

University of Strathclyde

Business School

Department of Accounting and Finance

**Implementation of International
Financial Reporting Standards:**

Case study in Vietnam

by

Thuy Huu Ho

Submitted in Fulfilment of the Requirement for the
Degree of Doctor of Philosophy

2015

Declaration of Authenticity and Author's Rights

This thesis is the result of the author's original research. It has been composed by the author and has not been previously submitted for examination which has led to the award of a degree.

The copyright of this thesis belongs to the author under the terms of the United Kingdom Copyright Acts as qualified by University of Strathclyde Regulation 3.50. Due acknowledgement must always be made of the use of any material contained in, or derived from, this thesis.

Signed:

A handwritten signature in blue ink, appearing to read 'S. Day', is written over a light blue rectangular background.

Date: 27 April 2015

Acknowledgement

I would like deeply to thank my principle supervisor Prof. Pauline Weetman at University of Edinburgh for the numerous and dedicated helps, during 7 years of my PhD research progress. Without her supports, this work would be impossible, especially, when I have left the UK since 2011. I am sincerely appreciated for her patience and trust in me even I face severe challenges in my research period. I would like to thank Prof. Andrew Marshall, the former Head of the department of Accounting and Finance at the University of Strathclyde, who gave me the chance to work continuously with Prof. Pauline Weetman in order to finish my thesis; even she has left the University of Strathclyde since 2008. I am greatly appreciated to Prof. David Hillier and Dr. Andrea Coulson for their helpful constructive criticism at annual doctoral seminars held by the Accounting and Finance Department at the University of Strathclyde. My appreciation is extended to Ms. Lorna Carlaw who helps me to deal with administrative business at the University.

I would like to express my thanks to Prof. Christine Helliard at University of South Australia for valuable opinions on the way of developing my research at the initial stage, at the conference held by ICAS, in Edinburgh, in 2007. I specially thank Prof. Mike Jones at University of Bristol for his constructive opinions on collecting and analysing my empirical data at the Blackpool BAA doctoral colloquium, in 2008. My appreciation is also extended to Prof. Vivien Beattie at University of Glasgow for her helpful constructive criticism at Scottish Doctoral Colloquium in Accounting and Finance in 2008. I would also like to thank all BAA and Scottish Doctoral academics and anonymous referees for their comments and suggestions during my presentation at the BAA and Scottish doctoral colloquium in years 2007, 2008 and 2009.

My appreciation is extended to the interviewees who gave me remarkable and valuable opinions, particularly Dr. Duc Huu Vu, Dr. Canh X. Dang, and Dr. Tan G.T. Nguyen. My appreciation also goes to the Administration Board of project 322 which gave me the fund to take the PhD program.

Last but not least, I would like sincerely to thank to all my family members and my friends for their love, trustfulness, encouragement and support during my PhD process.

Abstract:

This study investigates the process of implementation of International Financial Reporting Standards (IFRSs) in Vietnam during eleven years. Up to the end of 2012, twenty six of Vietnamese Accounting Standards (VASs) have been issued “based on” IFRSs. This study aims to obtain an understanding of theories and factors influencing the implementation, and explore benefits and challenges for the implementation. The main goal of this study is to find a suitable accounting theory of the implementation of IFRSs in Vietnamese accounting. An interpretivist paradigm, qualitative methodology and inductive reasoning are employed in this study. The methodology helps to obtain essential understanding of what happened, and explain why those incurred. Three methods used in this study consist of comparison, interview and case study. The findings of this study indicate that communist theories and Hochiminh’s thoughts significantly influence the implementation. Vietnamese culture also participates to cause more challenges for the implementation. Many individual factors which are different from developing countries have been found in the implementation in Vietnam, particularly, the Vietnamese law system and values/behaviours of the Vietnamese people. The findings also indicate that benefits for the implementation in Vietnam outweigh challenges. This study enriches literature of implementation of IFRSs around the world and gives useful lessons for other countries in implementation of IFRSs. Particularly, the contributions of this study are essential to the countries which have accounting environments and attributes similar to Vietnam, such as an economy developed at a low level, and heavy intervention of government in the process of setting up accounting standards.

Abbreviation

ARBEs	Accounting Regime for Business Enterprises
ASEAN	Association of South-East Asian Nations
CPAs	Certified Public Accountants
CPV	Communist Party of Vietnam
DAPA	Department of Accounting Policy and Auditing, of the MOF
TAPVIET	European Union Assistance Project
FDI	Foreign Direct Investment
GOV	Vietnamese Government
GSO	General Statistic Office of Vietnam
IASs	International Accounting Standards
IASB	International Accounting Standards Board
IASBF	IASB's Accounting Conceptual Framework in 1989
IFAC	International Federation of Accountants
IFRSs	International Financial Reporting Standards
MESO	Market Economy under Socialist Orientation
MOF	Ministry of Finance of Vietnam
MPI	Ministry of Planning and Investment of Vietnam
SOEs	State-Owned Enterprises
UNCTAD	United Nations Conference on Trade and Development
VAA	Vietnam Association of Accountants and Auditors
VACPA	Vietnam Association of Certified Public Accountants
VAL	Vietnamese Law on Accounting in 2003

VASs	Vietnamese Accounting Standards
VASG	Vietnamese Accounting Standard Setting Group
VNF	Vietnamese Accounting Conceptual Framework in 2002 (VAS 01)
VOAS	Vietnamese Ordinance on Accounting and Statistics in 1988
WB	World Bank
WTO	World Trade Organisation

Contents

Chapter 1: Introduction.....	26
1.1 Introduction.....	26
1.2 Research motivations.....	27
1.3 Origin of the research questions.....	28
1.4 Research questions.....	29
1.4.1 Research question 1.....	29
1.4.2 Research question 2.....	30
1.4.3 Research question 3.....	30
1.4.4 Research question 4.....	30
1.5 Research methodology and method.....	31
1.5.1 Interpretivism and qualitative methodology.....	31
1.5.2 Research methods.....	32
1.6 Research findings.....	33
1.6.1 The findings of RQ1.....	33
1.6.2 The findings of RQ2.....	34
1.6.3 The findings of RQ3.....	35
1.6.4 The findings of RQ4.....	35
1.7 Research contributions.....	36
1.7.1 To theory of Vietnamese accounting.....	36
1.7.2 To accounting practice in Vietnam.....	37
1.7.3 To international literature of implementation.....	38
1.8 Scope of the research.....	40
1.9 Research organisational structure.....	41
Chapter 2: Literature review.....	43
2.1 Introduction.....	43

2.2	Theories of national accounting systems	43
2.2.1	Theoretical framework of national accounting system.....	44
2.2.2	Theories of factors influencing national accounting.....	45
2.2.2.1	Theory of influences of environmental factors.....	45
2.2.2.2	Theory of institutional influences	46
2.2.2.3	Theory of cultural influences	47
2.2.3	Theory of the Vietnamese accounting system	49
2.2.3.1	Theory of the Vietnamese accounting system	49
2.2.3.2	Studies of implementation of IFRSs in Vietnam	49
2.2.4	Conclusion	51
2.3	Factors influencing the implementation of IFRSs	52
2.3.1	Motivations in implementation.....	52
2.3.1.1	Improvement of the national accounting system	53
2.3.1.2	Development of national capital markets	53
2.3.1.3	Globalisation and satisfy demands from international organisations	54
2.3.2	Methods of implementation of IFRSs.....	55
2.3.3	Institutional factors	56
2.3.3.1	The influences of national governments and politics	57
2.3.3.2	Role of professional institutions in accounting.....	57
2.3.3.3	Level of development and attribute of national capital markets.....	58
2.3.3.4	International professional accounting firms and multinational companies	58
2.3.4	Cultural influences.....	59
2.3.4.1	Social values and accountants' behaviour and characteristics.....	59
2.3.4.2	Hofstede's theory of culture and the implementation in Vietnam	60
2.3.4.3	The influences of language	61
2.3.5	The influences of other factors	62

2.3.5.1	The “Western” nature of IFRSs	62
2.3.5.2	Company specific factors.....	62
2.3.6	Conclusion	63
2.4	Benefits for implementation of IFRSs	64
2.4.1	Benefits for financial statements.....	65
2.4.2	Benefits for national accounting system.....	66
2.4.3	Benefits for national economy and capital market	67
2.4.4	Conclusion	69
2.5	Challenges for the implementation of IFRSs.....	70
2.5.1	Institutional challenges	70
2.5.1.1	Inconsistency between national legislation and IFRSs.....	70
2.5.1.2	Political challenges	71
2.5.1.3	Inappropriate mechanism.....	72
2.5.1.4	Lack of accounting infrastructure and professional institutions.....	72
2.5.2	Challenges for culture	73
2.5.2.1	Challenges for judgments	73
2.5.2.2	Challenges for language.....	74
2.5.2.3	Challenges for terminology	74
2.5.2.4	Education and training.....	75
2.5.3	Other challenges	75
2.5.3.1	Costs of implementation	75
2.5.3.2	Nature of IFRSs	76
2.5.3.3	Technical challenges.....	76
2.5.3.4	Readiness for implementation of IFRSs	77
2.5.4	Conclusion	78
2.6	Conclusion	78
Chapter 3:	Vietnamese Accounting system.....	81

3.1	Introduction	81
3.1.1	Definition of the Vietnamese accounting system	81
3.1.2	Content and structure	81
3.2	History of Vietnamese accounting	82
3.2.1	The period from 1900 to 1954	82
3.2.2	The period from 1954 to 1975	82
3.2.3	The period from 1975 to 1986	83
3.2.4	The period from 1986 to 2012	83
3.2.5	Conclusion	84
3.3	Elements of the Vietnamese accounting system	84
3.3.1	The legislative institution of the Vietnamese accounting system.....	84
3.3.2	The Vietnamese Ordinance in Accounting and Accounting Law	85
3.3.3	Decisions or decrees issued by the Prime Minister (PM).....	86
3.3.4	The Vietnamese accounting regimes	87
3.3.5	The Vietnamese accounting standards (VASs)	88
3.3.5.1	The goals and principles of the issuance of VASs.....	88
3.3.5.2	Process of the issuance of VASs.....	89
3.3.5.3	The limited role of VASs.....	89
3.3.6	A comparison between VASs and equivalent IFRSs.....	90
3.3.7	Other accounting regulations and interpretations	95
3.3.8	Conclusion	96
3.4	Notable features of Vietnamese accounting system.....	96
3.4.1	Accounting requirements for entities.....	97
3.4.2	Influence of tax on accounting system	97
3.4.3	Requirement of precise figures	98
3.4.4	Other features of the Vietnamese accounting system.....	99
3.4.5	Conclusion	99

3.5	Communist theory and its influences on accounting	100
3.5.1	Marxism-Leninism in Vietnam.....	100
3.5.1.1	The nature of socialism in Vietnam	100
3.5.1.2	The proletariat state	101
3.5.1.3	State ownership of “means of production”	101
3.5.2	Hochiminh’s thoughts.....	102
3.5.2.1	The flexible and creative implementation of Marxism-Leninism	103
3.5.2.2	Combination of traditional values with Marxism-Leninism.....	103
3.5.2.3	Selectively implementing outstanding features	104
3.5.3	Influence of Marxism-Leninism and Hochiminh’s thoughts on the Vietnamese accounting system.....	104
3.5.3.1	Political factors	104
3.5.3.2	Economic factors	105
3.5.3.3	Cultural factors	107
3.5.4	Conclusion	108
3.6	Conclusion	108
Chapter 4: Vietnamese political, economic, cultural and social environment		110
4.1	Introduction.....	110
4.2	Political environment	111
4.2.1	The Communist Party of Vietnam (CPV).....	111
4.2.2	The Vietnamese National Congress.....	111
4.2.3	The Vietnamese state, government and social bodies	112
4.2.4	The Vietnam Association of Accountants and Auditors (VAA)	112
4.2.5	The constraints on the role of laws	113
4.2.6	Conclusion	114
4.3	The cultural and social environment.....	114
4.3.1	The overall Vietnamese culture	115

