

*LAO PEOPLE'S DEMOCRATIC REPUBLIC*  
*PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY*

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*President's Office*

*No. 146/PO*  
*Vientiane Capital, 17.7.2007*

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

***On the Promulgation of the Accounting Law***  
***(amended text)***

*Pursuant to Chapter 6, Article 67, Point 1 of the Constitution of the Lao People's Democratic Republic which provides for the promulgation of the Constitution and of laws adopted by the National Assembly;*

*Pursuant to Resolution no. 40/NA, dated 2 July 2007, of the National Assembly of the Lao People's Democratic Republic regarding the adoption of the Amended Accounting Law;*

*Pursuant to the Proposal No. 12/SCNA, dated 13 July 2007, of the Standing Committee of the National Assembly.*

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

*Article 1. The Accounting Law (amended text) is hereby promulgated.*

*Article 2. This Decree shall enter into force on the date of signing.*

*The President of the Lao People's Democratic Republic*  
*[Seal and Signature]*  
*Choummaly SAYASONE*

Lao People's Democratic Republic  
Peace Independence Democracy Unity Prosperity

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National Assembly

No: 01/NA

Vientiane, 2 July 2007

# **Accounting Law**

## **(Amended Text)**

### **Part I**

## **General Provisions**

### **Article 1. Objectives**

The Accounting Law determines the principles, rules and measures of book-keeping of budget, administrative and technical entities, public funds, commercial and not-for-profit entities in order to strengthen and develop the accounting activities as tools of financial management and accounting control, serving as a basis for collecting taxes in favor of the State Budget, promoting the production and business, as well as local and foreign investments, and contributing to the mission of building up and development of the Nation.

### **Article 2. Accounting**

Accounting is the recognition, calculation, recording, processing and reporting of financial information resulting from the operations and activities of the accounting entities.

Accounting is comprised of three systems as follows:

- **Government accounting:** Budget, Treasury, Administrative, Projects and Public Funds Accounting;
- **Enterprise accounting,** including Bank and Insurance Accounting;

- **Not-for-profit units accounting** and others...

### **Article 3. Definitions**

The terms used in this present Law are defined as follows:

1. **Executive management** means the owners of the company, the general directors, the board of directors or other collegial organizations who manage the accounting entities in compliance with the Enterprise Law, and the officials who have the power to authorize expenditures of the State Budget entities;
2. **Accounting entities** mean the budget, technical and administrative entities, public funds, enterprises and not-for-profit organizations who are subjected to the obligation of book-keeping;
3. **Budget entities** mean the State organizations, the National Edification Front, the mass organizations which are authorized by the Government to prepare and to implement their budget plans and to make accounting summaries about their actual implementation;
4. **Administrative and technical entities** mean the organizations which use assets as authorized by the Government to serve the society of which revenue and expenditures are planned in the annual Budget;
5. **Public funds** means an organization created under the authorization of the Government to collect revenue in favor of the State Budget and to settle expenditures according to the regulations authorized by the Government;
6. **Business entities** mean the productive, commercial and service entities financed by local and foreign investors;
7. **Not-for-profit organizations** mean social organizations, foundations and various funds which perform activities for the public interests or social assistance;
8. **Very small enterprises** mean natural persons and legal entities who perform small-sized activities and of which the annual turnover is less than 200 000 000 kip;
9. **Balance sheet** means a financial statement which reports about assets, liabilities and equity;
10. **Income statement** means a financial statement which reports all items of income and expenditures recognized in a period;

- 11. Cash flow statement** means a financial statement which reports cash flows during the reporting period and classified according to defined standards;
- 12. Statement of change in equity** means a financial statement which shows increases or decreases of net assets corresponding to the difference between assets and payables during the reporting period;
- 13. Internal control in accounting** means a control process carried out by an internal controller;
- 14. Present value** means the cost of an asset based on market prices or on its present usefulness;
- 15. Fair value** means the reasonable cost of an asset of which the buyer and the seller voluntarily agreed to perform transactions.

#### **Article 4. The accounting policy**

The State encourages all entities that carry out economic and financial activities to undertake book-keeping by as set out by the defined policies, laws, regulations and measures aimed at periodic consistency between the accounting operations and the country's socio-economic development at national, regional and international levels.

#### **Article 5. General principles of accounting**

Book-keeping must conform to the following general principles:

1. Accruals;
2. Valuation of assets and liabilities according to accounting standards;
3. Intelligibility, relevance, reliability and comparability;
4. Prudence or conservatism;
5. Independence of accounting periods;
6. Going concern in the foreseeable future;
7. Consistency of various accounting methods;
8. **enclosures** of material information having impact on decision making of users;
9. True and fair view of the financial information.

#### **Article 6. Accounting obligations**

All accounting entities have the obligation of book-keeping under the terms of the present Law.

