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### Accounting Reports and Accounting Inspections, Experimental Assessments at Commercial Enterprises

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#### Abstract

The article has systematized and clarified the theoretical basis of accounting work, accounting reports and accounting inspection in commercial enterprises through the document research method. From the results of the survey and actual analysis, the research team evaluated the current state of accounting work organization in small and medium-sized commercial enterprises with two contents: accounting reporting system and accounting inspection calculate and point out the results achieved, limitations, and causes of limitations. Accordingly, accounting reporting and inspection activities still have some limitations: Some commercial enterprises prepare mandatory financial reports according to the provisions of the accounting regime, but the recorded targets are not complete and clear. The content of accounting inspection of commercial enterprises only

focuses on checking the truth and legality of economic and financial content on documents and accounting books. All surveyed businesses focused on checking after recording arising economic and financial transactions. No business performs accounting checks during the time financial transactions arise. From these shortcomings, we have proposed a number of solutions to improve the accounting reporting and inspection system such as: Businesses need to prepare additional cash flow reports and improve the quality of information above. Notes to the financial statements; Strengthen the content of accounting inspection at commercial enterprises; Inspection work needs to be performed before and during the accounting recording process to promptly prevent and prevent errors.

**Keywords:** Accounting Reports, Accounting Inspection, Commercial Businesses

#### 1. Introduction

An enterprise's accounting reporting system has great significance for agencies, units, and individuals outside the enterprise and is also significant in directing and managing the enterprise's production and business activities. Karma. Its meaning is expressed through the following basic points: Providing "important information necessary for comprehensive and systematic inspection and evaluation of the production, business, and economic situation" implementation of economic-financial targets of the enterprise, compliance with economic-financial regimes of the enterprise; Provide information to business administrators about the business's potential, debt situation, financial income and expenditure situation, financial capacity, solvency, and capital needs of the business to make decisions appropriate determination in the production and business activities of the enterprise itself; Providing information to "investors, creditors, banks and business partners" about their financial status, production and business results, income prospects, solvency, and demand for capital to decide investment direction, investment scale, and other important decisions; Provide information to functional agencies and state management agencies to control the business situation of the enterprise in accordance with policies and regulations, in accordance with the law to collect taxes and make decisions on business issues socio-economic. Accounting inspection aims to ensure the correct implementation of accounting methods, accounting regimes, and regulations and to organize and direct accounting work in the unit, ensuring the implementation of the role of accountants in Economic and financial management and accounting inspection enhances the correctness, rationality, honesty and objectivity of the accounting process at the unit, and at the same time check and supervise the implementation of policies and regulations. State level of accounting and finance in enterprises. Our goal is to evaluate the current status of accounting reports and accounting inspections at small and medium-sized commercial enterprises. What

limitations exist in these two activities? What is the solution to overcome these limitations to make accounting reporting and auditing at commercial enterprises more complete?

## 2. Theoretical Basis

### 2.1 Accounting

Accounting is an important tool in the operations of an organization, a business or any form of business. According to Needles & Powers (2013) <sup>[1]</sup>, "Accounting, also known as accounting, is the processing of information about economic entities, such as businesses and corporations". According to Vietnam's Accounting Law (2015) <sup>[4]</sup>, "Accounting is the collection, processing, checking, analyzing and providing economic and financial information in the form of value, artifacts and labor time". Author Loi (2018) <sup>[2]</sup> defined "Accounting is the activity of measuring, collecting, processing and providing information about the economic and financial situation of a unit". Although there are many concepts about accounting in different scopes and angles. But basically accounting is considered an important tool in the operations of a company, a business or any form of business.

### 2.2 Accounting Reports at Commercial Enterprises

The Accounting Law (2015) <sup>[4]</sup> defines "Financial reporting as the economic and financial information system of an accounting unit presented according to the form prescribed in accounting standards and accounting regime" (Law No.: 88/2015/QH13). Katherine (2005) <sup>[3]</sup> commented, "The terms "accounting" and "financial reporting" are often used as synonyms" (pp.101-126). Accounting reports are a means to "transmit and provide accounting information to information users. Accounting reports are prepared on the basis of synthesizing data and information from accountants. The organization of the accounting reporting system is carried out in four contents.

Select type and quantity of reports. The annual financial reporting system applied to commercial enterprises includes mandatory reporting (Financial status report, Business performance report, financial statement notes). Financial reports sent to tax authorities must prepare and send a balance sheet. The optional report is the Cash Flow Statement. In addition, businesses can prepare additional reports according to their business management requirements. Each type of business report needs to be organized to fully identify the content that needs to be prepared, to eliminate unnecessary content and omit content necessary for users.

