



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

President's Office

No. 52/PO

DECREE
of the
PRESIDENT
of the
LAO PEOPLE'S DEMOCRATIC REPUBLIC

On the Promulgation of the Law on Enterprise Accounting

Pursuant to Chapter 5, Article 53, point 1 of the Constitution of the Lao People's Democratic Republic; and

Pursuant to Resolution No. 010, dated 14 October 1994, of the 5th Session of the third legislature of the National Assembly regarding the adoption of the Law on Enterprise Accounting.

**The President of the Lao People's Democratic Republic
Decrees That:**

Article 1. The Law on Enterprise Accounting is hereby promulgated.

Article 2. This decree shall enter into force on the date it is signed.

Vientiane, 5 November 1994
The President of the Lao People's
Democratic Republic

[Seal and Signature]

Nouhak PHOUMSAVANH



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

People's Supreme Assembly

No. 12/90/PSA
29 November 1990

THE LAW ON ENTERPRISE ACCOUNTING

Chapter 1 General Provisions

Article 1. Objectives of the Law on Enterprise Accounting

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

[Other objectives include:] raising awareness in relation to the development mechanism, guaranteeing the level of growth and productivity of [independent business] 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 Accounting

Each independent business unit 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 secure the interests of the State, the business unit, shareholders, customers related to the business unit and the workers.

Article 3. Accounting Regulations

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

- Comply with the directing principles and use uniform vocabulary;

- Be organised in a manner to respond to requirements for control and audit¹ of figures at all times;
- Implement all decisions, methods and standardised implementing procedures.²

Article 4. Major Accounting Principles

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

Accuracy refers to conformity with accounting decisions, methods and regulations on implementing procedures effective in the Lao PDR.

Correctness refers to the honest implementation of such decisions, methods and regulations by individuals responsible for accounts in conformity with the actual facts 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 tax schedules.

The [requirement] to establish such report documents is binding in totality or in part, depending on the size of the business unit, as determined on the basis of conditions pertaining to its business turnover and the average number of personnel employed in the year. Such conditions, as well as the binding scope for each independent business unit, are provided in government decrees.

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 reflect [figures] in order to allow comparison between each year's figures and the statements of other business units in the same sector.

¹ The Lao word here is generally used to represent all of the following related (but slightly different) concepts: "control", "inspection", "supervision", "audit" and "monitoring". In this law, the translators have chosen "audit" as the most appropriate English equivalent but readers should note and bear in mind the other meanings that might have been intended.

² The bullets in front of each item in this list (and other similar lists in this law) have been added by the translators for readability.

Chapter 2 **Organisation of Accounting Activities**

Article 7. Basic Regulations

The establishment of an accounting [system] shall comply with the basic regulations from which no independent business unit will be exempted. Such accounting [system] shall be based on accounting plans, shall select which accounts to open and determine 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 its accounting:

- Keep accounts in the 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 certifying documents bearing dates³, that are kept in the accounts as evidence and arranged in a determined order with a reference number for each entry;
- Enter transactions according to their order of occurrence;
- Keep account books and ledgers⁴ in order to establish statements in accordance with the conditions provided in Article 5 of this law;
- Ensure reliable accounting control to prevent errors, falsification, and embezzlement, and for the protection of assets;
- Audit the veracity and value of asset and liability components in the accounting records;
- For all transactions entered in the accounts, indicate their origins, nature, subjects, and features as evidenced by documents.

Account books used to record transactions in the year and adjustments at the closure of accounts by the end of the year shall not have any blank lines, nor any crossing-out or overwriting.

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

³ The literal translation of this term is “the day, month and year”.

⁴ The literal translation of this term is “monitoring books”.

Article 9. Nomenclature of Accounts and Accounting Regulations

The accounting plans of independent business units shall designate the nomenclature of accounts to be used, their contents and account-keeping regulations.

Ledgers refers to documents, account books and, in general, things used to enter basic data and collect information, depending on the filing requirements.

Recording methods refers to methods and instruments used by independent business units that are necessary for maintaining accounts and for establishing the required reports effectively in accordance with account-keeping regulations, but that should not present obstacles to independent business units.⁵

Article 10. Accounting Year

The accounting year includes twelve calendar months in accordance with the international year. Such period may be less than twelve months if the business started its first year of operation in the middle of a year. In the event that the business is terminated for any reason, the period of liquidation shall be in one year.⁶

The period between the closure of accounts and the establishment of statements is provided in decrees of the government.

**Chapter 3
Statements**

Article 11. Forms of Statements

The statements referred to in Article 5 of this law shall comply with the forms as provided in decrees of the government.

Article 12. Contents of Summaries

Summaries of property shall distinguish the components of assets and liabilities which constitute the total property of the independent business units.

⁵ I.e., these methods and instruments should not be so difficult to use as to impede the business units.

