

# LAW 88 ON ACCOUNTING

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## **LAW ON ACCOUNTING**

Pursuant to the Constitution of the Socialist Republic of Vietnam; The National Assembly hereby promulgates the Law on Accounting.

### CHAPTER 1

#### **General Provisions**

**Article 1** *Governing scope*

This Law regulates the contents of accounting work, the organization of an accounting apparatus, accountants, accounting business service activities, and State administration of accounting and of professional accountancy organizations.

**Article 2** *Applicable entities*

- 1 All level agencies with the duty of collecting State Budget revenue and spending State Budget funds.
- 2 State agencies, organizations and professional entities funded by the State Budget.
- 3 Organizations and professional entities not funded by the State Budget.
- 4 Enterprises established and operating in accordance with the law of Vietnam; and branches and representative offices of foreign enterprises operating in Vietnam.
- 5 Co-operatives and co-operative federations.
- 6 Family business households and co-operative teams.
- 7 People doing accounting work [accounting personnel].
- 8 Accountancy practitioners; and enterprises and family business households providing accounting business services.
- 9 Professional accountancy associations.
- 10 Other agencies, organizations and individuals involved in accounting and accounting business services activities in Vietnam.

**Article 3** *Definitions*

In this Law the following terms are defined as follows:

- 1 *Financial statements* means the system of financial and economic information of an accounting entity

which is expressed in the standard form prescribed by accounting standards and the accounting regime.

- 2 *Accounting regime* means regulations and guidelines on accounting in any one sector or on a number of items of specific work [jobs], issued by the State administrative agency for accounting or by an organization authorized by such agency.
- 3 *Accounting source documents* means papers and materials containing information which reflect economic and financial transactions which arose and which have been completed, and which are used as the basis for posting entries in accounting books.
- 4 *Accounting entity* means any agency, organization or entity prescribed in clauses 1, 2, 3, 4 or 5 of article 2 of this Law which prepares financial statements.
- 5 *Original cost* means the initially recognized value of an asset or debt payable [liability]. Calculation of the original cost of an asset shall include the costs of its purchase, loading and unloading, transport, assembly, processing and other directly related costs as stipulated by law up until the asset is in a state ready for use.
- 6 *Fair value* means the value determined in line with market price and being the price receivable on selling the asset or paid on transfer of the liability as at the time of determining such value.
- 7 *Accounting forms* means sample forms for accounting books and for the sequence and methods of posting entries in accounting books and the relationship between such accounting books.
- 8 *Accounting* means the work of collating, processing, checking, analysing and providing economic and financial information in the forms of value, in kind, and labour duration.
- 9 *Financial accounting* means the work of collating, processing, checking, analysing and providing economic and financial information in the form of financial statements for entities wishing to use the information of the accounting entity.
- 10 *Management accounting* means the work of collating, processing, analysing and providing economic and financial information pursuant to managerial requirements and for economic and financial decisions to be made internally by an accounting entity.
- 11 *Accountancy practitioner* means a person issued with a certificate of registration as an accounting services practitioner in accordance with the provisions of this Law.
- 12 *Accounting inspection* means a consideration and assessment of compliance with the Law on Accounting and of the truthfulness and accuracy of accounting information and data.
- 13 *Accountancy services business* means provision of accounting services, acting as chief accountant, preparing financial statements, providing accounting consultancy and other work within the contents of accounting work prescribed in this Law, for organizations and individuals requesting such services.
- 14 *Accounting period* means a period of time determined from the time an accounting entity commences to post entries in accounting books up until the time it ends the posting of such entries and closes the accounting books in order to prepare financial statements.
- 15 *Economic and financial transactions* means specific activities which arise and which increase or reduce assets or sources from which assets are formed of an accounting entity.
- 16 *Accounting methods* means specific modes and procedures for carrying out each item of accounting work.
- 17 *Electronic media* means operational media based on the following technologies namely electric, electronic, digital, magnetic, wireless transmission, optic, electromagnetic and other similar technology.

- 18 *Accounting data* means accounting source documents, accounting books, financial statements, management financial reports, audit reports, accounting inspection reports and other data relevant to accounting.

**Article 4** *Accounting tasks*

- 1 Collation and processing of accounting information and figures in accordance with the objects and contents of accounting work and in accordance with accounting standards and regimes.
- 2 Inspection and supervision of items of financial revenue and expenditure, of obligations to collect, lodge and pay debts; inspection of the management and use of assets and sources from which the assets were formed; and identification and prevention of conduct in breach of the law on finance and accounting.
- 3 Analysis of accounting information and figures; provision of advice and proposed solutions servicing managerial requirements and for the accounting entity [concerned] to make economic and financial decisions.
- 4 Provision of accounting information and figures in accordance with law.

**Article 5** *Accounting requirements*

- 1 To fully reflect economic and financial transactions which arise in accounting source documents, accounting books and financial statements.
- 2 To promptly reflect accounting information and figures within the stipulated time-limits.
- 3 To reflect accounting information and figures clearly, in an easily understood manner, and accurately.
- 4 To reflect truthfully and objectively the status and essence of matters, and the content and value of economic and financial transactions.
- 5 Accounting information and figures must be reflected continuously as from the time when an economic and financial activity arises up until the time when it terminates, and as from the time an accounting entity is established up until the time it terminates its operation, and accounting figures in any one period must be continued from the accounting figures of the previous period.
- 6 To classify and arrange accounting information and figures in order, systematically, and so that they may be able to be compared and verified.

**Article 6** *Accounting principles*

- 1 The value of assets and liabilities must be initially recognized at their original cost. After such initial recognition and applicable to a number of types of assets and liabilities whose value frequently fluctuates following market price, and when the value of such asset or liability is able to be reliably recalculated, then such value shall be recognized at fair value at the end of the period for formulating the financial statements.<sup>2</sup>
- 2 Accounting regulations and accountancy methods which have been selected must be consistently applied throughout annual accountancy periods; and if there is any change in such selected regulations and methods, then the accounting entity must provide an explanatory note for same in its financial statements.
- 3 Accounting entities must collate and reflect economic and financial transactions which arise objectively, fully, in accordance with reality [truthfully], and within the correct accounting period.
- 4 Financial statements must be prepared fully and accurately, and be promptly sent to the competent agency. Information and figures in the financial statements of an accounting entity must be published in accordance with articles 31 and 32 of this Law.

- 5 Accounting entities must use methods to assess assets and to allocate revenue and expenditure in a prudent manner without distorting the results of their economic and financial activities.
- 6 The formulation and presentation of financial statements must ensure that the substance of a transaction is reflected rather than the form and name of the transaction.<sup>3</sup>
- 7 State agencies, organizations and professional entities using State Budget funding must, in addition to compliance with clauses 1 to 6 inclusive above, also conduct accounting in accordance with the State Budget table of contents.

**Article 7** *Accounting standards and accounting professional ethics*

- 1 Accounting standards comprise basic regulations and methods for preparing financial statements.
- 2 Professional accounting ethics comprise regulations and guidelines on the principles and applicable contents of professional ethics which apply to accounting personnel, accountancy practitioners, and to enterprises and family business households providing accounting services.
- 3 The Ministry of Finance shall regulate accounting standards and accounting professional ethics on the basis of international standards on accounting and consistent with the specific conditions of Vietnam.

**Article 8** *Accounting objects*

- 1 Accounting objects with respect to operating revenue and expenditure of the State Budget, with respect to administrative and professional entities, and with respect to operations of entities and organizations using State Budget funding comprise:
  - (a) Cash, materials [supplies] and fixed assets;
  - (b) Funding sources, funds;
  - (c) All sums paid inside and outside the accounting entity;
  - (d) Revenue and expenditure, and processing differences in operating revenue and expenditure;
  - (dd) State Budget revenue and expenditure and final balances [remainders];
  - (e) Financial investments, and State credit facilities;
  - (g) Public debts and processing public debts;
  - (h) Public assets;
  - (i) Other assets, and other revenue and expenditure and other debts and obligations payable relevant to the accounting entity.
- 2 Accounting objects with respect to operations of entities and organizations not using State Budget funding comprise assets and sources from which the assets are formed as prescribed in sub-clauses (a), (b), (c), (d) and (i) of clause 1 above.
- 3 Accounting objects with respect to business operations, excluding those prescribed in clause 4 below, comprise:
  - (a) Assets;
  - (b) Debts payable and owner's equity;
  - (c) Items of business revenue and expenditure, and other income and expenses;
  - (d) Taxes and items payable to the State Budget;

- (dd) Business operational results and distributions from such results;
  - (e) Other assets, and other revenue and expenditure and other debts and obligations payable relevant to the accounting entity.
- 4 Accounting objects with respect to banking, credit, insurance and securities operations and financial investments comprise:
- (a) The objects prescribed in clause 3 above;
  - (b) Items being financial investments and credit items;
  - (c) All sums paid within and outside the accounting entity;
  - (d) Committed amounts, guarantees and valuable papers.

