

**MINISTRY OF EDUCATION AND TRAINING
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**IMPROVING ACCOUNTING PRACTICES
FOR REVENUES, EXPENSES AND INCOME
IN COMMERCIAL ENTERPRISES IN HANOI**

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The thesis can be searched at:

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INTRODUCTION

1. The rationale of the research

In the current trend of globalization, the socialist-oriented market economy in our country, international integration is deepening, competition is increasingly fierce, the problem is how to improve accounting practices for revenues, expenses and income in enterprises in general and in commercial enterprises in particular. Accounting for revenue, expenses and income is an important part of the accounting of the business and it has become a powerful tool in managing the businesses' operations, providing information on accounting for revenue, expenses and income can help business managers make timely decisions which are in line with the orientation and development goals of enterprises. However, in fact, there are certain shortcomings in the accounting practices of enterprises in general and commercial enterprises in Hanoi in particular, especially, the application of accounting for revenue, expenses and income. It is the fact that Hanoi is the economic, political and cultural center of the country and in recent years, enterprises have a fast growth rate in both quantity and quality, making an important contribution to economic growth for the city and the whole country. Despite the complex impact of the international economy, Hanoi's economic development rate is still good: In the period of 2016-2020, GRDP is estimated to increase by 7.39%, in 2020 the GRDP reached VND 1.06 million billion which is about USD 4.5 billion; GRDP per capita reached USD 5,500 which is 1.3 times higher than that of 2015 and 1.8 times of the national average figure; the state budget revenue continuously increases and exceeds estimates; the accumulate figure in the past 5 years is estimated at nearly VND 1,200 trillion, increased 11.1% per year which is 1.64 times higher than that of the period 2011-2015. In terms of accounting in general and accounting for revenues, expenses and income particularly in commercial enterprises in Hanoi, there is the improvement in the accounting practices. However, for ensuring that accounting really becomes a powerful tool in management, it is necessary to be further researched to improve the accounting practices, providing timely, accurate and reliable information for managers to adapt to the deepening international integration today. Derived from the theory and practice of commercial business and accounting, including accounting for revenues, expenses and income in commercial enterprises in Hanoi, and based on the urgent requirements set out in the context of international integration, including the current integration of accounting, the author has chosen the topic: "Improving accounting practices for revenues, expenses and income in commercial enterprises in Hanoi" as a doctoral thesis topic.

2. Literature review

The thesis studies the works related to the topic according to specific contents, including: (i). Works related to accounting for revenue, expenses and income based on the

perspective of financial accounting. (ii). Works related to accounting for revenue, expenses and income based on the perspective of management accounting. (iii). Works related to factors affecting the level of application of accounting for revenues, expenses and income. Thereby, finding out the research gap that the author must continue to study and complete.

3. The research objectives

- Systematize and clarify the theory of accounting for revenues, expenses and income in commercial enterprises.

- Analyzing and evaluating the status of accounting practices for revenues, expenses and income in commercial enterprises in Hanoi; studying the factors affecting the level of application of management accounting for revenues, expenses and income in commercial enterprises in Hanoi.

- Based on theoretical research and the status of accounting practices for revenues, costs and income in commercial enterprises in Hanoi, the author proposes solutions for the improvement.

4. The subjects and scope of the research

4.1. The subjects of the research

The thesis focuses on the study of accounting practices for revenues, expenses and income in commercial enterprises; and the practical survey on accounting for revenues, expenses and income in commercial enterprises in Hanoi based on the perspective of financial and management accounting.

4.2. The scope of the research

- The thesis studies about accounting for revenues, costs and income in domestic commercial enterprises in Hanoi; does not study in manufacturing enterprises or processing, export and import enterprises as well as foreign-invested enterprises.

- The thesis studies, surveys and collects data of accounting for revenues, expenses and income in commercial enterprises in Hanoi in three years 2017, 2018 and 2019.

5. The research questions

The thesis tries to answer the following questions:

1. What are the new points on the theory of accounting for revenues, expenses and income in commercial enterprises?

2. What are the contents of accounting for revenues, expenses and income based on the perspective of financial and management accounting in commercial enterprises?

3. What is the situation of accounting practices for revenues, expenses and income in commercial enterprises in Hanoi and what factors affecting the level of application of accounting for revenues, expenses and income in commercial enterprises in Hanoi?

4. What are the solutions for improving accounting practices for revenues, expenses and income in commercial enterprises in Hanoi in terms of financial and management

accounting?

6. The research methodology

- Methodology: The topic is studied and implemented based on dialectical materialism, historical materialism combined with thinking and logical science.

- Combining qualitative research methods and quantitative research methods;

- Technical method: The topic uses a combination of qualitative and quantitative research methods such as synthesis, analysis, comparison, statistics ... to handle data related to the situation of accounting practices for revenues, expenses and income in commercial enterprises in Hanoi.

- The actual survey method: collecting data from a sample of commercial enterprises in Hanoi using the research form or surveys sent to these enterprises, combined with interviewing some leaders and accounting staffs in the enterprises.

7. The new contributions of the thesis

- In term of theory, the thesis systematizes and clarifies the theory of revenue accounting, cost accounting and income estimate in commercial enterprises, setting the premise for researching and evaluating the situation of accounting practices for revenues, expenses and income in commercial enterprises in Hanoi.

- In term of practices, the author has presented and analyzed the situation of accounting practices for revenues, expenses and income in the research sample of commercial enterprises in Hanoi; providing accurate assessment of the results achieved, limitations and causes of limited accounting for revenues, expenses and income in commercial enterprises in Hanoi. The thesis specifies the factors affecting the level of application of management accounting for revenues, expenses and income in commercial enterprises in Hanoi. Additionally, proposing solutions for improving accounting practices for revenues, expenses and income in commercial enterprises in Hanoi and analyzing the conditions for implementing the proposed solutions.

8. The structure of the thesis

In addition to the introduction, conclusions, references and appendices, the thesis includes three chapters:

- Chapter 1: Theory of accounting for revenues, expenses and income in commercial enterprises.

- Chapter 2: The situation of accounting practices for revenues, expenses and income in commercial enterprises in Hanoi.

- Chapter 3: Improving accounting practices for revenues, expenses and income in commercial enterprises in Hanoi.

