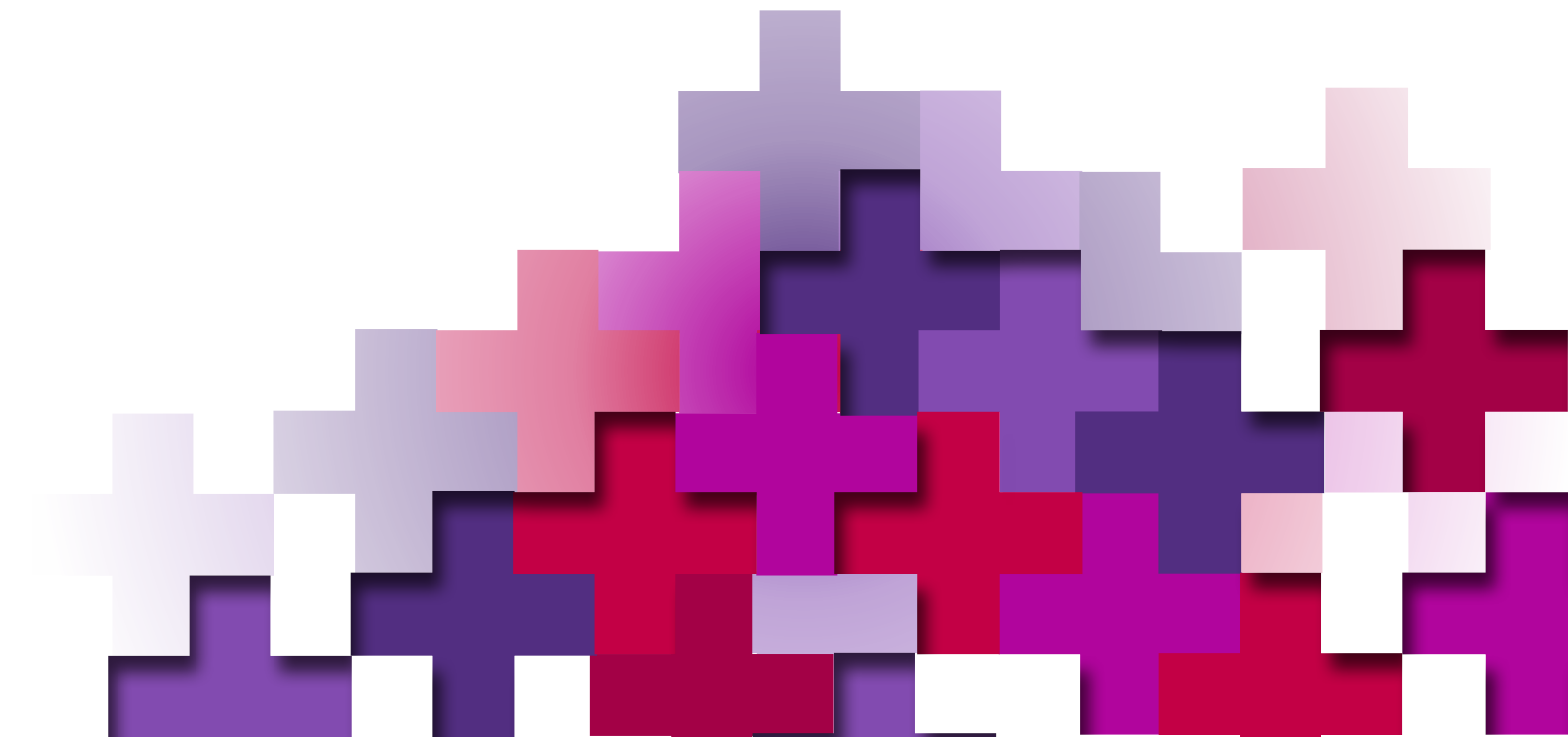


Accounting Alert

May 2016

Circular No. 53/2016/TT-BTC Amendments and Supplements to Circular No. 200/2014/TT-BTC on Vietnamese Accounting System for Enterprises

On 21 March 2016, the Ministry of Finance issued Circular No. 53/2016/TT-BTC (“Circular 53”) providing Amendments and supplements to certain articles in Circular No. 200/2014/TT-BTC (“Circular 200”) on the Vietnamese Accounting System for Enterprises. Circular 53 is effective from 21 March 2016 and applicable for annual accounting periods beginning on or after 1 January 2016. Enterprises are allowed to elect to apply exchange rates for their 2015 financial statements.



