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REVENUE ACCOUNTING IN REAL ESTATE BUSINESS

***Major*: Accounting**
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SUMMARY OF ECONOMIC DOCTORAL THESIS

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The thesis will be defended at the Council of thesis assessment at the Academy level, meeting at the Academy of Finance
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The thesis can be found at the National Library
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INTRODUCTION

1. The urgency of the topic

Real estate and the real estate market play an important role in the economy, directly impacting overall economic growth and development, and directly affecting the interests of businesses. Recently, there have been many scandals in the real estate business sector, and government policies are constantly changing and being amended to fit the current situation, so legal regulations related to the real estate sector are becoming increasingly strict. From the perspective of businesses, in order to control their production and business activities, they must build an effective management tool system. Accounting is one of the important management tools that helps managers grasp accurate and honest economic and financial information, the business performance of their company in order to make timely and optimal business decisions.

In accounting, revenue accounting is a section that provides direct information related to the business efficiency of a company. Accurately identifying and providing accurate information on revenue helps to improve the effectiveness and business reputation of the company. Reasonable and scientific revenue recognition helps management make accurate decisions in business. Regulations on revenue accounting have changed significantly worldwide, but there have been few significant changes and updates in Vietnam over the past 20 years. Recording revenue under VAS 14 has revealed many shortcomings in certain industries, including the real estate sector. To help the real estate business have a comprehensive view of revenue recognition according to the contract approach with customers as stipulated by the international accounting standard IFRS 15, the author has chosen the topic ***"Revenue Accounting in Real Estate Business"*** as the research topic for their thesis.

2. Overview of relevant researched topics

It can be said that domestic and international studies have affirmed the importance of revenue accounting in enterprises. For the real estate business sector in Vietnam, there is currently no in-depth study on revenue accounting from the perspective of revenue from contracts with customers, and there is no work that uses quantitative research methods to analyze the factors affecting revenue accounting in Vietnamese real estate businesses.

Due to the fact that recognizing revenue under International Accounting Standard 18 (IAS 18) and Vietnamese Accounting Standard 14 (VAS 14) does not fully reflect the essence of transactions, the author recognizes the importance of researching revenue accounting in real estate businesses using the approach of revenue recognition from contracts with customers with a five-step model, and evaluating the factors affecting revenue accounting in Vietnamese real estate businesses. This is a research gap that needs to be addressed to meet the management requirements and provide information on real estate revenue in the current period.

3. Research objectives of the topic

Overall objective: To study the theoretical framework of revenue accounting in general and specifically in real estate businesses in Vietnam using the approach of revenue recognition from contracts with customers.

Specific objectives:

Firstly, to study the general theoretical framework of revenue accounting using the approach of revenue from contracts with customers and the factors affecting revenue accounting in businesses. Based on the study of revenue accounting in some countries around the world, the researcher will draw lessons and experiences for Vietnam.

Secondly, to study the current state of revenue accounting and the factors affecting revenue accounting in real estate businesses. From there, analyze the achievements and limitations of revenue accounting in real estate businesses.

Thirdly, to propose recommendations and suggestions for improving the revenue accounting in real estate businesses in Vietnam based on the research findings.

4. Research questions of the dissertation

Based on the research objectives, the following research questions are proposed by the author:

(1) How is the theoretical framework of revenue accounting understood from the approach of revenue from contracts with customers?

(2) What are the current guidelines and regulations on revenue accounting according to Vietnamese accounting standards and regulations?

(3) What is the current state of revenue accounting in real estate businesses in Vietnam? (4) How do various factors affect revenue accounting in real estate businesses in Vietnam?

(5) What are the areas that need improvement in revenue accounting for real estate businesses in Vietnam?

5. Objectives and Scope of Research

Object of research:

The thesis investigates the theoretical and practical aspects of revenue accounting in real estate businesses from a financial accounting perspective, with a focus on revenue recognition based on the contract with the customer as stipulated in IFRS 15.

Scope of research:

+ In terms of content: The thesis focuses on the general theoretical aspects of revenue accounting based on the international practice and IFRS 15.

The thesis examines the practical aspects of revenue accounting in real estate businesses from a financial accounting perspective, focusing on the revenue from the sale of residential properties such as condominiums, villas, townhouses (excluding the initial construction phase), and rental income from commercial properties in shopping centers (excluding financial lease).

+ In terms of space: The thesis investigates real estate businesses listed in Vietnam.

+ In terms of time: The research period is from 2017 to 2022.

6. Research methodology

The research methodology is based on the principles of dialectical materialism and historical materialism, which combine scientific and logical thinking to examine the systematic nature of real estate business activities.

The thesis employs a combination of qualitative and quantitative research methods to achieve its research objectives. Qualitative research methods (including literature review, observation, interviews, data collection, and data synthesis) are used to explore the general theory of revenue accounting, the factors affecting revenue accounting in businesses, and the current status of revenue accounting in real estate businesses. Quantitative research methods (using SPSS 26 software to synthesize and analyze survey data) are used to evaluate the impact of each factor on revenue accounting in real estate businesses in Vietnam.

The research scope includes publicly listed real estate businesses in Vietnam, and the study period is from 2017 to 2022. The research methodology is designed to combine theoretical analysis with empirical research, and to draw conclusions based on scientific and logical reasoning.

7. New contributions of the thesis

In terms of theory: The thesis has contributed to the development and systematization of the theoretical basis of revenue accounting through an approach that distinguishes revenue recognition by contract with customers and by time period. Additionally, the thesis has identified several typical factors that affect revenue accounting in businesses, and has studied revenue accounting in some countries worldwide to draw lessons and experiences for Vietnam.