**Article 9** *Financial accounting, management accounting, general accounting and detailed accounting*

- 1 Accounting at any one accounting entity comprises financial accounting and management accounting.
- 2 When an accounting entity conducts the work of financial accounting and management accounting, it must conduct both general accounting and detailed accounting as follows:
- (a) General accounting must include collating, processing, taking down notes and providing comprehensive information about the economic and financial activities of the accounting entity. General accounting shall use a currency unit in order to reflect the status of assets and the sources from which such assets are formed, and the status and results of economic and financial activities of the accounting entity. General accounting must be conducted on the basis of the information and figures in detailed accounting;
  - (b) Detailed accounting must include collating, processing, taking down notes and providing detailed information in a currency unit, in a unit of kind, and in a unit of labour duration depending on each specific accounting object in the accounting entity. Detailed accounting shall provide explanations of the general accounting. Detailed accounting figures must correctly match the general accounting figures during any one accounting period.
- 3 The Ministry of Finance provides guidelines on the applicability of management accounting in conformity with each operational sector.

**Article 10** *Units of calculation to be used in accounting*

- 1 The unit of calculation to be used in accounting is Vietnamese dong for which the national symbol is đ and the international symbol is VND. If an economic and financial transaction arises in a foreign currency, the accounting entity must record it in the original currency and in Vietnamese dong at the actual exchange rate, except where otherwise provided by law; any foreign currency without an exchange rate with Vietnamese dong must be converted via a type of foreign currency which does have an exchange rate with Vietnamese dong.

An accounting entity whose revenue and expenditure is mainly denominated in one type of foreign currency may select such foreign currency as its accounting currency and shall be legally liable for same and must notify it to the tax office directly managing it. The accounting entity must, when preparing financial statements for use in Vietnam, convert such currency into Vietnamese dong at the actual exchange rate<sup>4</sup>, except where otherwise provided by law.

- 2 Units in kind and units in labour duration are official units of measurement of the Socialist Republic of Vietnam; if other units of measurement are used, they must be converted to official units of measurement of the Socialist Republic of Vietnam.



- 3 An accounting entity is permitted to round up figures and to use abbreviated monetary units when preparing or publishing financial statements.<sup>5</sup>
- 4 The Government shall provide detailed regulations and guidelines for implementation of this article.

**Article 11** *Letters and numerals to be used in accounting*

- 1 The writing system [script] to be used in accounting is the Vietnamese language. If a foreign language must be used in accounting source documents, accounting books and financial statements in Vietnam, then both the Vietnamese language and the foreign language must be used simultaneously.
- 2 The numbering system to be used in accounting is the Arabian numeral system; a point (.) must be placed after thousands, millions and billions; and when numbers are written after the numeral representing unit, they must be preceded by a comma (,).<sup>6</sup>
- 3 Enterprises and branches of foreign enterprises or of foreign organizations which must send their financial statements to the parent company or to an organization overseas, or which use the same management software and software for payment of transactions as their parent company or an overseas organization are permitted to use a comma after thousands, millions and billions; and when numbers are written after the numerical representing unit, they are permitted to be preceded by a point which practice must be explained in the data, accounting books or financial statements. In such case, the financial statements lodged with the tax office, statistics office or other State authority must be prepared in accordance with the provisions in clause 2 above.

**Article 12** *Accounting periods*

- 1 Accounting periods comprise annual accounting periods, quarterly accounting periods and monthly accounting periods which are regulated as follows:
  - (a) The annual accounting period is twelve (12) months calculated from the beginning of 1 January until the end of 31 December of the western calendar. Accounting entities which have their own particular characteristics regarding organization and operation are permitted to select an annual accounting period being twelve (12) full months according to the western calendar commencing from the beginning of the first day of the first month of any one quarter until the end of the last day of the last month of the previous quarter in the following year, and they must notify the finance and tax offices for their information;
  - (b) The quarterly accounting period is three (3) months calculated from the beginning of the first day of the first month of a quarter until the end of the last day of the last month of the quarter;
  - (c) The monthly accounting period is one month calculated from the beginning of the first day of the month until the end of the last day of the month.
- 2 Accounting periods of newly established accounting entities are regulated as follows:
  - (a) The initial accounting period of a newly established enterprise is calculated from the beginning of the day of issuance of its enterprise registration certificate until the end of the last day of the annual accounting period, quarterly accounting period and monthly accounting period in accordance with the provisions in clause 1 above;
  - (b) The initial accounting period of other accounting entities is calculated from the beginning of the day of effectiveness recorded in their establishment decision until the end of the last day of the annual accounting period, quarterly accounting period and monthly accounting period in accordance with the provisions in clause 1 above.

- 3 When an accounting entity separates, consolidates, merges or converts its form of ownership, dissolves, terminates its operation or is declared bankrupt then its final accounting period is calculated from the beginning of the first day of the annual accounting period, quarterly accounting period and monthly accounting period in accordance with the provisions in clause 1 above up until the end of the day prior to the date of effectiveness of the decision on separation, consolidation, merger, conversion of form of ownership, or dissolution, termination of operation or bankruptcy.
- 4 If an initial annual accounting period or final annual accounting period is of shorter duration than ninety (90) days, it is permitted to add such period to the following annual accounting period, or to add such period to the previous annual accounting period in order to make up one annual accounting period; the initial annual accounting period or the final annual accounting period must be shorter than fifteen (15) months.

**Article 13** *Conduct which is strictly prohibiting*

- 1 Fabrication of accounting source documents or other accounting data, or making a false declaration, or coercing another person to fabricate or erase or make a false declaration in accounting source documents or other accounting data.
- 2 Intentionally providing, or colluding with or coercing another person to provide or certify false accounting information and figures.
- 3 To record off the balance sheets assets or debts payable belonging to an accounting entity or relevant to the accounting entity.
- 4 Destroying or deliberately damaging accounting data prior to expiry of the time-limits for archiving same prescribed in article 41 of this Law.
- 5 Promulgating or announcing accounting standards or accounting regimes contrary to authority to do so.
- 6 Bribing, threatening, taking revenge on or coercing accounting personnel to perform accounting work incorrectly in terms of this Law.
- 7 People responsible to manage or operate accounting entities who work concurrently as accountants, storekeepers or cashiers [for such entities] except for private enterprises and single member LLCs owned by an individual.
- 8 Arranging work for or hiring an accountant or chief accountant who fails to satisfy the standards and conditions prescribed in articles 51 and 54 of this Law.
- 9 Hiring or borrowing, or leasing or lending out an accounting certificate or certificate of registration of accountancy practicing services in any form.
- 10 Setting up two (2) or more systems of financial accounting books, or providing or publishing financial statements with inconsistent data within the same accounting period.
- 11 Providing accounting services without having been issued with a certificate of satisfaction of conditions for same [*SC certificate*] or a practising certificate on failing to satisfy the conditions prescribed in this Law.
- 12 Using the expression "accounting services" in the enterprise name after six (6) months have expired from the date of issuance of the enterprise registration certificate but the offender has still not been issued with an SC certificate, or using such name after the enterprise has terminated provision of accounting services.
- 13 An accounting entity hires an individual or organization failing to satisfy the conditions for practice or the conditions for accounting business services, to provide services to such entity.

- 14 An accountancy practitioner or an accounting services enterprise colludes with a client to provide or certify false accounting information and data.
- 15 Other prohibited acts during accounting operations as prescribed by the law on anti-corruption.

**Article 14** *Validity of accounting data and figures*

- 1 Accounting data and figures have legal validity with respect to the accounting entity, and shall be announced and published in accordance with law.
- 2 Accounting data and figures are the basis for formulating and approving plans, budgets, accounting finalization, and for considering and dealing with illegal conduct.

**Article 15** *Responsibility to manage, use and provide accounting information and data*

- 1 Accounting entities are responsible to manage, use, preserve and archive their accounting data.
- 2 Accounting entities are responsible to promptly provide complete, truthful and transparent accounting information and data to agencies, organizations and individuals in accordance with law.

## CHAPTER 2

### Contents of Accounting Work

#### Section 1

#### Accounting Source Vouchers

**Article 16** *Contents of accounting source vouchers*

- 1 An accounting source voucher must contain the following main items:
  - (a) Name and serial number of such document;
  - (b) Date of preparation of such document;
  - (c) Name and address of the agency, organization, entity or individual who prepared such document;
  - (d) Name and address of the agency, organization, entity or individual receiving such document;
  - (dd) Contents of the economic and financial transaction which arose;
  - (e) Quantity, unit price and monetary amount of the economic and financial transaction written in figures; and the total monetary amount written in both figures and words if the document is used to receive or pay money;
  - (g) Signatures and full names of the maker, approver and related persons of such document.
- 2 Accounting source vouchers may have items in addition to those prescribed in clause 1 above, depending on the type of such document.

