

The Dominance of Accounting Types and Accounting Principles on the Organization of Accounting Work In Vietnamese Enterprises

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Summary: Accounting is a socio-economic science, serving managers at enterprises. Accounting information helps managers make future decisions and serves non-business audiences. Through the process of studying the history of formation and development of accounting, it is shown that there is a division of types of accounting into types of accounting such as: Dynamic accounting, static accounting. Each of these types of accounting is associated with each specific historical circumstance, so it has its own accounting principles, methods, characteristics. The article focuses on studying the dominance of the type of accounting, accounting basis, accounting principles to the organization of accounting work in enterprises, thereby seeing the logical relationship and is considered the foundation of the current Vietnamese corporate accounting regime.

Keyword: *Type of accounting; dynamic accounting; static accounting; accounting basis; Accounting principles*

Organizing accounting work suitable to the operation situation of the business not only saves costs, but also ensures the provision of fast, complete, quality information, suitable for different management requirements. The study of the history of accounting shows that the organization of work in the enterprise is governed by the type of accounting, the basis of accounting and accounting principles

I. The dominance of the type of accounting to the organization of business accounting work

The study of various types of accounting is essentially the study of the relationship between accounting theory and accounting practice. The identification and classification of types of accounting is also relative, but it is essential to understand the development of accounting in historical periods to the present day. Different perspectives on who uses information and financial information goals are associated with different types of accounting. From the point of view (assumption) of the existence of an accounting unit, accounting is identified with 2 types: static accounting and dynamic accounting.

Type of static accounting

The type of static accounting with the basic foundation is an owner-oriented perspective. The basic assumption underpinning static accounting is periodic business unit shutdowns. Information users are particularly concerned about the entity's ability to repay debts when the entity is dissolved or goes bankrupt. In terms of law, when businesses are dissolved or go bankrupt, the obligation to disclose accounting information is mandatory.

This type of static accounting has a number of outstanding features such as:

- Accounting information focuses on net assets (or equity), so the balance sheet is of particular interest to both owners and creditors. Basically, assets and liabilities are recorded on the balance sheet on the basis of legal signs of ownership and primarily recognize physical assets. In essence, users of accounting information are interested in assets

that the entity can sell to pay off debts.

- Business results are approached according to the balance sheet, i.e. the fluctuation of net assets at different times.

In this type of static accounting, generally accepted accounting concepts and principles are new and not yet systematic. Therefore, accounting practices are quite rich and lack consistency.

The methods of accounting have formed primarily to serve the preparation of the balance sheet. Therefore, the actual inventory of assets and liabilities at the time of reporting is a basic method of accounting.

According to the logic of ownership theory, an entity's assets should be assessed at prevailing prices to reflect the net assets of the owners after deducting liabilities. In fact, different pricing bases are still used in this type of static accounting such as cost price, current price.

Type of static accounting with a foundation of theory and theory of ownership. Up to now, the ideology and some characteristic features of static accounting have been maintained within the framework of accounting regulations and practices even when the socio-economic context has changed leading to the formation of another type of accounting to replace the static type of accounting.

Type of dynamic accounting

The type of dynamic accounting is based on the basic assumption of "Continuous Operations". Accordingly, accounting work is carried out under the condition that enterprises operate normally in the future. The task of accounting information is to reflect the past, present and future of the enterprise. This assumption is formed in conditions where joint-stock companies become popular with a long business life cycle or an indefinite term.

The type of dynamic accounting has a number of outstanding features such as:

- Entities using accounting information are expanded to include owners, creditors, and others with related interests. Therefore, the accounting information provided needs to comprehensively reflect the financial, business and cash flow situation. Accounting information on the one hand reflects the past, present of the enterprise. On the other hand, there must be the ability to forecast the future.

- The system of accounting concepts and principles has been formed synchronously on the basis of the assumption of continuous activity and the basis of accrual accounting, including: The concepts of accounting units, accounting periods, accounting monetary units; accounting principles such as: Principle of cost price, principle of conformity, principle of prudence.

The balance sheet remains an important financial statement with information on assets, liabilities and equity. In particular, the concepts of assets, liabilities are broadened and approached according to control and future economic benefits (different from static accounting that approaches assets and liabilities according to legal signs and sellability). A rather striking point is that the classification of elements on the balance sheet has been focused, according to which assets and liabilities are classified according to liquidity to serve the financial analysis of entities using information. Assets and liabilities are usually presented on a balance sheet of short- and long-term items (or fixed assets/current assets)

The business results of the accounting unit are very important financial information. Users require fairly detailed information about the factors that make up business results instead of just information about results based on fluctuations in net asset value like static type of accounting: Therefore, the income statement must present information about expenses, Revenue is recognized on the basis of transactions and events according to the principle of suitability.

