ENTERPRISE ACCOUNTING LAW

No. 12/90/PSA, dated 29 November 1990,
(Unanimously adopted by the 5th Ordinary Plenary Session of
the People's Supreme Assembly (II Legislature) on. 29 November 1990,
at 15:50 and promulgated by presidential decree No. 101/PR,
December 24, 1990)

CHAPTER ONE
General Provisions

Article 1. Objectives of the Enterprise Accounting Law

The Enterprise Accounting Law aims at extending the scope of organization and
implementation of accounting to all socio-economic activities led by independent
business units for the establishment of a harmonious and appropriate national accounting
system and a firm basis for the conversion of economic management to the new
mechanism,

Raising awareness in relation with the development mechanism and guaranteeing the
level of growth and productivity of such units,

Allowing the effective control of various business conditions by reflecting the situation
and transactions in the most 'realistic way, protecting accountants in the performance of
their duties and providing strict sanctions against violations.

Article 2. Obligations in Accountancy

Each independent business entity shall gather, arrange and record all transactions in terms
of figures in their accounts and after compilation, shall provide all necessary standard
data and information in order to ensure the interest of the State, business units,
shareholders, customers related with the business units and of the workers.

Article 3. Accounting regulations

In order to ensure quality and understanding of data, each independent business unit's
accountancy shall:

- Comply with the directing principles and use unanimous vocabulary;
- Be organized in a manner responding to requirements for control and review of figures at all
times;
• Organize and implement all agreements, methods and implementing procedures for standardization.

**Article 4. Major accounting principles**

Accounts of independent business units shall accurately and correctly reflect their status and transactions.

Accuracy refers to the conformity with effective accounting agreements, methods and regulations effective in the Lao PDR.

Correctness refers to the honest implementation of the said agreements, methods and regulations by individuals responsible for accounts in conformity with the reality and the level of importance of transactions, events and situations.

**Article 5. Statements**

Annual standard data shall be compiled and used in statements which include the revenue statement, equity statement, statement of assets and statistical and fiscal schedules.

The establishment of such report documents are binding in totality or in pan, based on the size of the business unit, as provided on the basis of conditions pertaining to the business turnover and employed average personnel in the year. Such conditions, as well as the binding scope for each autonomous business unit is provided in the Decree of the Council of Ministers.

**Article 6. Features of statements**

Statements of business units shall clearly, thoroughly and objectively reflect the transactions, events and situations occurring in the year.

These documents shall so reflect in order to allow comparison between each year's figures and she statements of other business units in the same sector.

**CHAPTER 2**

**Organization of Accountancy**

**Article 7. Basic regulations.**

Accountancy shall abide by the basic regulations from which no independent business unit will be exempted. Such accounting organization shall rely on accounting plans, with selection of accounts to open and determination of implementation regulations to:

• Enter transactions and compute basic data,
• Close accounts and establish statements,
• Respond to the requirements of auditors.

**Article 8. Binding provisions.**

Each independent business unit shall implement the following binding provisions in accountancy:

- Keep accounts in Lao language and in the local currency (in Kip);
- Use the double entry accounting system, except for small business units which will be exempted;
- Rely on preserved certifying documents bearing dates preserved and disposed in determined order under reference numbers of their entry into accounts as evidence; Enter transactions according to their order of occurrence;
- Keep account books and journals in order to establish statements according to the conditions provided under Article 5 of this law;
- Ensure reliable accounting control to prevent errors, falsifications, embezzlements and for the protection of assets;
- Control the veracity and value of asset and liability components according to accounting records;

All transactions entered in the accounts shall indicate their origins, nature, subjects, features as evidenced by documents;

Account books used to record transactions in the year and adjustment at the accounts' closure by the end of the year shall be void from any omitted line, nor bear any crossing or overwriting.

The above mentioned accounting and certifying documents shall be preserved for a period of ten years.

**Article 9. Nomenclature of Accounts and Accountancy Regulations.**

Accounting programs of independent business units shall designate the nomenclature of accounts to be used, their contents and account keeping regulations.

Ledgers are documents, account, books and in general, items used according to the filing conditions to enter basic data and gather information. Recording methods refer to methods and instruments used by independent business units for necessary accounting operations and for the establishment of the required report documents with effectiveness and without obstacles to independent business units in the performance of their obligations according to the law.

**Article 10. Accounting Year.**
The accounting year includes twelve calendar months. Such period may be less than twelve months if the business has started its first year of operation in the middle of the year. In case the business is terminated for any reason, the period of liquidation will be considered as one year. The period between the closure of accounts and the establishment of statements is provided in the decree of the Council of Ministers.

CHAPTER THREE
Summarized report documents

Article 11. Forms of statements
Statements as provided in Article 5 of this Law shall comply with the forms designated by the decree of the Council of Ministers.