#### **Article 7. Principal roles of accounting**

Accounting has the following roles:

1. To collect and record revenue, expenditure, asset and liability transactions in accordance with the accounting standards defined in each accounting system;
2. To control, and monitor the use of assets and the payment of debt obligations while contributing to the prevention of embezzlement, fraud and losses of money, materials, and damage to the State and those of third parties;
3. To carry out the analysis of financial information and to propose actions for improving and resolving insufficiencies in order to attain higher managerial performance;
4. To provide complete, valid, accurate, and timely financial information in compliance with laws and regulations.

#### **Article 8. Language and currency**

The accounting entries, books of accounts and financial statements must be presented in Lao language and in Kip, except the cases authorized by the Government.

#### **Article 9. Scope of application of the Law**

The present Accounting entities;

- All accounting entities;
- All entities of accounts controls
- Any individual and organization in relation to the accounting and controlling operations of accounts

#### **Article 10. International co-operation relationship**

The State encourages the co-operation relationship with foreign countries and international organizations; regional integration through coordination and experience sharing; capacity building of technical staff in the field of information and technology in order to reinforce and modernize the accounting activities.

# **Part II**

## **Structure of the accounting activities**

### **Chapter 1**

#### **Accounting activities**

##### **Article 11. Accounting activities**

The accounting activities consist of recognition, measurement in physical and monetary units by distinctly analyzing the accounting transactions with supporting documents, recording, classifying and presenting financial information resulting from operations of an accounting entity with a view of ensuring its true and fair view and in compliance with laws and regulations.

##### **Article 12. Structure of the accounting activities**

The accounting activities are structured as follows:

- Basic rules of accountancy;
- Accounting standards;
- Supporting documents;
- Manual of accounting procedures, books of accounts and other registers;
- Accounting internal control;
- Reporting system;
- Conservation of accounting records;
- Accountants, chief accountants, accounting experts and consultants.

### **Chapter 2**

#### **Basic accounting rules**

##### **Article 13. Book-keeping**

The book-keeping of any accounting unit must conform to the following basic accounting rules:

1. To draw up a manual of accounting procedures;
2. All accounting transactions must be recorded as an entry which is related at least two accounts (debit/credit), with the exception of very small business units;
3. When recording a transaction, the total of debits in various accounts must be equal to the total of credits amounts of related accounts;
4. All transactions must be recorded chronologically in the journals on a daily basis. The identical transactions occurring on the same day can be grouped and recorded in a single entry;
5. All transactions must be recorded in Kip. Transactions in foreign currencies must be converted into Kip according to the exchange rates defined in Article 16 of this present Law, with the exception of banks and other financial institutions which are authorized to maintain bookkeeping in multiple currencies;
6. The total amount of transactions recorded in the journals must be equal to that posted in the ledgers;
7. The adjustment of incorrect transactions must show the initial errors prior to the recording of correct transaction;
8. The trial balance must be established monthly. The determination of the final result must be done at least once per annum on December 31 or monthly.

#### **Article 14. Accounting obligations**

In book-keeping, all accounting entities have to comply with the following obligations:

1. To implement its internal control system in order to prevent falsification, fraud and other errors for the sake of safeguarding assets of the accounting units;
2. To maintain the books of accounts and other registers in order to enable the preparation of the financial statements;
3. To chronologically record all economic and financial transactions;
4. All entries recorded in the journals must be referred to supporting documents in accordance with the regulatory and legal provisions. The said supporting documents should be kept and classified systematically according to specify methods;
5. To proceed to the inventory of all kinds of materials, goods, monetary assets (cash, checks, commercial papers, other securities), receivables and payables;
6. To monthly establish trial balances, the statement of the budgetary revenue-expenditures or the statement of performances or the income statement of the enterprise units;
7. To establish the complete set of annual financial statements;
8. Computerized accounting must provide information of the equivalent quality as manual accounting;
9. All business units, and not-for-profit units must submit copies of their annual financial statements to the registry office of companies as defined in Enterprise

Law and keep them as archives in accordance with the regulations, and insert them in the register of inventory.

#### **Article 15. Monthly and quarterly accounting summaries**

All accounting entities must make a monthly, and quarterly summary as follows:

1. To establish an accounting summary and a trial balance at end of each month and quarter;
2. The budgetary units, administrative and technical organizations, and public funds, being the subject of book-keeping must establish a monthly and quarterly statement of budgetary revenue and expenditures or the statement of performance;
3. All business and not-for-profit units must establish a monthly and quarterly balance sheet and income statement.

#### **Article 16. The use of exchange rates**

All the operations in foreign currencies must be converted into Kip according to the exchange rates in order to make the following account recordings:

1. When cashing in foreign currencies, the daily exchange rates of the corresponding commercial bank should be used which means the buying exchange rate of that bank on the day of the occurrence of the operation;
2. For disbursements in foreign currencies, the daily exchange rates mentioned in Paragraph 1, or the average exchange rates of the last cashing-in should be used.

