

## AUDIT NEWSLETTER - 1st EDITION

(1) Road map to IFRSs adoption in Vietnam; (2) Recording shipping expenses of Merchandise from supplier to customer



# ROAD MAP TO IFRSs ADOPTION IN VIETNAM

## What is IFRS?

“The International Financial Reporting Standards (IFRS) are accounting standards that are issued by the International Accounting Standards Board (IASB) with the objective of providing a common accounting language to increase transparency in the presentation of financial information”

**IFRS** = International Financial Reporting Standards

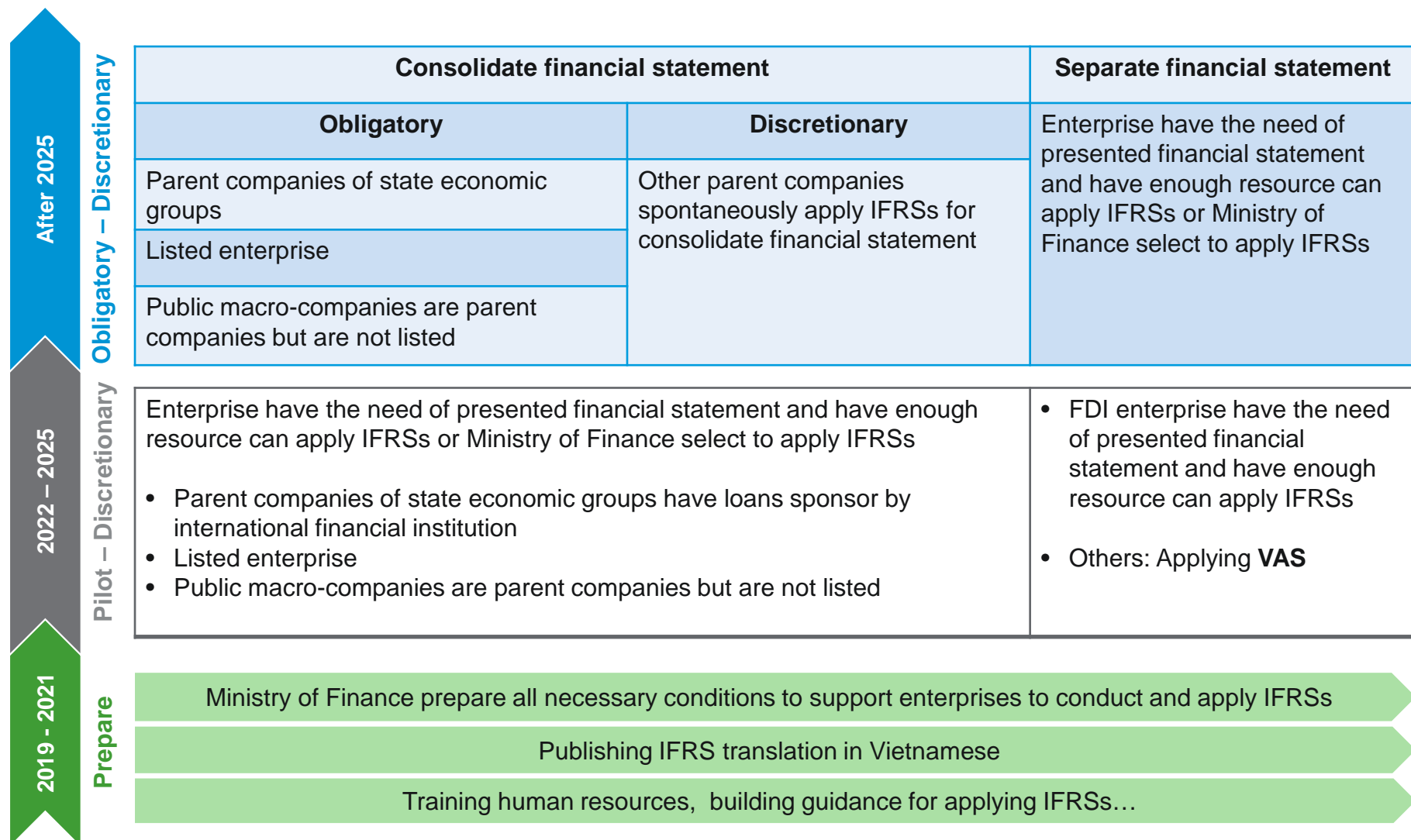
**IASB**: International Accounting Standard Board

