goods sold for completed property held for sale, which is sold during a period and meet recognition criteria of revenues.

- The accrued expenses which are temporarily determined and actual expenses incurred which are recorded to the costs of goods sold must be equivalent to the quota on cost according to total estimated expenses for sold property held for sale (according to the area).

g) The capitalized interest expenses shall be determined according to VAS “Borrowings costs”. The interest expenses shall be capitalized in following cases:

- Regarding loans serving the construction of fixed assets, investment properties, and the interests shall be capitalized even if the construction duration is under 12 months;

- The contract may not capitalize loan interests to serve the construction of building works or assets for their clients, including separate loans, for example: A contractor applies for loans for construction of building works for their clients; a shipbuilder builds ships to ship-owner, etc.

h) Accruement expenses which are unused until the end of the fiscal year must be presented in the financial statement.

**2. Structure and contents of account 335 – Accrued expenses**

**Debit:**

- Actually incurred payments charged to accrued expenses;

- Positive difference between accrued expenses and actual expenses shall be recorded as a decrease in expenses.

**Credit:** Accrued expenses which are recorded to operating expenses.

**Credit balance:** Accrued expenses charged to operating expenses, but have not yet incurred actually.

**3. Method of accounting for several major transactions**

a) When accruing into expenses incurred from annual leave salary of workers, the following accounts shall be recorded as follows:

Dr 622 - Direct labor costs

Cr 335 – Accrued expenses.

b) When calculating actual annual leave salaries payable, if the accrued amount is greater than the actual expenses incurred, the following accounts shall be recorded as follows:

Dr 335 – Accrued expenses (accrued amount)

Cr 622- - Direct labor costs.

c) When accruing expenses incurred from repair of fixed assets without acceptance during a period to operating expenses and issuing invoices, the following accounts shall be recorded as follows:

Dr 241, 623, 627, 641, 642.

Cr 335 – Accrued expenses.

d) When the repair of fixed assets is completed and put into operation, if the accrued amount is greater than the actual expense incurred, the following accounts shall be recorded as follows:

Dr 335 – Accrued expenses (accrued amount is greater than expense incurred)

Cr 241, 623, 627, 641, 642.

dd) When accruing estimated expenses payable during seasonal or planned production cessation period into operating expenses, the following accounts shall be recorded as follows:

Dr 623 – Costs of construction machinery

Dr 627 – Factory overheads

Cr 335 – Accrued expenses.

e) Actual expenses incurring from accrued expenses, the following accounts shall be recorded as follows:

Dr 623, 627 (if the expense incurred is greater than the accrued amount)

Dr 335 – Accrued expenses (accrued amount)

Dr 133 – Deductible VAT (if any)

Cr 111, 112, 152, 153, 331, 334

Cr 623, 627 (if the expense incurred is smaller than the accrued amount)

g) When determining deferred interest payable in period at end of period, the following accounts shall be recorded as follows:

Dr 635 – Financial expenses (loans interests for business capital)

Dr 627, 241 (capitalized interests)

Cr 335 – Accrued expenses.

h) In case the enterprise issues bonds at par value, if interests are deferred (at maturity of bonds), periodically, the enterprise must accrue loan interests expenses payable in period into operating expenses, or capitalization of interests, and the following accounts shall be recorded as follows:

Dr 627, 241 (capitalized interests)

Dr 635 – Financial expenses (if the interest is included in financial expenses)

Cr 335 – Accrued expenses (bond interest payables in the period).

At the maturity of the bond, when the enterprise pays principal and interest of the bond to the bondholder, the following accounts shall be recorded as follows:

Dr 335 - Accrued expenses (total bond interests)

Dr 34311 – Bond par value

Cr 111, 112, etc.

i) In case the enterprise issues bonds at discount, if interests are deferred (at maturity of bonds), periodically, enterprises must accrue loan interests expenses payable in period into operating expenses or capitalization of interests, and the following accounts shall be recorded as follows:

Dr 627, 241 (capitalized interests)

Dr 635 – Financial expenses (if the interest is included in financial expenses)

Cr 335 – Accrued expenses (bond interest payables in the period).

Cr 34312 – Bond discounts (bond discount allocated in period).

At the maturity of the bond, when the enterprise pays principal and interest of the bond to the bondholder, the following accounts shall be recorded as follows:

Dr 335 - Accrued expenses (total bond interests)

Dr 34311 – Bond par value

Cr 111, 112, etc.

k) In case the enterprise issues bonds at premium, if interests are deferred (at maturity of bonds), periodically, enterprises must accrue loan interests expenses payable in period into operating expenses or capitalization of interests, and the following accounts shall be recorded as follows:

Dr 627, 241 (capitalized interests)

Dr 635 – Financial expenses (if the interest is included in financial expenses)

Cr 335 – Accrued expenses (bond interest payables in the period).

At the maturity of the bond, when the enterprise pays principal and interest of the bond to the bondholder, the following accounts shall be recorded as follows:

Dr 335 - Accrued expenses (total bond interests)

Dr 34311 – Bond par value

Cr 111, 112, etc.

l) Regarding wholly-state-owned enterprises converted into joint-stock companies:

- Regarding overdue loans given by JSC Bank for Foreign Trade of Vietnam and the Vietnam Development Bank because the enterprise suffers losses, has no state capital and close to insolvency, the equitized enterprise must apply for freezing, rescheduling or cancelling debts of bank interests as prescribed in regulations of law in force. When receiving the decision of cancellation of outstanding interests, the following accounts shall be recorded as follows:

Dr 335 – Accrued expenses (cancelled interests)

Cr 421 – Undistributed profit after tax (the loan interests recorded to expenses of previous periods which are cancelled)

Cr 635 - Financial expenses (the loan interests recorded to financial expenses in this period).

- If the period from maturity date for payment of share purchase made by investors to the date on which the enterprise receives Certificate of Business registration is longer than 3 months, the enterprise may determine interests paid to investors:

+ Interests payable shall be recorded as follows:

Dr 635 - Financial expenses

Cr 335 – Accrued expenses.

+ When paying to investors, the following accounts shall be recorded as follows:

Dr 335 – Accrued expenses.

Cr 111, 112.

m) Accounting for accrued expenses for provisional determination of costs of sold property held for sale.

- When accruing expenses for provisional determination of costs of sold property held for sale, the following accounts shall be recorded as follows:

Dr 632 – Costs of goods sold

Cr 335 – Accrued expenses.

- The expenses incurred from accepted construction with sufficient documents shall be recorded to expenses incurred from property construction as follows:

Dr 154 – Work in progress

Dr 133 – Deductible VAT

Cr, relevant.

- When there are sufficient documents proving that accrued expenses actually incurs, a decrease in accrued expenses and work in progress shall be recorded as follows:

Dr 335- – Accrued expenses.

Cr 154- – Work in progress.

- When all property projects are completed, a decrease in the remaining accrued expenses shall be recorded as follows:

Dr 335- – Accrued expenses.

Cr 154- – Work in progress.

Cr 632 – Costs of goods sold (positive difference between remaining accrued expenses and actual expenses incurred).

**Article 55. Account 336 – Intra-company receivables**

**1. Rules for accounting**

a) This account is used to record payment of payables between an enterprise and dependent accounting affiliated units having no legal status (hereinafter referred to as dependent accounting units); between dependent accounting units in the same company.

In the enterprise, the classification of affiliates for accounting purpose shall base on nature of the units (independent accounting or dependent accounting, whether or not having legal status or having legal representative), but not base on the names of those units (members, branches, plants, groups, etc).

b) The account 336 shall not record payment between parent company and subsidiaries and between subsidiaries (between independent accounting units having legal status).

c) Intra-company receivables recorded to account 336 “Intra-company receivables” include working capital payables and other payables which the dependent accounting unit pays to the enterprise or other dependent accounting units; amounts which the enterprise grants to dependent accounting units. Amounts payable may relate to asset receipt, capital, funds, current payment, payment on behalf of a third party, interests, exchange differences, etc;

d) According to the decentralization and operating feature, the enterprise shall decide that the dependent accounting units shall record working capital granted by the enterprise to account 3361 – Operating capital provided for affiliated units or account 411 – Owner's invested equity.

dd) Account 336 “Intra-company receivables” is recorded in details for every unit which has mutual payment relationship, and accounts payable will be observed in details.

e) At end of period, accountants shall check and collate Account 136 and Account 336 between units according to every internal payment content, to prepare offsetting reports for every unit, as basis for offsetting adjustment in these two accounts. When collating, if having differences, the reasons for them must be uncovered and adjusted promptly.

**2. Structure and contents of account 336 – Intra–company receivables**

**Debit:**

- Amounts paid for dependent accounting units;

- Amounts paid to the enterprise by dependent accounting units;

- Amounts paid for items which internal units pay or receive on behalf of other internal units;

- Offsetting receivables against payables of the same unit having payment relationships.

**Credit:**

- Amounts of operating capital granted to dependent accounting units by the enterprise

- Amounts payable to the enterprise by dependent accounting units;

- Amounts payable to dependent accounting units;

- Amounts payable for other internal units on items paid or received on behalf of other units.

**Credit balance:** Outstanding amounts payable to the enterprise and internal units in the enterprise.

***Account 336 – Intra-company receivables, comprises 4 sub-accounts:***

- *Account 3361 – Operating capital intra-company payables:* This account is opened in dependent accounting units having no legal status to record operating capital granted by the enterprise.

This account does not record capital contributed to subsidiaries or units similar to subsidiaries (independent accounting units having no legal status) by the parent company.

- *Account 3362 – Exchange differences intra-company payables:* This account is only opened in project management board affiliated to the enterprise which is an investor to record the exchange differences payable to the enterprise.

- *Account 3363 – Intra-company payables for borrowing costs entitled to be capitalized:* This account is only opened in project management board affiliated to the enterprise which is an investor to record borrowings costs entitled to be capitalized transferred to the enterprise.

- *Account 3368 – Other intra-company payables:* records other payables between internal units in the same enterprise.

**3. Method of accounting for several major transactions**

***3.1. Accounting for dependent accounting units;***

a) When a dependent accounting unit (branch, shop, project management board, etc) receives capital from the superior unit, the following accounts shall be recorded:

Dr 111, 112, 152, 155, 156, 211, 213, 217, etc.

Cr 336 – Intra-company payables (3361).

b) When repaying amounts which are paid by other internal units or receiving goods or services from other internal units, the following accounts shall be recorded:

Dr 152, 153, 156

Dr 331 – Trade payables

Dr 641 – Selling expenses

Dr 642 – General administration expenses

Dr 133 – Deductible VAT

Cr 336 – Intra-company payables.

c) When collecting amounts on behalf of a third party or applying for loans from other internal units, the following accounts shall be recorded:

Dr 111, 112, etc.

Cr 336 – Intra-company payables.

d) When paying amounts payables or repaying amounts paid on behalf of the dependent accounting unit to the enterprise or other internal units, the following accounts shall be recorded:

Dr 336 – Intra-company payables.

Cr 111, 112, etc.

dd) When receiving decisions on transfer of assets to other internal units and decline in operating capital, the following accounts shall be recorded:

Dr 336 – Intra-company payables (3361)

Dr 214 – Depreciation of fixed assets (for transfer of fixed assets or investment properties)

Cr 152, 155, 156, 211, 213, 217, etc.

e) When offsetting receivables against payables incurring from transactions between the dependent accounting unit and other internal units, the following accounts shall be recorded:

Dr 336 – Intra-company payables.

Cr 136 – Intra-company payables.

g) If the dependent accounting unit is not assigned to account for undistributed profit after tax (TK 421), periodically the dependent accounting unit shall transfer revenues, income, expenses directly through account 336 – Intra-company payables or account 911 – Income summary, the following accounts shall be recorded:

- When transferring revenues or income, the following accounts shall be recorded:

Dr 511, 711.

Cr 911 – Income summary (if the dependent accounting unit observes the income summary during a period)

Cr 336 – Intra-company receivables (if the dependent accounting unit does not observe the income summary during a period)

Periodically, when the dependent accounting unit in charge of observation of the income summary during a period transfers the income summary (profits) to the superior unit, the following accounts shall be recorded:

Dr 911 – Income summary

Cr 336 – Intra-company payables.

- When transferring expenses, the following accounts shall be recorded:

Dr 336 – Intra-company receivables (if the dependent accounting unit is not assigned to observe the income summary)

Dr 911 – Income summary (if the dependent accounting unit is assigned to observe the income summary separately)

Cr 632, 635, 641, 642.

Periodically, when the dependent accounting unit in charge of observation of the income summary during a period transfers the income summary (losses) to the superior unit, the following accounts shall be recorded:

Dr 336 – Intra-company payables.

Cr 911 – Income summary.

h) If the dependent accounting unit is not assigned to account for undistributed profit after tax (TK 421), periodically, the dependent accounting unit shall transfer undistributed profit after tax to the superior unit, the following accounts shall be recorded:

- When transferring profits, the following accounts shall be recorded:

Dr 421 - Undistributed profits after tax

Cr 336 – Intra-company payables.

- When transferring losses, the following accounts shall be recorded:

Dr 336 – Intra-company payables.

Cr 421 - Undistributed profits after tax.

***3.2. Accounting for enterprises having dependent accounting units (superior units)***

a) When granting welfare fund to dependent accounting units, the following accounts shall be recorded:

Dr 353 - Welfare fund

Cr 336 – Intra-company payables.

b) When paying amounts payable to dependent accounting units, the following accounts shall be recorded:

Dr 152 – Raw materials

Dr 153—Tools and supplies

Dr 211 – Tangible fixed asset

Dr 331 – Trade payables

Dr 623 – Costs of construction machinery

Dr 627 – Factory overheads

Dr 641- – Selling expenses

Dr 642 – General administration expenses

Cr 336 – Intra-company payables.

c) When paying amounts payable to dependent accounting units, the following accounts shall be recorded:

Dr 336 – Intra-company payables.

Cr 111, 112, etc.

d) When offsetting intra-company receivables against intra-company payables, the following accounts shall be recorded:

Dr 336 – Intra-company payables.

Cr 136 – Intra-company payables.

**Article 56. Account 337 – Progress billings**

**1. Rules for accounting**

a) This account is used to record payables under schedule made by clients and receivables under revenues for the percentage of work that has been completed which is determined by the contractor in the contract of construction in progress.

c) Account 337 "Progress billings" only applies to construction contracts regulate that contractors are permit to make payments under schedule. This account shall not apply to construction contracts regulate that contractors are permit to make payments equivalently to the percentage of work certified by clients.

c) Documents on revenues equivalent to percentage of work that has been completed during a period (other than invoices) which are issued by the contractor and not certified by clients shall be the basis for recording to Dr 337. The contractor must choose methods for determination of percentage of work completed, and assign related departments to determine value of completed works, and prepare documents on revenues earned from construction contracts during a period.

Invoices prepared under billing schedule as specified in the construction contract shall be the basis for recording to Cr 337. Amounts stated in these invoices shall be the basis for recording trade receivables by contractor, but not recording revenues in accounting period.

d) Account 337 must be kept records in details for every construction contract.

**2. Structure and contents of account 337 – Progress billings**

**Debit:** recording receivables according to revenues equivalent to percentage of completed works under contract of construction in progress.

**Credit:** recording trade payables under schedule of the contract of construction in progress.

**Debit balance:** recording positive difference between revenues under the contract and trade payables under schedule of the contract of construction in progress.

**Credit balance:** recording negative difference between revenues under the contract and trade payables under schedule of the contract of construction in progress.

**3. Method of accounting for several major transactions**

a) In case a construction contract specifies that the contractor is entitled to make payment under schedule, when performance of construction contract is estimated reliably, the following accounts shall be recorded according to documents on revenues equivalent to completed work (other than invoices) determined by the contractor:

Dr 337 – Progress billings

Cr 511 – Revenues.

b) According to invoices prepared under billing schedule to record receivables under schedule under the contract, the following accounts shall be recorded:

Dr 131 – Trade receivables

Cr 337 – Progress billings

Cr 3331 – VAT payables.

c) When the contractor receives payment from clients, the following accounts shall be recorded:

Dr 111, 112.

Cr 131 – Trade receivables.

**Article 57. Account 338 – Other payables**

**1. Rules for accounting**

a) This account is used to record payment of accounts payable other than accounts in group of Account 33 (from Account 331 to Account 337). This account is also used for accounting for unearned revenues from services provided for customers and differences in prices incurring in transactions of purchase and leaseback of assets under finance lease or operating lease.

b) Structure and contents of account 338:

- Value of assets in surplus whose reasons are not uncovered awaiting resolution of competent agency; Value of assets in surplus to be returned to individuals, groups (inside and outside units) as prescribed in the decision of competent agency written in resolution report, if the reasons were determined.

- Appropriated amount and payment for social insurance, health insurance, and unemployment insurance and trade union fees;

- Amounts deducted from salaries of employees according to the judgment of the Court;

- Amount of profits or dividends payable to owners;

- Temporary loans or borrowing of materials or goods, capital contributed to BCC which does not require a new legal entity.

- Amounts received on behalf of a third party payable or amounts received from the trustor to pay import duty, export duty or VAT on imported goods and pay on behalf of the trustor;

- Pre-payment for financial lease, infrastructure, interests of capital loans or purchase of debt instruments collected from clients during several accounting periods.

- The difference between selling prices under deferred or installment payment as committed and cash price.

- Amount payables for sale of shares of state capital when equitizating a wholly-state-owned enterprise.

- The positive difference between selling price and residual value of leased back fixed assets is financial lease; the positive difference between selling price and fair value of leased back fixed assets is operating lease;

- Other payables, such as payables for sale of voluntary pension insurance, life insurance and other grants (other salaries) for employees, etc.

c) Other payables in foreign currencies or payment of other payables must be kept records in details and the converting from foreign currencies into accounting currencies according to following rules:

- When incurring payables in foreign currencies, those payables shall be converted into VND according to actual exchange rates at the incurring time (selling exchange rate of the commercial bank where the enterprise regularly enters into transactions);

- When paying other payables in foreign currencies, they must be converted into specific identification bookkeeping rate;

- At the end of the accounting period, the balance of other payables shall be re-evaluated according to actual exchange rates at the incurring time (selling exchange rate of the commercial bank where the enterprise regularly enters into transactions) and recorded to financial expenses, or financial income. Unearned revenues in foreign currencies shall not be re-evaluated if it is not evident that the enterprise is required to return those re-payments to clients in foreign currencies.

**2. Structure and contents of account 338 – Other payables**

**Debit:**

- Transferring value of assets in surplus into relevant accounts according to decision written in resolution report;

- Trade union fees disbursed at units;

- Amounts of social insurance, health insurance, unemployment insurance, trade union fees paid to manage fund agencies of social insurance, health insurance, unemployment insurance and trade union fees.

- Unearned revenues calculated for every accounting period; pre-payment returned to clients if the enterprise does not keep leasing assets;

- Difference between selling price under deferred or installment payment as committed and cash price (deferred interests) allocated to financial expenses;

- Transferring positive difference between the selling price and residual value of leased back fixed assets which is financial lease to record as a decrease in operating expenses;

- Transferring positive difference between the selling price and fair value of leased back fixed assets which is operating lease to record as a decrease in operating expenses;

- Paying amounts collected from equitization of wholly-state-owned enterprises to enterprise arrangement fund;

- Transferring difference between equitization expenses (-) amounts collected from equitization of state companies;

- Other payables.

**Credit:**

- Value of assets in surplus awaiting for resolution (without reasons); Value of assets in surplus payable to individuals or groups (inside and outside units) according to the decision written in resolution report because the reasons are uncovered instantly;

- Appropriating social Insurance, health Insurance, unemployment insurance and trade union fees into operating expenses or salaries of employees;

- Payment with employees on collective housing rents, electricity and water expenses;

- Overspending trade union fees which are granted additionally;

- Amounts of social insurance given by social insurance agencies which are paid to employees

- Unearned revenues incurred during a period;

- The difference between selling prices under deferred or installment payment as committed and cash price.

- The positive difference between selling price and residual value of leased back fixed assets which is financial lease;

- The positive difference between selling price and fair value of leased back fixed assets which is operating lease;

- Total amounts collected from sale of shares of state capital; positive difference between actual values of state capital determined when the wholly-state-owned enterprise converts into joint-stock company and actual value of state capital when the enterprise's value is determined;

- Temporary loans or borrowings of materials or goods, or capital contributed to BCC which does not require a new legal entity;

- Return of receipts on behalf of other units;

- Other payables.

**Credit balance:**

- Accrued social insurance, health insurance and trade union fees which have not been paid to management agency or unspent trade union fees;

- Value of assets in surplus awaiting resolution;

- Unearned revenues incurred at the end of accounting period;

- Positive difference between selling price and residual value of leased back fixed asset without transferring;

- Total amounts collected from sale of shares of state capital; positive difference between actual value of state capital determined when the wholly-state-owned enterprise converts into joint-stock company and actual value of state capital when the value to-be-paid of the enterprise at the end of the accounting period is determined;

- Other payables.

**This account may have debit balance:** Debit balance shall reflect payment in excess of accounts payable, or sums of social insurance paid to employees who have not yet been settled, and overspending trade union fees not being granted additionally.

***Account 338 – Other payables, comprises 8 sub-accounts:***

*- Account 3381 – Assets in surplus awaiting resolution:* records value of assets in surplus without reasons awaiting resolution of the competent agency. In case the reasons for surplus are uncovered and there is resolution report, the assets in surplus shall be recorded to relevant accounts, not to account 338 (3381).

*- Account 3382 – Trade union fees:* records accruement and payment of trade union fees at units.

*- Account 3383 – Social insurance*: records accruement and payment of social insurance at units.

*- Account 3384 – Health insurance:* records accruement and payment of health insurance at units.

*- Account 3385 – Payables on equitization:* records amounts collected from sale of shares of state capital payables, positive difference between actual value of state capital when the wholly-state-owned enterprise converts into joint-stock company and actual value of state capital when the enterprise's value is determined;

*- Account 3386 – Unemployment insurance:* records accruement and payment of unemployment insurance at units.

*- Account 3387 – Unearned revenues:* records current amounts and increases and decreases in unearned revenues of the enterprise during a period. Unearned revenues include: amounts of customers paid in advance for one or many accounting periods for asset lease; interests received in advance when lending or buying debt instruments; or the difference between selling prices under deferred and from installment payment as committed and cash price; revenues corresponding to the value of goods, services or discounts to clients in the traditional client programs, etc. The following amounts shall be not recorded to this account:

+ Amounts received in advance from buyers that enterprise has not provided goods or services;

+ Revenue has not earned from asset lease or services provided for several accounting periods (unearned revenue is only recorded when the revenue is actually collected, not recorded corresponding to TK 131 – Trade receivables).

*- Account 338 – Other payables:* records other payables of the unit other than payables recorded to accounts from 3381 to 3387.

**3. Method of accounting for several major transactions**

3.1. Assets in surplus without reasons awaiting resolution:

a) When discovering assets in surplus, their value shall be recorded according to the fair value as follows:

Dr 111, 152, 153, 156, 211 (according to fair value)

Cr 338 – Other payables (3381).

b) When there is the resolution report on surplus in assets issued by the competent agency, the following accounts shall be recorded:

Dr 338 – Other payables (3381).

Cr 411 – Owner's invested equity; or

Cr 441 – Capital expenditure funds;

Cr 338 – Other payables (3388);

Cr 642 – General administration expenses

Cr 711 – Other income.

3.2. Accounting for surplus of assets in case of equitization of wholly-state-owned enterprise

- When receiving notification or decision on equitization issued by the competent agency, the equitized enterprise must conduct physical inventory count and classify assets under management and use of the enterprise when the enterprise’s value is determined. According to the report on money inventory when determining the enterprise’s value, the value of money in surplus shall be recorded as follows:

Dr 111, 112.

Cr 3381 – Assets in surplus awaiting resolution

Surplus of assets: the enterprise shall keep records of surplus of assets discovered under physical inventory count in the financial statement.

- Accounting for assets in surplus or shortage: with regard to assets in surplus, according to “Report on resolution to shortage or surplus of assets under physical inventory count”, the following accounts shall be recorded:

Dr 3381 – Assets in surplus awaiting resolution

Cr 331 – Trade payables (if the assets in surplus belong to the seller)

Cr 338 – Other payables (3388);

Cr 411 – Owner's invested equity (regarding assets in surplus unable to uncover reasons or owners).

3.3. Accounting for social insurance, health insurance, unemployment insurance, or trade union fees

- When appreciating social insurance, health insurance, unemployment insurance, or trade union fees, the following accounts shall be recorded:

Dr 622, 623, 627, 641, 642 (amounts included in operating expenses)

Dr 334 – Payables to employees (amounts deducted from salaries of employees)

Cr 338 – Other payables (3382, 3383, 3384, 3386).

- When paying social insurance, health insurance, unemployment insurance, or trade union fees, the following accounts shall be recorded:

Dr 338 – Other payables (3382, 3383, 3384, 3386).

Cr 111, 112, etc.

- When paying social insurance to employees in case of sick leave or maternity leave, etc, the following accounts shall be recorded:

Dr 338 – Other payables (3383).

Cr 334 – Payables to employees.

- When spending trade union fees at units, the following accounts shall be recorded:

Dr 338 – Other payables (3382).

Cr 111, 112, etc.

- When receiving compensation for overspending trade union fees, the following accounts shall be recorded:

Dr 111, 112.

Cr 338 – Other payables (3382).

3.4. When applying for loans or borrowings of materials or goods, or capital contributed to BCC which does not required a new legal entity, the following accounts shall be recorded:

Dr 111, 112, 152, 153, 156, etc.

Cr 338 – Other payables.

3.5. Accounting for unearned revenues on operating lease of fixed assets, investment properties, unearned revenues of accounting period are determined by total of money collected from operating lease of fixed assets, property investment dividing for number of periods having amount received in advance from operating lease of fixed assets, property investment (if the total advance is recorded to revenues one time):

- When receiving rents for lease of fixed assets or property lease for many years which are prepaid by customers, unearned revenues at VAT-exclusive prices shall be recorded as follows:

Dr 111, 112, etc.  (total advances)

Cr 3387 – Unearned revenues (VAT-exclusive prices)

Cr 3331 – VAT payables (33311).

- When calculating and recording revenue of every accounting period, the following accounts shall be recorded:

Dr 3387 – Unearned revenues

Cr 511 – Revenues (5113, 5117).

- If the asset-leasing contract fails to be performed, when returning money to clients, the following accounts shall be recorded:

Dr 3387 – Unearned revenues (VAT-exclusive prices)

Dr 3331 – VAT payable (amounts returned to the lessee for VAT on non-performance of asset-leasing contract)

Cr 111, 112, etc (returned amounts).

3.6. Accounting for sale using deferred or instalment payment:

- When selling goods using deferred or instalment payment, the revenues of the accounting period shall be recorded according to cash prices, the difference between deferred price and cash price shall be recorded to account 3387 “Unearned revenues” as follows:

Dr 111, 112, 131, etc.

Cr 511- – Revenues (according to VAT-exclusive cash prices)

Cr 3387 – Unearned revenues (difference between deferred price and VAT-exclusive cash price)

Cr 333 – Taxes and other payables to the State (3331).

- Periodically, when calculating and transferring profits from sale using deferred or instalment payment during a period, the following accounts shall be recorded:

Dr 3387 – Unearned revenues

Cr 515 – Financial income.

- When actually collecting amounts of sale using deferred or instalment payment, including difference between selling price under deferred or installment payment as committed and cash price, the following accounts shall be recorded:

Dr 111, 112, etc.

Cr 131 – Trade receivables.

- And the costs of goods sold shall be recorded as follows:

+ When selling goods, the following accounts shall be recorded:

Dr 632- Costs of goods sold

Cr 154 (631), 155, 156, 157, etc.

+ When liquidating or selling an investment property, the following accounts shall be recorded:

Dr 632- Costs of goods sold (residual value of the investment property)

Dr 214 – Depreciation of fixed assets (2147) (accumulated depreciation - if any)

Cr 217 – Investment property.

3.7. If the selling price of the leased back fixed asset which is financial lease is greater than their residual value:

- When completing procedures for sale of assets, the following accounts shall be recorded according to relevant invoices and documents:

Dr 111, 112, etc.  (total payment)

Cr 711- Other income (residual value of leased back fixed asset)

Cr 3387 – Unearned revenues (positive difference between selling price and residual value of fixed asset)

Cr 3331 – VAT payables.

And a decrease in fixed asset shall be recorded as follows:

Dr 811 - Other income (residual value of leased back fixed asset)

Dr 214 – Depreciation of fixed assets (depreciation value) (if any)

Cr 211 – Tangible fixed asset (historical cost).

- Periodically, when transferring positive difference (profit) between the selling price and residual value of financial leased back fixed assets which are financial lease to record as a decrease in operating expenses in conformity with lease term; the following accounts shall be recorded:

Dr 3387 – Unearned revenues

Cr 623, 627, 641, 642, etc.

3.8. Enterprises which have not allocated all profits on exchange differences in the before-operation stage (recorded to account 3387 – Unearned revenues) must transfer total profits on exchange differences to financial income to determine income summary during a period, and the following accounts shall be recorded:

Dr 3387 – Unearned revenues

Cr 515 – Financial income.

3.9. Accounting for payables on equitization of wholly-state-owned enterprise.

- When collecting amounts from sale of shares of state capital in the enterprise, the following accounts shall be recorded:

Dr 111, 112.

Cr 3385 – Payables on equitization.

- Accounting for policies for employees in excess of the enterprise: According to the decision on determination of amounts collected from sale of shares to support policies for employees in excess of the enterprise, the following accounts shall be recorded:

Dr 3385 – Payables on equitization.

Cr 334 – Payables to employees.

When paying money to employees actually, the following accounts shall be recorded:

Dr 334 – Payables to employees.

Cr 111, 112.

- Settlement of equitization expenses: at the end of the equitization progress, the enterprise must send a report and make settlement of equitization expenses with the agency deciding the equitization. The equitization expenses shall be offset against amounts collected from equitization of enterprise, the following accounts shall be recorded:

Dr 3385 – Payables on equitization.

Cr 1385 – Payables on equitization (equitization expenses in details).

When paying amounts collected from equitization (after offsetting equitization expenses) to enterprise arrangement fund in the parent company of the economic group, general state-owned company, parent company in the parent company—subsidiary relationship or Enterprise Arrangement and Development Fund held by State Capital and Investment Corporation, the following accounts shall be recorded:

Dr 3385 – Payables on equitization.

Cr 111, 112.

- If the enterprise is not permit to use amounts collected from sale of shares, the interest payable shall be deducted from amounts payable on equitization but not recorded to financial expenses, the following accounts shall be recorded:

Dr 3385 – Payables on equitization.

Cr 335 – Accrued expenses.

When paying money to investors, the following accounts shall be recorded:

Dr 335 – Accrued expenses.

Cr 111, 112.

- Accounting for difference between the actual value of state capital when the state-owned enterprise converts into joint-stock company and the actual value of state capital when the enterprise’s value is determined.

+ If the actual value of state capital when the state-owned enterprise converts into joint-stock company is greater than the actual value of state capital when the enterprise’s value is determined, when paying positive difference between them (profits) to enterprise arrangement fund in the parent company of the economic group, general state-owned company, parent company in the parent company – subsidiary relationship or Enterprise Arrangement and Development Fund held by State Capital and Investment Corporation, the following accounts shall be recorded:

Dr 421 - Undistributed profits after tax

Cr 3385 – Payables on equitization.

When paying amounts collected from equitization (after offsetting equitization expenses) to enterprise arrangement fund in the parent company of the economic group, general state-owned company, parent company in the parent company—subsidiary relationship or Enterprise Arrangement and Development Fund held by State Capital and Investment Corporation, the following accounts shall be recorded:

Dr 3385 – Payables on equitization.

Cr 111, 112.

+ If the actual value of state capital determined when the wholly-state-owned enterprise converts into joint-stock company is smaller than the actual value of state capital when the enterprise's value is determined; the negative difference between them (losses) shall be recorded as follows:

If the group or individual is subject to compensation, the following accounts shall be recorded:

Dr 138 – Other receivables (1388)

Cr 421 - Undistributed profits after tax.

When receiving compensation from the group or individual, the following accounts shall be recorded:

Dr 111, 112.

Cr 138 – Other receivables (1388).

If the negative difference is caused by objective reasons, or subjective reasons due to force majeure event but the offender fails to make compensation and the competent agency considers and decides to use the amounts collected from sale of shares to compensate the losses after deducting insured compensation (if any), the following accounts shall be recorded:

Dr 3385 – Payables on equitization.

Cr 421 - Undistributed profits after tax.

3.10. Accounting for the import trustee

a) When receiving money from the import trustor to buy imported goods, the following accounts shall be recorded according to relevant documents:

Dr 111, 112, etc.

Cr 338 – Other payables (3388).

b) When transferring money to make deposit to open LC (for payment using Letter of Credit), the following accounts shall be recorded according to relevant documents:

Dr 244 – Pledge, mortgages and deposits

Cr 111, 112.

c) When importing materials, equipment or goods for the trustor, the quantity, class, quality of the entrusted imported goods, import duration, payment entity, etc, shall be recorded to the trustee's administration system and financial statement; the value of entrusted import goods shall not be recorded to balance sheet.

d) Accounting for the import entrustment payment:

- When transferring deposit for L/C to overseas sellers as a portion of the import entrustment payment, the following accounts shall be recorded:

Dr 138 – Other receivables

Cr 244 – Pledge, mortgages and deposits.

- When making payment of entrusted imported goods to overseas seller, the following accounts shall be recorded:

Dr 138 – Other receivables (if the trustor has not given advance for purchase of imported goods)

Dr 3388 - Other payables (deducted from the amounts received from the trustor)

Cr 111, 112, 3388, etc.

- Import duty, VAT on imported goods, special excise tax paid on behalf of the import trustor: in the export – import entrustment transaction (export-import entrustment contract is required), the trustee shall be the representative of the trustor to fulfill obligation with the government budget (taxpayer on behalf of the trustor), or tax liability taken over by the trustor. In this case, the trustee only records amounts of money paid to government budget as amount paid on behalf of the trustor. When paying to government budget, the following accounts shall be recorded:

Dr 138 – Other receivables (return of amounts paid on behalf of the trustor)

Dr 3388 - Other payables (deducted from the amounts received from the trustor)

Cr 111, 112.

dd) Regarding import entrustment expenses and VAT on import entrustment expenses, the revenues from import entrustment expenses shall be recorded as follows according to VAT invoices and relevant documents:

Dr 131, 111, 112, etc. (total payment)

Cr 511 – Revenues (5113)

Cr 3331 – VAT payables.

e) When make payment related to import entrustment (banking fees, customs inspection fees, warehouse rents, depot rents, material handling expenses, delivery expenses, etc) on behalf of the import trustor, the following accounts shall be recorded according to relevant documents:

Dr 138 – Trade receivables (every import trustor in details)

Cr 111, 112, etc.

g) When offsetting receivables against payables at the end of the transaction, the following accounts shall be recorded:

Dr 338 – Other payables

Cr 138 – Other receivables,

3.11. Accounting for the export trustee

a) When exporting materials, equipment or goods for the trustor, the quantity, class, quality of the entrusted exported goods, export duration, payment entity, etc, shall be recorded to the trustee's administration system and financial statement; the value of entrusted export goods shall not be recorded to balance sheet. The payment of export duty (if any) shall comply with regulations of account 333 – Taxes and other payables to the State.

b) When paying on behalf of the export trustor, the following accounts shall be recorded:

Dr 138 – Other receivables (1388)

Cr 111, 112.

c) When receiving amount of money from the overseas purchaser, such amount shall be recorded to payables to trustor as follows:

Dr 112 – Cash in bank

Cr 338 – Other payables (3388).

d) When offsetting receivables against payables, the following accounts shall be recorded:

Dr 338 – Other payables

Cr 138 – Other receivables,

3.12. When determining profits or dividends payable to owners, the following accounts shall be recorded:

- When determining amounts payable, the following accounts shall be recorded:

Dr 421 - Undistributed profits after tax

Cr 338 – Other payables (3388).

- When paying profits or dividends to owners, the following accounts shall be recorded:

Dr 338 – Other payables (3388).

Cr 111, 112 (amount of profits or dividends payable to owners)

Cr 3335 – Personal income tax (if the personal income tax of the owner is deducted at source).

3.13. When preparing financial statement, balance of other payables in foreign currencies according shall be re-evaluated according to actual exchange rates:

- If incurring losses of exchange rates, the following accounts shall be recorded:

Dr 413 – Exchange rate differences

Cr 338 – Other payables.

- If incurring profits of exchange rates, the following accounts shall be recorded:

Dr 338 – Other payables

Cr 413 – Exchange rate differences.

**Article 58. Account 341 - Loans and finance lease liabilities**

**1. Accounting Principles**

a) This account shall be used to record loans, finance lease liabilities and payment of the loans, finance lease liabilities of the enterprises. Loans under the forms of issuance of bonds or preference shares with provisions requiring the issuer to repurchase at a certain time in the future shall not be recorded in this account.

b) Enterprises must monitor in detail the payable term of loans, finance lease liabilities. The loans, finance lease liabilities with payment period of more than 12 months from the date of the financial statements, accountants shall present as long-term loans and finance lease liabilities. Loans and finance lease liabilities fall due for settlement within the next 12 months from the date of the financial statements, accountants shall present as short-term loans and finance lease liabilities for the payment plan.

c) Borrowing expenses directly related to the loans (other than payable interest), such as expenses for verification, audit, making application... shall be accounted for in financial expenses. Where these expenses arise from loans for purposes of investment, construction or production of assets in progress, they shall be capitalized.

d) For the financial lease liabilities, total liabilities recorded in the Credit side of Account 341 shall be the total payable amount calculated on the present value of minimum lease payments or the fair value of leased assets.

e) Enterprises must account for in details and monitor each object of the loan or liability, loan agreement and type of loan asset. In case of loans or liabilities in foreign currency, accountants must monitor in detail the currency and comply with the following principles:

- Loans, liabilities in foreign currency must be converted into accounting monetary units in accordance with the actual exchange rate at the arising time;

- When paying loans, liabilities in foreign currency , the Debit side of Account 341 shall be entitled to convert according to exchange rates recorded in accounting books in actually specific identification for each object;

- When establishing financial statement, the balance of the loan, finance lease liabilities in foreign currency must be revalued at actual exchange rates at the date of the financial statements.

- The exchange rate differences arising from the payment and the revaluation at the end of the period of loans, finance lease liabilities in foreign currencies shall be accounted for in revenues or expenses of financial activities.

**2. Structure and contents of the account 341 - Loans and finance lease liabilities**

**Debit side:**

- Sums paid for loans, finance lease liabilities;

- Sum of loans, liabilities reduced due to agreement of the lenders, creditors;

- Exchange differences due to revaluation of the balance of loan, finance lease liabilities by foreign currency at the end of period (in case exchange rate of foreign currency falls against the Vietnam dong).

**Credit side:**

- Sum of loans, finance lease liabilities incurred during the period;

- Exchange differences due to revaluation of the balance of loan, finance lease liabilities by foreign currency at the end of period (in case exchange rate of foreign currency rises against the Vietnam dong).

**Credit balance:** Balance of remaining loans, finance lease liabilities.

Account 341 - Loans and finance lease liabilities *comprise 2 sub-accounts*

*Account 3411 - Loans: This account records the value of the loans and the payment of the loans of enterprises (this account does not record loans under the form of bond issuance).*

*Account 3412 - Finance lease liabilities* This account records the value of finance lease liabilities and the payment of finance lease liabilities of enterprises.

**3. Method of accounting for several major transactions**

Loans by cash

- Loans by Vietnam dong (put into cash fund or deposited into bank), record:

Dr 111- Cash (1111)

Dr 112- Cash in bank (1121)

Cr 341 - Loans and finance lease liabilities (3411)

- Loans by foreign currency converted into Vietnam dong according to actual transaction exchange rates, record:

Dr 111-Cash (1112) (loan put into cash fund)

Dr 112- Cash in bank (1122) (loan deposited into bank)

Dr 221, 222- (loan invested into subsidiaries, associated companies, joint-ventures)

Dr 331- Supplier payable (loan paid straightly for sellers)

Dr 221-Tangible fixed assets (loan for purchase of fixed assets)

Dr 133- Deductible value-added tax (if any)

Cr 341 - Loans and finance lease liabilities (3411)

- Loan expenses directly related to the loan (other than accrued interest) such as expenses for audit, application for verification... record:

Dr 241, 635

Cr 111, 112, 331

b) Loans transferred straightly to sellers for purchase of inventory, fixed assets, to pay for capital investment, if input VAT is deductible, record:

Dr 152, 153, 156, 211, 213, 241 (purchase price excluding VAT)

Dr 213 - Intangible fixed assets (purchase price excluding VAT)

Dr 133- Deductible value-added tax (1332)

Cr 341 - Loans and finance lease liabilities (3411)

- If the input VAT is not deductible, the value of purchase and construction of fixed assets shall be recorded including VAT. Borrowing expenses directly related to the loans (other than accrued interest) as expenses for audit, application for accounting verification shall be similar to entries in point a.

c) Loans for payment or capital advance (prepaid) to sellers, contractors of construction, to pay the expenses, record:

Dr 331, 641, 642, 811

Cr 341 - Loans and finance lease (3411)

d) Loans for investments in subsidiaries, associated companies and joint ventures, shares, bonds, record:

Dr 221, 222, 228

Cr 341 - Loans and finance lease liabilities (3411)

dd) The accrued interest are added to the principal, record:

Dr 635- Financial expense

Dr 154, 241 (if the interest is capitalized)

Cr 341 - Loans and finance lease liabilities (3411)

e) Payment loans by Vietnam dong or by sums received from debts of the customer, record:

Dr 341 - Loans and finance lease liabilities (3411)

Cr 111, 112, 131

g) Payment of loan in foreign currency:

Dr 341 – Loans and finance lease liabilities (under exchange rates of account 3411)

Dr 635 - Financial expense (loss on forex)

Cr 111, 112 (at the exchange rate in accounting books of Accounts 111, 112)

Cr 515 - Financial income (gain on forex).

h) Accounting of transactions involving financial lease shall comply with the provisions of accounts 212 - Finance lease fixed assets.

When establishing financial statement, the balances of the loan, finance lease liabilities in foreign currency must be revalued at real exchange rates at the end of period:

- If loss on forex is incurred, record:

Dr 413 - Exchange differences

Cr 341 - Loans and finance lease liabilities

- If gain on forex is incurred, record:

Dr 341 - Loans and finance lease liabilities

Cr 413 - Exchange differences

**Article 59. Account 343 - Bonds released**

**1. Accounting Principles**

Account 343 is only applied to enterprises borrowing capital by the mode of releasing bond. This account is used to record situation of releasing bond, including convertible bond and payment situation for bond of enterprises. This account is also used for recording bonds discounts, premium when issuing bond, and allocation situation of discounts, premiums when determining borrowing costs charged to business and production costs or capitalized for every period.

Real interest rate (also called effective interest rate) is defined as follows:

It is interest rates for loans of commercial banks commonly applied in the market at the time of the transaction;

b) Where the interest rate cannot be determined in accordance with point a above, the real interest rate is the interest rate that enterprises may borrow under the form of issued debt instruments which must not be convertible into shares (bond issuance must not commonly converted or borrowed by conventional contract) in conditions of production, business which is going on normally.

Principles of common bonds (unconvertible bonds)

When enterprises borrow capital by releasing bond, three cases may occur:

- *Releasing bond at par (released price equal to Bond par value):* means releasing bond with the price complied with bond par value. This case often occurs when the market interest rate is equal to the nominal interest rate of bond released;

- *Releasing bond at discount (released price less than Bond par value):* means releasing bond with the price lower than bond par value, called discounts of bond. This case often occurs when market interest rate is higher than nominal interest rate of bond released;

- *Releasing bond at premium (released price higher than Bond par value):* means releasing bond with the price higher than bond par value. The difference between released Bond par values higher than price of bond called premium of bond. This case often occurs when market interest rate is lower than nominal interest rate of bond released;

b) Bond discount and premium are only incurred when enterprises borrow by the mode of releasing bond, and at the releasing time, there is a difference between market interest rate and nominal interest rate approved by the investors who buy bond. Bond discount and premium are determined and recorded immediately at the time of releasing bond. The difference between market interest rate and nominal interest rate after the time of leasing bond shall not influence on value of premiums or discounts recorded.

c) Enterprises using Account 3431 - Bonds often used to record the details of contents related to the bond released, including:

- Bond par value;

- Bond discount;

- Bond premium

Also monitor in detail according to issuance duration of bond.

d) Enterprises must monitor discounts and premiums for every type of bond released, and allocation situation of every discount and premium when determining borrowing costs charged to business and production costs or capitalized for every period, namely:

- Bond discount is allocated gradually to be charged into borrowing costs for every period during bond life;

- Bond premium is allocated gradually to reduce borrowing costs for every period during the bond life;

- In case of bonds' interest costs are qualified for capitalization, borrowing interests and the allocation of discounts or premiums capitalized in every period must not exceed actual borrowing interests incurred and the allocation of discounts or premiums in that period;

- The allocation of discounts or premiums may use the actual interest rate method or the straight line method:

According to the real interest rate method: Discounts or premiums allocated into each term calculated by the difference between borrowing interest costs payable for every term of interest payment (calculated by beginning book value of bond multiply (x) with rate of actual interest in the market) with amounts payable every term.

According to the straight line method: Discounts or premiums allocated equally during bond life.

e) In case of paying interest at maturity, periodically, enterprises must calculate bond interest's payable every term, to record it into business and production costs or capitalize it into value of unfinished assets

g) When making financial statement, in the liabilities of the balance sheet, the item of bond released shall be recorded on net basis (determining by bond value at par minus (-) bond discount are plus (+) Bond premium)

h) Cost of issuing bonds is gradually allocated in accordance with bond life under the straight line method or real interest rate method and recorded in the financial expense or capitalized. At the time of initial record, the cost of issuing bonds is recorded a decrease in par value of the bond. Periodically, accountants allocate cost for bond issuance by recording an increase in the par value and recording in financial expense or capitalization in accordance with the recording accrued interest of the bond.

Accounting principles of convertible bonds

Convertible bonds are bonds that may be converted into common shares of the same issuer under the conditions identified in the released plan. Enterprises issuing convertible bonds must carry out procedures and meet the conditions of the convertible bonds issuance under the provisions of law.

b) Enterprise (the issuer of convertible bonds) uses account 3432 - Convertible bonds to record the value of the principal of convertible bonds at the time of reporting. Enterprises must open detailed accounting books to keep track of each type of convertible bonds according to term, interest rate and par value.

c) Convertible bonds recorded on account 3432 are bonds that can be converted into a number of determined shares defined in the issuance plan. Bonds that may be converted into a number of undetermined shares at maturity (depending on the market value of the shares at maturity) are accounted for as common bonds.

d) Cost of issuing convertible bonds is gradually allocated in accordance with bond life under the straight line method or real interest rate method and recorded in the financial expense or capitalized. At the time of initial record, the cost of issuing convertible bonds is recorded reducing par value of the bond. Periodically, accountings allocate cost for bond issuance by recording increasing the par value recorded in financial expense or capitalized in accordance with the recording accrued interest of the bond.

e) At the time of initial record, when issuing convertible bonds, enterprises must calculate and determine separately value of the debt component (principal debt) and capital component of convertible bonds. Principal debt of convertible bonds is recorded a liabilities; component of capital (stock options) of convertible bonds is recorded an owner's equity. The valuation of the components of the convertible bond is carried out as follows:

- Valuation of the principal of convertible bonds at the time of release

At the time of initial record, the value of the principal of convertible bonds is determined by discounting the nominal value of future payments (including principal and interest of bonds) about the present value under interest rate of similar bonds in the market without the right to convert into shares and subtracting the cost of issuing convertible bonds. In case of failure to determine the interest rate of similar bonds, enterprises use common loan interest rates in the market at the time of the issuance of bonds to determine the present value of future payments.

Common loan interest rate in the market is loan interest rate used in the majority of transactions in the market.

Enterprises shall actively determine common loan interest rates in the market in the most accordance with characteristics of the production and trading of the enterprises in consistence with the provisions of the State Bank.

Example of valuation of the principal of convertible bonds at the time of release: On January 1, 2012, Thang Long joint-stock company issues 1 million of convertible bonds with par value of VND 10,000 in 3-year period, nominal interest rate is 10% / year, payment of interest is every year at the end of the year. Interest rate of unconvertible similar bonds is 15% / year. At maturity, each bond is convertible into one share. Knowing that the convertible bonds are issued to mobilize capital for normal production, business (interest is included in financial expense). Valuation of the principal of convertible bonds at the time of initial record is carried out (ignoring the cost of issuing bonds) as follows:

*Unit: dong*

| | nominal value of future liabilities | | discount rate | | Present value of future liabilities |
|---|---|---|---|---|---|
| **First year:** | 1,000,000,000<br>(accrued interest) | x | [1/1.15] | = | 869,565,000 |
| **Second year:** | 1,000,000,000<br>(accrued interest) | x | [1/1.15^2] | = | 756.144.000 |
| **Third year:** | 1,000,000,000<br>(accrued interest) | x | [1/1.15^3] | = | 657,516,000 |
| **Third year:** | 10,000,000,000<br>(accrued principal) | x | [1/1.15^3] | = | 6,575,160,000 |
| **Total** | | | | | 8,858,385,000 |

According to this example, total amount collected from the bond issuance is 10,000,000,000d, in which the total present value of future payments including principal and interest of bonds is 8,858,385,000d. This value is defined as the value of the principal of convertible bonds at the time of initial recording and is recorded as liabilities from the issuance of convertible bonds.

- Valuation of capital component of convertible bonds (bond conversion option)

The value of the capital component of convertible bonds is defined as the difference between the total amounts collected from issuance of convertible bonds and the value of the debt component of the convertible bond at the time of release.

According to the above example, the value of the capital component of convertible bonds is defined as: 10,000,000,000 - 8,858,385,000 = 1,141,615 billion dong. The value of capital component of convertible bonds is recorded as stock options under the owner’s equity.

g) After initial recording, accountants must adjust the value of the principal of converted bond as follows:

- Record an increase in the value of the principal of the bonds for issuance costs allocated periodically;

- Record an increase in the value of the principal of bonds for the difference between the payable bond interests calculated on the interest of the unconvertible similar bond or real interest rates higher than the payable interest calculated on nominal interest rate.

Example: Following the above example, the determination of financial expenses in the period and adjustment of the value of the principal of convertible bonds at the end of the period shall be as follows:

*Unit Thousand dong*

| | Value of the principal of convertible bonds at the beginning of period | Financial expense recorded in the period (Interest 15%/year) | Accrued interest calculated on the nominal interest rate of 10% / year | Value adjusted to increase the principal of convertible bonds during the period | Value of the principal of convertible bonds at the end of period |
|---|---|---|---|---|---|
| **First year:** | 8,858,385 | 1,328,760 [8,858,385 x 15%] | 1,000,000 | 328,760 | 9,187,150 |
| **Second year:** | 9,187,150 | 1,378,070 [9,187,150 x 15%] | 1,000,000 | 378,070 | 9,565,220 |
| **Third year:** | 9,565,220 | 1,434,780 [9,565,220 x 15%] | 1,000,000 | 434,780 | 10,000,000 |

h) Upon maturity of convertible bonds:

- The value of stock options of convertible bonds recorded in owner’s equity is transferred to be recorded as premium of share capital which does not depend on the bondholders who can exercise the option to convert into stock or not.

- If the bondholders do not exercise the option to convert bonds into stocks, enterprises must record a decrease in the principal of convertible bonds in proportion to the repaid amount of the bond.

- If the bondholders exercise the option to convert bonds into stocks, accountants must record a decrease in the principal of convertible bonds and record an increase in owner’s capital in proportion to par value of stocks released additionally. The difference between the values of the principal of the convertible bonds which is higher than the value of stocks released additionally is recorded as share premium.

**2.** Structure and contents of account 343 - Bond released

***a) Account 343 - “Bond released”, comprises 2 sub-accounts:***

- Account 3431 - “Common bond. This account comprises 3 sub-accounts:

Account 34311 - Bond par value

Account 34312 - Bond discount

Account 34313 - Bond premium

- Account 3423 “Convertible bond”

***b) Structure and contents of account 3431 “Common bond”***

**Debit side:**

- Payment at bond maturity;

- Bond discount incurred in period;

- Allocation of bond premium in period;

**Credit side:**

- Value of bond issued at par during period;

- Allocation of bond discount in period;

- Bond premium incurred in period.

**Credit balance:** Value of borrowing debt due to releasing bond at end of term.

***c) Structure and contents of account 3432 “Convertible bond”***

**Debit side:**

- Payment of principal at bond maturity if bondholders do not exercise the option to convert into stocks;

- Transfer of principal of bonds to record an increase in owner’s equity if bondholders exercise the option to convert into stocks.

**Credit side:**

- Value of the principal of bonds recorded at the time of release

- Value adjusted to increase the principal of bonds during the period

**Credit balance:** Value of the principal of bonds at the time of report.

**3. Method of accounting for several major transactions**

***Accounting for issuing common bond***

a) Accounting for issuing bond at par value

- Recording sums received from bond released, record:

Dr 111, 112, etc. (Sums received from buying bond)

Cr 34311 - Bond par value

- If paying bond interests periodically, when interests payments are calculated into business and production costs or capitalized, record:

Dr 635 - Financial expenses (if calculated into financial expenses in period)

Dr 627, 241 (if capitalized)

Cr 111, 112... (Sums paid for bond interests in period)

- If bond interests payment are deferred (when bonds mature), every term, enterprises must calculate in advance borrowing interest costs payable in period in business and production costs, or capitalize, record:

Dr 635 - Financial expenses (if be calculated into financial expenses in period)

Dr 241, 627 (if capitalized into value of unfinished asset)

Cr 335 - Accrued expenses (accrued bond interest in period)

At the end of bond life, enterprises pay principal and interest bond for people buying bond, recorded:

Dr 335 - Accrued expenses payable (Total sums of bond interests)

Dr 3431 - Bond par value (principal)

Cr 111, 112...

- In case of prepaying bond interests at bond releasing, borrowing interest costs shall be recorded in Debit side of Account 242 (details of prepaid bond interests), after that, allocated gradually to cost objects:

When releasing bond, recorded:

Dr 111, 112, etc. (Total sums actually received)

Dr 242 - Prepaid expenses (details of prepaid bond interests)

Cr 34311 - Bond par value

Periodically, allocate borrowing interests costs in period, record:

Dr 635 - Financial expenses (if be calculated into financial expenses in period)

Dr 241, 627 (if capitalized into value of unfinished asset)

Cr 242 - Prepaid expenses (details of prepaid bond interests)) (sums of bond interests allocated in period)

- Expenses for bond releasing:

Expenses for bond releasing incurred, record:

Dr 34311 - Bond par value

Cr 111, 112...

Periodically, allocation of expense on bond issuance under the straight-line method or the real interest rate method, record:

Dr 635, 241, 627 (allocation of amount of expenses of issuing bonds in the period)

Cr 34311 - Bond par value

- Payment at bond maturity, record:

Dr 34311 - Bond par value

Cr 111, 112...

b) Accounting for issuing discount bond

- Recording sums actually received from bond releasing, record:

Dr 111, 112, etc (sum received from selling bond)

Dr 3432 - Bond discount (the difference between sums received from selling bond at price lower than par value)

Cr 34311 - Bond par value

- In case of periodical paying interests, when borrowing interest's payments are calculated into business and production costs or capitalize, record:

Dr 635 - Financial expenses (if calculated into financial expenses in period)

Dr 241, 627 (if capitalized into value of unfinished asset)

C r 111, 112... ... (sums paid for bond interests in period)

Cr 3432 - Bond discount (Allocation amount of bond discount every term)

- In case bond interest's payments are deferred (when bond mature):

Every term, enterprises must calculate payable borrowing interest costs in period, record:

Dr 635 - Financial expenses (if calculated into financial expenses in period)

Dr 241, 627 (if capitalized into value of unfinished asset)

Cr 335 - Accrued expenses (bond interests payable in period)

Cr 3432 - Bond discount (Allocation amount in period)

At end of bond life, enterprises must pay bonds' principal and interest for buyers of bonds, record:

Dr 335 - Accrued expenses (Total sums of bond interests)

Dr 34311 - Bond par value

Cr 111, 112...

- In case of prepaying bond interests at bond releasing, borrowing interest costs shall be recorded in Debit side of acc 242 (details of prepaid bond interests), after that, allocated gradually to cost objects:

When releasing bond, record:

Dr 111, 112, etc. (Total sums actually received)

Dr 3432 - Bond discount

Dr 242 - Prepaid expenses (sums of prepaid bond interests)

Cr 34311 - Bond par value

Periodically, allocating borrowing interests costs into business and production costs in period or capitalizing, record:

Dr 635 - Financial expenses (if calculated into financial expenses in period)

Dr 241, 627 (if capitalized into value of unfinished asset)

Cr 242 - prepaid expenses (sums of bond interests allocated in period)

Cr 3432 - Bond discount (Allocation amount of bond discount every term)

Paying bond at maturity, record:

Dr 34311 - Bond par value

Cr 111, 112...

c) Accounting for releasing bonds at premium

- Recording sums actually received from bond released:

Dr 111, 112...(sum received from selling bond)

Dr 3433 - Bond premium (the difference between sums received from selling bond at price higher than par value)

Cr 34311 - Bond par value

- In case of periodical paying interests:

When interest payments are calculated into business and production costs or capitalized, record:

Dr 635 - Financial expenses (if calculated into financial expenses in period)

Dr 241, 627 (if capitalized into value of unfinished asset)

C r 111, 112... ... (sums paid for bond interests in period)

Concurrently, allocating gradually bond premium to record a decrease in borrowing costs every term, record:

Dr 34313 - Bond premium (Gradual allocation amount of every term)

Cr 635, 241, 627

- In case of interests payments are deferred (at bond maturity), every term, and enterprises must record in advance borrowing interest costs payable in period.

