

**MINISTRY OF EDUCATION AND  
TRAINING**

**MINISTRY OF FINANCE**

**ACADEMY OF FINANCE**

\*\*\*\*\*

**NGUYỄN DIỆU LINH**

**ACCOUNTING OF THE MOBILE  
TELECOMMUNICATIONS SERVICES REVENUE  
IN VIETNAM TELECOMMUNICATIONS  
ENTERPRISES**

**MAJOR: ACCOUNTING**

**CODE: 09.34.03.01**

**ABSTRACT OF THE ECONOMIC DOCTORAL THESIS**

**HÀ NỘI, 2020**

**THE PUBLICATION COMPLETED  
AT ACADEMY OF FINANCE**

MENTORS:

- 1. Dr. Hà Thị Ngọc Hà**
- 2. Dr. Ngô Thị Thu Hương**

Reviewer 1:.....

Reviewer 2: .....

Reviewer 3: .....

**The thesis would be presented to the Academy-level thesis Council,**

**Held at Academy of Finance**

Vào hồi:....giờ.....ngày.....tháng.....năm.....

Found in: National or AOF Libraries

## **Introduction**

### **1. Reasons to choose the topic**

The revenue is the key financial factor to assess business performance of the entity that drew attentions from policy makers, scientists to develop theoretically. Currently, the frame of the revenue accounting under the international accounting standards has been changed significantly, the Board has issued IFRS15- Revenue from client contracts to replace IAS 18 and other relevant accounting standards.

The business activities of the telecommunication firms not only including pure sales of goods and services, but also complicated ones to create multi-service packages and mutual relationships with other firms to serve services and divide the mutual revenues expose big challenging to the revenue accountants. The local revenue accountants are facing many obstacles of identifying the amount and the time of recognition of revenue from mobile cards, connection fee, services attached with goods, etc. There is a significant conflict of the accounting treatment between 2 large telecommunication firms (Viettel, MobiFone, VinaFone) and the small (Gtelmobile, Vietnamobile).

Additionally, the Resolution 4.0 has great impact on the accounting system in general and especially the mobile telecommunication revenue accounting in local and international firms.

**All above reasons, the author selected the topic “ACCOUNTING OF THE MOBILE TELECOMMUNICATIONS SERVICES REVENUE IN VIETNAM TELECOMMUNICATIONS ENTERPRISES”**

### **2. The overview of researches related to the thesis theme**

With an overview of the research approach according to the problems of revenue accounting. PhD student summarized researches related to the international and national topics under 02 contents: revenue recognition and telecommunication.

#### ***2.1 Researches related to revenue recognition***

- Firstly, approach to revenue by transaction or arising from operating activities.
- Secondly, approach to revenue by client contract or transferring the contract control right.

The study of Jack (2014) proposed that revenue should be recognized by client contract and through a 5-step model.

In Vietnam, there are 02 typical case studies of Do Minh Thoa (2015) and Vu Thi Quynh Chi (2019) that approach revenue in the theoretical basis of the contractual perspectives presented in chapter 1. However, the practical and solutions related to the revenue accounting in travel and telecommunication service businesses of VNPT Group, have not yet solved the existing challenging from that view.

#### ***2.2 Researches related to the mobile telecommunication***

It is said that the sector of telecommunications in general and mobile telecommunications in particular in Vietnam keeps growing continuously. In the field, scientific research is divided into groups:

The research group on the role and contribution of the telecommunications industry in general is mentioned quite a lot in the studies of Phan Chu Minh (2010), Tran Manh Dung (2012), Ngo Thi Hoang Yen (2010). The authors have analyzed the situation to offer specific solutions to develop telecommunication services in Vietnam.

The research group on telecommunications services features of Hoang Le Chi (2013) and Dinh Thi Kim Xuyen (2014) summarized the telecommunications services characteristics into six groups.

The research team on revenue accounting for mobile telecommunications services of Vu Thi Quynh Chi (2019) studied telecommunication revenue accounting in the telecom businesses of VNPT Group in general.

A study by Deloitte (2005), “Preliminary Views on Revenue Recognition in Contracts with customers, Telecommunications Spotlight Navigating the new Revenue Standard”, refers to accounting treatment of service revenue in telecommunication firms in term of application of IFRS 15.

The research of Dinh Thi Thuy and Tran Hong Kien (2017) emphasized the impact of applying IFRS 15 to all businesses in all fields at various extent.

### ***2.3. Conclusion drawn from previous studies and untouched reserches – Orientation of the thesis:***

Firstly, the creation of a theoretical framework for revenue accounting of contract services in past projects has not yet completed, such as lack of contract obligations to implement and amend.

Secondly, the previous ones have not profoundly studied the accounting of the telecommunication revenue on 04 areas: recognizing, identifying, recording and presenting on financial statements by client contract.

Thirdly, the difficulties for the local firms in approaching the view of contractual revenue recognition or IFRS 15 have not yet supported by any reserches.

Fourthly, the characteristics and products of the mobile telecommunication services affecting on the revenue accounting treatment have not yet analyzed completely and profoundly.

From all above the untouched, PhD student identified orientation of the thesis as following:

- According to the revenue accounting theory from the contractual perspective of Jack (2014), IFRS 15 and Circular 200/2014 / TT- BTC, the accounting theoretical basis for service revenue was developed

- Understand the characteristics of the mobile telecommunication revenues and business operation affecting on the accounting treatment
- Study the practice of the mobile telecommunication revenue accounting on the basis of approaching 04 contract groups in local telecommunication firms.
- Study the view of approaching contractual revenue of countries in the world and the experiences of 10 first-IFRS 15- applying biggest firms in the world.

### **3. Objectives of the thesis**

#### ***3.1. Theoretical research objectives***

*Firstly*, systematize the theoretical basis for accounting of service revenue from contracts with customers, and then apply it to the telecommunication revenue accounting.

*Secondly*, analyzing the characteristics of the activities that have an effect on the telecommunication revenue accounting.