CHAPTER 1

THEORY OF ACCOUNTING FOR REVENUES, EXPENSES AND INCOME IN COMMERCIAL ENTERPRISES

1.1. Commercial business characteristics affecting accounting for revenues, expenses and income

The thesis analyzes the characteristics of commercial business that affect the accounting for revenues, expenses and income, including characteristics of business activities that strongly affected by the market mechanism, complex business objects, rapid capital cycle, large amount of debts that is difficult to recover, different and complex business items, and ect.

1.2. Overview of revenues, expenses and income

1.2.1. Revenues and revenue classification

1.2.1.1. Revenue Concept

The thesis presents and analyzes different perspectives on revenues in commercial enterprises, such as views on revenues of static accounting, dynamic accounting, accounting standards and Vietnam's corporate accounting regime. Then, it is agreed that: "*Revenue in commercial enterprises is the total value of the economic benefits that commercial enterprises have obtained or will gain during the period of sales and service provision, financial and other activities, while meeting the conditions of accounting standards in terms of revenue.*"

1.2.1.2. Revenue classification

- *Classification of revenue by nature*: Revenue of goods and services; financial revenue and other income.

- *Classification of revenue according to the relationship with the business organization system*: Internal sales revenue and external sales revenue.

- *Classification by method of sale*: Wholesale method, retail method

- *Classification of revenue by content*: Revenue of goods; revenue of services; investment real estate revenue and other income

1.2.2. Expenses and expense classification

1.2.2.1. Concept of expense

The thesis presents and analyzes different perspectives on the concept of expense, for example, the concept of expense based on the point of view of dynamic accounting, the American Council of Financial Accounting Standards (FAFB), the International Accounting Standards Council (IASB), or Vietnamese accounting standards (VAS). From the perspective of financial accounting, expenses are seen as costs incurred associated with the operation of enterprises to achieve certain business objectives. From the perspective of management accounting, expenses are not only perceived as the view of financial

accounting, but also perceived in the form of decision-making information. "Expenses may be actual costs associated with daily business activities when organizing, inspecting and making decisions; Expenses can also be estimated costs to implement projects and any lost when implementing the plan, ignoring business opportunities." From the analysis, the author believed that "Expenses are manifested by the money of the necessary cost of living labor, the cost of animalized labor and some pure income such as interest, insurance ... that business has spent during the business period to have profit."

1.2.2.2. Expense classification

- *Classification of expenses by business activities*: Expenses of ordinary business operations; financial and other expenses.

- *Classification of expenses according to the content and nature of expense*: Material expenses; labor expense; depreciation expense; expense of external purchase services; the expenses of warranty of goods; other cash expenses.

- *Classification of expense according to the economic use*: Includes material costs directly related to the business process; labor costs are directly related to the business process and general management costs.

- *Classification of expenses according to the relationship of expenses with items on the Balance sheet and Income statement*: costs of goods sold and period costs; corporate income tax expenses and other expenses.

1.2.3. Income and classification of income

1.2.3.1. Concept of income

The thesis presents and analyzes different perspectives on income of enterprise, such as the views of static accounting, of dynamic accounting and of accounting standards. Also, presenting the principle of determining income in business.

Income is the final result of the enterprises' operations in a given period, which is manifested in monetary terms of the difference between the total revenue and the total costs of the economic activities that have been carried out. If the revenue is greater than the costs, the business is profitable, whereas the revenue is smaller than the costs, the business loses.

1.2.3.2. Types of income

Income of the business includes: Income from selling goods and services; income from financial activities and other activities.

1.3. Accounting for revenues, expenses and income from the perspective of financial accounting

1.3.1. Revenue accounting

The thesis presents the basic contents related to revenue accounting in enterprises, including: Accounting for sales revenue of goods and services; Accounting for revenue of financial operations and accounting for income from other activities. The contents presented

include accounting principles, accounting practices, some related accounting professions.

1.3.2. Cost accounting

The thesis presents the contents of cost accounting in commercial enterprises, including: Accounting for the selling costs; Accounting for management expenses; Accounting for financial expenses; Accounting for other expenses; Accounting for corporate income tax expenses. In the contents of each of the above sections, the thesis presents the use of accounts and some basic transactions related to cost accounting.

1.3.3. Accounting for determining income

The thesis presents the basic contents related to accounting for determining income in commercial enterprises, including accounting accounts used, main economic activities related to accounting for determining income.

1.3.4. Presentation of revenues, expenses and income information on financial statements

Information of revenues, expenses and income is shown in the Income statement (Form B02-DN) and additional information for the items presented in the Income statement is presented in Financial footnote. These reports are made at the mid-year and the end of the year in two forms: the full form and the summary form to provide information about the revenues, expenses and income for the management of the business.

1.4. Accounting for revenues, expenses and income from the perspective of management accounting

1.4.1. Revenue identification and classification

Revenue from the perspective of management accounting is often compared, evaluated, analyzed in relation to other indicators. In order to manage revenue effectively, managers need in-depth and timely information about revenue such as:

- + Origin and revenue size of each product, each customer, each group of goods and each business location;

- + The revenue data describes how much revenue increases or decreases corresponding to the change of factors such as price and product characteristics.

- + The limited data will determine the boundaries and limits of the demand of the product when the needs of consumers have been fully met and when the trend changes or when the consumer's ability to consume is limited.

In addition, the thesis also presents the classification of revenue from the perspective of management accounting.

1.4.2. Expense identification and classification

From the perspective of management accounting, expenses are also perceived according to the method of identifying decision-making information. Thus, expenses are actual costs incurred in the operation and can also be estimated costs to do business

activities or any loss due to choice of option and sacrifice business opportunities.

Classifying expenses based on some indicators for business management, for example: classification of expenses according to the level of operation, expenses include variable costs, fixed costs and mixed costs. Classification of expenses according to decision-making authority, expenses include controllable costs and uncontrollable costs. Classification of expenses for selecting or making decisions, expenses include opportunity costs, differential costs and sunk costs.

1.4.3. Identification and classification of income

Income is identified and measured at different times will be different. In particular, there are types of income based on group of goods, business location; income are tied to costs such as profit on variable costs.