When calculating borrowing interest costs for cost objects in period, record:

Dr 625, 241, 627

Cr 335 - Accrued expenses (bond interests payable in period)

Concurrently, allocating gradually bond premium to record a decrease in borrowing costs every term, recorded:

Dr 34313 - Bond premium

Cr 635, 241, 627

At end of bond life, enterprises must pay bonds' principal and interest for people having bonds, record:

Dr 335 - Accrued expenses (Total sums of bond interests)

Dr 34311 - Bond par value (principal)

Cr 111, 112...

- In case of prepaying bond interests at bond releasing, borrowing interest costs shall be recorded in the Debit side of acc 242 (details of prepaid bond interests), after that, allocated gradually to cost objects:

When releasing bond, record:

Dr 111, 112, ..(Total sums actually received)

Dr 242 - prepaid expenses (sums of prepaid bond interests)

Cr 34313 - Bond premium

Cr 34311 - Bond par value

Periodically, allocating borrowing interests costs for cost objects in period, record:

Dr 635 - Financial expenses (if calculated into financial expenses in period)

Dr 241, 627 (if capitalized into value of unfinished asset)

Cr 242 - Prepaid expenses (sums of bond interests allocated in period)

Concurrently, allocating gradually bond premium to record a decrease in borrowing costs every term, record:

Dr 34313 - Bond premium (allocation amount of bond premium of every term)

Cr 635, 241, 627

***Accounting for issuing convertible bond***

a) At the time of issuance, accountants determine the value of principal and stock options of convertible bonds by discounting the nominal value of future payments to present value, record:

Dr 111, 112 (total sum received from issuance of convertible bonds)

Cr 3432 - Convertible bonds (origin debt)

Cr 4113 - Bond conversion option (the difference between sum received and principal of convertible bonds).

b) Costs to issue bonds incurred gradually are allocated in accordance with bond terms:

- Expenses for bond releasing incurred, record:

Dr 3432- Convertible bond

Cr 111, 112, 338…

- Periodic allocation of cost to issue bonds into financial expense, record:

Dr 625, 241, 627

Cr 3432- Convertible bond

c) Periodically, accountants record financial expenses or capitalize for the bond interest payable under interest of a similar bond without conversion rights or under common loan interest rates in the market simultaneously adjust the value of the principal of convertible bonds, record:

Dr 635- Financial expense

Dr 241, 627 (if capitalized)

Cr 335 - Accrued expenses (interest of bonds payable in period under nominal interest rate)

Cr 3432 - Convertible bonds (the difference between the bond interest calculated according to real interest or equivalent bond interest without right to convert higher than the bond interest payable in the period under nominal interest)

d) At bond maturity, in case the bondholders do not exercise the option to convert bonds into stocks, enterprises must repay principal of bonds, record:

Dr 3432- Convertible bond

Cr 111, 112.

Concurrently, transfer value of stock options of convertible bonds to share premium, record:

Dr 4113 - Bond conversion option

Cr 4112- Share premium

e) At bond maturity, if bondholders exercise the option to convert bonds into stocks, accountants record a decrease in the principal of convertible bonds and record an increase owner's capital, record:

Dr 3432- Convertible bond

Cr 4111 - Capital contributed by owners (under par value)

Cr 4112 - Share premium (the difference between the value of additional shares issued at their par value and the value of the principal of convertible bonds).

Concurrently, transfer value of stock options of convertible bonds to share premium, record:

Dr 4113 - Bond conversion option

Cr 4112- Share premium

**Article 60. Account 344- Deposit received**

**1. Accounting Principles**

This account used for recording amounts enterprises received deposits of outside units and individuals to ensure for services related to business and production to be performed in compliance with the signed economic contract/ such as receiving deposits to ensure the performance of economic contracts, agency contracts, etc

Accountants received long-term deposits must monitor in detail each deposit received from every customer under each term and each type of currency. Deposits received payable with remaining term within 12 months are presented as short-term liabilities, accounts with a term of 12 months or more are presented as long-term liabilities.

c) Cases of receiving mortgaging and pledging in kind shall not be recorded in this account but monitored in notes to financial Statements.

c) If receiving deposits in foreign currency, accountants must monitor in detail the separate denomination of foreign currencies and convert into accounting monetary unit under the principles:

- At the time of receipt of deposit in foreign currency, accountants convert into accounting monetary units in accordance with the real exchange rate at the incurring time;

- When repaying deposit sum in foreign currency, accountants must convert at the real exchange rate of recording by name;

- When preparing the financial statements, accountants shall revaluate the sum received from deposit payable at real exchange rates at the time of reporting. The incurred exchange rate differences shall be recorded immediately in financial expenses or financial income.

**2. Structure and contents of account 344 - Deposit received**

**Debit side:** Refunding money of deposit received

**Credit side:** Deposit received by cash

**Credit Balance:** Sums of deposit received unpaid

**3. Method of accounting for several major transactions**

a) Upon receipt of the deposit of units or individuals outside, record:

Dr 111, 112

Cr 344 - Deposit received (details for every customer)

b) When refunding money of deposit to customers, record:

Dr 344 - Deposit received

Cr 111, 112.

In case of refunding money of deposit in foreign currency, record:

Dr 344 – Deposit received (in real exchange rates of recording by name of each object)

Dr 635 - Financial expense (loss on forex)

Cr 111, 112 (at exchange rate of recording weighted average of account)

Cr 515 - Financial income (gain on forex)

c) In cases deposit units are fined according to the agreement in economic contracts for their breach of economic contracts already signed with the enterprises:

- a) When receiving fine for breach of signed economic contracts: If it is deducted from money of deposit, record:

Dr 344 - Deposit received

Cr 711 - Other income

- When actual paying remaining deposits, record:

Dr 344 - Deposit received (deducted from fines)

Cr 111, 112.

d) When preparing financial statements, accountants shall revaluate the sum received from deposit payable in foreign currency at real exchange rates at the time of the report:

- If gain on forex is incurred, record:

Dr 344 - Deposit received

Cr 413 - Exchange differences

- If loss on forex is incurred, record:

Dr 413 - Exchange differences

Cr 344 - Deposit received

**Article 61. Account 347- Deferred income tax payable**

**1. Accounting Principles**

This account is used for recoding current value and variation situation of increase and decrease in deferred income tax payable. Deferred income tax payable is determined on the basic of taxable temporary difference amounts tax incurred in year and tax rate of current income tax according to following formula:

Deferred income tax = Taxable temporary x Current enterprise income tax rate

| payable | difference amount | (%) |
|---|---|---|

In case at the time of recording the deferred income tax payable, there is a change in enterprise income tax rate in the future is known, if refunding deferred income tax payable is in the new tax period which takes effect, tax rate applied to record deferred income tax payable is calculated according to the new tax.

b) Basis of assessment of assets or payable liabilities and temporary differences:

- Basis of assessment of assets shall be deducted from taxable income when recovered the recording value of assets. If the income is not taxable, the basis of charging tax of assets shall be in the book value of such assets. Basis of charging tax of income of liabilities is its recording value which minuses (-) value which shall be deducted from taxable income upon payments of liabilities in future periods. For income received in advance, basis of assessment is its recording value, which minuses the value of non-taxable income in future.

- Temporary differences are the differences between the recording value of assets or liabilities in the Balance Sheet and the basis of charging tax of such assets or liabilities. Temporary differences include two categories: deductible temporary differences and taxable temporary differences. Taxable temporary differences are temporary differences arising income tax payable upon determination of taxable income in the future when the recording value of the assets are recovered or liabilities are paid.

Temporary difference in time is only one of the cases of temporary differences, for example: If accounting profits are recorded in this period but taxable income is calculated in another period.

Temporary differences between book value of assets or liabilities compared to basis of charging tax of such assets or liabilities may not be temporary differences in term of time, for example: When revaluing assets, the book value of the property changes, but if the basis of charging tax does not change, the temporary difference shall arise. However, recovery time of book value and basis of charging tax shall not change; the temporary differences shall not be temporary differences in term of time.

Accountants shall not continue to use the term "permanent differences" to distinguish it from temporary differences when determining the deferred income tax due to asset recovery time or paying liabilities as well as time to deduct assets and liabilities from the taxable income is limited.

c) Deferred income tax payable must be recorded for all taxable temporary differences, unless the deferred income tax payable is raised from the initial record of assets or liabilities of the a transaction which does not affect the accounting profit or income taxable profit (or taxable loss) at the time of transaction incurred.

d) When preparing financial statements, accountants must determine the taxable temporary differences arising in the current year as a basis for determining the deferred income tax payable recorded in current year.

dd) The recording deferred income taxes payable in the year shall comply with under the principle of balancing the deferred income tax payable incurred in current year with deferred income tax payable recorded from previous years but in current year is recorded a decrease (refund), under the following principles:

- If the deferred income tax payable arising during the year is higher than the deferred income tax payable refunded in the year, accountants only record that the addition of deferred income tax payable is the difference between deferred income tax payable arising higher than the deferred income tax payable refunded in the year;

- If deferred income taxes payable incurred in year are less than deferred income taxes refunded in year, accountants only record a decrease (refund) of deferred income taxes being the difference between deferred income taxes payable incurred and deferred income taxes refunded in year;

e) Deferred income taxes payable incurred in year are not related to items recorded directly into owner’s capital must be recorded as deferred income taxes expenses incurred in year.

g) Accountants must record a decrease in deferred income taxes when temporary taxable differences do not affect to taxable profits (when assets are recovered or liabilities are paid)

h) The offsetting deferred income tax payable and deferred income tax assets shall be only performed during establishment of Balance Sheet, not during recording deferred income tax payable in the accounting books.

**2. Structure and contents of account 347 - Deferred income tax payable**

**Debit side:** Deferred income tax payable decreased (refunded) in period

**Credit side:** Deferred income tax payable recorded in period.

**Credit Balance:** Deferred income tax payable remained at term-end.

**3. Method of accounting for several major transactions**

At year-end, accountants shall base on “Assessment statement of deferred income tax payable”, to record deferred income tax payable incurred from transactions in year into deferred income tax expenses:

If deferred income taxes payable incurred in year are higher than deferred income taxes payable refunded in year, accountants only record a supplementation of deferred income taxes payable; being the positive difference between deferred income taxes incurred deferred income taxes refunded in year, record:

Dr 8212 - Deferred enterprise income tax expenses

Cr 347 - Deferred income tax payable.

b) If deferred income taxes payables incurred in year are less than deferred income taxes refunded in year, accountants only record a decrease (refund) in deferred income taxes payables being the negative difference between deferred income taxes payable incurred and deferred income taxes refunded in year, record:

Dr 347 - Deferred income tax payable.

Cr 8212 - Deferred enterprise income tax expenses.

**Article 62. Account 352 - Provision for payables**

**1. Accounting Principles**

a) This account is used to record of current provision for payables, situation of appropriation and use of provision for payables of enterprises.

b) A provision for payable only record when meet all following conditions:

- Enterprises have current debt obligation (legal obligation or jointly liable obligation) due to result from a fact happened;

- Decrease in economic benefits may happen leading to the requirement for payment of debt obligation, and;

- Giving a confident estimation on value of such debt obligation

c) Value recorded of a provision payable is the most reasonably estimated the amount which will be paid for current debt obligation at of accounting year-end at the end of the interim period.

d) The provision payable shall be set up at the time of financial Statement. In case the amount of provision for payable needs to be set up in this accounting term is higher than unspent amount of provision for payable formed in the previous accounting term, the difference is recorded in business and production costs of that accounting term. In case the amount of provision for payable needs to be set up in this accounting term is less than the unspent amount of provision for payable set up in the previous accounting term, the refunded difference is recorded a decrease in business and production costs of that accounting term.

If provision for payable on construction warranty is set up for every construction and is set up at the end of accounting year or at the end of interim accounting period. In case amount of provision for payable on construction warranty set up is higher than real expenses incurred, the difference refunded shall be recorded in Account 711 “Other income”

dd) Only expenses related to the provision for payable set up initially shall be offset by that provision for payable

e) Not record the provision for losses on operation in future; except they are related to a great risk contract and meet conditions for recording provision for payable. If enterprises have high risk contract, current debt obligation due to contract must be recorded and evaluated as a provision for payable, and this provision will be set up separately for every large risk contract.

g) A provision for expenses of enterprise restructuring are only recorded when having enough conditions for recording as provisions according to regulation at section “Provisions, assets, latent debts” of accounting standard. When conducting the enterprise restructuring, jointly liable obligation only incurred when enterprises:

- Have official and specific plan to determine clearly the enterprise restructure, which include at least 5 following contents:

All or a part of business related;

Important positions influenced;

Positions, tasks and estimated quantity of employees who will receive compensation when they are obliged to cease job;

Expenses shall be paid, and

Time the plan is performed

- Give a reliable estimation on affected subjects and conduct restructure process by start of implementating that plan, or notice important issues of restructure to affected subjects.

h) A provision for restructuring is only estimated for expenses directly incurred from restructuring activities; those are expenses that meet both two conditions:

- Need to have for restructure activities;

- Not be related to regular activities of enterprises.

Provision for restructure excluding expenses as follows:

- Retraining or transferring existing employees;

- Marketing;

- Investing in new systems and distribution networks

Provision for payables often includes:

- Payable provisions for enterprise restructure;

- Payable provisions for product warranty;

- Payable provisions for construction warranty;

- Other payable provisions, including provision for severance allowance in accordance with provisions of the law, provision for the periodical repair and maintenance of fixed assets (under technical requirement), payable provisions for contracts with major risk in which the payable costs for the obligations relating to the contract exceed the economic benefits expected to be obtained from such contracts;

k) When setting up provision for payables, enterprises are allowed to record that provision in management expenses, payable provisions for warranty of products or goods shall be recorded in selling expense, payable provisions for warranty expenses of construction shall be recorded in manufacturing overhead expenses.

**2. Structure and contents of account 352 - Provision for payables**

**Debit side:**

- To record a decrease in provision for payables when incurring expenses related to the provision set up initially;

- To record a decrease in (refund) provision for payables when enterprises are certainly not suffer decrease on economic, due to not paying debt obligation;

- To record a decrease in provision for payables on the difference from provision for payables set up this year, less than unspent provision for payables established for previous year.

**Credit side:** To record provision for payables appropriated and charged to expenses

**Credit Balance:** To record current provision for payables at term-end.

Account 352 comprises 4 sub-accounts

- *Account 3521- Provision for product warranty: This* account is used to record the provision for product warranty for number of products, goods defined to consume in period*;*

- *Account 3522 - Provision for construction warranty*: This account is used to record the provision for construction warranty for works, work items completed, handed over in period;

- *Account 3523 - Provision for enterprise restructuring:* This account records the payable provision for restructuring enterprise such as the cost of relocation of business, business support costs to employees.;

- *Account 3524 – Other payable provision:* This account records the payable provisions under the provisions of the law in addition to the provision has been recorded above, such as environmental restoration costs, cleanup costs, recovery and return of premises, provision for severance allowance under the provisions of the Labor Code, cost of periodic repair, maintenance of fixed asset ...

**3. Method of accounting for several major transactions**

a) Method of accounting of provision for product, goods warranty

- In case enterprises sell goods for customers including warranty for repairing fails due to production fault, discovered in the warranty period of products, goods, enterprises must estimate warranty costs based on the number of products, goods determined to be consumed in period. When making provision for the cost of repairing and maintenance of products, goods sold, record:

Dr 641 - Selling expenses

Cr 352 - Provision for payables (3521)

- When incurring expenses related to payable provision for warranty of products, goods established initially, such as material costs, direct labor costs, fixed-asset depreciation expenses, outsourced services expenses...:

In case of not having the independent section on warranty of products, goods:

When incurring expenses related to payable provision for warranty of products, goods, record:

Dr 621, 622, 627, ..

Dr 133 - Deductible VAT (if any)

Cr 111, 112, 152, 214, 331, 334, 338, ...

At term-end, transferring warranty expenses of products, goods actually incurred in period, record:

Dr 154 - Work in progress

Cr 621, 622, 627, ...

In repair or warranty of products, goods, accomplished and transferred to customers, record:

Dr 352 - Provision for payables (3521)

Dr 641 - Selling expenses (Insufficient payable provision for warranty of products, goods)

Cr 154 - Work in progress

In case of having the independent section on warranty of products, goods, and sums payable for warranty section on warranty expenses of products, goods, accomplished and transferred to customers, record:

Dr 352 - Provision for payables (3521)

Dr 641 - Selling expenses (negative difference between payable provision for warranty of products, goods and real warranty expenses)

Cr 336 - Internal Payables

- When preparing the financial statements, enterprises must determine the provision for warranty for products, goods:

In case provision for payables needs to be set up at this accounting term is higher than unspent provision for payables set up in previous accounting term, the difference is accounted for into expenses, record:

Dr 641 - Selling expenses

Cr 352 - Provision for payables (3521)

In case provision for payables needs to be set up in this accounting term is less than unspent provision for payables set up in previous accounting term, the refunded difference shall be recorded a decrease in expenses, record:

Dr 352 - Provision for payables (3521)

Cr 641 - Selling expenses

b) Method of accounting of provision for construction warranty

- The provision for construction warranty is made for each work, work item completed, transferred in period. When determining the provision payable for the cost of construction warranty, record:

Dr 627- General production costs

Cr 352 - Provision for payables (3522)

- When incurring expenses related to payable provision for construction warranty established initially, such as material costs, direct labor costs, fixed-asset depreciation expenses, outsourced services expenses...:

In case enterprises carry out the construction warranty:

When incurring expenses related to payable provision for warranty, record:

Dr 621, 622, 627, ..

Dr 133 - Deductible VAT (if any)

Cr 111, 112, 152, 214, 331, 334, 338, ...

At term-end, transferring warranty expenses actually incurred in period, record:

Dr 154 - Work in progress

Cr 621, 622, 627, ...

Upon repair or warranty of construction accomplished and transferred to customers, record:

Dr 352 - Provision for payables (3522)

Dr 632 - Cost price of goods sold (the difference between the provision appropriated less than real warranty expenses)

Cr 154 - Work in progress

In case of assignment of affiliated units or outsourcing to perform warranty, record:

Dr 352 - Provision for payables (3522)

Dr 632 - Cost price of goods (the difference between the provisions appropriated less than real warranty expenses)

Cr 331, 336...

- Out of the warranty period of constructions, if constructions have no warranty, or payable provision for warranty of construction is higher than real expenses incurred, the difference must be refunded, record:

Dr 352 - Provision for payables (3522)

Cr 711 - Other income

c) Method of accounting of provisions for enterprise restructuring and other payable provisions

- When setting up provision for restructuring costs of enterprise, other payable provisions for contracts with major risk in which the costs required to pay for the obligations relating to contract exceed the economic benefits expected to be obtained from the contract (such as indemnity or compensation for failure to perform the contract, legal cases ...), record:

Dr 642 - Enterprise administrative expense (6426)

Cr 352 - Provision for payables (3523, 3524)

- When setting up provision for environmental restoration costs, cleanup costs, recovery and return of premises, provision for severance allowance under the provisions of the Labor Code...record:

Dr 627, 641, 642

Cr 352 - Provision for payables

- For fixed assets according to the technical requirements periodically prepared, accountants must advance repair costs of the fixed assets, record:

Dr 627, 641, 642

Cr 352 - Provision for payables

- When incurring expenses related to the payable provision made, record:

Dr 352 - Provision for payables (3523, 3524)

Cr 111, 112, 241, 331, ...

- When preparing financial statements, enterprises must determine payable provisions needed setting up:

In case provision for payables necessary to establish for at this accounting term is higher than unspent provision for payables established for previous accounting term, the difference is accounted for into expenses, record:

Dr 642 - Enterprise administrative expense (6426)

Cr 352 - Provision for payables (3523, 3524)

In case provision for payables necessary to establish for this accounting term is less than unspent provision for payables established at previous accounting term, the refunded difference shall be recorded a decrease in expenses, record:

Dr 352 - Provision for payables (3523, 3524)

Cr 642 - Enterprise administrative expense (6426)

d) In some cases, enterprises may seek for a third party for payment of a part or total expenses for provision (for example, through insurance contracts, compensations or warranty of suppliers), the third party may refund for all what enterprises paid. When enterprises receive the compensation of a third party to pay a part or total expenses for provision, accountants record:

Dr 111, 112...

Cr 711- Other income

dd) Accountants settle payable provisions before transforming 100%-state-owned enterprises into joint-stock companies.

Provisions payable after offsetting losses, at the time of being officially transformed into a joint stock company, if they are remaining, they shall be accounted for in the state capital increase at the time of transfer, record:

Dr 352 - Provision for payables

Cr 411- owner's capital

**Article 63. Account 353- Bonus and welfare fund**

**1. Accounting Principles**

a) This account is used to record the current amounts, increase, decrease situation of bonus and welfare fund and reward fund of the executive management board of enterprises. Bonus and welfare funds are deducted from post-corporate income tax profits of enterprises to use for reward and encouragement of physical benefits, serving the needs of public welfare, improvement and enhancement of the standard of physical and spirit life of workers.

b) The setting up and using the bonus and welfare fund and reward fund of executive management board of company must comply with current financial policies.

c) Bonus and welfare fund and reward fund of executive management board of company must be accounted for detailed according to each type of fund.

d) For fixed asset invested, purchased by welfare fund completed and used in manufacturing, trading, accountants record an increase in fixed assets as well as an increase in owner's capital and a decrease in welfare fund.

dd) For fixed asset invested, purchased by welfare fund completed and used for needs of cultural and welfare of enterprises, accountants record an increase in fixed assets and simultaneously transfer from the welfare fund (Account 3532) to welfare funds that form fixed assets (account 3533). The fixed assets shall not be deducted depreciation of fixed assets from expense monthly, at the end of the accounting year, depreciation of fixed assets shall be calculated once / year to record a decrease in welfare funds that form fixed assets.

**2. Structure and contents of account 353- Bonus and welfare fund**

**Debit side:**

- Expenses of bonus and welfare fund and reward fund of executive management board of company;

- Decrease of welfare fund that forms fixed assets when calculating the depreciation of fixed assets or the sale or liquidation, insuffient detection during inventory of fixed assets;

- Investment and purchase of fixed assets by welfare fund completed and used for needs of cultural and welfare;

- Allocation of bonus and welfare fund to subordinates.

**Credit side**

- Setting up bonus and welfare fund and reward fund of executive management board of company from post-corporate income tax profits;

- Bonus and welfare fund allocated by superiors;

- Welfare fund that forms fixed assets increased due to investment, purchase of fixed assets by welfare fund completed and put into use in production, trading or cultural and welfare activities.

**Credit balance: The remaining bonus and welfare funds of enterprises.**

***Account 353- Bonus and welfare fund comprises 4 sub-accounts:***

- *Account 3531 –Bonus fund*: Records the current situation, setting up and use of bonus fund of enterprises.

- *Account 3532 – Welfare fund:* Records the current situation, setting up and use of welfare fund of enterprises.

- *Account 3533 - Welfare fund that forms fixed assets:* Records the current amounts, increase or decrease situation of welfare fund that forms fixed assets of enterprises.

- *Account 3534 – Reward fund of executive management board of company:* Records the current amounts, setting up and use of reward funds of executive management board of company.

**3. Method of accounting for several major transactions**

a) In year, when deducting from bonus and welfare fund, record:

Dr 421 - Undistributed post-tax profits

Cr 353 - Bonus and welfare fund (3531, 3531, and 3534)

b) At the end of the year, determining bonus and welfare fund deducted additionally, record:

Dr 421- Undistributed post-tax profits

Cr 353 - Bonus and welfare fund (3531, 3532, and 3534)

c) Calculating the bonuses paid to employees and other workers in enterprises, record:

Dr 353 - Bonus and welfare fund (3531)

Cr 334 - Payable to employees.

d) Using welfare fund for subsidizing difficulties and expenditures for employees and workers on vacation, expenditures for culture public culture and performance movement, record:

Dr 353 - Bonus and welfare fund (3532)

Cr 111, 112.

dd) When selling products, goods covered by bonus and welfare fund, accountants must record revenues excluding VAT payable, record:

Dr 353 - Bonus and welfare fund (total payment)

Cr 511 - Revenue from goods sale and service provisions

Cr 3331 - VAT payable (33311).

e) When superiors allocate bonus and welfare fund for subordinate units, record:

Dr 353 - Bonus and welfare fund (3531, 3532, and 3534)

Cr 111, 112.

g) Bonus and welfare fund allocated by superior units, record:

Dr 111, 112...

Cr 353 - Bonus and welfare fund (3531, 3532).

h) Using welfare fund to support for disaster, fire, charity expenses ... record:

Dr 353 - Bonus and welfare fund (3532)

Cr 111, 112.

i) When investing, purchasing fixed assets completed by welfare funds and put into use for the purpose of culture, welfare of enterprises, record:

Dr 211 - Tangible fixed assets (cost)

Dr 133 - Deductible VAT (if any)

Cr 111, 112, 241, 331,…

If the input VAT is not deducted, historical costs of fixed assets include VAT

Also are recorded:

Dr 3532 - Welfare fund

Cr 3533 - Welfare fund that forms fixed assets.

k) Periodically, calculating the depreciation of fixed assets invested, purchased by welfare fund, used for needs of culture and welfare of enterprises, record:

Dr 3533 - Welfare fund that forms fixed assets.

Cr 214 - Depreciation of fixed assets.

l) When selling or liquidating fixed assets invested, purchased by welfare fund, used in cultural and welfare activities:

- Recording a decrease in asset sold or liquidated:

Dr 3533 - Welfare fund that forms fixed assets (remaining value)

Cr 214 - Depreciation of fixed assets (depreciation value)

Cr 211 - Tangible fixed assets (cost)

- Recording the revenues and expenditures of sale or liquidation of fixed assets:

For expenditures, record:

Dr 353 - Bonus and welfare fund (3532)

Dr 133 - Deductible VAT (if any)

Cr 111, 112, 334,…

For revenues, record:

Dr 111, 112

Cr 353 - Bonus and welfare fund (3532).

Cr 3331 - VAT payable (if any ).

m) Accountants transfer assets which are the welfare projects: In case of transfer of housing of officers, employees invested with corporate bonus and welfare funds for local housing agencies to manage, record:

Dr 3533 - Welfare fund that forms fixed assets (remaining value)

Cr 214 - Depreciation of fixed assets (depreciation value)

Cr 211 - Tangible fixed assets (cost)

n) In case enterprise owners decide to reward Board of directors from reward fund of executive management board of company, record:

Dr 353 - Bonus and welfare fund (3354)

Cr 111, 112...

o) In case of a joint stock company which is entitled to issue bonus shares from the reward fund to increase owner's capital, record:

Dr 3531 – Reward fund

Dr 4112 - Share premium (selling price lower than par value)

Cr 4111- Contributions from owners

Dr 4112 - Share premium (selling price higher than par value)

p) Accountants settle the balance of reward fund and bonus and welfare fund before valuating enterprises in equitization of 100%-state-owned enterprises.

- When transferring the balance of bonus and welfare fund paid for employee's specific identification in the list of enterprises at the time of equitization, record:

Dr 353 - Bonus and welfare fund (3531, 3532)

Cr 334 - Payable to employees.

- When paying for workers from bonus and welfare fund for workers, record:

Dr 334 - Payable to employees.

Cr 111, 112.

- If enterprises have overspent of bonus and welfare fund (account 353 with debit balance), settlement shall be as follows:

Sum paid directly to employees named in the regular list at the time of the decision on equitization must be recovered before selling preference shares, record:

Dr 138 - Other receivables

Cr 353 - Bonus and welfare fund (3531, 3532).

Sum paid out, spent on donations or retired workers lost their jobs before the decision on equitization of enterprises and settled like unrecoverable receivables by enterprise value decision agency, record:

Dr 111, 112, 334 (indemnity by organizations and individuals)

Dr 642 - Enterprise administrative expense

Cr 353 - Bonus and welfare fund

**Article 64. Account 356 - Science and technology development fund**

**1. Accounting Principles**

a) This account is used to record the current amount, increase and decrease of science and technology development fund of enterprises. Science and technology development fund shall only be used for investment in science and technology in Vietnam.

b) Science and technology development fund is accounted for in administrative expense of enterprise management to determine income statement in period. Setting up and using science and technology development fund must comply with the provisions of law.

c) Where enterprises use science and technology development fund for research, production, testing, and sum received from the sale of testing products shall be offset against testing production cost under the following principles:

- The difference between sum received from the sale of testing products higher than testing production cost shall be recorded increase of science and technology development fund;

- The difference between sum received from the sale of testing products lower than testing production cost shall be recorded decrease of science and technology development fund;

d) Periodically, enterprises make reports on setting up, use, settlement of science and technology development and submit to competent authorities in accordance with provisions of the law.

**Structure and content of account 356 - Science and technology development fund**

**Debit side:**

- Expenditures from science and technology development fund;

- Decrease of science and technology development fund that forms fixed assets when calculating the depreciation of fixed assets; The remaining value of fixed assets in sale or liquidation; costs of liquidation or sale of fixed assets formed by science and technology development fund.

- Decrease of science and technology development fund forming fixed assets when fixed assets created by science and technology development fund are changed to serve the purpose of manufacturing and trading.

**Credit side:**

- Setting up science and technology development fund into enterprise administrative expense.

- Sum received from liquidation, turnovers of fixed assets formed by science and technology development fund.

**Credit balance:** The remaining scientific and technology development funds of enterprises.

Account 356 - Science and technology development fund comprises 2 sub-accounts:

- *Account 3561 - Science and technology development fund:* Records the current amounts and setting up, use of science and technology development funds;

- *Account 3562 - Science and technology development fund that forms fixed assets:* Records the current amount, increase, decrease of science and technology development funds that form fixed assets (science and technology development fund that forms fixed assets).

**3. The method of accounting for several major transactions**

a) During the year, when setting up scientific and technological development fund, record:

Dr 642 - Enterprise administrative expense

Cr 356 - Science and technology development fund

b) When using science and technology development fund for purpose of research, development of scientific and technological of enterprises, record:

Dr 356 - Science and technology development fund

Dr 133 - Deductible VAT (if any)

Cr 111, 112, 331 ...

c) When using science and technology development fund for testing production of products:

- Accountants summarize testing production cost, record:

Dr 154 - Work in progress

Dr 133 - Deductible VAT

Cr 111, 112, 152, 331...

- When selling testing products, record:

Dr 111, 112, 131

Cr 154 - Work in progress

Cr 333 - Taxes and amounts payable to the State (if any)

- The difference between testing production cost and sum received from the sale of testing products adjusted to increase, decrease the Fund, record:

In case sum received from the sale of testing products is higher than test trial production cost, accountants record an increase in science and technology development fund, record:

Dr 154 - Work in progress

Cr 356 - Science and technology development fund

In case sum received from the sale of testing products is lower than test trial production cost, accountants record on the reverse.

d) When investing, purchasing fixed assets by scientific and technological development fund used for purposes of research, development of science and technology:

- When investing, purchasing fixed assets, record:

Dr 211, 213 (Costs)

Dr 133 - Deductible VAT (if any)

Cr 111, 112, 331 ...

Also record:

Dr 3561 - Science and technology development fund

Cr 3562 – Science and technology development fund that forms fixed assets.

- At the end of accounting term, calculating the depreciation of fixed assets invested, purchased by scientific and technological development fund used for purposes of research, development of science and technology, record:

Cr 3562 – Science and technology development fund that forms fixed assets

Cr 214 - Depreciation of fixed assets.

- When liquidating, selling fixed assets invested, purchased by scientific and technological development fund:

Recording a decrease of fixed assets sold or liquidated:

Dr 3562 – Science and technology development fund that forms fixed assets (remaining value)

Cr 214 - Depreciation of fixed assets (depreciation value)

Cr 211, 213.

Recording sum received from liquidation or sale of fixed assets:

Dr 111, 112, 131

Cr 3561 - Science and technology development fund

Cr 3331 - VAT payable (33311).

Recording expenses incurred directly related to the liquidation or sale of fixed assets:

Dr 3561 - Science and technology development fund

Dr 133 - Deductible VAT (if any)

Cr 111, 112, 331

- At the end of the research, development of science and technology, fixed assets created from scientific and technological development fund are transferred to serve the purpose of manufacturing and trading, accountant's record:

Dr 3562 – Science and technology development fund that forms fixed assets (non-deductible remaining value)

Cr 711 - Other income

From time fixed assets are switched to serve the purpose of manufacturing, turnovers, depreciation of fixed assets are included in cost of production, trading under current accounting policy.

**Article 65. Account 357 - Price stabilization fund**

**1. Accounting Principles**

a) This account is used to record changes and value of price stabilization fund value at the time of the report of the enterprises which are entitled to set up the price stabilization fund from the cost of production and business in accordance with law. Depending on the industry, business sector, enterprises are entitled to actively add to the name of this Fund in accordance with their industry, business areas, such as the petrol price stabilization fund.

b) Enterprises must set up, use and settle the price stabilization fund in accordance with the law. Enterprises only use this account if required by law to set up price stabilization fund from the cost of production, turnovers in period.

c) Price stabilization fund when set up is included in cost price of goods sold, when used for the purpose of stabilizing prices, enterprises record a decrease in cost price of goods sold.

**2. Structure and contents of account 357 - Price stabilization fund**

**Debit side:** Used price stabilization fund

**Credit side:** Price stabilization fund set up from production and business costs in the period.

**Credit balance:** The current price stabilization fund of enterprises at the end of the period.

**3. Methods of accounting for price stabilization Fund**

- When setting up Price stabilization fund, record:

632 - Cost price of goods sold

Cr 357- Price stabilization fund

- When using price stabilization Fund, record:

Dr 357- Price stabilization fund

Cr 632 - Cost price of goods sold

**Article 66. Accounting principles of owner's equity**

1. Owner's equity is the remaining net assets of enterprises owned by shareholders, contributing members (owners). Owner's equity is recorded by each form source such as:

- Capital contributed by the owners;

- Profit from operations;

- Differences upon asset revaluation.

2. Accountants do not record contributed capital under charter capital on business registration certificate. The owner's equity mobilized, received from owners shall always be recorded at the amount actually contributed, absolutely shall be not recorded at the amount pledged contribution of owners. In case of receiving contributed capital by non-monetary assets, accountants must record according to the fair value of non-monetary assets at the date of contribution.

3. Receiving contributed capital by the kind of intangible assets, such as copyright, right to develop and use property, trademarks, brands ... shall only be carried out under provisions of law or permission of competent bodies. When the law does not have specific regulations on this issue, the capital contribution by trademarks, brand shall be accounted as asset lease or franchising, in which:

- For the side contributing capital by brand, trademark, trade name: Record sum received from using the trademark, trade name of the other side as revenue from lease of intangible asset, franchising, do not record an increase in the value of investments into other units and income of owner's equity corresponding to the investment value;

- For the side receiving capital contribution by brand, trademark, trade name: Do not record the value of brand, trademark, trade name and record an increase of owner's equity corresponding to the value of the brand, trademark, trade name received the contributed capital. Payments for the use of brand, trademark, trade name are recorded the asset rental costs, the franchise cost.

4. The use of owner’s capital, differences upon asset revaluation, development investment funds to subsidize business shall comply with the decision of the owners; enterprises must fully carry out procedures as prescribed by law.

5. The distribution of profit is only made when the enterprises have undistributed post-tax profits. All cases of payment of dividends, profits for the owners exceeding the undistributed post-tax profits shall be essentially decrease of contributed capital, enterprises must fully comply with the procedures prescribed by law and adjust the Business registration certificate.

**Article 67. Account 411- Owner’s capital**

**1. Accounting Principles**

a) This account is used to record the current capital invested by owners and increase or decrease of owner’s capital. Subsidiary companies, units who have legal status in dependent cost-accounting, recorded the capital invested in this account by parent company.

Depending on the operating characteristics of each unit, this account may be used in the unit without legal status in dependent cost-accounting to record the working capital allocated by superior units (in case of not recorded in account 3361 – Internal payable to working capital).

b) Owner’s capital shall include:

- Initially and additionally contributed capital of owners;

- Sum added from funds under owner’s equity, post-tax profits of the business;

- The capital component of the convertible bond (options of conversion of bonds into shares);

- Non-refundable aids, other sums received allowed recording an increase of owner’s capital by competent agencies.

c) Enterprises shall only account for in account 411 - "owner’s capital" according to the actual amount of capital contributed by owners, not record in accordance with committed, receivable sum of owners.

d) Enterprises must detailed account for owner’s capital according to each form source of capital (such as contributed capital of owners, capital stock premium, and other capital) and monitor detailed each organization, individual to participate in contribution of capital.

dd) Enterprises only record a decrease of owner’s capital in case:

- Enterprises repay the capital for the State budget or are mobilized capital for other enterprises under decision of competent agencies;

- Enterprises repay capital for owners, cancel stock fund in accordance with the law;

- Enterprises dissolve; terminate their operations in accordance with law;

- Enterprises are under other cases stipulated by law.

e) Capital holding of investors is determined in foreign currency

- When the investment license defining the charter capital of the enterprise is determined in foreign currency equivalent to an Vietnam dong amount, determining the contributed capital by investors in foreign currencies (surplus or deficit, enough compared with charter capital) is based on the amount of foreign currency actually contributed, is not taken into account the conversion of foreign currencies into Vietnam Dong according to investment license.

- Where enterprises record in accounting books, prepare and present financial statements in Vietnam Dong, when investors contribute capital in foreign currency according to progress, accountants must apply the actual exchange rates at the time of actual contribution to convert into Vietnam Dong and record in owner’s capital, capital stock premium (if any).

- During operation, the balance of Account 411 “owner’s capital” derived from foreign currencies shall not be revalued.

g) In case of receipt of contributed capital in asset, owner’s capital must be recorded an increase according to revaluated prices of assets accepted by capital contributors. Intangible assets such as brands, trademarks, trade names, rights of development of projects ... shall only be recorded an increase the contributed capital if relevant law provisions allow.

h) For joint-stock company, contributed capital of the shareholders is recorded according to actual price of stock issuance, but is recorded in detail in two separate criterions: Contributions from owners of capital stock premium:

- Contributions from owners are recorded according to par value of shares and are monitored in details for common shares with voting rights and preference shares. Enterprises must record in detail separately 2 types of preference shares:

Preference shares are classified as owner's equity if the issuer has no obligation to repurchase such preferred shares.

Preference shares are classified as liabilities if issuers are required to repurchase such preference shares at a determined time in the future and obligation in repurchase of shares must be specified in issuance records at the time of the issuance of shares.

- Share premium shall record the difference between the par value and issue price of shares (including the case of re-issuing stock fund) and can be a positive premium (if the issue price is higher than par value) or negative premium (if the issue price is lower than par value).

i) Principles for determining and recording options of conversion of bonds into shares (the capital component of the convertible bond):

Option of conversion of bonds into shares arising when enterprises issue bonds that can be converted into a certain number of shares shall be prescribed in issuance plan.

- The value of the capital component of the convertible bond is defined as the difference between the total sums received from the issuance of convertible bonds and the value of the debt component of convertible bonds (see the provisions of the account 343 - Bonds issued).

- At the time of initial recording, the value of stock options of convertible bonds is recorded separately in owner's capital. At the bond maturity, accountants shall record this option as capital stock premium.

**2. Structure and content of account 411 - Owner's capital**

**Debit side:** Owner's capital decreases due to:

- Repayment of capital for the owners of capital;

- Transfer of funds to another unit;

- Issuance of shares with price lower than par value;

- Dissolution, termination of business operations;

- Compensating for business losses under decision of the competent authority;

- Cancellation of treasury stocks (for joint stock companies)

**Credit side:** Owner's capital increases due to:

- Capital contribution of the owners;

- Capital addition from business profits, from the funds of owner's equity;

- Issuance of shares with price higher than par value;

- Arising the option of conversion of bonds into shares;

- The value of gifts, donations and financing (after deduction of taxes payable) recorded an increase of owner's capital in accordance with the decision of the competent authority.

**Credit balance:** Current owner's capital of enterprises

***Account 411- Owner's capital comprises 4 sub-accounts:***

*- Account 4111- Contributions from owners:* This account shall record actual capital invested by the owner according to companies' regulations of owners' capital. For joint-stock companies, capital contributed from issuing shares will be recorded in this account upon face value.

For joint-stock company, account 4111- Contributions of owners comprises 2 sub-sub accounts:

*Account 41111 - Common shares with voting rights*: This account records the total par value of common shares with voting rights;

Account 41112 - preference shares; This account records the total par value of preference shares. Enterprises must record in detail in 2 main groups: One group is classified and presented as owner's equity (at item 411a of the Balance sheet); One groups is classified and presented as liabilities (at item 342 of the balance sheet)

*- Account 4112- Share premium: This account records the difference between the issue price and the par value of shares; The difference between price of repurchasing of treasury stocks and the re-issue price of treasury stocks (for joint stock companies). This account may have credit balances or debt balances*

*- Account 4113- option of bond conversion: This account is only used in the side issuing convertible bonds, used to record the structure of the capital (stock options) of convertible bonds at the time of reporting.*

*Structure and contents of accounts 4113 - "Option of bond conversion”*

**Debit side:** Transfer of value of stock options to record an increase share premium at the time of bond maturity.

**Credit side:** Value of stock options of convertible bonds recorded at the time of issuance.

**Credit balance:** Value of stock options of convertible bonds recorded at the time of report.

*- Account 4118 - Other capital:* this account shall record operating capital set up additionally from the result of business activities or given as gifts, presents, financing and asset revaluation (if these items are allowed to record a decrease or increase in investment capital)

**3. Method of accounting for several major transactions**

When actually receiving contribution capital of the owners, record:

Dr 111, 112 (if receiving capital contribution in cash)

Dr 121, 128, 228 (if receiving capital contribution in shares, bonds, investments in other enterprises)

Dr 152, 155, 156 (if receiving capital contribution in inventory)

Dr 211, 213, 217, 241 (if receiving capital contribution in fixed assets, invested real estate)

Dr 331, 338, 341 (if transferring loans, liabilities into contributed capital)

Dr 4112, 4118 (the difference between the values of assets, liabilities transferred into capital lower than the value of capital counted as capital contribution of owners)

Cr 4111- Contributions from owners

Cr 4112, 4118 (the difference between the values of assets, liabilities transferred into capital higher than the value of capital counted as capital contribution of owners).

In case joint stock companies issue shares to mobilize capital from shareholders

When receiving money for buying shares from shareholders with price issued at face value of shares, record:

Dr 111, 112, ...(Face value)

Cr 4111 - Contributions from owners (face value)

Joint-stock company shall record in detail face value of common shares with voting rights on account 41111; The face value of preference shares on account 41112

b) When receiving money for buying shares from shareholders with difference between the issuance price and face value of shares, record:

Dr 111.112 (issue price)

Dr 4112 - Share premium (issue price less than face value)

Cr 4111 - Contributions from owners (face value)

Cr 4112 - Share premium (issue price higher than face value)

c) Costs directly related to the issuance of shares, record:

Dr 4112- Share premium

Cr 111, 112.

In case joint stock companies issue shares from source of owner’s equity:

a) In case a joint stock company is entitled to issue additional shares from share premium, accountants shall base on records, accounting records related, record:

Dr 4112- Share premium

Cr 4111- Contributions from owners

b) In case a joint stock company is entitled to issue additional shares from the development investment funds, record:

Dr 414 - development investment funds

Cr 4111- Contributions from owners

Cr 4112 - Share premium (if any)

c) In case a joint stock company is entitled to issue additional shares from the undistributed post-tax profits (stock dividend), record:

Dr 421 - undistributed post-tax profits

Cr 4111- Contributions from owners;

Cr 4112 - Share premium (if any)

In case a joint stock company issues shares to invest in other enterprises (including the case of a business consolidation under the form of share issuance)

a) In case of issuing shares with price higher than the face value, record:

Dr 221 – Investment in subsidiary companies

Cr 4111- Contributions from owners;

Cr 4112 - Share premium (if any)

b) In case of issuing shares with price less than the face value, record:

Dr 221 – Investment in subsidiary companies

Dr 4112 - Share premium (if any)

Cr 4111- Contributions from owners

In case a joint stock company is entitled to issue bonus shares from the reward fund to increase owner's capital, record:

Dr 3531 – Reward fund

Dr 4112 - Share premium (issue price less than face value)

Cr 4111- Contributions from owners

Cr 4112 - Share premium (issue price higher than face value).

treasury stocks accounting shall be as follows

a) When purchasing treasury stocks, accountants must record according to the actual purchase price, record:

Dr 419 - treasury stocks

Cr 111, 112.

b) When re-issuing treasury stocks, record:

Dr 111,112 (issue price)

Dr 4112 - Share premium (issue price less than book value)

Cr 419 - treasury stocks (book value)

Cr 4112 - Share premium (issue price higher than book value of treasury stocks)

c) When joint-stock company cancel treasury stocks:

Dr 4111 - Contributions from owners (face value)

Dr 4112 - Share premium (re-purchase price higher than face value)

Cr 419 - treasury stocks (book value)

***Cr 4112 - Share premium (re-purchase price less than face value)***

When enterprises supplement charter capital from other legitimate sources, enterprises must transfer to the invested capital of owners, record:

Dr 412, 414, 418, 421, 441

Cr 411 - owner's capital (4111).

When construction set up by investment capital for construction accomplished, or procurement of fixed assets are finished and used for operating activities, settlement of approved investment capital, accountants shall record an increase in historical costs of fixed assets, concurrently; record an increase in invested capital:

Dr 441 - Capital for capital investment

Cr 4111- Contributions from owners

When receiving gifts, presents, financing and competent agencies request to record an increase in state capital, record:

Dr 111, 112, 153, 211…

Cr 411 - owner’s capital (4118).

Other cases where the competent authorities do not request to record an increase in state capital, gifts presents, financing shall be recorded in other income.

When refunding contributed capital for owners, record:

Dr 411 - owner’s capital (4111, 4112).

Cr 111, 112.

When returning contributed capital for owners, record:

- Returning contributed capital in cash, inventory, asset, record:

Dr 4111- Contributions from owners

Cr 111, 112, 152, 155, 156 ... (book value).

- Return contributed capital in fixed assets, record:

Dr 411 - Owner’s capital

Dr 214 - Depreciation of fixed assets

Cr 211, 213.

- The difference between book value of the assets returned to capital owners and contributed capital of owners recorded make increase or decrease of the other capital of owners.

Accounting of bond conversion option

- At the time of the issuance of bonds entitled to convert into shares, accountants shall determine the value of principal and stock options of convertible bonds by discounting the nominal value of future payments to current value, record:

Dr 111, 112 (total sum received from the issuance of convertible bonds)

Cr 3432 - convertible bond (principal)

Cr 4113 - bond conversion option (the difference between received sum and the principal of convertible bonds).

- At bond maturity, if bondholders exercise the option to convert bonds into shares, accountants record a decrease in principal of converted bonds and record increase in owner’s capital, record:

Dr 3432 - convertible bond

Cr 4111 - Contributions from owners (face value)

Cr 4112 - Share premium (the difference between the value of additional issued shares at their par value and the value of the principal of convertible bonds).

- At bond maturity, accountants transfer the value of stock options of bonds convertible to share premium (including cases where bondholders do not exercise the option), record:

Dr 4113 - Bond conversion option

Cr 4112- Share premium

Guiding accountanting for increase, decrease the state capital in 100%-state-owned enterprises before changing into joint-stock companies

a) For assets detected through inventory, based on the "record settlement of surplus, shortage assets through inventory ", record:

Dr 3381 - Surplus of assets awaiting resolution

Cr 331 - Payable to sellers (if the surplus assets are sellers’)

Cr 338 – Other payables (3388)

Cr 411 - Owner’s capital (for surplus assets undetermined the cause and unfound their owners).

b) Accounting for unneeded materials, assets, accumulated assets, and assets awaiting liquidation which have not settled to corporations, state-owned general companies, the parent company, and other independent state-owned companies, record:

- If enterprises transfer materials and goods unneeded, accumulated and awaiting liquidation which have not settled to corporations, state-owned general companies, the parent company, and other independent state-owned companies, record:

Dr 411 - owner’s capital

Cr 152, 153, 155.

- If enterprises transfer fixed assets unneeded and awaiting liquidation to corporations, state-owned general companies, the parent company, other independent state-owned companies, record:

Dr 411 - owner’s capital

Dr 214 - Depreciation of fixed assets

Cr 211 - Tangible fixed assets.

c) Accounting for transfer of assets being the welfare projects

For assets being welfare projects invested by the State capital, if equitization enterprises continue to use them for business purposes, accountants shall record a follows:

Dr 466 - Funds setting up fixed assets

Cr 411 - owner’s capital.

d) Accounting for settlement of loan liabilities before changing into joint stock companies: Before changing into joint stock companies, equitization enterprises must settle loan payable, depending on the loan and settlement decision:

- For liabilities which is not paid but is accounted as increase in state capital, recorded:

Dr 331, 338…

Cr 4111- Contributions from owners

- For liabilities which must be paid in cash, assets, recorded:

Dr 331, 338…

Dr 214 - Depreciation of fixed assets (part of accumulated depreciation of fixed assets used to pay debt)

Cr 111, 112, 152, 153, 155, 156, 211, 213 ...

The difference between the book value and the remaining value of the assets used to pay debt and the book value of the liabilities settled under decision of the competent authority.

dd) Accounting for settlement of provisions before enterprises changed into joint-stock companies: Provisions after being used to offset losses, their remaining shall be accounted as increase in state capital, record:

Dr 229, 352

Cr 411 - owner’s capital.

e) Accounting for settlement of balance of exchange differences (if any)

- If gain on forex is recorded an increase in state capital, record:

Dr 413 - exchange differences

Cr 411 - owner’s capital .

- If loss on forex is recorded a decrease in state capital, record:

Dr 411 - owner’s capital

Cr 413 - exchange differences

Where the competent authority has another decision, the profits and losses of exchange differences which are recorded in account 413 shall be settled in accordance with the decision of the competent authority.

g) Accounting for settlement of long-term investment capital in other enterprises

- In case equitized enterprises inherited long-term investment capital in other enterprises, they must revalue long-term investment capital at the time of transfer in accordance with the law.

- In case equitizated enterprises do not inherit the long-term investments in other enterprises and transfer to other state enterprises as partners, based on transfer note, record:

Dr 411 - Owner’s capital

Cr 222, 228…

h) Accounting for difference between the actual value and the book value of the State capital: the difference of state capital between the actual value and value recorded on accounting books shall be accounted for as business advantage of enterprises, recorded a follows:

Dr 242 - Prepaid expenses

Cr 411 - owner’s capital.

i) Accounting for the difference of prepaid land rents: If the unit has paid land rents in lump-sum for the entire lease term or pay in advance the land rent for many years before July 07, 2004 (the date the Law on Land takes effect), there is a difference in increase due to re-determining the unit price of land rent at the time of valuation for the remaining period of the lease contract or the remaining time which is paid to rent land, accountants record a follows:

- In case prepaid land rent is qualified for being recorded an intangible fixed assets, the difference in increase shall be recorded:

Dr 213 - intangible fixed assets

Cr 411 - owner’s capital.

- In case prepaid land rent is not qualified for being recorded an intangible fixed assets, the difference in increase shall be recorded:

Dr 242 - Prepaid expenses

Cr 411 - owner’s capital.

k) Accounting for transfer of funds, fund of owner’s equity to state capital in enterprises at the time of official change into joint-stock companies:

At the time enterprises are officially transformed into joint stock companies, accountants shall transfer the entire credit balance in development investment funds, other funds under the owner’s equity, undistributed post-tax profits, fundamental capital investment capital, differences upon asset revaluation and exchange differences to owner’s capital, record:

Dr 412, 413, 414, 418, 421, 441

Cr 411- owner’s capital.

l) Accounting for sum received from equitization

- When receiving money from the sale of shares of state capital in enterprises, record:

Dr 111, 112…

Cr 3385 - Payable on equitization.

- When receiving money from the issuance of additional shares to increase operating capital, record:

Dr 111,112 (issue price)

Dr 4112 - Share premium (the difference between the issue prices less than face value of shares)

Cr 4111 - Contributions from owners (face value)

Cr 4112 - Share premium (the difference between the issue prices higher than face value of shares)

m) Handing over of assets, capital to joint-stock company

- In case of equitization of independent enterprises: In case of equitization of independent enterprises, accountants carry out handover procedures in accordance with the current regulations on transfer of assets, liabilities and capital of joint-stock company. All accounting records, accounting books and financial statements of equitized enterprises under storage shall be transferred to the joint stock company to continue storage.

- In case of equitization of dependent cost-accounting units of independent state-owned companies, corporations, general companies, parent companies, member companies: When transferring assets, liabilities and capital of joint-stock companies, based on asset transfer note, detailed appendices in transferring asset to the joint-stock companies and related documents, accounting books, accountants shall record as decrease in value of assets transferred to joint-stock companies, record;

Dr 336, 411

Dr 214 - depreciation of fixed assets (depreciated parts)

Dr 331, 335, 336, 338, 341 ...

Cr 111,112,121,131,152,153,154,155,156,211,213,221,222 , ...

n) Accounting in joint-stock company transformed from 100%-state-owned enterprises.

- Establishing new accounting books: Upon receipt of assets, liabilities, capital and enclosed documents, joint-stock companies must establish new accounting books (including general accounting books and detailed accounting books) to record the value of assets and capital transferred.

- Accounting for receipt of transfer of assets, liabilities and capital, in joint-stock companies: Upon receipt of the transfer of assets, liabilities and capital, based on the records, transfer note, accountants record:

Dr 111,112,121,131,138,141,152,153,154,155,156,157,211,221 ...

Cr 331, 333, 334, 335, 338, 341, ...

Cr 411 - owner's capital .

- Accounting in enterprises having privatized subordinate units

Accounting at the parent company of corporation having equitized subsidiary companies: When a member of corporation is equitized, the parent company shall base on the value of the state capital sold outside to record a decrease in value of investments and decrease in owner's capital, record:

Dr 411 - owner's capital

Cr 221 – Investment in subsidiary companies

Accounting in enterprises having subordinate units without legal status to be privatized: When subordinate units of Corporation, company are equitized, the Corporation, the company shall base on the value of state capital sold outside to record a decrease in operating capital subordinate units, record:

Dr 411 - owner's capital

Cr 1361 – Operating capital in subordinate units.

**Article 68. Account 412 - Difference due to asset revaluation**

**1. Accounting principles**

Ta) This account used for recording of differences due to revaluation of existing assets and situation of settlement of such differences at enterprises. Revaluated assets are revaluated primarily fixed assets, property investment. In some cases it is possible and necessary to revaluate materials, equipments, tools, finished goods Inventory, goods, unfinished goods Inventory, etc.

b) Differences due to asset revaluation shall be recorded in this account in following cases:

- When having the decision of State on asset revaluation;

- When carrying out the equitization of State enterprises;

- Other cases under provisions of the law.

c) This account shall not revaluated differences when taking assets for capital contribution in other units, changing ownership form, differences of revaluation in such cases shall be recorded in Account 711 - Other income (if being interests) or Account 811 - Other expenses (if being losses)

d) Asset value shall be re-determined on the basis of price list stipulated by the State or determined by asset pricing committee or professional price verificating agency.

dd) Differences due to asset evaluation shall be treated and settled according to the current financial policy.

**Structure and contents of account 412 - Difference due to asset revaluation**

**Debit side:**

- The negative difference due to asset revaluation;

- Settlement of the positive difference due to asset revaluation

**Credit side:**

- The positive difference due to asset revaluation;

- Settlement of the negative difference due to asset revaluation.

Account 412 - Differences due to asset revaluation may have balance in Debit or in Credit.

**Debit balance:** The negative difference due to revaluating assets which has not yet settled.

**Credit balance:** The positive difference due upon revaluating assets which has not yet settled.

**3. Method of accounting for several major transactions**

When having the State's decisions on revaluation of fixed-asset, real estate Investment, materials, goods, etc or valuation when conducting equitization of State enterprises, enterprises shall carry out inventory, revaluate assets and record differences due to asset evaluation in the accounting book.

- Revaluation of materials, goods:

If revaluation price are higher than price recorded in the accounting book, the positive price difference will be recorded:

Dr 152, 153, 155, 156

Cr 412 - Difference due to asset revaluation.

If revaluation price are lower than price recorded in the accounting book, the negative price difference will be recorded:

Dr 412 - Difference due to asset revaluation.

Cr 152, 153, 155, 156.