4.3.2	The Vietnamese religions	116
4.3.2.1	Buddhism	116
4.3.2.2	Confucianism	117
4.3.2.3	Taoism	119
4.3.3	Influences of religions on the Vietnamese people and accounting.....	119
4.3.3.1	Influences of Buddhism	120
4.3.3.2	Influences of Confucianism	120
4.3.3.3	Influences of Taoism	121
4.3.4	The Vietnamese education and language.....	122
4.3.4.1	Influence of communism on the Vietnamese education and people	122
4.3.4.2	The Vietnamese language and its influence on accounting.....	123
4.3.5	Conclusion	123
4.4	The economic environment.....	124
4.4.1	The overall Vietnamese economy.....	124
4.4.2	The important role of SOEs	125
4.4.3	Many micro enterprises and SMEs.....	127
4.4.4	The early stage capital markets.....	128
4.4.5	The increase of non SOEs and FDI companies	130
4.4.6	The influences of international organisations.....	131
4.4.7	Conclusion	131
4.5	Conclusion	132
Chapter 5:	Research methodology.....	134
5.1	Introduction.....	134
5.2	Research methodology.....	134
5.2.1	Research philosophy	134
5.2.1.1	Paradigm	134
5.2.1.2	Why Interpretivism.....	134

5.2.1.3	Ontology	136
5.2.1.4	Epistemology	136
5.2.2	Inductive and qualitative methodology.....	137
5.2.2.1	Inductive methodology	137
5.2.2.2	Qualitative methodology.....	138
5.3	Research comparison	138
5.3.1	Why comparison.....	138
5.3.2	Description of the comparison.....	138
5.3.3	Performance of the comparison	139
5.4	Research interview	140
5.4.1	Why interview.....	140
5.4.2	Description of interviewees	141
5.4.3	Performance of the interviews	143
5.5	Case study	144
5.5.1	Why case study	144
5.5.2	Description of the case study.....	145
5.5.2.1	Development of C. corporation	145
5.5.2.2	Reason for choosing the case study	145
5.5.3	Performance of the case study	147
5.6	Conclusion	148
Chapter 6:	Theories of implementation of IFRSs in Vietnam.....	149
6.1	Introduction.....	149
6.2	The theories helping to understand the implementation of VNF.....	150
6.2.1	The basis of the preparation and issuance of VNF	150
6.2.1.1	Theories applied to prepare and announce VNF	150
6.2.1.2	The basis for the preparation of VNF	151
6.2.1.3	The influence of the bases on VNF	151

6.2.2	The increase in control power of the State	153
6.2.2.1	The omission of “external users” in VNF.....	153
6.2.2.2	VNF regarded as an accounting standard	154
6.2.2.3	The mention of “accounting regime” in VNF	154
6.2.2.4	The issue of “inspectors in accounting”	155
6.2.2.5	The issues of “keeping records”	155
6.2.2.6	The omission of those who are interested in preparing VASs.....	155
6.2.3	Amendment to the content of VNF.....	156
6.2.3.1	Recognition of IASBF in a different way.....	156
6.2.3.2	Selective implementation of IASBF	157
6.2.4	Conclusion	157
6.3	Factors influencing the implementation of IASBF	158
6.3.1	Methods of the implementation of IASBF	158
6.3.1.1	General view on the implementation	158
6.3.1.2	Similarity of VNF to IASBF.....	159
6.3.1.3	Shortened use of VNF in the implementation of IASBF	159
6.3.1.4	Divergence of VNF from IASBF.....	159
6.3.1.5	Full omissions from VNF compared with IASBF	160
6.3.2	Institutional factors	160
6.3.2.1	The influence of politics on the implementation of IASBF.....	160
6.3.2.2	The influence of the Vietnamese legal system on VNF	161
6.3.3	Cultural factors	162
6.3.3.1	Language and translation	162
6.3.3.2	The Vietnamese behaviour	162
6.3.4	Other factors	163
6.3.4.1	Main users of financial information.....	163
6.3.4.2	The level of development of the Vietnamese markets.....	163

6.3.5	Conclusion	164
6.4	Benefits for the Vietnamese accounting system	165
6.4.1	Improvement of financial and economic management.....	165
6.4.1.1	New accounting concepts and principles.....	165
6.4.1.2	Method of measurement “Historical cost”.....	166
6.4.2	Providing general definitions of elements of financial statements	166
6.4.3	Benefits for accounting users in making economic decisions	167
6.4.4	Benefits for accounting preparers	168
6.4.4.1	Saving time and costs for business entities.....	168
6.4.4.2	Dealing with accounting treatments of new transactions and events ...	168
6.4.5	Conclusion	168
6.5	Challenges for implementation	169
6.5.1	Institutional challenges	169
6.5.1.1	Challenges for the role of VNF.....	169
6.5.1.2	Challenges for personnel resource and management.....	170
6.5.2	Cultural challenges	170
6.5.2.1	Technical terms used in IASBF	170
6.5.2.2	The challenge for translation	171
6.5.3	Other challenges	174
6.5.4	Further development of conceptual framework.....	174
6.5.5	Conclusion	177
6.6	Conclusion	178
Chapter 7:	Interviews.....	180
7.1	Introduction	180
7.2	Factors influencing the implementation.....	181
7.2.1	Motivation of the implementation of IFRSs in Vietnam	181
7.2.1.1	Summary of responses	181

7.2.1.2	The obsolescent accounting regime and demand of economic transformation.....	182
7.2.1.3	Transparency and reliability of information presented financial statements.....	182
7.2.1.4	Influence of international organisations	183
7.2.1.5	Attraction to FDI.....	183
7.2.1.6	Discussion of opinions of the interviewees	183
7.2.2	Factors influencing the implementation in Vietnam.....	185
7.2.2.1	Summary of responses	185
7.2.2.2	Institutional influences.....	187
7.2.2.3	Influences of culture and language	188
7.2.2.4	Knowledge of accounting by professional accountants.....	189
7.2.2.5	History of the Vietnamese accounting and accounting environment ...	189
7.2.3	Discussion of factors influencing implementation of IFRS.....	190
7.2.3.1	Institutional influences.....	190
7.2.3.2	Influences of culture and language	191
7.2.3.3	Knowledge of accounting by professional accountants.....	192
7.2.3.4	Accounting environment.....	193
7.2.4	Conclusion	193
7.3	Benefits for implementation of IFRSs in Vietnam	194
7.3.1	Benefits for the Vietnamese accounting system.....	194
7.3.1.1	Benefits for Vietnamese accounting principles and requirements.....	195
7.3.1.2	Benefits for Vietnamese concepts and methods	196
7.3.1.3	Benefits for the integration of Vietnamese accounting into the world.	196
7.3.1.4	Discussion of the benefits for the Vietnamese accounting system.....	196
7.3.2	Benefits for presentation of financial statements.....	197
7.3.2.1	Significant improvement in the content of financial statements.....	198
7.3.2.2	Improvement in providing financial information	199

7.3.2.3	Many constraints in financial statements.....	199
7.3.2.4	Discussion of benefits for financial statements	200
7.3.3	Conclusion	201
7.4	Challenges for the implementation of IFRSs in Vietnam	202
7.4.1	Summary of the findings of common challenges	202
7.4.2	Responses of the interviewees	203
7.4.2.1	Lack of clarity in VASs	203
7.4.2.2	Poor method of issuing VASs:.....	204
7.4.2.3	Poor quality of the accounting framework	206
7.4.2.4	Need for professional accounting knowledge:.....	206
7.4.2.5	The Vietnamese legal environment and cultural features.....	207
7.4.3	Discussion of common challenges.....	207
7.4.4	Challenges for financial statements	209
7.4.4.1	Responses of the interviewees:	210
7.4.4.2	Discussion.....	211
7.4.5	Conclusion	212
7.5	Conclusion:	212
Chapter 8:	Case study	214
8.1	Introduction.....	214
8.2	Factors influencing the implementation.....	215
8.2.1	The changes in institution of the corporation	215
8.2.2	The changes in accounting requirements.....	216
8.2.3	Cultural influences on financial statements	217
8.2.3.1	Behaviours and characteristics of the preparers	218
8.2.3.2	The method of providing financial information	218
8.2.4	Conclusion	219
8.3	Benefits for the implementation.....	220

8.3.1	Benefits for appearance and announcement of financial statements	220
8.3.1.1	Improvement of a set of financial statements	220
8.3.1.2	Improvement of contents of financial statements	222
8.3.2	Benefits for the purpose of financial statements.....	224
8.3.2.1	Reducing information for the internal management.....	225
8.3.2.2	Reducing information for management of the State.....	226
8.3.2.3	Providing further financial information for external users	229
8.3.3	Benefits for qualitative characteristics of financial information	229
8.3.3.1	Improvement of characteristic “prudence” of financial information....	230
8.3.3.2	Improvement of characteristic “understandability” of financial information.....	231
8.3.3.3	Improvement of “reliability” of financial information	231
8.3.4	Conclusion	232
8.4	Challenges for implementation of IFRSs.....	233
8.4.1	Presentation of financial statements	233
8.4.1.1	The appearance of the Vietnamese financial statements	234
8.4.1.2	Off-balance sheet statement.....	236
8.4.1.3	Provisions.....	237
8.4.2	Measurement and recognition key items	237
8.4.2.1	Issue “Land use right” as an inventory	237
8.4.2.2	Inventories and LIFO method.....	238
8.4.2.3	Provision for bad debts	238
8.4.2.4	Fixed assets.....	239
8.4.2.5	Reasonable expenses.....	239
8.4.2.6	Foreign exchange rate differences	241
8.4.2.7	Requirement of physical count of inventories and fixed assets.....	241
8.4.3	Conclusion	242

8.5	Conclusion	243
Chapter 9:	Discussion and Conclusion	245
9.1	Introduction	245
9.2	Theories of the implementation of IFRSs in Vietnam	245
9.2.1	Key issues of Marxism-Leninism and Hochiminh's thoughts.....	245
9.2.2	The summarisation of the findings	246
9.2.2.1	Increase the control power of the CPV and State	246
9.2.2.2	Support for the development of the MESO	247
9.2.3	Contributions to theories of implementation of IFRSs.....	248
9.2.3.1	Understanding implementation of IFRSs in Vietnam.....	248
9.2.3.2	Insufficiency of the theories in implementation of IFRSs.....	249
9.2.3.3	Communist theories and implementation of IFRSs.....	249
9.2.4	Conclusion	250
9.3	Factors influencing the implementation of IFRSs in Vietnam.....	250
9.3.1	Summary of findings	251
9.3.1.1	Motivations for the implementation of IFRSs in Vietnam	251
9.3.1.2	Methods of implementation	251
9.3.1.3	Influence of institutions	252
9.3.1.4	Influence of culture	253
9.3.1.5	Influence of accounting environment	254
9.3.2	Contributions to factors of implementation of IFRSs.....	255
9.3.2.1	Motivations	255
9.3.2.2	The methods of implementation	257
9.3.2.3	Contribution to institutional factors	257
9.3.2.4	Contribution to cultural factors.....	259
9.3.2.5	Contribution to environmental factors.....	262
9.3.3	Conclusion	262

9.4	The benefits for Vietnamese accounting.....	263
9.4.1	The summarisation of findings	263
9.4.1.1	Benefits for accounting principles, concepts, and methods.....	264
9.4.1.2	Benefits for financial statements.....	264
9.4.1.3	Benefits for development and integration of Vietnam.....	265
9.4.2	Contribution to benefits for implementation of IFRSs	266
9.4.3	Conclusion	268
9.5	The challenges for the implementation of IFRSs.....	268
9.5.1	Summary of findings	269
9.5.1.1	Institutional challenges	269
9.5.1.2	Cultural challenges	270
9.5.1.3	Other challenges	271
9.5.2	Contributions to challenges for implementation of IFRSs	272
9.5.2.1	Institutional challenges	272
9.5.2.2	Cultural challenges	273
9.5.2.3	Other challenges	274
9.5.3	Conclusion	275
9.6	Further research.....	277
9.6.1	Influence of institutions on Vietnamese accounting.....	277
9.6.2	Influence of culture on accounting	277
9.7	Policy implications: suggestions for implementation of IFRSs.....	278
9.7.1	Challenges and advantages for a full adoption of IFRSs.....	278
9.7.1.1	Challenges for a full adoption of IFRSs	278
9.7.1.2	The factors supporting a full adoption of IFRSs.....	279
9.7.2	Suggestions for implementation of IFRSs in Vietnam.....	280
9.7.2.1	The method suggested for implementation of IFRSs	280
9.7.2.2	Advantages and challenges for the method suggested above.....	280

