

**Law on
Corporate Accounts, Their Audit and The
Accounting Profession**

Royal Kram

We,

*Preah Bat Samdech Norodom Sihanouk,
King of the Kingdom of Cambodia*

- Seen the Constitution of the Kingdom of Cambodia
- Seen the Royal Kram No. NS/RKT/1198/72 dated 30 November 1998 regarding the appointment of the Royal Government of Cambodia
- Seen the Royal Kram No. 02/NS/94 dated 20 July 1994 promulgating the Law on the Establishment and Organization of the Council of Ministers
- Seen the Royal Kram No. 01/NS/93 dated 28 December 1993 promulgating the Law on the Financial System
- Seen the Royal Kram No. NS/RKM/0196/18 dated 24 January 1996 promulgating the Law on the Establishment of the Ministry of Economy and Finance
- Pursuant to the proposals of Samdech the Prime Minister and the Senior Minister and Minister of Economy and Finance

HEREBY PROMULGATE

The Law on Corporate Accounts, Their Audit and The Accounting Profession, which is adopted by the National Assembly on the 24th May 2002 at its 8th plenary session of the second legislature and entirely approved by the Senate on its form and legal concepts on the 21st June 2002 at its 7th plenary session of the first legislature, and which has its full substance as follows:

LAW ON
CORPORATE ACCOUNTS, THEIR AUDIT
AND THE ACCOUNTING PROFESSION

Chapter 1: General Provisions

Article 1: This law shall determine the organization, management, and function of accounting system based on international accounting standards for enterprises either natural persons or legal entities having independent profession in the Kingdom of Cambodia.

Article 2: In this Law, unless the context or subject matters otherwise requires:

“Accounting” means a system of identifying, recording, assembling, measuring, classifying, and presentation of financial information concerning the activities of an entity.

“Audit” means the systematic review or examination of the assertions or actions of a business entity to evaluate whether that entity is complied with the standards. Audit services include financial statement audits, performance audits, compilation, reviews, and agreed upon procedures. Only a registered auditor complying with this Law may perform these services and sign such reports as an auditor.

“Financial Reporting” means the reports containing information on the financial position, the results of activities, and the cash flows of an accounting entity during a specific period.

“International Accounting Standards” means the standards promulgated by the International Accounting Standards Board.

Article 3: In compliance with current laws, all enterprises, whether natural or legal entities, are required to keep books and accounts and have them audited in accordance with the terms and conditions provided for under this Law.

Article 4: Enterprises shall prepare financial statements on a yearly basis that are in compliance with both the conceptual framework and Cambodian Accounting Standards, the principles of which are set out by PRAKAS proclaimed by the Minister of the Ministry of Economy and Finance and in line with the International Accounting Standards.

Article 5: Enterprises shall keep their accounts in accounting books as defined by PRAKAS announced by the Minister of Economy and Finance, and in line with the International Accounting Standards. All accounting transactions shall be supported by documentary evidence.

Chapter 2: National Accounting Council

Article 6: A National Accounting Council shall be established under the auspices of the Ministry of Economy and Finance.

Article 7: The National Accounting Council is thereby mandated to:

- be a consultative body;
- review and give its opinion on all draft laws and regulations which consist of provisions pertaining to the preparation of accounting work for all enterprises or economic activities;
- develop the conceptual framework and the Accounting Standards referred to in article

- 4;
- propose measures for the improvement of accounting techniques;
- be a representative of the Kingdom of Cambodia at international organisations' forum and meetings and in debating on accounting.

The composition and functioning of the National Accounting Council shall be set out by *Anuk Kret*.

Chapter 3: Financial Statements

Article 8: The financial statements shall include the balance sheet, the income statement, the cash flow statement and explanatory notes. They shall be considered as an integral part of the financial statements.