I. Amendments for foreign exchange rates

1. Election to apply approximate foreign exchange rates to accounts

Approximate foreign exchange rates for transactions in foreign currency occurring in a reporting period.

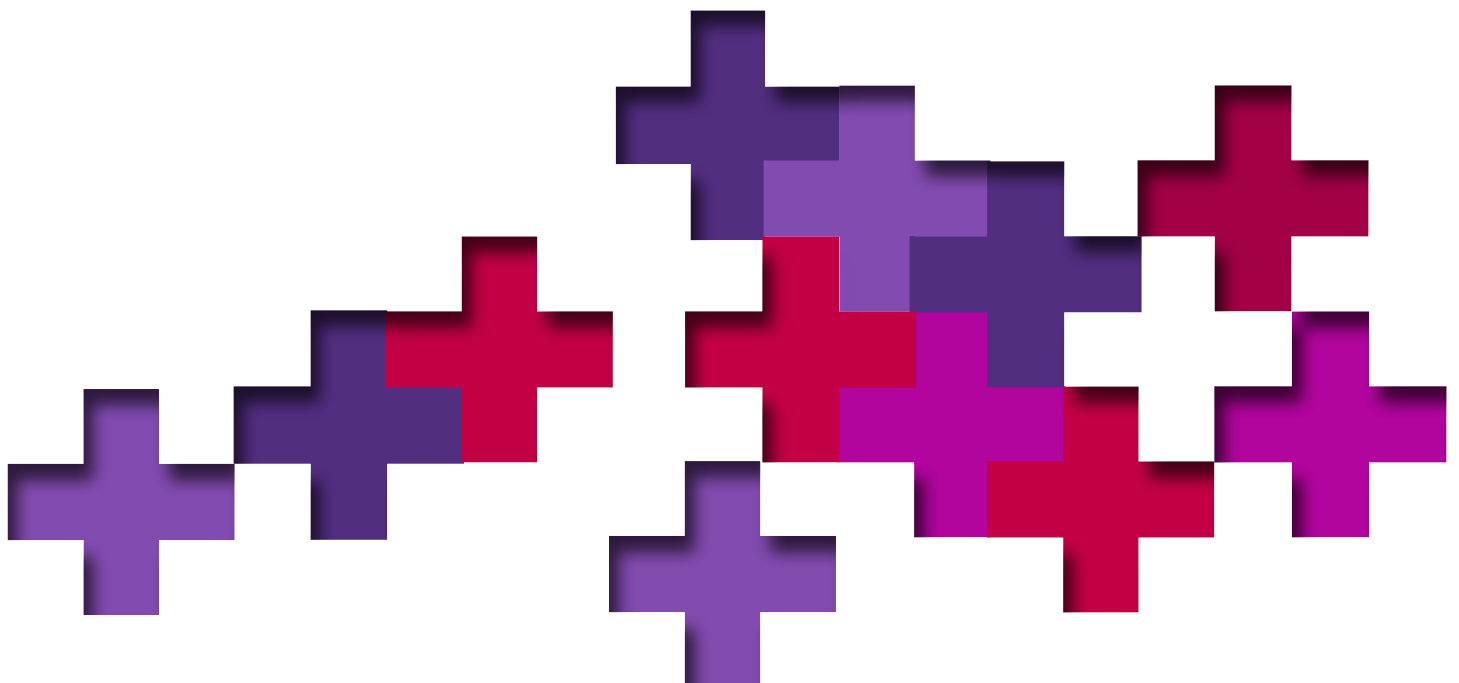
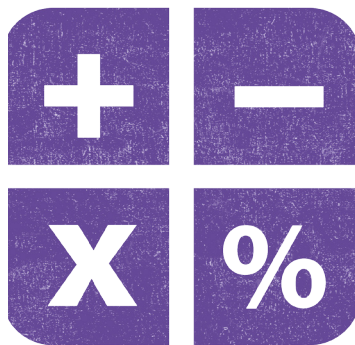
Besides determining the foreign exchange rates for transactions in foreign currency occurring in a reporting period for contributed capital, receivables, payables, acquisition of fixed assets or expenses (not via payables accounts) according to Item 1.3 (a) – Article 69 of Circular 200, Circular 53 allows enterprises to use the exchange rate that approximates to the average account transfer buying and selling exchange rate quoted by commercial bank where the enterprise most frequently conducts transactions as the actual exchange rate for translating from the original currency to the accounting currency.