1.4.4. Estimated revenue, expenses and income

1.4.4.1. Sales revenue estimate

Firstly, the sales revenue estimate is the first estimate and the basis for formulating the remaining estimates in the overall estimate.

Secondly, sales estimates are based on information about the type, quantity of sales, selling price and structure of sales.

Thirdly, sales revenue estimate = Sales volume estimate x estimated unit selling price

Fourthly, sales revenue estimates also forecast both cash sales and credit sales, as well as other sales methods.

1.4.4.2. Expense estimate

Expense estimates include: Estimating the cost of goods sold, estimating selling costs, including fixed selling costs estimates, variable selling costs estimates; enterprise management expense estimates, including variable management costs estimates and fixed management costs estimates.

1.4.4.3. Estimated income

The business income estimate is based on the revenue estimates, cost of goods sold estimates, selling cost estimates and management expense estimates.

1.4.5. Receiving, processing, systematizing and providing management accounting information on revenue, expenses and income

The focus is:

- Identifying the recipients of information;
- Identifying the receivers of information;
- Identifying sources for receiving information;

The information collected includes current information and future information.

The process of receiving, processing and systematizing includes making and checking accounting documents, opening accounts, accounting books and reports for

management accounting.

1.4.6. Analysis of appropriate information for decision-making

Cost, quantity, and profit analysis is the analysis of the back-and-forth relationship between costs, the volume of goods consumed and the price of goods to help managers determine the impact of costs and consumption volume on profitability. Analysis the cases of making decision to change the plan such as changing the variable costs, fixed costs, changing the volume of sales and changing the structure of goods sold.

1.5. Factors affecting accounting for revenues, expenses and income.

1.5.1. Analysis of fundamental theories, including random theory, psychological theory and cost-profit relation theory

1.5.2. Experimental studies, including the views of domestic and foreign study authors;

1.6. Accounting of revenues, expenses and income in some countries and lessons learned for commercial enterprises in Hanoi.

1.6.1. Accounting for revenues, expenses and business results in some countries

The thesis presents and analyses accounting for revenues, expenses and income in some countries such as China, Japan; France and The United States of America.

1.6.2. Lessons learned for commercial enterprises in Hanoi

Through the study of experiences from some countries, the thesis finds out some experiences for Vietnamese enterprises in accounting for revenues, expenses and income, including: accounting models; the method of recording revenue and about the use of general and detailed accounting accounts for financial and management accounting.

Conclusion of Chapter 1

The main content of chapter 1 is the theoretical systematization of accounting for revenues, expenses and income in commercial enterprises from both the perspective of financial accounting and management accounting. The contents include the concept and classification of revenues, expenses and income; accounting transactions related to revenues, expenses and income. From the perspective of management accounting, the author presents the identification and classification of revenues and costs; estimating revenue, costs and income in commercial enterprises; information collection, processing and systematization; analyzing appropriately information for decision-making. At the same time, thesis presents and analyzes the factors affecting accounting for revenues, expenses and income; studies accounting for revenues, expenses and income in some countries and draws lessons learned for commercial enterprises in Hanoi.

CHAPTER 2: THE SITUATION OF ACCOUNTING PRACTICES FOR REVENUES, EXPENSES AND INCOME IN COMMERCIAL ENTERPRISES IN HANOI

2.1. Overview of commercial enterprises in Hanoi

2.1.1. Characteristics of commercial enterprises in Hanoi affecting revenue accounting, cost accounting and income estimate

First, the proportion of big size commercial enterprises is larger than in other localities. This characteristic facilitates these enterprises to have a team of managers and a team of accountants with high qualifications, competence and management experience and expertise; On the other hand, large-scale enterprises have high financial capacity, with conditions to invest in modern equipment, especially information technology for accounting.

Secondly, small and medium-sized commercial enterprises, even there are many micro-sized enterprises, are not financially capable and cannot have modern equipment and unable to invest in modern information technology infrastructure. There are few good managers and accountants, so it is also difficult for these enterprises in management and accounting.

Thirdly, many commercial centers and supermarkets sell too many items, so the business management as well as the management of revenue accounting, cost accounting and income estimate are very difficult.

2.1.2. Characteristics of accounting practices in commercial enterprises in Hanoi

2.1.2.1. The organization of the accounting apparatus

Depending on the specific characteristics, enterprises choose one of the three forms of accounting organization that are widely applied in our country today. These are the form of organizing concentrated accounting, the form of organizing distributed accounting and the form of organizing accounting that is both centralized and dispersed.

2.1.2.2. The applicable accounting regime

The results from surveys of a sample of commercial enterprises in Hanoi showed that 78 enterprises (63.93%) applied Circular 200/2014/TT-BTC. Among these enterprises, most of them are large-scale enterprises and some of them are small and medium scale enterprises, and 44/122 enterprises (36.07%) apply Circular 133/2016/TT-BTC, these enterprises' size are small and medium.

2.1.2.3. The form of applicable accounting books

In the sample of enterprises in the research, most of the enterprises apply the general journal forms (91/122 enterprises, accounting for 74.60%), 25/122 enterprises (accounting for 20.49%) applying bookkeeping forms and 6/122 enterprises account for 4.91% of the ledger form. Enterprises applying the ledger form are small-scale enterprises.

2.1.2.4. The model of financial accounting and management accounting

In the enterprises in the research sample, most of the enterprises are applying the combined model of financial and management accounting in the same accounting apparatus (109/122 enterprises with 89.36%), 9/122 enterprises (7.37%) are applying the separation model and 4/122 enterprises (3.27%) are applying the mixed model.

2.1.2.5. The application of accounting software

Survey results show that 46/122 enterprises (37.72%) apply MISA accounting software, 41/122 enterprises (33.60%) apply Fast Accounting software, 19/22 enterprises (15.57%) apply Effect 4.0 software and 16/122 (13.11%) apply other software.

2.2. The situation of accounting practices for revenues, expenses and income in commercial enterprises in Hanoi from the perspective of financial accounting

2.2.1. Revenue Accounting

2.2.1.1. Accounting for revenues of goods and services

The use of accounting vouchers: In the research sample, 78 out of 122 enterprises (accounting for 63.93%) use the list of accounting vouchers issued under Circular No. 200/2014/TT-BTC and 44 out of 122 enterprises (36.07%) use the list of accounting vouchers issued under Circular No. 133/2016/TT-BTC.