**Article 17** *Electronic source vouchers*

- 1 An electronic source voucher is deemed to be an accounting source voucher when it contains the items prescribed in article 16 above and is expressed in electronic data form, encoded and not able to be altered during the process of its transmission via a computer or telecom network or other information-carrying object such as a tape, disk or payment card.
- 2 An electronic source voucher must ensure the confidentiality and integrity of its data and information during the process of its use and archiving; it must be managed and checked for all forms of hacking, infringement, copying, theft or use contrary to regulations. An electronic source voucher must be managed the same as the original form accounting data in which it was created, sent or received but

requiring appropriate equipment to be able to use it.

- 3 When a paper source voucher is converted into an electronic source voucher for transaction or payment, or vice versa, then such electronic document is valid for implementation of the economic and financial transaction, and the paper document is only valid to retain for the purposes of recording in accounting books, for monitoring and for checking but not for transaction or payment.

**Article 18** *Formulation and archiving of accounting source vouchers*

- 1 An accounting source voucher must be formulated for each economic and financial transaction which arises and which is relevant to the operation of the accounting entity. Such accounting source voucher shall be made on only one occasion for each economic and financial transaction.
- 2 Accounting source vouchers must be made on a sample form and must be legible and complete and prepared promptly, and must accurately record the contents [of the transaction]. An accounting entity may itself prepare the accounting source voucher if there is not yet any standard form, but such document must contain all the items prescribed in article 16 above.
- 3 The contents of an economic and financial transaction recorded on an accounting source voucher must not be abbreviated, erased or amended; writing must be made with an ink pen, and figures and words must follow one another consecutively without any space between them, and any blank spaces must be crossed out. Documents with items which have been erased or amended shall not be valid for payment or for recording in accounting books. When an accounting source voucher is written incorrectly, it must be cancelled by being crossed out.
- 4 An accounting source voucher must be prepared in a sufficient number of copies as stipulated by regulations. If multiple copies of an accounting source voucher must be prepared for the one economic and financial transaction, then the contents of each copy must be the same.
- 5 The person drawing an accounting source voucher, the person approving it and other signatories must be wholly liable for the contents of such voucher.
- 6 An accounting source voucher prepared in the form of an electronic document must comply with the provisions in article 17 of this Law and with clauses 1 and 2 of this article. Electronic source vouchers may be printed out and then [must be] archived in accordance with article 41 of this Law. If an electronic source voucher is not printed out but is archived in its electronic form, then information and data in such document must be kept safe and confidential, and must be searchable during the archiving duration.<sup>7</sup>

**Article 19** *Signing accounting source vouchers*

- 1 Accounting source vouchers must contain all the necessary signatures by the holders of the positions specified in such document. Signatures must be written in non-fadable ink. Accounting source vouchers must not be signed in red ink or by affixing a seal with an engraved signature. Any one signatory must use a uniform [the same] signature on all accounting source vouchers. Separate Government regulations apply to signatures of blind people on accounting source vouchers.
- 2 A signature on an accounting source voucher must be that of the person authorized to sign or of his or her authorized delegate. It is strictly prohibited for an accounting source voucher to be signed prior to the signatory having recorded on the voucher all of the items for which he or she is responsible.
- 3 An accounting source voucher for the disbursement of money must be signed by the person authorized to approve the disbursement and by the chief accountant or authorized person prior to such disbursement being made. Signatures on accounting source vouchers used for disbursement of money must be signed on each copy.
- 4 Electronic source vouchers must contain electronic signatures; and signatures on electronic source vouchers have the same validity as those on paper source vouchers.

**Article 20** *Invoices*

- 1 *Invoice* means an accounting source voucher prepared by an organization or individual selling goods or providing services and which records information about such sale of goods or provision of services in accordance with law.
- 2 The contents and forms of invoices, the sequence for their preparation, and their management and use shall be implemented in accordance with the law on taxation.

**Article 21** *Management and use of accounting source vouchers*

- 1 Information and figures on an accounting source voucher shall provide the basis for posting entries in accounting books.
- 2 Accounting source vouchers must be arranged in accordance with their economic contents and in chronological order, and they must be preserved safely in accordance with law.
- 3 Only authorized State agencies have the right to temporarily retain [or seize], to confiscate or to seal up accounting source vouchers. An authorized State agency which temporarily retains or confiscates an accounting source voucher must make a copy of such document and sign confirmation on the copy and hand the copy to the accounting entity; at the same time the agency shall prepare minutes specifying the reason for such temporary retention or confiscation, the quantity of each type of document which was temporarily retained or confiscated, and the agency must sign and seal the minutes.
- 4 Any authorized State agency which seals up an accounting source voucher must prepare minutes specifying the reason for and the quantity of each type of document which was sealed up, and the minutes must be signed and sealed.

## Section 2

**Accounting [Book-keeping] Accounts and Accounting Books****Article 22** *Accounting [book-keeping] accounts and the chart [system] of accounting accounts*

- 1 Accounting [book-keeping] accounts shall be used to classify and systemize economic and financial transactions in accordance with their economic contents.
- 2 A chart of accounts [system of book-keeping accounts] shall include all accounting accounts which are required to be used. Each accounting entity may only use the one chart of accounts for financial accounting purposes in accordance with regulations of the Ministry of Finance.
- 3 The Ministry of Finance regulates in detail accounting accounts and charts of accounts applicable to the following accounting entities:
  - (a) Accounting entities which collect State Budget revenue and spend State Budget funds;
  - (b) Accounting entities funded by the State Budget;
  - (c) Accounting entities not funded by the State Budget;
  - (d) Accounting entities being enterprises;
  - (dd) Other accounting entities.

**Article 23** *Selection and application of chart of accounts*

- 1 Accounting entities shall, based on the charts of accounts regulated by the Ministry of Finance, select one such chart [system of book-keeping accounts] for application at such entity.

- 2 Accounting entities may sub-divide [itemize] their selected chart of accounts in order to service their managerial requirements.

**Article 24** *Accounting books*

- 1 Accounting books shall be used to post entries and to systemize and retain all economic and financial transactions which have arisen and which relate to the accounting entity.
- 2 Accounting books must specify the name of the accounting entity; the name of the book and the dates on which it was opened and closed; the signature of the person establishing the book, and of the chief accountant and legal representative of the accounting entity; the number of pages; and a seal must be affixed between the edges of adjoining pages ["overlapping seal"].
- 3 Accounting books must contain the following basic particulars:
  - (a) Dates on which entries are posted;
  - (b) Symbol and date of the accounting source voucher used as the basis for the entry in such book;
  - (c) Summary of contents of the economic and financial transaction arising;
  - (d) Monetary sum of the economic and financial transaction arising and which is recorded in the accounting accounts;
  - (dd) Balance at the beginning of the period, monetary amounts arising in the period, and balance at the end of the period.
- 4 Accounting books shall comprise general accounting books and detailed accounting books.
- 5 The Ministry of Finance provides detailed regulations on accounting books.

**Article 25** *System of accounting books*

- 1 Accounting entities must, based on the system of accounting books regulated by the Ministry of Finance, select one such system for application at their entity.
- 2 Each accounting entity may use only one system of accounting books for the annual accounting period.
- 3 Accounting entities may itemize the accounting books they have selected in order to meet their managerial requirements.

**Article 26** *Opening, posting entries in, closing and archiving accounting books*

- 1 Accounting books must be opened at the beginning of an annual accounting period; a newly established accounting entity must open its accounting books as from the date of its establishment.
- 2 Accounting entities shall make entries in their accounting books based on their accounting source vouchers.
- 3 Entries must be posted in accounting books promptly, legibly and fully in accordance with their contents. Information and figures posted in accounting books must be accurate, truthful and correct in terms of the accounting source vouchers.
- 4 Entries must be posted in accounting books in the chronological order in which economic and financial transactions arise. Information and figures posted in the books of the following year must continue on from the information and figures recorded in the books of the immediately preceding year. Entries must be posted in accounting books consecutively, as from the date the books are opened up until the date the books are closed.
- 5 Information and figures posted in accounting books must be written with an ink pen, and extra

entries must not be inserted either above or below existing entries; entries must not be made one on top of the other [entries must not be overwritten]; entries must be made on each line [without skipping a line]; and if a page is not fully filled in, then the blank space on the page must be crossed out; when a page has been fully filled in, the total of figures on that page must be added and such total carried forward to the next page.