- IAS: In 1973 and 2000, IASC issued International Standards (IAS, SIC)
- IFRS: From 2001, the International Accounting Standards Board (IASB) issued concepts of accounting called the International Financial Reporting Standards (IFRS & IFRIC)

**Until now, IASB issued 16 IFRS and 41 IAS**

According to survey of the IFRS Foundation, conducted with 166 countries, until September 2018, there are 144 countries required to apply IFRSs for public interest entities and financial entities, there are 22 countries did not apply IFRSs including Vietnam

# ROAD MAP TO IFRSs ADOPTION IN VIETNAM



# SHIPPING EXPENSES FROM SUPPLIER TO CUSTOMER

Recording shipping expenses when transferring merchandise from supplier to customer

## Matching Principle

The recognition of revenues and that of costs must match. When a revenue is recognized, a corresponding cost related to the creation of such revenue must be recognized. Costs corresponding to revenues include costs of the period in which revenues are created and costs of the previous periods or payable costs related to the revenues of such period

## RSM viewpoint

Shipping expenses allocated to Cost of goods sold

If terms of contract present that goods were transferred from warehouse of supplier to customer and seller must pay shipping fees

**Cost of sale = Cost of goods sold + shipping fees + % Margin profit**

## Practice

### 1. Recorded into COGS

Recording to COGS if term of contract **present Selling price of merchandise and shipping fees separately**

=> Matching principle

### 2. Recorded into selling expense

Did not record to COGS if term of contract **don't present Selling price of merchandise and shipping fees separately**

=> Shipping fees recorded as expense incurred during the process of selling products

Classify shipping fees as 02 cases above lead to some conflicts as details:

	Case 1	Case 2
Revenue	Including sale of merchandise + shipping fees	Including sale of merchandise + shipping fees
COGS	Cost of goods sold + shipping fees	Cost of goods sold
Profit	Reflecting appropriately	Reflecting higher (Because COGS did not include shipping fees)

Company considers recording shipping fees to present financial statement appropriately

# CONTACT US

## Ho Chi Minh City

### **Dang Xuan Canh** **Managing Partner**

Audit and Assurance Services

**T:** +84 28 3827 5026

**E:** canh.dang@rsm.com.vn

5th Floor, Sai Gon 3 Building  
140 Nguyen Van Thu Street  
Da Kao Ward, District 1  
Ho Chi Minh City, Vietnam  
**T:** +84 28 3827 5026  
**F:** +84 28 3827 5027

## Hanoi

### **Nguyen Thanh Lam** **Partner**

Head of Hanoi Office

**T:** +84 24 3795 5353

**E:** lam.nguyen@rsm.com.vn

7th Floor, Lotus Building  
2 Duy Tan Street  
Cau Giay District  
Hanoi, Vietnam  
**T:** +84 24 3795 5353  
**F:** +84 24 3795 5252

## Da Nang

### **Tran Duong Nghia** **Partner**

Head of Da Nang Office

**T:** +84 23 6363 3334

**E:** nghia.tran@rsm.com.vn

3th Floor  
142 Xo Viet Nghe Tinh Street  
Hoa Cuong Nam Ward, Hai Chau District  
Da Nang, Vietnam  
**T:** +84 23 6363 3334  
**F:** +84 23 6363 3335



facebook.com/RSMVietnam



linkedin.com/company/rsm-vietnam

[www.rsm.global/vietnam](http://www.rsm.global/vietnam)

This newsletter is only intended for information about the new laws enacted, not for advice or applying to specific cases. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. RSM Vietnam as well as members in RSM network shall not be responsible for any loss whatsoever sustained by any person who relies on this communication. Please refer to your advisors for specific advice.

RSM Vietnam is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

© RSM International Association, 2019. All rights reserved.