⁶ This is a literal translation. It was not entirely clear to the translators whether the intention is to require that liquidation be completed within a year or simply to state that, for accounting purposes, the year in which a business unit ceases operation should be treated as one accounting year, even if the operations ceased mid-year.

Statements of revenue shall summarise the revenues or income and expenditures or expenses, which, through the subtraction of figures, shall show the amount of annual profit or loss.

Analytical schedules of financial and general reserves shall show the flow of funds used and sources of funds in the year.

Statistical and tax reports are additional documents analysing 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 4

Rules for the Valuation and Computation of Returns

Article 13. Basis of Valuation Method

The method for valuing items to be entered into the accounts shall be based on the determination⁷ of the initial cost value at the time of entry. Nevertheless, the assets may be re-valued according to conditions outlined by the competent agency.

Article 14. Causes of Re-valuation

Each independent business unit shall be considered as regularly conducting its operations and as expected to continue its operations in the future. When an independent business unit intends to or must be dissolved or [intends to or must] decrease its scope of business to a certain level such that continuity may not be ensured, then such independent business unit's assets shall be re-valued.

Article 15. Implementation of Asset Evaluation Rules and Methods

For the appropriate and coherent valuation of assets, regulations and methods shall be implemented on a permanent basis, except in cases where it is required [to depart from such regulations and methods] 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. Year-End Activities of Independent Business Units

At the end of each accounting year, independent business units shall review, [internally] audit, and value their own assets at the values then

⁷ The literal translation of this term is "decision".

prevailing, and shall compare the actual value on the day of audit to the value entered in the summary of property.

If the entered value is less than the audited value, the entered value shall be kept in the account books, except in cases specifically prescribed by law. If the entered value exceeds the audited value, the depreciation shall be recorded separately in the form of depreciation or amortisation, whether or not any depreciation has in fact occurred.

Each year, depreciation, amortisation and reserve funds shall be deducted for risks and necessary expenditures to guarantee against the cost of eventual amortisation, risk and loss, even if there is no profit or insufficient profit [in the relevant year].

Chapter 5 Evidential Value of Documents, Audit and Disclosure

Article 18. Registration of Daily Ledgers and Inventory Registers

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

Article 19. Conditions of Accounts Presented as Evidence in Court

Any accounts appropriately kept by accountants officially approved by the competent agency under the Ministry of Economy, Planning and Finance⁸ may be used as evidence in 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 Regulations

As their own responsibility, independent business units shall determine the implementation regulations necessary to establish reliable internal accounting controls and to ensure convenience for external audits into the accuracy and quality of [their] accounts.

Article 21. Responsibilities of the Chief Accountant

The chief accountant has the duty to effectively implement regulations on control and inspection and no individual shall have the right to obstruct the implementation of such person's duty for any reason inconsistent with the interests of the State, of the independent business units or of the workers.

⁸ This Ministry has since been re-organised and its functions divided among several different ministries and agencies.

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 the audit and disclosure of such documents are provided in decrees of the government.

**Chapter 6
Measures⁹ Against Violators**

Article 23. Failure to Keep Compulsory Accounting Documents

Failure to keep compulsory accounting documents will entail fines as prescribed by decrees of the government.

Article 24. Falsification and Establishment of Incorrect and Unclear Summaries of Property

Intentional falsification and establishment of incorrect and unclear summaries of property will entail penalties as prescribed by Article 150 of the Penal Law¹⁰ and fines as provided by decrees of the government or one of these two penalties.

Article 25. Incorrect Distribution of Dividends

Any committee¹¹ responsible for distributing to shareholders dividends that are not in accordance with the actual profit provided in the accounting regulations will be penalised as provided in Article 24 above.

Article 26. Errors or Faults in Accounting or in the Presentation of Accounting Documents

Errors or faults in accounting or in the presentation of compulsory accounting documents leading to failure or unjustified delay in reporting to the relevant officers and shareholders will entail fines as provided in decrees of the government.

⁹ The term “measures” is often used as an indirect way of referring to “sanctions”.

¹⁰ This is a reference to the 1990 Penal Law. The corresponding provision in the amended 2005 Penal Law is Article 161. Both versions of the Penal Law are available in this set of translations.

¹¹ At the time this law was enacted, decisions of business units would have been taken by committees rather than boards of directors or other decision-making bodies now prescribed for enterprises.

Chapter 7
Final Provisions

Article 27. Effectiveness

This law is effective and will apply to independent business units belonging to the central authorities or Vientiane municipality starting from 1 January 1991, and to other business units in the provinces throughout the country from 1 January 1992.

Article 28. Implementing Agency

The government of the Lao People's Democratic Republic is to issue a decree for the implementation of this law and to outline detailed regulations on the accounting profession.

Vientiane, 29 November 1990
President of the People's Supreme
Assembly

[Seal and Signature]

Nouhak PHOUMSAVANH