- Revaluation of fixed assets and real estate investment: Based on the written summary of inventory and revaluation results of fixed assets, real estate investment:

Historical cost, book value, depreciation value is adjusted as an increase, record:

Dr 211, 213, 217 (adjusted increase in cost)

Cr 214 - Depreciation of fixed asset (adjusted increase in depreciation value)

Cr 412 - Difference due to asset revaluation. (adjusted increase in book value)

Historical costs, book value, depreciation value is adjusted as a decrease, record:

Cr 412 - Difference due to asset revaluation. (adjusted decrease in book value)

Dr 214 - Depreciation of fixed asset (adjusted decrease in depreciation value)

Cr 211, 213, 217 (adjusted decrease in cost)

b) At fiscal year-end, settlement of differences due to asset revaluation shall comply with the decision of or authorized agencies:

- If Account 412 has the balance in Credit, and business has the decision on owner's capital, record:

Dr 412 - Difference due to asset revaluation.

Cr 411 - owner's capital.

- If Account 412 has the balance in Debit, and business has the decision on decreasing owner's capital, record:

Dr 411 - owner's capital

Cr 412 - Difference due to asset revaluation.

**Article 69. Account 413 - exchange differences**

**1. General provisions on exchange rates and exchange differences**

Exchange differences means differences incurred from real exchange or the conversion of the same amounts of foreign currency into accounting currency unit according to different foreign exchange rates. Exchange differences primarily incurred in the following cases:

- Actual purchase, sale, transfer, exchange, payment of economic operations which incurred in foreign currency in period;

- Revaluating accounts derived from foreign currencies at the time of financial statement;

- Convert financial statements prepared in foreign currencies into Vietnam dong.

Exchange rate types (hereinafter referred to as exchange rates) used in accounting

Enterprises have economic transactions incurred in foreign currency must record in accounting books and make financial statements in accordance with a unified currency that is Vietnam dong, or official currency used in accounting. The conversion of foreign currencies into Vietnam dong shall be based on:

- Actual transaction exchange rates;

- Exchange rates recorded in accounting books.

When determining tax obligations (declaration, settlement and payment), enterprises must comply with the provisions of the laws on taxation.

The principles for determining the actual real exchange rates:

a) Real exchange rates for foreign currency transactions in period:

- Real exchange rate when buying or selling foreign currency (spot contracts of foreign exchange sale, forward contracts, futures contracts, options contracts, swap contracts) : is exchange rates concluded in contracts of foreign exchange sale between enterprises and commercial banks;

- If the contract does not specify the exchange rate of payment, enterprises shall record in accounting books in accordance with the following principles:

Real exchange rate upon capital contribution or receipt of contributed capital: is exchange rate of purchase of foreign currency of the bank where enterprises open the account to receive capital from investors at the date of the contribution of capital;

Real exchange rate upon recording receivables is the buying rate of the commercial bank where the customer makes the payment at the request of the enterprise at the time the transaction is made;

Real exchange rate upon recording liabilities is the selling rate of the commercial bank where the enterprise intends to make transaction at the time the transaction is made;

For purchases of assets or expenses paid immediately in foreign currency (not through the accounts payable), the real exchange rate is the rate of purchase of commercial banks where enterprises make payments.

b) Real exchange rate upon re-determining accounts derived from foreign currencies at the date of the financial statements: is exchange rate announced by commercial banks where enterprises regularly conduct transactions (chosen by the enterprises) under the following principles:

- Real exchange rate upon re-determining accounts derived from foreign currencies classifies as asset: is exchange rates of purchase of commercial banks where enterprises regularly conduct transaction at the time of the financial statements. For foreign currency deposited in bank, the real exchange rate upon revaluation is exchange rate of purchase of the bank where enterprises open foreign currency accounts.

- Real exchange rate upon revaluation of accounts derived from foreign currencies classified as liabilities: Is exchange rates of selling foreign currency of commercial banks at the time of financial statements;

- Units of a Group may apply the same exchange rate prescribed by the parent company (ensure closeness to the real exchange rates) to revalue accounts derived from foreign currencies arising from the insider trading.

Principles for determining accounting book exchange rates: Accounting book exchange rates include : specific identification real accounting book exchange rate or mobile weighted mean accounting book exchange rate ( weighted mean exchange rates after entry)

- Specific identification  real accounting book exchange rate: is exchange rate upon recovery of receivable, deposit or settlement of debts payable in foreign currencies, determined according to the exchange rate at the time of incurred transactions or at the time of reevaluation at the end of term of each object.

- mobile weighted mean accounting book exchange rate is exchange rate used in credit side upon payment in foreign currency, determined on the basis in which the total value recorded in Debit side is divided by the actual amount of foreign currency at the time of payment.

The principle for application of exchange rates in the accounting rate

a) When incurring transactions in foreign currency, the real exchange rate at the time of incurred transactions shall be used to convert into the currency recorded in accounting book for:

- These accounts record other revenues, income. Particularly for the sale of goods or provision of services or income related to revenue received in advance or transactions received cash in advance of buyers, revenue, income corresponding to the sum received in advance shall be applied the real exchange rate at the time of receipt in advance of buyers (not applicable under real exchange rate at the time of receipt of revenues, income).

- These accounts record the cost of production, business and other expenses. Particularly for the allocation of prepaid expenses to cost of production, business in period, expenses shall be recorded at real exchange rates at the time of prepayment (not applicable under real exchange rates at the time of receipt of expenses).

- These accounts record assets. Particularly for the asset purchased related to prepaid transaction to sellers, the value of assets corresponding to prepaid sum shall be applied real exchange rate at the time of prepaying to the seller (not applicable under real exchange rate at the time of recording assets).

- Owner's equity account;

- Debit side of accounts Receivable; Debit side of cash capital accounts; Debit side of accounts payable when incurring transactions prepaid to the seller.

- Credit side of accounts payable; Credit side of accounts receivable when incurring transactions of which sum of buyers is received in advance;

b) When incurring transactions in foreign currency, specific identification real accounting book exchange rates shall be used to convert into the currency of accounting book for the following account types:

- The credit side of accounts receivable (except for the transaction of which money is received in advance); the Debit side of accounts receivable at the time of final settlement of the sum received in advance due to the transfer of products, commodities, fixed assets, provision of service, volume accepted; the credit side of deposited accounts, prepaid expenses;

- The Debit side of accounts payable (excluding transaction prepaid to the seller); The Credit side of account payable at the time of final settlement for cash advanced to sellers due to receipt of products, commodities, fixed assets, services, volume acceptance

- In case if in the period incurring many sums receivable or payable in foreign currency with the same object, the specific identification real accounting book exchange rate for each object is determined on the basis of mobile weighted mean for transactions with such object.

c) When making a payment in foreign currency, the mobile weighted mean accounting book exchange rate shall be used to convert into the currency recorded in accounting books in the Credit side of the cash accounts.

Principles for determining accounts derived from foreign currencies : are assets recovered in foreign currency or debts payable in foreign currencies. Accounts derived from foreign currencies may include:

Cash, cash equivalents, term deposits in foreign currencies

b) Debts receivable, payable derived from foreign currencies, except:

- Prepayments to sellers and prepaid expenses in foreign currencies. If at the time of report, there is firm proof that sellers cannot provide goods, services and enterprises must take back the prepayments in foreign currencies, these sums are considered currency derived from foreign currencies.

- Sums prepaid by buyers and sums received in advance in foreign currencies. If at the time of report, there is firm proof that enterprises cannot provide goods, services and must pay back sums received in advance in foreign currencies for buyers, these sums are considered currency derived from foreign currencies.

c) The borrowings, loans of any kind are entitled to be recovered or be obliged to be repaid in foreign currency.

d) The deposit entitled may be received back in foreign currencies; Sum received from deposit must be repaid in foreign currency.

**2. Accounting Principles for exchange differences**

Concurrently, enterprises must monitor original currency in detailed accounting book of accounts: Cash, cash in bank, cash in transit, receivables, payables.

b) All sums of exchange differences are recorded immediately in financial income (if gain) or financial expense (if loss) at the time of incurring.

Particularly exchange differences in the stage prior to operation of enterprises of which 100% charter capital is held by the State carrying out projects, WORKS OF NATIONAL IMPORTANCE associated with tasks of macroeconomic stability, security and national defense are gathered, recorded on account 413 and is gradually allocate into financial income or financial expense as enterprises operate under the following principles:

- Accumulated exchange rate losses in the period before operation are allocated directly from account 413 to financial expense, are not transferred through account 242 - prepaid expenses;

- Accumulated exchange rate gains in the period before operation are allocated directly from account 413 to financial income, are not transferred through account 3387 – Unearned Revenues;

- Allocation time shall comply with the provisions of law for enterprises of which 100% charter capital is held by the State. Particularly allocation of minimum loss on forex in each period must ensure that it is not less than the pre-tax profit before allocation of loss on forex (after allocation of loss on forex, pre-tax profit of income statement shall be zero).

c) Enterprises must revalue accounts derived from foreign currencies according to real exchange rates at all time of financial statement in accordance with law. Enterprises which have used financial instruments to provision for foreign exchange risk shall be not revalued loans, liabilities derived from foreign currencies which have been used financial instruments for provision for foreign exchange risk

d) Enterprises are not capitalized sums of exchange differences in the value of unfinished assets.

**3. Structure and contents of account 413 - Exchange differences**

**Debit side:**

- Loss on forex due to revaluation of accounts derived from foreign currencies;

- Loss on forex in the stage prior to operation of enterprises of which 100% charter capital is held by the State carrying out projects, works of national importance associated with tasks of macroeconomic stability, security and national defense

- Transfer of gain on forex to financial income;

**Credit side:**

- Gain on forex due to revaluation of accounts derived from foreign currencies;

- Loss on forex in stage prior to operation of enterprises of which 100% charter capital is held by the State carrying out projects, works of national importance associated with tasks of macroeconomic stability, security and national defense.

- Transfer of loss on forex to financial expense;

***Account 413 may have Debit balance or Credit balance.***

**Debit balance:** Loss on forex in the period before the operation of enterprises of which 100% charter capital is held by the State carrying out projects, works of national importance associated with tasks of macroeconomic stability, security and national defense

**Credit balance:** Loss on forex in stage prior to operation of enterprises of which 100% charter capital is held by the State carrying out projects, works of national importance associated with tasks of macroeconomic stability, security and national defense.

***Account 413 - exchange differences*** comprises 2 sub - accounts:

*- Account 4131- Exchange differences due to revaluation of accounts derived from foreign currencies;* Recording foreign exchange rate differences due to revaluation of accounts derived from foreign currencies (gain or loss on forex), at the end of the fiscal year of business activities, including activities of capital investment (business and production enterprises which have also activities of capital investment)

*- Account 4132 - exchange differences in stage prior to operation:* Recording exchange rate differences incurred and exchange rate differences due to revaluation of accounts derived from foreign currencies in stage prior to operation. This account shall only be applied to enterprises of which 100% charter capital is held by the State carrying out projects, works of national importance associated with tasks of macroeconomic stability, security and national defense.

*4. Method of accounting for several major transactions*

Accounting for foreign exchange rate differences incurred in period (including exchange differences in stage prior to operation of enterprises of which of which 100% charter capital is not held by the State.

When purchasing materials, goods, fixed assets, services paid in foreign currency:

Dr 151, 152, 153, 156, 157, 211, 213, 217, 241, 623, 627, 641, 642 (exchange rate at the transaction date)

Dr 635 - financial expense (loss on forex)

Cr 111 (1112), 112 (1122) (according to exchange rate recorded in the accounting book)

Cr 515 - financial income ( gain on forex)

b) When buying materials, goods, fixed assets, services from suppliers for whom payment has not yet paid, when having loans or receiving internal debts, etc in foreign currency, forex at the transaction date will be based to record:

Dr 111, 112, 152, 153, 156, 211, 627, 641, 642 ...

Cr 331, 341, 336 ...

c) When advancing money for the seller in foreign currency for the purchase of materials, goods, fixed assets and services:

- Accountants record the advance amount to the seller in accordance with the real exchange rate at the time of the advance, record:

Dr 331 - Payable to suppliers (real exchange rate at the date of the advance)

Dr 635 - financial expense (loss on forex)

Cr 111 (1112), 112 (1122) (according to exchange rate recorded in the accounting book)

Cr 515 - financial income ( gain on forex)

- Upon receipt of materials, goods, fixed assets and services from the seller, accountants record under the following principles:

For the value of materials, goods, fixed assets, services corresponding to the amount in foreign currency advanced to the sale, accountants record in accordance with the real exchange rate at the time of the advance, record:

Dr 151, 152, 153, 156, 157, 211, 213, 217, 241, 623, 627, 641, 642

Cr 331 - Payable to sellers (real exchange rate at the date of the advance)

For the value of unpaid materials, goods, fixed assets and services, accountants record in accordance with the real exchange rate at the time of incurring (transaction date), record:

Dr 151, 152, 153, 156, 157, 211, 213, 217, 241, 623, 627, 641, 642 (exchange rate at the transaction date)

Cr 331 - Payable to sellers (real exchange rate at the date of transaction)

d) When paying debts payable in foreign currencies (payables to sellers, loans, finance lease liabilities, or internal debts, etc), record:

Dr 331, 336, 341,… (exchange rates recorded in accounting books)

Dr 635 - financial expense (loss on forex)

Cr 111 (1112), 112 (1122) (exchange rate recorded in the accounting book)

Cr 515 - financial income ( gain on forex)

e) When incurring revenue, other income in foreign currency, based on the real exchange rate at the date of the transaction, record:

Dr 111 (1112), 112 ( 1122), 131...(real exchange rate at the transaction date)

Cr 511, 711 (real exchange rate at the transaction date)

g) When receiving money in advance from the buyer in foreign currency for provisions of materials, goods, fixed assets and services:

- Accountants record sum received in advance of buyers in accordance with the real exchange rate at the time of receipt, record:

Dr 111 (1112), 112 (1122)

Cr 131 - Receivables from customers.

- Upon transfer of materials, goods, fixed assets and services to buyers, accountants record under the following principles:

For revenue, income corresponding to the sum in foreign currency received in advance of the purchasers, accountants record at the real exchange rates at the time of receipt in advance, record:

Dr 131 - Receivables from customers (the real exchange rate at the time of receipt in advance)

Cr 511, 711.

For unpaid revenue, income, accountants record in accordance with the real exchange rate at the time of incurring, record:

Dr 131 - Receivables from customers.

Cr 511, 711.

h) When receiving accounts receivable in foreign currency, record:

Dr 111 (1112), 112 (1122) (real exchange rate at the transaction date)

Dr 635 - financial expense (loss on forex)

Cr 131, 136, 138 (exchange rate recorded in the accounting book)

Cr 515 - financial income ( gain on forex)

i) When lending, investing in foreign currencies, record:

Dr 121, 128, 221, 222, 228 (real exchange rate at the transaction date)

Dr 635 - financial expense (loss on forex)

Cr 111 (1112), 112 (1122) (exchange rate recorded in the accounting book)

Cr 515 - financial income ( gain on forex)

k) Deposits in foreign currency

- When foreign currencies are deposited, record :

Dr 244 - Pledge, mortgage, deposit

Cr 111 (1112), 112 (1122) (exchange rate recorded in the accounting book)

- Upon receipt of deposit, record :

Dr 111 (1112), 112 ( 1122) (real exchange rate upon receipt)

Dr 635 - financial expense (loss on forex)

Cr 244 - Pledge, mortgage, deposit (exchange rates recorded)

Cr 515 - financial income ( gain on forex)

Accounting for foreign exchange rate differences incurred due to revaluation of accounts derived from foreign currencies

a) When preparing financial statements, accountants revaluate accounts derived from foreign currencies at real exchange rate at the time of the report:

- If incurring gain on forex, record:

Dr 1112, 1122, 128, 228, 131, 136, 138, 331, 341...

If incurring loss on forex, record:

Dr 413 - exchange differences (4131)

Cr 1112, 1122, 128, 228, 131, 136, 138, 331, 341...

b) Accounting for handing of foreign exchange rate differences incurred due to revaluation of accounts derived from foreign currencies: Transferring total foreign exchange rate differences revaluated (According to net amount after offsetting incurring amount in Debit and Credit of Account 4131) into financial expenses (if loss on forex), or financial income (if gain on forex) to determine result of business activities:

- Transferring gain on forex revaluated at the fiscal year-end to financial income, recorded:

Dr 413 - exchange differences (4131)

Cr 515 - financial income ( gain on forex)

- Transferring loss on forex revaluated at the fiscal year-end to financial income, recorded:

Dr 635 - financial expense (loss on forex)

Cr 413 - exchange differences (4131)

c) Accounting for exchange differences incurred in stage prior to operation of enterprises of which 100% charter capital is held by the State carrying out projects, works of national importance associated with tasks of macroeconomic stability, security and national defense:

Units apply all the provisions of the exchange rate and accounting principles like other enterprises, except:

- Recording gain on forex upon incurring is recorded in Credit side of Account 413 - Exchange rate differences;

- Recording loss on forex upon incurring is recorded in Debit side of Account 413 - Exchange rate differences;

When enterprises operate, accountants transfer exchange differences to financial income or financial expense.

d) Handling of remaining exchange rate differences on account 242 - Prepaid expenses and account 3387 - unearned revenue:

- Enterprises which have not allocated loss on forex of stage prior to operation (recording on account 242 before this Circular take effects) must transfer the entire loss on forex to financial expense to determine income statement in period, record:

Dr 635 - financial expense

Cr 242 - Prepaid expenses

- Enterprises which have not allocated gain on forex of stage prior to operation (recording on account 3387 before this Circular take effects) must transfer the entire gain on forex to financial income to determine income statement in period, record:

Dr 3387 – Unearned revenue

Cr 515 - financial income.

**Article 70. Account 414 - Development investment funds**

**1. Accounting principles**

This account is used to record existing amount, and the situation of increase and decrease of development investment fund of enterprises.

b) Development investment fund is set up from post- income tax profits of enterprises and used for expansion investment of business and production scale, or for intensive investment of enterprises.

c) Setting up and use of development investment fund must comply with the current financial policy for every type of enterprise or decision of owners.

d) If enterprises do not continue to set up financial reserve funds. Owners of enterprises shall make decision to transfer the balance of financial reserve fund to development investment funds.

**2. Structure and content of account 414 - Development investment funds**

**Debit side:** Situation of expenditure and using the development investment fund of enterprises

**Credit side:** Development investment fund increases due to appropriation from income after tax

**Credit balance:** Existing development investment fund

**3. Method of accounting for several major transactions**

In period, when temporarily appropriate the development investment fund from income after tax, recorded:

Dr 421 - undistributed post-tax profits

Cr 414 - development investment funds

b) At year-end, determining development investment fund appropriated, accountants will calculate amount appropriated additionally, recorded:

Dr 421 - undistributed post-tax profits

Cr 414 - development investment funds

c) In case a joint stock company issue additional shares from the development investment funds, record:

Dr 414 - development investment funds

Cr 4111 - Contributions from owners (face value)

Cr 4112 - Share premium (the difference between the issue price higher than face value, if any)

d) Transfer of the balance of fund financial reserve fund: The balance of existing financial reserve funds in enterprises is transferred to development investment funds, record:

Dr 415 - financial reserve funds

Cr 414 - development investment funds

dd) When enterprises supplement charter capital from development investment funds, enterprises must transfer to owner's capital, record:

Dr 414 - development investment funds

Cr 4111- Contributions from owners

**Article 71. Account 417 -** Fund for support of arrangement of enterprises

**1. Accounting principles**

a) This account is used to record the appropriation and use of " fund for support of arrangement of enterprises " in one member limited liability companies of which 100% charter capital is held by the State as prescribed by law.

b) Management and use of funds; Report, settlement; Storage of records and documents must comply with the provisions of current law. Fund management unit must open a separate account to monitor revenues and expenses of the Fund; Open accounting books to account clearly, fully and promptly incurred transactions.

c) Revenues of the Fund may include:

- Revenues from equitization; Revenues from forms of reorganization and transformation of enterprises;

- Supportive budget under decision of the competent authority;

- Interest on deposits in banks of the Fund;

- Penalty for late payment;

- Other revenues under provisions of the law.

d) Expenditures of Fund shall include :

- Support for enterprises in reorganization and transformation of ownership and settlement of policies for redundant workers and handling of financial matters in accordance with law;

- Supplement charter capital for units in accordance with the law;

- Transfer, investments in enterprises under the decision of the competent authority;

- Other expenditures under provisions of the law.

**2. Structure and content of account 417 -** Fund for support of arrangement of enterprises

**Debit side:** Other expenditures from Fund under provisions of the law.

**Credit side:** Revenues of the Fund

**Credit balance:** The existing balance of fund for support of arrangement of enterprises at the end of period.

**3. Method of accounting for several major transactions**

a) Accounting for revenues for equitization:

Dr 1385 - receivables for equitization

Cr 417 - Fund for support of arrangement of enterprises.

b) Accounting for recording of Fund's revenues under decision of the competent authority, record:

Dr 111, 112, 138

Cr 417 - Fund for support of arrangement of enterprises.

c) Based on the settlement report on expenditures on implementation of policies for employees in the equitized enterprise and equitization cost made by the equitized enterprise, accountants in parent Companies, Corporation, state-owned general companies record the difference between revenue and expenditure of equitization of enterprises and record sum paid for employees, cost of equitization, record:

Dr 111, 112

Dr 417 - Fund for support of arrangement of enterprises.

Cr 1385 - receivables for equitization

d) When transferring Fund or spending money from Fund under decision of competent agencies, record :

Dr 417 - Fund for support of arrangement of enterprises.

Cr 111, 112.

dd) Upon approval of the Prime Minister on supplementing charter capital for Groups, state-owned general companies, parent companies, accountants record:

Dr 417 - Fund for support of arrangement of enterprises.

Cr 411 - owner’s capital .

**Article 72. Account 418 - Other fund under owner’s equity**

**1. Accounting principles**

This accounts is used to record existing amount and the situation of increase decrease of other fund under owner's equity, such as reward fund for management boards of companies, etc. Other fund under owner's equity are formed from post-tax profits. Appropriation and use of other fund under owner's equity must comply with the current financial policy towards for every type of enterprise or decision of owners

**2. Structure and content of account 418 - Other funds under owner's equity**

**Debit side:** The situation of expenditure and using other fund under owner's equity of enterprises.

**Credit side:** Other fund under owner's equity increased due to appropriation from post-tax profits.

**Credit balance:** Other fund under existing owner's equity.

**3. Method of accounting for several major transactions**

*Appropriating other fund under owner's equity from enterprise income tax, record:*

*Dr 421 - undistributed post-tax profits*

*Cr 418 - Other fund under existing owner's equity.*

*b) When using the funds, record:*

*Dr 418 - Other fund under existing owner's equity.*

*Cr 111, 112.*

c) When enterprises supplement charter capital from Other funds under owner's equity, enterprises must transfer to owner's capital, record:

Dr 418 - Other fund under existing owner's equity.

Cr 411 - owner's capital (4111).

**Article 73. Account 419 - Treasury shares**

*1. Accounting principles*

This account is used to record existing value and increases decreases of shares bought back from joint-stock companies among stocks issued to public by such companies to re-issue afterwards (called as Treasury shares)

Treasury shares are shares issued by companies and bought-back by the companies which issued shares, but they are not cancelled and shall be re-issued in the period which complies with law on securities. Treasury shares are hold by companies which do not received dividend, have no right for election or join to share assets when companies are dissolved. When distributing dividend for shares, Treasury shares hold by companies shall be considered as not yet sold.

b) Value of Treasury shares is recorded in this account under to prices actually bought-back, including back-buying prices and expenses directly related to back-buying of shares, such as expenses of transaction and information...

c) At the end of accounting period, when making financial report, actual value of Treasury shares shall be recorded a decrease in owner's capital on the balance sheet by negative entry (…).

d) This account will not record the value of shares which companies bought from other joint-stock companies for investment purposes.

dd) Cost of Treasury shares when re-issuing or using to pay dividend, bonus, etc shall be calculated according to weighted average method.

**2. Structure and contents of account 419 – Treasury shares**

**Debit side:** Actual values of Treasury shares when buying

**Credit side:** Actual values of Treasury shares re-issued, distributed as dividend, or cancelled

**Debit balance:** Actual values of Treasury shares being held by companies

**3. Method of accounting for several major transactions**

Accounting for buying back shares which are issued by companies themselves:

- When companies finished procedures for buying back shares issued by companies themselves in accordance with law provisions, accountants will implement the payment procedure for shareholders, according to agreement prices for buying, selling and receiving shares, record:

Dr 419 - Treasury shares (repurchase price of shares)

Cr 111, 112.

- During the process of buying back shares, when incurring expenses directly related to buying-back of shares, record:

Dr 419 - treasury stocks

Cr 111, 112.

Re-issuing of Treasury shares :

- When re-issuing Treasury shares with price higher than actually bought back price, record:

Dr 111, 112 (Total payment price of re-issuing shares)

Cr 419 - Treasury shares (repurchase real price of shares)

Cr 411 - Owner's capital (4112) (differences from re-issued price higher than real price for buying back of shares)

- When re-issuing Treasury shares to market with price lower than real price for buying-back of shares, recorded:

Dr 111, 112 (Total payment price of re-issuing shares)

Dr 4112- - Share premium (re-issue price less than repurchase price)

Cr 419 - Treasury shares (repurchase real price of shares).

c) When canceling treasury shares, record:

Dr 4111 – contributed capital of owners (Face value of cancelled shares);

Dr 4112 - Share premium (re-purchase price higher than face value)

Cr 419 - Treasury shares (repurchase real price of shares).

d) When having the decision of managing board (approved by shareholders' meeting) distributing dividend in Treasury shares:

- In case issued price of treasury shares at the date paying dividend in shares is higher than real price of buying back treasury shares, record:

Dr 421 - undistributed post-tax profits (issue price of shares)

Cr 419 - Treasury shares (repurchase real price of treasury shares).

Cr 4112 - Share premium ( differences from repurchase price of treasury shares lower than issue price at the date of payment of dividends)

- In case issued price of treasury shares at the date paying dividend in shares is lower than real price of buying back treasury shares, record:

Dr 421 - undistributed post-tax profits (issue price of shares)

Dr 4112 - Share premium ( differences from repurchase price of treasury shares higher than issue price at the date of payment of dividends)

Cr 419 - Treasury shares (purchase real price of treasury shares).

**Article 74. Account 421 - Undistributed post-tax profits**

**1. Accounting principles**

This account is used to record business results (profit, loss) after enterprise income tax and situation of income distribution or loss handling of enterprise.

b) Profit distribution on business activities of enterprises must be clear, explicit and comply with the current financial policy.

c) Detailed accounting of result from business activities for every fiscal year must be implemented (previous year, current year), concurrently monitor in details for every content of profit distribution of enterprises (appropriation of fund, supplementation of operating capital, distribution of dividends, profits for shareholders and investors).

d) When applying retroaction due to the accounting policy changes and adjusting retroaction of essential shortcomings of previous years, but discovered in current year which lead to adjustment of year-beginning balance of undistributed earnings, accountants must adjust a decrease or an increase in year-beginning balance of Account 4211 "retained earnings of previous year" on the accounting book, and adjust a decrease or an increase in indicator "retained earnings" on the balance sheet, in accordance with regulations at accounting standard "Accounting policy change, accounting estimation and shortcomings", and accounting standard "Enterprise income tax".

dd) Parent companies are entitled to distribute profits to the owners which shall not exceed the undistributed post-tax profits on consolidated Financial statements after eliminating the impact of profits recorded from cheap purchase (negative goodwill). Where the undistributed post-tax profits on consolidated financial statements is higher than the undistributed post-tax profits on financial statement of the parent companies and if the profits decided to distribute exceed the undistributed post-tax profits on separate financial statement, the parent companies make distribution after transferring profits from subsidiary companies to the parent companies.

All enterprises, when distributing profits, must consider non-monetary items in undistributed post-tax profits that may affect cash flow and ability to pay dividends, profits of enterprises, such as:

- Interest due to revaluation of assets contributed as capital; revaluation of monetary items; revaluation of financial instruments;

- Other non-monetary items ...

e) In the operation of business cooperation contract (BCC) of division of post-tax profits, enterprises must monitor separately results of BCC as a basis for the distribution of profits or sharing losses for the parties. Enterprises which are the make payment and final declaration of tax for parties in BCC record the profits in proportion to the profits they receive, do not record all results of BCC on this account unless gaining the control right for BCC.

g) For the preferred dividends payable: Enterprise must eliminate preferred dividends payable under the nature of the preference shares and principles:

- If the preference shares classified are liabilities, accountants do not record dividends payable from undistributed post-tax profit ;

- If preference shares classified are owner’s equity, preferential dividends payable are accounted for similar to the dividend payment of common shares.

h) Enterprises must monitor the internal management system of taxable losses and non-taxable losses, in which:

- Taxable losses are the losses set up by deductible expenses in determining taxable income;

- Non - taxable losses are the losses set up by non-deductible expenses in determining taxable income;

When transferring losses in accordance with the law, enterprises shall only transfer taxable losses as a basis of deduction of tax payable in the future.

**2.** Structure and contents of account 421 - Undistributed post-tax profits

**Debit side:**

- Loss amount on business activities of enterprises;

- Appropriation of fund of enterprises;

- Distributing dividends, profits for owners;

- Supplementing owner’s capital;

**Credit side:**

- Real income amount on business activities of enterprises in period;

- Loss amount from subordinates granted additionally by seniors;

- Handling losses on business activities.

***Account 421 may have Debit balance or Credit balance.***

**Debit balance:** Loss amount on business activities which have not yet been settled

**Credit balance:** Undistributed or unused undistributed post-tax profits

***Account 421 - Undistributed post-tax profits comprises 2 sub-accounts:***

*- Account 4211- Undistributed post-tax profits of previous year :* Recording the result of business activities, situation of profit distribution or loss handling from previous years. Account 4211 is still used for recording of adjustment amount of increase or decrease in year beginning balance of Account 4211, when applying retroaction due to accounting policy change and retroactive adjustment of essential shortcomings in previous year, but have just been discovered in the current year.

Next year-beginning, accountants shall transfer year-beginning balance from Account 4212 “undistributed post-tax profits of current year” to Account 4211 “undistributed post-tax profits of previous year”

*- Account 4212- Undistributed post-tax profits of current year :* Recording the result of business activities, situation of profit distribution or loss handling in current year.

**3. Method of accounting for several major transactions**

At end of account period, transferring the result of business activities:

- In case of profit, record:

Dr 911 – income summary

Cr 421 - undistributed post-tax profits (4212).

- In case of loss, record:

Dr 421 - undistributed post-tax profits (4212)

Cr 911 – income summary

b) When having the decision or notice for payment of dividend and profits distributed to owners, record:

Dr 421 - undistributed post-tax profits

Cr 338 – Other payables (3388).

When paying dividends and profits, record:

Dr 338 – Other payables (3388).

Cr 111,112,... (real payment amount)

c) In case a joint stock company pay dividends in shares (additional stock issue from undistributed post-tax profits), record:

Dr 421 - undistributed post-tax profits

Cr 4111- Contributions from owners (face value)

Cr 4112 - Share premium (differences between issue price higher than face value, if any)

d) Enterprises which are not joint stock companies when deciding to supplement owner's capital from business profits (retained profits of enterprises), record:

Dr 421 - undistributed post-tax profits

Cr 4111 - Contributions from owners.

dd) When setting up funds from the results of operations (retained profits of enterprises), record:

Dr 421 - undistributed post-tax profits

Cr 414 - development investment funds

Cr 418 - Other funds under owner's equity.

Cr 353 - bonus and welfare fund (3531, 3532, 3534).

e) At fiscal year-beginning, transferring undistributed post-tax profits of current year to undistributed post-tax profits of previous year, record:

- In case Account 4212 has Credit Balance (profit), record:

Dr 4212 - undistributed post-tax profits of current year

Dr 4211 - undistributed post-tax profits of current year of previous year.

- In case Account 4212 has Debit Balance (loss), record:

Dr 4211 - undistributed post-tax profits of current year of previous year

Dr 4212 - undistributed post-tax profits of current year

g) Accounting for handling of undistributed post-tax profits before transforming 100%-state-owned enterprises into joint-stock companies

- Accounting for handing of liabilities before transforming into joint-stock companies

For loans of state-owned commercial banks and the Vietnam Development Bank overdue but unable to be paid due to the loss of enterprises which have no state capital, enterprises must carry out procedures, application for rescheduling, freezing and remission of loans under the provisions of current law. When having decision on remission of loan, record:

Dr 335 - Expenses payable (interest from remitted loans)

Cr 421 - Undistributed post-tax profits (interest of loans recorded in expenses in previous terms remitted)

Cr 635 - financial expense (interest of loans recorded in expenses in current terms)

- Accounting for the difference between the actual value of the State capital at the time 100%-state-owned enterprises are transferred into joint-stock companies and the actual value of the State capital at the time of the valuation of enterprises.

In case the actual value of the State capital at the time enterprises are transformed into joint-stock companies is greater than the actual value of the State capital at the time of valuation of the enterprises, the increase difference (interest) must submitted to fund for support of arrangement of enterprises as prescribed by law (as in corporations, general companies, parent companies or fund for support of arrangement of enterprises in state capital and investment corporation ), record:

Dr 421 - undistributed post-tax profits

Cr 3385 - Payable for equitization.

If the actual value of the State capital at the time 100%-state-owned enterprises are transferred into joint-stock companies is lower than the State capital at the time of the valuation of enterprises, the decrease differences (loss) are recorded, record:

Dr 138 - Other receivables (1388)

Cr 421 - Undistributed post-tax profits.

If the difference decreases due to objective or subjective reasons, but due to force majeure or which persons in charge of compensation have no ability to perform the compensation and competent authorities consider and decide to use sum received from the sale of shares to offset losses after deducting the covered compensation (if any), record:

Dr 3385 - Payable for equitization.

Cr 421 - Undistributed post-tax profits.

- Accounting for changing undistributed post-tax profits into state capital in enterprises at the time enterprises are officially transformed into joint-stock companies: At the time enterprises are officially transformed into joint stock companies, accountants transfer the whole credit balance of undistributed post-tax profits to owner's capital, record:

Dr 421 - undistributed post-tax profits

Cr 411 - owner's capital

**Article 75. Account 441- Capital for capital investment**

**1. Accounting Principles**

This account used for recording of existing amount and the situation of increase or decrease of capital for capital investment of enterprises. Capital for capital investment of enterprises granted by State budget or by seniors. Capital investment capital of units used for new capital investment, improvement, extension business and production premise, and procurement of fixed assets for renovation of technology. Capital investment in enterprises shall must execute and respect regulations on current capital investment management.

b) Every time construction and procurement of fixed assets accomplished, assets are transferred for use in business and production, accountants must conduct procedures for settlement of investment capital of every construction sections. When investment construction report is approved, accountants must record a decrease in capital investment capital source, record an increase in owner's capital.

**2. Structure and contents of account 441 - Capital for capital investment**

**Debit side:** Amount of capital for capital investment decreases due to:

- New construction and procurement of fixed assets accomplished, transferred for use and investment capital settlement report is approved.

- Refund of unspent capital investment capital to senior units, to State

**Credit side:** Amount of capital for capital investment increases due to:

- State budget or seniors grant capital for capital investment;

- Receipt of capital for capital investment due from aid, financing;

- Supplementation from development investment fund

**Credit Balance:** Existing amount of capital for capital investment of enterprises which have not yet been used or used, but construction have not yet been accomplished or accomplished but balance-sheet have not yet been approved.

**3. Method of accounting for several major transactions**

Receiving capital for capital investment by cash, cash in bank, record:

Dr 111, 112

Cr 441 - Capital for capital investment

b) In case of receiving capital for capital investment granted by State budget, according to allocated estimate:

- When be transferred of estimate for expenditure of capital investment, enterprises actively monitor and record information about items in the notes to financial statements.

- When withdrawal of estimate for expenditure of capital investment for use, based on the situation of using estimate for expenditure of capital investment to treat in accounts related, record:

Dr 111 - Cash on hand

Dr 152, 153, 331,…

Dr 133 - Deductible value-added tax

Dr 241 - Construction in progress (withdrawal of estimate for direct expenditure)

Cr 441 - Capital for capital investment

c) When have not yet been transferred estimate for capital investment, units shall be advanced investment capital by the treasury, when receiving advanced capital from the treasury, record:

Dr 111, 112

Cr 338 - Other payables (3388)

d) When the estimate for expenditure of capital investment transferred, units must conduct payment procedures to refund the treasury advanced amount of capital. When the treasury accepts payment vouchers, recorded:

Dr 338 - Other payables (3388)

Cr 441 - Capital for capital investment

dd) Receiving capital for capital investment to pay loans, liabilities, recorded :

Dr 336, 338, 341…

Cr 441 - Capital for capital investment

e) Supplementing capital for capital investment by development investment fund, recorded:

Cr 414 - Development investment funds

Cr 441 - Capital for capital investment

g) When construction and procurement of fixed assets by capital for capital investment accomplished, transferred for use in business and production : Accountants shall record an increase in fixed assets due to capital investment, procurement of fixed assets accomplished, recorded:

Dr 211 - Tangible fixed assets

Dr 213 - Intangible fixed assets

Cr 241 - Construction in progress

h) When refunding capital for capital investment for State budget, for senior units, recorded:

Dr 441 - Capital for capital investment

Cr 111, 112.

i) When enterprises supplement charter capital from capital for capital investment, enterprises must transfer to invested capital of owners, record:

Dr 441- Capital for capital investment

Cr 4111 - Contributions from owners (4111).

**Article 76. Account 461- Non-business expenses source**

**1. Accounting Principles**

This account is used to record of the situation of receiving, using and settlement of non- business and project expenses of units. This account is only used in emits which are granted with non-business and project expenses by State or senior unit.

Expenses source for non-business and projects are expenditures granted by State budget or senior units or direct aids received from Government, domestic and foreign organizations or individuals for implementation of item programs, approved projects, to perform economic, politic and social tasks assigned by the State or seniors for non - profit purposes. Use of expenditure source for non-business and projects must comply with approved estimate and must settle with agencies which grant expenditures. Non-business expenditure source may also be established from non-business receipts incurred at units, such as collecting hospital fees of unit’s employee who are under treatment and in convalescence at unit’s hospital, collecting school fees, customary dues, etc

b) Expenditure source for non-business and projects must be treated in details of every established source: granted by State budget or senior units, received financing and aids from organizations or individuals, collected from non-business activities of units. Concurrently, non-business expenses source of current year and non-business expenses source of previous year must be recorded in details and separately.

c) Expenses source for non-business and projects must be used in compliance with purposes, operating contents, standards and norms of State and senior units and in approved estimate range

d) In case expenses are granted by State budget, grant method of State budget for non-business expenditure source will be based to record in accounting book:

- If State budget grant expenses by payment order, when receive Credit note, the amount is transferred into account of the unit, accountants concurrently record an increase in cash in banks and non-business expenditure source;

- If State budget grant expenses by allocation of estimate for non-business, projects expenditures, when receiving the notice, or withdrawing estimates for non-business, projects for expenditure, units must explain on financial statement , and record Cr 461 “Non-business expenses source” corresponding with related accounts.

dd) At fiscal year-end, units must make settlement procedures for striking balance of situation of receiving and using non-business expenses source with financial agencies, governing bodies and with every agency or organization granting expenditures according to current financial policy. Unspent expenditure allowed to transfer will be settled according to the decision of authorized agencies. Units only transfer amount of unspent expenses of non-business and projects to next year when approved by authorized agencies.

e) At fiscal year-end, if settlement of operating expenditures by non-business expenses source are not yet approved, accountants shall transfer non-business expenses source of current year to non-business expenditure source of previous year.

**2. Structure and contents of account 461- Non-business expenses source**

**Debit side:**

- Expenditures from non-business and projects source;

- Unspent expenditure source for non-business and projects refunded to State budget or paid for seniors

**Credit side:**

- Amount of expenses source for non-business and projects actually received from Slate budget or seniors;

- Amount of non-business receipts incurred at units supplemented for non-business expenses source

**Credit Balance:** Amount of expenses source for non-business and projects received from State budget or seniors, but have not yet used or used but have not yet settled.

***Account 461- Non-business expenses source, comprises 2 sub-accounts:***

*- Account 4611- Non-business expenses source of previous year: Recording expenses for non-business, projects in the previous year used but the settlement report of previous year has not been approved, and the amount of unused non-business funding of previous year. When the settlement report of previous year is approved, expenditure by source of non-business funding, project funding of previous year shall be deducted from account 461 "Non-business funds" (4611- Non-business Funding of previous year). The unused non-business funding of previous year, depending on decision of financial agencies or the competent authorities, must be submitted into the budget or transferred to the funding of current year.*

*- Account 461- Non-business expenses source of current year : Recording non- business funding, project funding allocated in current year by the Budget or seniors, including unused non- business funding of previous year until approval of all settlement reports transferred into current year's funding. At the end of the accounting year, at the beginning of next year, the funding of current year, if has not been settled shall be transferred from account 4612 "Non-business funding of current year" to account 4611 " Non-business funding of previous year" for monitoring until the settlement report of previous year is approved.*

**3. Method of accounting for several major transactions**

Receiving expenses source for non-business and projects granted by State budget with payment order, or non-business expenses source granted in cash by superior, record:

Cr 111, 112

Cr 461 - Non business expenses source (4612)

b) When drawing estimate for activities or projects to encash, or to purchase materials, tools, or pay directly to sellers or disburse directly, record:

Dr 111 - Cash on hand

Dr 331 - Supplier Payable

Dr 161 - Expenses of non-business and projects (1612)

Dr 152, 153,…

Cr 461 - Non business expenses source (4612)

c) Non - business receipts incurred at units (if any), record:

Dr 111, 112,…

Cr 461 - Non business expenses source (4612)

d) Receiving non-business expenses in fixed assets granted by State budget or seniors, or receive grant in fixed assets used for non-business and projects activities, record:

Dr 211 - Tangible fixed assets

Dr 213 - Intangible fixed assets

Cr 461 - Non business expenses source.

Concurrently, record:

Dr 161 - Expenses of non-business and projects

Cr 466 - Fixed asset expenses

dd) At fiscal year-end, business still have cash and cash in bank which belong to expenditure source for non-business and projects, if this unspent non - business expenditure must be returned to State budget or seniors, record:

Dr 461 – Non-business expenses source.

Cr 111, 112.

If unspent amount of expenses source for non-business and projects is retained to transfer into next year's expenditure, the above entry will not be implemented.

e) When settlement report of expenses for non-business and projects activities approved in the current year, record:

Dr 461 – Non-business expenses source (4612)

Cr 161 - Expense for non-business activities (1612) (approved expenditure amount)

g) If until year-end, the settlement report of expense for non-business and projects has not yet approved:

- Transferring expense for non-business and projects of current year into expense on non-business and projects of previous year, record:

Dr 161 - Expense for non-business (1611 - Expense for non-business activities of previous year)

Cr 161 - Expense for non-business (1612 - Expense for non-business activities of current year)

- Concurrently, transferring expenses source for non-business activities and projects of current year, into expenses source for non-business and projects prior year, record:

Dr 461- Non-business expenses source (4612)

Cr 461 - Non business expenses source (4611)

h) When settlement report of expenses for non-business and projects activities approved in previous year, record:

Dr 461 – Non-business expenses source (4611)

Cr 161 - Expenses of non-business (1611)

Non business expenses source of previous year determined as redundancy when annual settlement report is considered, shall be transferred into non business expenses source current year, record:

Dr 461- Non-business expenses source (4611)

Cr 461- Non business expenses source (4612)

**Article 77. Account 466 - Fixed asset expenses source**

**1. Accounting Principles**

This account is used to record existing amount and increases or decreases in fixed asset expenses source. Only recorded an increase in fixed asset expenditure source when units purchase fixed assets, invest in new construction, upgrade, improve, extend existing fixed assets, these operations will be recorded an increase in historical price of fixed assets by expenses source for non-business and projects, granted by State budget or received from grant, financing, delivered for use in non-business activities and projects

b) fixed asset expenditure source is recorded a decrease when calculating depreciation of fixed assets, or selling, liquidation, discovering fixed assets deficit when carrying out inventory, refunding for State, or transferring fixed assets to other units according to orders of seniors, of State

**2. Structure and contents of account 466 - Fixed asset expenses source**

**Debit side:** Fixed asset expenses source decreases, including:

- Refunding to State or transferring fixed assets, used for non-business and projects activities according to the decision of State bodies or authorized agencies;

- Calculating fixed assets depreciation used for non-business and projects activities;

- Selling, liquidating fixed assets or discovering deficiency of fixed assets used for non-business and projects activities

- Net book value of fixed assets decreases due to revaluation.

**Credit side:** Fixed asset expenses source increases, including:

- Investing, purchasing accomplished fixed assets used for non-business and projects activities;

- Being granted non-business expenses, projects expenses, receiving grant in fixed assets;

- Net book value of fixed assets increases due to revaluation.

**Credit Balance:** Existing fixed asset expenses source at units.

**3. Method of accounting for several major transactions**

In case expenses are granted from State budget, senior units in fixed assets or using expenses for non-business or projects, non-refund aid to purchase fixed assets to invest in capital investment, when procurement of fixed assets, capital investment accomplished, assets taken in use for non-business and projects activities, record:

Dr 211 - Tangible fixed assets

Dr 213 - Intangible fixed assets

Cr 111, 112, 241, 331, 461,...

Concurrently, record:

Dr 161 - Expenses of non-business and projects

Cr 466 - Fixed asset expenses

b) At end of fiscal year period, calculating fixed assets depreciation, invested or purchased by expenses sources for non-business and projects, used for non-business and projects activities, record:

Dr 466 - Fixed asset expenses

Cr 214 - Accumulated depreciation of fixed assets.

c) When selling or liquidating fixed assets used for non-business and projects activities, record:

- Recording a decrease in fixed assets sold or liquidated:

Dr 466 - Fixed asset expenses source (net book value)

Dr 214 - Accumulated Depreciation of fixed assets (depreciation value)

Cr 211 - Tangible fixed assets (cost)

Cr 213 - Intangible fixed assets (cost)

- Receipts and expenditures, and difference between receipts and expenditures on sale and liquidation of fixed assets invested by expenses source for non-business and projects, will be settled and treated according to the decision on sale and liquidation of fixed assets of authorized agencies

d) Accounting for transfer of assets being the welfare projects: For assets being welfare projects funded by the state budget, if enterprises equitized from 100%-state-owned enterprises continue to use for business purposes, accountants record:

Dr 466 - Fixed asset expenses

Cr 411 - owner's capital

**Article 78. Accounting Principles for turnovers**

1. Turnovers from the economic benefits gained increase owner's equity of enterprises except for the additional contribution of the shareholders. Turnovers is recorded at the time the transaction arises when the economic benefits are firmly gained, determined under the fair value of sum entitled to be received, regardless of having earned money or being going to earn money.

2. Turnovers and cost setting up such turnovers must be recorded simultaneously under the principle of conformity. However, in some cases, conformity principles may conflict with the precautionary principle in accounting, accountants must base on the nature and accounting standards to record transactions honestly and reasonably.

- An economic contract may include multiple transactions. Accountants must identify transactions to apply conditions to record turnovers in accordance with the provisions of accounting Standards of "Turnovers".

- Turnovers must be recorded in accordance with nature rather than the form or the name of the transaction and must be allocated under obligations of providing goods or services.

For example, customers may only receive promotional goods when buying goods of units (buying two products, getting one free), the nature of the transaction is discount, free gift products in the form are known as promotion but in nature are sale because customers will not qualify if they do not buy the product. In this case, the value of free gift products is recorded in cost price and turnovers corresponding to the fair value of such products must be recorded.

Example: In case of selling products and goods with replacement products, goods, equipment (in case of malfunction prevention), turnovers for shall products, goods sold and replacement products, goods, equipment must be allocated. The value of the replacement products, goods, equipment is recorded in cost of goods sold.

- For transactions from which obligations of the seller arising at the current time and in the future, turnovers must be allocated according to the fair value of each obligation and are recorded when the obligations are fulfilled .

3. Turnovers, profit or loss are only considered not to be earned if enterprises must be responsible for obligations in the future (except for normal warranty obligation) and are uncertain of economic benefit; The classification of gains and losses into earned or unearned does not depend on the cash flow is incurred or not.

Gains and losses arising from revaluation of assets and liabilities are not considered not to be earned because at the time of revaluation, units have the right to the property and has obligation with liabilities, for example: Gains and losses arising from revaluation of assets contributed as capital investment in other units, revaluation of financial assets at fair value, exchange differences due to revaluation of monetary items derived from foreign currencies ... are considered to have earned.

4. Turnovers do not include sums collected on third party, for example:

- Indirect taxes (VAT, export duties, excise taxes, environmental protection tax) payable;

- Amount which the turnovers agent collects on goods owners due to turnovers agency ;

- Surcharges and fees collected in addition to the unit price are not entitled;

- Other cases.

In case of indirect taxes payable that are not separated immediately at the time transactions are incurred, to facilitate accountants, turnovers in the accounting books including indirect taxes may be recorded but periodically, accountants must record a decrease for indirect taxes payable. However, when preparing financial statements, accountants are required to identify and remove all of the indirect taxes payable out of standards of recording turnovers payable.

5. Time, basis for recording accounting turnovers and taxable turnovers may vary depending on the specific situation. The taxable turnovers are only used to determine tax payable as prescribed by law; Turnovers recorded in the accounting books for the financial statements must comply with the

accounting principles and, depending on cases, are not necessarily equal to the amount stated on the bill of sale.

6. When rotating products, goods and services among dependent cost-accounting units within the enterprises, depending on the operating characteristics, decentralization of each unit, enterprises may decide on recording turnovers in the units if there is an increase in the value of products and goods between the stages that do not depend on any accompanying documents (invoices or internal vouchers). When preparing general financial statements, all turnovers among units within the enterprises must be excluded.

7. Turnovers recorded shall only include turnovers of the reporting period. For accounts that record turnovers without balance, at the end of period, accountants must transfer turnovers to determine income statement.

**Article 79. Account 511- Turnovers from selling goods and provisions of service**

**1. Accounting Principles**

This account is used to record turnovers of enterprises in an accounting period, including turnovers of selling goods, products and provisions of services for the parent company, subsidiary company in the same group.

This account records turnovers of production and trading activities from the following transactions and operations:

a) Sales: Selling products manufactured by business, selling of goods purchased and real estates invested.

b) Providing services: carrying out services agreed in contract for one or more accounting periods, such as providing transportation or travel services, leasing of Fixed Assets in ways of operating lease, turnovers from construction contract...

c) Other turnovers.

Conditions of recording turnovers

a) An enterprise shall only record turnovers from selling goods if simultaneously satisfies the following conditions:

- Enterprises have transferred most of risks and benefits associated with ownership of products, goods to the buyer;

- Enterprises no longer hold the right to manage goods as owners or the right to control goods;

- Turnovers are determined reliably. When contracts define that buyers are entitled to return products, goods purchased under specific conditions, enterprises shall only record turnovers if such specific conditions no longer exist and buyers are not entitled to return products, goods (unless the customer is entitled to return the goods under the form of exchange for other goods or services);

- Enterprises have received or will receive economic benefits from the sale transaction;

- Costs related to sale transactions may be determined.

b) An enterprise shall only record turnovers from providing services if simultaneously satisfies the following conditions:

- Turnovers are determined reliably. When contracts define that buyers are entitled to return services purchased under specific conditions, enterprises shall only record turnovers if such specific conditions no longer exist and buyers are not entitled to return provided services ;

- Enterprises have received or will receive economic benefits from the transaction of providing such services ;

- The completed work may be determined at the time of the report;

- Incurred costs for the transaction and the costs to complete the transaction of providing such services may be determined.

Where economic contracts including many transactions, enterprises must identify transactions to record turnovers in accordance with accounting Standards, for example:

- Where the economic contracts define sales and provisions of after-sales service (in addition to the normal warranty), enterprises must record sale turnovers and service provision turnovers separately ;

- Where the contracts define that the seller is responsible for installing the products, goods for the buyer, turnover is only recorded after the installation is done.

- If enterprises are obliged to provide goods or services free for the buyer or discount transactions for traditional customers, accountants shall only record turnovers for such goods, services provided until obligations for the buyer are fulfilled.

Net turnovers that are realized by the business in the accounting period can be lower than the Revenues originally recorded, because of business' trade discounts, sales allowances or sales returns from customers (because goods sold didn't meet specifications and quality conditions written in economic contract);

Where products, goods or services sold from the previous period, discounted for sales in the next previous or goods are returned, enterprises record a decrease in turnovers according to the principle:

- If products, goods or services sold from the previous period, discounted for sales, returned in the next period, but incurred prior to the issuance of financial statements, accountants must consider them as an adjustment event incurred after the dated of balance sheet and record decrease turnovers in financial statement of the reporting period.

- Where products, goods and services must be discounted for sales, returned after the release of financial statements, enterprises must record decrease turnovers of the incurred period.

Turnovers in some cases are determined as follows:

Turnovers from selling goods, providing services do not include indirect taxes payable such as VAT (including paying VAT under subtraction method), excise tax, export duties, environmental protection taxes .

In case of no immediate separate of indirect taxes payable at the time of recording turnovers, accountants shall record turnovers including the tax payable and record periodically as decrease in turnovers for indirect taxes payable. When preparing reports on income statement, standards of "Sales of goods, provisions of services" and standards of "Turnover deductions" do not include indirect taxes payable in the period due to naturally indirect taxes are not considered as a part of the turnovers.

In case in period enterprises have written invoices and received money from sales but at the end of period, have not yet delivered to the buyer, the value of the goods is not considered to have been sold in the period and not recorded in account 511 "Turnovers from selling goods and providing services" but only accounted for in Credit side of accounts 131 "Receivables from customer " the sum received from customers. When making deliveries to the buyer, the value of goods delivered, received money in advanced in accordance with the conditions for recording turnovers shall be accounted for in account 511 " Turnovers from selling goods and providing services ".

In case of dispatching goods for promotion, advertising, but customers only receive promotional, advertising goods together with other conditions, such as buying products, goods (eg, buy 2 get 1 free....), accountants must allocate the received sum to calculate the turnovers for promotional items, the value of promotional goods is calculated on the cost of goods sold (in this case the nature of the transaction is discount of goods sold ).

In case the enterprise has turnovers from sales and services provision in foreign currency, then the turnovers must be converted into accounting currency unit under exchange rates of real transactions at the time of economic transactions. In case of receipt of advance payments of customers in foreign currency, turnovers corresponding to the advance sum shall be converted into accounting currency unit under the exchange rate of real transactions at the time of receipt of advance.

Turnovers from sales of real estates of enterprises being investors must comply with the following principles:

a) For works, work items of which enterprises being investors (including works, work items of which enterprises being both investors and constructors), enterprises shall not record the turnovers of selling real estate under the accounting standard of construction contract and shall not record for the turnovers received in advance from the customers according to progress. Recording turnovers from sales of real estate must satisfy five following conditions:

- The real estate has completed and transferred to the buyers, enterprises have transferred risks and benefits associated with ownership of the real estate to the buyers;

- Enterprises no longer hold the right to manage the real estate as real estate's owners or the right to control the real estate ;

- The turnover is determined reliably;

- Enterprises have received or will receive economic benefits from the sales of the real estate;

- Costs related to sales of the real estate may be determined.

b) For works, work items of which enterprises being investors (including works, work items of which enterprises being both investors and constructors), where the customer is entitled to finish interior of real estate and enterprises finish interior of the real estate in accordance with designs and requirements of customers, enterprises record the turnovers upon completion and transfer of raw building to customers. In this case, enterprises must have a separate completed contract of interior of the real estate with the customer, which specifies the requirements of customers in the design, engineering, interior finishing forms of the real estate and a transfer note of the raw building parts to customers.

c) For real estate divided into plots for sale, if transferring the plot to customers (regardless legal procedures for land use right certificate is done or not) and the irrevocable contract, investors record the turnovers for the plot sold if satisfy the following conditions:

- Risks and benefits associated with the land use rights are transferred to the buyer;

- The turnover is determined reliably;

- Costs related to sale of plots may be determined.

- Enterprises have received or will receive economic benefits from sales of the plots;

In case goods are consigned to agencies for sales at exact prices and receiving commission, the turnovers shall be sales commission earned by the enterprises.

For operations of authorization service of export, the turnovers are authorization fees of units earned.

In case units only process materials, goods, then turnovers are actual amount of money earned, not including values of materials, goods processed.

In case sales on credit, sales on installments, then turnovers are determined according to cash price ;

Principle on recording the turnovers for the sale of goods and provisions of services under the programs for traditional customers:

Characteristics of the sale of goods and provisions of services under the programs for traditional customers: Transactions under the program for traditional customers must simultaneously satisfy all of the following conditions:

- When purchasing goods and services, customers built enough points to reach the prescribed points shall receive an amount of goods and services for free or discounted price;

- The seller shall determine the fair value of goods and services provided free or discounted amount for the buyer when the buyer meets the conditions of the program (built enough points);

- The program must be limited to a specific and clear time, if the prescribed time limit is over, the customers have not met the conditions set out, the seller shall no longer be obliged to supply goods services for free or discount for buyers (number of points accumulated by buyers is invalid);

- Upon receipt of the goods or services for free or discounted prices, buyers are subtracted the cumulative points as prescribed by the program (exchange cumulative points for goods, services or discount upon purchase).