Article 12. Content of statements

Statements of assets shall distinguish the components of assets and liabilities which constitute the total property of the independent business units. Statements of revenues shall summarize revenues or income and expenditures or expenses, which, through the subtraction of figures, shall show the amount of annual profit or loss.

Financial and general reserve analysis schedule shall show the flow of used funds and sources of funds in the year.

Statistical and tax reports are additional documents analyzing the information provided by the above mentioned statements and shall be the basis for the establishment of the national accounting system and the computation of taxable revenues.

CHAPTER FOUR
Rules for the valuation and computation of returns

Article 13. Basis of valuation method

The method for valuating items entered into the accounts shall be based on the agreement of entry at the initial cost value. Nevertheless, the assets may be re-valuated according to conditions outlined by the competent agency.

Article 14. Causes of revaluation

Each independent business unit shall be considered as regularly conducting their operations, that is continuing their operations in the future. As independent business units have the intention or must be dissolved or decrease their scope of business at a certain time, which continuity may not be ensured. then such independent business units' assets shall be re-valuared.
**Article 15. Implementation of asset evaluation rules and method**

In view of appropriate and coherent valuation of assets, regulations and methods shall be implemented on a permanent basis, except in all cases where it is required to search for better information or out of necessity.

**Article 16. Independence of accounting years**

Each accounting year shall be independent from the previous and following years. In order to compute returns, only transactions and operations occurring within that year shall be taken into account.

**Article 17. Work by the end of the year of independent business units.**

At the end of each accounting year, independent business units shall review and control materials and valuate their assets at the value then prevailing, and compare the actual value on the day of inventory to the value entered in the statement of assets.

If the entered value is less than the controlled value, the entered value shall be preserved in the account books, except in cases specifically prescribed by law. If the entered value exceeds the controlled value, the depreciation shall be recorded separately in the form of depreciation or amortization, depending on whether the depreciation is considered as a fact or not.

Each year, depreciation, amortization and reserve funds shall be deducted for risks and necessary expenditures in view of guaranteeing eventual amortization, risk and loss whether there is no profit or insufficient profit.

**CHAPTER FIVE**

**Evidence value in principle of documents, auditing and disclosure**

**Article 18. Registration of daily journals and inventory registers**

Daily accounting journals and inventory registers must be registered and given reference numbers and signed by the competent tax officers.

**Article 19. Conditions of accounting presented as evidence at court**

Any accounting appropriately kept by accountants officially approved by the competent agency under the Ministry of Economy, Planning and Finance may be used as evidence at court to certify business events between business persons.
If the accounts are not appropriately kept, business persons may not present such accounts as legal evidence.

**Article 20. Establishment of implementation rules and methods.**

At their own responsibility, independent business units shall determine the necessary implementation methods for the establishment of reliable accountancy which will assist in internal management and ensure convenience for outside control on the accuracy and quality of accounts.

**Article 21. Responsibilities of the chief accountant**

The chief accountant's duty shall be to effectively implement outlined provisions for such supervision and control and no individual shall have the right to obstruct the implementation of the said person's duty out of any reason inconsistent with the interest of the state, of the independent business units or of the workers.

**Article 22. Status reports and additional reports**

In addition to the statements mentioned in Article 5 of this Law, accounting reports on various situations and the evolution of the whole business of independent business units are required. The rules on auditing and disclosure of such documents are governed by the decree of the Council of Ministers.

**CHAPTER SLY 'Sanctions'**

**Article 23. Failure to keep compulsory accounting documents**

Failure to keep compulsory accounting documents will entail fines as prescribed by the Decree of the Council of Ministers.

**Article 24. Falsification, Incorrect and inaccurate statement of assets**

Intentional falsification and establishment of inappropriate and inaccurate statements of assets will entail penalties as prescribed by Article 150 of the Criminal Law and fines as provided by the Decree of the Council of Ministers or both.

**Article 25. Incorrect share of dividends.**

The responsible board sharing inappropriate dividends to shareholders from the actual profit provided in the accounting regulations will be penalized as provided in the above Article 24.

**Article 26. Faults and errors in accounting or in the presentation of accounting documents.**
Faults or errors in accounting or in the presentation of compulsory accounting documents, the failure to report or delay in report without justification to the relevant officers and shareholders will entail fines as provided in the Decree of the Council of Ministers.

CHAPTER SEVEN
Final Provisions

Article 27. Effectiveness

This Law is effective and applicable to independent business units depending of the central authorities or Vientiane Municipality starting from January 1, 1991, and to other business units in the provinces throughout the country from January 1, 1992.

Article 28. Implementing agency

The Council of Ministers of the Lao People's Democratic Republic is entrusted to issue a decree governing the implementation of this Law and outline detailed regulations on the accounting profession.