In terms of practice: The thesis provides a general evaluation of the formation and development process, organizational and management characteristics, accounting system features, accounting policies, and the actual status of revenue accounting in real estate businesses. With a survey of 203 samples assessing the influence of various factors on revenue accounting in real estate businesses, the thesis evaluates the level of impact of these factors on revenue accounting in Vietnam. Based on this, the thesis identifies the strengths, limitations, and causes of limitations in real estate businesses, which is the basis for proposing solutions to improve revenue accounting. These solutions will contribute to enhancing the transparency of accounting information in general and revenue accounting in particular.

8. Thesis structure

In addition to the introduction, acknowledgments, abbreviation list, table of contents, conclusion, list of published scientific research, reference list, appendices, the thesis is structured into three chapters:

Chapter 1: The theoretical basis of revenue accounting in enterprises

Chapter 2: The current situation of revenue accouting in real estate business

Chapter 3: Some solutions to improve revenue accounting in real estate business

Chapter 1
THEORETICAL FOUNDATIONS OF REVENUE ACCOUNTING IN ENTERPRISES

1.1. Overview of revenue in enterprises

1.1.1. Definition of revenue

There are many different perspectives on "revenue" from various organizations and individuals. Based on the research of these perspectives, the author has inherited and deduced the essence of revenue as follows:

Revenue is the total value of economic benefits that the enterprise has received or will receive in the operating period, expressed as an increase in cash assets, accounts receivable, or a decrease in accounts payable. However, not every economic transaction that increases assets generates revenue. Revenue is recognized when there is a transfer of control over goods or services to the buyer. Sales revenue and service revenue are understood as the economic benefits that the enterprise receives from selling goods and providing services during the period in which the enterprise has fulfilled one or more obligations under a contract with a customer.

1.1.2. Classification of revenue in enterprises

Classification of revenue by the enterprise's activities: Revenue includes sales and service revenue, financial income, and other income.

Classification of revenue by payment method: Revenue includes immediate payment revenue and deferred payment revenue.

Classification of revenue based on the object of sales and services: Revenue includes internal consumption revenue and external sales revenue.

Classification of revenue by sales method: Revenue includes wholesale revenue, retail revenue, and agency revenue.

Classification of revenue by origin of the consumed product: Revenue includes revenue from selling finished products and revenue from selling goods.

Classification of revenue by the time of determining revenue: Revenue includes estimated revenue, planned revenue, and actual revenue.

1.2 Accounting principles that govern revenue accounting in enterprises

1.2.1. Principle of accumulation

1.2.2. Principle of consistency

1.2.3. Principle of coherence

1.2.4. Principle of substance over form

1.2.5. Principle of materiality

1.3. Revenue accounting in enterprises

Revenue in a business can be approached from different perspectives, each of which provides a different understanding and application. With the revenue recognition approach based on transactions, revenue can be recognized at different points in time, such as the time of signing a contract with a customer, the time of transferring goods to a customer, the time the customer receives and accepts payment, or the time the customer pays for the goods (for product supply transactions). In addition, for activities where the revenue generation process is performed over a period, the accounting period end must estimate the completion rate to recognize the corresponding revenue.

The revenue recognition approach based on the contract perspective is governed by IFRS 15, and revenue is recognized and measured according to the five-step model and applied to all types of transactions for all companies. Depending on how the obligation is fulfilled, this model will be applied in two ways: (i) revenue is recognized over multiple periods or (ii) revenue is recognized at a certain point in time.

1.3.1. Identifying contracts with customers

A contract is an agreement between parties about the rights and obligations that must be fulfilled for each specific case. In a business, various types of contracts can arise, such as loan contracts, lease and rental contracts, sales contracts, transfer contracts, and business cooperation contracts (BCC) ... These contracts can be made in writing or agreed upon orally or implicitly according to business customs.

A contract with a customer is an agreement between two or more parties, forming mandatory rights and obligations and providing criteria for each of these rights and obligations. According to the provisions of IFRS 15, a contract is considered a contract with a customer when it simultaneously satisfies the following 5 criteria: (i) the ability to accept and commit to perform the obligations of the contract; (ii) the rights of the participating parties; (iii) the terms of payment; (iv) the commercial nature of the contract; (v) the ability to pay.

Contract modification

During the process of implementing a contract with a customer, in addition to the initial contract, there may be cases of contract modification. Contract modification is the act of changing the scope or price of the transaction (or both factors) of the contract agreed upon by the parties.

A modified contract is considered a separate contract if it simultaneously satisfies both of the following conditions:

- The scope of the contract is expanded.
- The price of the contract is increased by an amount corresponding to the value of the payment that the company receives when selling individual goods or additional services, and adjustments are made to this price level to suit each specific contract.

Contract Combination

When performing obligations with a customer, multiple contracts may arise, and these contracts may be combined into a single contract or considered as separate contracts. In the case where contracts have been signed with the same customer (or related parties of the customer) at the same time or near the same time, these contracts may be considered a single contract if they meet one of the following criteria: (i) The contracts are negotiated as a package with the same commercial purpose; (ii) The payment received will be in a contract that depends on the price or performance outcome of another contract; (iii) The goods or services committed in the contracts or committed in the contract are a single performance obligation.