Article 9: The accounting records referred to in Article 12 shall be prepared in the Khmer language and expressed in Riels. Enterprises carrying out business with foreign countries or which are subsidiaries of foreign companies may be authorised to prepare accounting records in English and/or in a currency other than Riels along with the accounting records in the Khmer language and Khmer Riels in compliance with the conditions set out by the Ministry of Economy and Finance. However, the financial statements referred to in article 4 shall be prepared in the Khmer language and in Riels.

Article 10: The duration of the accounting period shall be twelve months. The accounting period shall begin on the first day of January and end on the 31st day of December of the same year. As for the newly established enterprises, the annual financial reporting for the first fiscal year could start from the date of its formation and end on the date of the 31st day of December of the next year. Another date for fiscal year may otherwise be set for the activities of a specific company.

Article 11: The financial statements shall be prepared within three months following the closure of the financial year. In the event of an enterprise not being in a position to comply with this deadline, it shall request authorisation from the Minister of Economy and Finance to close the accounts and to prepare them on another dates.

Article 12: The financial statements and the corresponding ledgers and documentary evidence shall be kept for at least ten years. Such ledgers include a general journal, accounting ledger and inventory book.

Article 13: The financial statements and the accounting ledgers provided for in article 12 may not be legally recognized unless they are in compliance with the provisions of this Law.

Chapter 4: Institute of Certified Public Accountants and Auditors

Article 14: An Institute of Khmer Certified Public Accountants and Auditors shall be formed among accountancy professionals. The Institute shall operate under the auspices of the Ministry of Economy and Finance.

The organization and functioning of the Institute, and the formulation of professional regulations for Certified Public Accountants and Auditors, which are enrolled respectively on

two separate lists; shall be set out by *Anu Kret*.

Article 15: The Institute shall be specifically formed with a view to:

- provide a national professional body to represent its members, to participate in promoting and defending the statute and interests of the profession;
- participate as a working member of the National Accounting Council;
- prepare the regulations and duties of the profession and ensuring their application;
- organise accounting professional training for Khmer citizens who wish to enter the profession of Certified Public Accountant or Auditor.

Chapter 5: Corporate Audit

Article 16: All enterprises, whether natural or legal entities, shall submit their accounts to be audited by an independent auditor in the event that their turnover, and/or balance sheet total, and/or number of employees are above the limits set by PRAKAS of the Ministry of Economy and Finance. The audit shall be carried out by a natural person or legal entity enrolled on the list of registered auditors referred to in article 14 of this Law.

Chapter 6: Accounting Profession

Article 17: The practice of professional accountant shall be carried out by a natural person or legal entity enrolled on the list of Khmer professional accountants as referred to in article 14 of this Law. The practice of professional accountants is in conflict of interest with those in the civil service and political function in legislative, executive and the judiciary bodies.

Chapter 7: Sanctions

Article 18: All natural persons and directors of legally incorporated entities contravening to the provisions in articles 3, 4, and 5 shall be subjected to a fine between five and ten million Riels, and/or may serve a prison term from one year to two years.

All natural persons and directors of legally incorporated entities who fail to prepare or file proper financial statements in compliance with the provisions stipulated in this Law, shall be subjected to a fine of between five and ten million Riels and/or may serve a prison term from three to six months.

In addition to the above penalties, natural persons or director(s) of legal entity shall be subject to the revocation of licence(s), the details of which shall be set out by *Anu Kret*.

Article 19: The professional accountants and auditors who fail to comply with the provisions of this Law shall be subjected to a fine of between ten to twenty million Riels.

Without considering the provision of revocation of licence(s), the fines shall be increased to twofold and/or subjected to a prison term of between one year to three years, in the event of repeating offenses.

Chapter 8: Final Provisions

Article 20: Any provisions contrary to the Law are deemed null and void.

Dated in Phnom Penh, this 8th day of July 2002
(signed)
Norodom Sihanouk

Submitted to The Signature of The King
The Prime Minister
(signed)
Hun Sen

Communicated to Samdech The Prime Minister
The Senior Minister and Minister of economy and Finance
(signed)
Keat Chhon