The revenue accounting: Accounting for detailed revenues is based on the following criteria:

Table 2.4: Detailed accounting criteria for sales revenue

Number	Criteria	Number of enterprises	%
1	Based on the method of sale	35	28,67
2	Based on business location	48	39,35
3	Based on commodity group/consignments	27	22,14
4	Based on the combination of product groups and business locations	12	9,84
	Total	122	100,00

The result from the above table shows that, in the sample of the study, the number of enterprises that apply detailed revenue accounting based on business location account for the highest proportion (48/122 enterprises with 39.35%). Applying detailed revenue accounting based on the sales method are 35/122 enterprises (28.67%). Applying detailed revenue accounting based on the group of goods/consignments are 12/122 enterprises, with 22.14%. Finally, there are 12/122 enterprises, accounting for 9.84% that apply detailed revenue accounting based on the combination of group goods and business locations.

2.2.1.2. Accounting for financial revenues

Economic transactions arising from financial activities are recorded on the basis of supporting vouchers related to financial revenues. Every day, when receiving vouchers proving financial revenues, accountants check and record in the account 515- Income from financial activities.

Detailed accounting of revenue from financial activities, according to the survey results in the sampled enterprises, all enterprises in the research sample 122/122 enterprises (74.59%) record in detail for each revenue (Appendix 13.2)

2.2.1.3. Accounting for other income

When the accountant receives vouchers proving other incomes, the accountant checks the legitimacy of the vouchers and records in Account 711- Other income. According to the survey results, the detailed accounting of other incomes in all enterprises in the research sample performed by each revenue is applied in 122/122 enterprises (100.00%). [Appendix 13.2]

2.2.2. The situation of cost accounting

2.2.2.1. Accounting for Cost of goods sold:

The survey results show that the majority of enterprises in the sample calculate the value of goods sold for sales by the weighted average method (80/122 enterprises, accounting for 65.58%). There are 28//22 enterprises (accounting for 22.95%) calculate by the specific identification method and 14/122 enterprises (accounting for 11, 47%) calculated by the first-in, first-out method. (Appendix)

Table 2.8: Method of calculating costs of goods sold

	Method	Number of enterprises	%
1	The First-in, first-out method	28	22,95
3	The weighted average method	80	65,58
4	the specific identification method	14	11,47
	Total	122	100,00

Source: From survey result

2.2.2.2. Accounting for selling expense

Selling expenses are classified as follows:

Table 2.10: Classification of selling expenses

Number	Criteria	Number of enterprises	%
1	Based on the use of costs (cost implication)	104	85,25
2	Based on the nature of costs	18	14,75
3	Based on other criteria	0	0,00
	Total	122	100,00

Source: From survey result

According to the survey, most of commercial enterprises in Hanoi classify selling

expenses based on cost implications, particularly: 104/122 enterprises classified selling expenses based on cost implication; 18/22 enterprise (14.75%) classify selling expenses based on the nature of the expenses.

Regarding the application of the accounting system, there are 78/122 enterprises (63.93%) applying Circular 200/TT-BTC, so these enterprises use account 641- Cost of sale. There are 44/122 enterprises (accounting for 36,07%) applying Circular 133/2016/TT-BTC, thus they use Account 6421- Selling expenses to daily record incurred selling expenses and transfer selling expenses to Account 911 at the end of the period to determine the business result. In enterprises that use the General journal of accounting form, vouchers related to selling expenses are checked and then will be entered on the computer to record in the General Journal and the ledger account of Account 641- Selling Expenses (for enterprises applying Circular 200/2014/TT-BTC) or Account 6421- Selling Expenses (for enterprises applying Circular 133/2016/TT-BTC).

2.2.2.3. Accounting for business administration expenses

According to the research survey of commercial enterprises in Hanoi, 98/122 enterprises (80.32%) classified business administration expenses based on the use of expenses and 24/122 enterprises classified business administration expenses based on the nature of the expenses.

Regarding the use of accounting accounts to record business administration expenses: 78/122 enterprises (63.93%) apply Circular 200/TT-BTC, so these enterprises use Account 642-Business Administration Expenses and 44/122 enterprises (accounting for 36.07%) are applying Circular 133/2016/TT-BTC, thus use Account 6422-Business Management Expenses to daily record arising business management expenses and transfer to Account 911 at the end of the period to calculate the income.

2.2.2.4. Financial cost accounting

Enterprises use Account 635-Financial Expenses to reflect the current number and fluctuations of financial expenses. When incurring financial expenses, accountants base on relevant documents such as interest calculation sheet, Debt Notice, loan contract, etc. to record as financial expenses. Detailed accounting for financial costs, according to the survey results in the sampled enterprises, is consistent with financial revenue accounting, that is, 122/122 enterprises (100.00%) perform detailed cost accounting for each expense.

2.2.2.5. Other expense accounting

When there are vouchers incurred related to other expenses, the accountants check and record into the Account 811 - Other Expenses. Accounting for other expenses, according to the survey results, 122 out of 122 enterprises (100.00%) perform detailed accounting according to each expense item. (Appendix 13.2).

2.2.2.6. Accounting for income tax expenses

According to the enterprises in the research sample, there are 122/122 enterprises

(100.00%) use the Account 821 – Income Tax Expenses. The account includes two types: Account 8211 – Current Income Tax Expenses and Account 8212 – Deferred Income Tax Expenses.

2.2.3. Situation of accounting for income

According to the survey, it shows that not all enterprises calculate monthly income but only 75/122 enterprise (61.47%) estimate income monthly. However, all enterprises calculate income quarterly and annually (122 enterprises, accounted for 100.00%). The d

2.3. The situation of accounting practices for revenues, expenses and income in commercial enterprises in Hanoi from the perspective of management accounting.

2.3.1. Classification of revenue for management accounting

Depending on the purpose, revenue management requirements, enterprises can classify revenue in different group. According to the survey of the research sample, the number of enterprises classifying revenue based on business location accounts for the highest proportion (48/122 enterprises, about 39.35%), the number of enterprises classifying revenue based on sales method are 35/122 enterprises (28.67%), the number of enterprises classifying revenue based on commodity group/consignments are 27/122 enterprises, accounting for 22.14%, finally the number of enterprises classifying revenue based on both commodity group and business location are 12/122 enterprises, accounting for 9.84%.