- 6 Accounting entities must close their accounting books at the end of an accounting period prior to preparing financial statements, and in other cases as stipulated by law.
- 7 Accounting entities are permitted to post entries in their accounting books by electronic devices, in which case they must comply with the provisions on accounting books in articles 24 and 25 and in clauses 1, 2, 3, 4 and 6 of this article, except that they are not required to affix an overlapping seal. When electronic accounting books are closed, they must<sup>8</sup> be printed out on paper and bound into separate books for each annual accounting period for archiving purposes. If the accounting books are not printed out but are archived in electronic form, then the information and data in such books must be preserved safely, kept confidential, and must be searchable within the archiving duration.

#### **Article 27** *Correction of accounting books*

- 1 An entry in an accounting book which is discovered to be in error may not be erased so as to lose trace of the incorrect information or figure, but must be corrected by one of the following methods:
  - (a) [Amendment entry method] by recording the correction by ruling a straight line through the incorrect entry and writing the correct letters or figures above, with the signature of the chief accountant alongside;
  - (b) [Negative entry method] by recording a negative number and rewriting the incorrect number in red ink or in brackets and then writing the correct number, with the signature of the chief accountant alongside;
  - (c) [Additional entry method] by preparing an "amending source voucher" and recording the difference making up the correct figure.
- 2 If an error is discovered in an accounting book prior to lodging the annual financial statements with the competent State agency, then the error in the accounting book must be corrected in that year.
- 3 If an error is discovered in an accounting book after the annual financial statements have been lodged with the competent State agency, then the error must be corrected in the accounting book of the year in which the error is discovered and an explanation provided about such correction.
- 4 Corrections in accounting books in which entries are made electronically shall be implemented by the method prescribed in clause 1(c) above.

#### **Article 28** *Valuation and recognition at fair value*

- 1 The following assets and liabilities shall be assessed [valued] and recognized at their fair value at the end of the period for preparing financial statements [financial reporting period]:
  - (a) Financial instruments required by accounting standards to be recognized and revalued at their fair value;
  - (b) Monetary items originating from [denominated in] foreign currency shall be revalued at their actual exchange rate;
  - (c) Other assets and liabilities which regularly fluctuate in value and which are required by accounting standards to be revalued at their fair value.
- 2 Revaluation of assets and liabilities at their fair value must be based on verifiable grounds. If there

are no grounds for a reliable determination of fair value, then such assets and liabilities shall be recognized at their original cost.

- 3 The Ministry of Finance shall regulate in detail assets and liabilities which must be recognized and revalued at their fair value, and accounting methods for such recognition and revaluation.

### Section 3

#### Financial Statements

##### **Article 29** *Financial statements of accounting entities*

1 The financial statements of an accounting entity shall be used to provide an overall view and explanation of its financial status and operational results. The financial statements of an accounting entity comprise:

- (a) Statement of financial position<sup>9</sup>;
- (b) Profit and loss statement;
- (c) Cash flow statement;
- (d) Explanatory notes to the financial statements;
- (dd) Other reports required by law.

2 Accounting entities shall prepare financial statements as follows:

- (a) An accounting entity shall prepare financial statements at the end of the annual accounting period, but if the law stipulates that financial statements must be prepared according to other accounting periods then the accounting entity shall prepare its financial statements according to such accounting periods;
- (b) Financial statements must be prepared on the basis of the figures after the accounting books have been closed. Higher level accounting entities shall prepare general financial statements or consolidated financial statements based on the financial statements of all of the accounting entities within such higher level accounting entity;
- (c) Financial statements must be prepared with the correct contents and methods and must be presented consistently in all accounting periods; if any one set of financial statements is presented by a different method from that used in another accounting period, then it must contain a clear explanation of the reason;
- (d) Financial statements must be signed by the person preparing them, by the chief accountant and by the legal representative of the accounting entity. Signatories to financial statements shall be liable for the contents.

3 Annual financial statements of an accounting entity must be lodged with the competent State agency within ninety (90) days after the date on which the annual accounting period ends as stipulated by law.

4 The Ministry of Finance regulates in detail the financial statements required for each operational sector, and the responsibilities, objects, period and method of preparing, deadlines for submission, place of receipt and publication of financial statements.

##### **Article 30** *Financial statements of the State*<sup>10</sup>

1 Financial statements of the State are prepared on the basis of consolidating the financial statements of State agencies, of public professional units, of economic organizations and of other related entities in the State sector, and are used to summarize and explain the State's financial position, the results



of State financial operations, and cash flow from State financial operations within each locality as well as on a nationwide basis.

- 2 Financial statements of the State provide information about the status of State Budget revenue and expenditure, about State financial funds, public debt, State capital in enterprises, and assets, funding sources and use of funding sources of the State. Financial statements of the State comprise:
  - (a) Financial statements on State finances;
  - (b) Reports on operational results of State finances;
  - (c) Cash flow statements;
  - (d) Written explanations on the financial statements of the State.
- 3 Financial statements of the State shall be prepared as follows:
  - (a) The Ministry of Finance is responsible to prepare financial statements of the State on a nationwide basis for submission to the Government to in turn report same to the National Assembly; and to instruct the State Treasury to preside over co-ordination with other financial agencies in preparing local financial statements for submission to the provincial people's committee to in turn report to the provincial people's council;
  - (b) Stage agencies, professional units, economic organizations and other related entities are responsible to prepare their own reports and provide the necessary financial information to service preparation of financial statements of the State both within each locality as well as on a nationwide basis.
- 4 Financial statements of the State shall be submitted to the National Assembly and people's council at the same time as State Budget accounting finalizations are submitted in accordance with the *Law on State Budget*.
- 5 The Government regulates in detail the contents of financial statements of the State; the preparation and publication of such statements, and the responsibilities of agencies, entities and localities to provide information to service preparation of such financial statements of the State.

**Article 31** *Contents of financial statements which must be published*

- 1 Accounting entities funded by the State Budget must publicly disclose information about State Budget revenue and expenditure in accordance with the *Law on State Budget*.
- 2 Accounting entities not funded by the State Budget must publicly disclose their annual accounting finalization of revenue and expenditure.
- 3 Accounting entities which use items of capital contribution from the public shall publicly disclose their objectives for raising capital, their use of capital contributed, the entities which contributed such capital, the amount raised, the results of use, and accounting finalization of revenue and expenditure of each capital contributed item.
- 4 Accounting entities which conduct business operations shall publicly announce the following items:
  - (a) Status of assets and liabilities and equity of owner;
  - (b) Business operational results;
  - (c) Setting up funds and use of funds;
  - (d) Income of employees;
  - (dd) Other items required by law.

- 5 On publication of the financial statements of any accounting entity which the law requires to be audited, such financial statements shall enclose the audit report of the auditors.

**Article 32** *Form and time-limits for publication of financial statements*

- 1 Financial statements shall be published in one or more of the following forms:
- (a) By issuing them as a printed publication;
  - (b) By announcing them in the form of a letter;
  - (c) By listing [posting] them;
  - (d) By publication on a website;
  - (dd) By other forms in accordance with law.
- 2 The provisions of the law on State Budget shall apply to the forms and time-limits for publishing financial statements of accounting entities funded by the State Budget.
- 3 Accounting entities not funded by the State Budget and accounting entities using capital contributed by the public must publish their annual financial statements within 30 days after the date of lodging same.
- 4 Accounting entities conducting business activities must publish their annual financial statements within 120 days after the date on which the annual accounting period ends. If the law on securities, on credit or on insurance contains specific provisions on the forms and time-limits for publishing financial statements which are different from those in this Law, then the provisions of law in the relevant sector shall apply.

**Article 33** *Auditing of financial statements*

- 1 Annual financial statements of an accounting entity which the law requires to be audited must be audited prior to submission to the competent State agency and prior to publication.
- 2 When an accounting entity is audited, it must fully comply with the provisions of the law on auditing.
- 3 When the financial statements of an accounting entity which have already been audited are submitted to the competent State agency, the audit report must be enclosed.

Section 4

**Accounting Inspections**

**Article 34** *Accounting inspections*

- 1 Accounting entities shall be subject to accounting inspections by competent State agencies, but an accounting inspection shall only be conducted in accordance with a decision of a competent agency in accordance with law, except in the cases of the agencies prescribed in clause 3(b) of this article.<sup>11</sup>
- 2 The following agencies are competent to issue a decision to conduct an accounting inspection:
- (a) The Ministry of Finance;
  - (b) Ministries, ministerial equivalent and Government agencies and other central agencies, which may make a decision to conduct an accounting inspection of any accounting entity within the sector for which such ministry or central agency is responsible;
  - (c) Provincial people's committees may issue a decision to hold an accounting inspection of any accounting entity within the locality which such committee manages;

- (d) Higher level accounting entities may issue decisions to hold accounting inspections of their subsidiary accounting entities.
- 3 Agencies competent to conduct an accounting inspection are:
- (a) The agencies prescribed in clause 2 above;
  - (b) State Inspectorates, specialized financial Inspectorates, the State Auditor, and tax agencies when performing checks, inspections and audits of accounting entities.