1.3.2. Determination of performance obligations in the contract

A contract consists of one or more commitments to provide goods or services to a customer. These commitments are referred to as performance obligations in the contract. In the contract with the customer, the Business must specify each item of goods or services that it has committed to deliver to the customer. However, the goods or services promised to be delivered may include implicit commitments according to the business practices of the Business beyond the goods or services specified in the contract. Therefore, at the start of the contract, the Business must assess the goods or services promised in the contract with the customer and determine each performance obligation for each commitment to be delivered to the customer. An obligation is considered to be performed when the Business transfers control of the goods or services to the customer.

In the contract with the customer, to determine the Business's obligations in delivering goods or services to the customer separately or not, the following factors should be considered: (i) Business does not provide a significant service of integrating goods or services with other goods or services promised in the contract; (ii) The goods or services are not significantly modified or customized from the goods or services promised in the contract; (iii) The goods or services are not dependent on or related to other goods or services in the contract.

1.3.3. Determining the value of the contract with the customer

When an obligation in a contract with a customer is fulfilled, the company must record revenue based on the value of the transaction. The value of the transaction (value of the contract with the customer) is the amount of consideration that the company expects to receive from the customer in exchange for transferring the promised goods or services, excluding any amounts collected on behalf of third parties. The value of the transaction may be fixed, variable, or both. In the case of a variable consideration, when determining the value of the contract, the company should consider estimates of variable consideration, the impact of credit risk related to the customer, the time value of money (if significant), and non-cash considerations.

1.3.4. Allocating the value of the contract to the performance obligations

A contract with a customer may give rise to one or more performance obligations. In the case of a contract with multiple performance obligations, the entity must allocate the transaction price to each performance obligation.

The transaction price for each distinct performance obligation is the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. It is determined by allocating the transaction price to each distinct performance obligation on the basis of the relative standalone selling prices of the goods or services underlying each performance obligation. This can be done using different methods such as adjusted market assessment approach, expected cost plus a margin approach, or the residual approach.

When a contract has multiple performance obligations that are significantly different, the entity needs to allocate the transaction price to all performance obligations based on their standalone selling prices. If a product, good or service is not sold separately, the entity needs to estimate the standalone selling price. If the entity sells a product, good, or service bundled with other products, goods, or services that are sold separately at their individual selling prices, then the distinct performance obligations within the contract need to be allocated using the same proportion of the individual selling prices.

1.3.5. Revenue recognition when fulfilling performance obligations

Based on the time of completion of the performance obligations, the obligations can be divided into two groups: obligations completed at a point in time and obligations completed over a period of time.

1.3.5.1. Recognition of revenue from sales and services over a period of time

In a contract with a customer, the performance obligations may extend over a period of time, and revenue must be recognized over a period of time. The revenue is recognized for a performance obligation fulfilled over a period of time only if the entity can reasonably measure the progress to achieve the complete performance obligation. The key point to determine the timing of revenue recognition under the contract with the customer is to determine the progress of fulfilling the obligation. For a performance obligation over a period of time, there are two methods used to evaluate and determine the time when the obligation has been fulfilled, namely the output method and the input method.

(i) Revenue recognition method: recording revenue based on the direct determination of the value of goods or services transferred to customers at the current time compared to the remaining value of goods or services under the contract.

(ii) Input method: recording revenue based on contributions or input factors of the company to fulfill an obligation.

1.3.5.2. Recording sales revenue and Tools and Equipment at a point in time

With the contract approach, revenue is recognized at the point in time when the accountant recognizes the company's obligation to the customer. That is, at the time when the company has transferred control of a committed asset to the customer, the company has fulfilled its obligation and is entitled to receive a payment or equivalent amount.

Recording revenue from contracts with customers in some special cases:

Recording revenue in the case of discounts for customers

Recording revenue in the case of applying a loyalty program for customers

Recording revenue in the case of selling goods with gift vouchers for customers

Recording revenue in the case of selling goods with a right of return

1.3.6. Presentation of revenue on financial statements

When recognizing revenue from the contract perspective with customers, the company may have a line item of assets (cash or accounts receivable) from the contract. An asset under a contract is recognized when the company's right to a conditional payment is based on something other than the passage of time, such as future performance obligations. A contract liability is recognized and presented in the Statement of Financial Position when the customer has paid before the company has transferred control of the goods or services to the customer.

In the case of the company leasing assets and receiving advance revenue for multiple periods (if the conditions are met), the company's Financial Statements must disclose:

+ Difference in revenue and profit if revenue is recognized over a period of time

+ Impact of revenue recognition in the period on the ability to generate cash, risk of declining revenue and profit in future periods.

For variable consideration received, at the end of the reporting period, the company must update the estimated transaction price. In addition, on the Financial Statements, the company presents the impact of financial support factors such as interest income separately from revenue from contracts with customers.

1.4. Factors affecting revenue accounting in enterprises.

1.4.1. Foundational theories

1.4.1.1. Endogenous growth theory

1.4.1.2. Management behavior theory

1.4.1.3. Resource dependence theory

1.4.1.4. Institutional theory

1.4.2. Factors affecting revenue accounting in businesses

1.4.2.1. Legal system

1.4.2.2. Scale and management characteristics of the business

1.4.2.3. Professional level of accountants

1.4.2.4. Internal control system within the business

1.4.2.5. Application of information technology in management

1.5. Revenue accounting in some countries around the world and lessons for Vietnam

1.5.1. Revenue accounting in some countries around the world

1.5.1.1. In China

1.5.1.2. In Japan

1.5.1.3. In the United States

1.5.2. Lessons for Vietnam

Researching revenue accounting in different countries around the world is of great significance. Through this, Vietnamese businesses can learn and draw valuable experiences about accounting models, ways of looking at and accounting for revenue in general and revenue accounting in particular in different countries around the world. From there, they can gradually change and approach to integrate with the global economy.