- The type of dynamic accounting based on reasoning is entity theory with the assumption of continuous activity, so logically the basis for calculating prices is mainly the use of cost prices. Accordingly, elements of the financial statements are recognized at cost. Associated with the theory of value shift, the cost price, is systematically allocated to the value of newly formed assets. However, in practice, due to the inherent limitations of using the cost price, the basis and model of calculating prices other than the original price are also proposed to be applied to a certain extent such as: General price accounting model, alternative price accounting, output price accounting . . . That said, the idea of

ownership theory still has significant impacts in the accounting practice of dynamic accounting

- In the type of dynamic accounting, accounting methods are formed quite synchronously associated with the process of acquiring, processing and providing accounting information. Accounting is approached from the perspective of a key economic information system of the enterprise and has interaction with other management information systems.

From the analysis of two models of dynamic accounting and static accounting, it shows that in Vietnam with business accounting units, the type of accounting is defined as the type of dynamic accounting. Since this accounting unit is based on the basic assumption of continuous operation. With this type of accounting, the organization of accounting work of the accounting unit is based on accounting methods that are approached from the perspective of a key economic information system of the enterprise and interact with other management information systems. Accordingly, the characteristics of the dynamic type of accounting are specifically manifested through such aspects as:

Vietnamese corporate accounting not only reflects the asset value situation of the enterprise but also the leased assets (financial leased assets). Vietnamese accounting reflects the value of assets recorded at cost with the assumption that the business operates continuously. Capital sources are recognized according to the amount of capital mobilized, from these characteristics, our Vietnamese accounting system has the characteristics of a dynamic accounting model, a type of accounting that mainly serves to ensure the business efficiency of enterprises and follows the principle of accrual accounting, ie making accounting recognition according to commitments.

The Vietnamese accounting system is full of specific principles such as: Compliance with the principles of accounting standards; assets participating in the process of production and business activities shall be recorded according to the principle of cost price; failure to account for assets by ownership; capital sources are recorded according to the amount contributed (received), not according to the amount of capital registered on papers; depreciation of fixed assets is calculated in a systematic way on the cost of fixed assets; periodically prepared reports; revenues and expenses are recognized according to the principle of accrual; The accounting method is recorded according to the double-entry method, i.e. recorded according to the regular declaration method and the periodic inventory method.

Vietnam's legal system of accounting has an Accounting Law, a system of accounting standards, and accounting regimes in accordance with international practices. Currently, our country is complying with the Accounting Law 2015 and the accounting regime according to Circular No. 200/2014/TT-BTC dated December 22, 2014; Circular No. 133/2016/TT-BTC dated 26/08/2026 of the Ministry of Finance.

II. The dominance of the accounting establishment to the organization of accounting work in the enterprise

Accounting units use one of two accounting methods as the foundation for the accounting system: Accrual basis and Cash basis.

Accounting on an accrual basis

Accrual accounting assesses and reflects assets, capital sources, revenues, expenses and operating results on the basis of arising financial rights and obligations, not based on the actual time of collection and expenditure of money. Thus, accounting for asset fluctuations is carried out when handing over assets or handing over rights and responsibilities for such assets; Evaluate all assets that contribute to the performance of the entity that produces operating results. Revenue is recognized when the entity has sufficient evidence of the transfer of most risks and ownership related to goods and services to the buyer and is accepted for payment by the buyer, increasing equity, the result of increasing assets or reducing liabilities, the delivery or fulfillment of the completed service. The cost is recognized when it is incurred, which reduces equity, the result of a decrease in assets or an increase in liabilities, and is the purpose of generating revenue. On an accrual basis, cash flows into funds may be revenues but may also not be revenues. Revenues may be other assets that are not cash entered funds. Cash flow can also be an expense, but it may not be an expense. Expenses can be other non-cash assets.

Accrual accounting allows to determine and evaluate the results of activities of each accounting period, not necessarily waiting for the end of work; fully reflect the current situation and fluctuations of assets, capital sources, and financial situation of the entity. Information about assets, payment situation is always available according to standardized and systematic criteria. As a result, managers can evaluate activities, anticipate the impact of future

activities; monitor and control changes in the unit's operation. However, accrual accounting is also subjective in analyzing income and expenses between accounting periods (asset depreciation, inventory price calculation ...), so the reliability of operating results calculated through the accounting books is not high, managers or accountants can adjust revenue, costs through methods of calculating depreciation, allocating costs,... Therefore, it is necessary to determine and comply with accounting principles and standards, especially the principle of consistency. In addition, due to the difference between profit and cash generated in the period, the Income Statement and Balance Sheet cannot accurately assess the operating results of the entity. The allocation of revenues and expenditures between years is not reasonable and uniform. Accrual accounting often applies organizations operating for the purpose of profit For units with arising purchase and sale activities, the application of accrual accounting is really necessary to ensure the principle of matching costs and revenue incurred in the accounting period.

