

ACCOUNTING INFORMATION SYSTEM FOR THE MANAGEMENT OF VIETNAMESE SMALL & MEDIUM BUSINESS ENTERPRISES

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ABSTRACT

Generally, in enterprise administration, especially small and medium size enterprises, right and systematic information system serve as a management tool. One of the important information which constitutes the information system of the enterprise is the enterprise's information about accounting finance. There is need for honest, reasonable and useful information. Accounting system aims at collection, process and analytically providing spruce tin. Along with more and deeper international wide integration process, the field of accounting and audit needs right integration, and the features of Viet Nam enterprises must match with the integrated accounting system too, in the historical perspective. This paper focuses on building a suitable accounting information system for the small and medium size enterprise in the country for application, according to the international ordinance. A constructive accounting system for the small and medium size enterprises ought to serve the management, make the enterprises productive and efficient, and ensure responsibility with liability among the accounting and other personnel involved in the system.

KEYWORDS: Small and Medium Size Business Administration, Accounting Information System, Small and Medium Size Enterprise Accounting

LITERATURE REVIEW

Regular for Classification of Small and Medium Enterprises

Decree 56/2009/Decree - Gov dated on 30th June 2009 on assistance to the development of small- and medium-sized enterprises has issued “Small, medium - sized enterprises are business establishments that have registered their business, according to law, and are divided into three levels: very small, small and medium, according to the sizes of their total capital (equivalent to the total assets identified in an enterprise's accounting balance sheet) or the average annual number of labor (total capital is the priority criterion), concretely as follows Table 1:

Table 1: Classification of Small and Medium Enterprises

Size, Sector	Very Small Enterprises	Small - Sized Enterprises		Medium - Sized Enterprises	
	Number of Laborers	Total Capital	Number of Laborers	Total Capital	Number of Laborers
I. Agriculture, forestry and fishery	10 persons or less	VND 20 billion or less	Between over 10 persons and 200 persons	Between over VND 20 billion and VND 100 billion	Between over 200 persons and 300 persons
II. Industry and construction	10 persons or less	VND 20 billion or less	Between over 10 persons and 200 persons	Between over VND 20 billion and VND 100 billion	Between over 200 persons and 300 persons
III. Trade and service	10 persons or less	VND 10 billion or less	Between over 10 persons and 50 persons	Between over VND 10 billion and VND 50 billion	Between over 50 persons and 100 persons

SMEs are increasingly playing their important role in the social economy, because of the increase in the number and level of contribution to the State budget, addressing the welfare requirements in the world. The Council of International Financial Reporting Standards has developed and issued the accounting standards applicable to SMEs

(IFRS for SMEs) to guide the way of presenting and providing information to meet the requirements of the management. However, in Vietnam, the accounting system for SMEs has not been much different and clear. So, the question is whether we should or should not build accounting system for SMEs to obtain separate information, that serve the management? This article analyzes and point out the directions to complete, in order to meet the requirements of governance and economical management.

LEGAL SYSTEM ON ACCOUNTING RULES FOR SMEs

The Realities of Vietnam

The Accounting Law in 2015, provided the most common and general problems in and about accounting, but still has not given any terminology or contains provisions for SMEs.

The Vietnam Accounting Standard system consists of 26 accounting standards (VAS) for Vietnam enterprises in general, which are divided into 03 groups with regulations: 07 VAS applying to all SMEs, 07 VAS completely not applying to SMEs and 12 VAS partially applying to SMEs, as details in Table 2, Table 3 and Table 4 below:

Table 2: The Accounting Standards that Are Fully Applied

No	Standards Name
1	VAS 01 : General Standard
2	VAS 05 : Investment Property
3	VAS 14 : Revenue and other Income
4	VAS 16 : Borrowing cost
5	VAS 18 : Provisions and Contingent Liabilities and Contigent Assets
6	VAS 23 : Events after the end of the Reporting period
7	VAS 26 : Related Party disclosures