Chapter 2
THE CURRENT SITUATION OF REVENUE ACCOUNTING IN REAL ESTATE BUSINESSES

2.1. Overview of real estate businesses in Vietnam

2.1.1. The formation and development of the real estate market in Vietnam

Before 1987, the allocation and leasing of land had not been established, so the real estate market was virtually non-existent. The introduction of legal regulations related to land and housing in 1993 created favorable conditions for the development of the real estate market, which can be divided into several phases: from 1993 to 1994, from 1995 to 2000, from 2001 to 2003, from 2004 to 2006, and from 2007 to early 2008.

Period from mid-2008 to 2013, period from 2014 to 2018, period from 2018 to present.

2.1.2. The current status of the real estate market in Vietnam.

The main real estate business activities in Vietnam are focused on investment and construction of real estate for sale, investment in building residential properties for sale and rent, leasing real estate properties, and industrial real estate business.

2.1.3. The characteristics of real estate business activities that affect revenue accounting in enterprises.

2.1.3.1. The characteristics of real estate business activities in Vietnam.

Firstly, real estate business activities are conditional businesses that require appropriate licenses and permits.

Secondly, real estate business activities in Vietnam require large investments of capital and have long investment periods.

Thirdly, real estate business activities are subject to various legal regulations, and the legal framework is regularly updated and amended to suit the current situation.

Fourthly, real estate business activities are affected by the characteristics and nature of real estate properties.

2.1.3.2. The impact of characteristics of real estate business activities on revenue accounting in enterprises.

The characteristics of real estate business activities affect revenue accounting in enterprises in various aspects, including: (i) determining contracts with customers, (ii) determining obligations under contracts, (iii) determining the value of transactions and allocating the value of transactions to each obligation, (iv) recording and presenting revenue in financial statements

2.1.3.3. Characteristics of organizational management in Vietnamese real estate business enterprises

Real estate business enterprises mainly operate under the model of joint stock companies or limited liability companies. This study focuses on the joint stock company model.

The organizational management model of real estate business enterprises is built according to the online-functional model, including: General Meeting of Shareholders, Board of Directors, Board of Supervisors, Director/Deputy Director in charge of functional offices, functional departments/divisions, project management board, and construction teams.

2.1.4. Accounting organization characteristics in real estate businesses in Vietnam

The accounting departments of listed real estate businesses are organized in accordance with the scale of their operations and comply with the regulations on management decentralization of the businesses. The majority of businesses organize their accounting departments in a centralized or decentralized model, with no businesses surveyed using a hybrid model.

2.2. Real estate revenue accounting according to current Vietnamese laws

2.2.1. Legal framework for revenue accounting

Revenue accounting in general and in real estate businesses in particular is regulated by the legal framework for accounting in accordance with Vietnamese laws. The process of determining and recording revenue must comply with the provisions of: Accounting Law No. 88/2015/QH13, the Vietnamese Accounting System, and the enterprise accounting regime issued under the provisions of Circular No. 200/2014/TT-BTC.

2.2.2. Accounting for real estate revenue under Vietnamese accounting standards and regime

2.2.2.1. Revenue recognition

According to the provisions of VAS 14, revenue is accessed based on transactions, and revenue is understood as "the total value of economic benefits that the enterprise earns during the accounting period, arising from its normal production and business activities, contributing to increasing owner's equity".

2.2.2.2. Determination of Revenue

Revenue is determined based on the reasonable price of amounts received or to be received from transactions between the enterprise and the buyer (or user of assets) after deducting revenue deductions (trade discounts, sales discounts, and returns). Revenue does not include third-party collections and taxes such as export taxes, special consumption taxes (if any) that must be paid.

2.2.2.3. Recording Revenue

** Conditions for revenue recognition*

** Accounting documents and accounts*

** Accounting methods for sales revenue and service revenue*

2.2.2.4. Presentation of Revenue on Financial Statements

The revenue indicator is presented in the Income Statement and explained in the Financial Statements in accordance with the guidelines in Circular 200/2014/TT-BTC.

2.3. Current situation of revenue accounting in Real Estate Businesses

2.3.1. Current situation of contract identification with customers in real estate business accounting

For real estate businesses, in order to approach revenue accounting in accordance with the regulations of IFRS 15, contracts with customers at the surveyed companies are classified as follows:

Contracts with only one performance obligation, such as a home purchase agreement where the business has only one obligation, which is to deliver the house to the customer.

Contracts with multiple performance obligations, such as a condominium sales agreement accompanied by sales policies such as giving away interior packages, resort vouchers, medical examination vouchers, etc.

Contracts with variable consideration, such as a lease agreement for commercial space in a shopping center, where the contract includes an agreement that the rent will increase by a certain percentage or adjust to market prices after a certain period of time (usually 2 years). Or in the case of a house purchase and sale contract, this type of contract may refer to contracts that have provisions related to penalties for customers who pay late compared to the schedule or penalties for the company when handing over the house later than the commitment time in the contract...

A combined contract is a contract in which the company combines two or more contracts with the same customer at the same time into a single contract. For example, in the case of a villa or a separate house purchase contract, when the company executes this contract, the company must transfer the right to use the land and assets on the land (houses) to the same customer. Instead of executing two separate contracts, the company can combine them into a single purchase and sale contract for the house and include the value of the land use right and the value of the assets on the land (houses) in the appendix to the contract.