Accounting on a cash basis

Cash accounting is based on the principle of recording all fluctuations in the money of a unit, excluding all other fluctuations. Revenues, expenditures or fluctuations in the entity's assets are recognized only at the time of actual collection or payment without taking into account the time when fluctuations in such assets arise. Revenue is recognized only when money is actually earned, expenses are only recognized when actually spent; operating results are not determined by a certain period, but by case or investment activities completed on the basis of a comparison of the difference between receipts and expenditures; Meaningful information about profitability is only provided at the end of the activity. Cash accountants calculate the value of cash assets, evaluate the aggregate results of each operation after many periods by comparing receipts and expenditures; evaluate and account for assets, capital sources, revenues, expenses and operating results on the basis of real cash flows and actual expenditures. Simple cash accounting in accounting techniques, easy to understand, information about authentic cash flows, allows to accurately determine the solvency of the entity. However, cash accounting reveals some limitations such as not identifying all capital and asset situations, only providing a part of information about capital contribution; receivables constitute assets, payables constitute capital sources that are not fully reflected; mere cash information is insufficient to determine the extent of the entity's debt; may not show a link between realized revenue and actual costs incurred. The information provided by cash accountants does not reflect all activities as well as the financial status and results of operations of the entity, so it is rarely used as accrual accounting and often applied to State administrative units.

Based on research on the accounting basis, it shows that for accounting, Vietnamese enterprises operate on an accrual basis. For enterprises operating in the market mechanism, accounting units must provide an honest and complete financial image for information users and require high information quality. Accounting on a cash basis does not comprehensively and fully reflect the financial position of this unit, the asset situation is not honestly reflected between years; has not met the requirements of providing sufficient information to managers, especially in the condition of output-based management, which requires determining and allocating sufficient input costs to have a basis for determining the efficiency of financial management of operations as well as the efficiency of capital use

III. The influence of accounting principles on accounting work in VietNam.

Accounting practices are governed by principles. These principles are formed on the basis of accounting assumptions and concepts in order to guide the creation of a framework for the selection of application of specific accounting policies and methods.

Pricing principles

Pricing of accounting objects is a particularly important issue in accounting theory and practice. So, the principles of pricing are one of the basic principles, which are the foundation for every accounting theory. The development of accounting with different theories and types of accounting formed different pricing principles. These pricing principles are fundamental to establishing pricing models and deeply govern accounting procedures. The principles of price calculation include: Principle of original price and principle of market price.

The principle of cost price.

The principle of cost price requires accounting objects to be initially recognized at cost. After the initial record, the original price was maintained without being adjusted according to market movements. The cost price is determined at the time when accounting objects are recorded and is determined specifically in accordance with the formation of

each accounting object. From this, techniques for determining the cost of assets, liabilities, equity, revenue, expenses are developed. Logically, the principle of cost pricing is associated with the type of dynamic accounting with the basic assumption of "Continuous Operations". With this assumption, the assets of the accounting unit are not held for the purpose of sale but will be used in the future, creating economic benefits. Therefore, the cost price of the asset as well as of the object of accounting is due to the basis of market prices. Besides, the advantage of the value principle is objectivity and convenience for accounting are also the reasons why this principle is widely applied in the history of accounting and even today.

Market price principle

The principle of market prices allows accountants to adjust the value of accounting objects according to market movements at each time of making reports and disclosing information. Depending on each angle of approach, the principle of market price is more specific with different price bases such as: Alternative price (input market price), realizable net value or fair value (output market price).

The market price principle has been proposed by the researchers to replace the cost price principle because they believe that the assumption of continuous operation is the basis for the cost price principle is not really appropriate. In addition, the cost price is the past price, so information on the basis of the cost price will not be useful for current and future decision-making.

Thus, regarding the problem of calculating the price of accounting objects, accounting theories and practices are based on the principle of cost price or the principle of market price. Each principle is consistent with the logic of each respective accounting theory.

Principles of recognition of expenses, income and operating results

Measuring performance is an important function of accounting. Different accounting theories and types of accounting have different approaches to determining results. Given the importance of defining outcomes, accounting theories develop fundamental principles that govern this problem.

In the static accounting type, the operating results of the entity are approached from the financial statement through measuring the volatility of net assets (also known as determining operating results on the basis of valuation – Valuation approach). Therefore, no separate rules for determining performance are formed.

Principle of implementation

In the dynamic type of accounting, the measurement of operating results is approached according to transactions and events through the recognition of corresponding amounts of income and expenses. Accordingly, accounting principles are developed as the basis for dealing with this issue.