#### ***3.2. Research objectives in practice***

*Firstly*, analyze the practice of accounting of service revenue in the mobile telecommunication firms on 04 contents: recognizing, identifying and recording, presenting on financial statements. Since then, clarify the shortcomings and limitations of accounting of the telecommunication revenue in the national telecommunication firms in the period of 2016-2018.

*Secondly*, propose a systemic solutions and conditions in order to finalize the accounting of the local mobile telecommunication firms.

*Thirdly*, study the trend of applying the view of approaching revenue from contracts with customers according to IFRS 15 and experience of 10 international first-IFRS15-applying firms to draw lessons for the local.

*Fourthly*, understand the difficulties faced by the local telecommunication firms when approaching the view of contractual revenue with customers in accordance with IFRS 15 practices and standards.

### **4. Research question**

**Question 1:** What areas are mentioned in the theoretical basis for accounting of contractual service revenue?

**Question 2:** How does the activities of the mobile telecommunication firms have affect on the accounting treatment on the mobile telecommunication revenue?

**Question 3:** How is the practice of the revenue accounting in the local telecommunication firms?

**Question 4:** What are challenges and opportunities for the local firms to record revenue by client contract under the international practices and standards?

**Question 5:** What solutions are there to develop the revenue recognition in the local mobile telecommunication firms?

**Question 6:** What measures should the Ministry of Finance and the telecommunication firms take to develop the revenue recognition in the local mobile telecommunication firms?

## 5. Objects and scope of the thesis

- **Research objects:** The accounting treatment of the telecom revenue from the perspective of approaching contract groups with customers of 05 local telecommunication firms, focusing much on the accounting of the telecom revenue from the financial accounting, not from the management one.

- **Research scope:**

- *Content scope:* limited scope of the telecom revenue only on land, divided into 04 typical groups of service contract, including: prepaid service contracts, contracts with installment payments (calls, SMS, Data and others VAT services); content-shared contracts, connection fee contracts, others (SIM, cards, mobile cards attached with service packages)

- *Space scope:* in 5 telecommunication firms

- *Timing scope:* Real survey of the period from 2016 to 2018.

## 6. Methodology

General methodology and qualitative research methods include:

- Research materials, analyze and investigate through questionnaires, synthesize, descriptive statistics, compare, inductive, interpret, combined with expert interviews to clarify the theory and practice in need of studying.

- In order to assess the current situations of accounting of the telecom revenue in the local firms, the author collected data from two sources: *Primary data one* (Results of actual survey on accounting of the telecom revenue in 05 telecommunication firms) and *Secondary data one* (financial statements, conclusions of the State Audit Office, Ministry of Information and Communications ...)

## 7. Scientific and practical meanings of the thesis

### 7.1 Theoretical meaning:

- The thesis has generalized the basis of revenue accounting theory based on the approach of transfer control right or revenue under contract with customers.

- The thesis clarifies the difference between service contracts with customers and business cooperation contracts that help businesses identify and determine service revenue in accordance with the accounting standards and regime.

- The thesis presented and analyzed the characteristics of the operating activities

affecting on revenue accounting on 04 contents: identifying, recognizing, recording and reporting.

### **7.2 Real meanings:**

- The thesis has studied, analyzed and clarified the obligations arising in 04 groups of contracts with customers of 5 local telecommunication firms; the current situations, problems and causes in the accounting of telecom revenue in Vietnam, such as the mobile card revenue, revenue from VAT service, revenue from phones with telecommunications services.

- The thesis proposed solutions to address challenges in the telecommunication revenue recognition in the local firms under the social context of the Resolution 4.0

- The thesis examines the experience of transforming the approach of revenue under the international practices, through the study of experience of 10 first-IFRS 15-applying international telecommunication firms to draw lessons for the national ones.

- The thesis studies and summarizes the difficulties when the local telecommunication firms apply IFRS 15. Since then, it is proposed to the Ministry of Finance, Ministry of Information and Communications and other telecom enterprises conditions of the application of IFRS 15 in Vietnam.

### **8. The structure of the thesis**

In addition to Introduction, Conclusion, Table of Contents, List of Scientific Research Projects, List of References, Annexes, main content of the thesis is presented in 3 chapters:

Chapter 1: Theoretical issues about accounting service revenue in enterprises.

Chapter 2: The practice of the accounting of the mobile telecommunications revenue in the local telecommunications businesses.

Chapter 3: Develop the revenue accounting in Vietnamese telecommunications businesses.

## CHAPTER 1

### THEORETICAL ISSUES ON SERVICE ACCOUNTING IN ENTERPRISES

#### 1.1. CONCEPTS AND CHARACTERISTICS OF SERVICE BUSINESS ACTIVITIES

##### 1.1.1. Concept, classification of service

- *The concept of service*

There are many different points of view, NCS offers a common concept: Services are a non-material economic activity provided by a business or individual to satisfy the needs of production and consumption of customers. It is a special commodity with unique characteristics that can't be found in existing goods, including 04 common characteristics: non-existence, non-consistence, inseparability and non-reserve.

- *Classification of service by 3 criterias*

(i) Under the exclusion method: Trade (wholesale and retail); transport, distribution, storage; banking, insurance; post and telecommunications services; health services, training, entertainment ...

(ii) Based on the level of contact with customers, include high contact level and low one. Service activities are always in contact with customers, there are suppliers who often contact directly with customers and collect information to provide services - It is a high contact service. On the contrary, there is low type, the service is done without feedback.

In the high level of contact, services are divided into pure services (health care, hotels, tourism ...); blended services (banks, post offices, computer services, etc.) and manufacturing inclusive services (aviation, telecommunications, repair, etc.) With a low level of contact, the service can be transportation, storage. warehouse, public service ...

(iii) Based on the type of services, it is possible to research through the table matrix

##### 1.1.2. Service characteristics

Include 04 following service characteristics: non-existent, heterogeneous, inseparable, products and services in rotation.