2.3.2. Classification of selling expenses and business administration expenses for management accounting

2.3.2.1. Classification of selling expenses

According to the survey in commercial enterprises in Hanoi, there are 15/122 enterprises (12.29%) classifying selling expenses into fixed expense and variable expenses, and 12/122 enterprises (9.83%) classifying selling expenses based on the level of cost control. These two criteria serve accountants to manage selling expenses. The rest of the enterprises with a large proportion of 95/122 enterprises (78.88%) classifying selling expenses based on other criteria.

2.3.2.2 Classification of business administration expenses

According to the survey results, 7/122 enterprises (5.74%) classify administration expenses based on the level of operation and 5/122 enterprises (4.09%) classify these expenses based on the level of cost control, the rest of the enterprises which account for a large proportion, classify these expenses based on other criteria.

Table 2.20: Classification administration expenses for management accounting

Criteria	Number of enterprises	%
Based on the level of cost control	5	4,09
Based on the level of operation	7	5,74
Based on other criteria	110	90,17
Total	122	100,00

2.3.3. Estimating revenues, expenses and income

Firstly, based on the actual information of the first three quarters of the year, the forecasted revenues, expenses and income are estimated

Secondly, the method used to estimate is the combination of different methods, such as incremental estimation methods, continuous estimation methods, methods based on operations.

2.3.3.1. Revenue estimates:

According to the survey, all businesses (122/122, accounting for 100%) only estimate revenues based on the quantity of goods sold and the unit price of goods sold. Also, only 33 out of 122 enterprises (27.04%) estimate revenues based on all three indicators including quantity, unit price and structure of goods sold.

2.3.3.2. Expense estimates

The estimation of the cost of goods sold: According to the survey results, all enterprises (122/122 enterprises, accounting for 100%) estimate the quantity and unit price targets and 33/122 enterprises (27.04%) did not set targets for the structure of goods sold based on cost of goods sold. Similarly, the estimates of the cost of goods based on sales method, have made by 22/122 enterprises (18.04%). Estimating the cost of goods sold based on the group of goods/shipments has been done by 19/22 enterprises (15.57%) and, estimating the cost of goods sold based on selling places has been done by 68/122DN (77.73%). The estimations of cost of goods sold based on the combination of the group of goods and business location has been done by 13/122 enterprises (10.66%). (Appendix).

The estimation of selling expenses: According to the survey results in a sample of commercial enterprises in Hanoi, the information about the selling expense estimate is in the following table:

Table 2.22: The situation of selling expense estimate

Criteria	Number of enterprises	%
- Based on types of expenses	41	33,60
- Based on group of goods/shipments sold	27	22,15
- Based on business location	39	31,96
- Based on the level of operation	15	12,29
Total	122	100,00

Source: Compiled from the survey results

The results on the table showed that 41/122 enterprises (33.60%) estimate selling expenses based on the types of expenses; 27/122 enterprises (22.15%) estimate selling expenses based on group of goods/shipments sold; and 39/122 enterprises (31.96%) estimate selling expenses based on business location and 15/122 enterprises (12.29%) estimate selling expenses based on the level of operation (fixed costs, variable costs).

The estimation of administration expenses: 88 out of 122 enterprises (72.13%) estimate administration expenses based on the types of expenses. There are 7 enterprises (5.74%) estimating the expenses based on the group of goods/shipments sold, 20/122 enterprises (16.40%) estimating based on business location and 7/122 enterprises estimating based on the level of operation. (Appendix 3)

2.3.3.3. Income estimate:

There are 22/122 enterprises (18.04%) estimate income based on the selling methods; 19 enterprises (15.57%) estimate income based on the group of goods/shipments sold; 68/122 enterprises (55.73%) estimate income by business location and 13/122 enterprises (10.66%) estimate based on the combination of the goods groups and business locations. (Appendix 13.2)

2.3.4. The situation of receiving, processing and systematizing management accounting information

2.3.4.1. Accounting vouchers: Enterprises are fully applied in accordance with the State's regulations and have added some samples and some indicators in accordance with the information needs of corporate managers.

2.3.4.2. Accounts used for management accounting: The commercial enterprises in Hanoi perform financial accounting and management accounting on the same account system that are based on the state-issued account system, and the enterprises build detailed accounts to reflect accounting subjects for management requirements of the business.

2.3.4.3. Accounting books used for management accounting: In addition to the book forms prescribed by the State, some commercial enterprises have used a number of

independent detailed book forms to track in detail for specific targets to systematize information for the management.

2.3.4.4. Constructing reports and analyzing accounting information for revenues, expenses and income: The work of constructing management accounting reports for revenues, expenses and income has not been paid much attention. Particularly: in the research sample, only 27 enterprises (22.13%) that construct all three types of reports, are large-scale enterprises; 54/122 enterprises (36.88%) only construct revenue reports, 35/122 (28.68%) only make cost management reports.

Frequency of constructing revenue reports: There are 54/122DN (44.26%) constructing revenue reports weekly, monthly, quarterly and annually. There are 26/122 enterprises (21.33%) constructing the reports monthly, quarterly and annually. These enterprises doing so are mainly large-scale enterprises. There are 37/122 (30.32%) constructing the reports quarterly and annually and only 5/122 enterprises construct the reports at the end of years. (4.09%). These are small and medium-sized enterprises. Thus, 68 out of 122 enterprises (55.74%) have not paid attention to make weekly reports, so there will also be certain limitations in the management of the enterprises.

The analysis of reports: The survey results show that only 62 out of 122 enterprises (50.81%) performed analysis of the management accounting report for revenues, expenses and income and analyzing at the end of the months, quarters and years. These are large-scale enterprises, with highly qualified accounting staff such as Hanoi Commercial Corporation, Northern Electricity Corporation, Vietnam Aviation Petroleum Company, Vietnam Steel Corporation. Moreover, 38 out of 62 enterprises (61.29%) usually analyze the reports every month.