A modified contract: for example, in a condominium purchase and sale contract, there is a provision regarding the adjustment of the sale price of the apartment when delivering it to the customer if there is a difference in the area of use. In this case, this contract can be considered as a modified contract.

A contract with a right to return: all 54 companies surveyed indicated that in contracts with customers, there are provisions allowing customers to refuse to accept the handover of the house or rental space if the company does not fulfill some of the main commitments.

2.3.2. Curnent situation of determining contract performance obligations in real estate businesses

In any contract with a customer, the enterprise must always determine the obligations to be performed in the contract. Obligations include sales commitments and other commitments depending on each sales policy at the real estate business. According to the approach to revenue from contracts with customers, revenue must be determined for each obligation in the contract. When an enterprise signs a contract to buy and sell a house or lease a commercial center space, depending on the sales policy of each project and from time to time, the obligations of the enterprise to customers may be different. In the current real estate business, the obligation is considered to be performed when the enterprise completes the house handover (apartment apartment purchase and sale contract, individual housing purchase and sale contract, villa and townhouse sale and purchase contract). adjoining) or premises for lease to customers. These obligations may be fulfilled at a time or may be completed over a period of time.

2.3.3. Current situation of determining the value of contracts with customers in real estate businesses

In real estate businesses, the value of a contract is the amount of payment that the business expects to receive from customers when the business delivers houses, rental spaces, and fulfills other commitments according to the business's sales policies.

In reality, in the real estate business, the value of the contract is determined by the price stated in the contract (this price does not include VAT and maintenance costs), which can vary in certain cases, such as: (i) when the area of the property transferred or leased to the customer at the time of delivery differs from the area stated in the contract, (ii) when the customer pays before the deadline specified in the contract and receives a discount from the business at a specified interest rate; (iii) when the customer is late in paying and incurs overdue interest; (iv) when the customer benefits from sales policies such as gifts or services.

2.3.4. Current situation of allocating value for each obligation in contracts with customers in real estate business companies

When a contract with a customer includes multiple obligations, the business must allocate revenue to each separate obligation. In current real estate businesses, when applying sales policies to customers, they are registered with the Department of Industry and Trade. Therefore, the value of a complimentary product is determined as a selling expense, and revenue is not allocated for this complimentary product. The value of a complimentary product or service is determined based on reasonable value. If the reasonable value cannot be determined, then it is determined based on the value of a similar product or service.

2.3.5. Current situation of revenue recognition in real estate business

According to current regulations, revenue in real estate business is recognized when the enterprise hands over the residential house or leased premises to the customer. Although Circular 200/2014/TT-BTC provides guidance, it is not comprehensive enough on the timing of revenue recognition or the period of revenue recognition. For revenue recognition from contracts with customers, revenue from the transfer of residential houses is recognized at the time when the conditions are satisfied according to regulations. For revenue from commercial leased premises in shopping centers, revenue is recognized during the period when the conditions are met according to regulations.

2.3.5.1. Revenue recognition at the point in time

Revenue is recognized at the point in time when the enterprise fulfills its obligation to hand over the residential house or the accompanying products included in the sales policy of the enterprise, such as a furniture package, or gold given to customers.

** Accounting documents for real estate business revenue in real estate enterprises.*

The accounting document system for revenue in real estate business in real estate enterprises is implemented according to the guidance of Circular 200/2014/TT-BTC. The accounting document system of real estate enterprises is divided into 02 groups:

Group 1 - Electronic documents: These are documents created directly on the software used by real estate businesses, such as value-added tax invoices and electronic contracts.

Group 2 - Paper documents: These include various types of documents such as transfer contracts, handover minutes, and other related documents.

** Accounting accounts for real estate revenue in real estate businesses:*

All real estate businesses use account 511 - Revenue from sales of goods and services for accounting real estate sales revenue. This account is opened at level 2, level 3, according to revenue classification, and primarily serves for accounting and determining tax obligations.

** Current situation of revenue accounting methods in real estate businesses:*

The principles for accounting for real estate business revenue in these businesses comply with the regulations on revenue recognition of the Vietnamese Accounting Standards No. 14 and Circular No. 200/2014/TT-BTC. However, each business may have different ways of expressing revenue accounting principles depending on the accountant's perspective.

2.3.5.2. Recognition of revenue over a period of time

According to the revenue recognition approach from contracts with customers, revenue is recognized over a period of time when the business entity fulfills its obligation of providing goods or services to customers, such as handing over leased commercial space or providing complimentary services that are part of the company's sales policy, like vacation vouchers, medical check-up vouchers, building management fees, etc. Revenue from such complimentary services will not be recognized at the time of handing over the property but will be recognized over a period of time (as per the period) when the business entity fulfills its obligation of providing goods or services to customers.

2.3.6. The current presentation of revenue on financial statements in real estate businesses

Revenue from real estate sales of the 54 surveyed companies was presented 100% in the revenue from sales of goods and services line item on the financial statements. The line items for deduction of revenue and the value of promotional products were presented in the business results report of the company, with the value of complimentary products being presented in the selling expenses line item. For cases where commercial properties are leased in shopping centers, revenue is reflected in the consolidated financial statements using the straight-line method over the lease period.

2.4. Factors affecting revenue accounting in real estate business

2.4.1. Research model

Based on previous studies, the researcher has developed a model to study the factors affecting revenue accounting in real estate business listed on the Hanoi Stock Exchange (HNX) and Ho Chi Minh City Stock Exchange (HOSE) are studied with five factors: Legal system, management and scale of the company, Professional level of accounting staff, Quality of internal control systems, and Application of information technology in accounting.

