

LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

President's Office

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DECREE
of the
PRESIDENT

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

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:

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- **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 ca

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 ha

the current value or the fair value, the book value should be maintained, except if mentioned differently in the accounting sta

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.

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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 31. The register of inventory

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

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/

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.

3. To lead, manage, monitor and supervise

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

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. Re

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 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