Organize the presentation of information in reports and prepare reports. It is necessary to select and apply accounting policies under the provisions of each accounting standard, accounting regime and current regulations. Present information including accounting policies to provide relevant information that is reliable, comparable and easy to understand. Correctly reflects the economic nature of transactions.

Organize use, preserve and archive reports. The report, after being prepared according to the prescribed form, fully reflecting the prescribed criteria for each type of report, will be checked, and at the same time, the report will also be used by managers for Internal management within the unit. After submitting and using, the report will be archived. Storage requirements must be complete, systematic, classified and arranged into each set of records (accounting

documents, accounting books, financial reports). In each set of records, accounting documents must be arranged in chronological order of occurrence; According to each accounting year, ensure reasonable, easy to look up and use when necessary.

Organize public disclosure of financial reporting information. Financial statements are an important way to convey business accounting information to users for decision-making. That is public information about the assets and business results of the enterprise for audiences inside and outside the enterprise. Therefore, after being prepared, financial reports must make the reporting information publicly available to users inside and outside the enterprise in appropriate forms. Disclosure of financial reports is a mandatory requirement by law. Most countries in the world have mandatory regulations on disclosure, which can be regulated by law or the State Securities Commission. In Vietnam, the 2015 Accounting Law stipulates, "Accounting units engaged in business activities must publicly disclose their annual financial statements within 120 days from the end of the annual accounting period. The disclosure of financial reports is carried out in one or several forms such as: Publishing publications; Announce by document; Listing; Posted on the website; Other forms as prescribed by law" (Law No. 88/2015/QH13). For commercial enterprises, the agencies required to submit annual reports are: the directly managing Tax agency, the Statistics agency and the business registration agency.

### 2.3 Check Accounting at Commercial Enterprises

In commercial enterprises, organizing accounting inspection is one of the basic and indispensable contents of organizing accounting work. According to Article 4 of the Law on Accounting, it is defined that "Accounting inspection is to review and evaluate compliance with accounting laws and the truthfulness and accuracy of accounting data information" (Law No. 88/2015/ QH13). The purpose of accounting inspection is to determine the legality of arising accounting operations; the Correctness of calculations and records; The reasonableness of the applied accounting methods; Detect and promptly correct violations in compliance with accounting regimes and regulations; Promote the effectiveness of accounting in managing and using materials, labor, and funds, urging thrift practices and combating embezzlement and waste.

Financial and accounting inspection is a professional inspection that requires to be conducted regularly, comprehensively and systematically, ensuring the receipt, processing and provision of information fully and honestly asset management situations and use of asset formation resources in commercial enterprises. Accounting inspection is conducted according to three contents. Check the implementation of accounting work such as compliance with accounting document regime, application of account system, accounting book system, and implementation of financial reporting regime. Checking the organization of the accounting apparatus and accountants includes: Checking the payroll, organizing the apparatus, and assigning tasks within the accounting apparatus; Check the relationship between departments in the accounting organization and the relationship between the accounting organization and other functional departments in the accounting unit. Inspect the performance of duties and responsibilities of accounting officers in general and chief accountants in particular. The

accounting inspection method is mainly the method of comparing data on vouchers, accounting books and accounting reports with each other, comparing general data with detailed data.

The process of conducting an accounting inspection includes four steps: establishing an inspection team, performing the inspection, and concluding and publicizing the inspection results. Establishing an inspection team: In some units, there is a department responsible for accounting inspection. However, in small units without this department, before conducting an inspection, the head of the unit will decide to establish an inspection team. The establishment decision clearly states the individuals in the group, and the duties of each individual, and also provides the content of the accounting inspection. Carry out inspection: The inspection team or inspection department shall follow the contents announced in the inspection decision. The audited accounting department or section must be responsible for providing all the information requested by the inspection team. Conclusion: The inspection team draws conclusions and reports to the unit head. The department that caused the error must be responsible for its actions. The organizing unit learns from experience in operations, finds solutions, and strengthens management within the unit. Publicize inspection results: Implement publicly so that all civil servants and public employees in the unit know, exercising the ownership rights of State civil servants, workers and the people.

**3. Methods**

Document research method: The authors searched for documents related to accounting such as Accounting Law, Circulars, and Decrees guiding accounting. In these legal documents, we learn about the contents of accounting reports and accounting inspections. We synthesize and present these contents on the theoretical basis of the article. In the presentation of the current status of accounting reporting and accounting inspection activities, we collect secondary data from small and medium-sized commercial enterprises. Collected documents include document systems, financial reports, cash flow reports... and accounting regulations at the enterprise. We use the results collected from this data to evaluate the current accounting situation at commercial enterprises.