#### **Article 17. End-year stocktaking**

Accounting work to be carried out at end-year consists of:

1. Making a physical inventory of all fixed assets, stocks, receivables and payables;
2. Depreciating fixed assets;
3. Evaluating the fixed assets according to their present value or the fair value on the day of the inventory. The said present value or fair value on the day of the physical inventory should be recorded in the balance sheet in order to substitute the historical value registered in the balance sheet of the previous year or to maintain the historical value if the stocktaking value remains unchanged, except if the accounting standard mentions differently;
4. Inventory is evaluated according to the present value or the fair value of the time and these values are compared with the book value. If the book value is lower than



the current value or the fair value, the book value should be maintained, except if mentioned differently in the accounting standard; if the book value is higher than the present value or the fair value, the provisions should be recorded;

5. For the receivables, payables and cash on hand in foreign currencies that remain in the balance sheet at the summarizing date of the monthly account, or at the closing date of the annual statements, adjust the amounts initially recorded at the exchange rates of the summarizing date of the monthly account, or at the closing date of the annual statements or the hedged exchange rate if it is specified in the contract;
6. The differences between the value of receivables, payables and cash on hand and the calculated value on the physical count day will make the initial value increase or reduce and will become:
  - (losses) in case of an increase in payables, or a reduction of receivables or cash on hand;
  - Gain (profit) in case of an increase in receivables, cash in hand or a reduction of payables.

## **Chapter 3**

### **Accounting standards**

#### **Article 18. The development of accounting standards**

The development of Government accounting standards, those for companies and for not-for-profit units are decided by the Prime Minister upon proposal from the Minister of Finance.

The national accounting standards must be in coherence with the socio-economic situation of the country, international accounting standards and international financial reporting standards.

#### **Article 19. Contents of the accounting standards**

The contents of the accounting standards are presented as basic rules and accounting methods for the recording of economic and financial transactions as well as the preparation of financial statements.

The accounting standards are made up of standards of financial reporting, disclosures of financial information, valuation, accounting policies, recognition of revenues and expenditures and other (relevant accounting information).

The accounting standards constitute the basis for the implementation of the accounting activities of the accounting units.

The detailed contents of the accounting standards, including the electronic accounting standards, are defined in specific texts.

#### **Article 20. The use of the accounting standards**

All accounting units are to apply the national accounting standards

The standards of the Government accounting apply to the budgetary, administrative units, and the public funds.

The standards of enterprise accounting apply to business units Specific accounting standards apply for the small and medium-sized companies.

The not-for-profit units shall apply specific accounting standards

## **Chapter 4**

### **The supporting documents**

#### **Article 21. Supporting documents**

The supporting documents are evidence documents for the recording of actual operations of the accounting entity, such as invoices payment orders, checks and others.

The detailed contents of the supporting documents are defined in specific texts.

#### **Article 22. Electronic supporting documents**

The electronic supporting documents are types of documents produced by data-processing softwares.

The Ministry of Finance defines the regulatory provisions for the electronic supporting documents.

### **Article 23. The preparation of supporting documents**

The preparation of supporting documents must conform to the following provisions:

1. To design forms with complete detailed contents;
2. Each operation must be the subject of only one preparation; each set comprises of an original and some copies with seals on the original or copies;
3. Abbreviations, erasure or corrections, pencils are prohibited; the figures and the letters must be consecutive without leaving interval, and bars should be laid out within intervals, if any. Erased or corrected supporting documents are considered invalid. In the event of error wording, the supporting document should be cancelled and marked with “cancellation” or a seal marking cancellation could be affixed to the supporting document which should be kept as evidence;
4. Prepare complete supporting documents as envisaged; each copy conforms to the original.

### **Article 24. The signing of supporting documents**

The signing of the supporting documents conforms to the following provisions:

1. To sign correctly; pen with red ink or pencils or engraved signatures are prohibited; the signatures must be identical;
2. Only the authorized or assigned individuals are empowered to sign; it is forbidden to sign before having written the whole wording;
3. Only the people entitled to order the expenditures can sign the supporting documents of payment, a signature for each separate sheet.

The electronic supporting documents must have the room for signatures.

The persons who prepare, or control, or sign the supporting documents must be responsible for them.

## **Article 25. Invoice**

The invoice is a supporting document justifying the purchase of goods or the rendered services, which was issued by the seller or the person who rendered services to the buyer or the user of services.

The issuance of an invoice conforms to the following provisions:

1. Any organization and individual being the subject of book-keeping in accordance with the laws and regulations must issue an invoice to their customers each time they sell goods or render services;
2. At the time of the purchase of goods the use of services, any organization and individual has the right to require an invoice from the seller or the supplier of service.

Invoice issuance must be proceeded as follows:

- Invoice according to the envisaged printed forms;
- Invoice printed out by the printers;
- Electronic invoices;
- Stamps, tickets or cards with the printed amount of payment;

The detailed contents of each type of invoices are defined in specific texts.