#### 1.2. THE ACCOUNTING OF SERVICE REVENUE

##### 1.2.1 Concepts, classification of the telecom service revenue

- *Concept of service revenue*

Through the definitions and perspectives on revenue, it is possible to derive the nature of revenue as the economic benefits that enterprises gain from the business and



production process in the period, in the form of assets (cash, receivables) increased, payables decreased.

*Since then, service revenue is understood as the economic benefits in the period that enterprises gain on fulfilling the obligations to provide services to customers.*

- ***Classification of service revenues***

There are many types of the service revenue classified by different criterias, as follows:

*a. According to the content of service provision, include: transportation service revenue; Revenue from hotel and restaurant services, Revenue from tourism services, Revenue from telecommunications services ...*

*b. By payment method, service revenue has the following types:*

- Prepaid service revenue: is the service revenue in which the service provider receives revenue in advance for the provision of services in many subsequent periods.

- Revenue from payment services by level of completion: is the revenue of services rendered in many new completed periods but paid by customers based on the amount of services provided.

- Service turnover from payment by period: is the revenue of services provided and paid in each accounting period.

*c. According to the relationship with the geographic area*

- Domestic service revenue: Is the revenue of services provided to domestic customers.

- Offshore service revenue: is the turnover of services provided to customers overseas or regarded as abroad (service export).

### **1.2.2. Assumptions and accounting principles used in service revenue accounting.**

***Regarding service revenue accounting, there are 5 basic principles used:***

- Accrual and Cash basis
- Matching principle.
- Material principles
- Consistent principles
- Nature over form

The thesis uses the accrual basis to consider issues related to service revenue accounting.

### **1.2.3. The views of the recognition of service revenue**

- ***Timing approach:*** whether or not a transaction has generated sales is based on key points in the transaction process, such as the time of signing the

contract, the time of delivery, the time the customer accepts payment, cash receipt.

***Process approach: not based on specific times associated with sales transactions. Revenue-generating activities are considered to be a process (period) in which activities in such processes generate revenue, whereby at the end of the accounting period, a part of the revenue-generating process is carried out. The accountant must estimate the amount of work completed in proportion to the turnover recorded in the period.***

- ***Contractual approach to customers:*** Revenue is recognized when contractual obligations are fulfilled. The analysis of contractual revenue will adhere to the principle of nature over form.

In the thesis, the author approaches the view of recognizing contractual revenue, applying to contracts arising revenue in telecommunication firms.

- ***The views of revenue approaches all over the world: the trend of applying the view of client contract revenue***

## **1.2.4 The accounting of the contractual service revenue**

### ***1.2.4.1. Identification of revenue under the contractual view.***

Revenue is considered in each relationship of obligations under a specific contract. Service revenue often arises from contracts with customers or from business cooperation ones.

- ***Contracts with customers:*** an agreement between two or more parties that create valid rights and obligations.

- ***Business cooperation contract:*** a contract in which the contractual partner is not a customer, but has signed with the enterprise to participate in an activity or service-providing process that contractual parties share risks and benefits arising from such activity or process that is not in order to obtain the product from the normal operation.

### ***1.2.4.2.Determination of the service revenue under the contractual perspective***

In order to determine the turnover, the value of the contract and that of each contractual obligation must be determined.

### ***1.2.4.3.Recognition of revenue under the contractual perspective***

- Time of recognition:*** Revenue is recognized at the point of time that the accountant recognizes the obligations completed to the customer

- The accounting documentations of the contractual revenues.***

- + Group of documents to determine the value and volume of goods delivered or services provided such as dispatch notes; minutes of determination and reconciliation of the volume of services provided.

+ Group of documents to report the sales cycle and cash receipt: sales invoices, contracts with customers, business cooperation contracts

+ Group of payment documents: Receipt, Credit Notes, etc

- *The account system under the contractual perspective*

Use the groups of accounts relevant to revenues; payables; tax and other state payables; cash and other payments.

-*The Accounting Method of the service revenue under contracts with customers*: Presenting the method of accounting for service revenue under contracts with customers obliged to perform at the time; contracts with many obligations, such as contracts with customers providing both goods and services; received cash in advance from customers; Revenue accounting in promotions, loyal customers:

- *Presentation and disclosure of service revenue*: on balance sheet, P&L and notes for the financial statements

### **1.3. THE CHARACTERISTICS OF BUSINESS ACTIVITIES AND THE ACCOUNTING OF SERVICE REVENUE IN THE MOBILE TELECOMMUNICATIONS**

#### **1.3.1. Mobile telecommunications service concept**

Moore M. S states that "*telecommunications services include transmitting symbols, signals, figures, letters, sounds, images or other forms of information between connection points through telecommunications networks.*"

According to Australia's revised Telecommunications Law 2017, telecommunications services are "*transmitting communications with the electronic signal technologies routed, non-routed, or both; and communication is allowed via telecommunications infrastructure operated by a telecommunications service provider, but there are also cases where communications are made simply via radio waves.*"

From the above analysis, mobile telecommunication is a type of telecommunications services - transmitting symbols, signals, figures, letters, sounds, images or other forms of information among the end points of the mobile telecommunications network, provided by the Service Provider to customers to meet the production and consumption needs of people.

#### **1.3.2 Participants in the mobile telecommunication service contracts**

- Participants in providing the mobile telecommunication services include the service providers named telecommunication firms and clients.

- Clients with consumption of the mobile telecommunication service are organizations, business firms or individuals

- The service providers (eg telecommunication firms) include the network

providers with the mobile telecommunication infrastructure or without network infrastructure.

### **1.3.3. The impact of business activities on revenue accounting of mobile telecommunications services**

The characteristics of business operations have effects on the accounting of mobile phone service revenue that are recognized by the PhD student in four perspectives: (i) revenue identification and classification, (ii) revenue determination, (iii) revenue recognition (iv) preparation for the financial statements.