Data investigation method: To have a basis for analysis and point out limitations in accounting reporting and auditing activities at small and medium-sized commercial enterprises. We surveyed managers of the accounting departments of businesses participating in the survey. The survey results are summarized and presented in the research results section of the article.

**4. Results**

**4.1 Current Status of Accounting Reports at Commercial Enterprises**

The actual results of the survey on accounting reporting activities at the surveyed commercial enterprises are presented in Table 1 as follows:

On the operating principles of the financial accounting reporting system. Regarding the implementation of the principles of organizing the reporting system, the survey sample shows that all businesses comply with the principles of establishing and presenting economic and financial indicators reflected on financial reports and templates. The

form is designed to be simple, and convenient and ensures the basic requirements and principles of accounting according to the provisions of the accounting regime for commercial enterprises, meeting the requirements of comparability.

About the organization of preparing financial accounting reports. All 54 businesses surveyed (Rate 100%) fully comply with the number of financial reports, including the Balance Sheet; Reporting business results; and Explanation of financial statements, for cash flow reports, only 21/54 businesses (Rate 38.9%) prepare a full cash flow report, while 33/54 businesses (Rate 61.1%) mean not preparing a cash flow statement. However, only 25/54 businesses (Rate 46.3%) fully and presented indicators on their financial statements, and the remaining 29/54 businesses (Rate 53.7%) prepared reports. Finance also has some shortcomings such as: some indicators in the financial statements do not fully reflect the data, specifically in the Balance Sheet, the indicators for provisions for short-term bad debts, provisions for reduction Inventory prices and provisions for devaluation of long-term financial investments often do not have data because businesses do not make provisions for these indicators. In the business performance report, the cost of goods sold is only reflected at the original price of the goods sold, excluding wastage and loss; General expenses are not allocated or allocated according to unreasonable criteria, and long-term receivables and payables targets of many businesses have not been classified for presentation on the balance sheet, such as limited liability companies. SaKo pharmaceutical trade, Tien Dat medical services limited liability company. Also, according to the survey, the research team found that only 5/54 (9.6%) businesses submitted financial reports in full and on time to State agencies following regulations; There are 15/54 businesses (Rate 27.8%) that pay 1 to 2 months late; 34/54 businesses (62.6%) paid more than 2 months late.

Regarding the organization of public disclosure of financial accounting report information. All surveyed commercial businesses fully comply with the submission of annual financial reports to directly managing tax agencies, statistical agencies and business registration agencies and post them on the information website Business Electronics.

**Table 1:** Survey results on accounting reporting activities of commercial enterprises

Content of survey variables	Unit: %	
	Agree	Disagree
Does the commercial enterprise fully implement the principles of organizing the reporting system and presenting economic and financial indicators reflected in the financial statements?	100	0
Commercial enterprises must prepare all required financial reports according to regulations	100	0
Commercial enterprises prepare cash flow statements	54	46
Financial reports have all the indicators set up	46.3	29
Commercial enterprises fully comply with the submission of annual financial reports to directly managing tax agencies, statistical agencies and business registration agencies.	100	0

Source: Survey results of the research team

**4.2 Current Status of Accounting Inspection Work**

The survey on accounting inspection, summarized in Table 2, shows that the accounting inspection work at the surveyed commercial enterprises focuses on the following issues:

About the content of accounting inspection. The content of accounting inspection of businesses mainly focuses on checking the truth and legality of economic and financial content on documents and accounting books, all 54 businesses were surveyed (100% proportion) all have the same opinion as above. Checking other contents receives little attention, such as checking the validity of documents and checking the clarity when recording accounting books, only 12/54 businesses (Rate 22.2%) do. Currently, there is especially no enterprise that inspects the assignment, responsibility, and working style of the accounting apparatus.

Regarding the form of accounting inspection. At the commercial businesses surveyed, the research team found that the form of accounting inspection at these enterprises focuses on inspection after performing economic, financial operations and accounting records (100 % opinion). All 54 businesses (100% of opinions) said that when there is doubt about accounting work, businesses always check the accounting.

**Table 2:** Content and form of accounting inspection of commercial enterprises

Content of survey variables	Unit: %	
	Agree	Disagree
<b>Check accounting documents</b>		
Check that the content written in the documents is correct	100	0
Check the content recorded in the documents according to current regulations	100	0
Check the validity of documents	22.3	77.7
Check the recording in accounting books		100
Check the update book, it's true	100	0
Check correctly with accounting documents	100	0
Check for clarity and clarity	22.3	77.7
<b>Check the organization of the accounting apparatus</b>		
Check the assignment, assignment of responsibilities, and working practices of the accounting apparatus	0	100
<b>Check regularly</b>		
Check before performing economic, financial operations and accounting records	0	100
Check while performing economic, financial operations and accounting records	0	100
Check after performing economic, financial operations and accounting records	100	0
<b>Check for abnormalities</b>		
When there is doubt about accounting work	100	0