9.7.2.3	Policy implementation	281
9.7.2.4	Education	282
9.7.3	Suggestions to the IASB	282
9.8	Conclusion	283

List of tables

Table 2. 1 Institutional factors influencing implementation of IFRSs.....	56
Table 2. 2: Benefits for financial statements.....	65
Table 2. 3: Benefits for national accounting system.....	66
Table 2. 4: Benefits for national economy and capital markets.....	68
Table 3. 1 Detailed accounting regimes applied to particular entities*	87
Table 3. 2 Brief comparison of IFRSs and VASs.....	90
Table 3. 3 The Vietnamese accounting requirements	97
Table 4. 1 Key economic figures	125
Table 4. 2: Structure of average capital in active enterprises by ownership.....	126
Table 4. 3: Structure of employees in active enterprises by ownership.....	126
Table 4. 4: Structure of net turnover contributed to the economy by ownership.....	126
Table 4. 5: The criteria for scale of Vietnamese enterprises.....	127
Table 4. 6: the proportion of enterprises by employment on 01 Jan 2009.....	127
Table 4. 7: the proportion of enterprises by capital on 01 Jan 2009.....	128
Table 4. 8: Trading value at HOSE from year 2000 to 2010	129
Table 5. 1: Interviewees' information.....	142
Table 6. 1: A comparison of the structure of VNF and IASBF	158
Table 6. 2 A brief comparison among the 1989 IASBF, 2010 IASBF and 2002 VNF.....	175
Table 7. 1: Motivation for the implementation of IFRS in Vietnam	181
Table 7. 2: Factors influencing the implementation of IFRS in Vietnam.....	186
Table 7. 3: Benefits for the Vietnamese accounting	194
Table 7. 4: Benefits for the Vietnamese financial statements.....	197
Table 7. 5 Challenges for the implementation of IFRSs.....	202
Table 7. 6: Challenges for preparing and presenting financial statements	209
Table 8. 1: Annual reports prepared and published during 12 years	216

Table 8. 2: A set of annual financial statements in pages	221
Table 8. 3: Accounting policies applied in the C. Corporation.....	223
Table 8. 4: Part B of income statement: Obligations to the Government	226
Table 8. 5: Part C of Income statement: VAT	228
Table 8. 6: A comparison of the presentation of Long-term assets vs.Non-current assets	234
Table 8. 7 Off- Balance Sheet year 2009	236
Table 9. 1 A comparison of motivations.....	255
Table 9. 2 A comparison of institutional factors.....	258
Table 9. 3 A comparison of previous reports and findings of cultural factors ...	259
Table 9. 4 Hofstede's dimensions and Vietnamese accounting.....	261

List of Appendices

Appendix 5. 1 Interview letter	308
Appendix 5. 2 Interview questionnaire	310
Appendix 6. 1 Comparison of the implementation of IASBF in Vietnam	318
Appendix 6. 2 A detailed comparison between VNF and IASBF	323
Appendix 8. 1 Report on announcement of financial information year 1998.....	357
Appendix 8. 2: Earnings distributed in the year 1998.....	360
Appendix 8. 3: Financial statements of C. corporation in 2009	361
Appendix 8. 4: Income statement of the C. corporation in 2009	364
Appendix 8. 5: Cashflow statement of the C. corporation in 2009.....	365

List of figures

Figure 3. 1: the Vietnamese legislative system in accounting	85
--	----

Chapter 1: Introduction

1.1 Introduction

This study investigates the process of implementation of International Financial Reporting Standards¹ (IFRSs) in Vietnam. It focuses on accounting theories and factors which influence the implementation, and explores benefits and challenges for the implementation. The primary goal of this study is to provide an understanding of the Vietnamese accounting environment, together with theories and factors influencing the environment in order to suggest a suitable accounting theory of the implementation. An interpretivist paradigm and inductive reasoning are employed in this study. Those allow an essential understanding of what happened, and to explain why those occurred. Three methods employed in this study consist of comparison, interview and case study. The findings of this study indicate that communist theories significantly influence the implementation. Many individual factors which are different from other developing countries have been found in the implementation in Vietnam, particularly, the Vietnamese law system and values/behaviour of the Vietnamese people. The findings also indicate that benefits for the implementation in Vietnam outweigh challenges. This study enriches the literature of implementation of IFRSs around the world and gives useful lessons for other countries in implementation of IFRSs. Particularly, the contributions of this study are essential to the countries which have accounting environments and attributes similar to Vietnam, such as an economy developed at a low level, and the heavy intervention of government to bodies setting up accounting standards.

This chapter consists of eight sections: research motivations (1.2)², origin of the research questions (1.3), research questions (1.4), research methodology (1.5),

¹ The term of IFRSs mentioned in this thesis is standards and interpretations issued by the International Accounting Standard Board (IASB). They comprise (1) International Financial Reporting Standards; (2) International Accounting Standards (IASs); (3) Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

² Hereafter, the number in bracket refers to section number in this thesis, except other indication.

research findings (1.6), research contributions (1.7), research limitations (1.8) and research organisational structure (1.9).

1.2 Research motivations

There are extended debates on the suitability of adoption/implementation of IFRSs, especially, in developing countries. Up to 2009, more than one hundred countries, particularly many developing countries in recent years, have adopted/implemented IFRSs (Deloitte, 2009). However, the suitability and relevance of IFRSs for developing countries is still questioned (Chand, 2005; and Larson and Kenny, 1995). Some researchers argued that IFRSs are set for developed countries where capital markets are developed (Kenny and Larson, 1995; and Larson and Kenny, 1995), and IFRSs do not cover all accounting demands of developing countries (Mir and Rahaman, 2005; and Tyrrall, Woodward and Rakhimbekova, 2007). It raises an urgent demand for thoughtfully researching into the implementation of IFRSs in developing countries.

In light of implementation of IFRSs in Vietnam, there are relatively few studies of changes of Vietnamese accounting (Nguyen and Tran, 2012, p.433). Particularly before the year 2006, no paper or report of implementation of IFRSs in Vietnam was internationally published or displayed in common accounting media such as the iasplus.com, World Bank and United Nation publishers, searched by the author. Furthermore, no theory of the Vietnamese accounting system has been announced by Vietnamese authoritative bodies (Vu, 2010). It raises a necessity for a comprehensive study of the implementation in Vietnam, particularly, for Vietnamese accounting theory. In addition, the Vietnamese accounting environment exhibits many unique features which make it much different from other developing countries. Those features are significantly influenced by the communist politics (4.2), the Vietnamese culture (4.3) and the market economy under a socialist orientation (MESO) (4.4). Further research into the implementation of IFRSs in Vietnam, therefore, is expected to provide additional and distinguished contributions to the literature of implementation of IFRSs in developing countries.

1.3 Origin of the research questions

This section explains the origin of the research questions. As mentioned above, the Vietnamese accounting authoritative bodies have not provided theory of Vietnamese accounting and the implementation. The omission of a theory of Vietnamese accounting is unusual because theories of national accounting systems are very common in most other countries (2.2.1). While IFRS aims to maximise shareholder value of entities operating in developed markets and completely belongs to capitalism, the implementation of IFRS in Vietnam aims to develop the Vietnamese economy and improve the state's economic and financial management (6.2). The abnormal issue explains why this thesis focuses on researching theory of implementation of IFRSs in Vietnam. It also investigates whether there is existence of a theory of implementing IFRSs which helps the government to achieve both targets of maximising profits business entities and increasing the State's management and control. Furthermore, the Vietnamese economy is very individual and unique compared with those of other developing countries, because it is heavily influenced by communist theories (3.5 and 4.4). The Vietnamese communist party based on the government has established a tight and firm institution in order to run and control all aspects of the country (4.2). Additionally, it is obvious that the Vietnamese economy is also different from China, another communist country, because the Chinese market is too big and more developed compared to the Vietnamese market. The Vietnamese market economy continues to be developing and at a very early stage of a free market. SOEs are dominant in the economy (3.5.1.3 and 4.4.2). Even though there are many unfavourable issues for implementation of IFRSs in Vietnam, the Vietnamese government still makes decision on the implementation. Furthermore, when investigating the process, nature and purpose of the implementation, the author has found that many theories have been employed in the implementation. The implementation of IFRS seems to be influenced by both economic and institutional theories, and both theories are firmly driven by the communist theory in Vietnam (3.5). The communist theory indicates that the communist party wishes to control all the Vietnamese institutions, institutional theory exhibits an advantageous influence on the implementation (3.5 and 4.2). It explains why this thesis focuses on theory of the implementation of IFRSs in Vietnam, together

with factors influencing the implementation, and benefits/challenges for the implementation.

1.4 Research questions

The core goal of this study is to understand theories which influence the Vietnamese accounting environment, in order to explain phenomena and events occurred in the process of implementation of IFRSs in Vietnam. In supporting this goal, this study investigates factors influencing the implementation which aims to realise the nature of such factors and how those influence Vietnamese environment and the implementation. In addition, this study explores the nature of challenges and benefits for the implementation and analyses the influences of those on the preparation and presentation of financial statements in Vietnam. The ultimate goal of this study is to suggest a suitable theory for the implementation and Vietnamese accounting. This study is expected to produce essential lessons and provide a solution for implementation of IFRSs in Vietnam in future. The findings should help to understand the nature of implementation of IFRSs in Vietnam and contribute to the literature of implementation of IFRSs in developing countries around the world. Detailed targets are explained in following research questions (RQ).

1.4.1 Research question 1

RQ1: *Which theory helps to understand the implementation of IFRS in Vietnam?*
This research question aims to provide a deeper understanding of the Vietnamese accounting environment and theories which influence the environment. The rationale behind preparing this research question is the particular attributes of the Vietnamese accounting environment (chapter 4) which is influenced by individual theories applied in Vietnam (3.5). Understanding the theories allows prediction of factors which influence the process of implementation of the IFRSs in Vietnam. It also helps to explain challenges and benefits for the implementation of IFRSs in Vietnam. The findings of this question help the author suggest a suitable theory for Vietnamese accounting.

1.4.2 Research question 2

RQ2: *What factors are influencing the implementation of IFRSs in Vietnam?*

According to previous researchers, different countries have individual factors such as institutions and culture influencing implementation of IFRSs (2.3). The level of influence of such factors is also various among implemented countries. In addition, developing countries also have different motivations, and methods when making decision on implementation of IFRSs (2.3.1). Demand and motivation significantly influence the nature of implementation of IFRSs (2.3). This research question aims to seek the understanding of the nature of factors influencing the implementation in Vietnam and how such factors influence the implementation. This research question enriches the literature of factors influencing the implementation and helps to predict challenges and benefits for the implementation. The understanding of influential factors provides useful information and ideas to develop a suitable theory for Vietnamese accounting. It also contributes to the international literature of implementation across countries.

1.4.3 Research question 3

RQ3: *What are the benefits for Vietnam in implementing IFRSs?* Many different benefits for implementation across countries have been reported by previous researchers (2.4). This question investigates the nature of benefits for the implementation of IFRSs in Vietnam. It focuses on benefits for preparation of the Vietnamese accounting standards and regime, improvement of Vietnamese financial statements, and development of the Vietnamese economy since IFRSs were implemented. This question explores benefits for preparation and presentation of financial statements, particularly for qualitative characteristics of financial information. It also investigates benefits for providing financial information to internal and external users in order to make economic decisions. The findings of RQ3 help to answer whether the benefits outweigh the challenges for the implementation in Vietnam and draw out useful lessons for implementation around the world.