#### ***1.3.3.1. Impacts on identification of the mobile telecommunication service revenue***

##### *a. Identification of the mobile telecommunication service revenue*

Mobile telecommunications service is a manufacturing type, creating technical products called "Traffic". The forms of the traffic are voice calls, messages, data. From these, the telecom firms would design individual or business-service products (voice, messages, data, value added services, etc.) or a combination of products and services (named generally as product or service packages) to tailor your clients' various needs. Therefore, the revenue sources of the telecom firms are voice calls, messages, data, etc

##### *b. The classification of the telecom revenues*

- Classification of the revenue by the providing content, including 03 types:
  - (i) Revenues of basic services: voice calls, messages, etc.
  - (ii) Value added service revenue: e-mail, hidden calling number, mobile internet (data), etc.
  - (iii) Other service revenues: connection fee, roaming charges, network-provider-changing fee without new phone number, subscription services, etc.
- Classification of revenues according to technology characteristics and transmission methods of mobile telecommunications networks include: terrestrial revenue, satellite revenue, maritime revenue, aviation revenue.
- There are 2 types of revenue classification by the payment method: Turnover of prepaid and postpaid services.
- Classification of revenue by contact range, including: Internal network and Off-net revenue.
- Besides, the telecom revenues include both domestic and international ones.

The thesis studied revenues by providing content, including: video calls, messages, data, etc

##### *c. The mobile telecommunication service contract*

The mobile telecommunication service contracts feature as follow:

(1) There are 02 types of contracts: (i) written contracts (postpaid service or service package with goods), (ii) verbal or business contracts.

(2) The contracts without specific period terms have been signed with clients that enable them to use many network providers or end the contracts at any time.

(3) The common contracts of the telecommunication service include 04 groups as follow: *Firstly*, the contracts of prepaid service

*Secondly*, the contracts of postpaid services

*Thirdly*, an arrangement of the roaming charges:

*Fourthly*, other contracts: SIM, mobile cards; service package with goods, etc

#### ***1.3.3.2. Impacts on determining the mobile telecommunication service revenues***

The service-providing activities are very overlapping compared to the others, meaning that the telecom firms can design packages of products and services combined with sales of goods. Distinguition between the operating activities of sales or service activities are sometimes unclear; customer groups, geographical location is unclear. Therefore, determining revenue will be more difficult than other industries.

#### ***1.3.3.3. Affects on principles of recording the telecommunication service revenue***

The telecom service revenue is an intangible product without a specific physical form, but shown by the customer benefiting from the process of transmitting information in the form of traffic, so determining the time to record revenue of services is more complicated than that of goods. The accounting department must incorporate closely with the professional technical, business, and information technology sections to determine the time to record revenue for each customer in detail by payment method and type of services.

#### ***1.3.3.3. Impacts on reporting revenue on the financial statements.***

The telecommunication firms have a very wide business scope, requiring the member participants and telecommunication departments to join. In order to present information about the revenue from service provision in the revenue from sales of goods and service on the consolidated or combined financial statements, the accountant needs to calculate the total revenue of sales of goods and services of the parent company, the subsidiaries and dependent accounting units.

## **CHAPTER 2**

### **THE REALITY OF THE MOBILE TELECOMMUNICATION SERVICE REVENUE ACCOUNTING IN TELECOMMUNICATION FIRMS**

#### **2.1. OVERVIEW OF THE LOCAL MOBILE TELECOMMUNICATION FIRMS**

##### **2.1.1 The history of foundation and development of the local mobile telecommunication firms.**

Before 1993, the telecommunications market in Vietnam was an exclusive market, all telecommunication services were managed by the General Department of Post & Telecommunications and only Vietnam Post & Telecommunications Group was allowed to perform.

Currently, the market share of telecommunications in general and mobile telecommunications in particular in Vietnam is held by more than 98% of 03 state companies (Viettel, MobiFone, VinaPhone); in which Viettel's market share is 54.1%, MobiFone is 25.6%, VinaPhone is 18.4%, the remaining market share is very small (2%) belonging to 02 enterprises (Gtelmobile and Vietnamobile).

##### **2.1.2 Features of business and management activities in Vietnamese telecommunications enterprises providing mobile telecommunications services**

###### ***2.1.2.1 Characteristics of business activities in the local telecom firms***

-Subject: the local firms. The national telecommunication firms have signed contracts to offer SIM, mobile cards, and expand subscribers to two groups of agents.

- Revenue classification: 3/5 telecom firms (Viettel, MobiFone, VinaPhone) choosing the service classification criterias as payment method in combination with the content of products and services provided; including: prepaid service, postpaid service, content-sharing service, connection service and others. 2/5 businesses (Gtelmobile, Vietnamobile) classify mobile phone service by product content including basic services, value added services, etc.

- To use prepaid service, customers must buy mobile cards and top up their subscription accounts.

- *Characteristics of the local mobile telecommunications service contracts*  
Survey results and expert interviews show that the service contracts signed with customers are very large. Service contracts signed with customers are in two forms: written and verbal contracts. In particular, they would be divided into 04 groups.

4/5 telecom firms (MobiFone, VinaPhone, Gtelmobile, Vietnamobile) have signed written contracts with customers, except from the case of Viettel that the contracts has been signed on the internet.

All contracts said that the contractual period terms are indefinite; other agreements are indispensable appendixes and fee may be adjusted from time to time in accordance with the state regulations.

- The local firms have a lot of promotions at many times of the year. 4/5 businesses (Viettel, MobiFone, VinaPhone, Vietnamobile) have promotion programs for loyal customers who are postpaid subscribers. These are programs that accumulate points for gifts or bonus services.

### ***2.1.2.2. Organizational characteristics of the management system of the local firms***

Based on the results of document research and survey, the author classifies the organization of the organizational characteristics of the management system in the form of capital ownership into 02 groups, including:

The first group, enterprises belonging to one-member limited liability companies with 100% charter capital owned by the state, include: Viettel, MobiFone, VinaPhone.