- The provision of goods or services for free or discount for buyers when they reach enough bonus points may be made by the seller or a third party under the provisions of the program.

b) Accounting Principles

- At the time of sale of goods or provisions of service, the seller shall determine separately the fair value of goods and services provided free or discounted amount for the buyer when the buyer meets the conditions of the program.

- The turnovers recorded the total amount that needs to be received or has been received minus the fair value of goods and services provided free or discounts to buyers. The value of goods and services provided free or discounts for buyers are recorded an unearned turnover. If at the expiry of the program, the buyer does not qualify under the prescribed conditions and is not entitled to free goods, services or discounts, the unearned turnover is transferred to the turnover of sales, provisions of services.

- When buyers meet the conditions as stipulated by the program, handling of unearned turnovers shall be done as follows:

Where sellers directly provide goods or services for free or discount for buyers: The unearned turnovers corresponding to the fair value of some goods and services provided free or discount for buyers are recorded a turnovers from selling goods, providing services when buyers have received goods or services for free or been discounted as prescribed by the program .

Where the third party is obliged to provide goods or services free or discount for the buyer: If the contract between the seller and such third party is not an agency contract, when the third party provides goods, services or discounts, the unearned turnover is transferred to the turnover from selling goods, providing services. If the contact is an agent contract, only the difference between the unearned turnover and the amount payable to the third party is recorded a turnover. The amount paid to the third party is considered as the payment of liabilities.

Principle for recording and determination of turnovers from construction contracts

Turnovers from construction contracts include:

- The original turnovers written in contract;

- Amounts increased, decreased when implementing the contract, bonus and other payments, if these items may change turnovers, and can be determined reliably:

Turnovers from contract can increase or decrease in each period, for example: Contractors and consumers can agree upon changes and requirements, that increase or decrease turnovers of contract in the next period, in compassion with originally accepted contract. Turnovers agreed in the contract is based on fixed prices, so it can increase because of price increase. Turnovers written in contract can decrease because the contractor did not meet schedules of activities, or did not guarantee construction agreed in the contract. In case the contract written with fixed prices, that regulate a fixed price level for a finished unit of product, then turnovers calculated in contract will increase or decrease when product volume increases or decreases.

Bonuses are extras paid for contractors if they perform fairly or well contract requirements. Bonuses are charged to contract revenues if having both two conditions.

(i) Bonuses are determined reliably.

(ii) Bonuses are determined reliably

- Another payment that contractor receives from customer or another party to compensate for expenses not included in contract prices. For example, delays caused by customers; errors in technical or design indicators, and disputes on changes in carrying out the contract. Determination of turnover increase from these payments also depend on many uncertain factors, and usually depend on results of many negotiations. Thus, other payments are charged to turnover only if:

Negotiation obtained the solution that the customer accept to compensate;

Other payments are accepted by customers and can be determined reliably.

b) Recording turnovers of construction contract will comply with one of two conditions:

- In case the construction contract defines that the contractor shall be entitled to payment basing on the progress, when achieved results of construction contract are estimated reliably, then turnover from the construction contract is recorded proportionally to part of works finished, determined by contractors on the date of financial statement without depending on the bills under the progress made or not and the amount on the bills.

- In case the construction contract defines that the contractor shall be entitled to payment basing on value of volume achieved, when achieved results of construction contract are estimated reliably and confirmed by customers, then revenues and expenditures related to the contract recorded in proportion to the completed work confirmed by the customer in period are recorded in the bills set up.

c) In case achieved results of construction contract can't be estimated reliably, then:

- Turnover is only recorded proportionally to with incurred costs of contract that the repayment is relatively certain.

- Costs of contract is only recorded a period costs when these costs had been incurred.

In case of assets lease, lessors received rent in advance for many periods, then recording turnovers shall be made under the principle of allocating the rent received in advance in accordance with the lease period.

Where the rental period is 90% of the useful life of the assets, enterprises may choose method of recording turnovers once for the entire rental amount received in advance if the following conditions are met simultaneously:

The lessee is not entitled to cancel the lease contract and the lessor has no obligation to repay the amount received in advance in all cases and in all forms;

The amount received in advance from the lease is not less than 90% of the total lease amount expected to get under the contract during the lease term and the lessee must pay the entire amount of lease within 12 months from the beginning of the lease;

Almost all the risks and benefits associated with ownership of the leased asset are transferred to the lessee;

The lessor must estimate relatively the full cost of the lease.

Enterprises recorded turnover in the total amount received in advance in this case shall be explain in the financial statements on :

The difference in turnovers and profits, if being recorded in the method of gradual allocation under lease time;

The effect of recording turnovers in the period on the ability to create money, risks of declining turnover, profits of future periods.

In case enterprises perform the tasks of supplying products, goods, services as required by government, and are subsidized, price supported as regulated by government, then the subsidized or price supported turnovers are amounts officially announced, or actually subsidized or price supported.

In case of sale of products and goods with replacement products, goods, equipment (prevention in case products, goods malfunction) turnovers must be allocated for products, goods sold and goods, equipment must be delivered to the customer to replace and prevent damage. The value of the replacement products, goods, equipment is recorded in cost of sales.

For capital investment management fee :

- For enterprises assigned to manage construction, investment projects using state budget funds or Government bonds, municipal bonds, in case of making estimate of administrative expense of projects under the provisions of the State on investment and construction using state budget funds, the funds for the project manager reimbursed by the state budget are not accounted for as turnover but recorded a decrease in administrative expense of projects.

- Where enterprises fulfill the task of project management under consultancy contract, the sum received under the contract is recorded a turnover from provision of services.

Turnover from sales, provisions of service shall not be recorded to:

- Value of goods, materials, semi-finished products outsourced by outsiders; Value of goods consigned to agents for sales, consignment (not yet identified to be sold);

- Sum received from the sale of testing products ;

- Financial income;

- Other income.

**2. Structure and contents of account 511 – Turnovers from sales and provisions of services**

**Debit side:**

- Payable indirect taxes (VAT, excise, export, environmental protection);

- Turnover from returned goods transferred at the end of period;

- Discounts transferred at the end of period;

- Trade discounts transferred at the end of period;

- Transfer of net turnover to account 911 “Income Summary”.

**Credit side:** Revenues from sales of products, goods, real estates invested and service provision of enterprises performed in accounting period.

**Account 511 does not have ending balance**

***Account 511 – Turnover from sales and service provisions comprises 6 sub - accounts:***

*- Account 5111 – Turnover from sales: This account is used to record turnover and net turnover of goods identified to be sold in an accounting period of enterprises. This account is mainly used in trading industries such as : goods, materials, food...*

*- Account 5112 – Turnovers from finished goods: This account is used to record turnover and net turnover of products (Finished goods Inventory, semi-finished products) identified to be sold in an accounting period of business. This account is essentially used in physical industries, such as: industry, agriculture, Construction, Fishering, Forestry,...*

*- Account 5113 - Turnovers from service provision: This account is used to record turnover and net turnover of services provision completed, provided for customers and identified as being sold in an account period. This account is essentially used in service business, such as: Traffic and transportation, post office, travel, public services, science and technical services, accounting and auditing services.*

*- Account 5114 - subsidized or price supported turnovers: This account is used to record turnover from subsidization and price support of government, when business provides products, goods and services as required by government.*

*- Account 5117 – Turnovers from investment property:* this account used to record turnover from leasing investment property and turnover from selling, liquidating investment property.

*- Account 5118 - Other turnovers: This account is used to record turnovers besides turnover from goods sales, sales of semi-finished products, service provision, subsidized turnover and turnover from*

*real estate business such as: Turnover from sales of materials, scrap, sale of tools, instruments and other turnovers.*

**3.** Method of accounting for several major transactions

Sales of product volume (Finished product, work-in-process), goods, services identified to be sold in accounting period:

a) For the products, goods, services, invested real estate subject to VAT, excise tax, export tax, taxes, environment protection tax, accountants record turnover from sales and service provision according to selling price without VAT, indirect taxes payable (details of each type of tax) separated as soon as receipt of turnover (including VAT payable under the direct method), record:

Dr 111, 112, 131, ... (total payment)

Cr 511 – Turnover from sale and service provision (price net of tax)

Cr 3331 - VAT payable to State

b) Where no immediate separation of tax payable, accountants record turnover including taxes payable. Periodically accountants determine tax obligations payable and record a decrease in turnover sales, record :

Dr 511 – Turnover from sale and service provision

Cr 3331 - VAT payable to State

In case turnover from sales and service provision incurred in foreign currency:

- In addition to record in details amount of foreign currency collected or receivable, accountants must base on actual transactional exchange rate at the time economic operation is incurred, to convert into accounting currency unit to account for in account 511 “ turnover from sale and service provisions"

- In case of receipt of advance payments of customers in foreign currency, turnover corresponding to the advanced amount shall be converted into the accounting currency unit in accordance with the actual exchange rate at the time of receipt of such advance.

For transactions of different barter:

When dispatching products or goods in exchange for different materials, goods, fixed assets, accountants record turnovers in exchange for other materials, goods and fixed assets at fair value of received assets after adjustment of amount received or paid additionally. In case of undetermining the fair value of received assets, turnovers are determined under the fair value of the exchanged assets after adjustment of amount received or paid additionally

- When turnover is recorded, record:

Dr 131 - Customer receivable (Total Settlement price)

Cr 511 – Turnover from sale and service provision (price net of tax)

Cr 3331 - VAT payable to State

Concurrently, recording the cost of exchanged goods, record:

Dr 632 Cost of goods sold

Cr 155, 156

- When receiving materials, goods, fixed assets from exchange, accountants records value of exchanged materials, goods, fixed assets, record:

Dr 152, 153, 156, 211,... (buying price without VAT)

Dr 133 – Deductible VAT ( if any)

Cr 131 - Customer receivable (Total Settlement price)

- In case the money is collected additionally because the fair value of the products, goods sent for exchange is higher than the fair value of materials, goods, fixed assets received by the exchange, when receiving money from the side which has materials and goods, fixed for exchange, record :

Dr 111, 112 ( sum received additionally)

Cr 131 – receivable from customers

- In case the money is paid additionally because the fair value of the products, goods sent for exchange is lower than the fair value of materials, goods, fixed assets received by the exchange, when paying for the side which has materials and goods, fixed for exchange, record :

Dr 131 – receivable from customers

Cr 111, 112,...

When goods are sold on credit, sold on installments:

- When goods are sold on credit, sold on installments. Accountants record turnovers from sales under the prices in cash without tax, record:

Dr 131 – receivable from customers

Cr 511- Turnover from sale and service provision (price in cash without tax)

Cr 3331 – Tax and payable to State (3331, 3332)

Cr 3387 - Unearned turnovers (Difference between total amount of credit sales, of installment sales and amount under price in cash)

Periodically recording turnovers from interests of credit sales, installment sales in the period, record:

Dr 3387 - Unearned Revenues

Cr 515 - Revenues from financial activities (Interests of credit sales, installment sales)

In case of sale of products and goods with replacement products, goods, equipment:

a) Accountants record the cost of goods sold including the value of products, goods sold and the value of replacement products, goods, equipment and parts, record:

Dr 632 - Cost of goods sold

Cr 153, 155, 156.

b) Recording turnover from sales (sales of both products, goods, and replacement products, goods, equipment and parts), record :

Dr 111, 112, 131.

Cr 511 – Turnover from sale and service provision

Cr 3331 - VAT payable to State

Turnover arising from the program for traditional customers

a) When selling goods or providing services in programs for traditional customers, accountants record turnovers on the basis that the total amount received minuses unearned turnover being the fair value of the goods and services provided free or discounted amount for customers:

Dr 112, 131.

Cr 511 – Turnover from sale and service provision

Cr 3387 - Unearned revenues

Cr 3331 - VAT payable to State

b) Upon the expiry of the program, if the customer does not meet the conditions to enjoy the preferential treatment such as free goods and services or discounted prices, the seller is not supposed to arise payments to customers, accountants transfer unearned turnover into turnover from sales and service provision, record :

Dr 3387 - Unearned Revenues

Cr 511 – Turnover from sale and service provision

c) When the customer meets all the conditions of the program to enjoy the preferential treatment, the unearned turnover shall be handled as follows:

- If the seller directly provides goods or services for free or discount for the buyer, the unearned turnover is transferred into turnover from sales and service provision at the time the obligations with customers are fulfilled (delivered goods or services for free or discounted or customers):

Dr 3387 - Unearned Revenues

Cr 511 – Turnover from sale and service provision

- In case the third party is provider of goods, services or discounts for customers, it shall be as follows:

In case enterprises act as the agent of a third party, the difference between the unearned turnover and the amount payable for such third parties is recorded a turnover from sales and service provision when incurring payment obligations with the third party, record :

Dr 3387 - Unearned Revenues

Cr 511 - Turnover from sales and service provisions (the difference between unearned turnover and the amount paid for the third party is considered as turnover from commissions)

Cr 111, 112 (amount paid for the third party).

In case enterprises do not act as the agent of a third party (Definitive purchase and definitive sale) the total unearned turnover shall be recorded a turnover from sales and service provision when incurring payment obligations with the third party, the amount paid for the third party is recorded into the cost of goods sold, record :

Dr 3387 - Unearned Turnovers

Cr 511 – Turnover from sale and service provision

At the same time record the amount payable for the third party as the cost of goods or services offered to customers, record:

Dr 632 - Cost of goods sold

Cr 112, 331.

When leasing fixed assets and real estate investment, accountants record the turnover in consistence with leasing service of fixed assets and investment real property completed in each period. When issuing invoices for payments for lease of fix assets and investment real property, record:

Dr 131 - Receivable from customers (if the money is not paid immediately)

Dr 111, 112 (if the money is paid immediately)

Cr 511 – Turnover from sale and service provision

Cr 3331 - VAT payable

In case collecting advance payment from operating lease of fixed assets and investment real property: for many periods:

- When receiving advance payment from operating lease of fixed assets and investment real property for many periods, record:

Dr 111, 112 (Total advance payment)

Cr 3387 - Unearned turnovers (Without VAT)

Cr 3331- VAT payable

- Periodical calculating and transferring turnovers of the accounting period, record:

Dr 3387 - Unearned Turnovers

Cr 511 – Turnover from sale and service provision ( 5113, 5117).

- Payment must be refunded for customers because operating lease contract of fixed assets, of investment real property is not implemented continuously, or implementing period is shorter than period of advance payment (if any), record:

Dr 3387 - Unearned turnover (Without VAT)

Dr 3331 - VAT payable (Amount refunded for lease about VAT of unrealized assets lease)

Cr 111, 112,... (Total repayment).

- In case of satisfying the conditions prescribed in points1.6.12 of this Article, accountants shall record turnover for the full amount received in advance.

In case sales through commission agent at exact price

Accounting at consigner:

- When delivering products, goods to agents, consigner must make delivery order for products consigned to agents. Based on this delivery order, accountants record:

Dr 157 - Goods consigned for sales

Cr 155, 156.

- When goods consigned to agents are sold, based on the list of invoices outward of goods sold received from commission agents prepared, accountants record the turnover from sales according to price excluding VAT, record :

Dr 111, 112, 131, ... (total payment)

Cr 511 – Turnover from sale and service provision

Cr 3331 - VAT payable (33311).

Also recording cost price of goods sold, record

Dr 632 - Cost of goods sold

Cr 157 - Goods consigned for sales.

- Commission payable for commission agents, record:

Dr 641 - Selling expenses (commission net of VAT)

Dr 133 – Deductible VAT ( 1331)

Cr 111, 112, 131,...

b) Accounting in commission agents:

- Upon receipt of goods from agents for commission, enterprises actively monitor and record information on the total value of goods received in the notes of financial statements.

- When the goods sold, based on the VAT invoice or sales invoices and related documents, accountants record the amount that agents must pay for the deliverer, record:

Dr 111, 112, 131,...

Cr 331 - Supplier payable (Total settlement price)

- Periodically, when determining revenues from commission agent, record:

Dr 331 - Supplier payable

Cr 511 – Turnover from sale and service provision

Cr 3331 - VAT payable ( if any).

- When paying agent sales for the deliverers, record :

Dr 331 - Supplier payable

Cr 111, 112.

When goods, products, services delivered for sales at dependent cost-accounting units in enterprises:

In case of not recording turnovers among stages within enterprises, only turnovers when goods are actually sold to external customers are recorded:

a) Accounting in sellers

- When delivering goods to dependent cost-accounting units within enterprises, accountants make delivery order and internal way or VAT bill, record:

Dr 136 – Internal payable (cost price)

Cr 155, 156

Cr 3331 - VAT payable to State

- Upon receipt of notice from the purchaser which states that products, goods have been sold to outside, the seller records turnover, cost price :

Recording cost price of goods sold, record:

Dr 632 - Cost of goods sold

Cr 136 – Internal payable.

Recording turnover, record:

Dr 136 – Internal payable.

Cr 511 – Turnover from sale and service provision

b) Accounting in buyers

- When receiving goods, products, services sent from dependent cost-accounting units within enterprises, accountants base on related documents, record :

Dr 155, 156 (cost price )

Dr 133 – Deductible VAT ( if any)

Cr 336 – Internal payable.

- When selling products, goods or services outside, accountants record turnover, cost price as usual.

- If dependent cost-accounting units are not decentralized accounting to income statement after tax, accountants must transfer turnover, cost price to higher-level units:

Transferring cost price, record :

Dr 336 – Internal payable.

Cr 632 - Cost of goods sold

Transferring turnovers, record:

Dr 511 – Turnover from sale and service provision

Cr 336 – Internal payable.

In case enterprises record turnover from sales for units within the enterprises, record :

Dr 136 – Internal payable.

Cr 511 – Turnover from sale and service provision (details of internal sales)

Cr 3331 - VAT payable to State

- Recording cost price of goods sold as ordinary sales.

For goods processing:

Accounting at unit delivering goods for processing:

- When delivering goods for processing, record:

Dr 154 - Work in process

Cr 152, 156.

- Recording costs of processing goods and deductible VAT:

Dr 154 - Work in process

Dr 133 – Deductible VAT ( if any)

Cr 111, 112, 331,...

- When receiving finished goods from processing to warehousing, record :

Dr 152, 156.

Dr 154 - Work in process

b) Accounting at unit receiving goods for processing:

- Upon receipt of goods for processing, enterprises actively monitor and record information on the total value of materials, goods received for processing in the notes of financial Statements.

- When determining revenues from actual processing charges:

Dr 111, 112, 131,...

Cr 511-Turnover from sale and service provision

Cr 3331 - VAT payable (33311).

Accounting for turnover of construction contracts:

- In case the construction contract specifies that the contractor is paid according to planned schedules, when performance of construction contract is estimated reliably, accountants base on documents recording objects corresponding to part of works finished (not base on invoices), identified by contractors themselves at the time preparing financial statement, record:

Dr 337 - Payment correspondent with the progress of construction contract

Cr 511 – Turnover from sale and service provision ( 5111).

- Basing on VAT invoices made out according to planned schedule, to record the amount customer must pay complying with planned schedule written in contract, record:

Dr 131 – Receivable from customers

Cr 337 - Payment correspondent with the progress of construction contract

Cr 3331 - VAT payable

- When receiving payment from customer (or advance payment), record :

Dr 111, 112,...

Cr 131 – Receivable from customers

- In case the construction contract specifies that the contractor is paid according to value of performing volume, when performing, results of construction contract is determined reliably and verified by customers, then accountants must make out VAT invoice based on part of works finished and verified by customers. Basing on VAT invoice to record:

Dr 111, 112, 131,...

Cr 511 – Turnover from sale and service provision ( 5111).

Cr 3331 - VAT payable

- Bonus that contractor receives from customer for achievement or performing excess of some specifications written in contract, record:

Dr 111, 112, 131,...

Cr 511 – Turnover from sale and service provision ( 5111).

Cr 3331 - VAT payable

- Compensation received from customers or other parties to compensate for charges not included in contract value (for example: delays caused by customers, errors in technical specifications or in design, and disputes of changes in implementing the contract), record:

Dr 111, 112, 131,...

Cr 511 – Turnover from sale and service provision ( 5111).

Cr 3331 - VAT payable ( if any).

- When receiving payment for finished volume of construction or receiving advance payment, record:

Dr 111, 112,...

Cr 131 – Receivable from customers

Accounting of turnovers from subsidized, price support amounts of Government for enterprises:

- When receiving announcements of Government about subsidization, price support, record:

Dr 333 - Tax and Other payables for government (3339)

Cr 511 – Turnover from sale and service provision ( 5114).

- When receiving payment from Government Budget, record:

Dr 111, 112,...

Cr 333 - Tax and Other payables for government (3339).

Accounting of selling, liquidating investment real property :

- Recording turnovers from selling investment real property

Dr 111, 112, 131,...(total payment)

Cr 5117 – Turnover from trading investment real property .

Cr 3331 - VAT (33311 - Output VAT)

- Recording cost price of investment real property, record :

Dr 632 - Cost price of goods sold (net book value)

Dr 214 - Accumulated depreciation (2147) (if any)

Cr 217 – Investment real property ( Cost)

In case employees and other workers are paid in products, goods: Accountants must record turnovers for products, goods as for normal sales, record :

Dr 334 - Employee payable (Total settlement price)

Cr 511 – Turnover from sale and service provision

Cr 3331 - VAT payable (33311).

In case of using products and goods as gifts to staff and employees which are covered by bonus and welfare fund: Accountants must record turnovers for products, goods as for normal sales, record :

Dr 353 - Bonus and welfare fund (total settlement price)

Cr 511 – Turnover from sale and service provision

Cr 3331 - VAT payable (33311).

At the end of account period, transferring turnover from sale returns, sale allowances, and trade discounts incurred in the period subtracted from actual turnover in the period, to determine net turnover, record:

Dr 511 – Turnover from sale and service provision

Cr 521 – Deductible turnovers.

At the end of accounting period, transferring net sales to account 911 “Income Summary”

Dr 511 – Turnover from sale and service provision

Cr 911 - “Income Summary”.

**Article 80. Account 515 - Revenues from financial activities**

**1. Accounting Principles**

This account is used to record revenues from interests, copyrights, dividends, distributed income, and other income from financial activities of enterprises, including :

- Interests: interests on loans, interests on cash in banks, on credit sales, installment sales, earnings from investment bond, notes, discounts earned from purchasing goods, services

- Distributed dividends and earnings in stage after the date of investment;

- Revenues from buying or selling activities of short or long-term securities; Interest of transfer of capital when liquidating contributed capital in joint venture, capital invested in associate companies, in subsidiary companies and other capital investments;

- Revenues from other investment activities;

- Gains on exchange rates, including gains from selling foreign currencies;

- Revenues from other financial activities.

b) For sale of investments in subsidiary companies, joint ventures, associated companies, buying and selling trading securities, revenue is recorded a the difference between the sale price higher than cost price, in which the cost price is the book value determined by the method of weighted average, selling price is calculated according to the fair value of amounts received. In case of buying or selling securities under the form of share swap (investors swap share A for share B), accountants determine the value of shares received under the fair value at the date of exchange as follows:

- For shares received being the listed shares, the fair value of the shares is the closing price listed on securities market at the date of exchange. If at the date of exchange, securities market does not work, the fair value of the shares is the closing price of the previous session preceding the date of exchange.

- For shares received being the unlisted shares traded on UPCOM, the fair value of the shares is the closing price announced on UPCOM at the date of exchange. If at the date of exchange, UPCOM does not work, the fair value of the shares is the closing price of the previous session preceding the date of exchange.

- For shares received being other unlisted shares, the fair value of the shares is the agreed price by the parties or the book value at the time of exchange or book value at the end of the previous quarter preceding the exchange date. The determination of the book value of the shares is carried out according to the formula:

$$\text{The book value of shares} = \frac{\text{Total owner's equity}}{\text{Number of available shares at the time of exchange}}$$

c) For revenues from buying and selling foreign currency, revenue is recorded as the interest difference between the price of exchange rate sold and the price of foreign bought.

d) For deposit interest: Revenue does not include interest of deposit arising from the temporary investment of loans used for unfinished asset construction purposes as prescribed by accounting Standard on borrowing costs .

dd) For interest received from loans, credit or installment sale: Revenue is only recorded when it is definitely earned and original loans, principals receivables are not classified as overdue that need provision.

e) For gains on investments received from investments in stocks, bonds, then only part of interest in the periods which business use to redeem these investments shall be recorded a revenue incurred in the period, and gains on investments from accrued investment before enterprises buy such investment are recorded a cost price of such bonds and stocks investments.

g) For distributed dividends, profit used to revaluate investments when determining the value of the enterprise for equitization: When determining the value of the enterprise for equitization, if the financial investments are evaluated as increase in proportion to ownership of equitized enterprises in undistributed post-tax profits of invested party, equitized enterprises must record an increase in state capital as prescribed by the law. Then, upon receipt of dividends, profits used to evaluate the increase of state capital, equitized enterprises do not record revenue from financial activities but record a decrease in the value of financial investments.

h) When investors receive dividends in shares, investors only monitor the number of shares increased in the note of financial statements, do not record the value of shares received, do not record revenue from financial activities, do not record an increase in the value of the investment into company.

For enterprises of which 100% charter capital is held by the State, accounting for dividends received by shares shall be complied with the provisions of law on the types of enterprises owned by the State (if any).

**2. Structure and contents of account 515 - Revenues from financial activities**

**Debit side :**

- VAT payable under direct method (if any)

- Transferring net revenues from financial activities into account 911 “Income Summary”.

**Credit side :** Revenues from financial activities incurred in the period .

**Account 515 does not have ending balances.**

**3. Method of accounting for several major transactions**

Recording revenues from distributed dividends and earnings by money incurring in the period from contributed capital investment activity, record:

- Upon receiving notice of the right to receive dividends, profits from investment activities, record :

Dr 138 - Other receivables

Cr 515 - Revenues from financial activities

- In case distributed dividends, profits include accrued investment gains before enterprises repurchase such investment, then enterprises must allocate this gains, only part of gains in period that enterprises purchase such investment shall be recorded a revenue from financial activities, and accumulated earnings before enterprises repurchase the investment shall be recorded a decrease in value of the bonds and stocks investment, record:

Dr 138 - Other receivables (total received dividends, profits)

Cr 121, 221, 222, 228 (dividends, profits accrued before enterprises repurchase the investments)

Cr 515 - Revenues from financial activities (dividends, profits of periods after enterprises repurchase the investment).

- For distributed dividends, profit used to revaluate investments when determining the value of the enterprise for equitization: When determining the value of the enterprise for equitization, if the financial investments are evaluated as increase in proportion to ownership of equitized enterprises in undistributed post-tax profits of invested party, equitized enterprises must record an increase in state capital as prescribed by the law. Then, upon receipt of dividends, profits used to evaluate the increase of state capital, equitized enterprises do not record revenue from financial activities but record a decrease in the value of financial investments:

Dr 138 - Other receivables (total received dividends, profits)

Cr 121, 221, 222, 228 (accrued investment profits before enterprises repurchase the investments)

b) Periodically, when there is strong evidence of receipt of loan interests (including bond interest), interest on deposits, interest on credit, installment, record :

Dr 138 - Other receivables

Dr 121, 128 (if periodical loan interest is added to the principal)

Cr 515 - Revenues from financial activities

Solid evidences for receipt of receivables include:

- Principal receivables not considered bad debts being subject to the provision or irrecoverable debts, not being subject to debt freezing or rescheduling;

- Debt certification and debt payment commitment of debt party;

- Additional evidence (if any).

c) When selling or withdrawal of financial investments, record :

Dr 111, 112, 131…

Dr 635 - Financial expenses (if selling is a loss)

Cr 121, 221, 222, 228

Cr 515 - Revenues from financial activities ( if selling gets profit)

d) In case the shares are swapped, accountants base on the fair value of the shares received and the book value of the shares exchanged, record

Dr 121, 228 (details of shares received under fair value)

Cr 635 - Financial expenses (the difference between the fair value of the shares received less than the book value of the shares exchanged)

Cr 121, 228 (shares exchanged under book value)

Cr 515 - Financial revenues (the difference between the fair value of the shares received higher than the book value of the shares exchanged)

dd) Accounting for selling foreign currency, record :

Cr 111 (1111), 112 (1121) (actual selling exchange rates )

Dr 635 - Financial expenses (the difference between the real selling exchange rate lower than the exchange rates in accounting books).

Cr 111 (1112), 112 (1122) (at the exchange rate on the accounting books)

Cr 515 - Revenues from financial activities (the difference between the real selling exchange rate higher than the exchange rates in accounting books).

e) When purchasing materials, goods, fixed assets, services paid in foreign currency, if the actual exchange rate at the time of incurring is higher than the exchange rate in the accounting books of Accounts 111, 112, record :

Dr related accounts (according to the actual exchange rate)

Cr 111 (1112), 112 (1122) (at the exchange rate on the accounting books accounts 111,112)

Cr 515 - Revenues from financial activities (gains on forex)

g) When making payment of debts payable in foreign currencies, if the exchange rate on the accounting books of Accounts 111, 112 is less than the exchange rate on the accounting books of debt payable accounts, record :

Dr 331, 341... (the exchange rate on the accounting books)

Cr 515 - Revenues from financial activities (gains on forex)

Cr 111 (1112), 112 (1122) (the exchange rate on the accounting books accounts 111,112)

h) When receiving money from debts payable in foreign currency, if the actual exchange rate at the time of receipt of money is higher than the exchange rate recorded in accounting books of the account receivable, record :

Dr 111 (1112), 112 (1122) (actual exchange rates )

Cr 515 - Revenues from financial activities (gains on forex)

Cr 331, 136, 138... (the exchange rate on the accounting books)

i) When selling products, goods under payment on deferred term, paying by installments, then accountants shall record revenues from and services provisions of account period in cash price, the difference between deferred price, installments price and cash price shall be recorded in account 3387 “Unearned revenues”, record:

Dr 111, 112, 131,…

Cr 511 – Revenues from sales and service provisions (cash price net of VAT)

Cr 3387 - Unearned revenues (Difference between deferred price, installments price with cash price net of VAT)

Cr 3331 - Payable VAT

- Periodical determining and transferring revenues from interest on credit sales or installments sales in the period, record:

Dr 3387 - Unearned revenues

Cr 515 - Revenues from financial activities

k) Periodical determining and transferring revenues from interests on loans or on advance interest payment bonds, record:

Dr 3387 - Unearned revenues

Cr 515 - Revenues from financial activities

l) In case of buying Government bonds under repurchase order contract:

- When the purchaser pay to the seller the numbers of coupons that the purchaser receives on seller's behalf at (the) time within the term of the contract, the seller records :

Dr 111, 112, 138

Cr 515 - Revenues from financial activities

- When allocating the difference between the resale price and the buying price of Government bonds under the contract of repurchase of Government bonds into periodical revenue in accordance with the duration of the contract, the buyer records:

Dr 171 – Resale of government bonds

Cr 515 - Revenues from financial activities

m) Settlement discount received from payment of purchase money before the deadline accepted by sellers, record:

Dr 331 - Supplier payables

Cr 515 - Revenues from financial activities

n) In case of revaluating currency gold arising interest (domestic gold price is higher than the book value), accountants record financial expense, record :

Dr 1113, 1123

Cr 515 - Revenues from financial activities

o) When handling exchange differences due to revaluation of the balance of accounts derived from foreign currencies, accountants transfer all interest of revaluated exchange differences, record :

Dr 413 - Exchange differences (4131)

Cr 515 - Revenues from financial activities

p) At the end of accounting period, transferring revenues from financial activities to determine income statement, record:

Dr 515 - Revenues from financial activities

Cr 911 - "Income Summary".

**Article 81. Account 521 - Revenue deductions**

**1. Accounting Principles**

a) This account is used to record the deducted adjusted amounts in revenue from sales and service provisions incurred in the period, including: trade discounts, sales returns and allowances. This account does not record the taxes deducted in revenue such as output VAT payable under subtraction method.

b) The decrease adjustment of revenue shall be as follows:

- Trade discounts, sales returns and allowances incurred in the same period of consumption of products, goods and services are adjusted a decrease in revenue in the incurring period ;

- In case products, goods and services are sold from the previous periods, until the next period are incurred trade discounts, sales returns and allowances, enterprises record a decrease in revenue under the principles:

If the products, goods or services are sold from the previous period, until the next period must be discounted, discounted to trade, returned but are incurred prior to the issuance of financial statements, accountants consider this as an adjustment event occurring after the date of balance sheet and record a decrease in revenue, on the financial statements of the reporting period (the previous period).

In case products, goods and services must be discounted to trade, returned after the release of financial statements, enterprises record a decrease in revenue of incurring period (the next period).

c) Trade discount payable means enterprises sell goods with price lower than the listed price with a large volume. The seller performs accounting for trade discount according to the following principles:

- In case the VAT invoice or bill of sale shows trade discounts to buyers that are the deduction from the amount payable by the buyer (the selling price recorded in the invoice is the price deducted trade discount), enterprises (sellers) do not use this account, revenue from sales price is recorded according to the price deducted trade discount (net revenue).

- Accountants must monitor separately the trade discounts that enterprises pay to the buyer but have not yet been recorded as the deduction from the amount payable on the bill. In this case, the seller records the initial revenue at cost excluding trade discount (gross revenue). Trade discounts that must be monitored separately on this account often arise in cases :

The trade discount that buyers enjoy is higher than the amount of sales recorded in invoice at the last time. This case may arise because buyers must buy goods many times to be entitled to discounted goods volume and the trade discounts shall only be determined in the final purchase;

Manufacturers at the end of period may determine the goods volume consumed by distributors (such as supermarkets) which is a basis to determine the trade discounts payable on sales or the number of products sold.

d) Sales allowance is the deduction to the buyer because products, goods are bad, degraded or improper as prescribed in economic contracts. The seller performs accounting for sale allowance according to the following principles:

- In case the VAT invoice or bill of sale shows sales allowances to buyers that are the deduction from the amount payable by the buyer (the selling price recorded in the invoice is the discounted price), enterprises (sellers) do not use this account, revenue from sales is recorded according to the discounted price (net revenue).

- Only deductions due to approval of discount after sales( recorded revenue) and issuing invoices (discounts outside invoice) due to bad and degraded goods are recorded in this account...

dd) For sales returns, this account is used to record the value of products, goods returned due to : Violation of commitment, violations of economic contracts, bad, degraded , wrong category or improper goods.

e) Accountants must monitor in detail trade discounts, sales returns and allowances for each customer and each type of goods sold, such as: sales (products, goods), service provisions. At the end of period, transferring all to account 511 - "Revenues from sales and service provisions" to determine the net revenue of products, goods and services actually earned in the reporting period.

**2. Structure and contents of account 521 – Revenue deductions**

**Debit side :**

**-** Trade discount accepted to settle for customers.

- Sales allowances agreed for buyers;

- Revenues sales returns of which buyers are refunded or which are deducted from accounts receivable of customers about sold products, goods volume

**Credit side :** At the end of account period, transferring the total trade discount, sales allowance, revenues of sales returns to account 511 - “Revenue from sales and service provisions” to determine net sales of the reported period.

**Account 521 - Revenue deductions do not have ending balance.**

**Account 521 comprises 3 sub-accounts**

*- Account 5211 – Trade discount:* This account is used to record the trade discounts for buyers who buy merchandises in great volume which have not been recorded on the invoice when selling goods or providing service during the period.

*- Account 5212 - Sales returns:* This account is used to record the revenue of products, goods and services returned by the buyers during the period.

*- Account 5213 -* sales allowances*: This account is used to record the* sales allowances *for the purchaser because products, goods, services provided have poor quality which have not been recorded in the invoice when selling products, goods and providing services during the period.*

**3. Method of accounting for several major transactions**

Recording trade discounts, sales allowances actually incurred in the period, record:

- In case sales allowances, trade discounts are subject to VAT under credit-invoice method, and enterprises pay VAT under credit-invoice method, record :

Dr 521 – Revenue deductions (5211, 5213)

3331 - Payable VAT (reduced output VAT)

Cr 111,112,131,...

- In case sales allowances, trade discounts are not subject to VAT or subject to VAT under subtraction method, then sales allowances for buyers are recorded :

Dr 521 – Revenue deductions (5211, 5213)

Cr 111, 112, 131,...

b) Accounting for sales returns

- When enterprises receive products, goods returned, accountants record costs price of sales returns

In case enterprises apply perpetual inventory method, record:

Dr 154 – Unfinished production, business cost

Dr 155 - Finished goods

Dr 156 - Merchandises

Cr 632 - Cost of goods sold

In case enterprises apply periodical inventory method, record:

Dr 611 - Purchases (for goods)

Dr 631 - Cost of production (for products)

Cr 632 - Cost of goods sold

- Settlement for buyers of amounts of sales returns:

If products, goods are subject to VAT under credit-invoice method and enterprises pay VAT under credit-invoice method, record:

Dr 531 - Sales returns (price net of VAT)

Dr 3331 - VAT payable (33311) (VAT of sales returns)

Cr 111, 112, 131,...

If product, goods are not subject to VAT or are subject to VAT under subtraction method, amounts paid for buyer of sales returns shall be recorded a:

Dr 5212 - Sales returns

Cr 111, 112, 131,...

- Expenses incurred in relation to sales returns (if any), record:

Dr 641 - Selling expenses

Cr 111, 112, 141, 334,...

c) At the end of the accounting period, transferring the total revenue deductions in the period to account 511 - "Revenues from sales and service provisions", record :

Dr 511 – Turnover from sale and service provision

Cr 521 – Deductible turnovers.

**Article 82. Accounting principles of costs**

1. Costs are amounts reducing economic benefits, recorded at the time the transaction arises or shall be likely to arise in the future regardless of spending money or not.

2. Recording costs even which have not been at maturity but shall be likely to arise to ensure the principle of precaution and capital preservation. Costs and revenues set up by it must be recorded simultaneously on the principle of conformity. However, in some cases, conformity principles may conflict with the precautionary principle in accounting, accountants must be based on the nature and the accounting Standards to record transactions honestly and reasonably.

3. Each business can only apply one of two methods of inventory accounting: Perpetual inventory method or periodical inventory method. When a business selects an accounting method, then this method must be consistently applied at least in a financial year. In case business applies periodical inventory method: At end of accounting period, business must carry out inventory to determine value of goods stored at end of period.

4. Accountants must monitor details of expenses incurred in accordance with factors, wages, raw materials, purchase cost, depreciation of fixed assets...

5. Costs that are not considered as business income tax expense under the provisions of the tax Law but have full invoices and have been accounted in accordance with accounting policy shall not be recorded a decrease in accounting costs but shall only be adjusted in final business income tax declaration to increase the business income tax payable.

6. For accounts recording the cost without balance, at the end of the accounting period, accountants must transfer all expenses incurred during the period to determine income.

**Article 83. Account 611- Purchases**

**1. Accounting Principles**

This account is used to record values of raw materials, materials, instruments tools and goods which are purchased and used during the period. Account 611 “Purchases” is only applied to businesses which apply periodical inventory method.

b) Values of purchased row materials, instruments, tools, and merchandises shall be recorded on Account 611 “Purchases” and carried out by original price principle.

c) In case of accounting for stock under periodical inventory method; Enterprises must carry out inventory at the end of accounting period, to determine quantities and values of each kind of raw materials, materials, goods, products, instruments and tools in store at end of accounting period, to determine value of stock delivered for use and sold in period.

d) Method of accounting for stock under periodical inventory method: When purchasing raw materials, materials, instruments, tools, merchandises, accountants shall base on purchase invoices, transportation bills, store order, import tax notice (or import duty receipt,...) to record original price of goods purchased at Account 611 “Purchases”. When delivering for use, or delivering for sales, goods are recorded just one time at end of account period based on inventory results.

dd) Accountants must open detailed book to account original prices of purchased stock in periods of raw materials, materials, instruments, tools, merchandises.

**2. Structure and contents of account 611 - Purchases**

**Debit side :**

- Transferring original price of merchandises, raw materials, materials, instruments and tools in store at beginning period (According to inventory results).

- Original price of merchandises, raw materials, materials, instruments, tools purchased during the period;

**Credit side :**

- Transferring original price of merchandises, raw materials, materials, instruments and tools in store at the end of period. (According to inventory results).

- Original price of merchandises, raw materials, materials, instruments, tools dispatched for used during the period or original price of goods delivered for sale (selling in period has not yet been determined);

- Original price of merchandises, raw materials, materials, instruments, tools purchased returned to the seller or discounted.

**Account 611 does not have ending balances.**

***Account 611 comprises 2 sub-accounts***

- *Account 6111* - Purchases of raw materials, materials: This account is used to record values of raw materials, materials, instruments and tools purchased and delivered for usage during account period and to transfer values of raw materials, materials, instruments and tools which are in store at beginning and at the end of account period.

- - *Account 6112. Purchase of merchandises:* This account is used to record values of merchandises purchased and delivered for sales during account period, and to transfer values of merchandises in store at beginning and at end of account period.

**3. Method of accounting for several major transactions**

For manufacturing business in industry, agriculture, forestry, construction branches

- At beginning of account period, transferring values of raw materials, materials, instrument and tools in store at beginning of period. (According to physical inventory result at end of last period).

Dr 611 - Purchases (6111 - purchases of raw materials, materials)

Cr 152 - Raw materials, materials

Cr 153 - Instruments, tools.

- When purchasing raw materials, materials, instruments and tools, if input VAT is deducted, then original prices of raw materials, materials, instruments, tools purchased will be recorded in Account 611 (net of VAT), record:

Dr 611 - Purchases (price net of VAT)

Dr 133 - Deductible VAT

Cr 331 - Supplier payables (3311)

- When settling purchase money, if settlement discount is earned, record

Dr 331 - Supplier payables

Cr 111,112,...

Cr 515 - Revenues from financial activities (settlement discount)

- In case business purchases raw materials, materials, instruments and tools which do not meet specifications, categories or quality written in economic contract, or committed to return to sellers, or deducted in price:

Basing on values of purchases returns to seller, record

Dr 111, 112 (If collecting cash)

Dr 331 - Supplier payables (Deducted from suppliers payables)

Cr 611 - Purchases (6111) (values of raw materials, instruments and tools returned to seller)

Cr 133 - Deductible VAT (1331) (if any)

If business accept allowances for lot of goods purchased, allowances will be recorded a:

Dr 111, 112 (If collecting cash)

Dr 331 - Supplier payables (Deducted from suppliers payables)

Cr 611 - Purchases (6111) (Accepted Allowance)

Cr 133 - Deductible VAT (if any)

- At end of account period, basing on physical inventory result, accountants must determine real values of raw materials and materials in store at end of period, and real values of raw materials, materials and tools delivered for usage or for sales.

Transferring actual values of raw materials, materials in store at end of period (According to inventory results), record :

Dr 152 - Raw materials, materials

Dr 153 - Instruments, tools.

Cr 611 - Purchases (611)

Actual values of raw materials, materials, instruments and tools delivered for usage in production and trade in the period, record

Dr 621, 623, 627, 641, 642, 241,...

Cr 611 - Purchases (611)

Actual values of raw materials, materials, instruments and tools wasted or lost, accountants will base on shortage and loss report to record:

Dr 138 - Other receivables (1381)

Cr 611 - Purchases (611)

b) For business trading goods:

- At beginning of account period, transferring beginning inventory, record:

Dr 611 - Purchases (6112)

Cr 156 - Merchandises

- During the period, when purchasing goods which is eligible for input VAT deduction, base on purchase invoices and documents :

Actual vale of purchases, record:

Dr 611 - Purchases (6112)

Dr 133 - Deductible VAT (1331) (if any)

Cr 111, 112, 141; or

Cr 331 - Supplier payable (Total settlement price)

Expenses purchases actually incurred, record :

Dr 611 - Purchases (6112)

Dr 133 - Deductible VAT (1331) (if any)

Cr 111, 112, 141, 331,...

When settlement made before deadline, if business receives settlement discount on lot of goods purchased, record:

Dr 331 - Supplier payables ((Deducted from Account payable for sellers)

Cr 111,112,...

Cr 515 - Revenues from financial activities

Value of goods paid for sellers, record:

Dr 111, 112 (If collecting cash)

Dr 331 - Supplier payables ((Deducted from Account payable for sellers)

Cr 611 - Purchases (6112) (Purchase returns to sellers)

Cr 133 - Deductible VAT (1331) (if any)

Sales allowances accepted by sellers because goods did not meet proper quality, specifications written in contract, record:

Dr 111, 112 (If collecting cash)

Dr 331 - Supplier payables ((Deducted from Account payable for sellers)

Cr 611 - Purchases (6112)

Cr 133 - Deductible VAT (1331) (if any)

- At end of account period, accountants base on physical inventory results to determine value of inventory, value of goods consigned for sales (but are not conclusively yet sold), value of goods determined to be sold:

Transferring value of inventory and value of goods consumed for sales at end of period, record

Dr 156 - Merchandises

Dr 157 - Goods consigned for sales

Cr 611 – Purchases.

Transferring cost of goods sold,

Dr 632 - Cost of goods sold

Cr 611 - Purchases (6112)

**Article 84. Account 621- Direct materials costs**

**1. Accounting Principles**

This account is used to record costs of raw materials, materials used directly for producing goods, rendering services in branches, such as industry, construction, agriculture, forestry and fishery, traffic and transportation, post and telecommunications, travel, and other services.

b) Only accounting in Account 621 costs of raw materials, materials (include both raw materials, main materials and subsidiary materials) used directly to manufacture products, render services during the production and trade cycle. Costs of raw materials, materials must be computed in actual delivered price for usage.

c) During account period, accountants carry out recording, collecting costs of raw materials, direct materials in Dr 621 “Direct material costs” classified as various users, result from direct usage of these raw materials, materials (If raw materials, materials used for process producing products, rendering services can be determined specifically for each user), or as summarized costs for process manufacturing products and rendering services. (If raw materials, materials, used for process producing goods and rendering services, can’t be specified for each user).

d) At end of account period, transferring (if raw materials, materials can be grouped specifically for each separate objects), or carrying out allocating and transferring costs of raw materials, materials (If can’t be grouped specifically for each separate objects) into Account 154, served for calculation of actual costs of products, services during account period. When allocating value of raw materials, materials to costs of products, business must use reasonable grouping characteristics such as usage rate,...

dd) When purchasing raw materials, if the input VAT is deducted, the value of raw materials shall not include VAT. If the input VAT is not deducted, the value of raw materials shall include VAT.

e) The cost of raw materials, direct materials beyond normal levels is not included in the cost of products and services but must be transferred immediately to account 632 "Cost of goods sold".

**2. Structure and contents of account 621 - Direct materials cost**

**Debit side :** Actual value of raw materials, materials delivered for directly usage in manufacturing activity of products, or rendering services during account period.

**Credit side :**

- Transferring value of raw materials, materials actually used for production and trade during the period to Account 154 “work in process” or to Account 631 “costs of production”, and transferring in details to separate objects to compute cost of products, services.

- Transferring cost of direct materials in excess over normal level to Account 632 - "Cost of goods sold".

- Value of direct materials which is redundant will be restored to warehouse.

**Account 621 does not have ending balances.**

**3. Method of accounting for several major transactions**

When delivering raw materials, materials used for manufacturing products or rendering services during the period, record :

Dr 621 - Direct materials costs

Cr 152 - Raw materials, materials

b) In case raw materials, materials are used directly (not stored) for manufacturing products or rendering services and VAT is deductible, record:

Dr 621 - Direct materials costs

Dr 133 - Deductible VAT

Cr 331, 141, 111, 112,...

c) In case value of raw materials, materials delivered for use is redundant from manufacturing products or rendering final services, and these redundant materials are restored, record:

Dr 152 - Raw materials, materials

Cr 621 - Direct materials costs

d) In case the cost of direct materials is beyond normal levels or losses are included immediately in cost price of goods sold, record :

Dr 632 - Cost of goods sold

Cr 621 - Direct materials costs

e) For the cost of materials used generally for business cooperation contract

- - When incurring costs of materials generally used for business cooperation contracts, based on invoices and related documents, record:

Dr 621 - Direct materials costs ( details of each contract)

Dr 133 - Deductible VAT

Cr 111, 112, 331…

- Periodically, accountants establish general cost allocation Statement (with the confirmation of the parties) and deliver VAT invoices to allocate the cost of materials used generally for business cooperation contract for the parties, record :

Dr 138 - Other receivables (details for each partner)

Cr 621 - Direct materials costs

Cr 3331 - payable VAT

In case of distribution of costs without VAT invoices, accountant record a decrease of input VAT by recording Cr 133 - deductible VAT.

g) At end of account period, accountants base on table of material allocation computed for every object using raw materials, materials (Factories, types of products, projects, construction sections of construction activity, types of services,...) under direct method or allocating methods, record :

Dr 154 – unfinished production, business cost

Dr 631 - Costs of production (periodical inventory method)

Dr 631 - Cost of goods sold (part in excess over normal level)

Cr 621 - Direct materials costs

**Article 85. Account 622 - Direct labor cost**

**1. Accounting Principles**

This account is used to record costs of direct labor participating in activities of manufacturing and trading in industry, construction, agriculture, forestry and fishery, services (traffic and transportation, posts and telecommunications, hotel, travel, consulting...)

Costs of direct labor consists of accounts payables for laborers who belong to business employees list, directly manufacturing products, supply services and cost of out soured laborers in various type of works, such as: salary, wage, subsidiaries, appropriation from salary (social insurance, medical insurance, labor union fees, unemployment insurance).

b) Salaries and wages payables and subsidiaries for factory employees, managerial employees, of business, management, sales employees shall not accounted to this account.

c) Construction activity, salary, wage, supplement of salaries payables for workers who directly manage trucks, machinery, serve, machinery operation, appropriation of social insurance, medical insurance, fees of labor union computed on salary fund payables to direct workers of construction activity, handling of machinery, serving machinery, factory employees shall not be accounted to this account.

d) Account 622 must be opened in details for costs objects of manufacturing and trading.

dd) Part of costs: of direct labors in excess of normal level is not added to costs of products, services, but must be posted directly to Account 632 “Cost of goods sold”

**2. Structure and contents of account 622 - Direct materials cost**

**Debit side :** Costs of direct labors participating in process of manufacturing products, and rendering services, in clued: salaries, wages and appropriation of salaries, wages as regulated in the period.

**Credit side :**

- Closing out costs of direct labor to Debit of Account 154 “Work in process” or to Account 631 “Cost of production”.

- Transferring costs of direct labor in excess of normal level to Account 632.

**Account 622 does not have ending balances.**

**3. Method of accounting for several major transactions**

Basing on payroll to record amounts of salaries, wages and other payables for direct labors that produce products, render services

Dr 622 - Direct labor cost

Cr 334 - Wages payable

b) Computing, extracting social insurance, medical insurance, budget of labor union, unemployment insurance, support (such as life insurance, voluntary pension insurance…) of workers directly manufacturing products, render services (Amounts added to business expenses payables) computed on salaries, wages payables as regulated, record:

Dr 622 - Direct labor cost.

Cr 338 - Other payables (3382, 3383, 3384, 3386).

c) When advancing vacation salaries of production workers, record

Dr 622 - Direct labor cost

Cr 335 - Accrued expenses

d) When production workers are actually in leave, accountants record amounts payables leave salary of production workers, record:

Dr 335 - Accrued expenses

Cr 334 - Wages payable

dd) For the cost of labor used generally for business cooperation contract

- When incurring labor costs generally used for business cooperation contracts, based on invoices and related documents, record :

Dr 622 - direct labor cost (detail for each contract)

Cr 111, 112, 334…

- Periodically, accountants establish general cost allocation Statement (with the confirmation of the parties) and deliver VAT invoices to allocate the cost of labor used generally for business cooperation contract for the parties, record :

Dr 138 - Other receivables (details for each partner)

Cr 622 - Direct labor cost

Cr 3331 - payable VAT

In case of distribution of costs without VAT invoices, accountant record a decrease of input VAT by recording Cr 133 - deductible VAT.

e) At the end of accounting period, allocating and transferring costs of direct labors to Debit of Account 154, to Debit of Account 631, according to costs objects, record:

Dr 154 –Work in process, or

Dr 631 - Costs of production (periodical inventory method)

Dr 631 - Cost of goods sold (part in excess over normal level)

Cr 622 - Direct labor cost.

**Article 86. Account 623 - Costs of operating machinery**

**1. Accounting Principles**

This account is used to record the collecting and allocating costs of trucks and machinery operations directly for construction activity. In case business carry out construction of works by mixed method of which include manual and machinery operations.

b) In case business carries out construction of works completely by machinery, then Account 623 " costs of operating machinery" shall not be used, but total direct costs of construction shall be posted to Accounts 621, 622, 627.

c) Not accounting to Account 623 appropriation of social insurance, medical insurance, labor union fees, unemployment insurance computed on salary payables for workers handling trucks and machinery in operation. Part of machinery costs in excess of normal level is not added to costs of construction, but posted directly Account 632.

**2. Structure and contents of account 623 - Costs of operating machinery**

**Debit side :** Costs related to machinery operations (costs of materials for machinery operations, costs of salary and supplement to salary, wages of workers who handle machinery, costs of maintenance or repairing trucks and machinery in operations...). Costs of materials, costs of other services for operating trucks, machinery.

**Credit side :**

- Transferring costs of operating truck and machinery to Dr 154 "Work in process".

- Transferring cost of operating truck and machinery in excess over normal level to Account 632.

**Account 623 does not have ending balances.**

***Account 623 - Costs of operating machinery*** comprises 6 sub - accounts:

- *Account 6231 - Costs of labor:* Used to record main salaries and extra wages, supplement of wages payables for direct workers handling truck, machinery, serving machinery operation, such as: transportation, supplying fuel, materials, ... for truck and machinery operation.

This account do not record appropriation of social insurance, medical insurance, labor union fees according to current regulations, which computed on salaries of workers handling truck and machinery. These appropriations are recorded on Account 627 " general production costs".

- *Account 6232 - Costs of materials:* Used to record fuels (petrol, oil,...), other materials used for operating truck and machinery.

- - *Account 6233 - Costs of production tools:* Used to record instruments, tools relating to operations of truck and machinery.

- *Account 6234 - Costs of depreciating machinery in operation:* Used to record depreciation of truck and machinery in constructing works.

- *Account 6237 - Costs of outsourced services:* Used to record outsourced services such as repairing truck and machinery, insurance fees of truck and machinery; water and electricity, fixed asset rent, charges for subcontractors...

- *Account 6238 - Other cash expenses:* Used to record explicit costs serving the operation of truck and machinery.

**3. Method of accounting for several major transactions**

Accounting truck and machinery operation costs which depend on types of machinery operation machinery fleet specialized in performing work volumes by machinery or assigning operation machinery for construction team or enterprise:

If organizing separate operating truck and machinery fleet that is account gearing and has separate accounting unit then accounting will be carried out as follows.

- Accounting charges related to operation of truck and machinery, record :

Dr 621, 622, 627

Cr 111, 112, 152, 331, 334, 214,...

- Accounting costs of operating truck and machinery and calculating the price of cases of truck and machinery at Account 154 “Work in process” based on mortgage costs of machinery cases (Actual cost price or internal contract price) supplied for construction objects (construction, construction section); according to organizing manner of accounting work and relation between fleet of operating truck and machinery and construction unit.

If business perform work by manner of supplying truck and machinery among internal departments, record:

Dr 623 - Costs of operating machinery (6238 - other cash expenses)

Cr 154 - Work in process.

If business perform work by manner of selling truck and machinery services among internal departments, record:

Dr 623 - Costs of operating machinery (6238 - other cash expenses)

Dr 133 - Deductible VAT (1331) (if any)

Cr 333 - Taxes and payables for state (33311) ( VAT payable computed on internal selling price of cases of truck and machinery services)

Cr 511 – Turnover from sale and service provision (details provided in the internal services).

b) If business has not separate truck and machinery fleet or has the fleet, but has not account team for the fleet, then total costs of operating truck and machinery (including permanent costs and temporary costs, such as supplement of salary, mobile supplement of operating truck and machinery) will be handled by accounting as follows:

- Basing on salaries, wages and other payables for workers operating and serving truck and machinery operation, record:

Dr 623 - Costs of operating machinery (6231 - Costs of labor)

Cr 334 - Wages payable

- When delivering materials, instruments, tools used for truck and machinery contract in the period, record:

Dr 623 - Costs of operating machinery (6232 - Costs of materials)

Cr 152,153.

- In case purchasing materials, instruments for direct use (not stored) for truck and machinery operation in the period, record :

Dr 623 - Costs of operating machinery (6232)

Dr 133 - Deductible VAT (1331) (of any)

Cr 331, 111, 112,...

- Depreciating truck and machinery operated by truck and machinery fleet, record:

Dr 623 - Costs of operating machinery (6234 - Depreciation cost of operating machinery)

Cr 214 – Depreciation of fixed assets

- Incurred costs of outsourced services (Repairing truck and machinery, water and electricity, fixed assets rent, charges for subs contractors,...), record :

Dr 623 - Costs of operating machinery (6237)

Dr 133 - Deductible VAT (1331) (of any)

Cr 111, 112, 331,...

- Incurred cash expenses, record :

Dr 623 - Costs of operating machinery (6238 - other cash expenses)

Dr 133 - Deductible VAT (1331) (if eligible for VAT deduction)

Cr 111,112,...

- Basing on allocating table of using truck and machinery (actual cost of truck or machinery shift computed for each construction, construction section, record:

Dr 154 - Work in process (cost item of machinery operation)

Dr 632 - Cost of goods sold (part in excess over normal level)

Cr 623 - Costs of operating machinery.