1.4.4 Research question 4

RQ4: *What are the challenges for Vietnam in implementing IFRSs?* This research question aims to realise the nature of challenges for the implementation in

Vietnam. As mentioned above, Vietnam has an individual and unique accounting environment. Additionally, Vietnam implemented just a portion of IFRSs (26 standards). Such standards of IFRSs implemented in Vietnam have not been fully converted into VASs. Those could raise individual challenges for the implementation in Vietnam. This question also investigates causes for the challenges for the implementation and finds solutions to deal with the challenges. RQ4 seeks additional contribution to literature of whether Vietnam, a low-level developing country, has enough condition and is available to implement IFRSs. The findings of this question provide answers on whether IFRSs are suitable for developing countries.

1.5 Research methodology and method

This section provides research philosophy, methodology and method.

1.5.1 Interpretivism and qualitative methodology

Firstly, in terms of research philosophy, an interpretivist paradigm is used to approach the research questions. The rationale behind the chosen methodology is the origin and target of this research, which are exhibited through the nature of the research questions (1.3 and 1.4). The study aims to understand and interpret a social phenomenon, the implementation of IFRSs in Vietnam. It seeks a perception of social phenomena incurred in the process of implementation and explains causes of the phenomenon. In addition, this study also aims to understand the nature of influential factors, and challenges/benefits for the implementation. It also analyses cause and influence of the challenges and benefits. The understanding of the challenges and benefits for the implementation helps to broaden the perception of the process of the implementation. All understanding and perception of the phenomena and events related to the process of implementation are employed to deal with the ultimate goal of the study. It aims to suggest a theory of implementation of IFRSs. Based the goal of this study and the nature of the research targets of questions, an interpretivist paradigm is suitable to deal with such subject. It helps the author to delve below the surface of accounting phenomena to obtain the reality of the implementation, especially to suggest a theory of implementation of IFRSs in Vietnam.

Secondly, qualitative methodology is used in this thesis because it is a suitable methodology to deal social science. The goals of this research should be supported by this methodology. It helps the author to find the best methodology to assess the process of implementation of the IFRSs in Vietnam because of particular attributes of the Vietnamese accounting environment (3.2). In this study, inductive reasoning is applied. The author begins research into specific issues related to the implementation of IFRS and then explores general patterns for individual issues. The inductive reasoning process is begun in chapter 6 and chapter 7. It is supported by empirical evidence found in chapter 8. The process is ended in chapter 9, when the author detects the relationship of the findings and suggests a theory of the implementation. In every empirical chapter a logical critique is employed to find general patterns.

1.5.2 Research methods

This study has employed three research methods consisting of comparison, interview and case study.

Firstly, comparison method is used in chapter 6 in order to compare in detail corresponding paragraphs of the 1989 IASBF and the 2002 VNF. Within the comparison, there are comments, for each paragraph of the respective documents, on the similarities and differences between the IASBF and the VNF. Through the comparison and comments, the author analyses how the differences in the VNF influence the preparation of other Vietnamese accounting standards and accounting practice. Issues that help to answer the research questions are selected from the comparison and presented in this chapter.

Secondly, semi-structured interview is employed in this thesis (5.4). It aims to provide an opportunity for the interviewees to prepare necessary contents of the interview. This method also helps the interviews focus on important issues. In Vietnam, interview is a quick and beneficial way to gather opinions, because of the limited information on operating of business entities and financial information. Opinions of the interviewees and discussions of the author are reported in chapter 7. The interviews took the form of a broad discussion, starting with the interview questions but then expanding into other aspects of the topic and arguments developed by the interviewees during the interview. Sometimes,

the interviewers asked more detailed questions to clarify the interviewees' responses.

The third method used in this study is case study (5.5). It is because that case study offers a method to investigate complex instances where researchers cannot gather full information. Through a case study, the researcher can explore in the actual context. The case study helps to assess the changes of Vietnamese accounting before and after the implementation of IFRSs started 2001. The case study is a serial set of continuously subsequent financial statements of C. corporation in twelve years from 1998 to 2009. The corporation is not the biggest, but a well known company in Vietnam. It operates in many industries such as construction, trade and service. Studying financial statements of the corporation helps the author assess Vietnamese accounting in many fields such as accounting policies, forms of Vietnamese financial statements and method of preparing and presenting financial information. It is notable that Vietnam has a specific economic environment. It is not convenient for researchers, because the main sector in the Vietnam economy is state owned enterprises. Financial statements of those are not publicly required, and are used for government management, not for the public. There are a limited people having approval to read full financial reports, unless listed companies which are rare in research duration from 1998 to 2009 (4.5.3). This case study is produced in chapter 8. It helps to assess influences of the results found in the comparison between IASBF and VNF (chapter 6), and interviewees' opinions (chapter 7) on Vietnamese accounting in practice. It also provides an opportunity to explore further benefits and challenges for the implementation in accounting practice. This case study also helps the author analyse changes in the preparation and presentation of Vietnamese financial statements by the implementation of IFRSs. It provides an opportunity to demonstrate the improvement of Vietnamese financial statements and qualitative characteristics of financial information.

1.6 Research findings

1.6.1 The findings of RQ1

The implementation of IFRS in Vietnam is influenced by theories derived from Marxism-Leninism and Hochiminh's thoughts (6.2). The implementation aims to

help the government to increase its control power for Vietnamese accounting and the economy. Under the influence of communist theories, the Vietnamese authoritative bodies have revised many contents of IFRSs in order to prepare VASs. The research findings also indicate that the theories of Marxism-Leninism and Hochiminh's thoughts cause the implementation of IFRSs in Vietnam to face many challenges. The obstacles are caused by the nature of the communist theories when the government attempts to maintain and increase the State's control and to develop the market economy under a socialist orientation. In addition, Hochiminh's thoughts supports the nationalism which contributes to make VASs differed from IFRSs. The influences of the communist theories and Hochiminh's thoughts impede Vietnam in having a full implementation of IFRSs. More importantly, the influences of the communist theories combined with the Vietnamese cultural values/behaviour and circumstance of low-level development in the economy give Vietnamese people more challenges in the implementation. The level of challenges also becomes severe.

1.6.2 The findings of RQ2

The Vietnamese institutions, culture and individual features of the Vietnamese accounting environment are key factors which influence the implementation. Institutional factors show a direct and significant influence on the implementation of IFRSs (9.3.1.3). The motivation and method of implementation of the Vietnamese authoritative bodies in accounting make additional challenges for Vietnamese accounting (9.3.1.1 and 9.3.1.2). Institutional factors found in this study consist of the political system, Vietnamese legal system, personnel management, organisations of accounting authoritative bodies, and the role of professional accounting organisations (9.3.1.3). Among institutional factors, the influence of the political system is the most significant factor. In terms of cultural influence, the strongest factor is the Vietnamese values and behaviour (9.3.1.4 and 9.3.2.4). In addition, the education of developing "new socialist persons", who are ultimately loyal to the leadership of the communist party, also influences implementation (3.5.3). Those cultural values, combined with the education of new socialist persons, make Vietnamese accountants hesitant in accounting judgement and assessment, when they face issues having not been interpreted in Vietnamese accounting standards or regulations. Vietnamese accountants prefer

to apply accounting codes rather than accounting standards. Both institutional and cultural issues are significant factors which lead to particular benefits and challenges for the implementation. The Vietnamese accounting environment consist of many “positive” factors which support the implementation of IFRSs, but it also contains “negative” factors which obstruct a full implementation of IFRSs in Vietnam (9.3.2.5).

1.6.3 The findings of RQ3

The implementation of IFRSs has brought many benefits for Vietnam. Three main benefits consist of benefits for the Vietnamese accounting system, financial statements and economic development. Firstly, Vietnamese accounting gains many new accounting principles, concepts, methods and requirements based on the implementation (9.4.1.1). Accountants have more options in choosing a suitable method for their accounting treatments and policies. The implementation provides a good opportunity for Vietnamese accountants to improve their knowledge of international accounting (9.4.1.3). Secondly, the Vietnamese financial statements of business entities are also improved in both content and presentation of items shown on the face of the financial statements. The method of preparation of financial information is also improved through improvement of qualitative characteristics of financial information such as transparency, comparability and reliability (9.4.1.2). The more Vietnamese accounting standards have been issued and applied in accounting practice, the more benefits for external users have been found (8.3.3). Thirdly, the issuance of VASs on the basis of IFRSs has improved the accounting environment which increases the interests of foreign investors in Vietnam (9.4.1.3). Hence, it has an important role in developing the Vietnamese economy and help Vietnam integrate into the world.

1.6.4 The findings of RQ4

Many challenges for implementation have been found in Vietnam. Some are similar to other developing countries, but causes and effects of the challenges occurred in Vietnam are different. Firstly, the Vietnamese legal system appears as the most significant challenge among institutional challenges, because it limits the role of VASs in the Vietnamese accounting system (9.5.1.1). In addition, the

Vietnamese legal institution and communist theory cause the Vietnamese people to form the habit of strictly following laws. Accounting policies and treatments, which have not been fully interpreted by laws or the government's regulations, should not be applied in practice. It makes the Vietnamese preparers prefer to apply code-based accounting rather than standard-based accounting. Secondly, most of the cultural challenges derive from the Vietnamese behaviour and characteristics of Vietnamese accounting preparers. Those make Vietnamese accountants hesitant when employing accounting measurement, judgment and assessment required by IFRSs. The most common challenges for the implementation are related to the different languages used to write IFRSs (English language) and VASs (Vietnamese language). It is because the Vietnamese standard setters cannot find similar terms in Vietnamese language to describe technical terms used in IFRSs (9.5.1.2). Thirdly, other challenges consist of a poor process of issuance of VASs, different forms of financial statements, and education of IFRSs (9.5.1.3 and 9.5.2.3). In addition, the low-level development of the Vietnamese economy raises more challenges. Some business circumstances or issues presented in IFRSs have not been experienced in the Vietnamese accounting environment.

1.7 Research contributions

This study makes contributions to literature at several levels in both theory and practice. Those contributions include theory of Vietnamese accounting (1.7.1), Vietnamese accounting practice (1.7.2), and international literature (1.7.3).

1.7.1 To theory of Vietnamese accounting

Firstly, in terms of the theory of the implementation of IFRSs in Vietnam, this study indicates that communist theories and Ho Chi Minh's thoughts do not support full adoption or implementation of IFRSs in Vietnam. The Vietnamese accounting system is significantly influenced by politics. The influence of politics is exhibited through the organisational structure of the Vietnamese legislation. In the legislation, the role of VASs is limited. Therefore, the many distinguishing features of IFRSs, which make financial information transparent, reliable, relevant and comparable, have been revised or omitted in VASs. In addition, the study indicates that many Vietnamese accountants prefer to apply a code-based

accounting system. It means that they prefer to use Vietnamese accounting regimes rather than to use VASs. Therefore, they wish the Vietnamese accounting authoritative bodies to issue detailed interpretations of VASs which might help them to avoid confused issues and unnecessary mistakes. An issuance of interpretations of VASs in detail and on time should secure a successful implementation of IFRSs in future.

Secondly, Vietnamese cultural values and behaviour also partly influence the implementation. The hesitant characteristic and habit of strictly following the government's laws of the Vietnamese people makes them feel it is difficult to apply IFRSs in certain aspects such as accounting measurement, judgement and assessment. However, the characteristics of patience and spirit of favourite learning and hard working help the Vietnamese people overcome challenges for the implementation. Understanding this issue might encourage the Vietnamese authoritative bodies to pursue and determine the implementation of IFRSs.

Thirdly, the preparation and presentation of financial statements are significantly improved, in the extent to which the face of Vietnamese financial statements and financial information are aligned with the requirements of the IASB. Financial information presented in Vietnamese financial statements satisfies further demands of external users. Many Vietnamese accounting policies have been changed in compliance with IFRSs. The study contributes to fill the gap between IFRSs and VASs. It provides the understanding to eliminate conflicts between the Vietnamese framework and accounting regimes.

1.7.2 To accounting practice in Vietnam

Firstly, the selected method of implementation of IFRSs cannot help Vietnam achieve a full success. Twenty six VASs were issued up to 2012. The remaining standards of IFRSs are not clearly planned for issue. Vietnamese accounting has still exhibited many issues different from IFRSs. Financial information of Vietnamese financial statements is still different, in the method of preparation and presentation, from commonly accepted financial statements. Items presented in the face of the Vietnamese financial statements are different from a common set of financial statements suggested by the IASB and commonly accepted around the world. Based on the findings, this study gives reassurance that IFRSs can be

implemented in developing countries. However, the targets for implementation of IFRSs, found in Vietnam, aim to help the government to achieve their individual targets such as economic management and accounting control, but not achieve the qualitative characteristics of financial information required by the IASB in international arena.