## **Article 26. The management and use of supporting documents**

The management and use of supporting documents are set out hereunder:

1. To register information of the supporting documents in the book of accounts;
2. The supporting documents must be classified according to the contents, chronological order and to be managed and kept in a safe place within the accounting units;
3. The concerned State organizations are entitled to request the accounting supporting documents for certain objectives and within a certain period, by registering the details and signing the list of received documents.

## **Chapter 5**

### **Manuals, books of accounts and accounting records**

#### **Article 27. Manual of accounting procedures**

The manual describes the rules and methods of accounting organization for the sake of clear awareness and comprehension of the system of calculation, account recording, the internal control system, the preparation of financial statements and reporting and is used as a basis of control by external control organizations.

#### **Article 28. Books of accounts**

Books of accounts include journals and ledgers.

The journal is held to chronologically record the economic and financial operations that occur daily.

The ledger is formed of a set of individual and collective accounts which allows the follow-up of the accounts of assets, liabilities, revenues and expenditures of the entity. Each account reveals distinctly the opening debit balance or credit balance of the period, the debtor or creditor balance at end of period. The ledger provides information for the preparation of the trial balance.

#### **Article 29. Accounting records**

The accounting records are registers which allow the follow-up of various operations: the register of stocks, the register of fixed assets, the register of receivables and payables, the register of cash on hand, the register of deposits with banks, the register of check payments in banks, and the register of disbursement by Treasury checks.

#### **Article 30. The setting up of books of accounts and register**

Books of accounts and registers are set out in several suitable methods in order to ensure the true and fair view of transactions and to meet the necessary requirements for controlling accounting work.

### **Article 31. The register of inventory**

The register of inventory transcribes the balance sheet, the statement of the performance, the income statement, the cash flow statement and the statement of change in equity.

### **Article 32. The trial balance**

The trial balance is a summary of the debit balances or credit balances since the beginning of the month, the amount of the debited and credited balances within the month, and the debit or credit balances at month end.

The trial balance constitutes an essential tool for controlling and summarizing the accounts.

## **Chapter 6**

# **The accounting internal control**

### **Article 33. The accounting internal control**

The accounting internal control is the setting up of control systems for the activities of the accounting entity in order to determine the rights and duties in the fields of management and protection of property and interests in order to monitor the performances, and the effectiveness of the activities and the provision of reliable financial information of the accounting entity.

### **Article 34. Contents of the accounting internal control**

The accounting internal control covers the internal regulation concerning the clear separation of jobs and responsibilities without duplication, and with reciprocal control; the prevention of loopholes; and the use of resources with economically and effectively while ensuring the system of consolidation of information from various parties in complete, exact, and done in a timely way and in accordance with reality as well as the regulatory and legal provisions.

The accounting entity must create an internal control unit in order to supervise the internal control system.

### **Article 35. Rights and duties of the internal control unit**

The internal control unit has the following rights and duties:

1. To control the accounting transactions, the performance and the execution of the internal control system of the accounting entity in a constant manner;
2. To encourage and recommend the accounting entity to comply with the provisions of the Accounting Law and other concerned legal and regulatory texts;
3. To coordinate with the team of external auditors in order to collect information for reporting to the managers of the accounting entity;
4. To provide information on the appropriateness and effectiveness of the accounting internal control system and to carry out the evaluation of the performance quality of the personnel using the system;
5. To report on the reliability of the financial statements and the performance of work to the managers of the accounting entity;
6. To report on any conflict of interests within the accounting entity and other related problems, if any.

## **Chapter 7**

### **Reporting system**

### **Article 36. The financial statements**

The financial statements include :

1. The financial statements of budgetary units, technical and administrative units and the public funds include:
  - the balance sheet;
  - the statement of budgetary revenue and expenditures or the statement of performances;
  - the explanatory notes of the accounting principles and methods in use and so on.
2. The financial statements of the commercial entities and the not-for-profit entities include:
  - the balance sheet;

- the income statement;
- the statement of change in equity;
- the cash flow statement;
- the explanatory notes of the used accounting principles and methods and others.

The financial statements of the very small companies comprise only the statement of revenues and expenditures.

### **Article 37. Timing of preparation of the annual financial statements**

The timing of preparation of the annual financial statements is as follows:

1. For the budgetary entities, the administrative and technical organizations and the public funds, to conform to the Law on the State Budget;
2. For the commercial entities and the not-for-profit entities, the financial statements must be prepared within two months from the closing date of the annual statements. If the concerned entities are not able to observe the timing, the financial Authority in charge of the supervision of the accounting entity can grant a one month extension up on receipts of a proposal from the entity.

### **Article 38. Reporting period**

The reporting period is as follows:

1. For the budgetary entities, the administrative and technical organizations and the public funds, the reporting period covers twelve months, starting from October 1 through to September 30 (of the following year) under the terms of the law on the State Budget;
2. For the commercial entities and the not-for-profit entities, the reporting period covers twelve months, from January 1 to December 31 (of the same calendar year).