**Article 87. Account 627 – Manufacturing** overhead costs

**1. Accounting Principles**

This account is used to record costs for production, and trading incurred in factories, departments, teams, constructions, served manufacturing productions, rendering services, including: Salaries of managerial employees in factories, departments, and teams, depreciation of fixed assets used directly to produce, appropriation of social insurance, medical insurance, labor union fees, unemployment insurance calculated as percentage of salaries payables for employees in factories, departments, production teams, costs directly related to other factories ;

b) Activities of construction business, appropriation of social insurance, medical insurance, labor union fees are also calculated on wages of direct workers in construction, employees operating machinery and managerial employees of teams (belong to labor list of business), depreciation of fixed assets in factory, production departments; can be capitalized it will be added to value of assets which are in process of production; costs of repairing and warranty of construction, and other costs related to activities of factories, departments, production teams and groups.

c) Account 627 is only used in manufacturing business of industry, agriculture, forestry and fishery sections, capital construction, traffic and transportation, post, tourism and services industries.

d) Account 627 is recorded by detailed accounting for every factory, department, team and group of production

dd) manufacturing **overhead costs** recorded on account 627 must be accounted for in detail under two categories: Fixed overhead and variable overhead, in which:

- Fixed manufacturing overhead expenses are indirect production costs, usually do not depend on volume of products, such as costs of maintenance machinery and equipment, plants..., and General administration expenses in factories, departments, production teams and groups.

Fixed manufacturing overhead expenses are allocated in manufacturing costs of each unit of production, it is based on normal capacity of machinery normal capacity is volume of products achieved averagely in normal conditions of production.

In case actual volume of products is higher than that of normal capacity, then fixed overhead will be allocated for each unit of product with actual costs incurred.

In case actual volume of products is lower than that of normal capacity, then fixed overhead will be allocated to manufacturing costs for each unit of product in normal capacity. Unallocated part of costs will be recorded in cost of goods sold in the period.

- Variable manufacturing overhead cost is indirect production costs usually directly or almost directly volume of product units, such as costs of raw materials, indirect materials, indirect labor costs. Variable manufacturing overhead are allocated to tally to manufacturing costs of each product unit according to actually incurred costs.

e) In case a production process induce many types of costs during the same period, and manufacturing overhead cost of each type of product can't be recorded separately, then overhead will be allocated to these types of costs under grouping characteristics appropriately and consistently among account periods.

g) At end of period, accountants calculate and allocate, transfer manufacturing overhead cost to Dr 154 “Work in process” or at Dr 631 “Cost of production”.

h) Account 627 is not used for commercial business activities.

**2. Structure and contents of account 627 – Manufacturing** overhead cost

**Debit side :** Manufacturing overhead costs incurred in the period

**Credit side :**

- Decreases in factory overhead cost;

- Fixed overhead costs unallocated are recorded in cost of goods sold in the period, because actual level of production is lower than normal level of capacity;

- Transferring manufacturing overhead cost to Dr 154 “Work in process” or Dr 631 “Cost of production”.

**Account 627 does not have ending balances.**

***Account 627 – Manufacturing overhead cost, comprises 6 sub - accounts:***

- *Account 6271 - Costs of factory employees:* Record salaries, allowances to salary payables for managerial employees in factories, production department, expenses of intershift meals of factory managerial employees, production department, appropriation of social insurance, medical insurance, labor union fees, unemployment insurance calculated with current stipulations on salary payables for employees in factory, department, team and group of production.

- *Account 6272 - Cost of materials:* Record cost of materials delivered for factories, such as materials used for repair, maintenance fixed assets, instruments, tools managed and used by factories, costs of temporary goods shed.

- *Account 6273 - Cost of production tools:* Record cost of instrument, tools delivered for use in management activity of factory, department, team and group of production,...

- *Account 6274 - Depreciation costs of fixed assets:* Record depreciation expenses of fixed assets used for manufacturing products and rendering services, and fixed assets used in common for activities of factory, department, team and group of production.

- - *Account 6277 - Costs of outsourced services:* record costs of outsourced services for activities in production factory, such as: cost of repair, outsourcing, water and electricity, telephone, fixed asset rent, charges paid for subcontractors (for construction business).

- *Account 6278 - Other cash expenses:* Record other cash expenses beside costs listed above, serving activities of factories) department, team and group of production.

**3. Method of accounting for several major transactions**

When calculating salaries, wages, subsidiaries payables for employees in factory, inter shift meal costs of managerial employees in factory, department, team and group of production.

Dr 627 – Manufacturing overhead cost (6271)

Cr 334 - Wages payable

b) When appropriations of social insurance, medical insurance, labor union fees, unemployment insurance, support for workers (life insurance, voluntary pension insurance) which are calculated with stipulated rate on salary payables for employees in factory, production department.

Dr 627 – Manufacturing overhead cost (6271)

Cr 338 - Other payables (3382, 3383, 3384, 3386).

c) Cost Accounting of raw materials, materials delivered for use in factory (in case business implements perpetual inventory method).

- When delivering materials used in common for factories, such as repairing, maintenance of fixed assets used in administrating activities of factory, record:

Dr 627 – Manufacturing overhead cost (6272)

Cr 152 - Raw materials, materials

- When delivering instruments, tools for production with small total value used for factory, departments, team and group of production, accountants will base on delivery order, record :

Dr 627 – Manufacturing overhead cost (6273)

Cr 153 - Instruments, tools.

- When delivering instruments, tools for production with great total value used for factory, departments, team and group of production, this value must be allocated, record :

Dr 242 - Prepaid expenses

Cr 153 - Instruments, tools.

- When allocating value of instrument, tools to overhead costs, record:

Dr 627 – Manufacturing overhead cost (6273)

Cr 242 - Prepaid expenses

d) Depreciation of machinery, equipment, plant belonging to factory, department, team and group of production, record:

Dr 627 – Manufacturing overhead cost (6274)

Cr 214 – Depreciation of fixed assets

dd) Water and electricity, telephone expenses belong to factory, department, team and group of production, record:

Dr 627 – Manufacturing overhead cost (6278)

Dr 133 - Deductible VAT (1331) (if eligible for VAT deduction)

Cr 111, 112, 331,...

e) In case applying advance charge method or deferred expenses method or deferred expenses method for amounts paid for great repair of fixed assets in factory, which are charged overhead cost:

- When great repair expenses of fixed assets are actually incurred, record:

Dr 2413 - Great repair of fixed assets

Dr 133 – Deductible VAT ( if any)

Cr 331, 111, 112,...

- When great repair of fixed assets is finished, record:

Dr 242, 352

Cr 2413 - Great repair of fixed assets

- When great advance appropriation or deferred expenses of fixed assets repair is made, record:

Dr 627 – Manufacturing overhead cost (6273)

Cr 352,242.

g) In case business having fixed assed for operating lease, when costs incurred relating to fixed assets which are operating leased:

- When initial direct costs incurred relating to operating lease, record :

Dr 627 – Manufacturing overhead cost

Dr 133 – Deductible VAT ( if any)

Cr 111, 112, 331,...

- Periodic calculation and depreciating of fixed asset which is operating leased to operating cost, record:

Dr 627 – Manufacturing overhead cost

Cr 214 - Depreciation of fixed assets (Depreciation of fixed assets for lease).

h) In construction business, when determining provision for payables of warranty of construction works, record:

Dr 627 – Manufacturing overhead cost

Cr 352 - Provision for payables

- When incurring costs of repair and warranty of construction works, record:

Dr 621, 622, 623, 627

Cr 111, 112, 152, 214, 334,...

- At end of period, close out costs of repair and warranty of construction works, record:

Dr 154 – unfinished production, business cost

Cr 621, 622, 623, 627.

- When repair and warranty of construction works are finished, record :

Dr 352 - Provision for payables

Cr 154 - Work in process.

i) At end of accounting period, determining interests payables or interests already paid capitalized into unfinished manufacturing assets when paying interests, record :

Cr 627 – Manufacturing overhead cost (unfinished manufacturing assets)

Cr 111, 112

Cr 242- Prepaid expenses ( if interest is prepaid)

Cr 335 – Expenses payable ( interest payable)

Cr 343 - Bonds issued (cost of issuing bonds and the difference between the interest of bonds payable calculated at a real interest rate higher than the interest payable calculated at nominal rates recorded an increase in the original bond ).

k) If incurring decreases in manufacturing overhead cost, record :

Dr 111, 112, 138,…

Cr 627 – Manufacturing overhead cost

l) For manufacturing overhead cost used generally for business cooperation contract

- When incurring manufacturing overhead costs generally used for business cooperation contracts, based on invoices and related documents, record:

Dr 627 – Manufacturing overhead costs ( details for each contract)

Dr 133 - Deductible VAT

Cr 111, 112, 331…

- Periodically, accountants establish general cost allocation Statement (with the confirmation of the parties) and deliver VAT invoices to allocate the manufacturing overhead cost used generally for business cooperation contract for the parties, record :

Dr 138 - Other receivables (details for each partner)

Cr 627 – Manufacturing overhead cost

Cr 3331 - payable VAT

In case of distribution of costs without VAT invoices, accountant record a decrease of input VAT by recording Cr 133 - deductible VAT.

m) At end of account period, table of manufacturing overhead cost allocation will be based to transfer or allocate overhead cost to related accounts for each products, group of products, services with proper grouping characteristic:

- In case business applies perpetual inventory method when closing out overhead cost at end of period, record:

Dr 154 – unfinished production, business cost

Dr 632 - Cost of goods sold (fixed manufacturing overhead cost not unallocated)

Cr 627 – Manufacturing overhead cost

- In case business applies perpetual inventory method when closing out overhead cost at end of period, record:

Dr 631 - Cost of production

Dr 632 - Cost of goods sold (fixed manufacturing overhead cost not unallocated)

Cr 627 – Manufacturing overhead cost

**Article 88. Account 631- Cost of production**

**1. Accounting Principles**

This account is used to record costs summary of production and calculating cost price of products, services of production units in industry agriculture, forestry sectors, and business units of transportation, posts, tourism and hotel services..., in case business applies periodical inventory method

b) This account is not used in businesses applying perpetual inventory method

c) Only accounting at Account 631 types of operating costs as follows:

- Costs of raw materials, direct materials;

- Direct labor cost;

- Costs of operating machinery (in case of contraction business)

- Manufacturing overhead cost

d) Not accounting at Account 631 these types of expenses:

- Selling expenses ;

- General administration expenses;

- Financial costs ;

- Other expenses;

- Non –business expenses

dd) Costs of Department of production and trade supporting for production and business, costs price of goods, raw materials, materials and costs of outsourcing and manufacturing (outsourcing, or self processing and manufacturing) will also be recorded in Account 631.

e) Account 631 "Cost of production" must be applied of detail accounting in periods of cost drivers (factory, term or group of production...), in periods of types, groups of products, services.

g) In Agriculture industry, actual cost price of product will be determined at end of season or at year-end cost price of product harvested in a year will be determined in that year, that is, if costs incurred in this year but products will be harvested in next year, then cost price will be determined in the next year.

- In plantation sector, costs must be applied of detailed accounting for three types of trees:

Short - term tree ;

One - time crops with many-time harvests ;

Perennial tree.

Trees which are cultivated 2, 3 crops during a year, or cultivated in this year but will be harvested in next year, or crops having both new planting area, and cultivated area in the same year, then accountants must base on actual situation to record, record clearly and separately costs of each crops, of each area, costs of last year, current year and the next year. Not recorded at Account 631 "Cost of production items such as costs of new cultivation and cultivating long-term tree during period of capital construction.

Type of costs relating to many accounting objects, or relating to many crops, many periods, then these costs must be observed in details, and then allocating to cost price of each related product, such as: Costs of irrigation and draining, costs of preparing farmland and cultivation in the first year of one-time cultivated, many-time harvest trees (this cost is not belong to capital construction).

In the same cultivation area, if two or more kinds of short-term trees are planted, then costs incurred in relation directly to a specific kind of trees will be collected separately for that kind of tree (such as seeds, costs of planting, harvesting), overhead costs incurred for all kinds of trees (such as plough, rake, irrigating and draining water) will be collected separately and then allocated for each kind of tree according to panting area.

Perennial trees: Works from preparing land, planting, cultivating to the time harvesting products - will be considered as capital investment process to form fixed assets, and costs of these works are collected at Account 241 "Construction in progress".

- Detailed accounting must be implemented for each breeding branches (cattle, pigs...), for each group or each type of domestic animals, poultry. And reproduce animal which transferred to big domestic animals will be applied accounting of salvage vale at Account 631 "Cost of production".

h) Account 631 "Cost of production" applying to transportation industry must be applied costs accounting in periods of activities (Transporting passengers, goods,...). In process of transportation, tyres are depreciated with faster rate than that of car, so tyres must be replaced many times, but value of replaced tyres are not computed to transportation costs immediately when replacing, but this values will be advance appropriated or deferred in costs of production and trade in the period.

In hotel industry, accounting of account 631 must be observed in details in periods of activities, such as: meals services, room services, entertainment services, other services (washing and ironing, hair cut, telegraph, massage...).

**2. Structure and content of account 631 - Cost of production**

**Debit side :**

- Beginning costs of work in process;

- Manufacturing costs actually generated during period

**Credit side :**

- Cost price of products stored in warehouse, finished services transferred to Account 631 “Cost of goods sold”.

- Costs of ending work in process transferred to Account 154 “Work in process”.

**Account 631 does not have ending balances.**

**3. Method of accounting for several major transactions:**

Transferring costs of production, trading, costs of unfinished services at beginning of period at Dr 631 “Costs of production”, record:

Dr 631 - Cost of production

Cr 154 - Work in process.

b) At end of account period, posting costs of raw materials, direct materials to account “costs of production, record :

Dr 631 - Cost of production

Cr 621 - Direct materials costs

c) At end of account period, posting costs of direct labor to Acc 631 - “costs of production”, record:

Dr 631 - Cost of production

Cr 622 - Direct labor cost.

d) At end of period, calculating and posting overhead cost to Acc “Costs of production” in periods of type of productions, labors, services, record:

Dr 631 - Cost of production

Dr 632 - Cost of goods sold (fixed manufacturing overhead cost is not unallocated)

Cr 627 – Manufacturing overhead cost

dd) At end of accounting period, carrying out inventory and determining value of unfinished goods Inventory and services at end of period, record:

Dr 154 – unfinished production, business cost

Cr 631 - Cost of production

e) Cost price of stored goods, finished service, record:

Dr 632 - Cost of goods sold

Cr 631 - Cost of production

**Article 89. Account 632 - Cost of goods sold**

**1. Accounting Principles**

This account is used to record cost of goods, products, services, investment property, costs of production of construction products (for construction business which are sold during the period. Furthermore, this account is also used to record costs relating to business of investment property, such as: depreciation expenses, costs of production, costs of investment property operation under operating lease method (in case costs cure is not great), costs of transfer, liquidating investment property.

b) If the enterprise is the owner of real estate business investment, when not summarizing complete records, documents of expenses directly related to the real estate investment, construction, which have been incurred in turnover of sale of real estate, enterprise may advance a part of the cost to calculate cost price of goods sold. When the full set of records, documents is summarized or when real estate is totally completed, the enterprise must settle the costs advanced from the cost price of goods sold. The difference between the cost advanced higher than actual costs incurred is adjusted as decrease the cost price of goods sold of the settlement period. Advancing cost to calculate the price cost of real estate must comply with the following principles:

- Enterprise shall only advance from the cost price of goods sold for costs which have been in estimates of investment, construction, but have not had enough dossiers and documents for volume acceptance and shall explain in detail the reasons, contents of accrued expense for each work item during the period.

- Enterprise shall only advance cost to calculate the cost price of goods sold for real estate that is completed, determined to be sold in period and meet all revenue recording criteria.

- The accrued expenses temporarily calculated and actual expenses incurred recorded in cost price of goods sold corresponding to the norm of cost price calculated on total cost estimate of the real estate determined to be sold (determined by area).

c) The provision against devaluation of goods in stock is included in cost price of goods sold on the basis of the inventory and the difference between the net realizable value lower than the cost price of inventories. In determining the amount of discounted inventory that needs setting up provisions, accountants must eliminate the inventory volume that has been signed consumption contracts (net value that may be earned is not less than book value), but not yet delivered to the customer if there is certainty evidence that customers shall not abandon the contract performance.

d) When selling products, goods associated with equipment, spare parts, the value of equipment and spare parts is recorded in the cost price of goods sold .

dd) For the value of inventory lost, accountants must account immediately into the cost price of goods sold (after deducting compensation, if any).

e) For the cost of direct materials consumed in excess of normal level, labor costs, fixed manufacturing overhead costs not allocated to the value of products in stock, accountants must account into the cost price of goods sold (after deducting compensation, if any) even if products, goods have not been determined to be consumed.

g) The import tax, special excise tax, environmental protection tax calculated to the value of goods purchased when delivering goods for sale but such taxes are refunded shall be recorded a decrease of the cost price of goods sold.

h) Costs that are not considered as business income tax expense under the provisions of the tax Law but have full invoices and have accounted in accordance with accounting policy shall not be recorded a decrease in accounting costs but only adjusted in final business income tax declaration to increase the business income tax payable.

**2. Structure and contents of account 632 - Cost of goods sold**

***In case business applies perpetual inventory method.***

**Debit side :**

- For activities of production and trade, this account records:

Costs price of products, goods, services sold during period.

Costs of raw materials, materials, part of labor costs in excess of normal level, and fixed overhead cost unallocated and added to costs of goods during the period.

Waste, loss of inventory after excluding compensation received from responsible individuals.

Costs of building, of business' own made fixed assets in excess of normal level, which are not added to prime cost of firm's own made tangible fixed assets.

Provision for devaluation in inventory value (difference between allowances for decrease in inventory value planned for this year and redundancies of allowances planned for last year)

- For activities of invested business real estate, this account records:

Depreciation of investment real property for lease in the period;

Costs of upgrading, improving investment property which is not eligible to be charged to prime cost of investment property.

Costs incurred from operation of investment property lease in period;

Net book values of investment property liquidated in period;

Costs of selling, liquidating transactions of investment property, incurred in the period.

accrued expense for real estate determined to be sold

**Credit side :**

- Transferring cost price of products, goods, services sold during period to account 911 "Income Summary''

- Transferring total costs of investment property business incurred in period to determine trading results.

- Remission of provision for devaluation in inventory value at fiscal year-end (negative difference between provision planned for this year and that of last year)

- Sales returns to be stored

- Remission of accrued expense for real estate determined to be sold (the difference between the accrued expenses higher than actual costs incurred).

- Trade discounts, sales allowance received after purchasing consumed goods.

- The import tax, special excise tax, environmental protection tax calculated to the value of goods purchased when delivering goods for sale but such taxes are refunded.

**Account 632 does not have ending balances.**

***In case business applying periodical inventory method.***

***For commercial business:***

**Debit side :**

**-** Cost of goods sold in period

- Provision for decrease in inventory value (positive difference between provision planned for this year and that of last year).

**Credit side :**

- Transferring costs price of goods consigned for sales but not yet sold definitely.

- Remission of provision for inventory decrease at fiscal year-end (negative difference between provision for this year and that of last year);

- Closing out cost price of goods delivered to Dr 911 "Income Summary."

For operating business.

**Debit side :**

- Costs price of beginning inventory of finished goods Inventory;

- Provision for inventory devaluation (positive difference between provision planned for this year and the provision planned for last year).

- Costs price of finished goods inventory have been stored and services have been implemented.

**Credit side:**

- Transferring costs price of ending inventory of finished goods to Dr 155 "Finished goods";

- Remission of provision for inventory devaluation at fiscal year-end (negative difference between provision for this year and that of last year);

- Transferring costs price of finished goods delivered for sales, services determined to be sold in period to Dr 911 "Income Summary".

**Account 632 does not have ending balances.**

**3. Method of accounting for several major transactions**

***For business applying perpetual inventory method***

When delivering products, goods for sales (including products used for equipment, spare parts associated products, goods) and implementing of services that have been determined to be sold in period, record:

Dr 632 - Cost of goods sold

Cr 154, 155, 156, 157,…

b) Recording costs items applied direct accounting to cost of goods sold:

- In case actual product capacity is lower than normal capacity, then accountants must calculate to determine fixed overhead cost, to allocate to processing cost for each unit of product at normal capacity. Unallocated part of fixed overhead cost (positive difference between total actual fixed overhead cost and fixed overhead cost changed to costs price) will be recorded to cost of goods sold in period, record:

Dr 632 - Cost of goods sold

Cr 154 - Work in process, or

Cr 627 – Manufacturing overhead cost

- Recording wastes, losses of inventory after excluding compensation received from responsible individual, record:

Dr 632 - Cost of goods sold

Cr 152, 153, 156, 138 (1381),…

- Recording costs of own made fixed assets in excess of normal cost level, which is not charged to prime cost of finished tangible fixed assets, record:

Dr 632 - Cost of goods sold

Cr 241 - Construction in progress

c) Appropriation accounting, or remission of provision for inventory devaluation

- In case provision for inventory devaluation in this period is bigger than that of last period, the difference will be appropriated additionally, record:

Dr 632 - Cost of goods sold

Cr 229 - Provision for asset losses (2294).

- In case provision for inventory devaluation in this period is smaller than that of last period, the difference will be returned, record:

Dr 229 - Provision for asset losses (2294).

Cr 632 - Cost of goods sold

d) Economic transactions relating to investment real property business:

- Periodic calculation and depreciation of investment property being operating leased, record :

Dr 632 - Cost of goods sold (detailed costs of investment real property business)

Cr 2147 - Accumulated depreciation of investment real property.

- When having incurred costs relating to investment real property which initially recorded, but is not eligible for record an increase in value of investment real property, record:

Dr 632 - Cost of goods sold (detailed costs of investment real property business) Dr 242 - Prepaid expenses (if it is deferred expenses)

Cr 1111, 112, 152, 153, 334,…

- Costs relating to operating lease of investment real property, record:

Dr 632 - Cost of goods sold (detailed costs of investment property business)

Cr 111, 112, 331, 334,...

- - Accounting for decrease in costs, depreciation value of investment real property (if any) resulting from liquidation, record:

Dr 214 - Accumulated depreciation (2147 - depreciation of investment real property)

Dr 632 - Cost of goods sold (Net book value of investment real property)

Cr 217 – Investment real property ( Cost)

- Incurred expenses of selling, liquidating investment real property, record:

Dr 632 - Cost of goods sold (detailed costs of investment property business)

Dr 133 – Deductible VAT ( if any)

Cr 111, 112, 331,...

dd) Accounting method of accrued expense to calculate the cost price of real estate determined to be sold to enterprises being investors :

- When advancing costs to temporarily calculate the cost price of sold real estate in the period, record:

Dr 632 - Cost of goods sold

Cr 335 - Accrued expenses

- The incurred actual capital investment costs that have enough documents and accepted to calculate the cost of capital investment of real estate, record :

Dr 154 – unfinished production, business cost

Dr 133 - Deductible VAT

Cr related accounts.

- When the accrued expense have enough records, documents proving to be actually occurred, accountants record a decrease of accrued expense and record a decrease of cost of work in progress, record :

Dr 335 - Accrued expenses

Cr 154 - Work in process.

- When the entire project of real estate completes, accountants must settle and record a decrease the balance of the remaining accrued expense, record :

Dr 335 - Accrued expenses

Cr 154 - Work in process.

Cr 632 - Cost price of goods sold (the difference between the remaining accrued expense higher than actual costs incurred).

e) If the product produced is transferred to fixed assets for use, record :

Dr 211 - Tangible fixed assets

Cr 154 - Work in process.

g) Sales returns to be stored, record :

Dr 155,156

Cr 632 - Cost of goods sold

h) In case of receiving trade discounts or sales allowances after purchasing goods, accountants must base on changes of the inventory for the allocation of trade discounts, sales allowances enjoyed based on unsold inventory, the delivered goods for the capital investment or goods determined to be consumed in the period:

Dr 111, 112, 331…

Cr 152, 153, 154, 155, 156 (value of trade discounts, sales allowances of unsold inventory in the period)

Cr 241 - Fundamental construction in progress (the value of trade discounts, sales allowances of inventory delivered for capital investment )

Cr 632 - cost price of goods sold (value of trade discounts, sales allowances of sold inventory in the period)

k) Transferring cost price of goods sold of products, goods, investment real property, services determined to be sold during period at Dr 911 “Income summary”, record:

Dr 911 - “Income Summary”.

Cr 632 - Cost of goods sold

***For business applying periodic inventory method:***

For commercial business:

- At end of period, determining and closing out costs price of goods delivered for sales and identified as being sold, record:

Dr 632 - Cost of goods sold

Cr 611 – Purchases.

- At end of period, transferring costs price of goods delivered for sales and identified as being sold, at Dr 911 - “Income summary”, record

Dr 911 - “Income Summary”.

Cr 632 - Cost of goods sold

b) For operating business :

- At beginning of period, transferring costs price of beginning inventory Finished goods Inventory to account 632 “Cost of goods sold”, record:

Dr 632 - Cost of goods sold

Cr 155 - Finished goods

- At beginning of period, closing out costs price of Finished goods Inventory services delivered for sales but not yet identified to be sold at account 632 “Cost of goods sold”, record:

Dr 632 - Cost of goods sold

Cr 157 - Goods consigned for sales.

- Costs price of finished goods Inventory stored, of accomplished services, shall be recorded a:

Dr 632 - Cost of goods sold

Cr 631 - Cost of product.

- At the end of period, transferring cost of ending inventory products at Dr 155 “Finished goods Inventory”, record:

Dr 155 - Finished goods

Cr 632 - Cost of goods sold

- At the end of period, determining values of Finished goods Inventory, of accomplished services consigned for sales but not yet identified to be sold, record:

Dr 157 - Goods consigned for sales

Cr 632 - Cost of goods sold

- At the end of period, closing out costs of Finished goods Inventory, of services identified to be sold during period at Dr 911 “Income summary”, record :

Dr 911 - “Income Summary”.

Cr 632 - Cost of goods sold

**Article 90. Account 635 - Financial costs**

**1. Accounting Principles**

This account is used to record financial operating cost including expenses or losses relating to financial investment activity, expenses of lending and borrowing, costs of capital contributed to joint venture, to associates, losses from short-term security transfer, expenses of security selling transaction; provision for business security decrease, provision for losses from investment in other units, losses incurred when selling foreign currency, losses from exchange rate...

b) Account 635 must be applied of detail accounting for each item of expenses. Not accounting on account 635 these types of expenses:

- Costs of manufacturing products, rendering services

- Selling expenses ;

- General administration expenses;

- Operating costs of real estate;

- Capital investment expenses;

- Expenses covered by other source of fund;

- Other financial expenses.

c) Cost of issuing bonds is gradually allocated in accordance with the bond maturity and is recorded in the financial cost if the bonds are issued for purposes of ordinary production, business.

d) Interests payable of the convertible bonds included in finance costs in the period are determined by the value of the principal at the beginning period of convertible bonds multiplied (x) with interest rates of similar bonds in market which are ineligible to be converted into shares or common loan interest rates in the market at the time of issue of convertible bonds (see the detailed provisions in guidance section of account 343 - Bonds issued).

dd) If the preference shares are classified as liabilities, such preference dividends are essential loan interest and must be recorded in the financial expenses.

**2.** Structure and contents of account 635 - Financial costs

**Debit side :**

- Interests expenses of loan, of credit purchases, of financial lease;

- Losses from selling foreign currency;

- Discounts for buyers;

- Losses from liquidating, transferring investments;

- Loss on exchange rates incurred in period; Losses on exchange rates revaluated at fiscal year-end of accounts derived from foreign currencies;

- Provision for decreases in business security price, provision for loss from investment in other units;

- Expenses of other financial investment activities.

**Credit side :**

- Return of provision for business security price decrease, provision for loss from investment in other units (difference between provision planned for this period and that of last year);

- Items recorded a decrease of financing costs;

- At end of account period, closing out total costs incurred in period to determine trading results.

**Account 635 does not have ending balances.**

**3. Method of accounting for several major transactions**

When incurring costs relating to selling security activity, lending capital, foreign currency sales, record:

Dr 635 - Financial costs

Cr 111, 112, 141,...

When selling business securities, liquidating and selling investment in subsidiary companies, joint venture or allied companies which incur losses, record :

Dr 111, 112,... (selling price calculated on the fair value of assets received)

Dr 635 - Financial costs( loss)

Cr 121, 221, 222, 228 ( net value).

When receiving back contributed capital from subsidiaries, associates of which fair value of assets subdivided in parts is smaller than value of contributed capital, record:

Dr 111, 112, 152, 156, 211, ... (fair value of assets divided)

Dr 635 - Financial costs( loss)

Cr 221,222.

In case enterprises sell investments in shares of other enterprises under the form of share swap, enterprises must determine the fair value of the shares received at the time of exchange. The difference ( if any) between the fair value of the shares received less than the book value of the shares exchanged shall be recorded a financial expense, record:

Dr 121, 221, 222, 228 (book value of the shares received)

635 - Financial expenses (the difference between the fair value of the shares received less than the book value of the shares)

Cr 121, 221, 222, 228 (fair value of shares exchanged).

Accounting for provision for decreases in business security price, provision for loss from investment in other units when financial statement is established ;

- In case provision in this period is bigger than that of last period, the difference shall be appropriated additionally, record:

Dr 635 - Financial costs

Cr 229 - Provision for asset losses (2291, 2292).

- In case provision in this period is smaller than that of last period, the difference shall be returned, record:

Dr 229 - Provision for asset losses (2291, 2292).

Cr 635 - Financial costs

Discounts for buyers of goods, services which result from settlement before deadline agreed in business contract, record:

Dr 635 - Financial costs

Cr 131, 111, 112,...

Costs directly related to the loan (other than loan payable), such as cost of the audit, verification and applications for borrowing capitals..., if they are included in finance costs:

- For loans under the form of bond issue, record :

Dr 635 - Financial costs

Cr 343 - Bonds issued (3431, 3432)

- For loans under the form of ordinary contract, agreement, record :

Dr 635 - Financial costs

Cr 111, 112

In case business must pay periodical loan interests, bond interests for lenders, record:

Dr 635 - Financial costs

Cr 111,112,...

In case business prepay loan interests, bond interests for lenders, record:

Dr 242- Prepaid expenses ( if interest is prepaid)

Cr 111,112,...

Periodically, when allocating loan interests, bond interests payable for each period to financial costs, record:

Dr 635 - Financial costs

Cr 242 - Prepaid expenses

In case interests payments are deferred:

- When periodical calculating interests payables for each period, if payables can be changed to financial costs, record:

Dr 635 - Financial costs

Cr 341 – Loans and finance lease liabilities (3411) (if the interest added to principal)

Cr 335 - Accrued expenses

- When borrowing period is expired, business pay back long-term principal and interests, record:

Dr 341 – Loans and finance lease liabilities (principal payables)

Dr 34311 - Face value of bonds

Dr 335 – Expenses payable ( if interest of previous periods)

Dr 635 - Financial costs (loan interests of maturity period)

Cr 111,112,...

In case business issue discount bond or premium bond to mobilize debts used for production and trade, periodical computing interest expenses to charge to costs of production and trade in period, record:

Dr 635 - Financial costs

Cr 111,112,... (if interest payments are made periodically)

Cr 242 - Prepaid expenses (cost of borrowing payable in the period)

Cr 335 – Expenses payable (Appropriation in advance debt expenses payables in period - if debt expenses are deferred).

- If issuing discount bonds, when periodical allocating bond discount in borrowing expenses, record:

Dr 635 - Financial costs

Cr 34312 - Bond discount (in period)

- If issuing premium bonds, when periodical allocating bond premium by recording or decrease in borrowing expenses, record:

Dr 3433 - Bond premium ( allocated in each period)

Cr 635 - Financial costs

Periodically, accountants record financial costs or capitalization for the interest of bonds payable calculated on interests of similar bonds without conversion rights or on common loan interest rates in the market and adjust the value of the principal of convertible bonds, record:

Dr 635 - Financial costs

Dr 241 - Construction in progress (if capitalized)

Cr 335 - Accrued expenses (interest of bonds payable in period calculated on nominal interest rate)

Cr 3432 - Convertible bonds (the difference between the bond interest recorded in financial expenses (or capitalized) and the interest of bond payable in the period under nominal interest rate).

In case business pay periodically interests from fixed assets financial lease, when the lessee receives payment invoices from the lessor, record:

Dr 635 - Financial costs (periodical lease interest payment)

Cr 111, 112 (if it is cash price)

Cr 341 – Loans and finance lease liabilities (3412) (if receiving debt)

When purchasing fixed assets under deferred payment, installment payment for production and trade activities, record:

Dr 152, 153, 156, 211, 213 (cash price)

Dr 133 – Deductible VAT ( if any)

Dr 242 - Prepaid expenses (Deferred payment interests is difference between total payments which minus purchase cash price and minus Deductible VAT (if any)

Cr 331 - Supplier payable (Total settlement price)

Periodically calculating interests from deferred or installment payment financial costs, record:

Dr 635 - Financial costs

Cr 242 - Prepaid expenses

Accounting for exchange rate losses

a) In case of purchasing goods, services, assets, payment of costs paid in foreign currencies, if real transactional rate is smaller than account book exchange rate of accounts 111, 112, record:

Dr 151, 152, 153, 156, 157, 211, 213, 217, 241, 623, 627, 641, 642, (actual exchange rates )

Dr 635 - Financial costs( loss on forex)

Cr 1112, 1122 (at the exchange rate in the accounting books)

b) When settling liabilities in foreign currencies, if accounting book exchange rate of liabilities is smaller than accounting book exchange rate of accounts 111, 112, record:

Dr 331, 336, 341,... (the exchange rate in the accounting books)

Dr 635 - Financial costs( loss on forex)

Cr 1112, 1122 (at the exchange rate on the accounting books)

c) When collecting amounts receivables in foreign currencies, if accounting book exchange rate of accounts receivables is bigger than actual transactional rate, record :

Cr 111 (1112), 112 (1122) (actual exchange rates )

Dr 635 - Financial costs( loss on forex)

Cr 331, 136, 138 (the exchange rate in the accounting books)

d) Losses arising from selling foreign currency of trading activities, record:

Dr 111 (1111), 112 (1121) (under selling exchange rates )

Dr 635 - Financial expenses (losses-if any))

Cr 111 (1112), 112 (1122) (at the exchange rate in the accounting books)

e) Transferring loss on forex due to reevaluation of accounts derived from foreign currencies to financial expense, record :

Dr 635 - Financial costs( loss on forex)

Cr 413 - exchange differences (4131).

g) Other cases of loss on forex shall comply with the provisions of the relevant accounts.

Enterprises which have not allocated the loss from exchange differences of stage prior to operation (recorded on account 242 - Prepaid expenses), must transfer the entire losses from exchange differences to financial costs to determine income statement in the period, record:

Dr 635 - Financial costs( loss on forex)

Cr 242 - Prepaid expenses

In case of reevaluation of currency gold arising loss (domestic gold price is lower than the book value), accountants record financial cost, record :

Dr 635 - Financial costs

Cr 1113,1123.

For the sale of government bonds under repurchase order (repo), when allocating the difference between the sale price and the repurchase price of government bonds of the repurchase order contract of government bonds into periodic costs under the time of the contract, record :

Dr 635 - Financial costs

Cr 171 – Resale of government bonds

In case state-owned enterprises before being transformed into joint stock companies must handle liabilities payable :

- For loans of state-owned commercial banks and the Vietnam Development Bank overdue but unable to be paid due to the loss of enterprises which have no state capital, enterprises must carry out procedures, application for rescheduling, freezing and remission of loans under the provisions of current law. When having decision on remission of loan, record:

Dr 335 - Expenses payable (interest from remitted loans)

Cr 421 - Undistributed post-tax profits (interest of loans recorded in expenses in previous terms remitted)

Cr 635 - financial expense (interest of loans recorded in expenses in current terms)

- For expenses for interest payable for investors buying shares: In case of the time from investors buy shares to the time the company is granted the Certificate of Business is over 3 months, enterprises are counted the borrowing interest paid for investors. In case if sums received from sale of shares to mobilize additional capital are under accounts of the units and used by the units, record:

Dr 635 - Financial costs

Cr 335 - Accrued expenses

In case preference shares are classified as liabilities payable, enterprises must pay dividends according to a certain percentage without depending on income statement in the period which is profit or loss, such preference dividends by nature is the loans and must be recorded in the financial cost, record :

Dr 635 - Financial costs

Cr 338 - Other payables

At end of period, closing out total financial cost incurred in period to account 911 “Income Summary”, record:

Dr 911 - “Income Summary”.

Cr 635 - Financial costs

**Article 91. Account 641 - Selling expenses**

**1. Accounting Principles**

This account is used to record expenses actually incurred in process of selling products, goods, providing services, including publicity expenses, demonstration expenses, advertising expenses, sale commission, warranty charges of goods and products (excluding construction activity), maintenance charges, cost of packing, transportation.

b) Costs that are not considered as business income tax expense under the provisions of the tax Law but have full invoices and have accounted in accordance with accounting policy shall not be recorded a decrease in accounting costs but only adjusted in final business income tax declaration to increase the business income tax payable.

c) Account 641 is opened in details suitable to contents of expenses, such as pay roll expenses, costs of materials, package, tools, supplies, fixed assets depreciation, characteristic, management demand of every industry, every business that account 641 can have additional items of expenses. At end of period, transferring selling expenses to Dr 911 “Income Summary”

**2. Structure and contents of account 641 - Selling expenses**

**Debit side :** Costs incurred relating to process of selling products, goods, rendering services incurred in period.

**Credit side :**

- Items reduced selling expense in the period;

- Transferring selling expenses to Dr 911 “Income Summary” to calculate operating results in the period.

**Account 641 does not have ending balances.**

***Account 641 comprises 7 sub-accounts:***

- *Account 6411 - payroll expenses*: recording accounts payables to sales personnel, package personnel, transportation and maintenance personnel of products, goods, including salaries, intershift meal expenses, wages and appropriation of social insurance, medical insurance and labor union fees, unemployment insurance...

- *Account 6412 - Costs of materials, package:* recording costs of materials and package delivered for protection, consumption of products, goods, services, such as costs of package materials of products, goods, costs of materials, fuels used for protecting, loading, transporting products, goods used for repairing, maintenance of fixed assets, ... used for sales department

- *Account 6413 - Costs of tools, supplies:* recording instruments, tools served for consumption process of products, goods, such as measurement tools, computing devices, working facilities...

- *Account 6414 - Depreciation cost of Fixed assets:* recording depreciation expenses of fixed assets in maintenance department, sales department, such as warehouse, stores, quays, loading and transportation facilities, computing and measurement tools, quality verification,...

- *Account 6415 - Costs of warranty:* used to record cost of product and goods warranty. Especially, repairing and warranty expenses of construction work are recorded at account 627 “Factory Overhead Expenses”, and not recorded at this account.

- *Account 6417 - Costs of outsourcing services:* recording costs of outsourcing services for selling products, such as outsourcing costs for repairing fixed assets used directly for selling department, warehouse rent, quay rent, loading and transportation expenses for sales, commission for sales agency, for exporting consignee...

- *Account 6418 - Other cash expenses:* recording other cash expenses incurred is sales operation in addition to above mentioned expenses, such as expenses of entertainment in sales department, demonstration expenses of products and goods, offering expenses, expenses of customer conference.

**3. Method of accounting for several major transactions**

Computing salary, salary supplement, inter-shift meal expenses, computing and appropriating social insurance, medical insurance, labor union fees, unemployment insurance, other support ( life insurance, voluntary pension insurance) for employees directly served for process of selling products, goods, and rendering services, record:

Dr 641 - Selling expenses

Cr 334,338,...

b) Value of materials, tools served for process of selling goods, record:

Dr 641 - Selling expenses

Cr 152, 153, 242.

c) Deducting depreciation of fixed assets of sale department, record :

Dr 641 - Selling expenses

Cr 214 – Depreciation of fixed assets

d) Outsource water and electricity expenses, information expenses (telephone, fax,...), outsourced expenses for repairing fixed assets with inconsiderable values will be charged directly to selling expenses, record:

Dr 641 - Selling expenses

Dr 133 – Deductible VAT ( if any)

Cr 111, 112, 141, 331,...

dd) For cost of repairing fixed assets serving for sale

- In case method of anticipated expenses for great repair of fixed assets is used:

When anticipating expenses for great repair of fixed assets in selling expense, record:

Dr 641 - Selling expenses

Cr 335 - Accrued expenses (if repairs are carried out in the period but have not yet accepted or had invoice).

Cr 352 – Provision payable (If units advance repair costs for fixed assets as required for technical maintenance, periodic maintenance)

When great repair expenses of fixed assets are actually incurred, record:

Dr 335, 352

Dr 133 - Deductible VAT

Cr 331, 241, 111, 112, 152,...

- In case expenses for great repairs of fixed assets are incurred just one time with great value and related to selling products, goods, services in many periods, periodically accountants include each part of great repairing costs incurred in selling expense, record :

Dr 641 - Selling expenses

Cr 242 - Prepaid expenses

a) Accounting of warranty expenses of products, goods (not including warranty of construction works):

- In case business sell goods for customers attached with warranty certificate for breakages from production errors, detected during warranty period of products, goods, business must determine every repair expenses level in warranty obligation. When determining payables provision for repair and warranty expenses of products, goods, record:

Dr 641 - Selling expenses

Cr 352 - Provision for payables

- At end of the next accounting period, business has to compute and transfer payables provision for repairs and maintenances of products, goods:

In case, provision for payables in this account period is bigger than unspent provision for payables in warranty of products, goods in last account period, then the difference between them is appropriated additionally to record in expenses, record:

Dr 641 - Selling expenses (6415)

Cr 352 - Provision for payables

In case, provision for payables in this account period is smaller than unspent provision for payables in warranty of products, goods in last account period, then the difference between them is returned to decrease expenses, record:

Dr 352 - Provision for payables

Cr 641 - Selling expenses (6415)

g) For products and goods used for promotions, advertising

- For goods purchased by businesses or products produced for promotional, advertising:

In case of delivering products, goods for promotion, advertising without charge or other conditions, such as buying products, goods, record :

Dr 641- selling expenses (cost of production, cost price of goods)

Cr 155,156.

In case of dispatching goods for promotion, advertising, but customers only receive promotional, advertising goods together with other conditions, such as buying products, goods (eg, buy 2 get 1 free....), accountants must record the value of goods for promotion, advertising, the cost price of goods sold (in this case the nature of the transaction is discount of goods sold ).

- If the enterprise trading received goods (without payment) from manufacturers, distributors for advertising, promotion for customers buying from manufacturers, distributors:

When receiving goods by the manufacturer (without payment) used for promotion, advertising for customers, distributors must monitor in detail the number of goods in their internal administrative system and explain in the note of financial statements for goods received and the number of goods used for promotion for buyers (such as goods kept).

At the end of the promotion program, if the number of unused promotional goods is not returned to the manufacturer, accountants record a value of unreturned promotional goods in other income, record:

Dr 156 - Goods (fair value)

Cr 711 - Other income.

h) For products, goods consumed internally for sales activities, based on relevant documents, accounts record :

Dr 641 - Selling expenses (6412, 6413, 6417, 6418)

Cr 155, 156 (cost of production, cost price of goods)

If declaring VAT for products, goods for internal consumption (the value of declaration shall comply with regulations of law on taxation), record :

Dr 133 - Deductible VAT

Cr 3331 - payable VAT

i) In case the products, goods are used as gifts

- In case products, goods used as gifts for customers outside the enterprise are included in the cost of production and trading:

Dr 641- selling expenses (cost of production, cost price of goods)

Cr 152, 153, 155, 156.

In case of declaring output VAT, record :

Dr 133 - Deductible VAT

Cr 3331 - payable VAT

- In case of products, goods used as gifts for staff and employees are covered by bonus and welfare fund :

Dr 353 - bonus and welfare fund (total settlement price)

Cr 511 – Turnover from sale and service provision

Cr 3331 - VAT payable (33311).

At the same time, recording the cost price of goods sold for the value of the products, goods, raw material used as gifts for staff and employees:

Dr 632 - Cost of goods sold

Cr 152, 153, 155, 156.

k) Payables for export consignee's disbursement relating to export consignment products and export consignment charges, accountants will base on relating documents, record:

Dr 641 - Selling expenses

Dr 133 – Deductible VAT ( if any)

Cr 338 - Other payables (3388).

l) Sales commission which consignor must pay for consignee, record:

Dr 641 - Selling expenses

Dr 133 - Deductible VAT

Cr 131 – receivable from customers

m) When decreases in selling expenses incurred, record:

Dr 111, 112,...

Cr 641 - Selling expenses.

n) At end of period, closing out selling expenses incurred to period account 911 "Income Summary", record:

Dr 911 - "Income Summary".

Cr 641 - Selling expenses.

**Article 92. Account 642 - General administration expenses**

**1. Accounting Principles**

This account used to record overhead costs of business including salary expenses of business' administrative staffs (salary, wages, subsidies,...); social insurance, medical insurance, labor union expenses, unemployment insurance of administrative staff, expenses of office materials, labor instruments, depreciation of fixed assets used for administration, lease rent, licence tax, provision for bad debts, outsourced services (electricity, water, telephone, fax, assets warranty, fire and explosive accidents,...) other cash expenses (expenses of entertainment, customer conference...) .

b) General administration expenses that are not considered as business income tax expense under the provisions of the tax Law but have full invoices and have accounted in accordance with accounting policy shall not be recorded a decrease in accounting costs but only adjusted in final business income tax declaration to increase the business income tax payable.

c) Account 642 is opened in details according to specific items of expenses as regulated. Depending on management requirement of industry, account 642 can be opened additionally several sub accounts to record expenses items of business General administration expenses. At end of period, accountants closes out General administration expenses to Dr 911 “Income Summary”.

**2. Structure and contents of account 642 - General administration expenses**

**Debit side :**

- General administration expenses actually incurred in period;

- Provision for bad debts, provisions for payables (positive difference between provision for this period and unspent provision for last period);

**Credit side :**

- Items reduced general administration expenses;

- Returning provision for bad debts, provisions for payables (negative difference between provision for this period and unspent provision for last period);

- Transferring general administration expenses to account 911 “Income Summary”.

**Account 642 does not have ending balance.**

***Account 642 - General administration expenses, comprises 8 sub - accounts:***

*- Account 6421 - Expenses of administrative staffs:* Recording payables for administrative staffs, such as: salaries, subsidies, social insurance, medical insurance, labor union expenses, unemployment insurance of board of directors, administrative staffs in business departments.

*- Account 6422 - expenses of administrative materials:* Recording expenses of materials delivered for use in business management, such as stationery products,... materials use for repairing fixed assets), instruments, tools,... (price is plus VAT or net of VAT).

*- Account 6423 - Expenses of office requisites:* Used for management works (price are plus VAT or net of VAT)

*- Account 6424 - Depreciation expenses of fixed assets:* Recording depreciation expenses of fixed assets collectively used for business, such as: offices of departments, warehouses, architectures, means of transportation and transmittance, machinery and equipment used for management in office...

*- Account 6425 - Tax, duties, fees:* Recording expenses of tax, duties and fees, such as: license tax, lease rent,... and other duties and fees.

*- Account 6426 - Provisions:* Recording provision for bad debts, provision for payables which are charged to costs of production and trade of business.

*- Account 6427 - Expenses of outsourced services:* Recording expenses of outsourced services served for firm management works; purchases and use of technical documents, patents, (having not enough requisition to be recorded a fixed assets) computed by amortizing method to General administration expenses, fixed assets lease, charges paid for subs contractors.

*- Account 6428 - Other explicit expenses:* Recording other expenses belong to business overhead cost, in addition to above mentioned expenses, such as: expenses of conference, expenses of entertainment, traveling expenses, expenses for finale laborers...

**3. Method of accounting for several major transactions**

Salaries, wages, subsidies and other payables for administrative staff, appropriation of social insurance, medical insurance, labor union expenses, unemployment insurance, other support (life insurance, voluntary pension insurance…) of administrative staff, record:

Dr 642 - General administration expenses (6421)

Cr 334, 338.

Value of materials delivered for use or purchased for immediately used in business administrative, such as: gasoline, oil, grease for cars and trucks, materials used to repair common fixed assets of business, record:

Dr 642 - General administration expenses (6422)

Dr 133 - Deductible VAT (1331) (If any)

Cr 152 - Raw materials, materials

Cr 111, 112, 242, 331,...

Value of tools, supplies in offices delivered for used or purchased for immediately used (not stored) for administrative staffs, are charged directly to business General administration expenses, record:

Dr 642 - General administration expenses (6423)

Dr 133 - Deductible VAT (If any)

Cr 153 - Instruments, tools

Cr 111, 112, 331,...

Fixed asset depreciation used for general administration of business, such as: Housing, Architecture works, warehouses, transmission devices,... record:

Dr 642 - General administration expenses (6424)

Cr 214 - Accumulated Depreciation

License Tax, land rent..payable for government, record :

Dr 642 - General administration expenses (6425)

Cr 333 - Tax and payables for government

Traffic fees, fees of bridge, ferry passing:

Dr 642 - General administration expenses (6425)

Cr 111, 112,….

Accounting for provision for uncollectible receivables when making financial statement :

- If the provision for uncollectible receivables set up this period is bigger than that of previous period, accountants additionally set up the difference, record :

Dr 642 - General administration expenses (6426)

Cr 229 - Provision for asset losses (2293).

- If the provision for uncollectible receivables set up this period is lower than that of previous period, accountants return the difference, record :

Dr 229 - Provision for asset losses (2293).

Cr 642 - General administration expenses (6426)

- Determining the overdue time of debts receivable determined to be uncollectible for which provisions must be set up shall be based on the time of principal repayment under the original sale contract, not be taken into account the debt rescheduling between the parties.

- Enterprises setting up provision for loan, deposit, advances ... are entitled to receive the same as for the receivables in accordance with the law.

When creating payables provision for expenses of restructuring business, payables provision, for high risk contracts and other payables provision (Excluding payables provision for warranty of products, goods, constructions), record:

Dr 642 - General administration expenses

Cr 352 - Provision for payables.

In case provisions for payables in this period is smaller than unspent payable provision for last period, then the difference will be returned to decrease expenses, record:

Dr 352 - Provision for payables.

Cr 642 - General administration expenses.

Expenses of telephone, electricity and water outsourced, one-time repair expenses of fixed assets with small value, record:

Dr 642 - General administration expenses (6427)

Dr 133 - Deductible VAT (If any)

Cr 111, 112, 331, 335,...

For costs of repairing fixed assets serving management

a) In case of using method of previously deducting great costs of repairs of fixed assets:

- When previously deducting great repair costs of fixed assets from selling expense, record :

Dr 642 - General administration expenses

Cr 335 - Accrued expenses (if the repairs are carried out in the period but have not yet accepted or had invoice).

Cr 352 - Provisions payable (If units previously deduct repair cost of fixed assets according to technical or period maintenance requirements)

- When repair cost is higher than actually incurred fixed assets, record :

Dr 335, 352.

Dr 133 - Deductible VAT

Cr 331, 241, 111, 112, 152,...

b) If the repair costs of fixed assets arising once have great value and are related to management department in many periods, periodically accountants include in general administrative each part of great repair costs incurred, record:

Dr 642 - General administration expenses

Cr 242 - Prepaid expenses.

Expenses incurred from conference, entertainment, expenses for female laborers, for research, training, fees of participating associations and other expenses, record:

Dr 642 - General administration expenses (6428)

Dr 133 - Deductible VAT(If any)

Cr 111, 112, 331,...

Input VAT which not deducted must be charged to General administration expenses, record:

Dr 642 - General administration expenses

Cr 133 - Deductible VAT (1331, 1332).

In case products, goods for internal consumption are used for management purpose, record :

Dr 642 - General administration expenses

Cr 155, 156 (production cost or cost price of goods).

If declaring VAT for products, goods for internal consumption (the value declared shall comply with regulations of law on taxation), record :

Dr 133 - Deductible VAT

Cr 3331 - VAT payable.

When incurring decreases in General administration expenses, record:

Dr 111, 112,...

Cr 642 - General administration expenses.

For 100%-state-owned enterprises transferred to joint-stock companies, accountants handle uncollectible debts receivable when determining the value of the enterprises as follows:

a) For the debts receivable which have sufficient proof as prescribed of uncollection, accountants base on relevant documents such as debt remission decisions, decisions on indemnity for organizations and individuals, record:

Dr 111, 112, 331, 334 (indemnity of organizations and individuals)

Dr 229 - Provision for asset losses (2293) (provision set up)

Dr 642 – General administration expense (included in the cost)

Cr 131, 138,...

b) For the overdue receivables sold to the debt and asset trading corporate of enterprises under agreed price, depending on actual cases, accountants record a follows:

In case overdue receivables are not set up provisions for bad debts, record :

Dr 111, 112 (according to the agreed price)

Dr 642 – General administration expense (the remaining losses part)

Cr 131, 138,...

In case uncollectible receivables are set up provision but it is not enough to offset the losses, when selling debt receivables, the remaining losses are accounted for in general administration expense, record :

Dr 111, 112 (according to the agreed price)

Dr 229 - Provision for asset losses (2293) (parts set up provisioning for such overdue loans)

Dr 642 – General management expense (the remaining losses part)

Cr 131, 138...

- For amounts paid out, spent on donations and on workers who lost their jobs before the decision on equitization of enterprises and handled as uncollectible receivables by enterprise value decision agencies, record :

Dr 111, 112, 334 (indemnity of organizations and individuals)

Dr 642 - General administration expenses

Cr 353 – bonus and welfare fund

Accounting for allocation of business advantages arising from the equitization

The business advantage arising from the equitization of state-owned enterprises is recorded in account 242 - Prepaid expenses and gradually allocated within 3 years, record:

Dr 642 - General administration expenses

Cr 242 - Prepaid expenses.

At end of account period, posting General administration expenses to account 911 to determine operating results in the period, record:

Dr 911 - Income Summary

Cr 642 - General administration expenses.

**Article 93. Account 711- Other income**

**1. Accounting principles**

a) This account is used to record other income, revenues not from operating activity of business, including:

- Revenues from transferring, liquidating fixed assets;

- Difference between the fair value of assets divided from Business cooperation contract is higher than the cost of capital investment in assets under joint control;

- Different interest from revaluation of material, good, fixed assets contributed in Joint venture Capital, interest in allied companies, other long - term investments;

- Revenues from asset sales and lease operations;

- Taxes payable when selling goods or providing services, but later reduced or returned (export tax is returned, VAT, special excise tax, environmental protection tax payable is reduced later);

- Collecting contractual fine from customer;

- Collecting compensation of third parties in order to make up lost assets (eg the collection of compensated insurance, compensation for displacing business establishments and similar amounts);

- Collecting doubtful debts which have been written off;

- Collecting liabilities which creditors are not determined;

- Bonus from customers relating to consumption of good, products services which are not included in sales (if any);

- Revenues in cash or in kind from gifts donated by organization individuals;

- The value of unreturned promotional goods;

- Other Income besides above mentioned.

b) When there is a certain possibility of fines collected from breach of contract, accountants must consider the nature of fines to account in accordance with each specific case, under the following principles:

- For sellers: All fines for breach of contract collected from buyers outside the contract value are recorded in other income.

- For buyers:

Fines are essential purchase discounts, reducing payments for suppliers are accounted for as decrease in value of assets or payments (not accounted for in other income) unless the relevant assets are liquidated or sold.

For example, when the contractor delays the progress, investors are entitled to fine the contractor which allows to recover a portion of amounts paid to the contractor, such amounts are recorded a decrease the value of construction assets. However, if fines collected after the assets have been liquidated, sold, the fines are recorded in other income.

Other fines are recorded a other income in the incurred period, eg; the buyer is entitled to reject the goods and fine the seller if goods are not timely delivered as specified in the contract, fines receivables are recorded a other income when they are surely received. In case the buyer receives the goods and fines are deducted from the amount payable, the value of the goods purchased is recorded at the amount actually payable, accountants do not record fines in other income.

**2. Structure and contents of account 711 - Other income**

**Debit side:**

- VAT payable (if any) computed under direct method on Other Income of business which pay VAT under direct method.

- At end of account period, posting Other Income generated during period to Account 911 “Income Summary”

**Credit side:** Other income incurred during period.

**Account 711 “other Income” does not have ending balance.**

**3. Method of accounting for several major transactions**

Accounting of “other Income” generated from transferring liquidating of fixed assets:

- Recording revenues from liquidating, transferring fixed assets :

Dr 111,112,131 (total settlement price)

Cr 711 - Other Income (revenues net of VAT)

Cr 3331 - VAT payable (33311)(if any).

- Expenses incurred for transferring liquidating operations of fixed assets, record:

Dr 881 - Other expenses.

Dr 133 - Deductible VAT (If any)

Cr 111, 112, 141, 331,...(Total settlement price).

