

Since VND chosen as an accounting currency

Phuong Linh

A new Circular addresses accounting questions arising from business operations involving both the VND and foreign currencies.



The VND has long been implicitly treated as the accounting currency for most domestic companies. Such an approach suited a period when the economy was relatively closed, production and business activities were largely domestic, and foreign currency transactions were insignificant. That picture is rapidly changing.

A growing number of Vietnamese companies now earn most of their revenue from exports, borrow in foreign currencies, receive foreign investment, or participate in global supply chains – where cash flows are predominantly in USD, Euro, and other foreign currencies. In such a context, recording and presenting all financial activity solely in VND can obscure the true nature of a business.

Empowering currency choice

Circular No. 99/2025/TT-BTC, issued by the Ministry of Finance to regulate Vietnam's corporate accounting regime, goes beyond technical bookkeeping updates to address these gaps. The Circular reaffirms the VND as the default accounting currency while introducing flexibility by allowing companies to choose a foreign currency as their accounting currency when receipts and payments primarily arise in a specific foreign currency. This marks an important shift from form-based administration to a substance-based approach aligned more closely with international practice.

According to Mr. Nguyen Dich Dung, Audit Director at Grant Thornton Vietnam, the currency provisions in Circular No. 99 are standardization suited to a new environment. Maintaining the VND as the default reflects consistency, while the added flexibility accommodates companies whose cash flows are predominantly foreign-currency based, enabling financial statements to better reflect operational reality.

He added that rather than relying on a single or “default” criterion, the Circular sets out four groups of criteria with clear priority. Revenue and expenses – two factors that directly reflect a company’s core operations – take precedence in determining the accounting currency.

Specifically, the first criterion is the currency that directly influences the pricing of goods and services, generates revenue, and governs the company’s principal transactions. The second is the currency that affects costs, including labor, raw materials, and production expenses, and the currency commonly used to settle these costs. Only if these two key criteria are insufficient does a company consider the third criterion: the currency used to raise financial resources, such as issuing debt or equity instruments. The final criterion is the currency routinely received from operating activities and used for accumulation.

In essence, Circular No. 99 requires that companies answer a fundamental question: which currency truly governs day-to-day business operations? In practice, such changes typically occur as companies expand internationally and revenues and costs shift towards a foreign currency – particularly among exporters. Prioritizing revenue and cost criteria serves as a substance-based filter, enabling companies to reassess their accounting currency so that financial statements more accurately reflect operating realities and actual financial risk.

Flexibility without loosening oversight

From another perspective, for most small and medium-sized enterprises, the choice of accounting currency raises few concerns, as their activities remain largely denominated in VND. By contrast, for export processing and import-export companies, where inflows and outflows are tightly linked to foreign currencies, the choice becomes more complex.

The openness under Circular No. 99 has also prompted practical questions among accountants: if a company operates in Vietnam and conducts most transactions in foreign currencies but still chooses the VND as its accounting currency, is that appropriate?

Ms. Nguyen Phuong Hang, Director of the Vietsourcing Business Consultancy Company, noted that, legally speaking, choosing the VND in such cases is not incorrect. However, it may not fully reflect the substance of economic transactions. Even if a company's cash flows are primarily in foreign currencies, retaining the VND as the fixed accounting currency is not deemed non-compliant. Conversely, if a company meets the criteria and chooses a foreign currency, Circular No. 99 permits that choice.

Another critical point highlighted by experts is the distinction between the accounting (book) currency and the presentation currency of financial statements. Circular No. 99 allows companies to select a book currency aligned with operational reality. However, financial statements submitted to State authorities or tax authorities or for statutory audit must still be presented in VND. Companies may keep their books in a foreign currency, but when preparing financial statements for regulatory filing or audit, those statements must be converted into VND.

By contrast, reports submitted to a parent company, group, or for internal management purposes are not required to be converted if the accounting system is maintained in a foreign currency. Importantly, when changing the accounting currency, companies must clearly disclose the reasons and the impact of the change on financial statements.

Exchange rate basis

Choosing the accounting currency is only the first step. Once foreign currency enters the accounting system, the more complex issue lies in determining and applying exchange rates. Broadly, Circular No. 99 inherits guidance from Circular No. 200, with technical adjustments for converting foreign currency financial statements into VND.

Another notable difference concerns the treatment of exchange rates for undistributed profits. According to Mr. Dung, using the exchange rate at the time of profit distribution, as previously applied, can distort the substance of equity because exchange rate movements become “embedded” in undistributed profits. “If the exchange rate at the time of dividend payment or profit distribution differs from the original recognition rate, the resulting difference does not reflect business performance but is merely technical,” he explained.

In addition, companies may choose between the actual exchange rate for each transaction or an average rate for the accounting period when preparing the income statement and cash flow statement. The new approach is more flexible, removing the rigid 3 per cent cap between average and actual rates and instead referencing the spot exchange rate band set by the State Bank of Vietnam, typically assessed at around 5 per cent. This approach is seen as more closely aligned with exchange rate management in practice and better reflective of market movements.

At the transaction level, foreign currency transactions may use the actual exchange rate specified in payment contracts. In practice, however, contracts that fix a specific exchange rate are uncommon. Most companies apply the average bank transfer buying and selling rates of the commercial bank they regularly transact with, or rates approximating those averages on the transaction date.

Beyond actual rates, Circular No. 99 also prescribes two methods for determining book exchange rates: a specific rate stipulated in contracts, and a weighted-average book rate determined for an accounting period.

Despite clearer rules, applying the appropriate exchange rate in specific situations remains a common source of questions, for example which rate to use when an invoice has been issued but payment has not yet been received.

According to Ms. Hang, actual exchange rates are used to record all foreign currency transactions that increase monetary and non-monetary items. Book exchange rates apply to transactions that reduce foreign currency monetary items.

She emphasized that companies cannot arbitrarily change exchange rate determination methods between periods without explicit provisions in their accounting policies. If an approximate rate is adopted, companies must specify whether it is determined weekly or monthly and ensure that the deviation does not exceed 1 per cent compared with the average bank transfer buying and selling rates on the transaction date. Exceeding this threshold renders the approximate rate ineligible for use.

Ultimately, Circular No. 99 is not merely a technical accounting adjustment – it reflects a shift in regulatory thinking, granting companies greater autonomy while imposing higher standards of transparency, consistency, and accountability. The “open” mechanism will only be effective when decisions on accounting currency and exchange rates are grounded in operational substance rather than technical convenience or short-term considerations.