

# Technical Update

January 2022

## Reminder on the Circular on the use of language and currency in accounting records and financial statements

*(The circular will be effective from 1 January 2022)*

On 1 September 2021, the Cambodian Ministry of Economy and Finance issued a circular MEF 009 ស.ហ.វ on the use of language and currency in accounting records and financial statements with the brief contents as follows:

1. Enterprises and non-profit enterprises are allowed to use English language in their accounting system or other related systems for accounting records if the enterprises could not find a suitable replacement system capable of preparing accounting records in Khmer. Approval is not required to use accounting software that cannot support Khmer language. However, enterprises and non-profit enterprises are required to notify ACAR in writing of the name and source of the system they use in their operations for the preparation of their accounting records.
2. Internal documents to support accounting records must be prepared in Khmer Language. Those documents can include English text to accompany Khmer language. For accounting documents generated from accounting systems which cannot include Khmer language as mentioned in item 1 above, accounting documents prepared and provided by foreign business partners or development partners, donors etc. can be prepared in English language. Such documentation in a language other than English and Khmer must be translated to Khmer or English with a certification stamp of the enterprises or non-profit enterprises. The responsibility to translate supporting documentation lies with the receiving enterprise / non-profit enterprise.
3. Enterprises or non-profit enterprises may choose a functional currency of Khmer Riel or a foreign currency, dependent on the accounting policy set out by relevant accounting standards used in their daily operations.
4. Enterprises or non-profit enterprises must prepare annual financial statements in Khmer language and using Khmer Riel or presented in both Khmer Riel and a foreign currency, translated based on the applicable accounting standards and using the official exchange rates issued by the National Bank of Cambodia. They shall submit those annual financial statements to ACAR for the purpose of compliance with the Law on Accounting and Auditing and other relevant regulations.
5. Enterprises whose operations incur petroleum transactions within Cambodia must comply with and implement Prakas 563 SHV.BrK dated 04 June 2018 on the Implementation of Tax Provisions for Petroleum Transactions.
6. During the implementation of this circular, ACAR must monitor, follow up and assess the possibility of having accounting records in Khmer language and Khmer Riel.
7. ACAR may request any additional procedures for the implementation of this circular as deemed necessary.

## Commentary:

Since its release, this Circular has brought some relief to enterprises and non-profit entities concerned about their ability to comply with the Khmer language and Khmer riel requirements of the Law on Accounting and Auditing, particularly those with accounting systems that do not support the use of Khmer language or those that are required to use a functional currency other than Khmer Riel in accordance with Cambodian International Financial Reporting Standards (CIFRS), Cambodian International Financial Reporting Standards for Small and Medium Sized Entities (CIFRS for SME) or the specific accounting framework applied by individual non-profit enterprises. Following its release, it is now possible for enterprises and non-profit enterprises to continue to prepare accounting records generated from their accounting systems in a language other than Khmer and to also apply their functional currency in accordance with the prevailing accounting standards without the concern of being penalized for non-compliance with the Law on Accounting and Auditing. However, it is important to note that the Khmer language exemption only applies to accounting documentation produced by an enterprise's or non-profit enterprise's accounting systems and does not apply to other accounting documentation which must be prepared in Khmer, with the exception of documents received from foreign business partners, development partners or donors.

We note that historically, a large proportion of enterprises operating in Cambodia have been preparing accounting documentation in English language. Accordingly, we strongly recommend enterprises and non-profit enterprises to re-visit their processes for the preparation of internal accounting documents in order to comply with this circular by its implementation date of 1 January 2021. Enterprises and non-profit enterprises which fail to comply may be penalized in accordance with the penalties set out in sub-degree No. 79 on Punishment on violations of Accounting and Auditing Law issue dated 09 June 2020.

We also recommend enterprises and non-profit enterprises to start preparing to submit a notification to ACAR regarding the accounting systems used within their business as required by this Circular. We note that, as of the date of this update, the process to submit a notification has not yet been formally announced by ACAR and an announcement on the process is expected soon. In the interim, it is recommended to pay close attention to any releases from ACAR regarding this topic and to seek to submit a notification once the submission process has been formalized. We understand that all enterprises and non-profit enterprises will be required to submit a notification, irrespective of whether their accounting systems are capable of using Khmer language or not.

As a committed advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

## Contact us

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