2.3.4.5. The provision of revenues, expenses and income information for the function of checking and evaluating the estimation: Due to the number of reports are large, 70%-80% of large-scale enterprises often perform on Microsoft Office software to synthesize and prepare reports; Smaller businesses usually use pre-designed reports on accounting software.

2.3.4.6. The provision of information for the decision-making of managers: The survey results also showed that in the study sample, there are still 33/85 (the opinion of the managers (38.82%)) was not satisfied with the information provided by the management accounting.

2.3.4.7. The control of the management accounting for revenues, expenses and income: The division of responsibilities in the management of information about management accounting for revenues, expenses and income is clearly regulated by enterprises. The director and chief accountant have the right to use the "decentralization and accounting management" feature in the accounting software system to set up, add, delete or

edit accounting software; accountants are allowed to enter and edit accounting data related to the accounting work that they undertake. Accounting data is entered into the software by each subsystem; and the systems are connected to each other over the Internet.

2.3.4.8. The information security regime: In all enterprises in the survey, it is reported that the data security of revenue accounting, cost accounting and income estimates is based on the management of the system using usernames and passwords. The survey results showed that 93 out of 122 enterprises (76.22%) decentralize based on the level of information use and 78 enterprises (63.93%) locked data after entering for a period of about 3-5 days.

2.4. Assessment of the accounting practices for revenues, expenses and income in commercial enterprises in Hanoi

2.4.1. Results achieved

2.4.1.1. From financial accounting perspective

* *In terms of revenue accounting:* Generally, enterprises comply with the provisions of the Accounting Regime and accounting standards with the time of recording and conditions for recording revenues. The majority of enterprises are organized reasonably, in accordance with the current management. Although many economic transactions arise, enterprises ensure to record fully, timely and accurately into documents and accounting books based on accounting principles. The recognition of revenues of enterprises applies in accordance with the "Principle of revenue recognition" and is systematically monitored.

* *In terms of cost accounting:* All enterprises record information about costs to ensure compliance with accounting standards and accounting regimes; the use of accounts and accounting books to receive, process and systematize expenses for making reports of income; classify costs in accordance with the cost management requirements of enterprises.

* *In term of accounting for income estimate:* Accounting for income in enterprises is basically calculated in accordance with the reporting period (month, quarter, year) for the preparation of the income statement. In addition to the construction of income statement, the information about income is also explained on the financial footnote in accordance with regulations.

2.4.1.2. From management accounting perspective

* *In term of revenue accounting:* The construction of revenue estimation target system in most enterprises is appropriate and scientific, with the correct process and order of estimation. Many businesses have been interested in recording, processing, analyzing and providing information about revenues for decision-making purposes.

* *In term of cost accounting:* The classification of costs and cost estimates for management accounting in many enterprises have ensured to match the characteristics of enterprises. The recognition, processing, systematization and provision of cost accounting information is carried out through vouchers, accounts and accounting books that used for

cost accounting. These are generally suitable for each enterprise.

2.4.2. Limitation

2.4.2.1. From financial accounting perspective

* *In term of revenue accounting:* The use of accounting vouchers to reflect revenues in some enterprises still have inadequacies. The process of checking vouchers related to revenue has not been clearly regulated in departments of many enterprises, so it affects the accuracy of the record in the accounting books.

- The recognition of revenues in some enterprises which have wholesale activities, has not complied with the regulations about the time of record revenues. Many small and medium enterprises record revenue when the goods have not yet transferred ownership, are still in the state of being sent for sale, or without the consent of the buyers.

- The use of financial accounting accounts to record revenues in many enterprises relating to wholesale activities is inadequate, and they are not using some accounts that the accounting regime has stipulated such as Account 157 - Goods sent for sale.

* *In term of cost accounting:* The use of account used for financial accounting to reflect costs in some enterprises is not suitable and the record of a number of accounting expenses is still confused. Many enterprises have not made provisions for inventory discounts, provisions for difficulty in collecting and provisioning for loans and advances. Many enterprises have investment and trading activities in securities but have not made any provisions to calculate costs.

* *In term of accounting for income estimate:* The time of calculating income of some enterprises has not been implemented in each month but only at the end of the quarter and the end of the year.

2.4.2.2. From management accounting perspective

* *In terms of revenue accounting:* The classification of revenue, making revenue estimates in some enterprises are still inadequate, do not pay attention to the structure of sales, so it is difficult to assess the implementation of the estimates based on the group of goods

* *In term of cost accounting:* Many enterprises have not yet implemented the classification of costs according to the level of operation (classifying costs into fixed costs and variable costs) for the business decision-making process.

- Receiving, processing, systematizing, analyzing and providing information for cost management through vouchers, accounts, accounting books and management accounting reports are still containing certain limitations.

- Regarding to the standard of allocation of general costs for the group of goods or business locations, enterprises usually choose the standard of distribution based on revenue, so the accuracy is not high.

- About the cost estimates: Many enterprises have not estimate costs based on the level of operation. Therefore, it is difficult to assess the implementation of cost estimates to have a suitable business plan and decide the business plan to bring higher efficiency.

- The analysis of appropriate information for decision-making: Many enterprises have not analyzed in detail to provide management accounting information for short-term decision making. Also, it is not clear about what factors affect and how they affect the detailed criteria.

- About the management accounting reports: The majority of enterprises have not yet made management accounting reports for different requirements and administrative purposes; with detailed indicators based on the level of operation of the costs

* *In term of management accounting for income estimate*: The income estimates and analysis of the implementation of income estimates are limited, many enterprises have not done regularly in short period (by week for example), thus it is limited for the renewal of business plans.

- The preparation of reports: the time of preparing management accounting reports for revenues, expenses and income and the analysis of these reports for different purposes of managers are limited, only less than 50% of enterprises have made all 3 reports and the number of enterprises performing monthly report analysis is also small.

2.4.3. Causes of the limitation

2.4.3.1. Objective Causes

Firstly, the macroeconomic policies are not stable, including the legal framework on accounting, the accounting standard system and incomplete accounting regime, thus the application in enterprises in general and in commercial enterprises in Hanoi in particular is still difficult.

Secondly, the characteristics of the operation of commercial enterprises in Hanoi are complex, and there are many different types of commercial business. Also, business activities are influenced by many different factors such as the consumption habits of the population, and the purchasing power of urban residents.