The research hypotheses are as follows:

Hypothesis 1: The legal system has a positive impact on revenue accounting in real estate businesses.

Hypothesis 2: The management and scale of the company have a positive impact on revenue accounting in real estate businesses.

Hypothesis 3: The professional level of accounting staff has a positive impact on revenue accounting in real estate businesses.

Hypothesis 4: The quality of internal control systems has a positive impact on revenue accounting in real estate businesses.

Hypothesis 5: The appropriate application of information technology in accounting has a positive impact on revenue accounting in real estate businesses.

2.4.2. Data processing methods for factors affecting revenue accounting in real estate businesses are:

2.4.2.1. Assessing the reliability of the measurement scale.

2.4.2.2. Exploratory Factor Analysis (EFA) for factor analysis.

2.4.2.3. Pearson correlation analysis.

2.4.2.4. Multiple linear regression analysis.

2.4.3. Evaluating the current situation of factors influencing revenue accounting in real estate businesses

Through the regression results, the study has identified the level of influence of factors affecting revenue accounting in real estate businesses, specifically as follows:

- The factor **"Legal system"** has the strongest impact and a positive relationship with revenue accounting in real estate businesses, with a standardized Beta coefficient of 0.311.

- The factor **"Professional level of accounting"** has the second strongest impact and a positive relationship with revenue accounting in real estate businesses, with a standardized Beta coefficient of 0.291.

- The factor **"Quality of internal control system"**, with a standardized Beta coefficient of 0.255, has the third largest impact and a positive relationship with revenue accounting in businesses enterprise.

- The factor **"Management operation characteristics and scale of the enterprise"**, with a standardized Beta coefficient of 0.168, has the fourth strongest impact and is positively related to revenue accounting in business.

- The factor **"Application of information technology in revenue accounting"** has the smallest impact and is positively related to revenue accounting in business, with a standardized Beta coefficient of 0.122.

2.5. Evaluation of revenue accounting practices in Vietnam's real estate business

2.5.1. Advantages

Firstly, in terms of legal framework, the process of implementing revenue accounting in real estate businesses is guided by clear and easily understandable documents that are regularly updated.

Secondly, overall, real estate revenue accounting reflects clearly on each business transaction related to sales and service provision.

Thirdly, the organization of accounting systems and document circulation during sales and service provision is relatively reasonable and appropriate to current accounting regulations, the ability and level of accounting staff, as well as the scale and characteristics of real estate businesses.

Fourthly, accounting departments in real estate businesses are organized reasonably with clear responsibility division among departments and units.

Fifthly, all real estate businesses comply fully with accounting regulations and legal provisions of relevant ministries/sectors.

Finally, revenue accounting in real estate businesses is always given close attention from business leaders and is supported by accounting software systems and high-tech applications.

2.5.2. Limitations

2.5.2.1. Limitations in identifying contracts with customers

2.5.2.2. Limitations in determining the obligation to perform contracts

When applying IFRS 15, businesses are required to identify separate performance obligations within contracts with customers and then allocate the value of the contract to those obligations. Real estate businesses will have to spend a lot of time analyzing, evaluating, and considering the factors related to their contracts to identify the obligations to be performed within the contracts.

2.5.2.3. Limitations in determining the value of a contract

The determination of revenue in the case where customers make payments in installments (customers pay in advance and receive the house later) does not address the credit that the company should bear due to the use of customer funds. This is understood as the company is using the advance payment from customers, in essence, the buyer is providing a credit to the seller.

2.5.2.4. Limitations in allocating the contract value

In the case of sales promotion without any purchase conditions and the company has registered with the Department of Industry and Trade, the value of the promotional goods and accompanying services recorded as selling expenses may not be appropriate because, in essence, in this case, a discount on the sale of goods, the company fulfills two obligations for customers.

2.5.2.5. Limitations in recognizing revenue

Under current regulations, revenue in real estate businesses is recognized at the time of handing over the house to customers. However, due to the pressure to recognize revenue, many real estate businesses hand over houses to customers even when accompanying facilities have not been completed. As a result, customers may find that the equipment does not match what was promised in the contract, or the facilities are not yet completed when they move in. This is a common cause of disputes between residents and developers.

Chapter 3
SOME SOLUTIONS TO IMPROVE REVENUE ACCOUNTING IN REAL ESTATE BUSINESS

3.1. Development orientation of real estate businesses in Vietnam

3.1.1. Global and Vietnamese economic context

By the end of February 2022, the world is facing many challenges, mainly due to the crisis in Ukraine. The Russia-Ukraine war has had negative impacts on the global financial and commodity markets. The production and supply chains, which have not fully recovered from the pandemic, are disrupted, threatening the stability of the macroeconomy and posing risks to food security in many economies.

Recently, the tightening of credit from bank credit channels and corporate bonds into real estate business operations has shown that the government has implemented policies to control and restrict funding sources into the real estate business sector.

For real estate business operations, when the barrier is gradually removed, the phenomenon of land fever occurs nationwide. Almost all provinces and cities, such as Hanoi, Thanh Hoa, Hung Yen, Hai Phong, Lam Dong, Da Nang, and Phan Thiet, have experienced this phenomenon to varying degrees.

The Vietnamese economy is currently facing a number of challenges that require more effort and determination to solve, overcome, maintain, and accelerate the pace of economic recovery.

3.1.2. Business direction for real estate development in Vietnam

On December 22, 2021, the Prime Minister of the Vietnamese government signed Decision No. 2161/QD-TTg approving the national development strategy for the period 2021-2030 and vision to 2045.