Source: Survey results of the research team

The accounting inspection methods used in the accounting inspection of 54 commercial enterprises are summarized by the author in Table 3. Accounting inspection methods of commercial enterprises in the area Frequently used province is the validation method (100% opinions); Confirmation and interview methods are only used when necessary (100% opinion); The observation method is used occasionally by 80% of respondents and by 20% of respondents only when necessary; 76% of respondents say they use the analysis method regularly, 24% of respondents said they only use it

occasionally. Regarding the organization of the financial accounting reporting system. Commercial businesses fully comply with several financial reports such as Balance Sheets, Business Activity Results Reports, and Notes to Financial Statements in accordance with the provisions of the current accounting regime. About accounting inspection. All commercial enterprises in the survey sample organize checks on the truth and legality of economic and financial content on documents and accounting books; All businesses organize inspections after recording economic and financial operations and organize inspections when there are doubts about the accounting work in the enterprise. The frequently used accounting inspection methods used by businesses are the verification method, the confirmation and interview methods are used only, when necessary, the observation method is used occasionally and when necessary, and the observation method is used occasionally and when necessary. Analytical methods are also commonly used. Besides the results achieved, the organization of accounting work in commercial business still has a number of limitations, significantly affecting the business performance of the enterprise.

**Table 3:** Accounting inspection methods at commercial enterprises

Accounting inspection method	Unit: %		
	Frequent	Sometimes	When necessary
Verify	100		
Confirm			100
Observe		80	20
Interview			100
Analysis	76	24	

Source: Survey results of the author group

**4.3 Some Limitations in Accounting Reports and Accounting Inspection**

Regarding accounting reports: Some commercial enterprises prepare mandatory financial reports according to the provisions of the accounting regime, but the indicators are not recorded or recorded incompletely and clearly. Most businesses do not prepare cash flow reports and do not ensure the deadline for submitting accounting reports to state management agencies as required by the accounting regime.

Regarding accounting inspection: The content of accounting inspection of commercial enterprises only focuses on checking the truth and legality of economic and financial content on documents and accounting books. Checking other contents receives little attention such as: Checking the validity of documents; Check the clarity and clarity when recording accounting books; Check the assignment, division of responsibilities, and working style of the accounting apparatus, which are extremely important contents to improve the quality of accounting information in the enterprise.

Regarding the form of accounting inspection: All surveyed businesses focused on inspection after recording the arising economic and financial operations. Checking before and during the accounting recording process is not performed by any business, but these are forms of checking to prevent and promptly prevent errors in the process of recording economic and financial operations to minimize repair costs.

## 5. Discussion

### 5.1 Complete the Organization of the Financial Accounting Reporting System

The financial reporting system of commercial businesses with limited information capacity does not provide the necessary information to interested parties, not only state management agencies but also investors. Investors, suppliers of goods and services, commercial banks and credit institutions. The above subjects need to collect financial and accounting information, especially information about the financial risks of businesses, and carefully analyze quarterly or annual financial information of businesses to assess the level of financial risk in order to choose investment, supply and loan options. However, current financial reports of businesses do not comprehensively reflect the cash flows of revenues and expenditures in the business (because most businesses do not prepare cash flow reports). Based on these reports, it is impossible to assess the ability of businesses to repay loans when they fall due. Therefore, businesses need to complete the financial reporting system at their units with the following basic contents:

Businesses need to prepare additional cash flow reports, showing the sources of money and the purposes for using the money of the business. The cash flow report will show the balance between the cash flow generated during the period and the funds spent during the period and will demonstrate the effectiveness of financial management in the business.

Enterprises need to fully prepare and improve the quality of information in the notes to financial statements. Currently, most commercial businesses have very sketchy content in the notes to their financial statements, hardly meeting the goal of the notes to the financial statements, which is to explain and supplement information about the implementation situation basic tasks of the unit that other financial reports cannot present clearly and in detail.

### 5.2 Complete Accounting Check

It is necessary to strengthen the content of accounting inspection at commercial enterprises such as: Checking the validity of documents; Check the clarity and clarity when recording accounting books; Checking the assignment, assignment of responsibilities, and working style of the accounting apparatus are extremely important contents to improve the quality of accounting information in the enterprise.

Inspection work needs to be performed before and during the accounting recording process to promptly prevent and prevent errors in the process of recording economic and financial operations to minimize remediation costs.

A department specializing in auditing accounting work should be established to be able to conduct regular inspections on the organization of document rotation, accounting bookkeeping and preparation of accounting reports.

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