Table 3: The Accounting Standards that are Not Fully Applied

No	Standards Name	Contents that do not Apply
1	VAS 02	Distribution of fixed production overheads under normal machinery capacity
2	VAS 03 Property, Plant and Equipment	Amortization period and amortization method
3	VAS 04 Intangible Assets	
4	VAS 06 Leases	Sale and leaseback are operating lease
5	VAS 07 Investments In Associates	The equity method
6	VAS 08 Investments in Joint Ventures	- The equity method: -In case, the joint venture party contributing capital assets, if the joint venture party had transferred ownership of the property, the joint venture party is just accounted for profit or loss that can be determined correspondingly, to part of interests of the other parties and joint ventures; - In case, the joint venture party sold the property to the joint venture: If the joint venture was to transfer ownership of assets and the assets are not sold to an independent third party, the joint venture party is only accounted for profit or loss, that can be determined correspondingly, to part of interests of the other parties and joint ventures. If this venture is to sell the property to a third independent party, the joint venture party is recognized of profits and losses actually arising from the sale of the property for business venture.

No	Standards Name	Contents that do not Apply
7	VAS 10 The effects of changes in Foreign Exchange rates	Foreign exchange differences arising when converting the financial statements of overseas base
		Revenue recognition cost of construction contracts in case the contractor is paid according to the plan progress.
8	VAS 15 Construction Contracts	Deferred income tax
9	VAS 17 Income Taxes	Reduce the requirements presented in the report
10	VAS 21 Financial Statement Presentation	
11	VAS 24 Statement of cash Flows	Only encouraged but not required to apply
12	VAS 29 Accounting policies, changes in Accounting estimates and Errors	Retrospective application for change of the accounting basic.

Table 4: The Non - Applying Accounting Standards

No	Standards Name
1	VAS 11 Business Combination
2	VAS 19 Insurance Contracts
3	VAS 22 Disclosures in the Financial Statements of Banks and Similar Financial Institutions
4	VAS 25 Consolidated Financial and account for subsidiaries company
5	VAS 27 Interim Financial Reporting
6	VAS 28 Segment Reporting
7	VAS30 Share - based Payment

The SME accounting regime has issued separately, by Decision No. 48/2006/ Decision - MOF dated 4th September 2006 of the Minister of Finance, to promulgate accounting regime for SME; it is amended and supplemented by Circular No. 138/2011/ Circular - MOF dated 04/10/2011 guiding to modify and supplement the SME accounting regime. From the presentation of VAS application rules to SMEs in Vietnam, we could see:

- No separate VAS rules for SMEs just have rules of the general VAS, then specifying in particular for SMEs, according to the SMEs accounting regime.
- The provisions relating to SMEs are also much simpler than the provisions of the VAS, due the nature of SMEs in Vietnam
- The specific provisions relating to the building and presenting of financial statements

FS Regulations for Small and Medium Enterprises Include

Mandatory reporting: Balance Sheet, Form B 01 – DNN; Income Statement (Report Business Operating Results), Form B 02 – SME; Notes to of Financial Statements, Form B 09 - SME

FS sent to the tax authority shall prepare and submit the following additional statement: Work Sheet - Account Balance Sheet, Form F 01 - SME

Report is not mandatory but is encouraged to do: Statement of Cash Flow, Form B03 - SME

In addition, to serve the requests of manage, direct and operate the business operations, the enterprises can set up other detailed FS

FS regulated for Cooperatives: Work Sheet - Account Balance Sheet, Form B01 - SME/Cooperative; Income Statement - Operating Results Report, Form B02 – SME; Notes to Financial Statements, Form B09 - SME /Cooperative

Content, methodology and presentation of indicators in each report specified in this regime are applied uniformly to the SMEs, which are under the subjects applying this FS system. Besides, the indicators, items were modified and supplemented by Circular No. 138/2011/ Circular - MOF dated 04/10/2011 about guiding to amend and supplement the SME accounting regime