With the government's housing development strategy, real estate businesses need to establish a clear development direction, such as:

(i) Establishing large-scale real estate businesses with strong financial potential and advanced scientific and technological expertise to be able to carry out projects domestically and internationally.

(ii) Transactions that aim towards digitization in real estate transactions.

(iii) Real estate businesses aim to build big data to help sellers easily search for suitable buyers and introduce appropriate real estate.

3.2. Accounting requirements for revenue recognition in real estate businesses

Firstly: the accounting operations of real estate businesses in general, and revenue accounting in particular, must ensure harmony with accounting principles, standards, and international accounting practices, as well as comply with regulations and development guidelines of the state.

Secondly: revenue accounting in real estate businesses must be in line with the characteristics and management requirements of real estate businesses in Vietnam.

Thirdly: revenue accounting in real estate businesses must meet the information needs of users.

Fourthly: revenue accounting in real estate businesses must be efficient and feasible.

3.3. Solutions to improve revenue recognition in real estate businesses

3.3.1. Improving contract determination with customers in real estate businesses

When real estate businesses prepare to enter the mandatory IFRS period after the 2025 financial year, at present, they should review their current contracts with customers. If necessary, the business entity can negotiate and amend the contracts to properly reflect the economic terms of the transaction. When there are changes to the contract, the business entity should invite legal and accounting advisors to explain the terms of the contract more clearly to be consistent with the application of IFRS 15.

For purchase and sale contracts of residential properties in which customers pay according to the progress of the project, the business must collect records to estimate the customer's ability to pay in subsequent payments. Assessing the customer's ability to pay must classify the customer as either a corporate or an individual customer.

3.3.2. Refining the definition of contractual obligations

In real estate businesses, the goods and services provided to customers often vary in nature, when a contract is executed with a customer, the company must define the commitments made to the customer, therefore, in a contract with a customer, there may be one or more obligations. Each obligation represents a commitment made by the company to the customer regarding the benefit the customer will receive, and the company must account for each obligation separately.

To determine how many obligations must be fulfilled in a contract, the company must rely on the terms of the contract and the method of delivery of the real estate products, goods, or services. In the case of a contract that promises the delivery of a series of similar products or services, the company must determine whether these are obligations to be completed within a certain period of time or obligations to be fulfilled at a specific point in time. For example:

In the case of a contract for the sale or lease of a property that includes a gift of a product or service based on the company's sales policy.

In the case of sale or lease of a property that includes a gift of a product or service based on the company's sales policy, the company should consider the contract to include multiple obligations. The primary obligation is the obligation to sell or lease the property, which is deemed complete when the company has delivered the property to the customer. The remaining obligation is the obligation to provide the gift product or service, whether conditional or unconditional.

In the case of an apartment sale contract in which residents can use facilities such as swimming pool, gym, etc.

Currently, regulations do not provide specific guidance on how to define obligations in a contract for the sale of a condominium unit that includes access to amenities such as a swimming pool, sauna, or gym for residents… This means that the obligations to be fulfilled in the contract have not been clearly defined, which in turn affects the allocation of revenue for each obligation.

3.3.3. Completing the determination of contract values with customers

In the case of promotional sales (including products or services given as gifts). Until IFRS 15 is widely applied to all businesses, the price of the gifts must be separately evaluated in the sales contract.

In the case of customers paying by installment: Revenue from real estate business, in the case of companies collecting money by installment, it is necessary to separate the financial component because customers pay before receiving the house.

In the case of contracts that include fines, according to Article 16, Section 2 of the Real Estate Business Law*: "Penalties and compensation for damages caused by delayed payment by the buyer, transferor, lessee, rent-to-buyer, seller, transferor, lessor, or lease-to-buyer, as agreed by the parties, must be clearly stated in the contract".* To protect the rights of buyers and sellers, real estate companies should include penalty clauses in the contract with customers.

3.3.4. Complete the allocation of the contract value to the obligations performed

After determining the value of the contract with the customer, real estate businesses need to allocate this value to the obligations if the contract has two or more separate obligations. The purpose of allocating the contract value to each obligation is to reflect the value of the payment that the company expects to receive from fulfilling multiple commitments to the customer. The allocation of the contract value is carried out according to the following principles:

- Allocate the contract value for each obligation on the basis of relative standalone selling price.
- At the start of contract performance, the company must determine the standalone selling price of each product, good, or service in real estate independently and allocate the contract value according to the standalone selling price.

The standalone selling price is the selling price that the company has committed to the customer. The standalone selling price can be observed through a separate good or service in similar situations for similar customers.

3.3.5. Completing revenue recognition in real estate business

3.3.5.1. Improving input data sources to support revenue recognition

Organizing and processing documents is the first and extremely important step in accounting, as it determines the accuracy of the accounting information provided. Therefore, perfecting the document system is a crucial requirement for businesses in general and real estate businesses in particular. Organizing and processing documents is the first and extremely important step in accounting, as it determines the accuracy of the accounting information provided. Therefore, perfecting the document system is a crucial requirement for businesses in general and real estate businesses in particular.

3.3.5.2. Improving revenue recognition in real estate businesses.

** Improving revenue recognition by time.*

Revenue recognition by time is applied to transactions involving the sale of houses. In order to avoid disputes arising from the pressure to recognize revenue in real estate businesses, the author suggests that if the contract signed with the customer is considered to perform a single obligation and includes a list of mandatory amenities, the company can only recognize revenue when these amenities are completed upon handover. If the contract is considered to have 2 or more independent obligations, at the time of handover, the business can only recognize revenue for the corresponding value of the house, the value of the amenity money will be recognized upon completion.