Secondly, this study provides a comprehensive understanding of the challenges and benefits for implementation of IFRSs in Vietnam . The findings of this research indicate that VASs carry many points and issues which are noncompliant with IFRSs. More importantly, this study analyses causes of the non-compliance and points out the theories which make the phenomena occurred in the implementation. It helps the international accounting authoritative bodies such as the IASB and IFAC to understand the challenges and find sound solutions that support the worldwide acceptance of IFRSs.

Thirdly, based on the findings, accounting policy makers and accounting standard setters in other countries might draw out certain lessons in implementation of IFRSs in future. The IASB also has an opportunity to understand the expectation of Vietnamese accounting users in the IFRSs which may be useful for updating international accounting standards.

Generally, Vietnam has potential conditions and ability for a full implementation of IFRSs. It significantly depends on the efforts of the government. Currently, the Vietnam government wishes to develop the economy to become an open economy operated under market rules, and to deeply integrate into the world. Vietnamese cultural values have some advantageous features which support a full adoption of IFRSs. However, most business entities in the economy are micro entities and SOEs. Vietnam should encourage volunteers in full adoption of IFRSs. The requirement for full adoption should be applied to selected objectives such as listed companies, banks and insurance companies.

1.7.3 To international literature of implementation

Firstly, the findings in this study indicate that IFRSs can be implemented in countries which have an economy developed at a low level like Vietnam. While many previous researchers argued that IFRSs are suitable for countries which

have developed capital markets, this study exhibits that the benefits outweigh the challenges for the implementation in Vietnam. The findings also show that Vietnam might achieve a better result from the implementation if the authoritative bodies in accounting would have a better preparation and method of approaching IFRSs. The positive result of the implementation of IFRSs in Vietnam might encourage other developing countries to adopt or implement IFRSs. This research assures the argument that implementation of IFRSs can bring benefits for developing countries.

Secondly, with regard to the theory of implementation, this study indicates that it is difficult to achieve a full adoption or implementation of IFRS in a country which experiences a tight involvement of the government to manage accounting, and a weak role of accounting professional bodies. Under the influence of tax purpose and economic development, the government often revises the contents of IFRSs to match their own goals. Accounting professional bodies in such countries have a limited role in preparing national accounting standards and giving strategy for approaching IFRSs. Therefore, the implementation or adoption of IFRSs in such countries seems likely to be in appearance.

Thirdly, the findings indicate that the ultimate goal of the IASB in implementation of IFRSs has still not been achieved even though Vietnam has experienced the implementation of IFRSs during more than ten years. The qualitative characteristics of financial information as expected by the IASB, such as comparability, relevance, understandability and reliability have not been obtained after the implementation. The Vietnamese financial statements are different from a set of common financial statements prepared and presented in compliance with IFRSs. This study provides evidence of the challenges for approaching the goals of the IASB. Some developing countries have implemented IFRSs, but actually, there is no internal desire for full implementation of IFRSs. As a result, the implementation seems likely to be in appearance rather than reality. It is difficult to prevent the phenomenon to encourage full implementation. However, if the IASB and international community wish to achieve the goal of high quality of financial information, they need essential activities.

Fourthly, in terms of the contents of IFRSs, many complex situations presented in IFRSs have not occurred in markets of developing countries. It raises an issue of whether the IASB should issue a simpler or shorter version of IFRSs for developing countries. Such a version of IFRSs should save costs of implementation for developing countries. Hence, it raises more opportunities for such countries in implementing IFRSs. The findings of this study also confirm the argument of previous researchers, when they said IFRSs are wordy texts and a big volume. It is costly to SMEs and makes developing countries face many challenges in the implementation.

In conclusion, this study supports the arguments suggested by previous researchers that implementation or adoption of IFRSs helps developing countries achieve more benefits than challenges.

1.8 Scope of the research

This section clarifies the research scope of this study and explains the difference from similar concepts to implementation consisting of harmonisation, convergence and adoption.

Firstly, this study focuses on the implementation of IFRSs in Vietnam. This process is exhibited by the development of the Vietnamese accounting system and issuance of VASs based on IFRSs. It does not aim to provide a comprehensive assessment on the similarities and differences between IFRSs and VASs. However, a brief comparison between IFRSs and VASs has been stated in section 3.3.6, and full comparison of accounting conceptual frameworks has been conducted in chapter 6, in order to provide a general view on the implementation.

Secondly, this study aims to investigate the implementation of IFRSs in Vietnam. It does not research into *harmonisation* or *convergence* of IFRSs across countries, even though this study mentions harmonisation or convergence because of the close relationship among three topics. *Harmonisation* refers to the process of reduction of differences from accounting rules among countries to enhance international comparability of financial statements (Choi, Frost and Meek, 2002, p.291). Additionally, *Convergence* is a process which leads to end result in the adoption of IFRSs (Wong, 2004, p.7). *Convergence* is defined as the cooperation

activities of professional accounting organisations for the purpose of setting a single set of accounting standards that can be used by every country throughout the world (Agca and Aktas, 2007, p.102).

Thirdly, the concept of adoption has been interpreted in different ways that may hamper uniform application (World Bank, 2004). Vietnam has not adopted IFRSs and just selected some international accounting standards in order to issue VASs. Furthermore, VASs are still different from IFRSs (3.3.6). Hence, the process of applying IFRSs in Vietnam should be called implementation.

1.9 Research organisational structure

This thesis is structured in nine chapters:

Chapter 1 briefly introduces general issues of this research.

Chapter 2 covers literature review of the implementation of IFRSs in countries around the world, particularly in developing countries. The literature review focuses on contents of research questions consisting of national accounting theories (2.2), factors influencing implementation (2.3) and benefits/challenges for the implementation (2.4 and 2.5).

Chapter 3 provides basic information on Vietnamese accounting consisting of the history of the Vietnamese accounting (3.2), elements of the Vietnamese accounting system (3.3), notable features of the accounting system (3.4), and communist theories in Vietnam and Ho Chi Minh's thoughts (3.5).

Chapter 4 states main features of the Vietnamese environment consisting of political factors (4.2) and cultural factors (4.3), economic factors (4.4) and analyses the influence of those on the implementation. Particularly, it also discusses the influence of religions and analyses how the Vietnamese values, and behaviour affect the implementation (4.3.3).

Chapter 5 provides the research methodology employed in this study and explains why a qualitative method is applied in this study. It describes the methods used to collect and analyse data in this thesis.

Chapter 6 is the first empirical chapter. It provides theories of the implementation through comparing the VNF with the IASB. It also analyses how the theories

employed by the Vietnamese government influence the VNF, and how the VNF influences the Vietnamese accounting standards.

Chapter 7 provides benefits/changes of the implementation for Vietnamese accounting based on opinions of interviewees. It also includes interviewees' opinions on factors influencing the implementation and discusses solutions suggested by interviewees in order to increase benefits and decrease challenges for the implementation.

Chapter 8 provides the changes of Vietnamese accounting during the process of implementation through investigating a case study. It assesses the improvement of Vietnamese accounting based on continuously consequent series of financial statements during twelve years (1998-2009).

Chapter 9 discusses further the findings and gives contributions of this study.

Chapter 2: Literature review

2.1 Introduction

This chapter reviews prior literature on the implementation of IFRSs in developing countries to provide theories for answering the following research questions:

- Which theories help to understand the implementation of IFRSs in Vietnam?
- What factors are influencing the implementation of IFRSs in Vietnam?
- What are the benefits for Vietnam in implementing IFRSs?
- What are the challenges for Vietnam in implementing IFRSs?

This chapter is structured in six sections. Section 2.2 reviews the theoretical framework of national accounting systems, patterns of national accounting systems and theories of influence of environment on national accounting systems. Section 2.3 outlines factors which influence implementation of IFRSs in developing countries. Section 2.4 provides literature on benefits for implementation of IFRSs with a focus on financial statements, national accounting systems and capital markets and national economy. Section 2.5 reviews challenges for implementing or adopting IFRSs which focuses on institutions, culture and some particular challenges having been commonly occurred. Section 2.6 provides a conclusion which guides planning of the empirical chapters of this thesis.

2.2 Theories of national accounting systems

This section reviews theories that help to understand why developing countries have been using different methods, and have achieved distinctive outcomes in implementing IFRSs. The theories help to predict benefits and challenges which may occur when national accounting standard setters and regulatory bodies set up and develop the national accounting system (Nobes, 1984). Understanding potential benefits and challenges could assist accounting authorities to choose appropriate methods of implementing IFRS (Wong, 2004). This section consists

of a theoretical framework of national accounting systems (section 2.2.1), theories of factors influencing national accounting systems (section 2.2.2), the theory of the Vietnamese accounting system (2.2.3) and the conclusion for this section (section 2.2.4).

2.2.1 Theoretical framework of national accounting system

Through this thesis, the term “national accounting system” will be used to refer to an accounting system of a country which is formed entirely by accounting materials related to national accounting such as accounting laws, standards, regulations and interpretations. A national accounting system is commonly known as National Generally Accounting Accepted Principles (GAAP). GAAP varies from country to country (e.g. Ampofo and Sellani, 2005; Roberts, 1995, p. 629; and Schultz and Lopez, 2001). The variety of national accounting systems has been found in many aspects such as level of authority, body issuing accounting regulations and allowable alternatives (Ampofo and Sellani, 2005). Identifying the pattern of a national accounting system may be useful in permitting a better understanding of the potential changes in national accounting (Gray, 1988, p.2). The classification might be used to predict benefits and challenges that a country might have to be faced in the process of developing national accounting system (Nobes, 1984, p.30). Even in the IFRS era, classifications are still essential because they assist to predict and explain national reaction to IFRSs and to realise the different national system of IFRSs across countries (Nobes, 2008, p.196).

Many theories have been suggested for the variety of national accounting systems and the classification (Choi and Mueller, 1978; Mueller, 1968; and Nobes, 1984 & 1998). Ten types of accounting had been grouped according to accounting environments (Mueller, 1968). Based on attributes of national accounting system, Choi and Mueller (1978) suggested four groups of accounting including “Accounting within a macroeconomic framework”, “Accounting for the microeconomic approach”, “Accounting as an independent discipline” and “Uniform accounting”. Nobes (1998) divided financial reporting systems into two classes. Class A refers to Anglo-Saxon countries, like the UK and the USA which aims to provide information for outside shareholders, and Class B corresponds to

continental European, which focuses on tax and creditor's demands (Nobes, 1998). All examples above show the various patterns of national accounting systems and theories of national accounting system are also distinctive. Understanding national accounting theories enables prediction of benefits and challenges which might be incurred when the accounting authoritative bodies develop the national accounting system (Nobes, 1984). Findings of suitable theories of national accounting system should provide a firm foundation which might help accounting authoritative bodies to implement generally accepted principles, concepts, and standards commonly applied in other countries into national accounting systems. Generally, key issues of a theory of national accounting are exhibited in an accounting framework. An accounting framework is regarded as the material providing underlying concepts and principles for setting accounting standards and preparing financial reports. Based on the important role of a national accounting framework, chapter 6 of this thesis will investigate the theory of Vietnamese accounting through analysing the implementation of the International Accounting Standards Board's conceptual framework in developing the Vietnamese accounting framework.