**Article 35** *Contents of accounting inspections*

- 1 The contents of an accounting inspection comprise:
- (a) Inspection of implementation of the contents or items of accounting work;
  - (b) Inspection of the organization of the accounting apparatus and accounting personnel;
  - (c) Inspection of the organization of management and operation of accounting business services;
  - (d) Inspection of compliance with other provisions of the law on accounting.
- 2 The contents of an accounting inspection must be specified in the inspection decision, except in the cases of the agencies prescribed in article 34.3(b) above.

**Article 36** *Duration of accounting inspection*

The duration of an accounting inspection shall be as decided by the agency competent to decide such inspection but shall not exceed 10 days excluding weekends and holidays as prescribed in the *Labour Code*. If the contents of an inspection are complex and more time is required for assessment, comparison and conclusion, then the competent agency may extend such duration but by no more than 5 days for each inspection excluding weekends and holidays as prescribed in the *Labour Code*.

**Article 37** *Rights and responsibilities of accounting inspection teams*

- 1 An accounting inspection team when conducting an inspection must announce the inspection decision, except for the inspection and auditing teams prescribed in article 34.3(b) above. The team has the right to require the accounting entity subject to the inspection to provide accounting data relevant to the contents of the inspection and to provide explanations when necessary.
- 2 At the end of an accounting inspection, the team must prepare minutes of the accounting inspection and deliver one copy to the accounting entity; if any breaches of the law on accounting are discovered, they shall be dealt with in accordance with authority, or the file shall be transferred to the competent State agency to deal with the breach in accordance with law.
- 3 The head of an accounting inspection team is liable for the conclusions of the inspection.
- 4 An accounting inspection team must comply with the order, contents, scope and duration of the inspection, must not adversely affect the normal operation of the accounting entity and must not harass the accounting entity which is being inspected.

**Article 38** *Rights and responsibilities of accounting entities being inspected*

- 1 An accounting entity which is being inspected is responsible:
- (a) To provide the inspection team with accounting data relevant to the contents of the inspection and to explain the contents of such data on request by the team;
  - (b) To implement the conclusions of the accounting inspection team.

2 An accounting entity which is being inspected has the following rights:

- (a) To refuse an inspection if it considers that the inspection is unauthorized pursuant to clauses 2 or 3 of article 34 or if the contents of the inspection are contrary to the provisions in article 35 of this Law;
- (b) To lodge a complaint with the competent State agency if it disagrees with the conclusion of the accounting inspection team.

**Article 39** *Internal control and internal audit*<sup>12</sup>

1 *Internal control* means the establishment and organization of internal implementation within an accounting entity of internal mechanisms, policies, procedures and provisions in compliance with law aimed at promptly preventing or discovering and processing risks and aimed at satisfying the demands which have been specified.

2 An accounting entity must establish an internal control system satisfying the following requirements:

- (a) Ensuring that the assets of the entity are safe and avoiding their use for the incorrect purpose and/or ineffectively;
- (b) Ensuring that professional operations are properly approved in accordance with authority and are fully recorded, to provide the bases for preparing and presenting truthful and reasonable financial statements.

3 *Internal audit* means the examination, assessment and supervision of the completeness, reasonableness and efficiency of internal control.

4 Internal audit has the following tasks:

- (a) To check the reasonableness, validity and efficiency of the internal control system;
- (b) To check and certify the quality and reliability of the financial and economic information in financial statements and in management accounting reports prior to their submission for signing and approval;
- (c) To check compliance with the principles for operation and management and to check compliance with law, with the finance and accounting regimes, and with policies, resolutions and decisions of the leaders of the accounting entity;
- (d) To discover any loopholes, weakness or fraud during management and protection of the assets of the accounting entity; and to propose solutions for improving and perfecting the managerial and operational system of the accounting entity.

5 The Government issues detailed regulations on internal audit of enterprises, State agencies and professional units.

## Section 5

### **Inventory of Assets, Preservation and Archiving of Accounting Data**

**Article 40** *Inventory of assets*

1 *To take an inventory of assets* means to weigh, measure and count quantity [numbers], and to determine and assess the quality and value of current assets and capital sources as at the time of taking the inventory, in order to check and compare same with figures in the accounting books.

2 Accounting entities must take an inventory of assets in the following cases:

- (a) At the end of an annual accounting period;
- (b) Upon division, consolidation, merger, demerger, dissolution, termination of operation, bankruptcy, or on sale or lease out;

- (c) Upon conversion of type [of enterprise] or change of ownership form;
  - (d) Upon occurrence of a fire or flood or upon loss and damage due to any other abnormal incident;
  - (dd) Upon revaluation of assets pursuant to a decision of a competent State agency;
  - (e) In other cases as stipulated by law.
- 3 After taking an inventory of assets, an accounting entity must prepare a report with overall conclusions of the inventory. If there is any difference between the actual figures in the inventory and the figures entered in the accounting books, then the accounting entity must determine the reasons and record the differences and the results of dealing with them in the accounting books prior to preparing financial statements.
  - 4 An inventory of assets must correctly record the actual assets and sources from which the assets are formed. The person preparing and the person signing the report with overall conclusions of the inventory is liable for the conclusions of the inventory.

**Article 41** *Preservation and archiving of accounting data*

- 1 Accounting entities must fully and safely preserve accounting data during the process of its use and archiving.
- 2 When accounting data is temporarily seized or confiscated, minutes must be attached to copies of such data; and if accounting data is lost or destroyed, minutes must be attached to copies or to confirmation of such data.
- 3 Accounting data must be placed in the archives within twelve (12) months after the date on which the annual accounting period ends or on which the accounting work is concluded.
- 4 The legal representative of an accounting entity is liable to organize preservation and archiving of the accounting data.
- 5 Accounting data must be archived for the following periods:
  - (a) At least five (5) years in the case of accounting data used for management and/or operation of the accounting entity, including accounting source vouchers not used directly to post entries into the accounting books or formulate the financial statements;
  - (b) At least ten (10) years in the case of accounting data used to directly post entries into the accounting books and to formulate the financial statements, and applicable to accounting books and annual financial statements except where otherwise provided by law;
  - (c) Accounting data in the nature of an historical record or which is significant in terms of economics, national security and defence must be permanently archived.
- 6 The Government provides specific regulations on each type of accounting data which must be archived, on the periods for which it must be archived, on the commencement date for calculating the period stipulated in clause 5 above, on the locations for archiving, and on the procedures for destroying archived accounting data.

**Article 42** *Responsibilities of accounting entities when accounting data is lost or destroyed*

On discovery that accounting data has been lost or destroyed, the accounting entity must undertake the following work:

- 1 Check, confirm and prepare minutes on the number, status quo and causes of lost or destroyed accounting data; and notify relevant organizations and individuals and the competent State agency.

- 2 Organize restoration of damaged accounting data.
- 3 Contact the organizations and individuals involved in the transactions recorded in the accounting data and figures in order to take copies or to re-verify the accounting data which has been lost or destroyed.
- 4 If the accounting data relates to assets and is unable to be restored by the methods prescribed in clauses 2 and 3 above, an inventory of the assets must be taken in order to redraw the accounting data which was lost or destroyed.

## Section 6

### **Accounting Work in a Case of Division, Demerger, Consolidation, Merger, Conversion of Ownership Form, Dissolution, Termination of Operation, or Declaration of Bankruptcy of the Accounting Entity**

#### **Article 43** *Accounting work in a case where the accounting entity divides*

- 1 When an accounting entity divides to form new accounting entities, it must undertake the following work:
  - (a) Close its accounting books, take an inventory of assets, determine unpaid debts and prepare financial statements;
  - (b) Divide assets and unpaid debts, prepare minutes of handover and post entries into the accounting books in accordance with such minutes;
  - (c) Handover accounting data relating to assets and unpaid debts to the new entities.
- 2 The newly established accounting entities shall, on the basis of the minutes of handover, open their accounting books and post entries in them in accordance with the provisions of this Law.

#### **Article 44** *Accounting work in a case where the accounting entity demergers*

- 1 When a section of an accounting entity demergers to form a new accounting entity, the following work must be undertaken:
  - (a) An inventory of assets and a determination of unpaid debts of the section which is demerging;
  - (b) Handover of assets and unpaid debts of the section which is demerging, preparation of minutes of handover, and posting entries in the accounting books in accordance with such minutes;
  - (c) Handover of accounting data relating to assets and unpaid debts to the new accounting entity; and any accounting data which is not handed over must be archived by the demerging accounting entity [section] in accordance with article 41 of this Law.
- 2 The newly established accounting entity shall, on the basis of the minutes of handover, open its accounting books and post entries in them in accordance with this Law.