For certain commercial entities, the Minister of Finance can fix the starting date of the reporting period differently from the above-mentioned date. In this case, the reporting period remains twelve months.

3. In the event of the creation or dissolution of the commercial entities, or the not-for-profit organizations at any time during the year, the reporting period can be lower or higher than twelve months with reasonable justification.



### **Article 39. Responsibility for the financial statements**

The manager of the concerned accounting entity is responsible for and must sign the financial statements.

The manager is also responsible for the financial statements even if they were certified by an external auditor.

### **Article 40. Reporting and disclosures of financial information**

The budgetary entities, the administrative and technical organizations and the public funds, that carry out economic and financial operations should report to the concerned State management organizations on the annual financial statements together with a complete set of the audit reports, if any, according to the accounting standards and to disclose financial information in accordance with the regulatory and legal provisions.

## **Chapter 8**

### **Conservation of accounting records**

#### **Article 41. Conservation period of the documents**

All supporting documents that constitute evidence for accounts must be preserved for a minimum of ten (10) years.

#### **Article 42. Methods of conservation**

The methods of conservation of the accounting supporting documents and books of accounts conform to the following provisions :

1. To classify by numerical orders;
2. To classify by nature and chronological orders;
3. To preserve in the place of residence of the accounting entity, to ensure safety and accessibility;
4. To publish and safeguard the electronic supporting documents.

## **Chapter 9**

# **Accountants, chief accountants, accounting consultants and experts**

### **Article 43. The accountant**

The accountant is a person having an accounting profession and assists the chief accountant and who has the necessary qualifications under the terms of this present Law.

### **Article 44. Qualifications, rights and duties of the accountant**

The accountant must have the following qualifications:

- To have a professional certificate of accounting;
- To be free of the charges of fraud, embezzlement or other intentional infringements;
- To observe the code of ethics and be loyal in the performance of his/her tasks;
- To be in good health.

The accountant has the following rights and duties:

- To observe strictly the regulatory and legal provisions;
- To carry out the mandated tasks and to be actively responsible in his/her professional mandate;
- To be responsible for the accounting work carried out in the past and to give the accounting working papers to his/her successor in the event of his/her resignation;
- Exert other rights and tasks under regulatory and legal provisions.

### **Article 45. The chief accountant**

The chief accountant is a person exercising the tasks of giving guidance to and leading the organization in the execution of the accounting work of the accounting entity.

### **Article 46. Qualifications of the chief accountant**

The chief accountant must have the following requirements:

- To have a diploma on specialized professional certificate of accountancy and at least three years of working experience or at least having a bachelor of accounting with at least one year of experience;
- To be free of the charges of fraud, embezzlement or other intentional infringements;
- To be able to organize, lead, give guidance, summarize, and solve problems in accounting;
- To be in good health.

#### **Article 47. Rights and duties of the chief accountant**

The chief accountant has the following rights and duties:

1. To observe the regulatory and legal provisions and to carry out technical tasks in a strict way;
2. Implement strictly the system of accounting internal control;
3. To sign the accounting books and the financial statements of the accounting entity and to be responsible for his/her signature;
4. To report on the accounting technical problems to the higher authority;
5. To be responsible for the accounting work carried out in the past and to give the accounting working papers to his/her successor in the event of his/her resignation;
6. Exert other rights and tasks in accordance with the regulatory and legal provisions.

#### **Article 48. The accounting consultant**

The accounting consultant means a person having a diploma of accounting consultant or an equivalent diploma recognized by the Ministry of Finance and approved by the Ministry of Education.

Any accounting consultant wishing to conduct a professional practice must satisfy the following conditions:

- To observe the code of ethics and to be loyal in the performance of his/her tasks;
- To be free of the charges of frauds, embezzlement or other intentional infringements;
- To be registered on the list of members of the Association of Accountants and Independent Auditors;
- To be in good health.

#### **Article 49. The accounting expert**

The accounting expert is a person having a professional diploma of accounting expert or equivalent diploma recognized by the Ministry of Finance and approved by the Ministry of Education.

Any accounting expert wishing to conduct a professional practice must have the same requirements under the terms of Article 48 aforementioned, and have at least two years of working experience.

#### **Article 50. Rights and duties of the accounting consultant and the accounting expert in practice**

The accounting consultant and the accounting expert in practice have the following rights and duties:

- To give advice on accounting, to set up accounting system, to maintain book-keeping, to conduct follow-up, analysis, evaluation and problems solving in accounting of the accounting entity;
- To report the results of his/her performance and financial position to the Association of Accountants and Independent Auditors;
- To discharge obligations towards the State Budget under the regulatory and legal provisions;
- Exert other rights and duties under the regulatory and legal provisions.