The second group of enterprises in the form of joint-stock companies include: (i) Global Mobile Joint Stock Company (Gtelmobile - a state-owned company), (ii) Vietnamobile Mobile Joint Stock Company.

5/5 local telecom firms use the model of the online and functional management. However, the organization of the management system have differences in the two groups.

### ***2.1.2.3 Organization of accounting work in the domestic telecommunication firms***

#### ***a. Characteristics of the accounting department***

The results of document research, surveys and interviews with Vietnamese DVT experts have attached units, dependent accounting in provinces and cities across the country. All businesses have an accounting system in the form of semi-centralized and semi-distributed; All businesses divide the accounting system into levels

#### ***b. Form of accounting and other accounting policies in the local firms***

Survey results show that 05 local telecom firms all perform computer accounting with accounting software that is uniformly applied from the superior unit to the lower one.

## **2.2. LEGAL FRAMEWORK ON ACCOUNTING FOR MOBILE TELECOMMUNICATIONS SERVICES IN VIETNAM**

### **2.2.1 Legal framework on revenue accounting for mobile telecommunication services**

In the process of implementing the accounting of service revenue, the local firms must comply with the legal framework of accounting including: Accounting Law, Technical Regulation, Accounting Regime. Viettel and VinaPhone also

implement group policies.

## **2.2.2. Accounting of mobile telecommunications service revenue in accordance with technical regulations and enterprise accounting regime**

### **2.2.2.1 Identification and classification of the mobile telecommunication service revenue**

Technical expertise, accounting mode to access revenue from a transactional point of view, not to approach revenue under contract with customers.

#### **2.2.2.2 Determination of the mobile telecommunication service revenue**

Turnover is determined by the fair value of postpaid or received amounts after subtracting (-) trade discounts, sales discounts and returned goods.

#### **2.2.2.3 Record of the mobile telecommunication service revenue**

##### **a. Timing of recognition of the mobile telecommunication service revenue**

Enterprises recognize revenue only when such transactions are considered reliable. The transactions can be measured reliably when all four (4) following conditions are satisfied.

*b. Accounting documents:* Divide into groups of paper documents and electronic documents

*c. The accounting accounts:* 511, 3387, 3331....

*d. The accounting method:* the sales of services under promotion and loyal customer programs.

#### **2.2.2.4. Presentation of the mobile telecommunication service revenue .**

The mobile telecommunication service revenue would be reported on the financial statements. The guidance of presentation and disclosure of the financial statements would be regulated at Point 113 and 115, Circulation 200/2014/TT-BTC

## **2.3 THE REALITY OF THE REVENUE ACCOUNTING IN THE MOBILE TELECOMMUNICATION SERVICE FIRMS IN VIET NAM**

### **2.3.1. The actual situation of identifying revenue from mobile telecommunications services in Vietnamese telecommunications enterprises**

The results of surveys and expert interviews show that the financial accounting departments in all telecom firms identify service revenue based on the transactional view. 3/5 Telecom firms (Viettel, MobiFone, VinaPhone) believe that sales of mobile cards will generate revenue, and the revenue would be identified by content and payment method.

2/5 DN (Gtelmobile, Vietnamobile) recognize revenue as a benefit when Telecom firms provide voice, message, data, etc, and mobile cards are not a service. The revenue would be classified by content of products and services.

### **2.3.2 The reality of determination of revenue in the mobile telecommunication**



## **service firms in Viet Nam**

### ***2.3.2.1 Determination of the prepaid service contractual revenue***

Survey results combined with expert interviews and actual observations show that, 3/5 Telecom firms (Viettel, MobiFone, VinaPhone) determine prepaid mobile service revenue based on the proceeds from selling mobile cards. 2/5 enterprises (Gtelmobile, Vietnamobile) determine prepaid mobile service revenue based on the value of service volume (details for each type of phone, message, etc.) that customers actually use in the period (month) . There is a difference in the recognition of sales of prepaid cards for prepaid customers according to the Official Letter No. 18494 / BTC-CDKT by the Ministry of Finance, which only allows 03 enterprises (Viettel, MobiFone, VinaPhone) to apply to, while the other enterprises ( Gtelmobile and Vietnamobile) are not.

### ***2.3.2.2. Determination of the postpaid service contractual revenue***

Based on the results of the survey and interview, it is determined that the revenue from mobile phone services is determined by the total amount of service charges of postpaid customers provided by the technical department of the Telecom firms. This value is based on the service volume (details for each type of phone service, SMS ...) that customers actually use in the period (month) are monitored and calculated on the accounting software.

Specifically, NCS presents how to determine the revenue according to 04 contract groups and determine the revenue in the loyalty program.

Survey results and interviews show that 04 enterprises (Viettel, MobiFone, VinaPhone, Vietnamobile) have a point-accumulated program for loyal customers, with a detailed and clear tracking system to manage accumulated ones of each customer is very detailed and clear. However, 2/3 of businesses (MobiFone, VinaPhone) have not determined the accumulated value at the time of providing the service to record unrealized revenue corresponding to the accumulated value, but based on the whole amount of receivables from customers in the revenue from DVTD.

## **2.3.3 The reality of presentation of the local mobile telecommunication firms**

### ***2.3.3.1 The timing of recognition of revenue***

5/5 enterprises selected the time to close the amount of customer service used to conduct control with customers and other Telecom firms within the last 24 days of the month.

3/5 DN (Viettel, MobiFone, Vinaphone) recorded revenue from prepaid credit card services at the time of selling scratch cards, while revenue from postpaid credit

card services was recorded at the end of the period after determining and controlling the actual service use volume of customers in the period (month).

2/5 Telecom firms (Gtelmobile, Vietnamobile) at the end of the period (month) after identifying and comparing the actual amount of service used by customers to record the revenue of VSD services in both cases prepaid or postpaid, not depend on the time of customers payment.

The number-leasing contract of 02 enterprises (Viettel, VinaPhone) and the contract of providing other value-added services signed by 05 Telecom firms with partners did not record revenue, so the Telecom firms do not determine the time of recording business and collection.