2.2.2 Theories of factors influencing national accounting

This section provides an overall review of environmental factors which influences on national accounting systems (section 2.2.2.1) with a focus on two main factors: institutional influences (section 2.2.2.2) and cultural influences (section 2.2.2.3)

2.2.2.1 Theory of influences of environmental factors

National accounting systems are influenced by environmental factors in which cultural factors, and institutional factors play significant parts (Doupnik and Salter, 1995). Those are also changed, modified and developed because of changes in economic, social, cultural and political ties (Baydoun & Willett, 1995). The environmental factors of a country significantly influence national accounting in a variety of arenas including accounting objectives, standards, policies, and techniques (Belkaoui, 1985). A national accounting system is influenced by the internal environment and the external environment. The internal environment variables include stages of economic development, goals of society,

legal rules, political systems, level of education, financial press and culture (Cook and Wallace, 1990). The external environmental factors comprise colonial history, impact of transnational corporations, the effect of regional economic communities, internationalisation of world trade and stock markets, membership and participation of bodies that set international accounting standards, and international movements of accounting professionals and firms (Cook and Wallace, 1990). Meek and Saudagaran (1990) indicated that the environmental factors include legal system, the nature of the relationship between business enterprises and providers of capital, tax laws, inflation levels and political and economic ties. Douppnik and Salter (1995, p.194) argued that the external environment comprises diversity of factors such as economic conditions, colonisation, geography, climate, technology, relationship with other societies and past history. The external environment influences national accounting in two ways: indirectly through its impact on the institutional structure and directly through the emanation of instructive events (Douppnik and Salter, 1995, p.194). Hassab-Elnaby, Epps and Said (2003) said that environmental factors might include the economic environment, the political environment, the development of the stock market, and privatization of state owned corporations. Notably, environmental factors have not equally influenced national accounting system among countries (Jaggi and Low, 2000). For example, culture insignificantly impacts financial disclosures by firms from common law countries, but it significantly influences financial disclosures by firms from code law countries (Jaggi and Low, 2000, p.496). Culture and institution often appear as significant influences (Douppnik and Salter, 1995). Those are separately reviewed in sections 2.2.2.2 and 2.2.2.3.

2.2.2.2 Theory of institutional influences

The institutional structure of society includes many objectives such as legal system, educational system, accounting system and other systems (Douppnik and Salter, 1995). Saudagaran (2004) argued that the nature of the capital market, the level of economic development, tax regulations, political and economic ties, the status of accounting profession, and the quality of accounting education are key elements significantly influencing national accounting. Gernon and Wallace (1995) provide a theory of the relationship between social, professional,

organisational, individual environment and accounting. Each element of the environment, for example, social environment (preferred to economic system, political system, and legal system), and professional element (preferred to education, training, discipline and ethics) has influenced accounting under particular aspects (Gernon and Wallace, 1995). Changes in environmental factors could lead to the adaptation and development of accounting principles and practices (Baydoun and Willett, 1995; and Douppnik and Salter, 1995). The development of international relationship in politics, culture, especially in economic transactions with developed countries, significantly influences national accounting system of developing countries (Irvine, 2008; Xiao, Weetman and Sun, 2004; and Zeghal and Mhedhbi, 2006). Based on such theories, it could be argued that attributes, structure and interdependence of institutional factors in a country have influenced the nature, purpose and features of the national accounting system.

2.2.2.3 Theory of cultural influences

Cultural factors influencing national accounting system are language, religion, morals, values, attitudes, education, social organisations, technology and material culture (Askary, 2006). Culture is defined as “*the collective programming of the mind which distinguishes the members of one human group from another*” (Hofstede, 1980, p.25). It is also acknowledged “*the learned, socially acquired traditions and life styles of the members of a society, including their patterned, repetitious way of thinking, feeling and acting*” (Harris, 1987, p. 6). Hofstede (1980 and 2001) provides five dimensions of national cultures that differ across countries including “high vs. low power distance”, “strong vs. weak uncertainty avoidance”, “individualism vs. collectivism”, “masculinity vs. femininity”, and “long-term vs. short-term orientation”. Those dimensions of culture form people’s beliefs, values and decide the treatment among members living in a society. Applying Hofstede’s work (1980) in accounting, Gray (1988) provided hypotheses on the relationship between accounting and cultural values and explained why national accounting is different across countries under the influence of culture (see further explanation and discussion of Gray’s work (1988) in section 2.3.4.2). Cultural factors influencing national accounting system commonly mentioned by previous researchers are language (e.g. Abd-Elsalam

and Weetman, 2003; Belkaoui, 1985; and Evans, 2004), religion (e.g. Nasir and Zainol, 2007; and Perera and Baydoun, 2007) and ethics (e.g. Ball, Robin and Wu, 2003; and Cohen, Pant, and Sharp, 1992). The various studies in many aspects of cultural influences on national accounting indicate that culture is an interested topic of accounting researchers.

The influences of culture on national accounting are seen not only in developed countries, but also in developing countries (e.g. Bloom and Naciri, 1989; Gray, 1988; Nobes, 1998; and Noravesh, Dilami, and Bazaz, 2007). Culture is regarded as a powerful environment factor that significantly influences a national accounting system (Doupnik and Tsakumie, 2004, p.1). The cultural influences affect national accounting in many aspects such as the accounting standard setting process (e.g. Askary, 2006; and Ding, Jeanjean, and Stolowy, 2005), financial reporting (e.g. Gray, 1988; Haniffa and Cooke, 2002; and Zeff, 2007), financial statement disclosures (e.g. Abd-Elsalam and Weetman, 2003; Evans, 2004; and Zeff, 2007), and expressions of accounting regulations (Doupnik and Richter, 2004). It can be argued that culture takes a significant role and influences various aspects of national accounting system.

Vietnam is located in South-East Asia which is also the domicile of Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippine, Singapore, and Thailand. Vietnamese accounting, therefore, might be influenced by the regional accounting according to this theory. According to Mueller's work (1968), Asian accounting systems were assigned in a cluster called "developing nations of the near and far east". Many subsequent researchers argued that accounting systems in Asian countries show diversity (Chand, 2005; Chand and White, 2007; Chand and Patel, 2008; Craig and Diga, 1998; Muhammad and Kamran, 2007; Saudagaran and Diga, 1997; Secord and Su, 1994, p.15). The reason for the diversity is the distinctive culture in Asian countries (Secord and Su, 1994). It raises a demand for further investigation of influences of culture on the Vietnamese accounting system.

2.2.3 Theory of the Vietnamese accounting system

A full definition and elements of the Vietnamese accounting system are provided in section 3.1.1. This section reviews opinions of previous scholars on theory of the Vietnamese accounting and the implementation of IFRSs in Vietnam.

2.2.3.1 Theory of the Vietnamese accounting system

No theory of the Vietnamese accounting system is officially published by the authoritative bodies of Vietnam (Vu, 2010). The authoritative bodies in accounting in Vietnam have mentioned the purposes, principles and bases of the Vietnamese accounting system when preparing and issuing accounting regimes and standards, but they have not announced a theory of Vietnamese accounting (section 3.3). There are some professional accounting reviews or auditing reviews published in Vietnam such as Accounting Review and Audit Review, but relatively few papers have been internationally published and papers of accounting theory are rare. Most papers on the Vietnamese accounting system study its attributes (e.g. Dang, Marriott, N. and Marriott, P., 2006; Yang and Nguyen, 2003), changes occurring in recent years (Dang, 2010; Nguyen and Gong, 2012; and Sarikas, Hien, and Djatej, 2009) and discussed accounting treatment or practice, especially, focussed on the Vietnamese GAAP (McGee, 2009; Nguyen, 2002; and PwC, 2008). In terms of research method, some papers written by Vietnamese authors are descriptive and omit references. For example, Phan (2009) argued that Vietnam had no urgent demand for high quality accounting information in compliance with IFRSs. However, Phan did not provide the base of her opinion. This argument seems Phan's opinion, because no reference is quoted. It raises the demand for academic research in Vietnam, particularly in theory of the Vietnamese accounting, and implementation of IFRSs.

2.2.3.2 Studies of implementation of IFRSs in Vietnam

This section provides literature related to implementation of IFRSs in Vietnam announced by previous researchers and clarifies what previous researchers have done and what issues will be targeted in this research. Three notable papers, which are closest to the author's research arena, are the works of Doan and Nguyen (2013), Nguyen and Gong (2012) and Nguyen and Tran (2012).

Firstly, Doan and Nguyen (2013) described comprehensive aspects of Vietnamese accounting system consisting of accounting environments (pp.75-76), history of its development (pp.77-79), accounting regimes (pp.79-83), harmonisation of VASs with IFRSs (pp.83-87), management accounting (pp.88-89), and accounting profession (pp.89-91). The most noteworthy section of this paper is their transcription of fifteen interviewees' opinions of improvement and individual aspects of Vietnamese accounting regimes since implemented IFRSs (pp.80-83). In term of harmonisation with IFRSs, they described the institution of process of implementation of IFRSs and provided a list of VASs issued in comparison with equivalent IFRSs. Doan and Nguyen (2013, pp.85-86) also pointed out a few key different issues of VASs from IFRSs to illustrate their arguments. In the conclusion of their work, more importantly, they suggest the need for further researching into the level of harmonisation of VASs with IFRSs, factors influencing implementation of IFRSs in Vietnam and theory of Vietnamese accounting (p.92).

Secondly, Nguyen and Gong (2012) studied the process of convergence of IFRSs in Vietnam. They described the changes in the Vietnamese accounting system, when the Vietnamese government implemented IFRSs. Through comparing, Nguyen and Gong (2012) briefly stated key differences between IFRSs and VASs and suggested a strategy for the convergence. The most valuable contribution of the work is the description of causes of the differences based their assessment of Vietnamese accounting environments. Those consist of legal, economic and cultural environments and shortage of professional staff (Nguyen and Gong, 2012, pp.34-35). However, they have not provided the data and explained the method employed in the research which helps them to form their assessments of Vietnamese accounting environments. Especially, the work has not provided a theory which can help to explain the phenomena occurring in Vietnamese accounting system.

Thirdly, Nguyen and Tran (2012) investigated harmonisation of Vietnamese accounting with IFRSs in the aspects of the involvement of the Vietnamese government in the process of implementation. They argued that the government has heavily interfered to the process of harmonisation. The co-existence of VASs and uniform accounting regimes make the implementation face more challenges

(Nguyen and Tran, 2012). It is notable that their work was based on archives and documentary materials. It seems to be summaries of previous researches to which the authors added their critical comments. Hence, further research base on empirical data and evidence is necessary.

In brief, the three papers have provided general features of Vietnamese accounting system and described the process of implementation of IFRSs in Vietnam. However, those have not explained data and methods which form their opinions. In addition, the papers have portrayed the phenomena, but not explained the nature of such phenomena incurred in implementation of IFRSs. Hence, it is necessary to investigate insight the nature of the phenomena and find theories which cause the phenomena.

2.2.4 Conclusion

Theories of a national accounting framework are regarded as the base of national accounting systems. Understanding the national accounting theories is essential to identify attributes, nature and purposes of national accounting. Because of the interdependence between national accounting system and environment, understanding accounting theory also helps to realise factors which influence national accounting (section 2.2.1). Learning national accounting patterns might help accounting policy makers and standard setters have a good opportunity to predict benefits and challenges when they develop or adjust national accounting system (section 2.2.1). Identifying the theories applied in the implementation of IFRSs, therefore, could help to understand the nature of the implementation of IFRSs and the attitude of the countries in implementation of IFRSs. It also helps to assess the opportunity for achieving a successful implementation of IFRSs in developing countries, particularly, the implementation in Vietnam through issuing Vietnamese Accounting Standards (VASs). Therefore, studying accounting theories in Vietnam is useful to recognise the nature and cause of influential factors, to predict challenges and benefits, and to find a sound solution for a successful implementation of IFRSs (chapter 6). In addition, national accounting systems vary among countries (section 2.2.1). Although many issues of accounting are similar among countries such as accounting basic concepts or patterns, previous researchers argued that the variation of national accounting

systems are derived from the distinctive environments in which accounting systems are set up and practised (section 2.2.2.1). Among those factors (2.2.2.1), institutions and culture are regularly mentioned as the key influential factors (sections 2.2.2.2 and 2.2.2.3). The findings help the author focus on institutional and cultural factors when reviewing further of previous literature of implementation of IFRSs in other countries (section 2.3), investigating the basis of the Vietnamese accounting system and its environment (chapters 3 and 4), and conducting this research (chapters 6, 7 and 8). Based on previous studies related to Vietnamese accounting and implementation of IFRSs (2.2.3), this study further investigates theories which lead to the phenomena incurred in Vietnamese accounting system when Vietnamese authoritative bodies make decision on applying IFRSs. More importantly, it explores the foundation of forming Vietnamese accounting theories (chapter 6). This study also examines evidence which helps to assess links between theories of implementation of IFRSs in Vietnam with events and phenomena incurred in setting Vietnamese accounting system (chapter 6). The influence of the theories to information presented in financial statements is also investigated to find further evidence on the implementation in accounting practice (chapter 8).