## **Part III**

### **Accounting control operations**

#### **Chapter 1**

#### **The structure of accounting control operations**

#### **Article 51. Accounting control**

Accounting control is an operation of the controller of the Ministry of Finance, and of other concerned organization, including local governments in order to ensure

that accounting entities are under their supervision maintain book-keeping under the terms of this present Law.

#### **Article 52. The structure of the accounting control operations**

The structure of the accounting control operations is as follows:

- Categories of accounting control;
- Rules of accounting control;
- Accounting controllers.

## **Chapter 2**

### **Categories of accounting control**

#### **Article 53. Categories of accounting control**

There are three categories of accounting control as follows:

- The control of accounting entries;
- The control of accounting supporting documents;
- The control of the execution of the tasks of accountants and chief accountants

#### **Article 54. The control of accounting entries**

The control of accounting entries is a control on the authenticity of accounting entries, the balance posting to ledgers, the preparation of the trial balance and also of the financial statements according to regulations.

#### **Article 55. The control of the accounting supporting documents**

The control of the accounting supporting documents is a control on the authenticity of the accounting entries and documentary evidence such as: leasing agreements, sale contracts and soon.

#### **Article 56. The control of the activities of accountants and chief accountants**

The control of the activities of accountants and chief accountants is a control on the execution of their tasks as well as their responsibilities, qualifications and profiles of these persons.

## **Chapter 3**

### **Rules of accounting control**

#### **Article 57. Rules of accounting control**

In the performance of his/her duties of accounting control, the accounting controller must rely on the legal and regulatory texts on accounting, the regulation on the internal control of the accounting entity and coordinate with all the concerned parties in the provision of information and the presentation of accounting figures.

Upon completion of the control, a memorandum and a report must be prepared. Moreover, all the supporting documents used for control purposes must be well protected from possible loss or damage, and be kept strictly confidential.

#### **Article 58. Procedures of accounting control**

Accounting control must proceed in the following stages:

- To study the situation of general management, the system of book-keeping and the distribution of work within the accounting entity;
- To work out the plan of control, to determine the targets, to prepare the questionnaires, to get information from the concerned parties and to fix the time assigned for the control;
- To proceed to the physical inspection;
- To make a written report of control mentioning the strong points, and deficiencies, and to make recommendations to the line authority of the controlled entity or other concerned parties on the methods and measures to solve problems while keeping the controlled entity informed.

# **Chapter 4**

## **The controller of accounts**

### **Article 59. The controller of accounts**

The controller of accounts is composed of:

- The controller of the Ministry of Finance;
- The controller of other concerned organizations;

### **Article 60. The controller of the Ministry of Finance**

The Departments of Accounting, Finance Inspection, Taxation, State-Owned-Enterprise Management, and other technical departments of the Ministry of Finance act as an accounting controller according to each role.

### **Article 61. The controller of other concerned organizations**

The control bodies of other concerned organizations, local authorities included, act as an accounting controller of the accounting entities that are under the supervision of the said organizations and local authorities.

## **Part IV**

# **The Accounting Council and Association of Accountants and Independent Auditors**

## **Chapter 1**

### **The Accounting Council**

#### **Article 62. Position and role of the Accounting Council**

The Accounting Council is a body under the supervision of the Ministry of Finance and has the role of giving technical opinions to the Ministry of Finance on the accounting activities, carrying out studies and research on the accounting standards and other regulations.

### **Article 63. Rights and duties of the Accounting Council**

The Accounting Council has the following rights and duties:

1. To study and make proposals for the improvement of the accounting standards and including periodic adaptations based on the prevailing socio-economic situation;
2. To give opinions on the drafts of legal texts relating to accounting;
3. To study and make proposals on the determination of principles and detailed methods concerning the accounting practices;
4. To give opinions on the control of the application of the accounting standards in various sectors according to the tasks entrusted by the Minister of Finance;
5. To take part in the accounting activities in LAO PDR and abroad according to entrusted tasks;
6. To exert other rights and duties according to laws and regulations.

### **Article 64. Principles of operations of the Accounting Council**

The Accounting Council carries out activities according to the principles of democratic centralism, collective decision, hierarchical relations between the individual and the organization, majority-based decisions and to have discussions and decision making in meetings.

### **Article 65. Structure of the personnel**

The personnel of the Accounting Council is composed of:

- A president, ex officio position of Vice-Minister of Finance rank, appointed or dismissed by the Prime Minister on proposal of the Minister of Finance;
- A vice-president, ex officio position of Director of the Department of Accounting;
- Certain number of members equipped with relevant knowledge, and qualifications, who are entrusted by various concerned sectors to work in the accounting field.

The structure of organization and the rules of operations of the Accounting Council are defined in specific regulations.



## **Chapter 2**

# **The Association of Accountants and Independent Auditors**

### **Article 66. Position and roles**

The Association of Accountants and Independent Auditors is a social organization having the status of a legal entity under the supervision of the Ministry of Finance. It has the role to gather accounting professionals authorized to practice the profession of accounting consultants and accounting experts, as well as the accountants of the accounting entities, and it tasked with managing, following up and supervising the qualifications the accounting practices, and ethics of accounting professional and independent auditors.