- Record: decrease cost of fixed assets liquidating or transferred

Dr 214 - Accumulated Depreciation (value of depreciation)

Dr 811 - Other expenses (Net book value)

Cr 211 - Tangible fixed assets (cost)

Cr 213 - Intangible fixed assets (cost)

b) Accounting of “Other income generated from revaluating material, good and fixed assets which have been invested in subsidiary companies, associate companies, contributed in other long-term investments:

- When investing in subsidiary companies , joint venture, associate companies , other long-term investment under form of contributing materials, goods, which are revaluated in joint agreement between parent companies and subsidiary companies, investors and associate companies. In case this revaluation of materials goods is greater than book value of materials or good, record:

Dr 221, 222, 228 (price of revaluation)

Cr 152, 153, 155, 156 (book value)

Cr 711 - Other income (the difference between the reevaluated prices higher than the book price of materials and goods).

- When investing in subsidiary companies , joint venture, associate companies , other long-term investment under form of contributing fixed assets, which are revaluated in joint agreement between parent companies and subsidiary companies, investors and associate companies. In case this revaluation of fixed assets is greater than the net book value of fixed assets, record:

Dr 221, 222, 228 (price of revaluation)

Dr 214 - Accumulated Depreciation (value of accumulative depreciation)

Cr 211, 213 (Costs)

C<}0{>Cr 711 - Other Income (the difference between revaluation value of fixed assets higher than the net book value of fixed assets)

c) Accounting “Other Income” generated from selling and leasing fixed assets in financial lease:

- In case transactions of selling and leasing back fixed assets with price higher than net book value of fixed assets, when procedure of selling fixed assets is finished, accountants will base on invoices and relating documents, record:

Dr 111,112,131 (total settlement price)

Cr 711 - Other Income (the net book value of fixed assets sold and leased back)

Cr 3387 - Unearned revenues (Positive difference between price and net book value of fixed assets)

Cr 3331 - VAT payable.

Simultaneously, recording decrease in fixed assets:

Dr 711 - Other Income (the net book value of fixed assets sold and leased back)

Dr 214 - Accumulated Depreciation ( if any)

Cr 211 - Tangible fixed assets (cost of fixed assets)

- In case selling and easing back with price lower than net book value of fixed assets. When finishing procedure of selling fixed assets, account will base on invoices and other related documents, record:

Dr 111,112,131 (total settlement price)

Cr 711 - Other Income (selling price of fixed assets)

Cr 3331 - VAT payable if any).

Simultaneously, recording decrease in fixed assets:

Dr 811 - Other expenses (selling price of fixed assets)

Dr 242 - Prepaid expenses (Negative difference between selling price and net book value of fixed assets)

Dr 214 - Accumulated Depreciation ( if any)

Cr 211 - Tangible fixed assets (cost of fixed assets)

Entry recording leased property and liabilities of financial lease, periodical lease payments, complying with regulation at Account 212 - Financial lease fixed assets.

d) Accounting “other Income” generated from selling and lease - back transactions of operating leased fixed assets: When selling and leasing back of fixed assets, accountants will base on VAT invoices and related documents of selling fixed assets, to record selling transactions in following cases:

- If selling price is agreed on a reasonable level, then loses or profits must be recorded immediately during the period. To record revenues from fixed assets sales, record:

Dr 111, 112, 131,...

Cr 711 - Other Income (selling price of fixed assets)

Cr 3331 - VAT payable if any).

Simultaneously, recording a decrease in fixed assets (as in above point c)

- If price of selling and lease - back of assets is lower than the reasonable price, but the leasing price is lower than the leasing price in market, then this loss shall not be recorded immediately, but shall be allocated gradually in accordance with lease payments during leasing assets. Base on the VAT invoices and documents related to fixed assets sales, the income from selling fixed assets, record:

Dr 111, 112,...

Cr 711 - Other Income (selling price of fixed assets)

Cr 3331 - VAT payable.

- Simultaneously, recording decrease in fixed assets as follows :

Dr 881 - Other expenses.

Dr 242 - Prepaid expenses.

Dr 214 - Accumulated Depreciation ( if any)

Cr 211 - Tangible fixed assets (cost of fixed assets)

- Periodically, when allocating the loss of selling and subleasing operating leased fixed assets (the difference between the selling price less than fair value) in the cost of production and trading in period in accordance with payments of lease in the time  when such asset is expected to use, record :

Dr 623, 627, 641, 642

Cr 242 - Prepaid expenses.

- If price of selling and lease - back of assets is higher them reasonable price, then amount in excess of reasonable price shall not be recorded immediately as a profits during period, but shall be allocated during the entire expected useful time of that assets, and difference between reasonable value and net book value shall be recorded immediately as a profits during period.

Base on VAT invoices of fixed assets sales, record:

Dr 111, 112, 131,...

Cr 711 - Other Income (computed with reasonable value of fixed assets)

Cr 3387 - Unearned revenues(Positive difference between selling price and reasonable value of fixed assets)

Cr 3331 - VAT payable if any).

Simultaneously, recording a decrease in fixed assets sold and subleased (as in above point c)

Periodically, when allocating positive difference between selling price and fair value of fixed assets sold and subleased recorded a decrease in the cost of production and trading in period in accordance with payments of lease in the time when such asset is expected to use, record :

Dr 3387 - Unearned revenues

Cr 623, 627, 641, 642.

dd) When warranty period of construction work is over, if construction work is not guaranteed or payables provision for construction work warranty is greater than expenses actually incurred, then unspent payables provision for warranty of construction work must be returned, record:

Dr 352 - Provision for payables.

Cr 711 - Other Income

e) Recording sums received from fines

- If the fines are recorded a decrease in value of assets, record :

Dr related accounts

Cr 151, 153, 154, 156, 241, 211…

- If the fines are recorded in other income, record:

Dr related accounts

Cr 711 - Other Income

g) Recording amounts compensated by a third party (such as cash compensation insurance, compensation for displacing business establishments ...), record :

Dr 111, 112,...

Cr 711 - Other Income

- Expenses relating to handle damages in cases business has bought insurance, record:

Dr 881 - Other expenses.

Dr 133 - Deductible VAT (If any)

Cr 111, 112, 152,...

h) Accounting for uncollectible receivables which had been written off, but now have been collected:

- If having actually uncollectible receivables and must be written off, accountants will base on social insurance to write off debt, record:

Dr 229 - Provision for asset losses (2293) (provision set up)

Dr 642 - General administration expenses (If provision has not been budgeted)

Cr 131 - Customer receivable

- When collecting doubtful debts that have been written off, record :

Dr 111, 112,...

Cr 711 - Other Income

If creditor of liabilities was not identified, the debt was written off and charged to Other Income, record:

Dr 331 - Suppliers payables

Dr 338 - Other payables

Cr 711 - Other Income

k) Accounting for taxes payable when selling goods or providing services which are later returned or reduced:

- Upon receipt of the decision of the competent authority of the amount refunded or reduced, record :

Dr 3331, 3332, 3333, 33381

Cr 711 - Other Income

- When state budget returns in cash, record :

Dr 111, 112.

Cr 3331, 3332, 3333, 33381.

l) In case business is financed, donated with materials, goods, fixed assets, ..., record:

Dr 152, 156, 211,...

Cr 711 - Other Income

m) In case of transformation of business ownership (except transformation of enterprises with 100% state capital into joint-stock companies), if allowed to revaluate of enterprises at the time of transformation, for assets assessed increase, record :

Dr related accounts

Cr 711 - Other Income

n) If enterprises trading receive goods (without payment) from manufacturers, distributors for advertising, promotion for customers buying goods from manufacturers, distributors. At the end of the promotion program, if the unused promotional goods are not returned manufacturers, accountants record the value of unreturned promotional goods as other income, record :

Dr 156- Goods (equivalent value of the same type)

Cr 711 - Other Income

o) At end of account period, computing and recording VAT payable under direct method of Other Income, record:

Dr 711- Other Income

Cr 3331- VAT payable.

p) At end of period, accountants post Other Income generated during period to Account 911 “Income Summary”

Dr 711- Other Income

Cr 911 - Income Summary

**Article 94. Account 811- Other expenses**

**1. Accounting principles**

This account is used to record expenses incurred from events or operations separated from normal operation of business. Other expenses may include:

- Expenses of liquidating, transferring of fixed assets (including the bidding cost of liquidation). The sum received from the sale of bids of liquidation or sale of fixed assets is recorded a decrease in the cost of liquidation or sale of fixed assets;

- Negative difference between the fair value of assets divided from Business cooperation contract and the cost of capital investment in assets under joint control;

- Net book value of dismantled fixed assets;

- Net book value of disposals of fixed assets (if any);

- Losses from differential in revaluating materials, goods, fixed assets contributed in subsidiary companies, joint ventures, invested in associates, in other long - term investments;

- Fine payable from economic contract breach, administrative violations;

- Other expenses

b) Expenses that are not considered as expense of corporate income tax under the provisions of the law on tax but have full invoices and are accounted for in accordance with accounting policy are not recorded a decrease in accounting costs but only adjusted in final corporate income tax declaration to increase the corporate income tax payable.

**2. Structure and content of account 811 - Other expenses**

**Debit side:** Other expenses incurred.

**Credit side:** At end of account period, posting total other expenses incurred during period to Acc 911 "Income Summary"

**Account 811 does not have ending balance.**

**3. Method of accounting for several major transactions**

Accounting for operations of selling, liquidating of fixed assets:

- Recording other income from transferring liquidating fixed assets, record :

Dr 111, 112, 131,...

Cr 711 - Other Income

Cr 3331 - VAT payable (33311)(if any).

- Recording a decrease in fixed assets used for production and business, now are transferred, liquidated, record:

Dr 214 - Accumulated Depreciation (value of depreciation)

Dr 811 - Other expenses (Net book value)

Cr 211 - Tangible fixed assets (cost)

Cr 213 - Intangible fixed assets (cost)

- Recording expenses incurred during period for transfer and liquidating operations of fixed assets, records :

Dr 881 - Other expenses.

Dr 133 - Deductible VAT (1331) (If any)

Cr 111, 112, 141,...

- Recording sums received from the sale bids relating to the liquidation or sale of fixed assets, record :

Dr 111, 112, 138...

Cr 881 - Other expenses.

b) When dismantling fixed assets, record :

Dr 214 - Accumulated Depreciation (value of depreciation)

Dr 811 - Other expenses (Net book value)

Cr 211 - Tangible fixed assets (cost)

Cr 213 - Intangible fixed assets (cost)

c) Accounting for other expenses incurred when revaluating materials, goods, fixed assets invested in subsidiary companies, joint-venture, associates: Comply with the provisions of accounts 221, 222, 228.

d) In case of transformation of business ownership (except transformation of 100%-state-owned enterprises into joint-stock companies), if allowed to revaluate of enterprises at the time of transformation, for assets assessed increase, record :

Dr 881 - Other expenses.

Cr related accounts

dd) Accounting for fines from economic contract breach, administrative violations, record:

Dr 881 - Other expenses.

Cr 111, 112.

Cr 333 - Tax and payables for government (3339)

Cr 338 - Other payables

e) At end of account period, transferring total other expenses incurred during period to determine operating results, record:

Dr 911 - Income Summary

Cr 881 - Other expenses.

**Article 95. Account 821 - Business income tax expenses**

**1. Accounting principles**

a) General principles

- This account is used to record income tax expenses of business, including current income tax and deferred income tax expenses incurred during year, these expenses will be based to determine operating results after tax of business in current financial year.

- Current business income tax expenses are business income taxes payables computed on taxable income during year, and current business income tax rate.

- Deferred business income tax expenses are business income taxes payables in the future, incurred from:

Recording deferred income tax payables in year;

Returning deferred business income tax expenses which were recorded in previous years.

- Revenues from deferred income tax are decrease recording deferred business income tax incurred from:

Recording deferred income tax expenses during year;

Returning of deferred income tax payables recorded in previous years.

b) Accounting principles of current business income tax expense

- Quarterly, accountants base on the business income tax form to record the income tax that enterprises temporarily pay in current business income tax expense. At the end of the fiscal year, based on the final tax declaration, if the business income tax in current year temporarily payable is less than the amount payable for that year, accountants record the business income tax payable additionally in current business income tax expense. In case the business income tax temporarily payable in current year is bigger than the amount payable for that year, accountants must record a decrease current business income tax expense which is the difference between the temporary business income tax payable in current year is bigger than the amount payable.

- In case of detection of insignificant errors related to business income taxes payable of the previous years, enterprises shall account for as increase (or decrease) of the business income tax payable of the previous years in current business income tax expenses of the year in which errors are detected.

- For significant errors, accountants make retroactive adjustment as prescribed by the Accounting Standards - "Changes in accounting policies, accounting estimates and errors".

- When preparing the financial statements, accountants must transfer the current business income tax expenses incurred to account 911 - " Income summary" to determine the post-tax profits profit in accounting period.

b) Accounting principles of deferred business income tax expense

- When preparing the financial statements, accountants must determine the deferred income tax expense under the provisions of Accounting Standards "business income tax".

- Accountants must not record in this account the deferred income tax assets or deferred income tax payable arising from the transaction recorded directly in owner’s equity.

- At the end of the period, accountants must transfer the difference between the sum incurred in debit side and that of credit side of Account 8212 - " Deferred business income tax expense " to account 911 - "Income summary".

**2. Structure and content of account 821 - Business income tax expenses**

General structure and content

**Debit side:**

- Business income tax expenses currently incurred during year;

- Current business income tax of previous years payable additionally due to detecting insignificant errors of the previous year recorded an increase in current business income tax expense of the current year;

- Deferred income taxes expenses incurred during year from recording deferred income tax payables (positive differential between deferred income tax incurred in year, and deferred income tax payables which were returned during the year).

- Recording deferred income tax expenses (positive differential between deferred business income tax which were returned in year, and deferred income tax incurred during the year).

- Posting differential between amount of Cr 8212 “Deferred income tax expenses”, which is greater than amount of Dr 8212 “Deferred income tax expenses” incurred in period, to Cr 911 “Income Summary”.

**Credit side:**

- Current business income tax actually paid in year which is smaller than income tax expenses temporarily payables, will be deducted from current business income tax expenses recorded during year;

- business income tax payable recorded a decrease due to detecting insignificant errors of the previous year recorded an increase in current business income tax expense of the current year;

- Decrease record of deferred business income tax expenses and recording deferred income tax asset (positive difference between deferred income tax incurred in year and deferred income tax assets returned during year).

- Decrease record of deferred income tax expenses (positive differential between deferred income tax payables which has been returned during year and deferred income tax payables induced during year);

- Transferring positive difference between current income tax induced in year, and decreasingly recorded amount income tax expenses in year, to Account 911 “Income Summary”.

- Transferring positive differential between amount at Dr 8212, and amount at Cr 8212 “Deferred business income expenses” induced in period, to Dr 911 “Income Summary”.

**Account 821 “Business income tax expenses” has no ending balance**

***Account 821 – Business income tax expenses, comprises 2 sub - accounts:***

- Account 8211 - Current business income tax expenses ;

- Account 8212 - Deferred business tax expenses

**b) Structure and content of account 8211 - Current business income tax expenses**

**Debit side:**

- Business income tax payables charged to current income tax expenses induced during year;

- Business income tax of previous years payables additionally because of detecting important errors of previous years, will be increasingly recorded in current business income expenses of present year.

**Credit side:**

- Current business income tax actually paid during year which is smaller than current income tax temporarily paid, will be deducted from current income tax expenses recorded in year;

- business income tax payable recorded a decrease due to detecting insignificant errors of the previous year recorded an increase in current business income tax expense of the current year;

- Transferring current business income tax expenses to Dr 911 “Income Summary”.

**Account 8211 “Current business income tax expenses” has no ending balance.**

**c) Structure and content of account 8211 -** Deferred business income tax expenses

**Debit side:**

- Deferred income taxes expenses incurred during year from recording deferred income tax payables (positive differential between deferred income tax incurred in year, and deferred income tax payables which were returned during the year).

- Returned amount of deferred income tax assets in previous year (which is positive differential between deferred income tax fiscal assets which was returned during year, and deferred income tax assets induced during year).

- Posting differential between amount of Cr 8212 “Deferred income tax expenses”, which is greater than amount of Dr 8212 “Deferred income tax expenses” incurred in period, to Cr 911 “Income Summary”.

**Credit side:**

- Decreasingly record deferred income tax expenses (positive differential between deferred income tax fiscal assets which was returned during year).

- Decrease record of deferred income tax expenses (positive differential between deferred income tax payables which has been returned during year and deferred income tax payables induced during year);

- Transferring difference between amount at Cr 8212 "Deferred business income tax expenses, which is smaller than amount at Dr 8212 "Deferred business income tax expenses" induced during period, to Dr 911 "Income Summary".

**Account 8212 "Deferred business income tax expenses" has no ending balance.**

**3. Method of accounting for several major transactions**

a) Accounting principles of current business income tax expense

- Quarterly, when determining income tax temporarily paid complying with business income tax law, accountants record cement income tax temporarily paid for state Budget to business income tax expenses, record:

Account 8211- Current business income tax expenses;

Cr 3334 - Business income tax

When paying business income tax to state Budget, record :

Dr 3334 - Business income tax

Cr 111, 112,…

- At end of fiscal year, accountants base on business income tax actually payables under final tax declaration or the sum payable notified by tax authorities:

If income tax expenses actually payables during year are higher than temporarily paid income tax, accountants record current business income tax that business must pay additionally, record:

Account 8211- Current business income tax expenses;

Cr 3334 - Business income tax

If income tax expenses actually payables during year are lower than temporarily paid income tax, accountants record a decrease current business income tax expenses, record:

Dr 3334 - Business income tax

Cr 8211- Current business income tax expenses.

- In case detecting unimportant errors of previous years relating to income tax payables of previous years, business is allowed to adjust account an increase (or decrease) in income tax payables of previous years, to income tax expenses of year detecting errors.

In case current income tax of previous years must be paid additionally, because of unimportant error detected of previous years, and this additional tax payment is recorded an increase in current income tax expenses of present year, record:

Dr 8211- Current business income tax expenses

Cr 3334 - Business income tax

In case income tax payables is decreased because of unimportant errors in previous years, this will be recorded a decrease in current income tax expenses of present year, record:

Dr 3334 - Business income tax

Cr 8211- Current business income tax expenses.

- At end of accounting period, transferring current income tax expenses, record:

If Account 8211 has Debit amount greater than Credit amount, then the differential will be recorded a:

Dr 911 - Income Summary

Cr 8211- Current business income tax expenses.

If Account 8211 has Debit amount smaller than Credit amount, then the differential will be recorded a:

Account 8211- Current business income tax expenses;

Cr 911 - Income Summary

b) Accounting principles of deferred business income tax expense

- Deferred income taxes expenses incurred during year from recording deferred income tax payables (positive differential between deferred income tax incurred in year, and deferred income tax payables which are returned during the year).

Dr 8212 - Deferred business tax expenses

Cr 347 – deferred income tax payable.

- Deferred income tax expenses incurred during year, which results from recording deferred income tax fiscal assets recorded from previous years (which is positive differential between deferred income tax assets which returned in year and deferred income tax assets incurred during year), record:

Dr 8212 - Deferred business tax expenses

Cr 243 - Deferred business income tax assets.

- Decrease recording of deferred income tax expenses (positive differential between deferred income tax assets induced during year and deferred income tax assets).

Dr 243 - Deferred business income tax assets.

Cr 8212 - Deferred business tax expenses

- Decrease recording of deferred income tax expenses (positive differential between deferred income tax payables induced during year), record:

Dr 347 - Deferred business tax expenses payable

Cr 8212 - Deferred business tax expenses

- At end of account period, posting differential between Debit and Cr 8212 - Deferred business income tax expenses :

If Account 8212 has Debit amount greater than Credit amount, than the differential will be recorded a:

Dr 911 - Income Summary

Cr 8212 - Deferred business tax expenses

If Account 8212 has Debit amount smaller than Credit amount, then the differential will be recorded a:

Dr 8212 - Deferred business tax expenses

Cr 911 - Income Summary

**Article 96. Account 911- Income summary**

**1. Accounting principles**

This account is used to identify and record results of operating activity and other activities during an account year. Results of operating activities of business include: Results of operating activities, results of financial activities and of other activities.

- Results of operating activities is differential between net sales and cost of goods sold (including products, goods, investment properties and services, costs of construction products, costs relating to investment property business activities, such as: depreciation expenses, costs of repairs and upgrading, operating lease expenses, expenses of liquidating and liquidating investment property), selling expenses and General administration expenses.

- Results of financial activities is differential between revenues and expenses from financial activities

- Results of other activities are differential between Other Income and other expenses, and income tax expenses.

b) This account must record completely and exactly results of business activities in account period. Results of business activities must be applied of detailed accounting corresponding to every kind of activity (activities of production, processing, trade and commerce, services, finance...). In each type of business activity, detailed accounting for every kind of products, industries, services can be necessarily applied.

c) Sales and income items which are posted in this account are net sales and net income

**2. Structure and contents of account 911 - Income summary**

**Debit side:**

- Costs of products, goods, investment perpetration and services which were sold.

- Costs of financial activities, income tax expenses and other expenses;

- Selling expenses and General administration expenses;

- Profits transferred

**Credit side:**

- Net revenues from products, goods, investment properties and service sold in period;

- Revenues from financial activities, Other Income, and decrease record in business income tax expenses;

- Losses transferred.

**Account 911 does not have ending balance.**

**3. Method of accounting for several major transactions**

At end of account period, transferring net sales to Account “Determination of business activity”, record:

Dr 511 - Revenues from sales and rendering services

Cr 911 - Income Summary

b) Transferring costs of products, goods, services consumed in period, expenses related to investment property business activity, such as: Depreciation expenses, repair and upgrading expenses, operating lease expenses, expenses of liquidating and transferring investment property, record:

Dr 911 - Income Summary

Cr 631 - Cost of goods sold

c) At end of account period, posting revenues from financial activities and Other Income, record:

Dr 515 - Revenues from financial activities

Dr 711- Other Income

Cr 911 - Income Summary

d) At end of account period, transferring expenses of financial activities and other expenses, record:

Dr 911 - Income Summary

Cr 635 - Financial expenses

Cr 881 - Other expenses.

dd) At end of account period, posting current income tax expenses, record:

Dr 911 - Income Summary

Cr 8211- Current business income tax expenses.

e) At end of account period, posting differential between Debit amount and Credit amount of Account 8212 “Deferred business income tax expenses”

- If Account 8212 has: Debit amount greater than Credit amount, then the differential will be recorded a follows:

Dr 911 - Income Summary

Cr 8212 - Deferred business income tax expenses

- If Debit amount of 8212 is smaller than Credit amount of Account 8212, then posting the differential will be recorded a follows:

Dr 8212 - Deferred business tax expenses

Cr 911 - Income Summary

g) At end of account period, posting selling expenses incurred during period as follows:

Dr 911 - Income Summary

Cr 641 - Selling expenses

h) At end of account period, transferring General administration expenses induced during period as follows:

Dr 911 - Income Summary

Cr 642 - General administration expenses.

i) Transferring income in the period to undistributed post-tax profits:

- Transferring profits, record:

Dr 911 - Income Summary

Cr 421 - undistributed post-tax profits

- Transferring losses, record :

Dr 421 - undistributed post-tax profits

Cr 911 - Income Summary

k) Periodically, dependent cost-accounting units assigned to monitor income in the period, but not to monitor undistributed post-tax profits transfer income in the period to the superior units:

- Transferring losses, record:

Dr 911- - Income Summary

Cr 336 – Inter-company payables

- Transferring losses, record :

Dr 336 – Inter-company payables

Cr 911 - Income Summary

**Chapter III**

## FINANCIAL STATEMENT

### SECTION 1. GENERAL PROVISIONS

**Article 97. Purposes of financial statement**

1. Financial statements are used to provide information about financial situations, trading performance and cash flows of enterprises, meet the requirements for management of employers, regulatory agencies and useful demands of users in making economic decisions. Financial statements must provide information about an enterprise about :

a) Assets;

b) Liabilities;

c) Owner’s equity;

d) Revenue, other income, production and business costs and other expenses;

dd) Profit, loss and allocation of income ;

e) The cash flows.

2. In addition to this information, an enterprise must also provide other information in the "Notes to the Financial Statements" for further explanation of standards recorded in general financial statements and accounting policies applied to record the economic transactions arising, preparation and presentation of financial statements.

**Article 98. Periods of financial statement**

1. Periods of annual financial statements: Enterprises must prepare annual financial statements in accordance with the Law on Accounting.

2. Periods of interim financial statements: Interim financial statement shall include quarter financial statements (including quarter IV) and semi-annual financial statements.

3. Periods of other financial statements:

a) Enterprises may establish financial statements in accordance with other accounting periods (such as week, month, 6 months, 9 months ...) as required by law, parent companies or owners.

b) Accounting units divided, splited, amalgamated or conversed their ownership, dissolved, terminated their operation, bankrupt must prepare financial statements at the time of division, split, amalgamation or conversion of ownership, dissolution, termination of activities, bankruptcy.

4. Determination of sum year of financial statements of financial and statistic agencies.

When summarizing statistics, in case of receipt of financial statements of enterprises whose fiscal year is different from calendar year, State management agencies shall comply with the following principles:

a) In case the financial statements of the enterprises begin on April 1 and end on March 31 annually, the figures on financial statements shall be summarized statistics on figures of the preceding year;

b) In case the annual financial statements of enterprises begin on July 1 and end on June 30 annually, financial statements used to summarize statistics are semi-annual financial statements;

c) In case financial statements of the enterprises begin on October 1 and end on September 30 annually, the figures on financial statements shall be summarized statistics on figures of the following year;

**Article 99. Regulated entities , preparation responsibilities and signature on financial statements**

1. Entities of annual financial statements:

Annual financial statement system is applied to all types of enterprises in all sectors and economic sectors. Financial statements must be prepared fully.

2. Entities of interim financial statement (quarterly financial statements and semi-annual financial statements)

a) Enterprises of which 100% charter capital or controlling shares is held by the State, units of the public interest must prepare interim financial statements;

b) Other enterprises which are not subject at point an above are recommended to prepare interim financial statements (optional).

c) Interim financial statements are prepared fully or summarily. Unit owners decide to choose the full or summary form for interim financial statements of their units if it is not contrary to the provisions of law that the units are subject to adjustment.

3. Superior enterprises whose subordinate units have no legal status must prepare their own financial statements and summarized financial statements. The summarized financial statements are prepared on the basic of including figures from all subordinate units without legal status and must exclude all figures arising from internal transactions between superior and subordinate units, among subordinate units.

Subordinate units without legal status must establish their financial statements in accordance with the reporting period of superior units to serve summarizing financial statements of superior units and inspection of state management agencies.

4. The preparation and presentation of financial statements of enterprises of special branches must be complied with provisions in accounting policy issued or approved to be issued by the Ministry of Finance.

5. The preparation, presentation and publicity of annual consolidated financial statements and interim consolidated financial statements shall comply with the legislation on consolidated financial statements.

6. Signing financial statements must comply with the Law on Accounting. Units which do not prepare financial statement by themselves but hire accounting services to prepare financial statements, practitioners of units of accounting services must sign and write clearly the number of practice certificate, name and address of Unit provide accounting services. Individual practitioners must clearly record the number of practicing certificate.

**Article 100. Financial reporting system of enterprises**

Financial statement system includes annual financial statements and interim financial statements. Forms of financial statement are enclosed in Appendix 2 of this Circular. Items without figures shall not be presented in financial statement, enterprises actively re-number items of financial statements in accordance with the principle of continuity in each section.

1. Annual financial statements include:

| | |
|---|---|
| - the Balance sheet | Form No B 01-DN |
| - income statement | Form No B 02-DN |
| - cash flow statement | Form No B 03-DN |
| - Notes to the Financial Statements | Form No B 09-DN |

2. Interim financial statements **include:**

Full interim financial statements, including:

| | |
|---|---|
| - Interim the Balance sheet | Form No B 01a - DN |
| - Interim income statement | Form No B 02a - DN |
| - Interim cash flow statement | Form No B 03a - DN |
| - Selected notes to the Financial Statements | Form No B 09a - DN |

b) Summary interim financial statement, including:

| | |
|---|---|
| - Interim the Balance sheet | Form No B 01b - DN |
| - Interim income statement | Form No B 02b - DN |
| - Interim cash flow statement | Form No B 03b - DN |

- Selected notes to the Financial Statements Form No B 09a - DN

**Article 101. Requirements for information presented in financial statements**

1. Information presented in the financial statements must be recorded honestly and reasonably the financial situation, trading situation and income of enterprises. To ensure honesty, the information must be complete, objective, unmistaken.

- Information is only complete when including all the necessary information to help users of financial statements to understand the nature, forms and risks of transactions and events. For some items, the full presentation must also describe more information about the quality, the factors and circumstances that may affect the quality and nature of the items.

- Objective presentation is unbiased selection or description on financial information. Objective presentation must ensure neutrality which do not focus, emphasis or reduce as well as perform other acts to alter the impact of the financial information to become beneficial or unbeneficial for users of financial statements.

- No errors mean no omissions in the description of the phenomenon and no errors in the process of providing reporting information selected and applied. No errors do not mean complete accuracy in all respects, for example, estimating unobservable cost and value is difficult to determine to be correct or incorrect. The presentation of an estimate is considered to be honest, if the estimated value is described clearly, and the nature and limitation of the estimating process is explained and there is no error in the selection of appropriate figures in the estimate.

2. Financial information must be appropriate to help users of financial statements to predict, analyze and make economic decisions.

3. Financial information must be presented fully in all important respects. Information is considered to be important in case information is not sufficient or inaccurate information may affect the decisions of users of financial information of the reporting unit. Materiality shall be based on the nature and magnitude, or both, of the relevant items presented in the financial statements of a particular unit.

4. Information must be verifiable, timely and understandable.

5. Financial information must be presented consistently and must be comparable among the accounting periods and enterprises.

**Article 102. Principles of preparation and presentation of financial statements of enterprises meeting assumption of continuous operation**

1. The preparation and presentation of financial statements must comply with the provisions of Accounting Standards, "Presentation of financial statements" and other accounting standards related. The important information must be explained to help users understand the true financial situation of enterprises.

2. Financial statements must record exactly the economic substance of transactions and events, rather than the legal form of such transactions and events (respecting nature rather than form).

3. Assets are not recorded higher than the recoverable value; Liabilities are not recorded lower than payment obligations.

4. Classification of assets and liabilities: Assets and liabilities in the Balance sheet must be presented in short and long term; In short-term and long-term parts, items are sorted under decreasing liquidity.

a) Assets or liabilities whose maturity is within 12 months or a production cycle, the ordinary business from the time the report is classified as short-term;

b) Assets and liabilities which are not classified as short term are classified as long-term.

c) When preparing financial statements, accountants must reclassify assets and liabilities classified as long-term in the previous period whose maturity is within 12 months or a production cycle, the ordinary business from the time the report is classified as short-term.

5. Assets and liabilities must be presented separately. Offsetting when assets and liabilities relating to the same entities, with fast turnarounds, short maturities, arising from transactions and events of the same type.

6. The items of revenue, income, expenses must be presented in a consistent principle and ensure the precautionary principle. Income statement and cash flow statement shall record revenues, income, expenses and cash flows of the reporting period. Revenues, income, cost of previous period which have errors affecting income and cash flows must be adjusted retroactively, not be adjusted in the reporting period.

7. When preparing the consolidated financial statements between enterprises and the subordinate units which have no legal status in dependent cost-accounting, balance the internal items of the

Balance sheet, revenues, expenses, profits and losses considered to be unearned arising from internal transactions must be excluded.

**Article 103. Principles of preparation and presentation of financial statements when changing the accounting period.**

When changing the accounting period, for example, change the accounting period from the calendar year into accounting period other than calendar year, enterprises must close accounting books, prepare financial statements in accordance with the following principles:

1. The change in the accounting period must comply with the provisions of the Law on Accounting. When changing the annual accounting period, accountants must prepare a separate financial statements for the period between the two accounting periods of the previous financial year and the new financial year, for example:

Enterprises with the accounting period in 2014 under calendar year. In 2015, enterprises switch to the annual accounting year starting from April 1 of previous year to March 31 of the next year. In this case, enterprises must establish separate financial statements for the period from January 01, 2015 to March 31,2015.

2. For the Balance Sheet: All balances of assets, liabilities and owner's equity of the accounting period prior to switch are recorded the opening balance of the new accounting period and are presented in the "Beginning".

3. For income statements and cash flow statements: Figures from the time of change of the accounting period to the end of the first reporting period are shown in column "This time". Figures of previous 12 months equivalent to the accounting period of current year are presented in the "previous"

Example: Following the example above, when presenting column "Previous" in income statement starting on April 01, 2015 and ending on March 31, 2016, enterprises must present figures from April 01, 2014 to March 31, 2015.

**Article 104. Principles of preparation and presentation of financial statements in transformation of enterprise ownership.**

When transforming their ownership, enterprises must close accounting books, prepare financial statements in accordance with law. In the first accounting period after the transformation, enterprises must record accounting books and present financial statement in accordance with the following principles:

1. For accounting books recording assets, liabilities and owner's equity: All balances of assets, liabilities and owner's equity in the accounting books of the old enterprises are recorded opening balances in accounting books of the new enterprises.

2. For the Balance Sheet: All balances of assets, liabilities and owner's equity of the old enterprises prior to transformation are recorded in the opening balance of the new enterprises and are presented in the "Beginning".

3. For income statements and cash flow statements: Figures from the time of transformation to the end of the first reporting period are shown in column "This time". Cumulative figures from the beginning of reporting year to the time of transformation of ownership are presented in the "previous"

**Article 105. Principles of preparation and presentation of financial statements in division, acquisition of enterprises**

When partially dividing an enterprise into many new enterprises which have legal status or when acquisiting many enterprises into another enterprise, the divided or acqquisited enterprises must close accounting books, prepare financial statement as prescribed by law. In the first accounting period after division or acquisition, new enterprises must record accounting books and present financial statement in accordance with the following principles:

1. For accounting books recording assets, liabilities and owner's equity: All balances of assets, liabilities and owner's equity in the accounting books of the old enterprises are recorded an incurred balance in accounting books of the new enterprises. The "Opening balance" in accounting books of new enterprises has no figures.

2. For the Balance Sheet: All balances of assets, liabilities and owner's equity of the old enterprises prior to transformation are recorded an incurred balance of the new enterprises and are presented in the "Ending". The "Beginning" has no figures.

3. For income statements and cash flow statements: Figures from the time of transformation to the end of the first reporting period are shown in column "This time". The "previous" has no figures.

**Article 106. Principles of preparation and presentation of financial statements of enterprises not meeting assumption of continuous operation**

1. When preparing and presenting financial statements, enterprises must consider the assumption of continuous operation. Enterprises shall be considered as discontinuous operation if at the expiry of operation, they do not have applications for extension their operation, schedule of termination of operations (specific documents submitted to the competent agencies) or they are requested for dissolution, bankruptcy or termination of operations within 12 months from the date of the financial statements by competent agencies. For enterprises with ordinary trading and production cycle for more than 12 months, it shall be within a production cycle of ordinary trading and production.

2. In following cases, units are still considered as continuous operation:

- Equitization of a state-owned enterprise to a joint-stock company. The financial settlement upon equitization is a special case, in spite of revaluation of enterprises, revaluation of assets and liabilities, enterprises essentially maintain their production and trading as usual;

- Transformation of enterprise ownership, eg. a limited company is transformed into a joint stock company or vice versa;

- Transformation of a unit with the legal status of independent cost-accounting into a unit without legal status of dependent cost-accounting or vice versa (for example, a subsidiary is transformed into a branch or vice versa)

3. In case of not meeting assumption of continuous operation, enterprises still must present fully financial statements and record clearly:

- The Balance Sheet applied to enterprises not meeting the assumption of continuous operation -Form B01 / CDHDD - DNKLT presented in a separate form;

- Income statement applied to enterprises not meeting the assumption of continuous operation - Form B02 / CDHDD - DNKLT presented in a general form similar to enterprises with normal operations;

- cash flow statement applied to enterprises not meeting the assumption of continuous operation - Form B03 / CDHDD - DNKLT presented in a general form similar to enterprises with normal operations;

- Note to the financial statements applied to enterprises not meeting the assumption of continuous operation -Form B09 / CDHDD - DNKLT presented in a separate form;

4. If the assumption of continuous operation is no longer appropriate at the time of reporting, enterprises must reclassify long-term assets and long-term liabilities into short-term assets and short-term liabilities.

5. If the assumption of continuous operation is no longer appropriate at the time of reporting, enterprises must re-evaluate the entire assets and liabilities except where third parties have a right to inherit asset or the obligation to the liabilities according to the book value. Enterprises must record in the accounting books at re-evaluated prices prior to the Balance Sheet.

Assets and liabilities shall not be revaluated if a third party has the right to inherit assets or obligations to liabilities in some specific cases as follows:

a) In case a unit is dissolved to acquire into another unit, if the acquired unit commits to inherit all rights and obligations of the dissolved unit under book value;

b) In case a unit is dissolved to divide into another unit, if the unit after division commits to inherit all rights and obligations of the dissolved unit under book value;

c) Any specific asset committed, guaranteed to recovery for dissolved unit under the book value by another party and the recovery takes place before the unit officially terminates its operation;

d) Each specific liability committed, guaranteed to pay for the dissolved unit by a third party and the dissolved unit must only pay for such third party under book value books;

Re-evaluation is carried out for each type of asset and liability on the principle:

(a) For assets;

- Inventory, long-term work in progress, long-term equipment, materials, spare parts are evaluated lower than the cost price and net realizable value at the time of reports;

- Tangible fixed assets, intangible fixed assets, investment real property are evaluated lower than the net book value and the recoverable value at the time of reporting (liquidation price minuses the estimated liquidation expenses). Finance lease fixed assets, if there is a term requiring to repurchase, shall be revalued similarly to fixed assets of enterprises, if they are returned to the lessor, shall be revalued according to the finance lease liabilities payable to the lessor;

- The cost of fundamental construction in progress is valued lower between book value and the recoverable value at the time of reporting (liquidation price minuses the estimated liquidation expenses);

- Trading securities are evaluated according to the fair values. The fair value of listed securities or securities on UPCOM is defined as the closing price of the session at the reporting date (or the preceding session if the market does work on the reporting date);

- Investments in subsidiaries, joint ventures, associates and other units are recorded at the lower price of book value and recoverable value at the time of reporting (selling price minuses the estimated selling costs);

- Investments held to maturity, receivables are valued according to the actual recoverable amount.

b) For liabilities: In case there is agreement between the parties in writing of the amount payable, revaluation shall be depended on the agreed amount. If there is no specific written agreement, it shall be as follows:

- Debts payable in cash are revalued at a higher price between the book value of debts payable and debts paid before the deadline as stipulated by the contract;

- Debts payable in financial assets are revalued at a higher price between the book value of debts payable and the fair value of such financial assets at the time of the report;

- Debts payable in inventories are revalued at a higher price between the book value of liabilities and the purchase price (are plus directly related costs) or production cost of inventories at the same time of the report;

- Debts payable in fixed assets are revalued at a higher price between the book value of liabilities and the purchase price (are plus directly related costs) or the net book value of fixed assets at the time of the report;

c) Accounts derived from foreign currencies are revalued at the actual exchange rate at the time of reporting as usual.

6. Accounting method of some assets when enterprises do not meet the assumption of continuous operation:

a) Setting up provision or evaluating asset loss is recorded a decrease directly in the book value of assets, provision in account 229 - "Provision for asset losses" shall not be made;

b) The calculation of depreciation or recording losses of fixed assets, investment real property is recorded a decrease in the book value of assets, account 214 shall not be used to record accumulated depreciation .

7. When assumption of continuous operation is no longer appropriate, enterprises must handle several following financial problems:

- Advancing costs to determine income for the expected losses arising in the future if the possibility of arising loss is probable and the value of the losses are estimated reliably; Recording current obligations for the liabilities, including cases of insufficient documents (such as volume acceptance records of contractors ..) which are surely paid;

- For differences upon accumulated asset revaluation of owner’s equity, after handling tangible, intangible fixed assets, investment real property, the rest is transferred to other income (if profit) or other expenses (if loss);

- For exchange differences recorded a accumulation in the balance sheet (such as exchange differences arising from the conversion of financial statements), enterprises shall transfer all to financial income (if profit) or financial expense (if loss);

- Unallocated prepaid expenses such as goodwill arising from business acquisition which does not lead to the parent-subsidiary relationship, goodwill in equitization, tools and instruments delivered for use, cost of enterprise establishment, cost of commence stage ... are all recorded a decrease to include in cost during the period. Prepaid expenses related to the lease of assets, prepaying interest are calculated and allocated to match the remaining actual prepaid time until official termination;

- The parent company stopped recording goodwill in the consolidated financial statements, the unallocated goodwill is included in enterprise management expenses;

- The differences of profit or loss upon revaluation of assets and liabilities after offsetting the provision set up (if any) are recorded in financial income, other income or financial expense and other expenses, depending on the specific items similar to recording of operating enterprises.

8. In case the assumption of continuous operation is no longer appropriate at the time of the report, enterprises must explain in detail the ability to pay cash and liabilities, owner’s equity for shareholders and explain the reasons for not being comparable between information of reporting period and information of comparison period, namely:

- The recoverable amount from the liquidation or sale of assets, recovery of liabilities;

- Ability to pay liabilities in order of priority, such as the ability to pay to the State budget, workers, loan, providers;

- Ability to pay to owners, for joint-stock companies, the ability of how much that each stock will receive shall be announced clearly;

- The time for payment of liabilities and owner's equity.

- Reasons for incomparable information of reporting period and comparative period: Due to previous period, enterprises present financial statements in accordance with the principle of continuous operating enterprises; in reporting periods when enterprises are going to dissolve, bankrupt or terminate their operations under decisions of competent agencies (specify the name of the agency, the number of the decision) or the Board of Directors have plans under the documents( number, date) financial statements shall be presented in accordance with other principles.

**Article 107. Currency used for the financial statements as publicized and submitted to functional agencies in State management in Vietnam**

1. Financial statements used to publicize and submit to functional agencies in State management in Vietnam must be presented in Vietnam Dong. In case enterprises make financial statements in foreign currency, they must convert financial statements into Vietnam dong when they are publicized and submitted to functional agencies in State management in Vietnam.

2. The method of converting financial statements prepared in foreign currencies into Vietnam dong to publicize information and submit to State management agencies shall be as follows:

a) When converting financial statements prepared in foreign currencies into Vietnam dong, accountants must convert the norms of financial statements in accordance with the following principles:

- Assets and liabilities are converted into Vietnam dong at the actual exchange rate at the end of period (the transfer rate of a commercial bank where enterprises regularly trade at the time of the report);

- Owner's equity (contributed capital of owners, share premium or other capital, conversion option of bonds) is converted into Vietnam dong at the actual exchange rate at the date of contribution of capital;

- Foreign exchange differences and differences upon asset revaluation are converted into Vietnam dong at the actual exchange rate at the date of valuation;

- Undistributed post-tax profits, funds deducted from undistributed post-tax profits the arising after the investment are converted into Vietnam dong by calculating according to items of income statements;

- Profits, dividends payable shall be converted into Vietnam dong at the actual exchange rate at the date of payment of income, dividends;

- Items of income statements and cash flow statements are converted into Vietnam dong at the actual exchange rate at the time of the transaction. In case the average exchange rates of the accounting period is approximate the actual rate at the time of the transaction (the difference does not exceed 3%), it can be applied in the average exchange rate (if optional).

b) Accounting method of exchange differences due to conversion of financial statements prepared in foreign currencies into Vietnam Dong.

Foreign exchange differences arising when converting financial statements prepared in foreign currencies into Vietnam Dong under the item "exchange rate differences" - No. 417 of the owner's equity of the Balance sheet.

**Article 108. Principles of preparation of financial statements upon change of currency in accounting.**

1. When changing the accounting currency, in the first period after the change, accountants convert the balances of accounting books into the currency of the new accounting at the transfer rate of a commercial bank where enterprises frequently trade at the date of conversion of currency in accounting.

2. The rate applied to comparative information (previous column) in income statements and cash flow statements:

When presenting comparative information in income statements and cash flow statements of the period of conversion of currency in accounting, units apply the average transfer rate of the period preceding the change period (if the average exchange rate is approximate the actual cost).

3. When changing the currency in accounting, enterprises must present clearly in the notes to financial statements reasons of change of the currency in the accounting and impacts (if any) for financial statement due to changes in currency in accounting.

**Article 109. Deadline for submission of financial statements**

1. For state-owned enterprises

a) Deadline for submission of quarterly financial statements:

- Accounting unit must submit quarter financial statements at the latest 20 days from the end of the quarterly accounting period; It is at the latest 45 days for the parent companies, state-owned general companies;

- accounting unit affiliated enterprises, state-owned general companies submit quarter financial statements to parent companies, general companies under the time limit set by parent companies, general companies.

b) Deadline for submission of annual financial statements:

- Accounting unit must submit annual financial statements at the latest 30 days from the end of the annual accounting period; It is at the latest 90 days for the parent companies, state-owned general companies;

- Accounting unit affiliated state-owned general companies submit annual financial statements to parent companies, general companies under the time limit set by parent companies, general companies.

2. For other types of enterprises

accounting unit being private enterprises and partnership must submit annual financial statements at the latest 30 days from the end of annual accounting period; for other accounting units, the deadline for submission of annual financial statements is within 90 days;

b) Subordinate accounting unit affiliated submit annual financial statements to superior accounting unit within the time limit given by the superior accounting units

**Article 110. Recipients of financial statements**

| **TYPES OF ENTERPRISES** | Period of reports | **Recipients of financial statements** | | | | |
|---|---|---|---|---|---|---|
| | | Financial agencies | Tax agencies | Statistics agencies | Superior enterprises | Business registration agencies |
| 1. State-owned enterprises | Quarterly, yearly | x | x | x | x | x |
| 2. Foreign-invested enterprises | Yearly | x | x | x | x | x |
| 3. Other types of enterprises | Yearly | | x | x | x | x |

1. State-owned enterprises in central-affiliated cities and provinces must prepare and submit financial statement to the Service of Finance in central-affiliated cities and provinces. Central state-owned enterprises must submit financial statements to the Ministry of Finance (Department of Corporate Finance).

- State-owned enterprises such as commercial banks, lottery companies, credit institutions, insurers, securities trading companies must submit financial statements to the Ministry of Finance (Department of Banking and Finance or Administration of Insurance Supervision).

- Securities trading companies and public companies must submit financial statements to the State Securities Commission and the Stock Exchange.

2. Enterprises must submit financial statements to supervisory tax authority in local. State-owned general companies must submit financial statements to the Ministry of Finance (General Department of Taxation).

3. Enterprises having superior accounting units must submit financial statements to the superior accounting unit in accordance with the provisions of the superior accounting units.

4. Enterprises required for financial audit by law must be audited prior to submission of financial statements in accordance with regulations. The financial statements of enterprises audited must be enclosed with the audit report when being submitted to State management agencies superior enterprises.

5. The financial agency to which enterprises have foreign direct investment (FDI) must submit financial statements is the Service of Finance in central-affiliated cities and provinces where the enterprises register their main business office .

6. state-owned enterprises owning 100% of the charter capital, in addition to the agencies where enterprises must submit financial statements as defined above, they must also submit financial statements to the agencies, organizations assigned, decentralized to exercise rights of owners under Decree No. 99/2012 / ND-CP and documents amending, supplementing, replacing.

7. Enterprises (including domestic enterprises and foreign-invested enterprises ) whose headquarters are in processing and exporting zones, industrial zones, hi-tech zones must also submit annual financial statements to the management board of processing and exporting zones , industrial zones , hi-tech zones if required.

**SECTION 2. CONTENT AND METHOD OF PREPARATION OF FINANCIAL STATEMENTS**

**Article 111. General information about enterprises**

In annual financial statements, enterprises must present the following general information:

- Name and address of the reporting enterprise;

- Specification of separate financial statements of the business, combined financial statements or consolidated financial statements of the parent company, corporation;

- Ending date of the accounting period ;

- Date of the financial statements:

- Currency used in accounting books;

- Currency used for preparation and presentation of financial statements.

**Article 112. Guidelines on preparation and presentation of annual Balance sheet**

**1. Preparation and presentation of Balance sheet of enterprises meeting the assumption of continuous operation.**

***Purposes of the Balance sheet***

The Balance sheet is a combined financial statements, recording generally all value of the current assets and sources that set up assets of enterprises at a certain time. Figures on the balance sheet show the full value of current assets of enterprises according to the structure of assets and of capital setting up such assets. Based on the Balance Sheet, the financial situation of enterprises may be considered, assessed generally.

***Principles of preparation and presentation of the Balance Sheet***

Under the provisions of Accounting Standards, "Presentation of financial statements" when the balance sheet is prepared and presented, the general principles of preparation and presentation of financial statements must be complied with. Also, on the balance sheet, the assets and liabilities should be presented separately as short-term and long-term, depending on the duration of the normal operating cycle of enterprises, namely as follows:

a) For enterprises with normal operating cycle within 12 months, the assets and liabilities are classified as short-term and long-term according to the following principles:

- Assets and liabilities are recovered or paid within 12 months from the time the balance sheet is classified as short-term;

- Assets and liabilities are recovered or paid for 12 months or more from the time the balance sheet date are classified as long-term.

a) For enterprises with normal operating cycle longer than 12 months, assets and liabilities are classified as short-term and long-term according to the following principles:

- Assets and liabilities are recovered or paid within a normal operating cycle are classified as short-term;

- Assets and liabilities are recovered or paid in a time that is longer than a normal operating cycle are classified as long-term.

In this case, enterprises must clearly explain the characteristics to determine the normal operating cycle, the average duration of a normal operating cycle, the evidence of the production and trading cycle of enterprises as well as of operation sectors of enterprises.

c) For enterprises which due to the nature of operations cannot rely on the operating cycle to distinguish between short term and long term, the assets and liabilities are presented under decreasing liquidity.

When preparing the combined balance sheet between the superior unit and subordinate unit which have no legal status, the superior unit must eliminate all balances of items arising from the internal transactions, such as amounts receivable and payable, internal loans...between the superior unit and the subordinate unit, among the subordinate units.

The technique of elimination internal items in summarizing Reports between superior units and dependent cost-accounting subordinate units is similar to the technique of consolidated financial statements.

Items without figures are exempted from presentation on the Balance sheet. Enterprises actively re-number of the items under the continuity principle in each section.

***Basis for preparation of the Balance Sheet***

- Based on the general accounting books;

- Based on detailed accounting books, cards on detailed summary sheet;

- Based on the balance sheet of previous accounting year (to present the first column).

***Content and methods of setting up items in balance sheet of enterprises to meet the assumption of continuous operation (Form B01-DN)***

***a) Short-term assets (Code 100)***

Short-term assets records the total value of cash, cash equivalents and other short-term assets that can be converted into cash, can be sold or used within 12 months or a normal operating cycle of enterprises at the time of the report, including: cash, cash equivalents, short-term financial investments, short-term receivables, inventories and other short-term assets.

Code 100 = Code 110 + code 120 + Code 130 + code 140 + code 150.

***- Cash and cash equivalents (Code 110)***

They are general items to record the total current cash and cash equivalents of enterprises at the time of reporting, including: cash in hand, deposits (demand deposits), cash in transit and the cash equivalents of enterprises. Code 110 = code 111 + Code112.

*Cash (Code 111)*

It is a general item to record the total current cash of enterprises at the time of reporting, including: cash in hand, demand deposits and cash in transit. Figures recorded in item “Cash” are the total debit balance of account 111 “Cash”, 112 “ deposits” and 113 “ Cash in transit”

*Cash equivalents (Code 112)*

This item records the short-term investments with maturity less than 3 months from the date investment can be converted easily into a certain amount of cash and there is no risk in conversion into cash at the time of reporting.

Figures recorded in this item shall mainly base on the detailed debit balance of account details Debt 1281 "term deposits" (details of deposits with maturity of 3 months) and accounts 1288 " Other investments held to maturity "(details of eligible items classified as cash equivalents). In addition, the reporting process, if the items recorded in other accounts are found to meet the definition of cash equivalents, accountants shall be permitted to present in this item. Cash equivalents may include: Bank exchange bills, treasury bills, bank deposits with an original maturity of 3 months ...

These amounts previously classified as cash equivalents but unrecovered over maturity are presented in other items in accordance with the contents of each item.

When analyzing the financial indicators, in addition to the cash equivalents presented in this item, accountants can consider cash equivalents including amounts with the remaining maturity of less than 3 months from the date of the report (but with an original maturity of more than 3 months) which can be converted easily into a certain amount and there is no risk of conversion into cash.

***- Short-term financial investments (Code 120)***

It is a general item records the total value of short-term investments (after deduction of provision for decrease in value of trading securities ), including: Securities held for trading purposes, investments held-to-maturity and other investments with the remaining term within 12 months from the time of reporting.

Short-term investments recorded in this item excluding short-term investments presented in the item "cash equivalents" and item "receivables from short-term loans".

Code 120 = Code 121 + code 122 + Code 123.

*Trading securities (Code 121)*

This item records the value of securities and other financial instruments held for trading purposes at the time of reporting (held for the purpose of waiting for increase in price to sell for profit). This item may include unsecuritized financial instruments, such as commercial papers, forward contracts, swap contracts ... held for trading purposes. Figures recorded in this item are debit balance of the account 121 - "trading securities".

*Provision for decrease in value of trading securities (Code 122)*

This item records the provision for decrease in value of trading securities at the time of reporting. Figures recorded in this item is credit balance of account 2291 " provision for decrease in value of trading securities" and is recorded in negative number under the form of parentheses (...).

*Investments held to maturity (Code 123)*

This item records the investments held to maturity with the remaining term within 12 months from the time of reporting, such as term deposits, bonds, commercial papers and other debt securities . This item does not include investments held to maturity presented in the item "cash equivalents", item "receivables for short-term loans". Figures recorded in this item are debit balances accounts 1281, 1282, 1288 (details of amounts with remaining maturity within 12 months which are not classified as cash equivalents).

***- Short-term receivables (Code 130)***

It is a general item recording the total value of short-term receivables with recovery term within 12 months or within a normal operating cycle at the time of the report (after subtracting the provisions for bad short-term receivables), such as: receivables of customer, prepayments to suppliers, internal receivables, receivables according to the progress of construction contracts, receivables for loans and other short-time receivables. Code 130 = Code 131 + Code 132 + Code 133 + Code 134 + Code 135 + Code 136 + Code 137 + Code 139

*Short-term receivables from customers (Code 131)*

This item records the amounts receivable from customer with the remaining recovery term within 12 months or within a normal operating cycle at the time of reporting. Figures recorded in this item shall be based on the total debit balance of account 131 "receivables from customer " opened for each customer.

*Prepayments to sellers in short-term (Code 132)*

This item records the amount prepaid to the seller within 12 months or within a normal operating cycle to purchase assets but assets have not been delivered at time of reporting. Figures recorded in this item are based on total amounts arising detailed debts of Account 331 "Payables to suppliers" opened according to each seller.

*Short-term intercompany receivables (Code 133)*

This item records the receivables between the superior unit and the subordinate unit which has no legal status in dependent cost-accounting and between subordinate units which have no legal status in dependent cost-accounting in payment relationship besides capital allocation relationship, with the remaining recovery term within 12 months, or in a normal operating cycle at the time of reporting. Figures recorded in this item are the debit balance accounts 1362, 1363, 1368 in accounting books detailing Account 136. When the superior units prepare combined financial statement with subordinate units in dependent cost-accounting, this item is offset with the item "short-term intercompany payables" in the balance sheet of dependent cost-accounting units.

*Receivables according to the progress of construction contracts (Code 134)*

This item records the difference between total revenue recorded accumulatively in proportion to the completed work which is greater than the accumulative total amount customer must pay according to the progress of the plan by the end of the reporting period of construction contracts in progress. Figures recorded in this item shall be based on the Debit Balance of account 337 " Payments under the progress of plan of construction contracts"

*Short-term loan receivables (Code 135)*

This item records the loans (not including the content recorded in the item "Investments held to maturity") which have recovery term within 12 months or in a normal operating cycle at the time of reporting, such as loans by agreements, contracts between the two parties. Figures recorded in this item are the debit balance of  accounts 1283 - Loans

**Other short-term receivables (Code 136)**

This item records other receivables with the remaining recovery term within 12 months or within a normal operating cycle at the time of reporting, such as receivables of expenditures, interest, dividends, advances, pledge, deposit, temporary loan ... that enterprises are entitled to recover within 12 months.  Figures recorded in this item are the detailed debit balance of accounts : 1385, TK1388, TK334, TK338, TK 141 TK 244. Figures recorded in this item are the detailed debit balance of accounts : 1385, 1388, 334, 338, 141, 244.

*Provision for uncollectible short-term receivables (Code 137)*

This item records the provision for uncollectible short-term receivables at the time of reporting. Figures recorded in this item are detailed credit balance in account 2293, "Provision for bad debts", detailed provisions for uncollectible short-term receivable and are recorded in negative number under the form of parentheses (...).

Shortage of assets awaiting resolution (code 139)

This item records the shortage and loss of assets of which reasons are unknown awaiting resolution at the time of reporting. Figures recorded in this item are Debit balance of account 1381- Shortage of assets awaiting resolution

***- Inventories (Code 140)***

It is a general item recording the total current value of inventories for the production and trading of enterprises (net of provision against devaluation of goods in stock) until the time of reporting. Code 141 = Code 141 + Code 149.