2.3 Factors influencing the implementation of IFRSs

This section focuses on factors influencing implementation of IFRSs which helps to answer the second research question of “what factors are influencing the implementation of IFRSs in Vietnam?” The recognition of nature of the factors is vital for achieving a successful implementation of IFRSs in two aspects of increasing benefits and decreasing challenges (UNCTAD, 2005). This section is structured in six sub-sections consisting of motivations in implementation (2.3.1), methods of implementation of IFRSs (2.3.2), institutional factors (2.3.3), cultural factors (2.3.4), other factors (2.3.5) and conclusion (2.3.6).

2.3.1 Motivations in implementation

Motivations influence implementation of IFRSs argued by many previous researchers (Ball, Robin and Wu, 2003; and Chand and Patel, 2008). A variety of motivations of adoption/implementation of IFRSs has been realised. It might be categorised in three common motivations as follows.

2.3.1.1 Improvement of the national accounting system

Many countries made decision on implementation or adoption of IFRSs in order to improve national accounting systems (e.g. Aljifria and Khasharmeh, 2006; Mir and Rahaman, 2005; and Tyrrall, Woodward and Rakhimbekova, 2007).

Authoritative bodies of accounting in developing countries have implemented IFRSs, because those expect that the high quality of IFRSs could improve their national accounting system (Aljifria and Khasharmeh, 2006; Chand, 2005; Chand and White, 2007; Mir and Rahaman, 2005; and Narayanaswamy, 2007). Indeed, when adopting IFRSs, the countries might achieve globally consistent and unifying financial systems which provide cost-efficiencies to business and greater safeguards to the public (Wong, 2004, p.5). Such kind of financial information could increase reliability and limit mistakes in doing business of various users. Hence, implementing or adopting IFRSs is expected as a good choice to improve the national accounting system in many developing countries. Hence, it raises a question whether Vietnam has implemented IFRSs in order to improve the national accounting system. When the answer is yes, this research further investigates in which accounting aspects has been improved.

2.3.1.2 Development of national capital markets

Development of national capital markets leads to an increase in the demand for implementation of IFRSs in developing countries (Chand, 2005; Nasir and Zainol, 2007; Xiao, Weetman and Sun, 2004; and Zhang and Lu, 2007). In China, for example, the development of the capital market in 1979 was the major force driving the Chinese Government to implement IFRSs (Zhang and Lu, 2007, p.193). Especially, the opening of the Shanghai Stock Exchange in 1990 has pushed the authoritative bodies to issue Chinese Accounting Standards based on IFRSs, because this event has raised the large demands for improving financial information (Xiao, Weetman and Sun, 2004; and Zhang and Lu, 2007).

Motivation of implementation of IFRSs is derived from both of the interest of international investors, and the willingness of host countries, because international investors look for new business opportunities and developing countries intend to attract international investors (Alp and Ustundag, 2009; Narayanaswamy, 2007; Irvine, 2008; and UNCTAD, 2007d). Consistent with the argument, Wong (2004, p.7) argued that investors will be more willing to

diversify their investments across borders if they are able to rely on financial information based on a similar set of standards.

2.3.1.3 Globalisation and satisfy demands from international organisations

As globalisation trend experienced widely and deeply, the increasing mobility of capital in national markets has pressured the demand for harmonisation of reporting frameworks and related standards (UNCTAD, 2005). The trend towards globalisation forces developing countries to approach IFRSs (Aljifri and Khasharmeh, 2006; Zhang and Lu, 2007; Chand and White, 2007; and Chand and Patel, 2008). The development of international capital markets has helped fuel demand for a common worldwide accounting framework (Street, 2002b). The wide acceptance of IFRSs in the international capital markets has convinced hesitant countries to accept IFRSs (Narayanaswamy, 2007). The motivation of applying international accounting has often been linked to the demand of being listed outside the countries (Street and Gray, 2001).

While those arguments stated above are motivations driven by implemented nations, international organisations and developed countries heavily influence developing countries in making the decision for implementation of IFRSs (Irvine, 2008). Developing countries cannot resist implementing IFRSs because of the impact of donor agencies, and major international forces (e.g. Chand, 2005; and Mir and Rahaman, 2005). Governments of developing countries have been pressured by international organisations such as the World Bank or the IMF to make a decision on adoption or implementation of IFRSs to get funds or helps from the organisations (Mir and Rahaman, 2005; and Tyrrell, Woodward and Rakhimbekova, 2007). Consistent with this argument, other researchers have said international organisations put pressures on developing countries to change their national accounting systems and to move towards the accounting systems of developed countries such as IFRSs and the US GAAP or adopting IFRSs (Jermakovicz and Tomaszewski, 2006; Perera and Baydoun, 2007; Zeghal and Mhedhbi, 2006). In terms of Vietnam, the European Union, the World Bank and Asian Development Bank have significantly supported the Vietnamese government to develop accounting and auditing such as the project EURO-

TAPVIET lasting seven years (1995-2002) and the project “Improvement on Financial Management in Vietnam” (MOF, 2006, p.6).

The above review indicates that many countries have adopted or implemented IFRSs because of the influence of both internal and external factors.

Understanding the real motivation for implementing IFRSs of a country might help to realise the nature of implementation and to predict challenges and benefits for the implementation.

2.3.2 Methods of implementation of IFRSs

There are four common methods used in implementation of IFRSs (Wong, 2004; and Chand and Patel, 2008). Those are: (1) full adoption of IFRSs; (2) full adoption of IFRSs but with a time lag; (3) selective adoption of IFRSs; and (4) amendments or additions to IFRSs in order to issue national accounting standards (Wong, 2004). Notably, although four methods are commonly used in implementation of IFRSs, developing countries, in fact, have approached IFRS under various methods in detail (Chand and Patel, 2008, p.83). It is because of the distinctive environment of every particular country (Wong, 2004). Methods applied to implement IFRSs in a country might cause particular challenges/benefits and influence the outcomes of implementation of IFRSs (Sands and Pragasam, 1997; and Chand, 2005). Consistent with this position, Chand and Patel (2008) argued that the purposes and methods of implementation of IFRSs should influence the outcomes of the implementation. It is because the differences of methods of implementation could lead to different national accounting standards which are based on IFRSs (Sands and Pragasam, 1997). Hence, it is necessary to identify the most suitable approach to stimulate the country’s ability to achieve a successful implementation (Chand and Patel, 2008, p. 84).

In Vietnam, IFRSs have not been fully adopted. The first VAS was issued in 2001, but up to 2012, there were twenty-six VASs having been issued (3.3.5.2). The Vietnamese authoritative bodies have maintained both uniform accounting regimes and VASs which were based on IFRSs (Nguyen and Gong, 2012; Nguyen and Tran, 2012, and Tran, 2010). However, such papers are descriptive and stopped at realisation of the phenomenon occurred in the Vietnamese

accounting system and practice (section 2.2.3.2). It is, therefore, essential to investigate further the method of implementation of IFRSs used in Vietnam, and to analyse influences of the method on its outcomes (chapter 6 and 7). The identification of the Vietnamese method may help to understand the attitude and the goal of Vietnamese authoritative bodies in the implementation.

2.3.3 Institutional factors

This section focuses on influences of institutional factors on the implementation of IFRSs which are summarised in table 2.1.

Table 2. 1 Institutional factors influencing implementation of IFRSs

Institutional factors	Authors
National governments and political systems (2.3.3.1)	Irvine, 2008; Mir and Rahaman, 2005; Nguyen and Gong, 2012; Nguyen and Tran, 2012; Perera and Baydoun, 2007; Street, 2002b; Wong, 2004; Xiao, Weetman and Sun, 2004.
National legislation of implemented nations (2.3.3.1)	Chand, 2005; Nguyen and Gong, 2012; Perera and Baydoun, 2007; Wong, 2004; Xiao, Weetman and Sun, 2004.
Influences of professional accounting organisations in implementing nations (2.3.3.2)	Chand and Patel, 2008; Mir and Rahaman, 2005; Nguyen and Gong, 2012; Perera and Baydoun, 2007; ROSC, 2008; Street and Gray, 2002; Street, 2002b; UNCTAD, 2007c; Wong, 2004.
Scale, developed level and structure of national economy i.e. proportion of MNCs and local companies, banks, listed companies, FDI companies, capital markets (2.3.3.3)	Chand, 2005; Irvine, 2008; Joshi, Bremser and Al-Ajmi, 2008; Street and Gray, 2002; Wong, 2004; Xiao, Weetman and Sun, 2004; Zhang and Lu, 2007.
Influences of international financial institutions, international government, international capital markets (2.3.3.4)	Ashraf and Ghani, 2005; Irvine, 2008; Mir and Rahaman, 2005; Nguyen and Tran, 2012; Xiao, Weetman and Sun, 2004; Zhang and Lu, 2007.
Influences of international professional accounting firms (for example, Big Four) (2.3.3.4)	Chand, 2005; Chand and Patel, 2008; Irvine, 2008; Joshi, Bremser and Al-Ajmi, 2008; Wong, 2004.

2.3.3.1 The influences of national governments and politics

National governments take an important role in the process of implementation of IFRSs (Wong, 2004). The role of the governments has been exhibited in many aspects consisting of the strategy of approaching IFRSs, methods of implementing, timetable for achieving IFRSs, contents of national accounting standards, and regulations or interpretations to apply IFRSs (Chand, 2005; Irvine, 2008; Street, 2002b; and Wong, 2004). For example, when authoritative bodies in accounting agree to apply both national GAAP and IFRSs at the same time, the co-existence might lead to the difficult situation for implementing IFRSs and accounting practice in the long run (Street, 2002b). Particularly, when the government is directly involved in the process of implementation or adoption of IFRSs, the outcome of the implementation is heavily influenced (Nguyen and Tran, 2012; and Wong, 2004). It is because the government should seek suitability with tax accounting, national economic strategies and financial accounting, when running other governmental functions such as taxes and economic policies. In addition, political policies have influenced the implementation of IFRSs in many countries such as Bangladesh (Mir and Rahama, 2005), China (Xiao, Weetman and Sun, 2004), Egypt (Abd-Elsalam and Weetman, 2007), Pakistan (Ashraf and Ghani, 2005) and Vietnam (Nguyen and Tran, 2012). In particular developing countries, politics is the most influential factor for the countries making the decision on the adoption or implementation of the IFRSs (Mir and Rehaman, 2005; Ashraf and Ghani, 2005; and UNCTAD, 2007c).

2.3.3.2 Role of professional institutions in accounting

Professional institutions in accounting take an important role which helps developing countries to achieve successful implementation of IFRSs (Chand and Patel, 2008; and Wong, 2004). The organisations which regulate accounting laws, regulations and policies also take an important role in the process of implementation or adoption of IFRSs (Chand, 2005 ; Chand and Patel, 2008; and Chen, Sun, and Wang, 2002). In some countries, the role of the accounting profession is limited and is not supported by legislative systems (World Bank, 2004). Vietnam is consistent with this phenomenon (section 4.2.4). There are legislative ties that make the process of implementation of IFRSs regularly bound

by state organisations, and private professional institutions lack a chance to join or contribute their support during the implementation experienced (World Bank, 2004). The cooperation of administrative organisations or standard-setting boards in auditing and accounting is sometimes not good enough and causes many challenges for accounting preparers and auditors (World Bank, 2004).

2.3.3.3 Level of development and attribute of national capital markets

The level of development and attributes of national capital markets influence the process of implementation of IFRSs. The particular structures of a transforming economy in every country, for example, strong state ownership sector in China (Chen, Sun, and Wang, 2002; Xiao, Weetman, and Sun, 2004); the influence of the oil and garment industries in Bangladesh (Mir and Rahaman, 2005); oil and bank industries in UAE (Irvine, 2008); and Islamic behaviour in business in Malaysia (Nasir and Zainol, 2007) are also significant factors influencing the implementation of IFRS. In addition, particular attributes of national capital markets also influence on the implementation (Hope, Jin and Kang, 2006). There is a significant negative association between the adoption of IFRSs and the level of investor protection. Countries with weak levels of shareholder protection are more likely to adopt IFRSs than those with strong levels of shareholder protection. Countries providing better access to their stock markets for international investors are more likely to adopt IFRSs (Hope, Jin and Kang, 2006).