Thirdly, the guidance, inspection and control of professional expertise of the relevant agencies is also not frequent and specific.

2.4.3.2. Subjective Causes

Firstly, the awareness of many enterprises about accounting, especially the management accounting to process and provide economic and financial information for the management of business activities of enterprises.

Secondly, the level of economic management of managers and accounting staffs in commercial enterprises in Hanoi, especially in the small and medium size enterprises, is limited. Many managers and staffs have low education level and do not regularly improve.

2.5. The situation of factors affecting the level of application of management accounting for revenues, expenses and income in commercial enterprises in Hanoi

2.5.1. Model selection: Studies by Hair et al. (1998), Tabachnik and Fidell (1996) and other domestic and foreign authors; Minimum sample size should be achieved for regression analysis determined by formula: $n = 50 + (8 \times m)$. There are five research theories.

2.5.2. Scale inspection: Use survey data to test the scale of influencing factors.

2.5.3. Discovery Factor Analysis: KMO and Bartlett's 1 and 2nd Tests; and results of

regression analysis.

2.5.4. Testing the conformity of the model: Analysis of ANOVA and regression coefficient.

Conclusion of Chapter 2

The content of chapter 2 has presented and analyzed the characteristics of commercial enterprises in Hanoi that affecting the accounting for revenues, expenses and income; characteristics of accounting for revenue, expenses and income in commercial enterprises in Hanoi; analyzed the situation of accounting practices for revenues, expenses and income in these businesses from both financial accounting and management accounting perspectives. Using survey data and economic model to verify the factors affecting the level of application of management accounting for revenues and expenses in commercial enterprises in Hanoi. From there, drawing points, limitation and pointing out the subjective causes and objective causes of the limitations in accounting practices for revenues, expenses and income of commercial enterprises in Hanoi.

CHAPTER 3: ORIENTATION FOR THE DEVELOPMENT OF THE COMMERCIAL SECTOR AND SOLUTIONS FOR IMPROVING ACCOUNTING PRACTICES OF REVENUES, EXPENSES AND INCOME IN COMMERCIAL ENTERPRISES IN HANOI

3.1. Orientation for the development of commercial business in Hanoi

- Orientation of the distribution of commercial infrastructure:

+ Urban area: The priority is to develop the commercial types such as small and medium-sized shopping malls, shopping malls, supermarkets, convenience store chains, specialized stores and general stores. Focusing on developing various types of services and building a number of streets specializing in business and introducing local products and craft village products in the main centers of Hanoi, associating with tourism development. Continuing to renovate commercial streets to become nuclear in central business districts, ensuring modern requirements and carrying traditional business culture identity. At the same time, it is necessary to limit the construction of new markets and gradually renovate traditional markets into multipurpose places.

+ Rural areas: Developing large-scale types of trade; establishing, upgrading and expanding the network of traditional markets in suburban communes and districts; developing the commercial and service zones associating with tourism and entertainment activities.

- Orientation on types of commercial enterprises: Developing large-scale commercial enterprises; developing wholesales and retail commercial enterprises; developing authorized agents; developing franchise business enterprises.

- Orientation on ancillary services: Developing exhibitions; develop commercial

advertising; developing the trade representative centers and trade promotion centers; transaction center; and developing logistics service.

3.2. Requirements for improving accounting practices for revenues, expenses and income in commercial enterprises in Hanoi

3.2.1. Ensuring the compliance with the Accounting Law, Accounting Standards and The Accounting Regime of Vietnam.

3.2.2. Ensuring the compliance with the specific characteristics of the enterprises.

3.2.3. Ensuring the complete, timely, accurate and comprehensive provision of financial and economic information for economic management both at the macro and micro levels.

3.2.4. Ensuring savings, efficiency and feasibility.

3.2.5. Ensuring compliance with the orientation of innovation and development of The Vietnamese enterprise system in general and enterprises in Hanoi in particular.

3.3. Improving accounting practices for revenue, expenses and income in commercial enterprises in Hanoi

3.3.1. Improveing accounting practices for revenue, expenses and income from the perspective of financial accounting

Revenue accounting: Completing the following contents: The time of recording revenue; processing, inspecting and systematizing initial information of revenue accounting; completing regulations associated with forming accounting vouchers; the process of checking and rotating accounting vouchers; completing accounts, accounting books and methods of accounting for a number of transactions relating to revenue;

Cost accounting: Completing vouchers associated with costs; the process of checking vouchers associated with costs; completing the method of calculating warehouse prices; completing provision for inventory price reduction and provision of financial expenses.

Accounting for income estimate: Enterprises need to calculate income at the end of the month, end of quarter and end of year to ensure the compliance with the general accounting period as prescribed to have information for the establishment of financial statements.

The presentation of revenues, expenses and income information on financial statements: In order to effectively implement the provision of economic and financial information for those who use information of enterprises for different purposes, accountants of commercial enterprises in Hanoi need to make mid-year financial statements and fully reflect the prescribed targets in these reports. For enterprises that compile reports of dependent accounting units, it is necessary to exclude economic activities arising internally to ensure the avoidance of duplication.

3.3.2. Improving accounting practices for revenues and expenses and income in commercial enterprises in Hanoi from the perspective of management accounting

3.3.2.1. Combining financial accounting and management accounting in the accounting apparatus

The accounting apparatus should be organized based on the combination of financial accounting and management accounting to create favorable conditions for the information and inspection functions of accounting to be more comprehensive, diversified and efficient, while saving accounting costs.

3.3.2.2. Completing the classification of expenses for management accounting

In order to perform well, it is necessary to classify management accounting based on appropriate classification criteria. According to the author, large-sized commercial enterprises in Hanoi should classify selling expenses and administration expenses based on the level of operation which is also known as the behavior of the expenses. For small and medium-sized commercial enterprises, it is possible to classify expenses based on business location and group of goods. When conditions are available, the classification of expenses is based on the level of operation

3.3.2.3. Completing accounts used for management accounting

It is necessary to organize the application of accounts in relevance with the specific business conditions of each enterprise. To do this, enterprises must build a detailed list of accounts for the acquisition, processing, analysis and provision of responsive information for management accounting and apply encryption for accounts.