### **Article 67. Rights and duties**

The Association of Accountants and Independent Auditors has the following rights and duties:

1. To work out the medium and long-term schemes of work;
2. To define regulations concerning the management of accounting advisers, accounting experts and accountants of the accounting entities;
3. To organize professional training courses, to raise the qualification level of accounting professionals and independent auditors;
4. To protect the independence of professional accountants in the accounting activities and to protect the dignity of the accounting professionals;
5. To implement measures of discipline against the infringements of the code of ethics, accounting standards and internal rules and procedures of the Association;
6. To report to the Ministry of Finance on the activities of the Association of Accountants and Independent Auditors;
7. To perform other rights and duties in accordance with the legal provisions.

### **Article 68. Structure of organization and personnel**

The Association of Accountants and Independent Auditors is organized as follows:

1. The Congress;
2. The Permanent Office;
3. Other committees.

The Association of Accountants and Independent Auditors is composed of:

1. A president;
2. A certain number of vice-presidents;
3. Members of the Permanent Council;
4. Heads and deputy heads of various committees;
5. Members Association;
6. A certain number of technical staff.

The regulation on the operations and the budget of the Association of Accountants and Independent Auditors are defined in specific texts.

## **Part V**

### **Prohibitions**

#### **Article 69. Prohibitions for the accounting entity**

Any accounting entity is forbidden to infringe the rules of book-keeping to dissimulate information, to falsify documents, to delay reporting and to present inaccurate information.

#### **Article 70. Prohibitions for accountants and chief accountants**

The prohibitions for accountants and chief accountants are the followings:

- To be at the same time cashiers, storekeepers or persons in charge of procurement;
- Spouses or children or relatives to perform the duties of an accountant or chief accountant in cases where their spouses, children or relatives are an administrator at the accounting entity;
- To reveal professional secrets, except with legal authorization.

These prohibitions do not apply to the very small companies and the sole proprietorship.

**Article 71. Prohibitions for other people and organizations**

Other people and organizations are forbidden to exert influence on the book-keeping or to obstruct the accounting control.

## **Part VI**

# **Management and control**

## **Chapter 1**

### **Management**

**Article 72. The organization of management of accounting activities**

The organization of management of accounting activities include:

- The Ministry of Finance;
- The departments of finance at provincial and prefecture levels;
- The offices of finance at district and county town levels.

**Article 73. Rights and duties of the Ministry of Finance**

In the management of the accounting activities, the Ministry of Finance has the following rights and duties:

1. To study, and work out the strategic plans and policies, as well as the regulations on the accounting activities under proposal to the Government for its consideration;
2. To propagate and disseminate the laws and other legislations concerning accounting;

3. To lead, manage, monitor and supervise the application of the laws and other legislation concerning accounting;
4. To give guidance and supervise the Accounting Council and the Association of Accountants and Independent Auditors;
5. To propose the appointment or the dismissal of the President of Accounting Council;
6. To appoint or dismiss the Vice Presidents of the Accounting Council;
7. To train personnel on accounting work;
8. To coordinate with the State organizations and other organizations that are concerned with the accounting activities;
9. To cooperate with foreign countries in the field of accounting;
10. To report to the Government on the organization and implementation of the accounting activities;
11. To exert other rights and duties in accordance with the legal provisions.

#### **Article 74. Rights and duties of the Accounting Department**

The Accounting Department is a “Think-tank” of the Ministry of Finance in the exercise of the rights and duties of the Ministry of Finance under the terms of Article 73 of this present Law.

#### **Article 75. Rights and duties of the departments of finance at provincial and prefecture levels**

In the management of the accounting activities, the departments of finance at provincial and prefecture levels have the following rights and duties:

1. To study and develop the strategic plans and policies on accounting into their own plans and programs and to effectively implement them with effectiveness;
2. To propagate, and diffuse the policies, regulatory and legal texts and other legislation related to accounting work according to their responsibilities;

3. To manage and control the application of accounting laws and regulations according to their responsibilities;
4. To supervise and control the accounting activities of the entities that are under their supervision;
5. To coordinate with various organizations regarding accounting activities;
6. To report to the Ministry of Finance on the organization and implementation of the accounting work;
7. To exert other rights and duties in accordance with legal and regulatory provisions.

**Article 76. Rights and duties of the offices of finance at district and county-town levels**

In the management of the accounting activities, the offices of finance at district and county town levels have the following rights and duties:

1. To carry out the plans and programs and the legal and regulatory provisions on accounting;
2. To propagate, and diffuse the policies, regulatory and legal texts and other legislation related accounting work according to their responsibilities;
3. To manage and control the application of accounting laws and regulations according to their responsibilities;
4. To report the departments of finance at provincial and prefecture levels on the organization and implementation of the accounting work;
5. To exert other rights and duties in accordance with legal and regulatory provisions.