Improving revenue recognition by period.

According to the expert, for leasing of real estate, if the company receives advance rent for multiple periods, revenue should be recognized by allocating the rent received in accordance with the appropriate period of lease, instead of recognizing revenue all at once.

3.3.6. Improving the presentation of information in financial statements.

When executing a contract, the contracts with customers must be presented in the Balance Sheet of the real estate business as a liability to be paid for the contract, an asset of the contract, or a receivable (depending on the situation of fulfilling the contract obligations and the payment progress of the customer). Specifically:

- Presenting in the Balance Sheet a liability to be paid for the contract when the customer has paid in advance, and the real estate business has not fulfilled its obligations under the contract.
- Presenting in the Balance Sheet an asset of the contract or a receivable when the real estate business has fulfilled its obligations but the customer has not made payment.

3.3.7. Some other solutions to improve revenue recognition in real estate businesses

3.4. Conditions for implementing solutions to perfect revenue accounting in Vietnamese real estate businesses

3.4.1. From the state and governing agencies

3.4.2. From the perspective of businesses

The Board of Directors must ensure honesty, transparency, and compliance with professional ethics principles and create conditions for the accounting department and related departments to have access to IFRS as soon as possible. There needs to be a consensus on revenue recognition policies and methods with related departments such as the Board of Directors, accounting and finance department, internal control department, and sales department.

Real estate companies need to regularly organize training to enhance the awareness and understanding of both the general management team and the accounting team about IFRS.

Create conditions for equipment and other physical conditions to help accounting improve the ability to collect, process, control, and provide information by setting up a strong enough accounting software system to track discrepancies, recognize revenue, declare VAT, corporate income tax, and accounting systems according to IFRS (when applying IFRS).

Perfect the management system for production and business activities in the enterprise. Based on the specific characteristics and conditions of the enterprise, organize accounting work suitable for the characteristics of the industry and the enterprise.

3.4.3. Towards the Stock Exchange Departments

As the direct regulatory body for trading activities on the stock exchange, the stock exchange departments must regularly inspect the compliance of listed companies in general and real estate businesses in particular to ensure that their operations are not disrupted and are effective.

3.4.4. Towards training institutions

The graduate student recommends that universities and colleges urgently include the IFRS 15 content in the teaching of financial accounting for accounting majors.

The Ministry of Finance and professional organizations need to regularly offer basic and advanced training courses on IFRS for the accounting team, internal auditors, and relevant departments in real estate businesses and the teaching staff of universities and colleges throughout the country.

CONCLUSION

Revenue accounting research in general and in real estate businesses in particular plays a vital role in managing and enhancing the effectiveness of operations. Starting from the importance of applying IFRS 15 in recording and presenting revenue on financial statements, the author synthesizes general theories of revenue accounting from the customer-oriented approach with the 5-step model, as well as experiences of some countries around the world and lessons for Vietnam. Based on the research reality, the author summarizes the advantages and limitations that need to be overcome to contribute to improving management efficiency in the business. With 6 groups of limitations presented, the author analyzes the subjective and objective causes leading to these limitations to provide solutions to improve revenue accounting in real estate businesses in general and listed real estate businesses in particular.

In addition to researching revenue accounting, the author continues to conduct a survey to evaluate factors affecting revenue accounting in real estate businesses. From the collected information, the author processed and analyzed data on SPSS software, the results showing that the legal system is the factor with the most significant impact on revenue accounting in real estate businesses, while the use of information technology in accounting is the factor with the lowest impact.

Based on the 7 groups of limitations presented, the author proposes 7 groups of solutions related to revenue accounting in real estate businesses, including: (i) improving the determination of contracts with customers; (ii) improving the determination of obligations to perform contracts; (iii) improving the determination of the value of contracts; (iv) improving the allocation of contract value to each obligation in the contract with customers; (v) improving revenue recognition; (vi) improving information presentation on financial statements; (vii) Some other solutions to improve revenue recognition in real estate businesses. To implement these solutions, the involvement of state agencies is necessary to improve the legal system for investment, accounting, and finance, such as the Ministry of Finance and the Securities and Exchange Commission. In addition, professional organizations, training institutions, and real estate businesses need to enhance their professional skills in accounting.

The scope of the thesis only focuses on researching revenue accounting for contracts related to the sale of apartments, single-family homes, villas, townhouses, and leases of commercial spaces in shopping centers without mentioning other types of contracts in real estate businesses and corresponding cost accounting.

During the research process, the author cannot avoid certain errors. With the spirit of scientific research, the author hopes to receive constructive feedback from experts and readers to improve the quality of the thesis.

LIST OF SCIENTIFIC WORKS PUBLISHED BY THE AUTHOR RELATED TO THE THESIS

1. Dinh Thi Lan, Nguyen Ngoc Hien, Le Quynh Anh, Nguyen Thi Kim Chi (2018), *Application of IFRS in some Southeast Asian countries and lessons learned for Vietnam*, National Conference "Innovation for Enhancing Competitiveness of Vietnamese Enterprises" on October 12, 2018, Electric Power University.

2. Nguyen Ngoc Hien (2022), *Some changes in revenue recognition when applying IFRS 15*, Asia-Pacific Economic Journal, Issue 609.

3. Nguyen Ngoc Hien (2022), *Impact of the international Financial Reporting standards 15 on Real Estate Business*, Review of Finance, Vol. 5, Issue 4.