1.3.2.4. Completing the establishment of reports and analysis of management accounting information for revenue, expenses and income

The establishment of reports

Firstly, the management accounting reports for revenues, expenses and income is established based on the information of the accounting management for revenues, expenses and income and are made for the request of the management in commercial enterprises to make appropriate economic decisions.

Secondly, management accounting reports are designed, established and presented flexibly, however, it is inconsistent and compliant compared to financial statements.

Thirdly, regarding the time of establishing management accounting reports, enterprises should make the reports weekly, monthly, quarterly and annually to ensure the provision of timely information about revenues, expenses and income for corporate governance.

Information analysis: Through analysing information of revenues, expenses and income weekly, monthly, quarterly and annually, for each business location or for group of goods, the firm managers and market development departments can clearly see the implementation of plans/estimates of revenues, exepenses and income based on each business location or group of goods. Thus, it is clear tp see the causes of increasing and

reducing revenues, expense and profits and can take timely adjustment or solutions to increase revenues, reduce costs and increase profits.

The analysis method is to compare reality with estimates of revenues, costs, and income to identify differences and find the cause of the differences to find out the solutions to increase revenues, reduce costs, and increase profits.

Indicators: Enterprises need to focus on further analysis for some of the indicators below:

	Indicators	Meaning
1	Revenues/Average Total Assets	Help managers an idea as to how efficient a company's management is at using its assets to generate revenue: to have VND1 of revenue, how much money should be invested in assets?
2	Expenses/Revenues	Help managers to know the value of its expenses relative to its revenues, particularly, to have VND1 of revenue, how much of money relating to expense incurred?
3	Profit/Revenues	Help managers an idea as to how efficient a company is by comparing the profit and the revenue. Particularly, with VND1 of revenues, how much profit the firm will have?
4	Profit/Average Total Assets	Help managers an idea as to how efficient a company's management is at using its assets to generate earning: How much of profit can be generated from VND1 of assets?

Information analysis for making short-term decision: Enterprises need to analyze the Cost-Volume-Profit relationship. It is possible to analyze decisions to change specific cases, such as: Change the variable costs and the quantity of products; change selling price and quantity of goods sold; change the structure of goods sold; change fixed costs, selling price and quantity of goods sold; change fixed costs and revenues; change selling price, and ect. To do this, it is necessary to classify costs based on the level of operation. In addition, it is necessary to analyze specific situations in the business such as the acceptance or rejection of a customer's order, profit analysis brought by customer groups.

3.4. Conditions for implementation of solutions

3.4.1 For the state and the authorities

- In term of management: Creating a transparent business environment, good competition, stabilizing macroeconomic policies such as fiscal, tax, credit policies... The State needs to complete the financial mechanism in a synchronous way, create an open legal corridor for businesses to operate and improve competitiveness in the process of international economic integration.

- In terms of accounting: The State continues to build and complete the legal environment of synchronous and unified accounting. Strengthening the training of accounting professionals with professional qualifications and professional ethics, meeting all management needs in the field of accounting.

3.4.2. For professional associations

Improving the role of professional associations, especially the Vietnam Association

of Accountants in professional guidance for accounting of enterprises in general and commercial enterprises in Hanoi in particular.

3.4.3. For commercial enterprises in Hanoi

Firstly, researching, developing and completing the policies, mechanisms of salary and bonuses of enterprises, creating conditions and a good working environment to encourage employees to work more effectively.

Secondly, completing the management apparatus in general and the accounting apparatus in particular, in accordance with the characteristics of the enterprise and have higher specialization.

Third, focus on the training of human resources, selection and training of managers and sales staff, qualified accountants who capable of handling work quickly and effectively. Have the right policies to attract and retain talented people.

Conclusion of Chapter 3

The main content in this chapter is the study of the development orientation of the commercial sector in Hanoi and the basic requirements of completing the accounting for revenues, expenses and income. Based on the theory of revenue accounting, cost accounting and income estimate studied in Chapter 1 and the situation analyzed and evaluated in Chapter 2, the author proposes a number of solutions to improve the accounting for revenues, expenses and income from both the perspective of financial accounting and management accounting. In order for the proposed solutions to be applied in practice to commercial enterprises in Hanoi, the author analyzed the conditions belonging to the state and the enterprises.

CONCLUSION

The thesis "Improving accounting practices for revenues, expenses and income in enterprises in Hanoi" has achieved the following results:

Firstly, the thesis systematizes and clarifies the theory of accounting for revenues, expenses and income in commercial enterprises. The thesis presents and analyzes different perspectives on the concept of accounting for revenues, expenses and income and gives the author's own concept. Also, the thesis presents and analyzes management accounting for providing management information, helping managers in commercial enterprises to be more aware of the importance of accounting to corporate governance.

Secondly, through the survey of accounting for revenues, expenses and income in a sample of commercial enterprises in Hanoi, the thesis uses the econometric model to verify the factors affecting the level of application of management accounting for revenues, expenses and income in commercial enterprises in Hanoi. Then, the thesis analyzes the results achieved, the limitations and the main causes of the limitations on accounting for revenues, expenses and income in these enterprises. The comments and assessments are objective, helping the commercial enterprises in Hanoi clearly see the essence of corporate governance through accounting tools, thereby finding solutions to actively innovate in accounting and corporate governance.

Thirdly, the thesis presents and analyzes the accounting for revenues, expenses and income of some countries in the world and draws lessons learned for commercial enterprises in Hanoi.

Fourthly, based on the research of the development orientation of the commercial sector in Hanoi, the theory and practices of accounting for revenues, expenses and income in commercial enterprises in Hanoi, the thesis studies the requirements for improving and

proposing the contents of improving accounting practices for revenues, expenses and income in commercial enterprises in Hanoi both in terms of financial accounting and management accounting in order to provide timely, complete and truthful information to information users and business managers for making optimal business decisions.

Finally, the thesis proposes the basic conditions for the State, professional associations and commercial enterprises in Hanoi. These are also recommendations for implementing proposed solutions.

LIST OF PUBLISHED ARTICLES

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5. Nguyen Thi Huong, 2021, *"Factors affecting the application of management accounting for revenues, expenses and income in commercial enterprises in Hanoi"*, Journal of Financial and Accounting Research February 2021.