With MobiFone's contract of providing services with mobile phones, the time of recording revenue includes: recording the turnover of goods sale at the time of handing over to customers and recording the service revenue at end of the month (month) for postpaid services.

The contract for the package of mobile, internet and television services was recognized by the enterprises (Viettel, VinaPhone) at the end of the period (month).

#### ***2.3.3.2 The accounting documents in the mobile telecommunication firms***

Accounting vouchers are many, including 02 groups: electronic and paper documents. The Viettel uses electronic contracts and invoices in all transactions. The remaining firms still use paper invoices.

#### ***2.3.3.3 The accounting accounts in the mobile telecommunication firms***

Survey results show that 5/5 Telecom firms are using Account 511. This account is opened in detail at both level 2 and level 3, based on the classification of revenue and is mainly used for financial accounting and determination of tax liability, besides accounts 136, 336

#### ***2.3.3.4. The accounting method in the mobile telecommunication firms***

Survey results and interviews showed that the accounting of the mobile telecommunication revenue in 05 enterprises was done with accounting software. Transactions related to revenue are tend to be recorded in Account 131 and processed before being recorded in Account 511.

At Gtelmobile and Vietnamobile, there is a difference in recognizing the revenue of prepaid service contracts, the unrealized revenue would be recorded when the mobile cards would be sold.

The revenue recognition is divided based on the organizational level of the accounting system.

The treatment of the difference between the accounting and taxable income is inconsistent.

3/5 businesses (MobiFone, VinaPhone, Vietnamobile) do not have items on corporate income tax, deferred corporate income tax payable on the technical proposal table. 2/5 businesses (Viettel, Gtelmobile) have presented information about the tax on corporate income tax, the deferred corporate income tax payable, Gtelmobile publishes very detailed information about the deferred income tax assets generated from losses and temporary differences from the sale of sims, the difference is due to the accountant tracking the sim into the activated and deactivated sim, While Viettel announced very sketchy.

#### **2.3.4. The presentation of the mobile telecommunication service revenue**

Researching information on the financial statements and combining with interviewing experts of NPV11- Accounting at Telecom firms, show that enterprises present the revenue from FES in accordance with technical regulations and accounting regime. The explanation of revenue policy is presented on the Notes to the separate financial statements or consolidated financial statements, but has not been detailed by geographical location, business services. 2/5 DN (Viettel, VinaPhone) said that the revenue is also aggregated in revenue and service provision targets at the Group's consolidated financial statements.

### **2.4. ASSESSMENT OF THE REALITY OF THE ACCOUNTING IN VIETNAM TELECOMMUNICATIONS ENTERPRISES**

#### **2.4.1 Advantages**

*Firstly*, accounting of service revenue in general has clearly reflected in each economic operation related to accounting of sales and service provision.

*Secondly*, the organization of the accounting system and the rotation of documents in the process of sales and service provision is relatively reasonable, on the basis of the appropriate accounting principles and the capabilities of the accounting staff, in accordance with the size and business characteristics of the company. In particular, Viettel has successfully applied AI technology in identifying sales documents of VAT invoices, the information and data on sales invoices are identified directly from the processing of documents at the sales department, and automatically recorded in revenue accounting books without data entry.

*Thirdly*, the accounting system at 05 Telecom firms is reasonably organized, separating responsibilities clearly among departments and divisions.

*Fourthly*, all Telecom firms have complied fully with the accounting regime, the legal provisions of the concerned ministries/ branches.

*Fifthly*, accounting work in 05 Telecom firms is supported by accounting software system and high-technology applications.

*Sixthly*, it can be seen that the accounting work in 02 small Telecom firms

(Gtelmobile, Vietnamobile) performs better and more correctly than 03 large Telecom firms (Viettel, MobiFone, VinaPhone).

## **2.4.2 Disadvantages**

### ***2.4.2.1 Restrictions in identifying and classifying revenues and contract of the telecommunication service revenue.***

The identification of service revenue in 05 businesses is still inconsistent between the two groups of Telecom firms. 3/5 Telecom firms (Viettel, MobiFone, Vinaphone) are recognizing and recording inappropriate service revenue, including deferred revenue from selling SIM and mobile cards.

#### ***2.4.2.2 Disadvantages in identifying revenue***

- Mobile card revenue recorded based on the total amount of customers' collection is not reasonable

- Off-line voice and text message revenues are determined by the Telecom firms based on the actual volume of customers and the inappropriate unit price of off-net service.

- The revenue of leasing head and content service is recorded by Vietnamese Telecom firms according to the total revenue (Gross), instead of the one received by the telecom firms (Net). When paying for content providers, the businesses hire the first number to record a corresponding cost. Such determination is also not reasonable.

- MobiFone recognizes the revenue from selling phones at the independent selling price, but the value of the package is the difference between the value of the product package of the service and mobile phone and that of the phone at the independent selling price. Such determination is not reasonable.

#### ***2.4.2.3. Disadvantages in recording revenue***

*a. The timing of recognition of revenue is inappropriate, namely:*

- ✓ As for the prepaid service

3/5 companies (Viettel, MobiFone, VinaPhone) failed to record prepaid service revenue, due to the recognition of mobile card revenue.

- ✓ The SIM contracts in the local telecommunication companies: normal SIM would be recorded right after the sales

*b. Accounting documents*

The number of electronic documents used by telecommunication firms is very small. The majority of the telecom firms have not yet applied new information technologies such as AI and Cloud in document identification, processing and storage.

*c. Accounting Accounts*

Account No.3387 has not been completed.

*d. Accounting method of revenue*

The method of recording prepaid revenue at the telecom firms is inconsistent with the accounting principles and standards. MobiFone's way of recording service package revenue of mobile phones is not really consistent with international practices and transaction nature.