*Inventories (Code 141)*

This item records the total value of inventories owned by the enterprises, rotated in a normal operating cycle at the time of reporting. This item does not include the value of costs of long-term work in progress and the value of equipment, materials, long-term spare parts. Figures recorded in this item are the debit balance of account 151 - "Goods in transit", account 152 - "Raw materials, materials", account 153 - "tools and instruments" account 154 - "The cost of work in progress", account 155 - "finished products ", account 156 - "Goods", account 157 - "Goods sent for sale", account 158 - " goods in tax-suspension warehouse "

Costs of work in progress beyond a normal operating cycle which do not meet the definition of inventory in accordance with Accounting Standards are not presented in this item but are presented in item "costs of long-term work in progress "- Code 241.

Equipment, supplies, spare parts over 12 months or beyond a normal operating cycle do not meet the definition of inventory under Accounting Standards are not presented in this item but are presented in item " long-term equipment, supplies, spare parts "- Code 263.

*Provision against devaluation of goods in stock (149)*

This item records the provision for devaluation of goods in stock at the time of reporting, after deduction of provision for devaluation set up for costs of long-term work in progress. Figures recorded in this item are the credit balance of account 2294 "Provision for devaluation of goods in stock", details of provisions for the items are presented as inventory in item code 141 and recorded in negative under the form of parentheses: (...).This item does not include provision for devaluation of costs of long-term work in progress and long term equipment, materials, spare parts.

***- Other short-term assets (Code 150)***

It is a general item recording the total value of other short-term assets with recovery or use term within 12 months at the time of reporting, such as short-term prepaid expenses, deductible VAT, taxes receivable, purchase and resale of government bonds and other short-term assets at the time of reporting. Code 150 = Code 151 + code 152 + Code 153 + code 154 + code 155.

*Short-term prepaid expenses (code 151)*

This item records the prepaid amount for the provision of goods or services within 12 months or a normal operating cycle from the time of prepayment. Figures recorded in the item "short-term prepaid expenses" are detailed Debit balance of Account 242 "prepaid expenses".

*Deductible VAT (Code 152)*

This item records the deductible VAT and refunded VAT by the end of the reporting year. Figures recorded in the item " deductible VAT" are based on the Debit balance of Account 133 " deductible VAT."

*Taxes and other revenues to the state (Code 153)*

This item records tax and other amounts overpaid to the State at the time of reporting. Figures recorded in the item "Taxes and other revenues to the state" are based on detailed Debit balance of Account 333 "Tax and other payables to the State" on the detailed accounting books of account 333.

*Purchase and resale of government bonds (Code 154)*

This item records the value of government bonds of the purchaser before the expiration of the contract of resale at the time of reporting. Figures recorded in the item "Purchase and resale of government bonds," are the Debit balance of Account 171 - "purchase and resale of government bonds."

***Other short-term assets (Code 155)***

This item records the value of short-term assets, such as precious metals, jewels (not classified as inventories), investments held awaiting increase in price to sell for profit are not classified as investment real properties such as paintings, photographs, and other valuable articles. Figures recorded in this item are in the debit balance of account 2288 - "Other Investments”

***b) Long-term assets (Code 200)***

This item records the value of assets which are not recorded in the item of short-term assets. Long-term assets are assets with maturity of more than 12 months or at the time of reporting, such as long-term receivable, fixed assets, investment real property, long-term financial investment and long-term assets. Code 200 = Code 210 + Code 220 + Code 230 + Code 240 + Code 250 + Code 260.

***- Long-term receivables (Code 210)***

It is a general item recording the total value of the receivables with recovery term of more than 12 months or more than a operating and trading cycle at the time of reporting, such as: receivables from customer, business capital in subordinate units, internal receivables, loan receivables, other receivables (net of provision for uncollectible long-term receivables). Code 210 = Code 211 + Code 212 + Code 213 + Code 214 + Code 215 + Code 216 + Code 219.

*Long-term receivables from customers (Code 211)*

This item records the amounts receivable from customer with the recovery term of more than 12 months or more than one normal operating cycle at the time of reporting. Figures recorded in this item shall be based on the details of debit balance of account 131 "receivables from customer " opened for each customer.

*Prepayments to suppliers in long-term (Code 212)*

This item records the amount prepaid to the seller for more than 12 months or more than one normal operating cycle to purchase assets but assets have not been delivered at time of reporting. Figures recorded in this item are based on total amounts arising detailed debts of Account 331 "Payables to suppliers" opened according to each seller.

*Working capital provided to subordinate units (Code 213)*

This item only recorded in the balance sheet of superior units records the working capital allocated to subordinate units which have no legal status in dependent cost-accounting. When setting up the general balance sheet total of the whole enterprise, this item is offset with the item "intercompany payables on working capital" (Code 333) or item "Contributions from owners' ( Code 411) in the Balance Sheet of the dependent cost-accounting units, details of the capital received from the superior units. Figures recorded in this item shall be based on the debit balances of account 1361 "Working capital provided to subordinate units".

*Long-term intercompany receivables (Code 214)*

This item records the receivables between the superior unit and the subordinate unit which has no legal status in dependent cost-accounting and between subordinate units which have no legal status in dependent cost-accounting in payment relationship besides capital allocation relationship, with the remaining recovery term of more than 12 months, or more than a normal operating cycle at the time of reporting. Figures recorded in this item are based on the debit balance accounts 1362, 1363, 1368 in accounting books detailing Account 136. When the superior units prepare combined financial statement with subordinate units in dependent cost-accounting, this item is offset with the item "long-term intercompany payables" in the balance sheet of dependent cost-accounting units.

***Receivables on long-term loans (Code 215)***

This item records the loans by agreements, contracts between two parties (including the content recorded in the item "Investments held to maturity") which have recovery term of more than 12 months at the time of reporting. Figures recorded in this item are based on the debit balance of accounts 1283 - Loans

***Other long-term receivables (Code 216)***

This item records other receivables with the remaining recovery term of more than 12 months or more than a normal operating cycle at the time of reporting, such as receivables of expenditures, interest, dividends, advances, pledge, deposit, loan ... that enterprises are entitled to recover. Figures recorded in this item are based on the detailed debit balance of accounts :1385, 1388, 334, 338, 141, 244.***Provision for doubtful long-term receivables (Code 219)***

This item records the provision for doubtful long-term receivables at the time of reporting. Figures recorded in this item are detailed credit balance in account 2293, "Provision for doubtful debts", detailing provisions for doubtful long-term receivables and are recorded in negative number under the form of parentheses (...).

***- Fixed assets ( code 220)***

It is a general item recording the net book value (Costs minus the value of accumulated depreciation) of fixed assets at the time of reporting. Code 220 = Code 221+ Code 224 + Code 227.

***- Tangible fixed assets (code 221)***

It is a general item recording the net book value of tangible fixed assets at the time of reporting. Code 221 = Code 221+ Code 223.

***Costs (Code 222)***

This item records the total costs of tangible fixed assets at the time of reporting. Figures recorded in this item are the debit balance of Account 211 "tangible fixed assets".

***Value of accumulated depreciation (Code 223)***

This item records the total depreciation value of tangible fixed assets accumulated at the time of reporting. Figures recorded in this item are the credit balances of account 2141 " depreciation of tangible fixed assets" and are recorded in negative number under the form of parentheses (...).

***- Finance lease fixed asset (Code 224)***

It is a general item recording the total net book value of finance lease fixed assets at the time of reporting. Code 224 = Code 225+ Code 226.

***Costs (Code 225)***

This item records the total costs of finance lease fixed assets at the time of reporting. Figures recorded in this item are the debit balance of Account 212 " Finance lease fixed assets".

***Value of accumulated depreciation (Code 226)***

This item records the total depreciation value of finance lease fixed assets accumulated at the time of reporting. Figures recorded in this item are the credit balances of account 2142 " depreciation of finance lease fixed assets" and are recorded in negative number under the form of parentheses (...).

***- Intangible fixed assets (code 227)***

It is a general item recording the total net book value of intangible fixed assets at the time of reporting. Code 227 = Code 228+ Code 229.

***Costs (Code 228)***

This item records the total costs of intangible fixed assets at the time of reporting. Figures recorded in this item are the debit balance of Account 213 "intangible fixed assets".

***Value of accumulated depreciation (Code 229)***

This item records the total depreciation value of intangible fixed assets accumulated at the time of reporting. Figures recorded in this item are the credit balances of account 2143 " depreciation of intangible fixed assets" and are recorded in negative number under the form of parentheses (...).

***Investment real property (Code 230)***

It is a general item recording the total net book value of investment real property at the time of reporting. Code 230 = Code 231+ Code 232.

***Costs (Code 231)***

This item records the total cost of investment real property at the time of reporting after deduction of losses due to devaluation of investment real property held for increase in price. Figures recorded in this item are the debit balance of Account 217 " Investment real property".

***Value of accumulated depreciation (Code 232)***

This item records the total depreciation value of investment real property used for lease at the time of reporting. Figures recorded in this item are the credit balances of account 2147 " depreciation of investment real property" and are recorded in negative number under the form of parentheses (...).

***Long-term unfinished assets (Code 240)***

It is a general item recording the value of cost of long-term work in progress and cost of long-term construction in progress at the time of reporting. Code 240 = Code 241 + Code 242.

*Cost of long-term work in progress ( Code 241)*

Costs of long-term works in progress are expected costs to produce inventory but production is delayed, interrupted or temporarily suspended for more than one normal operating cycle of the enterprises at the time of reporting. This item is often used to present projects in progress of investors of real properties for sale which have slow commencement, slow progress.

This item records the net realizable value (cost price minuses the provision for devaluation set up for this amount ) of the cost of work in progress for more than one operating cycle, which do meet the definition of inventory according to accounting standards. Figures recorded in this item are based on the debit balance of account 154 - " work in progress" and the credit balance of account 2294 - "Provision against devaluation of goods in stock ".

*Cost of construction in progress (Code 242)*

This item records the total value of fixed assets that are being purchased, the cost of capital investment, the costs of great repair of fixed assets in progress or completed but not yet transferred or put in use. Figures recorded in this item are the debit balance of Account Debit 241 "Construction in progress"

***- Long-term financial investments (Code 250)***

It is a general indicator recording the total value of long-term financial investments at the time of reporting (after deducting provision for investment losses in other units), such as: Investments in subsidiaries, Investments in associates and joint ventures, investments in other units, investments held to maturity with remaining maturity of more than 12 months or more than one operating cycle. Code 250 = Code 251 + Code 252 + Code 253 + Code 254 + Code 255.

**Investments in subsidiaries (Code 251)**

This item records the value of investments in subsidiaries and subordinate units which have legal status in independent accounting which is essential subsidiaries (irrespective of the name or form of unit ) at the time of reporting. Figures recorded in this item are the debit balance of Account 221 "Investments in subsidiaries".

Investments in associated companies and joint-ventures (Code 252)

This item records the value of investments in associated companies and joint ventures at the time of reporting. Figures recorded in this item are the total debit balance of Account 222 "Investments in associated companies and joint ventures".

*Investments in other units (Code 253)*

This item records the investments in owner’s equity of other units, but enterprises have no rights in control, joint control, significant influence (other than investments in subsidiaries, associated companies, joint ventures). Figures presented in this item are the debit balance of account 2281 - "Investments in other units."

*Provisions for long-term financial investments (Code 254)*

This item records the provision for investment losses in other units because invested units suffer losses and investors may loss their capital at the time of reporting. Figures recorded in this item are the credit balance of account 2292 "Provision for investment losses in other units" and are recorded in negative number under the form of parentheses (...).

***Investments held to maturity (Code 255)***

This item records the investments held to maturity with the remaining term of more than 12 months from the time of reporting, such as term deposits, bonds, commercial papers and other debt securities. This item does not include loans recorded in item "receivables on long-term loans". Figures recorded in this item are debit balances of accounts 1281, 1282, 1288.

***- Other long-term assets (Code 260)***

It is a general item recording the total value of other long-term assets with maturity of more than 12 months at the time of reporting, such as long-term prepaid expenses, deferred income tax assets and long-term assets which are not presented in other items at the time of reporting. Code 260 = Code 261 + Code 262 + Code 268.

*Long-term prepaid expenses (code 261)*

This item records the amount prepaid for the provision of goods and services with a term of more than 12 months or more than one normal operating cycle since the time of prepayment; Goodwill and business advantage unallocated to expense at the time of reporting. Figures recorded in item "long-term prepaid expenses" are the Debit balance of Account 242 "prepaid expenses". Enterprises do not reclassify long-term prepaid expenses as short-term prepaid expenses.

*Deferred income tax assets (Code 262)*

This item records the value of deferred income tax assets at the time of reporting. Figures recorded in item "deferred income tax assets " are based on the Debit balance of Account 243 " Deferred income tax assets ".

If the taxable temporary differences and deductible temporary differences are related to the same taxpayer and are settled at the same tax authority, deferred tax payable is offset to deferred tax assets. In this case, the item "Deferred income tax assets" records the difference between the deferred income tax assets which is greater than the deferred income tax payable.

*Long term equipment, supplies and spare parts (Code 263)*

This item records the net value (after deducting provision for devaluation) of equipment, materials and spare parts used for storage, replacement, preventing damage of assets but are not qualify for classification as fixed assets and are not classified as inventory due to having storage time of more than 12 months, or more than one normal operating cycle. Figures recorded in this item are based on detailed balance of account 1534 - "equipment, spare parts" (details of parts and equipment replacement stored for long-term) and detailed credit balance of account 2294 - "Provision for devaluation of inventories".

***Other long-term assets (Code 268)***

This item records the value of long-term assets other than the long-term assets mentioned above, such as valuable articles for display, museum, traditional introduction, history ... which are not classified as fixed assets and are not intended for sale within 12 months from the time of reporting. Figures recorded in this item are based on detailed balance of account 2288.

***c) Total assets (Code 270)***

It is a general indicator recording the total value of current assets of enterprises at the time of reporting, including short-term assets and long-term assets.

Code 270 = Code 100 + Code 200.

***d) Liabilities (Code 300)***

It is a general item recording the total liabilities at the time of reporting, including short-term debt and long-term debt. Code  300 = Code 310 + Code 330.

***e) Short-term debt (Code 310)***

It is a general item recording the total value of the debts payable with payment term of within 12 months or less than one normal operating, such as loans and short-term finance lease liabilities or supplier payables, taxes and payables to the State and employees, payable costs, inter-company payables, unearned revenue, provisions payable... at the time of reporting. Code 310 = Code 311 + Code 312 + Code 313 + Code 314 + Code 315 + Code 316 + Code 317 + Code 318 + Code 319 + Code 320 + Code 321 + Code 322 + Code 323 + Code 324.

***Short-term supplier payables (Code 311)***

This item records the amount payable to the seller with payment term of within 12 months or within one operating cycle at the time of reporting. Figures recorded in this item are based on the credit balance of account 331 "supplier payable" open in detail for each seller.

*Short-term deferred revenues (Code 312)*

This item records the amount advanced by the purchaser to buy products, goods, services, fixed assets, investment real property and enterprises must provide services within 12 months or within one normal operating cycle at the time of the report (not including the revenue received in advance). Figures recorded in this item are based on the arising credit amount in detail of account 131 "receivables from customers " opened in details for each customer.

***Taxes and other payables to State (Code 313)***

This item records the total amounts that enterprises must pay to the State at the time of reporting, including taxes, fees, charges and other payables. Figures recorded in this item are based on detailed credit balance of account 333 "Tax and other payables to the State".

*Payables to employees (Code 314)*

This item records the amounts that enterprises must pay to employees at the time of reporting. Figures recorded in this item are based on the credit balance of account 334 "Payables to employees".

*Short-term expenses payable (code 315)*

This item records the value of debts payable due to receipt of goods and services without invoice or expenses of the reporting period which have not had sufficient records and documents but shall definitely arise must be calculated into the cost of production, business and shall be paid within 12 months or within the next one normal operating cycle at the time of reporting, such as vacation pay accruals, interest payable ... Figures recorded in this item are based on detailed credit balance of account 335 "Accrued expenses".

*Short-term intercompany payables (Code 316)*

This item records the intercompany payables with the remaining recovery term within 12 months, or in a normal operating cycle at the time of reporting ( besides payable to business capital) between the superior unit and the subordinate unit which has no legal status in dependent cost-accounting and between subordinate units in an enterprise. Figures recorded in this item are based on the detailed credit balance accounts 1362, 1363, 1368. When the superior units prepare combined financial statement with subordinate units in dependent cost-accounting, this item is offset with the item "short-term intercompany receivables" in the balance sheet of dependent cost-accounting units.

*Payables according to the progress of construction contracts (Code 317)*

This item records the difference between total cumulative amount customers must pay according to the progress which is greater than the recorded accumulative revenue in proportion to the completed work by the end of the reporting period of construction contracts in progress. Figures recorded in this item shall be based on the credit Balance of account 337 " Payments under the progress of plan of construction contracts"

*Short-term unearned revenue (Code 318)*

This item records the unearned revenues corresponding to the obligations which enterprises shall fulfill within the next 12 months or one normal operating cycle at the time of reporting. Figures recorded in this item are detailed credit balance of account 3387 - "Unearned revenue".

*Other short-term payables (Code 319)*

This item records other payables with payment term of within 12 months or within one operating cycle at the time of the report, in addition to the liabilities recorded in other items, such as the value of assets detected surplus of unknown cause, payables to social insurance agencies, trade union fee, amounts received from short-term deposits... Figures recorded in this item are based on the detailed Credit balance of accounts: 338, 138, 344

*Short-term loans and finance lease liabilities (Code 320)*

This item records the total value of amounts that enterprises borrow and owe to banks, institutions, finance companies and other entities with maturities of within 12 months at the time of reporting. Figures recorded in this item are based on the detailed credit balance of accounts 341 and 34311 (details of payments which due in the next 12 months)

*Provision for short term payables (Code 321)*

This item records the provision for amounts expected to be paid within 12 months, or within one next normal operating cycle at the time of reporting, such as provisions for warranty for products, goods, construction, provisions for restructuring, accrued expense for periodic repair of fixed assets, costs for environmental reconstitution... The provisions payable are often estimated which are not sure about the right time of payment, value payable and enterprises have not received goods and services from suppliers. Figures recorded in this item are based on the credit balance of account 352 "Provisions payable".

***Bonus and bonus and welfare fund ( Code 322)***

This item records bonus funds, bonus and welfare funds, reward fund of the executive management board unused at the time of reporting. Figures recorded in this item are the credit balance of account 353 "Bonus and bonus and welfare funds".

*Price stabilization fund ( Code 323)*

This item records the value of current price stabilization Fund at the time of reporting. Figures recorded in this item are the Credit balance of account 357 - Price Stabilization Fund.

***Purchase and resale of government bonds (Code 324)***

This item records the value of government bonds of the purchaser before the expiration of the contract of resale at the time of reporting. Figures recorded in the item are the Credit balance of Account 171 - "purchase and resale of government bonds."

***g) Long-term liabilities (Code 330)***

It is a general item recording the total value of long-term debt of enterprises including debt with the remaining payment term of 12 months or one normal operating cycle or more at the time of reporting, such as: payables to suppliers, internal payables and other long-term liabilities, long-term loans and finance lease liabilities... at the time of reporting. Code 330 = Code 331 + Code 332 + Code 333 + Code 334 + Code 335 + Code 336 + Code 337 + Code 338 + Code 339 + Code 340 + Code 341 + Code 342 + Code 343.

**Long-term supplier payables (Code 331)**

This item records the amount payable to the seller with payment term of more than 12 months or more than one operating cycle at the time of reporting. Figures recorded in this item are based on the Credit balance of account 331 "supplier payables" opened in detail for each seller.

*Long-term deferred revenues (Code 332)*

This item records the amount advanced by the purchaser to buy products, goods, services, fixed assets, investment real property and enterprises must provide services for more than 12 months or more than one normal operating cycle at the time of the report (not including the revenue received in advance). Figures recorded in this item are based on the credit arising amount in detail of account 131 "receivables from customers " opened in details for each customer.

*Long-term expenses payable (code 333)*

This item records the value of debts payable due to receipt of goods and services without invoice or expenses of the reporting period which have not had sufficient records and documents but shall be definitely arisen must be calculated into the cost of production, business and shall be paid after 12 months or after the next one normal operating cycle at the time of reporting, such interest payable of reporting period which is paid at the maturity of the long –term loan contract. Figures recorded in this item are based on detailed credit balance of account 335 "Accrued expenses".

**Intercompany payables on working capital (Code 334)**

Depending on the operating characteristics and management models of each unit, enterprises decentralize and prescribe dependent cost-accounting units to record capital allocated in this item or item "Contributions of owners "  Code 411 by enterprises.

Items are only recorded in the balance Sheet of subordinate units without legal status in dependent accounting, recording the amounts that subordinate units must pay to their superior units the working capital.

Figures recorded in this item shall be based on the credit balances of account 3361 "Intercompany payables on working capital ". When superior units set up the general balance sheet total of the whole enterprise, this item is offset with the item " working capital provided to subordinate units" in the Balance sheet of superior units.

**Long-term intercompany payables (Code 335)**

This item records the intercompany payables with the remaining payment term of more than 12 months, or more than one normal operating cycle at the time of reporting (besides payable on working capital) between the superior unit and the subordinate unit which has no legal status in dependent cost-accounting and between subordinate units in an enterprise. Figures recorded in this item are based on the detailed credit balance accounts 3362, 3363, 3368. When the superior units prepare combined financial statement with subordinate units in dependent cost-accounting, this item is offset with the item "long-term intercompany receivables" in the balance sheet of dependent cost-accounting units.

*Long-term unearned revenue (Code 336)*

This item records the unearned revenues corresponding to the obligations which enterprises shall fulfill after 12 months or after the next one normal operating cycle at the time of reporting. Figures recorded in this item are detailed credit balance of account 3387 - "Unearned revenue".

**Other long-term payables (Code 337)**

This item records other payables with payment term of more than 12 months or more than one operating cycle at the time of the report, in addition to the liabilities recorded in other items, such as: long-term deposits, long-term loans, differences between the deferred, installment sale price committed and long-term price in cash... Figures recorded in this item are based on the detailed Credit balance of accounts: 338, 344

*Long-term loans and finance lease liabilities (Code 338)*

This item records amounts that enterprises borrow and owe to banks, institutions, finance companies and other entities with maturities of more than 12 months at the time of reporting such as: Loans from banks, payables on finance lease fixed assets, sum received from normal bond issuance.. Figures recorded in this item are detailed Credit balance of accounts  341 and results of the credit balance of account 34311 subtracting (-) the Debit balance of account 34312 adding (+) the Credit balance of Account 34313

*Convertible bonds ( Code 339)*

This item records the value of principals of convertible bonds issued by the enterprises at the time of reporting. Figures recorded in this item are detailed Credit balance of account 3432 - "Convertible Bonds".

*preference shares (Code 340)*

This item records the value of preference shares under par value which require the issuer to repurchase at an indentified time in the future. Figures recorded in this item are based on the detailed Credit balance of accounts 41112 - Preference shares (details of type of preference shares classified as liabilities).

**Deferred income tax (Code 341)**

This item records the deferred enterprise income tax payable at the time of reporting. Figures recorded in this item shall be the Credit balance of account 347 " Deferred income taxes payable".

If the taxable temporary differences and deductible temporary differences are related to the same taxpayer and are settled at the same tax authority, deferred income tax payable is offset to deferred tax assets. In this case, the item "Deferred income tax assets" records the difference between the deferred income tax payable greater than the deferred tax assets.

**Provision for long term payables (Code 342)**

This item records the provision for amounts expected to be paid after 12 months, or after one next normal operating cycle at the time of reporting, such as provisions for warranty for products, goods, construction, provisions for restructuring, accrued expense for periodic repair of fixed assets, accrued expense for environmental reconstitution... The provisions payable are often estimated which are not sure about the right time of payment, value payable and enterprises have not received goods and services from suppliers. Figures recorded in this item are based on the credit balance of account 352 "Provisions payable".

*Scientific and technological development fund (Code 343)*

This item records the unspent scientific and technological development fund at the time of reporting. Figures recorded in this item are in the Credit balance of Account 356 "scientific and technological development fund."

***h) Owner's equity (Code 400 = Code 410 + Code 430)***

***- Owner's equity (Code 410)***

It is a general item recording the working capital owned by shareholders, members, such as investment capital of owners, funds deducted from post-tax profits and undistributed post-tax profits, differences upon asset revaluation, exchange rate differences ...

Code 410 = Code 411 + Code 412 + Code 413 + Code 414 + Code 415 + Code 416 + Code 417 + Code 418 + Code 419 + Code 420 + Code 421 + Code 422.

***- Contributions from owners (Code 411)***

This item records the total capital actually contributed by owners in enterprises (for joint-stock companies, contributions of shareholders at par value of shares are recorded) at the time of reporting. In dependent cost-accounting units, this item may record the capital allocated if enterprises prescribe dependent cost-accounting units for recording in Account 411. Figures recorded in this item are the Credit balance of account 411 "Contributions from owners". For joint stock companies, Code 411 = Code 411a + Code 411b

*Ordinary shares with voting rights (No. 411a)*

This item is only used in joint-stock companies, recording the par value of ordinary shares with voting rights. Figures recorded in this item are the Credit balance of Account 41111 - Ordinary shares with voting rights.

Preference shares (Code 411b)

This item records the value of preference shares under par value which the issuer is not obliged to repurchase. Figures recorded in this item are based on the detailed Credit balance of accounts 41112 - Preference shares (details of type of preference shares classified as owner's equity).

***- Share premium (Code 412)***

This item records the share premium at the time of reporting of joint-stock companies. Figures recorded in this item are the Credit balance of account 4112 "Share premium". If account 4112 has Debit balance, this item is written in negative numbers under the form of parentheses (...).

***- Conversion options on bond ( Code 413)***

This item records the value of capital component of convertible bonds issued by enterprises at the time of reporting. Figures recorded in this item are detailed Credit balance of account 4113 - "Conversion options on bonds".

- ***Other capital of owners (Code 414)***

This item records the value of other capital of owners at the time of reporting. Figures recorded in this item are the Credit balance of account 4118 – “Other capital”.

***- Treasury shares ( Code 415)***

This item records the value of current treasury shares at the time of reporting of joint-stock companies. Figures recorded in this item are the Debit balance of account 419 " Treasury share are written in negative numbers under the form of parentheses (...).

- ***Differences upon asset revaluation (Code 416)***

This item records the total differences upon asset revaluation recorded directly in current owner’s equity at the time of reporting. Figures recorded in this item are the Credit balance of the account 412 "Differences upon asset revaluation ". If account 412 has the Debit balance, the item is recorded in negative numbers under the form of parentheses (...).

- ***Exchange differences (Code 417)***

This item records the exchange differences arising in the period prior to operation of enterprises of which 100% charter capital is held by the State performing the tasks of security, national defense, macroeconomic stability which are handled at the time of reporting.

Figures recorded in this item are the Credit balance of Account 413 "exchange rate differences". If account 413 has the Debit balance, this item shall be recorded in negative numbers under the form of parentheses (...).

In case foreign currencies are used as currency unit in accounting, this item records the difference exchange rate due to conversion from financial statements prepared in foreign currencies into Vietnam dong.

***- Development investment funds (Code 418)***

This item records the unspent development investment funds at the time of reporting. Figures recorded in this item are in the Credit balance of Account 414 "development investment funds."

***- Enterprise reorganization assistance fund (Code 419)***

This item records the unspent enterprise reorganization assistance fund at the time of reporting. Figures recorded in this item are the Credit balance of Account 417 - "Enterprise reorganization assistance fund."

***- Other equity fund (Code 420)***

This item records the other equity funds of enterprises set up from current undistributed post-tax profits at the time of reporting. Figures recorded in this item are the Credit balance of Account 418 "Other equity funds".

***- Undistributed post-tax profits (Code 421)***

This item records the profit (or loss) after tax unsettled or undistributed at the time of reporting. Figures recorded in this item are the Credit balance of Account 421 "Undistributed post-tax profits." If account 421 has Debit balance, the figures in this item are written in negative numbers under the form of parentheses (...). Code 421 = Code 421a + Code 421b

*Undistributed post-tax profits accumulated by the end of the previous period (Code 421a)*

This item records the profit (or loss) unsettled or undistributed accumulated by the end of the previous period (beginning of the reporting period).

Figures recorded in the item "undistributed post-tax profits accumulated by the end of the previous period" on the Balance Sheet are the Credit balance of account 4211 "undistributed post-tax profits of previous year" are plus the Credit balance of Account 4212 "undistributed post-tax profits of current year," detailing the cumulative profit from the beginning of the year to the beginning of the reporting period. If accounts 4211, 4212 have the Debit balance, figures in this item shall be recorded in negative numbers under the form of parentheses (...).

Figures recorded in the item “undistributed post-tax profits by the end of previous period” on the annual Balance sheet are the Credit balance of Account 4211 "Undistributed post-tax profits of previous year." If accounts 4211, 4212 have Debit balance, the figures in this item are written in negative numbers under the form of parentheses (...).

*Undistributed post-tax profits of current period (Code 421b)*

This item records the profit (or loss) unsettled or undistributed accumulated arising in the reporting period.

Figures recorded in the item "undistributed post-tax profits of current period" on the quarterly Balance Sheet are the Credit balance of account 4212 "undistributed post-tax profits of current year", detailing the profit arising in reporting quarter. In case account 4212 has the Debit balance, figures in this item are written in negative numbers under the form of parentheses (...).

Figures recorded in the item "undistributed post-tax profits of current period" on the annual balance Sheet are the Credit balance of account 4212 "undistributed post-tax profits of current year" In case account 4212 has the Debit balance, figures in this item are written in negative numbers under the form of parentheses (...).

***- Capital expenditure fund ( Code 422)***

This item records the total current capital expenditure fund at the time of reporting. Figures recorded in this item are the Credit balance of Account 441 "Capital expenditure fund".

***Funding and other funds ( Code 430)***

It is a general item recording the total non-business and project funding allocated to non-business activities, projects (after deducting non-business, project expenditures); Funding that forms fixed assets at the time of reporting. Code 430 = Code 431 + Code 432.

*Funding (Code 431)*

This item records the non-business, project funding allocated but unused, or non-business, project expenditures greater than non-business, project findings. Figures recorded in this item are the differences between the Credit balance of Account 461 "Non-business funds" and the Debit balance of account 161 "Non-business expenditures". In case the Debit balance of account 161 is greater than the Credit balance of Account 461, this item is recorded in negative numbers under the form of parentheses (...).

*Funds that form fixed assets (Code 432)*

This item records the total current funds that forms fixed assets at the time of reporting. Figures recorded in this item are the Credit balance of Account 466 "Funds that form fixed assets".

***k) Total capital (Code 440)***

It records the total capitals that are used for asset acquisition of enterprises at the time of reporting. Code 440 = Code 300 + Code 400.

| Item " total assets" | = | Item " Total capital |
|---|---|---|
| Code 270" | | Code 440" |

**2. Preparation and presentation of the balance sheet of enterprises which do not meet the assumption of continuous operation (Form B 01 / CDHDD - DNKLT)**

Presentation in the Balance sheet of enterprises which Table do not meet the assumption of continuous operation is made the same with the balance sheets of enterprises which are operating except a number of adjustments:

Short-term and long-term shall not be distinguished: The items set are not based on the remaining period from the reporting date which is over 12 months or within 12 months or more than one normal operating cycle or within one normal operating cycle;

(b) Items of provisions for assets, liabilities revalued under net realizable value, recoverable value or fair value shall not be presented;

Some items have setting method which is different from the Balance sheet of enterprises which are operating continuously as follows:

a) Item "trading securities" (Code 121)

This item records the book value of trading securities after revaluation. Enterprises shall not present the item "provisions for devaluation of trading securities" because the provisions for devaluation are recorded directly a decrease in the book value of trading securities.

b) Items relating to investments in subsidiaries, associated companies and joint ventures, investments in other units are recorded in the book value after revaluation of investments above. Enterprises shall not present the item "Provision for long-term financial investments" because the provisions are recorded a decrease directly in the book value of the investments.

c) Items relating to receivables are recorded under the book value after revaluation of receivables. Enterprises shall not present the item "Provision for doubtful receivables" because the provisions are recorded a decrease directly in the book value of receivables.

d) Item "Inventories" (Code 140):

This item records the book value of inventories after revaluation. Figures in this item include costs of work in progress and equipment, materials and spare parts classified as long-term on the Balance Sheet of enterprises which are operating continuously . Enterprises shall not present the item "provision against devaluation of goods in stock " because the provisions for devaluation are recorded a decrease directly in the book value of inventory.

e) Items relating to tangible assets, intangible assets, finance lease assets, investment real properties are recorded at book value after revaluation of such assets . Enterprises shall not present the item "Cost" because the book value is revalued price, shall not present the item "accumulated depreciation " because the depreciation has been recorded a decrease directly in the book value of assets.

Other items are set and presented by combining contents and figures of corresponding in the long-term and short-term parts of enterprises which are operating continuously.

**Article 113. Guidelines on preparation and presentation of income statement (Form B02-DN)**

**1. Content and structure of reports:**

a) Income statement records situations and results of operations and business of enterprises, including the results of operations and the results from financial operations and other operations of enterprises.

When preparing consolidated income statement between enterprises and subordinate units which have no legal status in dependent accounting, enterprises must eliminate all of the revenues, income, expenses incurred from intra-company transactions.

b) Income statements shall include 5 columns:

- Column 1: Report items;

- Column 2: Code of the relevant items;

- Column 3: Number corresponding to items of this report is shown in the notes to the financial statement;

- Column 4: Total incurred during the annual reporting period;

- Column 5: Figures from previous years (for comparison).

**2. Basis of reporting**

- Based on income statement of previous year.

- Based on general accounting books and detailed accounting books in period used for accounts from 5 to 9.

**3. Contents and methods of preparation of item in income statement**

***Revenues from sales and service provisions (Code 01):***

- This item records the total revenues from sales of goods and finished products, investment real property, revenues from service provision and other revenues in the reporting year of enterprises. Figures recorded in this item are arising accumulation of the Credit Side of Account 511 "Revenue from sales and service provisions" in the reporting period.

When superior units make general reports with subordinate units without legal status, revenues from sales and service provisions arising from intra-group transactions are all excluded.

- This item does not include indirect taxes, such as VAT (including VAT paid under subtraction method), excise tax, export taxes, environmental protection taxes and other indirect taxes and fees.

***Revenue deductions (Code 02):***

This item records the total amounts recorded a decrease in the total revenue in year, including: trade discounts, sales allowances, sales returns in the reporting period. Figures recorded in this item are accumulation the arising sum in the Debit side of Account 511 "Revenue from sales and service provisions" corresponding to the Credit side of Account 521 "revenue deductions" during the reporting period.

This item does not include indirect taxes and fees that enterprises are not entitled to enjoy payable to the state budget (to be recorded a decrease in accounting books of account 511) because these amounts are essential collections of the State, not in the revenue structure and are not considered revenue deductions.

***Net revenues from sales and service provisions (Code 10):***

This item records the revenues from sales of goods, finished goods, investment real property, revenues from service provision and other deducted revenues (trade discounts, sales allowances, sales returns) during the reporting period, which is the basis of calculation of income of enterprises' operations. Code 10 = Code 01 - Code 02.

***Costs of goods sold ( Code 11):***

This item records the total cost of goods, investment real property, the production cost of finished goods sold, direct costs of completed service volume provided, other costs included in cost or recorded a decrease in cost of goods sold during the reporting period. Figures recorded in this item are arising accumulated amounts of Credit side of Account 632 "Cost of goods sold" in the reporting period corresponding to the Debit side of Account 911 "income summary".

When superior units make general reports with subordinate units without legal status, revenues costs of goods sold arising from intra-group transactions are all excluded.

***Gross revenues from sales and service provisions (Code 20):***

This indicator records the difference between the net revenue from sales of goods, finished products, investment real property and service provision and the cost of goods sold incurred during the reporting period. Code 20 = Code 10 - Code 11.

***Financial income ( Code 21):***

This item records the net financial income incurred during the reporting period of enterprises. Figures recorded in this item are the arising accumulated amounts of the Debit side of Account 515 " Financial income " corresponding to the Credit side of Account 911 "income summary" during the reporting period.

When superior units make general reports with subordinate units without legal status, financial income arising from intra-group transactions are all excluded.

***Financial expense ( Code 22):***

This item records the total financial income, including loan interest payable, copyright expenditures, joint-venture expenditures, ... incurred during the reporting period of enterprises. Figures recorded in this item are the arising accumulated amounts of the Credit side of Account 635 " Financial expense" corresponding to the Debit side of Account 911 "income summary" during the reporting period.

When superior units make general reports with subordinate units without legal status, financial expenses arising from intra-group transactions are all excluded.

***Interest expense (Code 23):***

This item records the cost of accrued interest included in financial expenses during the reporting period. Figures recorded in this item are based on detailed accounting books of Account 635.

***Selling expense ( Code 25):***

This item records the total selling expense of goods, finished goods sold, provided services incurred in the period. Figures recorded in this item are the total numbers of arising amounts of Credit side of Account 641 "Selling expense" corresponding to the Debit side of Account 911 "Income summary".

***Enterprise administrative expense ( Code 26):***

This item records the total enterprise administrative expenses incurred in the period. Figures recorded in this item are the total numbers of arising amounts of Credit side of Account 642 "Enterprise administrative expense" corresponding to the Debit side of Account 911 "Income summary" in reporting period.

***Net profit from operations (Code 30):***

This item records the income of enterprises during the reporting period. This item is calculated on the basis of gross profit on sales and service provisions are plus (+) financial income minus (-) financial expenses, selling expense and enterprise administrative expense incurred during the reporting period. Code 30 = Code 20 + (Code 21 - Code 22) - Code 25 - Code 26.

***Other income (Code 31):***

This item records other income incurred in the period. Figures recorded in this item are based on the total arising amounts of Debit side of Account 711 "Other income" corresponding to the Credit side of Account 911 "Income summary" in reporting period.

For liquidation or sale of fixed assets, investment real property, figures recorded in this item are the differences between sums received from the liquidation or sale of fixed assets, investment real property higher than the net book value of fixed assets, investment real property and liquidation expenses.

When superior units make general reports with subordinate units without legal status, other income arising from intra-group transactions are all excluded.

***Other expenses (Code 32):***

This item records the total other expenses incurred in the period. Figures recorded in this item are based on the total arising amounts of Credit side of Account 811 "Other income" corresponding to the Debit side of Account 911 "Income summary" in reporting period.

For liquidation or sale of fixed assets, investment real property, figures recorded in this item are the differences between sums received from the liquidation or sale of fixed assets, investment real property less than the net book value of fixed assets, investment real property and liquidation expenses.

When superior units make general reports with subordinate units without legal status, other expenses arising from intra-group transactions are all excluded.

***Other profit (Code 40):***

This item records the difference between other income (after deduction of VAT payable under subtraction method) and other expenses incurred during the reporting period. Code 40 = Code 31 - Code 32.

***Total pre-tax profit (Code 50):***

This item records the total profit earned in reporting year of enterprises before deducting expenses on enterprise income tax from trading, other operations incurred during the reporting period. Code 50 = Code 30 + Code 40.

***Current enterprise income tax expense (Code 51):***

This item records the current enterprise income tax expenses incurred in reporting year. Figures recorded in this item are based on the total arising number of Credit side of Accounts 8211, " Current enterprise income tax expense" corresponding to the Debit side of Account 911 "income summary" in the detailed accounting books of Account 8211, or based on the arising numbers of the Debit side of Account 8211 corresponding to the Credit side of Account 911 in the reporting period (in this case figures are written in this item in negative numbers under the form of parentheses (...) in accounting books detailing account 8211).

***Deferred enterprise income tax expense (Code 52):***

This item records the deferred enterprise income tax expenses or the deferred enterprise income tax income incurred in reporting year. Figures recorded in this item are based on the total arising number of Credit side of Accounts 8212 " Deferred enterprise income tax expense" corresponding to the Debit side of Account 911 "income summary" in the detailed accounting books of Account 8212, or based on the arising numbers of the Debit side of Account 8212 corresponding to the Credit side of Account 911 in the reporting period (in this case figures are written in this item in negative numbers under the form of parentheses (...) in accounting books detailing account 8212).

***Profits after enterprise income tax ( Code 60):***

This item records the total net profit (or loss) after tax from operations of enterprises (after deducting enterprise income tax expenses) incurred during the reporting year. Code 60 = Code 50 – (Code 51 + Code 52).

**Earnings per Share (Code 70):**

This item records the earnings per share, excluding instruments released in the future, potentially diluting the share value. This item is presented in the financial statements of joint-stock companies being independent enterprises. For parent companies being joint-stock companies, this item is presented in the consolidated financial statements, not presented in the separate financial statements of parent companies.

In case bonus and bonus and welfare funds are deducted from post-tax profits, earnings per share are determined by the following formula:

$$\text{Earnings per share} = \frac{\text{Profit or loss allocated to shareholders holding common shares} - \text{Deductions from Bonus and Bonus and welfare fund}}{\text{Number of weighted mean of common shares circulated in period}}$$

The determination of the profit or loss allocated to shareholders holding common shares and the number of weighted mean of common shares circulated in the period is done under the guidance of Circular No. 21/2006 / TT BTC dated March 20, 2006 of the Ministry of Finance and documents amending, supplementing, replacing.

***Diluted earnings per share (Code 71):***

This item records the diluted earnings per share, taking into account the impact of instruments in the future that may be converted into shares and may dilute the value of shares.

This item is presented in the financial statements of joint-stock companies being independent enterprises. For parent companies being joint-stock companies, this item is presented in the consolidated financial statements, not presented in the separate financial statements of parent companies.

Diluted earnings per share are defined as follows

$$\text{Diluted earnings per share} = \frac{\text{Profit or loss allocated to shareholders holding common shares} - \text{Deductions from Bonus and Bonus and welfare fund}}{\text{Number of weighted mean of common shares circulated in period} + \text{Number of common shares expected to be released more}}$$

Determination of profit (or loss) allocated to shareholders holding common shares used to calculate diluted earnings per share

$$\text{Profit or loss allocated to common shares} = \text{Profit or loss after enterprise income tax} - \text{Amounts adjusted a decrease} + \text{Amounts adjusted an in crease}$$

If the Company presents earnings per share in the consolidated financial statements, the profit or loss after enterprise income tax in period is the profit or loss after enterprise income tax calculated on the basis of consolidated information. In case the company presents in the separate financial statements, the profit or loss after enterprise income tax in period is the profit or loss after tax of the company.

Amounts adjusted a decrease in profit or loss after enterprise income tax to calculate the profit or loss allocated to common shares when determining diluted earnings per share

a1. Dividends of preference shares: Dividends of preference share include: Dividends of non-cumulative preference shares which are not cumulative notified during the reporting period and dividends of cumulative preference shares arising during the reporting period. Dividends of preference shares are calculated as follows:

$$\text{Dividend of preference shares} = \text{Rate of dividend of preference shares} \times \text{face value of preference shares}$$

- The positive difference between the fair value of payments to the owner and the book value of preference shares when joint-stock companies repurchase the preference shares of owners.

- The positive difference between the fair value of common shares or other payments made under conditions for beneficial conversion at the time of payment and the fair value of the common shares issued under original converting condition.

- Dividends or other items related to dilutive potential common shares;

- Gains are recorded in the period related to dilutive potential common shares; and

- Other factors reduce post-tax profits if converting dilutive potential common shares into common shares. For example, the cost to convert the convertible bonds into common shares reducing the profits after enterprise income tax in period.

Determination of adjustments of an increase in profits or losses after enterprise income tax:

- The positive difference between the fair value of payments to the owner and the book value of preference shares when joint-stock companies repurchase the preference shares of owners.

- Factors increase post-tax profits if converting dilutive potential common shares into common shares. For example, the cost to convert the convertible bonds into common shares, enterprises shall be reduced loan interest expense related to the convertible bond and the increase in profit after enterprise income in period.

Number of shares used to calculate diluted earnings per share

Number of shares used to calculate diluted earnings per share is defined as the weighted average of common shares circulated in period are plus (+) the weighted average of common shares which shall be issued more in case all dilutive potential common shares are converted into common shares.

The determination of the number of weighted mean of common shares circulated in the period is done under the guidance of Circular No. 21/2006 / TT BTC dated March 20, 2006 of the Ministry of Finance and documents amending, supplementing, replacing.

b. Determination of number of weighted mean of common shares issued more in period

Common shares that shall be issued in the period considered potential common shares reducing interest of shares; including:

- call option of purchase the warrants and equivalent instruments;

- Convertible financial instruments;

- Common shares issued with conditions;

- Contracts settled in common shares or in cash;

- Purchased option;

- Issued put option.

The determination of the number of common shares that shall be issued in period shall be complied with the provisions of Accounting Standards, "Earnings per Share".

**Article 114. Guidelines on preparation and presentation of cash flow statement (Form B03 - DN)**

**1. Principles of preparing and presenting cash flow statement**

The preparation and presentation of cash flow statement yearly and in interim accounting periods must comply with the provisions of Accounting Standard "Cash flow statement" and Accounting Standards "interim financial statement ". Method for preparation of cash flow statements is guided for the most common transactions, enterprises base on the nature of each transaction to present cash flows accordingly if there is no specific guidance in this Circular. Items without figures are not presented, enterprises may renumber but must not change codes of items.

Short-term investments considered cash equivalents presented in cash flow statements only including short-term investments with recovery term or maturity of within three months may be converted easily into a certain amount and there is no risk of conversion into money from the date of buying such investments at the time of reporting. For example, bank exchange bills, treasury bills, deposit certificates ... with recovery term or maturity of less than 3 months from date of purchase.

Enterprises must present the cash flows in the cash flow Statement in three types of activities: trading, investment and financing activities as prescribed by the standards of "Cash flow statement":

- Cash flows from trading are cash flows arising from activities generating main revenues of enterprises and activities other than investing or financing activities;

- Cash flows from investment are cash flows arising from purchase, construction, liquidation or sale of long-term assets and other investments which are not classified as cash equivalents;

- Cash flows from financial activities are cash flows arising from operations generating changes in the size and structure of owner’s equity and borrowing capital of enterprises.

Enterprises may present cash flows from trading, investing and financial activities in a manner that best suits to the characteristics of the enterprises.

The following cash flows arising from trading, investing and financial activities are reported on a net basis:

- Collecting money and paying of customers such as rental collected, paid and repaid to the owner of the property;

- Collecting money and paying for items with fast turnarounds, short maturities such as: Buying, selling foreign currencies; buying and selling investments; loans or other short-term loans with payment term of within 3 months.

Cash flows arising from transactions in foreign currency must be converted into the official currency used in accounting books and financial statements under the exchange rate at the arising time of transactions.

Transactions in investments and finance which do not directly use cash or cash equivalents are not presented in the Cash flow statement, for example:

- The purchase of assets by receipt of debts related directly or through finance lease operations;

- The purchase of an enterprise through the issuance of shares;

- The transfer of debt into owner’s equity.

The cash and cash equivalents at the beginning and end of the period, the effect of changing exchange rates in currency conversion and current cash equivalents in foreign currencies at the end of period must be presented in separate items in Cash flow statements for comparison of figures with the corresponding items in the Balance Sheet.

Enterprises must present values and reasons of cash and cash equivalents which have the great balance at end of period held by enterprises but unused due to the limitation of legislation or other constraints imposed on enterprises.

If enterprises borrow to make payments directly to contractors, suppliers of goods and services (loans are transferred directly from the lender to the contractors and suppliers without being transferred through the accounts of enterprises), enterprises must still present on the cash flow statement, namely:

- The amount borrowed is presented as cash inflows from financing activities;

- The amount paid to suppliers of goods, services or to contractors is presented as cash outflows from trading or investments, depending on each transaction.

In case enterprises incur the offsetting payment for the same object, the presentation in cash flow statement shall comply with the following principles:

- If the offsetting relates to transactions classified in the same cash flows, enterprises shall present on a net basis (in dissimilar barter transactions...);

- If the offsetting relates to transactions classified in different cash flows, enterprises shall not present on a net basis but must present separately the value of each transaction (for example offsetting the selling money receivable with borrowings ...).

12. For the cash flow from repurchases and resale of government bonds and securities REPO transactions: The seller presents it as the cash flow from financial activities; The buyer presents it as the cash flow from investing activities.

**2. Basis of preparation of cash flow statement**

The preparation of cash flow statement is based on:

- the Balance sheet;

- The income statement;

- The notes to the financial statements;

- The cash flow statement of previous period;

- The other accounting documents, such as: General accounting books, detailed accounting books of accounts "Cash", "Cash in bank", "Cash in transit"; General accounting books and detailed accounting books of the relevant accounts, spreadsheets and allocation of depreciation of fixed assets and other detailed accounting documents...

**3. Requirements for opening and recording accounting books served for preparation of cash flow statement**

- Accounting book detailing the amounts receivable and payable, inventory must be monitored in detail for each transaction so that it is able to be presented cash flows recovered or paid in three types of activities: Trading, investment and financial activities. For example: Amounts paid to contractors related to fundamental construction are classified as cash flows from investment, amounts paid to suppliers of goods and services for the production and trading are classified as Cash flows from trading.

- Accounting books detailing accounts recording the money must be detailed to monitor the cash flows collected and paid related to three types of activities: trading, investment and financial activities as a general basis in preparation of cash flow statement. For example, for the payment to banks of loan principal and interest, accountants must record separately the amount paid for loan interest as cash flows from trading or investments and the amount paid for loan principal as cash flows from financial activities.

- At the end of the accounting year, when preparing cash flow statements, enterprises must identify short-term investments with recovery term or maturity of less than 3 months from date of purchase which meets the definition of cash equivalents in consistence with the provisions of the Standards "Cash flow statement" to exclude from the cash flows from investment. The value of the cash equivalents are plus (+) to the item "Cash and cash equivalents at end of period" in the cash flow statement.

**4. Methods of preparing annual Cash flow statements**

***Reporting on items of cash flows from trading:***

Cash flows from trading record the cash inflows and cash outflows related to production, trading in the period, including cash flows related to securities held for trading purposes.

Cash flows from trading are reported in either methods: direct or indirect method.

***Reporting on items of cash flows from trading under direct method (see Form B 03-DN)***

Principles of report:

Under the direct method, the cash inflows and cash outflows from trading are determined and presented in the Cash flow statement by analyzing and summarizing directly sums received and paid according to each content of revenues and expenditures from the general accounting books and the details of enterprises.

Method of setting up specific items

***- Revenues from sales and service provisions and other revenues (Code 01)***

This item is set up based on the total amount collected (total payments) in the period from the sale of goods, finished goods, service provisions, copyright fees, fees, commissions and other revenues (such as sale of trading securities), including amounts collected from the debts receivable related to the sale of goods or provision of services and other revenues arising from the previous period, but received money in current period and the advanced amount of purchasers of goods and services.

This item does not include sums received from liquidation, sales of fixed assets, investment real property, sums received from loans, investment contribution in other units, shared dividends and profits and other revenues classified as cash flows from investment; Sums received from borrowings and capital contributed by the owners classified as cash flows from financial activities.

Figures recorded in this item are from the accounting books of Accounts 111, 112 (money received), accounting books of accounts receivable (details of sums received from sales, service provision immediately paid for liabilities), after comparing with the accounting books of accounts 511, 131 (details of revenues from sales, service provision of which money is paid immediate, the amount of recovery of receivables or advances in period) or Accounts 515, 121 (details of sums received from the sale of trading securities).

***- Cash paid to suppliers of goods and services (Code 02)***

This item is set up based on the total amount paid in the period due to the purchase of goods and services, payment of service charges for manufacturing, trading, including the amounts spent on buying trading securities and amounts paid for debts payable or advanced to suppliers of goods or services related to production and trading.

This item does not include the amounts spent to purchase of fixed assets, investment real property, construction (including the purchase of raw material used for construction), money spent on lending and investment contribution in other units, and other expenses classified as cash flows from investment; Amounts paid the principal, returned to the owners, dividends and interest paid to owners classified as cash flows from financial activities.

Figures recorded in this item are from the accounting books of Accounts 111, 112 (money paid), accounting books of accounts receivable (details of loans received or debts collected immediately paid for liabilities), after comparing with the accounting books of accounts 331, accounts recording inventories. This item is recorded in negative numbers under the form of parentheses (...).

***- Amounts paid to employees (Code 03)***

This item is set up based on the total amount paid to employees during the period of salary, wages, allowances, bonuses ... paid or advanced by enterprises.

Figures recorded in this item are from the accounting books of Accounts 111, 112 (detailing payments to employees), after comparing with the accounting books of Account 334 (details of sums paid in cash) in reporting period. This item is written in negative numbers under the form of parentheses (...).

***- Interest paid (Code 04)***

This item is set up based on the total amount of interest paid during the reporting period, including interest incurred in period and paid in current period, interest payable of previous period paid in current period, interest prepaid in current period.

This item does not include the amount of interest paid during the period capitalized into the value of assets in progress classified as cash flows from investment. In case the interest paid in the period has been capitalized and included in the financial cost, accountants shall base on interest capitalizing rate applied to the reporting period in accordance with the provisions of Accounting Standards “ Borrowing cost " to determine the interest payable of cash flows from trading and cash flows from investments.

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113 (details of loan interest payments); accounting books of accounts receivable (details of interest payments from sums received from receivables) in the reporting period, after comparing with the accounting books of Account 335, 635, 242 and other related accounts. This item is written in negative numbers under the form of parentheses (...).

***- Enterprise income tax paid ( Code 05)***

This item is set up based on the total amount paid for enterprise income tax to the State during the reporting period, including the enterprise income tax paid in current period, enterprise income tax owed from previous period paid in current period and enterprise income tax prepaid (if any).

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113 (detailing payments of enterprise income tax), after comparing with the accounting books of Account 3334. This item is written in negative numbers under the form of parentheses (...).

***- Other receipts from trading ( Code 06)***

This item is set up based on the total amounts received from other sums of trading, in addition to sums recorded in Code 01, such as: Receipts from other income (amounts received from indemnity, fine, bonuses and other revenues ...); Sum received from tax refund; Sum received from receipt of deposits; Sum recovered of deposits; Sum received from non-business, project funding (if any); Sum rewarded, supported by outside organizations or individuals; Sum received recorded an increase in funds paid by the superior or inferior units...

Figures recorded in this item are from the accounting books of Accounts 111, 112 after comparing with the accounting books of accounts 711, 133, 141, 244 and the accounting books of accounts related in the reporting period .

***- Other expenditures on trading ( Code 07)***

This item is set up based on the total amount spent for other items, in addition to the amounts spent related to production, trading in the reporting period recorded in Code 02, 03, 04, 05 such as: Payments for compensation, penalty and other expenses; Payments of taxes (excluding enterprise income tax); Payments of fees and charges, land rent; Payment of social insurance, health insurance, unemployment insurance, unions fees; Payments for deposits; Refund of receipt of deposits, direct expenditure by provisions payable; direct expenditure from bonus and bonus and welfare fund; science and technology fund; Direct expenditures from other funds of owner’s equity; direct expenditures from non-business, project funding ...

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113 in the reporting period, after comparing with the accounting books of Account 811, 161, 244, 333, 338, 344, 352, 353, 356 and other related accounts. This item is written in negative numbers under the form of parentheses (...).

***- Net cash flow from trading ( Code 20)***

Item "Net cash flow from trading " records the difference between the total amount received and the total amount paid from trading during the reporting period. Figures recorded in this item are calculated on the total figures of items from Code 01 to Code 07. If the figures in this item are negative numbers, they shall be shown in parentheses (...).

Code 20 = Code 01 + Code 02 + Code 03 + Code 04 + Code 05 + Code 06 + Code 07.

***Reporting on items of cash flows from trading under indirect method (see Form B 03-DN)***

Principles of report:

Under the indirect method, cash inflows and cash outflows from trading are calculated and determined primarily by adjusting the profit before enterprise income tax of trading out of impact of non-cash items, changes in the period of inventory, receivables and payables from trading and amounts of which cash impact is the cash flows trading, including:

- The non-cash expenses such as: depreciation of fixed assets, provisions ...

- Non-cash profits and losses such as profit and loss of exchange rate differences, capital contributions by non-monetary assets;

- Profits and losses classified as cash flows from trading, such as: Profits or losses in liquidation, sales of fixed assets and investment real property, interest from loans, interest from deposits, shared dividends and profits...; Interest expenses recorded in income statements in the period.

- Cash flows from trading adjusted continuously to the change in working capital, long-term prepaid expenses and other revenues and expenses from trading, such as:

Changes in the reporting period of inventory item, receivables, payables from trading;

Changes in prepaid expenses;

Interest paid;

Paid enterprise income tax;

Other receipts from trading;

Other expenses from trading.

Method of setting up specific items

***- Pre-tax profits ( Code 01)***

This item is from the item the total pre-tax accounting profit (Code 50) in the income statements in the reporting period. If this figure is negative (loss), it is recorded in parentheses (...).