Secondly, the Realities of International

Table 5: The Fact of International Accounting

IAS/IFRS	Section in IFRS for SMEs
Preface to IFRS	Prepace
IASB Framework, IAS 1 Presentation of Financial Statements	Concepts and Pervasive Principles
IAS 1	Financial Statement Presentation
	Statement of Financial Position
	Statement of comprehensive Income and Income Statement
	Statement of changes in Equity and Statement of Comprehensive Income and Retained earnings
IAS 7 Statement of cash Flows	Statement of cash Flows
IAS 1	Notes to Financial Statements
IFRS 10 Consolidated Financial Statements	Consolidated and separate Financial Statements
IAS 8 Accounting policies, changes in Accounting estimates and Errors	Accounting policies, estimates and Errors
IAS 32 Financial Instruments: presentation; IAS 39 Financial Instruments : Recognition and Measurement ; IFRS 7 Financial Instruments : Disclosures; IFRS 9 Financial Instruments	Basic Financial Instruments and other Financial Instruments Issues
IAS 2 Inventories	Inventories
IAS 28 Investments In Associates	Investments In Associates
IAS 31 Interest in Joint Ventures	Investments in Joint Ventures
IAS 40 Investment Property	Investment Property
IAS 16 Property, Plant and Equipment	Property, Plant and Equipment
IAS 38 Intangible Assets	Intangible Assets other than Goodwill
IFRS 3 Business Combination	Business Combination and goodwill
IAS 17 Leases	Leases
IAS 36 Provisions and Contingent Liabilities and Contigent Assets	Provisions and Contingencies
IAS 1, IAS 32	Liabilities and Equity
IAS 11 Construction Contracts, IAS 18 Revenue	Revenue
IAS 20 Accounting for Governrnt Grants and Disclosure of Government Assistance	Govenrment Grants
IAS 23 Borrowing costs	Borrowing costs
IFRS 2 Share - based Payment	Share - based Payment
IAS 2, IAS 36 Impairment of Assets	Impairment of Assets
IAS 19 Employee Benefits	Employee Benefits
IAS 12 Income Taxes	Income Taxes
IAS 21 The effects of changes in Foreign Exchange rates	Foreign Currency Translation
IAS 29 Financial reporting in Hyperinflationary Economies	Hyperinflation
IAS 10 Events after the Reporting period	Events after the end of the Reporting period
IFRS 12 Disclosure of Interests in Other Entities	Related Party disclosures

Table 5: Contd.,	
IAS/IFRS	Section in IFRS for SMEs
IAS 41 Agriculture, IFRS 6 Exploration for and Evaluation of Mineral resources	Specialised activities
IFRS 1 First time adoption of International Financial Reporting Standards	Transition to the IFRS for SMEs

Looking at the list of comparison and presentation above, we can see:

- The number of IAS / IFRS still have some more accounting standards that IFRS for SMEs not yet defined, due to the characteristics of SMEs
- IFRS for SMEs just includes 01 standard, but is divided into many sections with the relevant provisions only. They are not specific regulations for each arising.
- In terms of content, between IAS/IFRS and IFRS for SMEs, still have many differences, the more simplification is of the IFRS for SMEs
- Regulations on arising and related transactions of SMEs are quite a lot.
- The specific provisions relating to financial statements which have differences between IFRSs and IFRS for SMEs include:
 - According to Section 3 - Financial Statement Presentation: The presentation requirements for financial statements with starting time as earliest as we can, comparing when accounting policies are applied for the first time or reviewing or reclassified items in the financial statements; not allow the adding of the corresponding incomes and equity changes
 - According to Section 4 - Statement of Financial Position: Requires separate presentation of the asset classifications when held for sale or included the assets and liabilities with disposal group
 - According to Section 5 - Statement of Comprehensive Income and Income Statement: Many corresponding incomes are recognized outside profit or loss that may arise as changes in fair value of financial assets available for sale, or revenues from revaluation of real estate, machinery and equipment and intangible assets
 - According to Section 6 - Statement of Changes in Equity and Statement of Income and Retained Earning: Not allow reporting the change of the equity to be integrated with the corresponding earning report
 - According to Section 7 - Statement of Cash Flows: Encouraged to apply the direct methods to report presenting of Cash flows from the business operation; allow to prepare and present the cash flow reports on a net basis
 - According to Section 9 - Consolidated and Separate Financial Statements:
 - Allow the maximum time of 03 months for the difference of the reports, including the guide of being required adjustment, when there is a difference
 - No exclusion of temporary control. However, if the purchase of the subsidiary company is in accordance with the criteria to be classified as held for sale under IFRS 5 - Non-current Assets Held for Sale and