**2.4.2.4 Presentation and disclosure**

Revenue information in the financial statements of 5/5 Telecom firms is simple, there is no data for revenue to be compared by business sector, geographic area as required by VAS 27. Some content about business policy collected from technical regulations and there is no information on how to identify and record revenue from business cooperation contracts at Telecom firms.

The value of sales and service revenue targets on the financial statements and reporting to the Ministry of Information and Communications is inconsistent. The revenue of connection charges on the Report submitted to the Ministry of Information and Communications is recognized according to the difference between the Joint Venture and the Expenditure, the revenue on the financial statements of the telecom firms having calling customers is recorded according to the amount collected from customers.

**2.4. Causes of the disadvantages**

**2.4.1. Objective causes**

Because the Vietnamese legal framework is not appropriate, there are no specific instructions for the specific transactions at Telecom firms.

**2.4.1.1 The survey result of application IFRS 15 in Viet Nam**

**2.4.1.2 Experience in transforming the approach of revenue according to international practices**

a. Perspective of access to revenue of the countries in the world

Many countries have changed their point of view in terms of transactional revenue to contractual revenue with customers, and the US itself has also converted its approach to revenue.

b. Experience in transforming the approach of revenue according to international practices

Researching experiences of 10 major Telecom firms in the world, going into 02 groups' experiences: Deutsche Telekom Group, VondaFone Group's experience in approaching the view of contractual revenue recognition with customers and draw lessons for Vietnamese telecommunications businesses

c. Lessons learned for Vietnamese Telecom firms

d) Lessons learned for the regulator

#### **2.4.2 Subjective reasons**

*Firstly*, due to the development of the economy, the diversity and complexity of the service business, the accounting work at Telecom firms has difficulty handling transactions with many obligations. Highly qualified accounting human resources, in-depth understanding of technical expertise in general and international technical expertise in particular in Telecom firms are still in quantity and quality.

*Secondly*, 03 large Telecom firms themselves (Viettel, MobiFone, VinaPhone) have their own guidelines on how to record mobile card revenue of the Ministry of Finance according to Official Letter No. 18494 / BTC-CDKT dated 11/12/2015 of the Ministry of Finance signed by Deputy Minister (VinaPhone-VNPT, MobiFone, Viettel) that is allowed to account the revenue from prepaid card sales at the time of card sale.

*Thirdly*, with regard to revenue from the connection fee agreement between network operators, the Ministry of Finance has Circular 35/2011/TT-BTC issued on March 15, 2011 providing guidance on some contents related to VAT of telecommunication services.

## **CHAPTER 03**

### **DEVELOP THE REVENUE ACCOUNTING IN THE NATIONAL MOBILE TELECOMMUNICATION SERVICE FIRMS**

#### **3.1. THE STRATEGY OF THE DEVELOPMENT OF THE LOCAL MOBILE TELECOMMUNICATION SERVICE FIRMS IN THE INFLUENCE OF THE RESOLUTION 4.0**

##### **3.1.1 Influence of the Industrial Resolution 4.0 on the operating activities in the mobile telecommunication service firms.**

Telecommunications is one of the industries with greater access to technology than any other industry. Therefore, telecommunications is the most directly and directly affected by CM4.0, enterprises need to change according to this new trend must first be Telecom firms. The mode of business operation of businesses, especially Telecom firms will change, new products will be born based on the integration of digital technology. Revenue from services like voice and traditional telecom firms will decline.

##### **3.1.2 Orientations for development of mobile telecommunications service business activities in the local telecom firms in the context of the Industrial Revolution 4.0**

The Telecom firms are in the process of restructuring businesses, aiming to becoming the leading Telecom firms in Vietnam, the major digital hubs in Asia.

All Telecom firms have development strategies in a new era, consistent with the trend of globalization and the continuous development of the CM 4.0.

Vietnamese Telecom firms are aware of the need to change business methods, from price competition to competition on service quality, to bring about a better service experience in the eyes of customers; developing more value-added services on mobile networks.

2/5 Telecom firms (Gtelmobile and Vietnamobile) faced many difficulties in business activities, many years of operating losses. Therefore, Gtelmobile is restructuring businesses, while Vietnamobile has actively selected the market segment as young customers.

#### **3.2. REQUIREMENTS AND PRINCIPLES FOR FINISHING ACCOUNTING FOR MOBILE TELECOMMUNICATIONS SERVICES IN VIETNAM TELECOMMUNICATIONS ENTERPRISES**

##### **3.2.1. Requirements to complete the accounting of mobile telecommunications service revenue in Vietnamese telecommunications businesses**

- Completing accounting of revenue from service credit must be suitable with the characteristics of business operation and management requirements of Vietnamese Telecom firms
- Completing the accounting of service revenue in Vietnamese Telecom firms must ensure harmony with international accounting principles, standards and practices
- Improving accounting of service revenue in Vietnamese Telecom firms must be based on a harmonious combination of state macro management requirements and corporate governance requirements.
- Completing accounting of revenue from service-providing services at Vietnamese Telecom firms to ensure full, timely information, reliability and high legal value for users
- Completing accounting of service revenue in Vietnamese Telecom firms must ensure to meet the requirements of efficiency and economy.
- Completing accounting of service revenue in Vietnamese Telecom firms must be in line with the requirements of economic management, development objectives of state-owned commercial service business in the current period and development trend in the future.

### **3.2.2 Principles of finalizing the accounting of mobile telecommunications service revenue in Vietnamese telecommunications businesses**

*Firstly*, it is necessary to ensure compliance with technical expertise, enterprise accounting regime and relevant provisions of law such as the current financial, tax and policy policies.

*Secondly*, it must be feasible and effective, but at the lowest cost.

*Thirdly*, it must be suitable and meet the requirements of managing the business operation of services of Telecom firms with the trend of "digitalization" in corporate governance in general, and accounting in particular.