#### **Article 45** *Accounting work in a case of consolidation of accounting entities*

- 1 When accounting entities consolidate to form a new accounting entity, each consolidating accounting entity must undertake the following work:
  - (a) Close its accounting books, take an inventory of assets, determine unpaid debts and prepare financial statements;
  - (b) Handover all its assets and unpaid debts, prepare minutes of handover and post entries in the accounting books in accordance with such minutes;
  - (c) Handover all accounting data to the consolidated accounting entity.
- 2 The consolidated accounting entity must undertake the following work:

- (a) Open accounting books and post entries into them in accordance with the minutes of handover;
- (b) Collate the financial statements of the consolidating accounting entities into the one set of financial statements of the consolidated accounting entity;
- (c) Receive and archive the accounting data of the consolidating accounting entities.

**Article 46** *Accounting work in a case where accounting entities merge*

- 1 When an accounting entity merges into another accounting entity, it must undertake the following work:
  - (a) Close its accounting books, take an inventory of assets, determine unpaid debts and prepare financial statements;
  - (b) Handover all its assets and unpaid debts, prepare minutes of handover, and post entries into the accounting books in accordance with such minutes;
  - (c) Handover all accounting data to the merged accounting entity.
- 2 The merged accounting entity shall, on the basis of the minutes of handover, post entries into the accounting books in accordance with the provisions of this Law.

**Article 47** *Accounting work in a case of conversion of type [of enterprise] or conversion of ownership form*

- 1 When an accounting entity converts its type or converts its ownership form, it must undertake the following work:
  - (a) Close its accounting books, take an inventory of assets, determine unpaid debts and prepare financial statements;
  - (b) Handover all its assets and unpaid debts, prepare minutes of handover, and post entries into the accounting books in accordance with such minutes;
  - (c) Handover all accounting data to the converted accounting entity.
- 2 The converted accounting entity shall, on the basis of the minutes of handover, post entries into its accounting books in accordance with the provisions of this Law.

**Article 48** *Accounting work in a case of dissolution, termination of operation or bankruptcy*

- 1 When an accounting entity is dissolved or terminates its operation, it must undertake the following work:
  - (a) Close its accounting books, take an inventory of assets, determine unpaid debts and prepare financial statements;
  - (b) Open an accounting book to monitor economic and financial transactions relating to the dissolution or termination of operation;
  - (c) After the accounting data of the dissolved or terminated accounting entity has been completely dealt with, it shall be handed over to the higher level accounting entity or to an organization or individual who shall archive it in accordance with article 41 of this Law.
- 2 If an accounting entity is declared bankrupt, the court making such declaration shall appoint a person to undertake the accounting work set out in clause 1 above.

CHAPTER 3

**Organization of Accounting Apparatus and Accounting Personnel**

**Article 49** *Organization of accounting apparatus*

- 1 An accounting entity must organize an accounting apparatus and appoint or hire accounting personnel.
- 2 [Separate] Government regulations apply to the organization of accounting apparatus, to the appointment of accounting personnel, the chief accountant and accounting managers or to the hiring of accounting personnel and chief accountant services.

**Article 50** *Responsibilities of legal representative of accounting entity*

- 1 To organize the accounting apparatus and to appoint accounting personnel or make a decision hiring an enterprise providing accounting business services or an accounting services business household in accordance with the provisions of this Law.
- 2 To appoint a chief accountant or to make a decision hiring chief accountant services in accordance with this Law; or if specialized law contains a provision different [from those in this Law], then to comply with such specialized law.
- 3 To organize and direct implementation of accounting work within the accounting entity in compliance with the law on accounting, to be directly liable for the consequences of his or her errors, and to be jointly liable for the errors caused by any other person for whom such legal representative has the managerial responsibility.
- 4 To arrange internal accounting inspections, and accounting inspections of lower level entities.

**Article 51** *Standards, and rights and responsibilities of accounting personnel*

- 1 Accounting personnel must satisfy the following standards:
  - (a) Have professional ethics, be honest and incorruptible, and have a sense of responsibility of compliance with law;
  - (b) Have professional qualifications and skills in accountancy.
- 2 Accounting personnel are entitled to be independent regarding their professional accounting work.
- 3 Accounting personnel are responsible to comply with the law on accounting and to do the work assigned to them, and they shall be liable for their professional performance. When an accounting person is changed, the former person is responsible to handover the accounting work and accounting data to the new person, and the former person remains liable for the accounting work performed during the period he or she acted as an accountant.

**Article 52** *People not permitted to act as accounting personnel*

- 1 Minors; people declared by a court not to have full capacity for civil acts or to have restricted capacity for civil acts; people currently subject to an order of detention in an educational establishment [reformatory] or drug detoxification centre.
- 2 People currently prohibited from practising or from acting as an accountant pursuant to an effective court judgment or decision; people currently being criminally prosecuted; people currently subject to a prison sentence or who have been convicted of an economic crime or a crime related to their position in the accounting or financial sector and such sentence remains unexpired.
- 3 A natural or adoptive parent, spouse, natural or adopted child or sibling of the legal representative, head, director or general director, deputy head, deputy director or deputy general director in charge of finance and accounting or of the chief accountant of the same accounting entity, except [where the accounting entity is] a private enterprise, single member LLC owned by an individual, and except for other cases prescribed by the Government.



- 4 Any person currently being a manager, executive officer, storekeeper, cashier, or purchaser or seller of goods within the same accounting entity, except [where the accounting entity is] a private enterprise, single member LLC owned by an individual, and except for other cases prescribed by the Government.

**Article 53** *Chief accountant*

- 1 *Chief accountant* means the person heading the accounting apparatus of the accounting entity and with the duty of organizing implementation of accounting work within such accounting entity.
- 2 The chief accountant of a State agency, State Budget funded organization or professional entity, or of an enterprise in which the State holds above 50% charter capital has, in addition to the duties prescribed in clause 1 above, the duty of assisting the legal representative of such accounting entity to supervise finance within such accounting entity.
- 3 The chief accountant is subject to leadership by the legal representative of the accounting entity; and if there is a higher level accounting entity, then the chief accountant is also subject to direction from and inspection of his or her professional work by the higher level chief accountant.
- 4 If an accounting entity appoints a person responsible for accounting in lieu of a chief accountant, then such person must satisfy the standards and conditions prescribed in article 54.1 of this Law and shall have the responsibilities and powers of a chief accountant prescribed in article 55 of this Law.

**Article 54** *Standards and conditions for chief accountant*

- 1 A chief accountant must satisfy the following standards and conditions:
  - (a) The standards prescribed in article 51.1 of this Law;
  - (b) Having professional accounting qualifications and skills at the intermediate or higher level;
  - (c) Having a certificate of training as a chief accountant;
  - (d) Having at least two years actual accounting work experience in the case of a person with professional accounting qualifications and skills at the university or higher level, and at least three years actual accounting work experience in the case of a person with professional accounting qualifications and skills at the intermediate or higher level.
- 2 The Government provides specific regulations on the standards and conditions for the chief accountant appropriate to each type of accounting entity.

**Article 55** *Responsibilities and rights of chief accountant*

- 1 A chief accountant has the following responsibilities:
  - (a) To comply with the provisions of the laws on accounting and finance within the accounting entity;
  - (b) To arrange executive operation of the accounting apparatus in accordance with the provisions of this Law;
  - (c) To prepare financial statements which comply with the accounting regime and accounting standards.
- 2 A chief accountant is entitled to be independent regarding his or her professional accounting work.
- 3 The chief accountant of a State agency, State Budget funded organization or professional entity, or of an enterprise in which the State holds above 50% charter capital has, in addition to the right prescribed in clause 2 above, the following rights:
  - (a) To provide written opinions to the legal representative of the accounting entity on recruitment, transfer, salary increase, commendation and reward or disciplining of the accounting personnel, store keeper and cashier;

- (b) To require relevant sections within the accounting entity to provide fully and promptly data relevant to accounting work and to financial supervision by the chief accountant;
- (c) To reserve in writing his or her professional opinion when such opinion differs from that of the person who is a decision-maker;
- (d) To report in writing to the legal representative of the accounting entity when the chief accountant discovers a breach of the laws on accounting and finance within the accounting entity; and if it is necessary to continue to abide by a decision [of the decision-maker], then the chief accountant shall report to the higher level of the decision-maker or to the competent State agency and shall not be liable for the consequences of implementation of such decision.