Discontinued Operations, the accounting will be recorded at the lower of original cost price / the cost or the fair value minus (-) the cost to sell and liquidate the Group

- The NIC/Minority interests (NCI: Non - Controlling interest) are recognized under the fair value or share proportion of net assets for each transaction
- Request to the assets and prepaid liabilities of the subsidiary and to any NCI in subsidiaries are reviewed by value. The next investments of the subsidiaries are recognized initially at fair value. Any different result, which is recognized as revenues or loss in the contributing interest to the parent company
- The liquidation of subsidiaries abroad, there are differences in rates of exchange that is related to subsidiaries and recognized in equity are considered to be income or loss
- For investments in subsidiaries, associated companies and business jointly controlled establishments, separately financial statements are recorded at cost and in accordance with IAS 39 - Financial instruments: recognition and measurement
- There are no instructions and the disclosure requirements relating to summing financial statements

RESULTS AND DISCUSSIONS

Through the above analysis and presentation, proposals are presented on two counts, that are to get the accounting information system to serve the management of SMEs; should a separate accounting system is to be built, or not and if so, should follow which direction?

The enactment of a separate accounting system for SMEs according to the author is not required, although there has been international accounting standards system for SME, because some fundamental reason is that according to Decree No. 56/2009/ND - CP of the Government dated 30/06/2009, Vietnam composes of 03 types of micro enterprises, small enterprises and medium enterprises, in addition to other types of businesses such as manufacturing enterprises , commercial enterprises, commercial banks, stocks ... If to suit each type of enterprise which issued its own accounting system would lead to overlapping and duplication, waste and difficult to apply ; characteristics of different types of enterprises in Vietnam and the classification of different types of businesses also differ in international comparison. So, the next stage must proceed from the principles of arising operations and require presentation of financial statements, require providing information to build an appropriate accounting system, based on general principles to ensure the needed information for serving the enterprise management

Solution to build general accounting system adapted to various types of enterprise available in Vietnam today can perform the following trends:

The first, clearly defined criteria for Enterprise: from the identification of clear criteria for enterprises in general, and SMEs in particular, it will give out the scale of specific arising operations as well as requirements about formulation, presentation and providing information to stakeholders on the financial reporting system. The Enterprise's criteria of identifying in Vietnam currently prescribed by the Government, is primarily based on the financial aspects that have not paid much attention to the aspect of accounting. So, in the analysis, we found the difference relatively and clearly defined between the system IFRS for SMEs with the VAS for SMEs about the arising and the financial statements.

Therefore, need to carefully consider and amend the criteria of determining the business to be appropriate with the accounting aspects and financial aspects

The Second, tending to uniformity of the accounting rules for different types of businesses: which means, to build a roadmap steadily towards enterprise accounting that will be common rules for all types of businesses (large enterprises, SMEs, commercial banks, securities companies). This seems to contradict the current provisions of IAS / IFRS for SMEs, but consistent with the characteristics and the economic development of Vietnam. To do this, the accounting rules in general should only prescribe to be "moral principles" in nature, should not prescribe too much in detail and specify the content; always create openness, creativity for accounting staff, as well as requirements for international integration. Specifically identify building principles and account system rules, it means, should not prescribe too specific the regulations, but should develop principled nature, that is:

- Group asset Account is kind 1XX (short - term) and 2xx (kind of long - term);
- Group Short - term Liabilities Account is 31X, and 32X is long - term liabilities account;
- Group owner's equity Account is 41X, Capital of funds is 42X;
- Group income Account IS 5XX (revenue from core business) and 7XX (other income outside the primary business activities, including income tax);
- Group cost Account is 6XX (cost of main business activity) and 8XX (costs outside the main business activities, including income tax expense)