## **3.3. FINISHING ACCOUNTING FOR MOBILE TELECOMMUNICATIONS SERVICES IN VIETNAM TELECOMMUNICATIONS ENTERPRISES**

### **3.3.1 Complete solution to identify revenue of mobile telecommunications services and contracts with customers in the local telecom firms**

#### **3.3.1.1 Complete identification of the mobile telecommunication revenue**

*a. Identification of the mobile telecommunication revenue*



Revenue from the service is only generated when the customer has used the service, and this is also the process that the telecom firms carry out production and service provision.

*b. Classification of the mobile telecommunication service revenue*

Classification should be based on providing contents.

**3.3.1.2 Complete the list and classify contracts with customers**

The telecom firms should manage contract by 04 groups

**3.3.2 Solutions to determine the revenue**

- Determining the mobile telecommunications service revenue in the prepaid contract of mobile card payment must be based on the actual use volume of customers, corresponding to the value of the obligations that telecom firms have performed in a period, regardless of the prepayment or post-payment.
- Determine the revenue from the services in business cooperation contracts and charge agreement with network operators on a net number
- Determine the revenue from FBS in the contract of sale of goods with service pack at the independent selling price of goods and services
- Determine the revenue from DVTD when having loyalty program

**3.3.3 The solutions to the principles of the recognition of mobile telecommunications service revenue in Vietnamese telecommunications businesses**

**\* *Timing of recognition***

The time of recognition of contractual service revenue is the time when the performance of the contractual obligation has been fulfilled, regardless of the money paid.

**\* *Accounting documents***

The telecom firms should carry out digitizing electronic documents

**\* *Vietnamese accounting accounts***

The author proposes that 03 enterprises need to open a more detailed account for Account 3387- Unrealized revenue. With mobile cards paid for other services, the accountant reflects the accounts payable in Account 331- Trade payables or 3388- Other payables.

**\* *Accounting method***

Change of process recorded on accounting software through unrealized revenue accounts.

***\* Solutions to address the differences between accounting revenue and taxable incomes***

At the end of the year, the accountant needs to determine the difference between the accounting revenue and the taxable turnover, determine the value of the deferred corporate income tax assets in the year to record.

**3.3.4. The solutions to the presentation of information about mobile telecommunications service revenue of the telecom firms in Vietnam**

- Need to present and explain more detailed information about revenue policy

**3.4. CONDITIONS FOR IMPLEMENTING SOLUTIONS TO COMPLETE ACCOUNTING FOR MOBILE TELECOMMUNICATIONS SERVICES IN VIETNAM TELECOMMUNICATIONS ENTERPRISES**

**3.4.1. Propose to the Ministry of Finance**

- Issue documents guiding the handling of accounting issues in the telecommunications industry in accordance with international practices

- Modify and supplement the contents of VAS 14 and the enterprise accounting regime

**3.4.2. Proposal to the Ministry of Information and Communications**

The Ministry of Information and Communications needs to agree on the concept of revenue from DVTĐ services with the Ministry of Finance so that accountants do not have to re-extract revenue when making reports to the Ministry of Information and Communications, thereby helping Telecom firms to organize accounting better and more timely.

**3.4.3. Proposals to Vietnamese telecommunications businesses**

Paying attention to accounting, recognizing economic transactions that generate revenue according to nature

It is necessary to proactively propose to the Ministry of Finance and other state management agencies to complete the separate accounting regime for the telecommunications industry.

It is necessary to have plans, prepare human resources, accounting and management software systems for the change of revenue accounting policy when the Ministry of Finance issued IFRS 15 for enterprises.

It is necessary to invest in information systems, networks, artificial intelligence (AI) technology accordingly, establish an information system with the support and connection of information software within enterprises. .

Combine with universities such as Post and Telecommunications, Polytechnic University, Financial Academy, National Economics University ... or build your own educational training center to train officials and successors. His/her other Telecom firms have accounting knowledge and practical experience in telecommunications.

#### **3.4.4 Proposals to the Association of Accountants, Auditors and Training Facilities**

The Association of Certified Accountants and Training Facilities should include IFRS 15 in financial accounting subjects for accounting and auditing students. In addition, the Association of Accountants and Auditors has intensive training courses for accounting for Telecom firms and has detailed guidance documents on IFRS 15, widely disclosed to relevant subjects.

### **CONCLUSION**

The research results of the thesis are of theoretical and practical significance, the thesis has systematized the following basic contents:

Basic theory of service revenue accounting from the perspective of contract access, from the identification, determination, recognition and presentation of revenue on the financial statements; systematize telecommunications business characteristics affecting the accounting of DVTD revenue.

PhD student has researched, designed survey and survey questionnaires to evaluate the existing problems in accounting for DVS revenue at 05 Vietnamese Telecom firms and made an assessment of the current situation of accounting for the mobile telecommunication services revenue in Vietnamese Telecom firms in accounting procedures for promotions and loyal customers.

PhD students are always serious and endeavor in the process of learning and research, but the thesis still cannot avoid shortcomings. PhD student is looking forward to receiving constructive contributions and assistance from scientists, accountants at Telecom firms to further improve the quality of the thesis, bringing the proposed solutions into effective application in reality.

*Sincerely thank for attention and comments of scientists and  
Those who are interested in the research topic of the thesis!*

## **LIST OF RESEARCH WORKS RELATED TO THE AUTHORED THESIS OF THE AUTHOR**

1. Nguyễn Diệu Linh (2019), *Experience of disclosing information about revenue of international telecommunication enterprises when applying IFRS15*, Journal of Accounting & Auditing, August 2019, (191), p.53-56
2. Nguyễn Diệu Linh (2019), *Mobile telecommunications service business operations affecting revenue accounting*, Journal of Audit Scientific Research, August 2019, (142), p.36-40.
3. Nguyễn Diệu Linh (2019), *Finalizing revenue accounting at telecommunication enterprises*, Journal of Accounting & Auditing, October 2019, (192), p.64-67.
4. Nguyễn Diệu Linh (2020), *Difficulties in applying IFRS15 in Vietnam telecommunications enterprises*, Journal of Audit Scientific Research, January 2020, (147), pp.68-76