***- Depreciation of fixed assets and investment real property (Code 02)***

In case enterprises separate the depreciation in inventory and the depreciation counted in the income statements in the period: Item "Depreciation of fixed assets and investment real property" only includes the depreciation counted in the income statements in the period; Item "Increase or decrease in inventory" does not include the depreciation in the value of inventories at the end of the period (undetermined to be consumed in period);

In case enterprises cannot separate the depreciation in inventory and the depreciation counted in the income statements in the period: Item "Depreciation of fixed assets and investment real property" includes the depreciation counted in the income statements in the period are plus the depreciation related to inventories unconsumed; Item "Increase or decrease in inventory" includes the depreciation of fixed assets in the value of inventories at the end of the period (undetermined to be consumed in period);

In all cases, enterprises must exclude the depreciation in the value of construction in progress, the depreciation recorded a decrease in funding, bonus and bonus and welfare fund that forms fixed assets, decrease in science and technology development fund that forms fixed assets in the period from the Cash flow statement. This figure is plus (+) to the figure of the item "Pre-tax profit ".

***- Provisions (Code 03)***

This item records the influence of the setting, refund and use of provisions to the cash flows of the reporting period. This item is set up based on the difference between the beginning balance and the ending balance of provisions for asset losses (provisions for devaluation of trading securities, provision for loss of financial investment, provisions for devaluation of inventories, provisions for bad debts) and provisions payable in the balance sheet.

Figures of this item are plus (+) to the figures of "Pre-tax profit " if the total ending balance of the provision is greater than the total beginning balance or is subtracted from the figures of item "Pre-tax profit " if the total ending balance of the provision is less than the total beginning balances and recorded in negative numbers under the form of parentheses (...).

***- Profits / losses of exchange rate differences from revaluation of accounts derived from foreign currencies (Code 04)***

This item records the interests (or losses) of exchange rate differences from revaluation of accounts derived from foreign currencies recorded in pre-tax profit in the reporting period. This item is set up based on the difference of Credit arising numbers and Debit arising numbers of Account 4131 compared with the accounting books of Account 515 (details of interest from revaluation of accounts derived from foreign currencies) or Account 635 (details of losses from revaluation of accounts derived from foreign currencies).

Figures in this item are subtracted (-) from the figures of the item "Pre-tax profit ", if there are interests in exchange differences, or are plus (+) to the item "Pre-tax profit ", if there are losses in exchange differences.

***- Profits / losses from investment (Code 05)***

This item is based on the total profit or loss arising in the period recorded in pre-tax profit, but classified as cash flows from investment, including:

Gains and losses from liquidation, sales of fixed assets, investment real property;

Gains and losses from the revaluation of non-monetary assets contributed as capital, investment in other units

Gains and losses from the sale or recovery of financial investments (excluding profit or loss of buying and selling trading securities), such as: investments in subsidiaries, joint ventures and associates; Investments held to maturity;

Losses or refund of losses of investments held to maturity;

Loan interest, deposit interest, dividends and profits shared.

This item is set up based on the accounting books of Accounts 5117, 515, 711, 632, 635, 811 and other related accounts (details of profit and loss defined as cash flows from investment) during the reporting period.

Figures in this item are subtracted (-) from the figures of item "Pre-tax profits" if investment has net profits recorded in negative numbers under the form of parentheses (...); or are plus (+) to item "Pre-tax profit ", if investment has net losses.

***- Interest expense (Code 06)***

This item records interest expense recorded in income statements in the reporting period, including the costs of bond issuance of common bonds and convertible bonds; The interest expense every period according to the actual interest rate recorded an increase in the debt component of convertible bonds. This item is set up based on the accounting books of account 635 (details of interest expense in reporting period) after comparing with the item "Interest expense" in the report on income.

Figures in this item are added to the figures of item "Pre-tax profit "

***- Other adjustments (Code 07)***

This item records the deduction or refund the Price Stabilization Fund or the scientific and technological development Fund in the period. This item is set up based on the accounting books of accounts 356, 357.

Figures of this item are added to the figures of item "Pr—tax profits" if during the period, more funds are set up or are subtracted from the item "Pre-tax profit " if during the period, funds are refunded.

***- Operating profit before changes in working capital (Code 08)***

This item records the cash flows generated from operating activities during the reporting period after excluding the impact of items of non-cash income and expense. This item is set up based on the profit before enterprise income tax are plus (+) adjustments. Code 08 = Code 01+ Code 02 + Code 03 + Code 04 + Code 05 + Code 06 + Code 07. If the figures in this item are negative number, they shall be shown in parentheses (...).

***- Increase or decrease in amounts receivable (Code 09)***

This item is set up based on the total difference between the ending balance and the beginning balance of accounts receivable (details related to manufacturing, business), such as: Accounts 131, 136 , 138, 133, 141, 244, 331 (details of prepaid amounts to the sellers) during the reporting period.

This item does not include amounts receivable related to investment, such as: The amount advanced for construction contractors; Receivables on loans (principal and interest); Receivables on deposit interest, dividends and profit shared; Receivables on liquidation, sales of fixed assets, investment real property, financial investments; Value of fixed assets pledged or mortgaged ...

Figures in this item are plus (+) to the item "Operating profit before changes in working capital" if the total ending balances are less than the total opening balances. Figures of this item are subtracted (-) from figures of the item "Operating profit before changes in working capital" if the total ending balances are greater than the total beginning balances and recorded in negative numbers under the form of parentheses (...).

***- Increase or decrease in inventories (Code 10)***

This item is set up based on the total difference between the ending balance and the beginning balance of the inventory accounts (excluding the balance of the account "Provision against devaluation of goods in stock "on the basis of having excluded: Value of inventory used for investment for construction or inventory used in exchange for fixed assets, investment real property; trial production costs counted on the cost of fixed assets formed from construction. In case of any purchase inventory in period which is not identified use purposes (for trading or investment in construction), the value of inventories is included in this item.

In case enterprises separate the depreciation of fixed assets in inventory and the depreciation counted in the income statements in the period (item "Depreciation of fixed assets"- code 02 only includes the depreciation counted in the income statements in the period), this item does not include the depreciation of fixed assets in the value of inventories (undetermined to be consumed in period);

In case enterprises cannot separate the depreciation of fixed assets in inventory and the depreciation counted in the income statements in the period (item "Depreciation of fixed assets"- code 02 include the depreciation of fixed assets related to unconsumed inventories), this item does not include the depreciation of fixed assets in the value of inventories at the end of period (undetermined to be consumed in period);

Figures in this item are plus (+) the item "Operating profit before changes in working capital" if the total ending balances are less than the total beginning balances. Figures of this item are subtracted (-) from the item "Operating profit before changes in working capital" if the total ending balances are greater than the total beginning balances and recorded in negative numbers under the form of parentheses (...).

***- Increase or decrease in amounts payable (Code 11)***

This item is set up based on the total difference between the ending balance and the beginning balance of debts payable (details related to manufacturing, business), such as: Accounts 331, 333, 334, 335, 336, 337, 338, 344, 131 (details of prepaid amounts of the sellers)

This item does not include enterprise income tax (arising Credit 3334), loan interest payable (arising Credit  335, details of loan interest payable).

This item does not include amounts payable related to investment, such as amounts prepaid by purchasers related to the liquidation or sale of fixed assets, investment real property; Payables related to purchasing, construction of fixed assets, investment real property; Payables to buy the capital and debt instruments ..; and payables related to financial activities, such as: principal payables, bond principal, finance lease liabilities; Dividends, profits payable.

Figures in this item are plus (+) the item "Operating profit before changes in working capital" if the total ending balances are greater than the total opening balances. Figures of this item are subtracted (-) from figures of the item "Operating profit before changes in working capital" if the total ending balances are less than the total beginning balances and recorded in negative numbers under the form of parentheses (...).

***- Increase or decrease in prepaid expenses (Code 12)***

This item is set up based on the total difference between the ending balance and the beginning balance of Account 242 "prepaid expenses" in the reporting period on the basis of having excluded prepaid expenses related to cash flow from investment, such as: land rents qualified for being recorded as intangible assets and prepayments of interest capitalized.

Figures in this item are plus (+) the item "Operating profit before changes in working capital" if the total ending balances are less than the total opening balances. Figures of this item are subtracted (-) from figures of the item "Operating profit before changes in working capital" if the total ending balances are greater than the total beginning balances and recorded in negative numbers under the form of parentheses (...).

***- Increase or decrease in trading securities (Code 13)***

This item is set up based on the total difference between the ending balance and the beginning balance of Account 121 "trading securities" in the reporting period.

Figures in this item are plus (+) the item "Operating profit before changes in working capital" if the total ending balances are less than the total opening balances. Figures of this item are subtracted (-) from figures of the item "Operating profit before changes in working capital" if the total ending balances are greater than the total beginning balances and recorded in negative numbers under the form of parentheses (...).

***- Interest paid (Code 14)***

This item is set up based on the total amount of interest paid during the reporting period, including interest incurred in period and paid in current period, interest payable of previous period paid in current period, interest prepaid in current period.

This item does not include the amount of interest paid during the period capitalized into the value of assets in progress classified as cash flows from investment. In case the interest paid in the period has been capitalized and included in the financial cost, accountants shall base on interest capitalizing rate applied to the reporting period in accordance with the provisions of Accounting Standards “ Borrowing cost " to determine the interest payable of cash flows from trading and cash flows from investments.

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113 (details of loan interest payments); accounting books of accounts receivable (details of interest payments from sums received from receivables) in the reporting period, after comparing with the accounting books of Account 335, 635, 242 and other related accounts.

Figures in this item are subtracted (-) from the item "Operating profit before changes in working capital" and are written in negative numbers under the form of parentheses (...).

***- Enterprise income tax paid ( Code 15)***

This item is set up based on the total amount paid for enterprise income tax to the State during the reporting period, including the enterprise income tax paid in current period, enterprise income tax owed from previous period paid in current period and enterprise income tax prepaid (if any).

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113 (detailing payments of enterprise income tax), after comparing with the accounting books of Account 3334. Figures of this item are subtracted (-) from the item "Operating profit before changes in working capital" and are written in negative numbers under the form of parentheses (...).

***- Other receipts from trading ( Code 16)***

This item records receipts arising from trading other than those stated in the Code from 01 to 14, such as: receipts from non-business, project funding (if any); Funds rewarded or supported by outside organizations and individuals recorded an increase in funds of enterprises; Sum received recorded an increase in funds paid by superior or subordinate units; Interest on deposits of price stabilization Fund (if it not recorded in revenue from financial activities but recorded an increase in Fund directly); Sum received from equitization in equitized enterprises... during the reporting period.

This item is set up based on the accounting books of Accounts 111, 112, 113 after comparing with accounts related in the reporting period. Figures in this item are plus (+) figures in item "Operating profit before changes in working capital".

***- Other expenditures on trading ( Code 17)***

This item records expenses arising from trading other than those stated in the Code from 01 to 14, such as: expenses from Bonus and bonus and welfare fund, science and technology development Fund; Direct expenses from non-business, project funding; Direct expenses from sums received from equitization paid to superiors, owners; Equitization expenses, subsidy to employees under policies ...

This item is set up based on the accounting books of Accounts 111, 112, 113 after comparing with accounts related in the reporting period. Figures in this item are subtracted (-) from figures in item "Operating profit before changes in working capital".

***- Net cash flow from trading ( Code 20)***

Item "Net cash flow from trading " records the difference between the total amount received and the total amount paid from trading during the reporting period. Figures recorded in this item are calculated on the total figures of items from Code 08 to Code 16. If the figures in this item are negative numbers, they shall be shown in parentheses (...).

**Code 20 = Code 08 + Code 09 + Code 10 + Code 11 + Code 12 + Code 13 + Code 14 + Code 15 + Code 16 + Code 17**

***Making reports on items of cash flows from trading:***

Principles of report:

- Cash flow from investment is prepared and presented in the Cash flow statement separately the cash inflows and cash outflows, except where cash flows are reported on a net basis mentioned in paragraph 18 of the Standard "Cash flow statement"

- Cash flows from investment are established under the direct or adjusted direct methods.

Under the direct method, the cash inflows and cash outflows from investment are determined by analyzing and summarizing directly sums received and paid according to each content of revenues and expenditures from accounting recordings of enterprises.

Under the adjusted direct method, cash inflows and outflows in the period are determined by the difference between the ending balances and opening balances of items in the balance sheet related, then adjusted for the effects of non-monetary items.

This Circular provides guidelines on establishment of cash flows from investment under the direct method. In case of establishing under the adjusted direct method, enterprises may apply the method of preparation of the consolidated cash flow statements prescribed in Circular No. 202/2014 / TT-BTC dated December 22, 2014 of the Ministry of Finance providing guidance on the preparation and presentation methods of consolidated financial statements and documents amending, supplementing or replacing.

b) Method of setting specific items under the direct method (See Form No. B03-DN)

***- Expenditures for purchase, construction of fixed assets and other long-term assets (Code 21)***

This item is set up based on the total amount actually spent on purchase, construction of tangible fixed assets, intangible fixed assets, amounts spent on the commence stage that has been capitalized as intangible fixed assets, amounts spent on investment, construction in progress, investment real property in the reporting period. Cost of trial production after offsetting with the amounts received from the sale of test products of fixed assets formed from construction activities added to this item (if expenditures are greater than revenues) or subtracted from this item (if revenues are greater than expenditures).

This item records the amount actually paid for the purchase of materials, properties, used for construction which have not delivered for use for capital investment until the end of the period; Amounts advanced for contractors of construction of which volume has not been accepted; Amounts paid to the seller in period related directly to purchase, investment of construction.

In case of buying raw materials, assets used for both purposes of production, trading and investment in construction of which value is not determined to be used for capital investment or production, trading at the end of period, the amount paid is not recorded in this item but in cash flows from trading .

This item does not include amounts received from finance lease liabilities, the value of other non-monetary assets used for payment for the purchase of fixed assets, investment real property, construction or the value of fixed assets, investment real property, construction increased in the period but not yet paid in cash.

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113 (detailing amounts spent on purchase, construction of fixed assets and other long-term assets, including the interest paid capitalized ), accounting books of accounts receivable (detailing amounts received from debts transferred immediately to pay for purchase, construction), accounting books of Account 3411 (details of the loan paid immediately to the seller), accounting books of Account 331 (details of advances or payments to construction contractors, payments to the sellers of fixed assets, investment real property), after comparing with the accounting books of accounts 211, 213, 217, 241 during the reporting period . This item is written in negative numbers under the form of parentheses (...).

***- Sums received from liquidation, sale of fixed assets and other long-term assets (Code 22)***

This item is set up based on the net amount received from the liquidation or sale of tangible fixed assets, intangible fixed assets and investment real property in the reporting period, including the amount recovered of debts receivable related directly to the liquidation or sale of fixed assets and other long-term assets.

This item does not include receipts in non-monetary assets or amounts receivable which have not yet received in the reporting period from the liquidation, sale of fixed assets, investment real property and other long-term assets; Non-cash expenses related to the liquidation or sale of fixed assets, investment real property and the net book value of fixed assets, investment real property contributed in joint venture, association or losses.

Figures recorded in this item are the difference between amounts received and paid for liquidation, sale of fixed assets, investment real property and other long-term assets. Sum received from the accounting books of Accounts 111, 112, 113, after comparing with the accounting books of accounts 711, 5117, 131 (details of sum received from liquidation or sale of fixed assets, investment real property and other long-term assets) during the reporting period. The amount paid is from the accounting books of Accounts 111, 112, 113, after comparing with the accounting books of accounts 632, 811 (Details on liquidation or sale of fixed assets, investment real property) in the reporting period . This item is written in negative numbers under the form of parentheses (...) if the amount actually received is less than the amount actually paid.

***- Expenditures on borrowing and purchase of debt instruments of other units (Code 23)***

This item is set up based on the total amount deposited in banks with a term of more than 3 months, the amount paid for the other loans, the money paid by the buyer in the repurchase of government bonds and securities REPO, amount paid for purchase debt instruments of other units (bonds, commercial paper, preference shares classified as liabilities ...) for the purpose of investment held to maturity during the reporting period.

This item does not include amounts spent on purchase of debt instruments considered as cash equivalents and purchase of debt instruments held for trading purposes (profit from the difference in market prices); Loans, purchase of debt instruments paid by non-monetary assets or refinance.

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113, after comparing with the accounting books of Account 128, 171 in the reporting period. This item is written in negative numbers under the form of parentheses (...).

***- Amounts recovered on borrowing and repurchase of debt instruments of other units (Code 24)***

This item is set up based on the total amount received from withdrawal of bank deposits of which term is more than 3 months, the money received from the buyer in the repurchase of government bonds and securities REPO, amounts recovered from principal lent, bond principal, preference shares classified as liabilities and debts instruments of other units during the reporting period.

This item does not include sums received from the sale of debt instruments considered cash equivalents and sale of debt instruments classified as trading securities; Sums recovered in non-monetary assets or transfer of debt instruments into equity instruments of other units.

Figures recorded in this item are from the accounting books of Accounts 111, 112 after comparing with the accounting books of accounts 711, 133, 141, 244 in the reporting period.

***- Expenditures on investments in other units (Code 25)***

This item is set up based on the total amount paid to invest in equity instruments of other units in the reporting period (including debt payments to buy capital instruments from the previous capital), including expenditures on capital investment under the form of common shares with voting right, buying preference shares classified as owner’s equity, contribution to the subsidiaries, joint ventures, associated companies, ...

This item does not include sums spent on buying shares held for trading purposes; sums paid to buy preference shares classified as liabilities, Investments in other units in non-monetary assets; investment under the form of issuing shares or bonds; Transfer of debt instruments into contributions or unpaid debts.

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113, after comparing with the accounting books of Accounts 221, 222, 2281, 331 in the reporting period and are written in negative numbers under the form of parentheses (...).

***- Sums recovered from capital investments in other units (Code 26)***

This item is set up based on the total amount recovered by resale or liquidation of capitals invested in other units in the reporting period (including the sums receivable from sale of equity instruments in previous period) .

This item does not include sums received from the sale of shares held for business purposes; The value of the investment recovered by non-monetary assets, debt or equity instruments of other units; Or sums that have not been paid in cash.

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113 after comparing with the accounting books of accounts 221, 222, 2281, 131 in the reporting period .

***- Sums received from loan interest, dividends and profits shared (Code 27)***

This item is set up based on sums received from loan interest, deposit interest, bond interest, dividends and profits received from capital investments in other units in the reporting period. This item does not include the interest, dividends received by shares or by non-monetary assets.

Figures recorded in this item are from the accounting books of Accounts 111, 112, after comparing with the accounting book of Account 515 .

***- Net cash flow from investment ( Code 30)***

Item "Net cash flow from investment " records the difference between the total amount received and the total amount paid from investment during the reporting period. This item is calculated on the total figures of items from Code 21 to Code 27. If the figures in this item are negative numbers, they shall be shown in parentheses (...).

Code 30 = Code 21 + Code 22 + Code 23 + Code 24 + Code 25 + Code 26 + Code 27.

***Making reports on items of cash flows from financial activities:***

Principles of report:

- Cash flow from financial activities is prepared and presented in the Cash flow statement separately the cash inflows and cash outflows, except where cash flows are reported on a net basis mentioned in paragraph 18 of the Standard "Cash flow statement"

- Cash flows from financial activities are established under the direct or adjusted direct methods.

Under the direct method, the cash inflows and cash outflows from financial activities are determined by analyzing and summarizing directly sums received and paid according to each content of revenues and expenditures from accounting recordings of enterprises.

Under the adjusted direct method, cash inflows and outflows in the period are determined by the difference between the ending balances and opening balances of items in the balance sheet related, then adjusted for the effects of non-monetary items.

This Circular provides guidelines on establishment of cash flows from financial activities under the direct method. In case of establishing under the adjusted direct method, enterprises may apply the method of preparation of the consolidated cash flow statements prescribed in Circular No. 202/2014 / TT-BTC dated December 22, 2014 of the Ministry of Finance providing guidance on the preparation and presentation methods of consolidated financial statements and documents amending, supplementing or replacing.

b. Method of setting specific items under the direct method (See Form No. B03-DN)

***- Sums received from issuance of shares and receipt from contributions of the owners (Code 31)***

This item is set up based on the total amounts received from contributions of owners of enterprises during the reporting period. This item does not include loans and debt converted into capital, undistributed post-tax profits profit converted into contributions (including payment of dividends by shares) or receipts contribution of owners in non-monetary assets.

For joint stock companies, this item records the amount received from the issuance of common shares issued at issued actual prices, including sums received from the issuance of preference shares classified as owner's equity and options of convertible bonds but excluding amounts received from issuing preference shares classified as liabilities.

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113 after comparation with the accounting book of account 411 in the reporting period .

***- Repayment of contributions to owners, repurchase of stock issued (Code 32)***

This item is set up based on the total amount paid due to refund of contributions to the owners of enterprises under the forms of cash repayment or repurchase of stocks of enterprises issued in cash to cancel or use as treasury shares during the reporting period.

This item does not include refund of preference shares classified as liabilities, owner's contributions in non-monetary assets or contributions used for business offsetting.

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113, after comparing with the accounting books of Account 411, 419 in the reporting period. This item is written in negative numbers under the form of parentheses (...).

***- Sums received from borrowings (Code 33)***

This item is set up based on the total amount received during the period because enterprises borrow from financial institutions and credit institutions and other objects in the reporting period, including loans under the form of common bond issuance or convertible bonds or preference shares which require the issuer to repurchase at a certain time in the future (classified as liabilities). This item also includes the amount received by sellers in repurchase of government bonds and other securities Repo transactions. This item does not include borrowings in non-monetary assets or financial lease liabilities.

In case of borrowing under the form of issuance common bonds, this item records the total amount received during the period (in face value of bonds adjusted for discounts, additional bonds or bond interest prepaid - if any);

In case of borrowing under the form of issuance of convertible bonds, this item records the amount corresponding to the principals of the convertible bonds;

In case of borrowing under the form of preference shares, this item records the total amount received during the period because enterprises issue preference shares classified as liabilities due to the conditions requiring issuers to repurchase shares at a certain time in the future.  In case of the provisions requiring issuers to only repurchase shares from holders at par value, this item only records the amount received at par value of preference shares (sums received higher than par value accounted share premium presented in item "Sums received from issuance of shares and receipts of contribution of owners" (No. 31));

In case of borrowing under the repurchase of government bonds, this item records the total amount received during the period in the seller in repurchase of government bonds and securities REPO.

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113, accounts payable ( details of loans received paid immediately for debts payable) after comparing with the accounting books of accounts 171, 3411, 3431, 3432, 41112 and other related accounts in the reporting period .

***- Payment of loan principal (Code 34)***

This item is set up based on the total amount paid for the loan principal, including payment of principal of common bonds, convertible bonds or preference shares with terms requiring issuers to repurchase at a certain time in the future (classified as liabilities) during the reporting period. This item also includes the amount paid to the seller by the buyer in the repurchase of government bonds and other securities Repo transactions.

This item does not include payments of loan principal in non-cash asset or transfer the debt to contribution.

Figures recorded in this item are from the accounting books of Accounts 111, 112, accounts receivable( sums paid for loan from sums received from receivable) after comparing with the accounting books of Account 171, 3411, 3431, 3432, 41112 in the reporting period . This item is written in negative numbers under the form of parentheses (...).

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113, after comparing with the accounting books of Account 171 in the reporting period. This item is written in negative numbers under the form of parentheses (...).

***- Payments of finance lease principal (Code 35)***

This item is set up based on the total amount paid on finance lease liabilities during the reporting period. This item does not include finance lease liabilities in non-monetary assets or transfer of finance lease liabilities into contribution.

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113 accounts receivable (details of sums paid for finance lease liabilities from sums received from receivables) after comparing with the accounting books of Account 3412 in the reporting period. This item is written in negative numbers under the form of parentheses (...).

***- Dividends and interest paid to owners (Code 36)***

This item is set up based on the total dividends and interest paid to owners of enterprises (including personal income tax paid on behalf of owners) in the reporting period.

This item does not include profits converted into contributions of the owners, payment dividends by shares or by non-monetary assets and profits used to set up funds.

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113, after comparing with the accounting books of Account 421, 338 ( details of sums paid for dividends and profits) in the reporting period. This item is written in negative numbers under the form of parentheses (...).

***- Net cash flow from financial activities ( Code 40)***

Item "Net cash flow from financial activities " records the difference between the total amount received and the total amount paid from financial activities during the reporting period. This item is calculated on the total figures of items from Code 31 to Code 36. If the figures in this item are negative numbers, they shall be shown in parentheses (...). Code 40 = Code 31 + Code 32 + Code 33 + Code 34 + Code 35 + Code 36.

***Summary of cash flows in the period (See Form No. B03-DN)***

***- Net cash flows in the period (Code 50)***

Item "Net cash flows in the period" records the difference between the total amount received and the total amount paid in three types of activities: trading, investment and financial activities of enterprises in reporting period. Code 50 = Code 20 + Code 30 + Code 40. If figures in this item are negative numbers, they are shown in parentheses (...).

***- Cash and cash equivalents at beginning of period (Code 60)***

This item is set up based on the figures of item "Cash and cash equivalents" at the beginning of the reporting period (Code 110, column "The Beginning" n the Balance Sheet).

***- Influence of exchange rate changes in foreign currency conversion (Code 61)***

This item is set up based on the total exchange differences due to revaluation the ending balance of cash and cash equivalents in foreign currencies (Code 110 of the Balance Sheet) at the end of reporting period.

Figures recorded in this item are from the accounting books of Accounts 111, 112, 113, 118 and related accounts (details of items satisfying the definitions of cash equivalents ), after comparing with the accounting books of Account 4131 in reporting period. This item is recorded in positive numbers if there is gain on forex and in negative numbers under the form of parentheses (...) if there is loss on forex.

***- Cash and cash equivalents at end of period (Code 70)***

This item is set up based on the figures of item "Cash and cash equivalents" at the end reporting period (Code 110, column "The end" in the Balance Sheet).

This item is equal to the "Total" of the items Code 50, 60 and 61 and the item Code 110 in the Balance Sheet at that period. Code 70 = Code 50 + Code 60 + Code 61.

**Article 115. Methods of preparing and presenting Notes to financial statements (Form B09 - DN)**

**1. Purposes of notes to financial statements:**

a) The note to the financial statement is an inseparable part of the financial statement used to describe the narrative or analyze in detail of the information and figures presented in the balance Sheet, income statement, cash flows statement as well as other necessary information as required by the specific accounting standards by enterprises.

b) The note to the financial statement may also present other information if the enterprise deems it necessary to present honestly and reasonablely the financial statement.

**2. Principles of preparation and presentation of the notes to financial statements**

a) When preparing the annual financial statements, enterprises must make the notes to the financial statements in accordance with the provisions of Accounting Standards, "Presentation of financial statements" and guidance in this policy of financial statements.

b) When preparing the interim financial statements (including full form and short form), enterprises must make the notes to the selective financial statements in accordance with the provisions of the accounting standard, "Interim financial statement “and the Circular guiding the standards.

c) Notes to the financial statements of an enterprise must be presented the following contents:

- Information on the basis of preparation and presentation of financial statements and the specific accounting policies selected and applied to transactions and important events;

- Information under the provisions of the accounting standards that has not been presented in other financial statements (key information);

- Additional information that has not been presented in the financial statements, but is necessary for a true and fair presentation of the financial situation of the enterprises.

d) Notes to the financial statements must be presented in a systematic way. Enterprises shall actively sort in the order in the notes to financial statements in a manner that best suits their particular on the principle that each item in the balance sheet, income Statement and cash flow Statement should be marked to lead to relevant information in the notes to financial statements

**3. Basis of preparation of Notes to financial Statements**

- Based on the balance Sheet, income statements, cash flow statements of the reporting year;

- Based on the general accounting books; Books, detailed accounting cards or summary of the relevant details;

- Based on the Notes to the financial statements of previous year;

- Based on the actual situation of enterprises and the related documents.

**4. Contents and methods of setting up items**

***Characteristics of operation of enterprises***

In this part, enterprises clearly state:

a) Form of capital ownership: A state-owned companies, joint-stock company, limited liability companies, partnership or private enterprises. For foreign-invested enterprises: Names of nations and territories of each investor in enterprises (including investors with Vietnamese and foreign nationalities) and changes in structure of owner’s equity among investors (percentage of contribution) at the end of the fiscal year.

b)Trading: industrial manufacturing, trading, service, construction or summary of many trading fields.

c) Business lines: the main business activity (Contents describing the main business activities referenced under the provisions of system of economics of Vietnam) and the characteristics of products or services of enterprises.

d) Normal business and production cycle: If the cycle is longer than 12 months, notes to the average business and production cycle of branches, sectors are added.

e) Characteristics of operation of enterprises in the fiscal year that affect the financial statements: the events of legal environment, market happenings, characteristics of business, management, finance, the event of acquisition, division, change the size ... that affect the financial statements of enterprises.

e) Structure of enterprises

- List of subsidiaries: name, address, rate of voting rights, contribution ratio, the ratio of the parent company's interests in each of its subsidiary must be presented in detail;

- List of associated companies and joint ventures: name, address, rate of voting rights, contribution ratio, the interest ratio of enterprises in each associated company and joint venture must be presented in detail;

- List of subordinate units of dependent cost-accounting: name and address of each unit must be presented

***Accounting period, currency used in accounting***

a) Annual accounting period: the annual accounting period must be specified in the calendar year starting on January 01 / ...to December 31/ ... If enterprises have the financial year other than the calendar year, then starting date and ending date of the annual accounting period must be clearly stated.

b) Currency used in accounting: Vietnam Dong, or other currencies selected according to the provisions of the Law on Accounting must be specified.

***Standards and applicable accounting policy***

a) Applicable accounting policy: the accounting policy that enterprises are applying such as : enterprise accounting policy, peculiar enterprise accounting policy approved in writing by the Finance Ministry, construction enterprise accounting policy or accounting policy for small and medium enterprises must be specified.

b) Declaration of compliance with accounting standards and accounting policy: those financial statements have been prepared and presented in accordance with Accounting Standards and Accounting policy of Vietnam or not must be specified. The financial statements are considered to be prepared and presented in accordance with Accounting Standards and Accounting policy of Vietnam if the financial statements comply with all provisions of each standard, circular guiding the implementation of current accounting standards and policy that enterprises are applying. If the accounting standards are not applied, it must be clearly stated.

***The accounting policies applied when enterprises meet the assumption of continuous operation***

(1) The principle of converting financial statements prepared in foreign currencies into Vietnam Dong: The application of exchange rates in converting the financial statements complies with the guidelines of enterprise accounting policy or not (assets and liabilities at the exchange rate at the end of period, owner's investments at the exchange rate at the date of contribution, income statements and cash flows statements in accordance with the actual exchange rate or the average exchange rate ).

(2).Types of foreign exchange rate applied in accounting

- The exchange rate selected by the bank to apply in accounting;

- The exchange rate applied to record and evaluate assets;

- The exchange rate applied to record and evaluate liabilities;

- The types of exchange rate applied in other transactions.

(3) The principles for determining the actual interest rate (also called the effective interest rate) used to discount cash flows for items are recorded at present value, allocated cost, recovery value ... (This note is just made when enterprises have applied interest rates to discount cash flows):

- Base of determination of the actual interest rate (the market interest rates or commercial bank interest rates or interest rates applied to loans of enterprises or other bases);

- Reasons for the selection of actual interest.

(4) Principles for recording cash and cash equivalents:

- Specification of bank deposits that are demand or term;

- Specification of monetary gold that includes types, are used as inventory or not;

- Specification of the base of determination of the cash equivalents? Consistence with the provisions of Accounting Standard "Cash flow statement" or not?

(5) Accounting Principles for financial investments

a) For trading securities:

- The time recorded (for listed securities, T + 0 or another time is clearly explained)

- The book value determined as the fair value or historical cost;

- Base of setting up provisions for devaluation.

b) For investments held to maturity:

- The book value determined as the fair value or historical cost;

- Base of determination unrecoverable losses;

- Revaluation amounts meeting the definition of accounts derived from foreign currencies or not?

c) For loans:

- The book value determined as the historical cost or allocated value;

- Revaluation amounts meeting the definition of accounts derived from foreign currencies or not?

- Base of making provisions for doubtful loans.

d) For investments in subsidiaries, associated companies and joint ventures:

- For the subsidiaries, joint ventures and associated companies purchased during the period, the time of initial recording, compliance with consolidated business accounting Standard for subsidiaries bought in the period or not? Compliance with accounting Standard in investments in associated companies and joint ventures or not?

- Principles for determining subsidiaries, associated companies and joint ventures (based on the proportion of the voting rights, the proportion of contributed capital or benefits);

- The book value of investments in subsidiaries determined at historical cost, fair value and other values? The book value of investments in joint ventures and associated companies determined at historical cost, owner's equity method or other methods?

- Base of making the provision for investment losses in subsidiaries, associated companies and joint ventures; The financial statements to determine losses (consolidated financial statements and separate financial statements of subsidiaries, associated companies and joint ventures);

dd) For investments in capital instruments of other units:

- The book value of investments in other units determined at historical cost or other methods?

- Base of making the provision for investment losses in other units; The financial statements to determine losses (consolidated financial statements and separate financial statements of the invested units);

e) Accounting methods for other transactions relating to financial investments:

- Shares swaps ;

- Investment under the form of capital contribution;

- Transactions under the form of repurchase of contributed capital;

- Accounting method for dividends divided by shares;

(6) Accounting principles for debts receivable

- Criteria for the classification of debts receivable (receivables from customers, other receivables, internal receivables)

- Being monitored in detail under the original terms, the remaining term at the time of reporting, original currencies and each object or not?

- Revaluation of amounts meeting the definition of accounts derived from foreign currencies or not ? The exchange rates used to revalue?

- Recording debts receivable which do not exceed the recoverable value or not?

- Method of making the provision for bad debts.

(7) Principle for recording inventory

- (7) Principle for recording inventory: Specify inventory that is recorded at the historical cost or net realizable value.

- The method of calculating the value of inventory: Specify the method that enterprises apply (Weighted average; first in, first out, specification price or retail price).

- Method of inventory accounting: Specify that enterprises are applying perpetual inventory method and periodic inventory method.

- Methods for making provision against devaluation of goods in stock: Specify that enterprises make provision against devaluation of goods in stock on the basis of the positive difference of historical cost and net realizable value of inventories. The net realizable value of inventories is determined in accordance with the provisions of Accounting Standard "Inventories" or not? Method for making provision against devaluation of goods in stock is according to the difference between the provision that must be made in current year and the provision that have been made in previous year unused made additionally or refunded in current year.

(8)Principles of accounting and depreciation fixed assets, financial lease fixed assets, investment real property

a) Accounting principles of tangible fixed assets, intangible fixed assets:

- Specification of the book value of fixed assets which are at historical cost or revalued cost.

- Accounting principles of expenses incurred after the initial recording (cost of upgrading, improvement, maintenance, repair) recorded in the book value or the cost of production and business;

- Specification of methods of depreciation of fixed assets; Depreciation at historical cost or historical cost minuses recoverable value estimated from the liquidation or sale of fixed assets;

- Other provisions on the management, use, depreciation of fixed assets complied with or not?

b) Accounting principles of finance lease fixed assets:

- Specification of methods of determination the book value;

- Specification of method of depreciation of finance lease fixed assets.

c) Accounting principles for investment real property.

- The method of recording book value of investment real property

- Specification of methods of depreciation of investment real property.

(9) Accounting principles for Business Cooperation Contract (BCC)

a) For the capital contributors

- The recording capital (cash or non-cash assets) contributed to the BCC;

- The recording revenues and expenditures related to the contract

b) For capital recipients (executive party, incurring general expenses)

- Principles of recording capital contributed by other parties

- Principles of division of revenue, expenses and products of the contract.

(10) Accounting principles of deferred enterprise income tax

a) Accounting principles of deferred income tax assets

- Basis of recording the deferred income tax assets (deductible temporary differences, tax loss or unused tax incentives);

- Tax rate (%) used to determine the value of deferred income tax assets;

- Offsetting with deferred income tax or not?

- Determination of ability of taxable income in future when the deferred income tax assets are recorded, revaluation of deferred income tax assets unrecorded

b) Accounting principles of deferred enterprise income tax payable

- Basis of recording deferred income taxes payable (taxable temporary differences);

- Tax rate (%) used to determine the value of deferred income tax payable;

- Offsetting with deferred income tax assets or not?

(11) Accounting Principles for prepaid expenses

- Specification of prepaid costs allocated gradually into cost of production and business.

- Method and time of allocation of prepaid costs;

- Methods and time of allocation of goodwill arising in equitization;

- Monitoring in detail prepaid expenses by maturity or not?

(12) Accounting principles for liabilities

- Classification of liabilities

- Monitoring in detail under each object, original terms, the remaining term at the time of reporting, original currencies

- Revaluation of amounts meeting the definition of accounts derived from foreign currencies

- Recording liabilities which are not less than payment obligations

- Making provision for liabilities

(13) Principle for recording loans and finance lease liabilities

- Recording the value of loans and finance lease liabilities

- Monitoring each object, term, original currency

- Revaluation of loans and finance lease liabilities in foreign currencies? (14) Principle for recording and capitalizing borrowing costs:

- Principle for recording borrowing costs: Specification borrowing costs recorded in cost of production, sales in the period incurred, unless they are capitalized in accordance with the provisions of Accounting Standards "borrowing costs ".

- The capitalization rate used to determine the borrowing costs capitalized during the period: Specification of the capitalization rate (Capitalization rate is determined by the formula set out in the Circular providing guidance on Accounting Standard No. "Borrowing Costs".

(15) Principles of recording expenses payable: Specification of the expenses unpaid, but estimated to be recorded in the cost of production, sales in the period  and the basis for determining the value of such expenses.

(16) Principles and methods of recording provisions payable :

- Principles for recording provisions payable: Specification of provisions payable recorded satisfying or not the conditions prescribed in Accounting Standard "Provisions, assets and potential liabilities "

- Method of recording provisions payable: Specification of the provisions payable made more (or refunded) under the positive difference (or negative) between the provision payable that must be made in this year and the provision payable made in previous year unused in the accounting books.

(17) Principles for recording unearned revenues

- The basis of recording unearned revenue

- Allocation method of unearned revenue.

(18) Principle of recording convertible bonds

- Ability of recording separately debt component and capital component

- Trust of interest rate used to discount cash flows

(19) Principle for recording owner's equity:

- Contributions from owners are recorded at capital actually contributed not; Method of recording the share premium, method of determining options of convertible bonds

- The reason for recording the differences upon asset revaluation and the exchange differences

- Method of determining undistributed profits, the principle of distribution of profits, dividends.

(20) The principle and method of recording revenues and other income:

- Revenues from goods and service provision: Compliance fully with the conditions of recording revenues specified in Accounting Standard "Revenue and other income", The methods used to record revenues.

- Revenues from construction contracts: Compliance with the Accounting Standard "construction contract", The methods used to record revenue of construction contracts).

- Methods of recording revenues from financial activities.

- Principles of recording other income

(21) Accounting principles of revenue deductions

- Inclusion of the revenue deductions

- Compliance with the accounting Standard "The events arising after the end of the annual accounting period" to adjust the revenue

(22) Accounting Principles for the cost price of goods sold

- Guarantee of conformity principle with revenues

- Guarantee of precautionary principle, recording immediately the costs that exceed the normal level of inventories

- Items recorded a decrease in cost price of goods sold

(23) Principle and method of recording financial costs: full recording or not the interest expense (including advanced amounts), loss on forex of the reporting period

(24) selling expense and enterprise administrative expense

- Full recording or not the selling expense and enterprise administrative expense incurred in period

- Adjustments in selling expense and enterprise administrative expense

(25) The principle and method of recording current enterprise income tax, deferred enterprise income tax expense: Current enterprise income tax expense is determined on the basis of taxable income and tax rate of enterprise income tax in the current year. Deferred enterprise income tax is determined on the basis of deductible temporary differences, taxable temporary differences and tax rate of enterprise income tax. Current enterprise income tax expense is not offset with deferred enterprise income tax expense.

(26) The principles and other accounting methods: Specification the principles and other accounting methods for the purpose of helping users understand the financial statements of the enterprise presented on the basis of compliance with the system of Vietnamese accounting standards issued by the Ministry of Finance.

***The accounting policies applied in case enterprises do not meet the assumption of continuous operation***

a) Policy on reclassification of long-term assets and liabilities into short-term ones

b) Principles of valuation

- Financial investments;

- Receivables;

- Payables;

- Inventories;

- Fixed assets, investment real property;

- Other assets and liabilities.

***Additional information for the items shown in the Balance Sheet***

- In this section, enterprises must present and analyze in detail the figures presented in the Balance Sheet to help users of financial statements understand better the contents of the assets, liabilities and owner’s equity.

- The unit of values presented in the section "Additional information for the items shown in the Balance Sheet" is the unit used in the Balance Sheet. Figures recorded in the column "Beginning" are taken from the column "ending" in the notes to financial statements of previous year. Figures recorded in the column "ending" are set up on the basis of figures taken from:

The Balance sheet of current year;

The general accounting books;

Detailed accounting books and cards or summary of the relevant details.

- Enterprises actively number information presented in this section under the principle of conformity with leading numbers from the Balance Sheet and guarantee of easy reference and comparison among periods.

- If the enterprise has applied retroactively changes in accounting policies or retroactive adjustment of important errors of the previous year, they must adjust comparative figures (figures in column "beginning") to ensure principles of comparing and explain this clearly. In case of any reasons which lead the figures in column "beginning" to inability to compare with figures in column "Ending", this must be indicated in the notes to financial statements.

- For the items required the notes under the fair value, if the fair value is not identifiable, the reasons must be specified.

***Additional information for items presented in income statements.***

- In this section, enterprises must present and analyze in detail the figures shown in income statements to help users of financial statements to better understand the content of the items of revenues and expenditures.

- The unit of values presented in the section "Additional information for the items shown in the income statement " is the unit used in the income statement. Figures recorded in the column "Previous year" are taken from the notes to financial statements of previous year. Figures recorded in the column "Current year" are set up on the basis of figures taken from:

Income statement of current year;

The general accounting books;

Detailed accounting books and cards or summary of the relevant details.

- Enterprises actively number detailed information presented in this section under the principle of conformity with leading numbers from the income statement and guarantee of easy reference and comparison among periods.

- In case of any reason which leads to inability to compare the figures in column "Beginning" with the figures in column "Ending", this must be indicated in the notes to financial statements.

***Additional information for the Cash flow statement***

- In this section, enterprises must present and analyze the figures presented in the Cash flow statement in order to help users better understand the factors affecting cash flows during the period of the enterprises .

- In case in the period, enterprises purchase or liquidate investments in subsidiaries or other business units, the cash flows must be presented as separate items in the Cash flow statement. This section must provide detailed information relating to the purchase or liquidation of investments in subsidiaries or other business units.

- The unit of values presented in the section "Additional information for the items shown in the cash flow statement " is the unit used in the cash flow statement. Figures recorded in the column "Previous year" are taken from the notes to financial statements of previous year. Figures recorded in the column "Current year" are set up on the basis of figures taken from:

Cash flow statement of current year

The general accounting books;

Detailed accounting books and cards or summary of the relevant details.

***Other information***

- In this section, enterprises must present other important information (if any) in addition to the information presented in the section above to provide information to describe in words or in figures under the provisions of the specific accounting Standards to help users understand the financial statements of the enterprises presented honestly and reasonably.

- When presenting information in this section, depending on the requirements and characteristics of information as prescribed from point 1 to point 7 of this section, enterprises can give detailed and suitable forms, and the necessary comparable information.

- In addition to the information presented under the provisions of section 4.1 to section 4.8, enterprises shall present additional information if they deems necessary for the users of financial statements of the enterprises.

**Chapter IV**

## ACCOUNTING VOUCHERS

**Article 116. General provisions on accounting vouchers**

Accounting vouchers applied to enterprises must comply with the provisions of the Law on Accounting, Decree No. 129/2004 / ND-CP dated May 31, 2004 of the Government and the amending and supplementing documents .

**Article 117. System of accounting forms and vouchers**

1. Types of vouchers in Appendix 3 of this Circular are under guidance. Enterprises shall actively develop, design accounting forms and vouchers in accordance with their operational characteristics and management requirements which must meet the requirements of the Law on Accounting and ensure principles of clear, transparency, timeliness, easy inspection, control and comparison.

2. If enterprises do not develop and design forms and vouchers themselves, enterprises may apply the system of forms and guidance on content of accounting records in accordance with the guidance in Appendix 3 of this Circular.

3. Enterprises have the peculiar economic and financial operation under the adjustment of other legal documents shall apply the provisions of vouchers in such documents.

**Article 118. Making and signing accounting vouchers**

1. All economic, financial operations incurred relating to the operation of enterprises must be made accounting vouchers. Accounting vouchers are made only 1 time for one economic, financial operation arising. Contents of accounting vouchers must have full items, must be clear, honest for contents of economic, financial operation arising. The writing in the vouchers should be clear, not erased, not abbreviated. Amounts in words must match correctly the amounts written in numbers.

2. Accounting vouchers must be made in full copies as prescribed for each voucher. Vouchers made in many copies must be made once and for all copies in the same content. In special case, vouchers are made in many copies but cannot write once for all copies, they made be written  twice but consistency of content and legality of all copies must be ensured.

3. All accounting vouchers signed fully in accordance with the titles prescribed in vouchers are effective. Electronic vouchers must have electronic signature in accordance with law. All signatures in accounting vouchers must be signed in ballpoint pens or ink pens, not be signed in red ink, pencils, signatures in vouchers used for payment must be signed by each copy. The signature in the accounting vouchers of a person must be consistent and must match the signature registered under

the regulations, if the signature is not registered, the signature in following time must match the signature in previous times.

4. Enterprises having no chief accountants must appoint a person in charge of accounting to deal with customers, banks, the signature of chief accountant is replaced by the signature of the person in charge of accounting of such units . The person in charge of accounting must comply with duties, responsibilities and rights provided to the chief accountant.

5. The signature of the head of the enterprise (General Manager, Director or the authorized person), of the chief accountant (or authorized person) and the mark in the voucher must fit the valid mark and signature samples registered in the bank. The signature of accountants in the voucher must match the signature registered with the Chief Accountant.

6. Chief Accountant (or authorized person) must not signed " per procuration" by the head of the enterprise. The authorized person must not authorize to others.

7. Enterprises must open the register of specimen signatures of the treasurers, the accountants, chief accountant (and authorized person), General director (and authorized person). The register of specimen signature must be numbered pages, sealed and managed by the head of the unit (or authorized person) for easy inspection as needed. Each person must sign three specimen signatures in the registry.

8. Individuals who are entitled to or are authorized to sign vouchers must not sign accounting vouchers when they have not recorded or have not recorded fully the contents of vouchers under the responsibility of the signers.

9. The decentralization of signing in vouchers shall be prescribed by the General director (Director) of enterprises in accordance with the law, management requirements ensuring strict control, security of assets.

**Article 119. Rotation order and inspection of accounting vouchers**

1. All accounting vouchers made by the enterprise or transferred to from outside must be gathered in accounting department of enterprises. Accounting department shall inspect such accounting vouchers and only after inspecting and verifying the legality of the vouchers, use such vouchers to record in accounting books.

2. The order of accounting vouchers includes as follows:

- Accounting vouchers are prepared, received, handled;

- Accountants, chief accountant check and sign the vouchers or request the Director of the enterprise for approval;

- Accounting vouchers are classified, organized, transactions and accounting books are recorded;

- Accounting vouchers are stored and preserved.

3. Procedures of inspection of accounting vouchers.

- Inspect the clear, honesty, fullness of items, factors recorded in the accounting vouchers;

- Inspect the legality of economic, financial operations arising recorded in the accounting vouchers, compare accounting vouchers with other relevant documents;

- Check the accuracy of the figures and information in the vouchers.

4. When inspecting vouchers, if accountants detect violations of policies, regulations and the regulations on economic , financial management of the State, they must refuse to make payment or dispatch warehouse, ... and immediately notify the Director of the enterprise to handle promptly according to current law. For the accounting vouchers inconsistent with procedures, contents and numbers are not clear, the person who is responsible for inspection or recording must return them, require further actions and adjustments which are a basis of recording later.

**Article 120. Translation accounting vouchers into Vietnamese**

The accounting vouchers written in foreign languages, when used for recording in accounting books in Vietnam must be translated into Vietnamese. Vouchers seldom incurred or repeatedly incurred which are not identical must be translated the entire contents of vouchers. Vouchers incurred repeatedly, have the same content, then the first copy shall be translated fully, from the second copy onward is only translated the main contents such as: name of the voucher, name of the unit and individual preparing, name of the unit and individual receiving, economic content of vouchers and title of the person signing the vouchers ... The translator must sign, record full name, and is responsible for the content translated into Vietnamese. The vouchers translated into Vietnamese must be attached to the original in foreign languages.

**Article 121. Use, management, print and issuance of accounting forms and vouchers**

1. Enterprises may buy or design, print themselves but must ensure the main contents of the vouchers specified in Article 17 of the Law on Accounting.

2. Vouchers must be preserved carefully, not be damages or decayed. Check and valuable papers must be managed as money. Enterprises that use electronic vouchers for economic, financial operation and recording accounting books must comply with the provisions of the legal documents on electronic vouchers.

**Chapter V**

## ACCOUNTING BOOKS AND ACCOUNTING FORMS

### Article 22. Accounting books

1. The accounting books for recording, systematizing and storage all of the economic and financial operation incurred according to the economic content and the time order relating to enterprises. Each enterprise has only one accounting book system for an accounting period. Enterprises must implement the provisions of the accounting books of the Accounting Law, the Government's Decree No. 129/2004 / ND-CP dated May 31, 2005 providing instructions on the implementation of the Law on Accounting in business, documents providing guidance on the Law on Accounting and guiding documents amending and supplementing the Law on Accounting.

2. Enterprises shall develop forms of accounting books of their own but must provide information about economic transactions transparently, completely, easily to check, easily to control and easily to compare. In case of not developing forms of accounting books, enterprises may apply accounting book forms under the guidance in Appendix 4 of this Circular if they are in accordance with their management characteristics and trading.

3. Depending on the operational characteristics and management requirements, enterprises shall develop the form of recording accounting books of their own based on guarantee of information about the transactions that must be recorded fully and promptly, easily to check, control and compare. In case of not developing the form of recording accounting books of their own, enterprises may apply the forms of recording accounting books under the guidance in Appendix 4 of this Circular to prepare financial statements if they match their management characteristics and operation.

### Article 123. Responsibilities of person keeping and recording accounting books

The accounting books must be closely managed, clearly assigned responsibilities of people keeping and recording the books. The staff who is assigned accounting books must take responsibility for the things written in the books and keeping the books during the use of the books. When there is a change in staff keeping and recording the books, the chief accountant must transfer the responsibility in management and recording the books between old and new staff. The transfer note must be signed for approval by the chief accountant.

### Article 124. Open, recording accounting books and signature

1. Open accounting books

The accounting books must be opened at the beginning of the annual accounting period. For newly established enterprises, the accounting books must be opened since its establishment. The legal representative and chief accountant of the enterprise are responsible for signing the accounting books. The accounting books may be bounded or may be in separate sheets. The sheets after use must be bounded for storage. Before the accounting books are used, the following procedures must be completed:

- For bounded accounting books: The first page of the books must be recorded clearly the name of enterprises, name of the book, opening date of the book, accounting year and recording period, full name, signature of the person keeping and recording the book, of the chief accountant and the legal representative, end date of transfer date of the book to others. The accounting books must be numbered pages from the first page to the last page, there must be a stamp between two pages of the books of the accounting unit.

- For books in separate sheets: The beginning of books in separate sheets must be clearly recorded enterprise's name, ordinal numbers of each sheet, book’s name, month of use, full name of the person keeping and recording books. The sheets before use must be signed by director of enterprise or authorized person, stamped and recorded in the use register of the in separate sheets. The books in separate sheets must be arranged in order of accounts and must be ensured the safety, easiness in finding.

2. Book recording: The recording accounting books must be based on accounting vouchers inspected meeting the provisions on accounting vouchers. All the figures recorded in the accounting books required legal and reasonable vouchers.

3. Book closing: At the end of period, accountants must close accounting book before preparing the financial statements. In addition, they must close accounting books in the case of inventory or other cases as prescribed by law.

4. The person recording the books of accounting service units must sign and record clearly the number of practice certificate, name and address of the units providing accounting services. The person recording accounting books is an individual, the number of practice certificate must be recorded clearly.

**Article 125. Rectification of accounting books**

1. Upon detection of any errors of accounting books of reporting period, they must be rectified by the methods in accordance with the provisions of the Law on Accounting.

2. In case of detecting errors in the previous period, enterprises must adjust retrospectively in accordance with the provisions of accounting standards "Change in accounting policies, accounting estimates and errors".

**Chapter VI**

## IMPLEMENTATION

**Article 126. Transfer of balances in accounting books**

1. Enterprises shall transfer the balances of following accounts:

- The detailed balances of gold, silver, precious metals and jewels recorded in Accounts 1113 and 1123 shall be transferred as follows:

The value of gold (which is not considered monetary gold), silver, precious metals and jewels used as inventory are transferred to be recorded on the accounts related to inventory, such as Account 152 - Raw materials, materials or Account 156 - Goods under the principle of conformity with use purpose and classification in the enterprise;

The value of gold (which is not considered monetary gold), silver, precious metals, jewels which are not used as inventory are transferred to be recorded in Account 2288 - Other Investments;

- The balance of accounts of bonds, treasury bills, bills held to maturity, not held for trading purposes (buying for selling to gain a profit through differences in buying and selling price) recorded in Account 1212 - short-term securities investment are transferred to Account 128 - Investments held to maturity (details for each sub-account);

- The balances of long-term loans, term deposits recorded in Account 228 - Other long-term investments are transferred to Account 128 - Investments held to maturity (details for each sub-account)

- The value of real property goods constructed, produced by enterprises monitored in Account 1567 – Real property goods is transferred to be monitored in account 1557 - Real property finished products. Account 1567 only records the real property purchased for selling like other goods by enterprises.

- The balance of account 142 - Short-term prepaid expenses is transferred to Account 242 - Prepaid expenses;

- The balance of Account 144 - short-term pledge, deposit is transferred to Account 244 - Pledge, mortgage, deposit;

- The balances of the provisions recorded in Accounts 129, 139, 159 are transferred to Account 229 - Provision for asset losses (detail for each sub-account matching provision's content);

- The value of real property constructed, invested by enterprises (not buying for selling as goods) recorded as real property goods in Account 1567 is transferred to Account 1557 – Real property finished products;

- The balance of investments in associated companies recorded in Accounts 223 is transferred to Account 222- Investments in associated companies and joint ventures;

- The balance of account 311 - Short-term debt, Account 315 - Long-term liabilities at maturity, Account 342 – Loans and finance lease liabilities;

- Advances for costs of repair, maintenance of the normal operation of fixed assets (for fixed assets in accordance with the technical requirements repaired periodically), the cost of environmental reconstitution and ground return and amounts of similar nature recorded on Account 335 – expenses payable are transferred to Account 352 – Provisions payable (details of Account 3524);

- The balance of Account 415 - Financial reserve funds is transferred to Account 414 - Development investment funds;

2. Other contents recorded in detail in the relevant accounts inconsistent with this Circular shall be adjusted in accordance with the provisions of this Circular.

**Article 127. Retroactive provisions**

1. Enterprises being investors of real property (including cases of self-construction of real property) recorded a revenue for the sums prepaid by the clients according to schedule, if the work is not completed before this Circular takes effect, they must rectify errors due to recording revenue and retroact financial statements in accordance with the provisions of Accounting Standards of Vietnam "Changes in accounting policies, accounting estimates and the errors ".

2. Enterprises which have recorded revenues of dividends, profit shared used to revalue investments when determining the value of enterprises for equitization must adjust retroactively the financial statements to record dividends, profits divided and record a decrease in value of the investments.

3. Enterprises which do not continue deduct depreciation of the investment real property held for price increase and shall not retroact all accumulated depreciation costs deducted from the previous periods.

4. Enterprises report information compared in financial statements for the items having changes between this Circular and enterprise accounting policy issued under Decision No. 15/2006 / QD-BTC dated March 20, 2006 of the Minister of Finance and explain the reason of changes in enterprise accounting policy.

**Article 128.** This Circular takes effect after 45 days from signing and is applied to financial years beginning on or after January 01, 2015. Provisions that are contrary to this Circular are hereby annulled. This Circular replaces the enterprise accounting policy issued under Decision No. 15/2006 / QD-BTC dated March 20, 2006 of the Minister of Finance and Circular No. 244/2009 / TT-BTC dated December 31, 2009 of the Ministry of Finance. Contents of the Circular guiding the Vietnamese Accounting Standards that are not contrary with this Circular are still valid.

Before the accounting Standard for financial instruments and documents guiding the implementation of accounting Standards of financial instruments are issued, units are encouraged (but not required) to present and explain financial instruments in accordance with the provisions of Circular No. 210/2009 / TT-BTC dated November 06, 2009 of the Ministry of Finance guiding the application of international accounting Standards for presentation of financial statements and explanation for financial instruments.

**Article 129.** The General companies, the companies that have specific accounting policies issued separate Circular or approved by the Ministry of Finance must base on this Circular to guide and supplement accordingly.

**Article 130.** The Ministries, the People’s Committee, the Service of Finance, Provincial Department of Taxation in central-affiliated cities and provinces shall be responsible for guiding enterprises in implementation of this Circular. Any problems arising in the course of implementation should be reported to the Ministry of Finance for study and settlement. /.

**PP. MINISTER**
**DEPUTY MINISTER**

**Tran Xuan Ha**

**ATTACHED FILE**

Appendix 1 Appendix 2 Appendix 3