Deficit "XX" in the group of accounts is defined by each unit proactively established to ensure monitoring and the providing information that is truthful and reasonable

The third determine the building principles and regulate the basic transaction content: the basic arising for different types of businesses based on the principle of recognition of transactions, in a mobilization process in the business, about the Account of Assets, Liabilities, Capital, Income and Expenses and determining the results, according to the Figure 1:

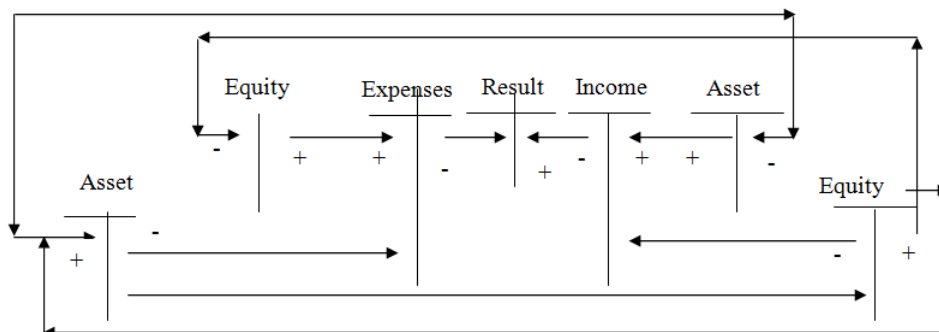


Figure 1: Basic Arising Transactions Accounting

The fourth, identify and build the Financial statement system: coming from the problem of reflecting and monitoring of the account system, the FS will be designed just for texture pattern, consisting of the basic parts ensuring the presentation, and, providing information are as requested without "stereotyped, rigid" in nature, with fixed targets as available today.

Financial statements should be clearly defined as Separate financial statements/consolidated financial statements/general financial statements, and should be only provisions with general model, Table 6, Table 7, Table 8 follow

Table 6: Kind of Balance Sheet

No	Assets	Code	Explanation	Start Figures	End Figures
1	Short term Assets (1XX)	1XX			
	...				
2	Long term Assets (2XX)	2XX			
	...				
	TOTAL ASSETS				
1	Short term Liabilities (31X)	31X			
	...				
2	Long term Liabilities	32X			
	...				
3	Owner Equity (41X)	41X			
	...				
4	Equity fund (42X)	42X			
	TOTAL EQUITY				

Table 7: Kind of Income Statements

No	Items	Code	Explanation	Start Figures	End Figures
1	Income from product and business	5XX			
	...				
2	Expense from product and business	6XX			
	...				
3	Equal (5XX - 6XX)				
4	Income from other activities	7XX			
	...				
5	Expense from other activities	8XX			
	...				
6	Equal (7XX - 8XX)				
7	Account profit before income tax (3) + (6)				
8a	Expense currently income tax				
8b	Expense deferred income tax				
9	Account profit after income tax				

Table 8: Kind of Cash Flow Statements

No	Items	Code	Explanation	End Figures	Start Figures
1	Cash flow from product and business activity				
	...				
2	Cash flow from investment activity				
	...				
3	Cash flow from Financial activity				
	...				

And, explaining the financial statements, here are some basics for Table 9 as follows:

Part I: Information about the unit and the situation of applying the accounting regulations

Part II: Adding and interpreting the information: *(This section depends on each unit)*, but beside the disclosure information currently, we need the additional disclosures: Interpretation of changes in equity

Part III: The other additional information: Effect due to the change in critical accounting policy; Effect due to the change in the business environment factors (adjustments of socio - economic development policy, the world situation)

CONCLUSIONS

To get the right decisions to govern enterprise in general and SMEs in particular, it is necessary and the first, to have full, honest and prompt accounting information system for the enterprises. However, to implement and solve is not simple, due to many factors involved, such as legal regulations, the level of accounting staff and business. This conclusion is based on international experience as well as the reality of Vietnam, today. Through the presentation and analysis above, we have taken the path for solutions and target to have the accounting information system of enterprises in general, and SMEs in particular, that would serve the management in decision making.

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