# Chapter 2

## Control

### **Article 77. The body of control**

The body of control of the accounting activities includes the internal body of control and the external body of control.

### **Article 78. The internal body of control**

The body of internal control of the accounting activities is the same body of management defined in Article 72 of this present Law.

### **Article 79. Types of internal control**

There are three types of internal control as follows:

- Regular control;
- Prior notice control;
- Spontaneous control.

Regular control is a control which proceeds regularly according to the plans and given timing;

Prior notice control is an off-plan control in case of necessity, which the controlled entities should be informed of in advance;

Spontaneous control is and emergency control without prior notice to the controlled entities.

### **Article 80. The direct control of the tax authorities**

The tax authorities are entitled to control the business firms concerning the book-keeping through the control of calculation and collection of taxes and the imposition of sanctions in the event of infringement of the Tax Law and this present Law.

### **Article 81. The external body of control**

The external body of control is composed of the National Assembly, the State Control Organization, and the State Audit Organization, and they carry out their control with the participation of the Front of National Edification, the mass organizations, social organizations, mass media and the population under the terms of the regulations.

## **Part VII**

# **Rewards with regard to those with merits and sanction against those with infringements**

## **Chapter 1**

### **Rewards with regard to those with merits**

#### **Article 82. Rewards with regard to those with merits**

The individuals and organizations having been the subject of the merits in the application of this Law will be rewarded or praised or be granted other allowances under the terms of the regulation.

#### **Article 83. Rewards with regard to the accounting entity**

Any accounting entity which held a true and fair complete book-keeping in compliance with laws and regulations will be rewarded or praised or be granted other allowances under the terms of the regulation.

## **Chapter 2**

### **Sanctions against those with infringements**

#### **Article 84. Sanctions against those with infringements**

The individuals or organizations who infringe this present Law and cause damage to the interests of the State, and those of the society, or cause damage to the equitable rights and interests of the citizens will be subject to education as well as disciplinary sanctions, fines or penal sanctions according to the seriousness of infringements, including the reparation of civil damage.

#### **Article 85. Sanctions against business entities**

Any business entity that infringes the rules of book-keeping is subject to the following sanctions:

- Delay in reporting:
  - . 1st infringement: Education on civic duties;
  - . 2nd infringement: Fines of 3.000.000Kip;
  - . 3rd infringement: Fines of 5.000.000 Kip;
- Non reporting
  - . 1st infringement: Fines 5% of the annual sales turnover;
  - . 2nd infringement: Fines 10% of the annual sales turnover;
  - . 3rd infringement: Legal proceedings;
- Incorrect and incomplete book-keeping such as: no observance of the accounting standards as well as the basic accounting rules and the obligatory book-keeping imposition:
  - .1st infringement: Education on civic duties in case of minor damage, In the event of great damage, legal proceedings against the administrator of the business entity under the terms of laws and regulations and to discharge the caused damage;
  - .2nd infringement: Legal proceeding against the administrator of the business entity and fines of 15% of the sales annual turnover and to discharge the caused damage under the terms of laws and regulations;
- Dissimulation of information or falsification of accounts:
  - . 1st infringement: Fines 25% of the annual sales turnover;
  - . 2nd infringement: Legal proceedings against the administrator of the business entity and fines 25% of the annual sales turnover;
- No book-keeping:
  - . 1st infringement: Warning;
  - . 2nd infringement: Fines of 10% of the annual sales turnover;
  - . 3rd infringement: Legal proceedings against the business entity and fines of 30% of the annual sales turnover;



#### **Article 86. Sanctions with regard to the accounting consultants and accounting experts**

In rendering services related to accounting, any accounting consultant or accounting expert who infringes the provisions of this Law by the dissimulation of information or the falsification of accounts will be subject to:

- . 1st infringement: Fines of 20 times of the income stemming from the rendered services of the year of infringement;
- .2nd infringement: Fines of 50 times of the income of the rendered services of the year of infringement and debarred from the profession of accounting consultants or accounting experts for a duration of three years starting from the effect of the verdict of the court.

#### **Article 87. Sanctions with regard to the controllers of accounts**

Any controller of accounts who receives bribes, or make abuses his/her power in order to assist the controlled units and dissimulate his/her infringements will be subject to legal proceedings and to repair the damage under the legal and regulatory provisions.

# **Part VIII**

## **Final provisions**

### **Article 88. Implementation**

The Government of the Lao People's Democratic Republic is charged with the application of this Law.

### **Article 89. Effect**

This present Law takes effect eighteen months after the promulgation of the Decree promulgated by the President of the Lao People's Democratic Republic.

This present Law replaces the Law on Enterprise Accounting No 12/90/APS dated November 29, 1990.

All regulations and rules which go against this present Law are repealed.

The President of the National Assembly

Sealed and signed

Thongsing THAMMAVONG