**Article 56** *Hiring services of accounting personnel and chief accountant*

- 1 An accounting entity is permitted to sign a contract with an accounting services enterprise or accounting services business household to hire services of accounting personnel and/or chief accountant in accordance with law.
- 2 The hiring of services of accounting personnel and/or chief accountant must be made in a written contract in accordance with law.
- 3 Any accounting entity hiring the above-mentioned services must promptly provide adequate and accurate information and data relevant to such services and must make full and prompt payment for such services in accordance with the provisions in the contract.
- 4 Any person hired as chief accountant must satisfy the standards and conditions prescribed in article 54 of this Law.
- 5 Enterprises and family business households providing accountancy services and persons hired as accounting personnel or as chief accountant shall be liable for accounting information and data in accordance with the provisions agreed in the contract.

CHAPTER 4

**Accounting Business Services**

**Article 57** *Accountant's practising certificate*

- 1 A person must satisfy the following standards in order to be issued with an accountant's practising certificate:
  - (a) Having professional ethics, be honest and incorruptible and with a sense of responsibility to comply with law;
  - (b) Having a university or higher degree in finance, accounting and/or auditing or in some other faculty as prescribed in regulations of the Ministry of Finance;
  - (c) Having passed the examination in order to be issued with an accountant's practising certificate.
- 2 The holder of an accountancy expert certificate or some other accountancy certificate issued by a foreign or international accounting organization recognized by the Ministry of Finance of Vietnam who passes an examination in the law of Vietnam on economics, finance and/or accounting and who satisfies the conditions prescribed in clause 1(a) above shall be issued with an accountant's practising certificate.
- 3 The Ministry of Finance regulates the conditions for obtaining accountant's practising certificates and the procedures for issuing and revoking same.

**Article 58** *Registration to practise as an accounting service provider*

- 1 The holder of an accountant's certificate or an auditor's certificate pursuant to the *Law on Independent Auditing* [dated 29 March 2011] is permitted to register to practise as an accounting services provider via an accounting services enterprise or accounting services business household when he or she satisfies the following conditions:
  - (a) Having full capacity for civil acts;
  - (b) Having at least 36 months' working experience in the financial, accounting and/or auditing sector as from the date of university graduation<sup>13</sup>;
  - (c) Having fully participated in refresher training programmes to update knowledge as prescribed in regulations.
- 2 A person satisfying all the conditions in clause 1 above may register and shall then be issued with a certificate of registration to practise as an accounting service provider. The Ministry of Finance regulates the procedures for issuance and revocation of certificates of registration to practise as an accounting service provider.
- 3 A certificate of registration to practise as an accounting service provider is only valid when its holder has a contract to work full-time with an enterprise or family business household providing accounting business services.
- 4 The following people are not permitted to register to practise as accounting service providers:
  - (a) State officials, civil servants and public employees; professional army personnel and officers; national defence workers, and members and employees of the public security force;
  - (b) People currently prohibited from practising as accounting service providers pursuant to an effective court judgment or decision; people currently subject to a prison sentence or who have been convicted of an economic crime and their sentence remains unexpiated; people currently subject to an administrative educational measure at the commune, ward or township level and being detained in a reformatory or drug detoxification centre;
  - (c) People currently subject to a prison sentence for a serious crime of infringing economic order and management and where such sentence remains unexpiated;
  - (d) Persons who were subject to an administrative penalty for a breach of the law on finance, accounting and/or auditing and six (6) months has not yet expired from the date of final compliance with such penalty, or one (1) year has not expired since the date of final compliance with some other administrative penalty;
- (dd) Persons who have been suspended from practising as an accounting service provider.

**Article 59** *Enterprises providing accounting business services*

- 1 An enterprise providing accounting business services ["*accounting service enterprise*"] may be established in any of the following forms:
  - (a) A multiple member limited liability company ["*LLC*"];
  - (b) Partnership;
  - (c) Private enterprise.
- 2 An enterprise is only permitted to provide accounting business services when it satisfies all the business conditions prescribed in this Law and after it is issued with a certificate of satisfaction of conditions to provide accounting business services ["*SC Certificate*"].

- 3 An accounting service enterprise is not permitted to contribute capital to establish another accounting service enterprise, except in a case of capital contribution with a foreign accounting service enterprise in order to establish an accounting service enterprise in Vietnam.
- 4 A foreign accounting service enterprise is permitted to provide accounting business services in Vietnam in any of the following forms:
  - (a) Capital contribution with an accounting service enterprise already established and operating in Vietnam in order to establish an accounting service enterprise;
  - (b) Establishment of a branch of the foreign accounting service enterprise;
  - (c) Provision of cross-border services in accordance with Government regulations.

**Article 60** *Conditions for issuance of certificate of satisfaction of conditions to provide accounting business services [SC Certificate]*

- 1 A multiple member LLC shall be granted an SC Certificate if it satisfies all the following conditions:
  - (a) Having an enterprise registration certificate, investment registration certificate or document with equivalent validity as prescribed by law;
  - (b) Having at least two (2) capital contributing members who are practising accountants;
  - (c) The legal representative, director or general director of the company is a practising accountant;
  - (d) The capital contribution ratio in the enterprise of the practising accountant and of members being organizations satisfies the ratio prescribed in Government regulations.
- 2 A partnership shall be granted an SC Certificate if it satisfies all the following conditions:
  - (a) Having an enterprise registration certificate, investment registration certificate or document with equivalent validity as prescribed by law;
  - (b) Having at least two (2) members of the partnership who are practising accountants;
  - (c) The legal representative, director or general director of the partnership is a practising accountant.
- 3 A private enterprise shall be granted an SC Certificate if it satisfies all the following conditions:
  - (a) Having an enterprise registration certificate, investment registration certificate or document with equivalent validity as prescribed by law;
  - (b) Having at least two (2) practising accountants;
  - (c) The owner of the private enterprise is also its director and a practising accountant.
- 4 The branch in Vietnam of a foreign accounting service enterprise shall be granted an SC Certificate if it satisfies all the following conditions:
  - (a) The foreign accounting service enterprise is permitted to provide accounting services pursuant to the law of the country where it has its headquarters;
  - (b) The branch has at least two (2) practising accountants who include the director or general director of the branch;
  - (c) The director or general director of the branch does not concurrently hold the position of manager or executive operator of another enterprise in Vietnam;
  - (d) The foreign accounting service enterprise has lodged a document with the Ministry of Finance accepting liability for all obligations and commitments of its branch in Vietnam.
- 5 If after six (6) months have expired from the date of registration of accounting business services, an

accounting service enterprise or a branch of a foreign accounting service enterprise has still not been granted an SC Certificate or such certificate has been revoked, then such enterprise or branch must immediately notify the business registration office to delete the phrase "accounting services" from its name.

**Article 61** *Application file requesting issuance of SC Certificate*

- 1 Request for issuance of certificate of satisfaction of conditions to provide accounting business services [SC Certificate].
- 2 Copy enterprise registration certificate, investment registration certificate or document with equivalent validity.
- 3 Copy certificates of registration as accounting services practitioner of the practising accountants.
- 4 Labour contracts of the practising accountants with the enterprise providing accounting business services.
- 5 Document proving capital contribution in the case of an LLC.
- 6 Company charter in the case of a partnership or LLC.
- 7 In the case of a branch of a foreign accounting service enterprise, written commitment from the foreign enterprise and document proving the foreign enterprise is permitted to provide accounting services [in its home country].

**Article 62** *Time-limit for issuance of SC Certificate*

- 1 The Ministry of Finance shall grant an SC Certificate within fifteen (15) days after receipt of a complete and valid application file, and in a case of refusal shall provide a written response explaining its reasons.
- 2 If the application file requires clarification, the Ministry of Finance shall request an explanation, and the time-limit for grant of the SC Certificate shall commence as from the date of receipt of explanatory documents.

**Article 63** *Reissuance of SC Certificate*

- 1 A certificate of satisfaction of conditions to provide accounting business services [SC Certificate] shall be reissued in the following cases:
  - (a) There is a change of name, or of the legal representative, director or general director, or address of the head office of the foreign accounting service enterprise or of its branch in Vietnam;
  - (b) The SC Certificate is lost or damaged.
- 2 An application file for reissuance of an SC Certificate shall comprise:
  - (a) Request for reissuance of SC Certificate;
  - (b) Original SC Certificate except in the case prescribed in clause 1(b) above;
  - (c) Other documents (if any) relevant to the application for reissuance of the SC Certificate.
- 3 The Ministry of Finance shall reissue an SC Certificate within fifteen (15) days after receipt of a complete and valid application file, and in a case of refusal shall provide a written response explaining its reasons.

**Article 64** *Fees for issuance and reissuance of SC Certificate*

Any accounting service enterprise issued or reissued with an SC Certificate must pay fees as stipulated by law.

**Article 65** *Accounting service business households*

- 1 A business household is permitted to provide accounting services when it satisfies the following conditions:
  - (a) Having a certificate of household business registration;
  - (b) The individual or the representative of the group of individuals establishing the business household is an accounting practitioner.
- 2 Accounting service business households are not required to have an SC Certificate in order to provide accounting services.