The approximate exchange rate must not exceed the average account transfer buying and selling rates by +/-1%. The average account transfer buying and selling exchange rate can be determined on a daily or weekly or monthly basis based on the average daily foreign currency buying rates and selling rates quoted by the commercial banks conducts the majority of its exchange transactions.

The application of the approximate exchange rate must not have a material effect on the financial position and results of operations for the accounting period.

Approximate foreign exchange rate for translation of monetary items denominated in foreign currency at a reporting date

Where an enterprise applies the approximate exchange rate, as mentioned above, to account for foreign currency transactions occurring during a certain period, Circular 53 allows the enterprise to apply the account transfer exchange rate quoted by the Commercial bank where the enterprise most frequently conducts transactions for translating the balances of monetary items denominated in foreign currency at the reporting date. This account transfer exchange rate may be the buying rate, the selling rate or the average of the account transfer buying and selling rate quoted by the commercial bank.



I. Amendments for foreign exchange rates

2. Election to apply actual exchange rates to account balances

Circular 53 supplements the guidance on the treatment of foreign exchange differences in the case that an enterprise applies the actual exchange rate for credit entries to cash accounts, credit entries to accounts receivable and debit entries to accounts payable denominated in foreign currency. In such cases, the enterprise can recognize foreign exchange differences immediately on the date of the transactions or periodically depending on business characteristic or management requirements.

At the end of the period:

- If the original currency balance of a monetary item denominated in foreign currency is nil, the enterprise shall transfer all foreign exchange differences incurred during the period to financial income or financial expenses for the reporting period.

- If there is balance on the account of a monetary item denominated in foreign currency, the enterprise shall perform revaluation and recognition of foreign exchange differences in accordance with the requirements of Item 4.2 – Article 69 of Circular 200.

3. Disclosure requirements for foreign exchange rates applied

Enterprises are required to disclose foreign exchange rates method applied on the Notes to the financial statements and must consistently apply the selected foreign exchange rates method during the financial year according to the accounting standards.

Amendments of Circular 53 makes the accounting of foreign currency transactions more convenient, specially for enterprise owned by foreign companies, established in Vietnam, who are allowed to use the exchange rates stipulated by the Group which are approximately equal to the approximate foreign exchange rates as mentioned in this Circular.

II. Other changes, amendments

1. Disposals/selling of trading securities

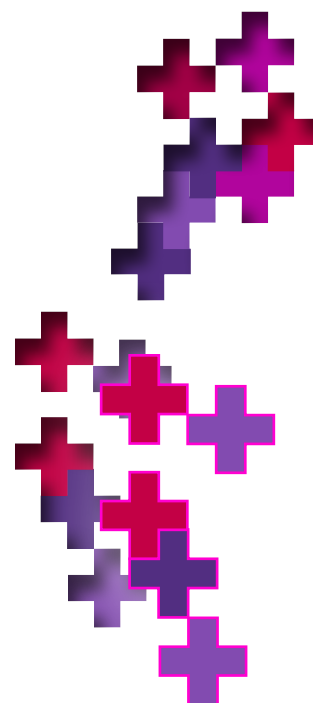
Circular 53 allows enterprises to elect to apply either the first-in-first-out method or the weighted average method to replace the moving weighted average method to determine the cost of securities.

The elected method to determine the cost of securities must be consistently applied during the financial year. Enterprises must present and disclose any change in the costing method in the Notes to the financial statements according to the requirements of the accounting standards.

2. Other accounting documents in Vietnamese

Circular 53 requires that other documents that accompany accounting supporting documents (e.g. contracts, project documents, finalization reports, etc.) are not

required to be translated into Vietnamese unless such translation is required by competent authorities.



Contacts

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