



ICL ADVISORY AND VALUATION COMPANY LIMITED



No. 06 - 07 Phan Ton, Da Kao Ward, District 1, HCMC

www.reanda-icla.com



info@reanda-icla.com



028 2245 8787

ACCOUNTING FREQUENTLY ASKED QUESTIONS

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ACCOUNTING FREQUENTLY ASKED QUESTIONS (cont.)

Questions	Answer	Reference
1. How to calculate FCT based on NET price?	<p>When a foreign business or contractor and a company in Vietnam sign a contract, the value of that contract before tax is called Net contractor tax. To calculate corporate tax at actual price, we will first calculate corporate income tax, then VAT.</p> <p>- CIT:</p> <p>+ Revenue subject to corporate income tax = Revenue excluding corporate income tax / (1 - Corporate income tax rate calculated on taxable revenue)</p> <p>+ Corporate income tax = Corporate income taxable revenue x Corporate income tax rate calculated on taxable revenue</p> <p>- VAT:</p> <p>+ Revenue subject to VAT = Revenue excluding VAT / (1 - Percentage to calculate VAT on revenue)</p> <p>+ VAT payable = Revenue to calculate VAT / Percentage to calculate VAT on revenue</p> <p>==> FCT = VAT + Corporate income tax</p>	
2. How to calculate FCT based on GROSS price?	<p>When a foreign business or contractor and a company in Vietnam sign a contract, the value of that contract includes a tax called Gross contractor tax. To calculate contractor tax based on Gross price, we first calculate Value Added Tax, then calculate Corporate Income Tax.</p> <p>VAT = Contract value x Percentage to calculate VAT on revenue</p> <p>Corporate income tax = (Contract value - VAT) x Corporate income tax rate</p> <p>==> FCT = VAT payable + Corporate income tax payable</p>	



ACCOUNTING FREQUENTLY ASKED QUESTIONS (cont.)

Questions	Answer	Reference
3. Types of exchange rates	<p>Actual exchange rates for foreign currency transactions arising during the period:</p> <ul style="list-style-type: none">- Actual exchange rate when buying and selling foreign currencies (spot foreign currency trading contracts, forward contracts, futures contracts, options contracts, swap contracts): Is the exchange rate signed in the contract. foreign currency purchase and sale contracts between businesses and commercial banks;- In addition to the actual transaction rate mentioned above, businesses can choose the actual transaction rate which is approximately the average transfer exchange rate of the commercial bank where the business regularly has transactions. . The approximate exchange rate must ensure that the difference does not exceed +/-1% compared to the average transfer exchange rate. The average transfer buying and selling rate is determined daily, weekly or monthly on the basis of the average between the daily buying and selling exchange rates of the commercial bank.- The use of approximate exchange rates must ensure that it does not materially affect the financial situation and results of production and business activities of the accounting period.	<p>Circular 200/2014/TT-BTC</p> <p>Circular 53/2016/TT-BTC</p>



ACCOUNTING FREQUENTLY ASKED QUESTIONS (cont.)

Questions	Answer	Reference
4. Principles for determining items with foreign currency origin	<p>Principles for determining monetary items of foreign currency origin: Are assets recovered in foreign currency or debts payable in foreign currency. Monetary items denominated in foreign currencies may include:</p> <ul style="list-style-type: none">– Cash, cash equivalents, term deposits in foreign currencies;– Debts receivable and debts payable originating in foreign currency, except: <p>Prepayments to sellers and prepaid expenses in foreign currency. In cases where at the time of reporting there is solid evidence that the seller cannot provide goods or services and the enterprise will have to receive back prepayments in foreign currency, these amounts are considered items. Currency of foreign currency origin.</p> <p>Payments made in advance by buyers and revenues received in advance in foreign currency. In case at the time of reporting there is solid evidence that the enterprise cannot provide goods and services and will have to return advance payments in foreign currency to the buyer, these amounts are considered expenses. Currency items are of foreign currency origin.</p> <ul style="list-style-type: none">– Borrowings and loans in any form have the right to be recovered or have the obligation to repay in foreign currency.– Deposits, escrows, and escrows are entitled to be returned in foreign currency; Deposits and deposits must be returned in foreign currency.	



ACCOUNTING FREQUENTLY ASKED QUESTIONS (cont.)

Questions	Answer	Reference
5. Principles of accounting for exchange rate differences	<ul style="list-style-type: none">– Enterprises must also monitor the original currency on the detailed accounting books of accounts: Cash, bank deposits, money in transit, receivables, and payables.– All exchange rate differences are immediately reflected in financial revenue (if profit) or financial expense (if loss) at the time of arising.– Enterprises must re-evaluate monetary items denominated in foreign currencies according to actual exchange rates at all times of preparing financial statements according to the provisions of law. For businesses that have used financial instruments to hedge foreign exchange risks, they are not allowed to re-evaluate loans and liabilities originating in foreign currencies that have used financial instruments to hedge foreign exchange risks. .– Enterprises are not allowed to capitalize exchange rate differences into the value of unfinished assets.	