**Article 66** *Changes which must be notified to the Ministry of Finance*

- 1 An accounting service enterprise must send a written notice to the Ministry of Finance within ten (10) days from the occurrence of any one of the following changes:
  - (a) Change in the list of accountancy practitioners at the enterprise;
  - (b) Failure to satisfy any one of the conditions for providing accounting services stipulated in article 60 of this Law;
  - (c) Change in the name or head office address of the enterprise;
  - (d) Change [replacement] of the director, general director or legal representative, or change in the capital contribution ratio of members;
  - (dd) Temporary suspension of provision of accounting services;
  - (e) Establishment of a branch, termination of operation of the branch or a change in the name and head office address of the branch;
  - (g) Implementation of a separation, merger, demerger, consolidation, conversion or dissolution.
- 2 An accounting service business household must send a written notice to the Ministry of Finance within ten (10) days from the occurrence of any one of the following changes:
  - (a) Change in the list of accountancy practitioners;
  - (b) Change in the name or address of the business household;
  - (c) Temporary suspension or termination of provision of accounting services.

**Article 67** *Responsibilities of accountancy practitioners, accounting service enterprises and accounting service business households*

- 1 To perform the accounting work relevant to the accounting service agreed to be provided in the contract.
- 2 To comply with the law on accounting and the code of accounting professional ethics.
- 3 To be liable to clients and before the law for the accounting services provided and to pay compensation for loss and damage caused by their fault.
- 4 To regularly improve their professional knowledge and experience, and to participate in annual refresher programs in accordance with regulations of the Ministry of Finance.
- 5 To submit to professional management and quality control of the services provided, by the Ministry of Finance and by any professional accountancy organization delegated with authority by the Ministry of Finance.
- 6 To purchase professional indemnity insurance in accordance with Government regulations.

**Article 68** *Cases in which provision of accounting services is prohibited*

An accounting service enterprise and an accounting service business household is not permitted to provide accounting services to another accounting entity when the manager or executive officer of such enterprise or the representative of such household or the person directly providing the services on behalf of such enterprise or household:

- 1 Is a natural or adoptive parent, spouse, natural or adopted child or sibling of the legal representative, manager, executive director or chief accountant of the accounting entity, except where the accounting entity is a private enterprise or single member LLC owned by an individual, and except for other cases prescribed by the Government.
- 2 Has an economic and/or financial relationship with the accounting entity.
- 3 Does not have adequate professional knowledge or does not satisfy the conditions to provide the accounting service.
- 4 Is currently providing chief accountant services for an institutional [organizational] client which has an economic and/or financial relationship with the accounting entity.
- 5 Is requested by the accounting entity to undertake work which is contrary to the code of accounting professional ethics or to the professional requirements for accounting and financial work.
- 6 In other cases as prescribed by law.

**Article 69** *Suspension of provision of accounting services and revocation of SC Certificate or of certificate of registration as an accounting services practitioner*

- 1 An accounting service enterprise shall be suspended from providing accounting services in any one of the following cases:
  - (a) It fails to satisfy any one of the conditions prescribed in article 60 of this Law for a consecutive three (3) month period;
  - (b) It commits a professional error or breaches the accounting standards or the code of accounting professional ethics resulting in serious consequences or likely to result in serious consequences.
- 2 The SC Certificate of an accounting service enterprise shall be revoked in any one of the following cases:
  - (a) It made a false declaration or forged documents in its application file for its SC Certificate;
  - (b) It did not provide any accounting service for a consecutive twelve (12) month period;
  - (c) It failed to remedy the error or breach mentioned in clause 1 above within sixty (60) days after the suspension date;
  - (d) It was dissolved, declared bankrupt, or itself terminated provision of accounting business services;
  - (dd) Its enterprise registration certificate, investment registration certificate or equivalent document was revoked;
  - (e) It falsified or colluded to falsify accounting data or financial statements and/or to provide false information and figures;
  - (g) It forged, erased or changed its SC Certificate.
- 3 When the SC Certificate of an accounting service enterprise is revoked, such enterprise must immediately stop providing accounting services as from the effective date of the decision on revocation.

- 4 An accounting service business household shall be suspended from providing accounting services if it commits a professional error or breaches the accounting standards or the code of accounting professional ethics resulting in serious consequences or likely to result in serious consequences.
- 5 An accounting service business household must stop providing accounting services in any one of the following cases:
- (a) It did not provide any accounting service for a consecutive twelve (12) month period;
  - (b) It failed to remedy the error or breach mentioned in clause 4 above within sixty (60) days after the suspension date;
  - (c) It voluntarily terminates provision of accounting business services;
  - (d) It falsified or colluded to falsify accounting data or financial statements and/or to provide false information and figures;
  - (dd) Its certificate of registration as a business household was revoked;
  - (e) All the accountancy practitioners in such household had their certificates of registration of accountancy practice revoked.
- 6 An accountancy practitioner shall be suspended from providing accounting services in any one of the following cases:
- (a) He or she commits a professional error or breaches the accounting standards or the code of accounting professional ethics resulting in serious consequences or likely to result in serious consequences;
  - (b) He or she fails to satisfy all the conditions for registration to practise;
  - (c) He or she fails to comply with an inspection decision regarding professional accountancy practice;
  - (d) He or she fails to discharge the responsibilities prescribed in article 67 above.
- 7 The certificate of registration to practise of an accountancy practitioner shall be revoked in any one of the following cases:
- (a) He or she made a false declaration or forged documents in the application file for a certificate of registration to practise;
  - (b) His or her accountant's certificate was revoked;
  - (c) He or she was convicted of a crime pursuant to an effective court judgment.

**Article 70** *Professional accountancy organizations*

- 1 A professional accountancy organization shall be established and operate in accordance with the law on associations and must comply with provisions of the law on accounting.
- 2 Professional accountancy organizations shall foster and update knowledge for accounting personnel and accountancy practitioners, and shall undertake a number of other tasks relevant to accounting activities as prescribed by the Government.

CHAPTER 5

**State Administration of Accounting**

**Article 71** *Contents of State administration of accounting*

- 1 The Government shall exercise uniform State administration of accounting.



- 2 The Ministry of Finance is responsible before the Government to carry out the function of State administration of accounting with the following duties and powers:
- (a) To formulate strategies and policies for the development of accounting and submit them to the Government for approval;
  - (b) To formulate legal instruments on accounting and submit them to the Government to issue, or issue them in accordance with the Ministry's authority;
  - (c) To issue, reissue and revoke SC Certificates and certificates of registration as an accounting services practitioner: and to suspend provision of accounting services;
  - (d) To issue, reissue and revoke accountant's certificates;
  - (dd) To conduct accounting inspections, inspections of accounting services, and to supervise compliance with accounting standards and accounting regimes;
  - (c) To regulate updates of knowledge of accounting practitioners;
  - (g) To organize and manage scientific research into accounting and application of information technology to accounting operations;
  - (h) To conduct checks and inspections, to resolve complaints and denunciations, and to deal with breaches of the law on accounting;
  - (i) To conduct international co-operation on accounting.
- 3 Ministries and ministerial equivalent agencies are responsible, within the scope of their respective duties and powers, to conduct State administration of accounting within the sectors and branches for which responsibility is delegated to them.
- 4 Provincial people's committees are responsible, within the scope of their respective duties and powers, to conduct State administration of accounting within their localities.

## CHAPTER 6

### Implementing Provisions

#### **Article 72** *Effectiveness*

- 1 This Law is of full force and effect as from 1 January 2017.
- 2 Law 03 of year 2003 on accounting shall no longer be effective as from the effective date of this Law.

#### **Article 73** *Transitional provision*

- 1 The Government shall prepare the necessary conditions in order to commence preparation of financial statements of the State in accordance with article 30 of this Law no later than twenty-four (24) months after the effective date of this Law.
- 2 Within twenty-four (24) months after the effective date of this Law, enterprises providing accounting business services which were established before such date must satisfy the conditions for grant of an SC Certificate, and if they fail to do so, they must terminate provision of accounting business services.
- 3 Accountancy practising certificates granted to Vietnamese citizens and foreigners pursuant to Law 03 on accounting shall be valid the same as the accountant's practising certificates issued pursuant to this Law.

#### **Article 74** *Detailed regulations*

- 1 The Government and the Ministry of Finance shall provide detailed regulations for implementation of this Law.
- 2 The Government shall, based on the basic principles of this Law, regulate in detail the contents of accounting work of representative offices of foreign enterprises operating in Vietnam, of business households and of co-operative groups.

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*This Law was passed by Legislature XIII of the National Assembly of the Socialist Republic of Vietnam at its 10<sup>th</sup> session on 20 November 2015*

Chairman of the National Assembly

NGUYEN SINH HUNG