On the basis of the assumption of cash accounting, the recognition of revenues and expenses is associated with the actual cash flows and expenditures of the entity. Therefore, operating results are measured according to the difference between revenues and expenditures of the unit in the period. The assumption of cash accounting is suitable for accounting in small business conditions with direct payment mechanisms and state budget revenue and expenditure activities. The recognition of revenues, expenses (or revenues and expenditures) on the basis of the assumption of cash is also known as the principle of cash accounting. With large-scale business operations, accrual accounting assumptions ensure a more reasonable recognition of revenues, expenses, and determination of results. Accordingly, revenues and expenses are recognized as they arise without necessarily being tied to actual revenues and expenditures. The principle of revenue recognition in accordance with the assumption of accrual accounting is also known as the principle of implementation. The principle of implementation is fundamental to the development of conditions, procedures and methods for recognizing income and expenses.

Matching principle

With the assumption of continuous and accrued operations, the determination of business results by type of dynamic accounting is based on the recognition of income and expenses. In order to ensure that performance indicators most honestly reflect the efficiency of resource use, reflect the effectiveness of organizational management measures and business decisions, the recognition of income and expenses must be consistent with each other according to the cause-

and-effect relationship.

The matching principle requires that when income is recognized, the expenses corresponding to that income must be recognized within the framework of an accounting period. Thus, the matching principle is applied after earnings are recognized in accordance with the stated performance principle. The expenses related to that income are then identified and recognized in the same accounting period to determine the outcome.

The scope of application of appropriate principles in accounting is quite wide. On the one hand, this principle governs the application of recognition techniques, allocating expenses incurred to ensure corresponding to income in the period. On the other hand, if the costs incurred are directly related to future income generation (economic benefits), these costs are capitalized to be recognized as expenses to determine future results. In this sense, the principle of relevance governs both the recognition of expenses on the income statement and the recognition of the value of assets on the balance sheet.

A very important aspect when applying the appropriate principle is to understand the relationship between income (economic benefits) and costs and on the basis of this relationship to apply appropriate calculation and recognition methods. However, in reality, this relationship is difficult to identify and quantify. Therefore, the methods of calculating and allocating costs to tie to income are quite diverse and based on different assumptions. That leads to a certain subjectivity in choosing accounting policies.

Other accounting principles

Accounting principles were developed in connection with the basics of evaluating the elements of financial statements and recording income, expenses and results. In addition, to ensure that accounting information meets all information use needs of economic entities, accounting principles continue to be formed more and more synchronously.

The principle of caution

Researchers of accounting history and theory agree that, along with the principle of cost price, the principle of prudence is one of the oldest universally accepted accounting principles that governs accounting practice. The principle of prudence is formed along with the reaction of managers and users of accounting information to risks and uncertainties in business. However, according to the development of accounting, the connotation of the principle of prudence has also changed.

The initial manifestation of prudent thinking in management is the formation of reserve funds, risk provision funds and accounting that reflect these funds as part of the source of equity.

In the next phase, prudence in accounting is extended to include caution in calculating the price of assets, liabilities, recognition of income and expenses. Accordingly, the accountant does not assess the asset higher than the realizable price, does not assess liabilities lower than the amount that will be payable. The recognition of revenue requires solid evidence to ensure that the revenue has been realized. The recognition of losses or losses when concrete evidence is available.

Recently, prudent thinking in accounting has been considered on a broader scale. In addition to inheriting the existing prudent view, accountants also apply the principle of prudence in recording and presenting information.

Although the importance and influence of the principle of prudence in accounting theory and practice is clear, in practice, the application of the principle of prudence is also highly subjective.

Principle of consistency

The purpose of the consistency principle is to enhance the comparability of accounting information. This principle is considered on 2 main aspects:

First, in the accounting process, accounting assumptions, concepts and methods need to be applied from period to period in order to enhance the comparability of information. At the same time, when choosing to apply accounting policies, it is necessary to consistently apply the selected policies in a similar situation.

Second, the principle of consistency allows for a change in accounting policies if the change is necessary due to changes in accounting objects and the environment or the change causes the quality of accounting information to be enhanced. However, the effects of changes in accounting policies should be disclosed in full.

Materiality principles

The overriding principle aims to ensure that efficiency of accounting. This principle requires that in the process of implementing accounting processes, apply principles and policies to identify and distinguish material and non-essential information:

Accounting information is considered material if this information is not presented or improperly presented, it will misrepresent the financial position, business situation and cash flow of the entity, affecting the decisions of the entities using the information. For material information, the accountant must receive, process and present in accordance with the selected accounting principles and policies. For non-essential accounting information, accountants can apply accounting principles and accounting policies in the direction of simplifying and reducing accounting work while ensuring that accounting information is presented honestly, reasonably and useful to information users.

When organizing accounting work at an accounting unit with an enterprise model, operating in the market mechanism, it is necessary to comply with accounting principles governing the content of accounting work according to the characteristics of their units.

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