2.3.3.4 International professional accounting firms and multinational companies

International accounting firms have also played a significant role in the globalisation of accounting because they support accounting standard setters of developing countries in interpreting and adequately applying IFRSs (Chand and Patel, 2008; Irvine, 2008; Joshi, Bremser, and Al-Ajmi, 2008; and Tyrrall, Woodward and Rakhimbekova, 2007). They can use their experienced professional accountants to help accounting standard setters of developing countries to apply those standards (Chand and Patel, 2008, p.86). In addition, those firms strongly supported the International Accounting Board in order to enhance their own prestige, enhance their own competitive advantage over local

accounting firms, reduce training costs, generate greater demands for their services, and maintain private control over the accounting standard setting process (Taylor, 1987, cited by Kenny and Larson, 1995). International professional accounting firms will benefit on the implementation of the IFRSs because they can expand their services (Larson and Kenny, 1995; Irvine, 2008). It explains the support and encouragement of international professional accounting firms for the process of implementation/adoption of IFRSs in developing countries.

2.3.4 Cultural influences

This section provides further cultural influences with a focus on the effect on implementation of IFRSs, which consists of social values and accountants' behaviour and characteristics (2.3.4.1), Hofstede's theory of culture and the implementation of IFRSs in Vietnam (2.3.4.2), and influences of language (2.3.4.3).

2.3.4.1 Social values and accountants' behaviour and characteristics

Social values and accountants' behaviour and the characteristics strongly influence implementation of IFRSs in many aspects such as professional accounting judgment or measurement (Askary, 2006; and Baydoun and Willett, 1995), interpretation and application (Ball, Robin and Wu, 2003; Baydoun and Willett, 1995; Chand and White, 2006; Combs, Samy and Myachina, 2012; and Wong, 2004), and preparation and disclosure of financial information (Abd-Elsalam and Weetman, 2007). Nabar and Boonlert-U-Thai (2007) argued that culture is an important determinant of accounting choice and should be considered by accounting standards setters. Haniffa and Cooke (2002) said that cultural factors significantly influence disclosures in financial statements in Malaysia. Chow, Chau and Gray (1995) argued that Chinese culture and its sub-culture might impede the implementation of IFRSs in China. Chinese accounting is characterised as statutory control, uniform practice, a conservative measurement approach and secrecy in disclosure (Chow, Chau and Gray, 1995). In contrast, IFRSs that are prepared on the basis of Anglo Saxon cultures emphasise professional self-regulation and judgements (Chow, Chau and Gray, 1995). Therefore, the success of the implementation of IFRSs in China was still

in the question (Chow, Chau and Gray, 1995). Vietnam and China share many similar aspects such as politics (communist countries) (4.2), eastern culture (influenced by Buddhism, Confucianism and Taoism) (4.3) and economy (free market economy under socialist orientation) (4.4). Hence, lessons of cultural influence on implementation of IFRSs in China should be considered in Vietnam.

2.3.4.2 Hofstede's theory of culture and the implementation in Vietnam

This section focuses on the Hofstede's theory of the Vietnamese culture and discusses the influence on the Vietnamese accounting system, while a full review of Vietnamese culture is provided in section 4.3. The Vietnamese society is categorised in high "power distance" (scored at 70), low "uncertainty avoidance" (scored at 30), "collectivism" (scored at 20), and "femininity" (scored at 40) (Hofstede, 2001, pp. 500-503).

Firstly, high power distance means that the less powerful Vietnamese people accept an unequal distribution of power in the Vietnamese society or organisations (Hofstede, 1980 and 2014). A society with high power distance could lead to a low rank in degree of professional (Gray, 1988, p.9), and is favour of uniformity (Perera, 1989). If the theories of Gray and Perera are correct in the Vietnamese environment, the implementation of IFRSs in Vietnam should face more challenges, because implementation of IFRSs needs a high professional accounting environment including professional accountants. This dimension of the Vietnamese culture does not support the implementation.

Secondly, Vietnamese society is classified as low uncertainty avoidance (Hofstede, 2001 and 2014). Uncertainty avoidance is defined as the degree to which the members of a society feel uncomfortable with uncertainty and doubt (Hofstede, 1980). Gray (1988, p.7) explained that high uncertainty avoidance leads to a grid code while low uncertainty avoidance maintains a more flexible atmosphere in society. This Vietnamese cultural dimension could assist the implementation of IFRSs, because of the flexibility of accountants and accounting standards setters, if the Gray's theory is accurate in Vietnam.

Actually, the Vietnamese people exhibit careful behaviour, strictly follow rules, and willingly avoid conflicts while living in the communist society (3.5.3.3. and

4.3.4.1). Thus, it is interesting to explore how the Vietnamese people's behaviour and their reaction influence the implementation of IFRSs in Vietnam.

Thirdly, in terms of individual and collective dimensions, Hofstede (2001 and 2014) argued that Vietnamese society has a collective style. Consistent with the Hofstede's work, Tran (2006, p.46) said that Vietnamese people tends to support collective opinion. The higher degree of collectivism leads to a greater degree of the secrecy in accounting practice (Gray, 1988). It means that the Vietnamese financial statements could be limited in explanation and disclosure based on the Gray's theory. The collectivism of the Vietnamese culture seems to impede the implementation in Vietnam, because transparency of financial information is one of key targets of IFRSs.

Fourthly, in terms of masculinity and femininity, Hofstede (2001 and 2014) said that the Vietnamese society should rank higher in femininity and lower masculinity. Masculinity and femininity refer to the social differentiation in the roles of different sexes in achievement, material success, and heroism (Hofstede, 1980 and 2014). The lower a country ranks in the term of masculinity the more likely it is to rank higher in conservatism and secrecy (Gray, 1988, p. 10 & 11). If the theory of Gray (1988) is correct on this occasion, it can be assumed that Vietnam will face more challenges in the implementation of IFRSs.

2.3.4.3 The influences of language

Language is mentioned as a strongly influential factor in the implementation of IFRSs (e.g. Abd-Elsalam and Weetman 2003, Irvine, 2008; and Wong 2004). English language used in writing IFRSs is a significant issue for the countries having adopted or intended to adopt IFRSs, when English language is not the first language in the countries (Aljifria and Khasharmeh, 2006; Evans, 2004; Wong, 2004; and Zeff, 2007). The users and preparers in those countries are not good enough at English to use the IFRSs directly, and the accounting authoritative bodies in those countries have to spend plenty of time in translating IFRSs into their own language (Abd-Elsalam and Weetman, 2003; Wong, 2004). Most users feel that IFRSs should be written in simple English in order to be better accommodating translation (Wong, 2004, p.12). As a result, they often lag behind the effective time required by the IASB (Mir and Rahaman, 2005; and Street,

2002b). The translation of the IFRSs into another national language is often a problem technically because of no having similar terms in comparison with other languages (Abd-Elsalam and Weetman, 2003, p. 67 & 80; Evans, 2004). It is a fact that most of developing countries use their languages different from English language (Wong, 2004). It could be argued that the issue of using different language might lead developing countries to face more challenges than usual in the implementation of IFRSs. A literature review on the challenges of language on the implementation of IFRSs is further discussed in section 2.5.2.2.

2.3.5 The influences of other factors

This section provides other factors which are commonly mentioned by previous researchers. Those consist of the “western” nature of IFRSs (2.3.5.1), and company specific factors (2.3.5.2).

2.3.5.1 The “Western” nature of IFRSs

The influence of the philosophy of the common law and western accounting in IFRSs raises further challenges (Kenny and Larson, 1995; Ball, 2006). IFRSs have the “western-centric nature” or are based on an “Anglo-Saxon” accounting model (Hoarau, 1995; Irvine, 2008; Kenny and Larson, 1995; and Perera, 1989). The attribute of IFRSs causes challenges for developing countries in the process of adoption or implementation (Irvine, 2008). The International Accounting Standards Committee Foundation which promulgates IFRSs through the IASB enjoys the orientation of common law in setting IFRSs (Ball, 2006, p.24). Even the International Accounting Standards Committee Foundation has six trustees from the Asia/Oceania region, six from Europe, six from North America and four from any region of the world, the trustees of IFRSs in 2006 reflect a strong common-law philosophy (Ball, 2006, p.24). In addition, the complexity of IFRSs also influences implementation of IFRSs in many countries (Wong, 2004). How the nature of IFRSs that leads to challenges for developing countries in implementation of IFRSs is reviewed further in section 2.5.3.2.

2.3.5.2 Company specific factors

Particular attributes of a company, including its operational environment, also influence implementation or adoption of IFRSs (e.g. Street and Gray, 2002;

Street, 2002b; Wong, 2004; Aljifri and Khasharmeh, 2006; and Chand and Patel, 2008). They include a company's trading status (listed or unlisted), company size, profitability, industry, the manner in which companies refer to IASs, type of audit standard adhered to, the country of domicile, multi-nationality characteristic of the company, and size of the home stock markets where the company list its shares (Street and Gray, 2002). SMEs regularly experience more challenges than benefits in the implementation (UNCTAD, 2005). Multi-national companies also take a certain part in the implementation of IFRSs in developing countries, because they persuade and encourage accounting authoritative bodies in the domicile to permit the use of IFRSs (Chand, 2005; Joshi, Bremser, and Al-Ajmi, 2008; and Street and Gray, 2002). Additionally, some factors are positive in a certain country, but negative in other countries (Street, 2002b). It raises a demand for further research into the influence of the factors in the implementation of IFRSs in other countries.

2.3.6 Conclusion

Many factors influence implementation or adoption of IFRSs consisting of motivation (2.3.1), methods (2.3.2), institutions (2.3.3), culture (2.3.4) and some other factors (2.3.5). Interestingly, a further review of motivations indicates that motivations might influence method and nature of implementation of IFRSs in a nation and helps predict benefits/challenges and outcomes of the implementation in the country (2.3.1). This thesis will focus on what are the actual motivations of the Vietnamese government, and furthermore determine the motivations that were key factors of the implementation. The knowledge gained might help to find the goals and a suitable theory of the implementation. Four common methods of implementation of IFRSs have been reported (2.3.2). Every method can possibly lead to different results. The Vietnamese government has selected some IFRSs to prepare 26 VASs, and argued that VASs were based on IFRSs. This study will investigate the reason for why the government has chosen a selected method and compare the percentage of VASs that are similar to IFRSs, based on a comparison of VAS 01 with corresponding one (chapters 6 and 7). The findings might help to explain challenges and benefits for the Vietnamese accounting system and suggest a theory of Vietnamese accounting system.

Institutions influence implementation of IFRSs on many aspects, consisting of the roles of national government and politics (2.3.3.1), the role of accounting professional institutions (2.3.3.2), the level of development and attribute of national capital markets (2.3.3.3), and international professional accounting firms and multinational companies (2.3.3.4). Empirical chapters will investigate main institutions occurring in Vietnam, with a focus on political institutions, the government, level of development of the Vietnamese markets and particular features of economic environment in Vietnam. The thesis also explores the role of professional accounting bodies and seeks evidence on the influence of international organisations and governments of developed countries the implementation (chapter 7).

The most common cultural factors influencing implementation of IFRSs are national values (2.3.4.1) and language (2.3.4.3). National values influence accounting and financial statements on many aspects such as transparency and secrecy of financial information. Behaviour and characteristics of accountants and accounting standard setters also affect implementation of IFRSs. This study will investigate influences of the Vietnamese values, and the Vietnamese language on implementation (chapters 6 and 7), and particularly, influences of Vietnamese accountants' behaviour on preparing and presenting financial statements (chapters 7 & 8). Influences of the Vietnamese cultural dimensions on the implementation of IFRSs in Vietnam will be investigated and discussed in empirical chapters 7 and 8.

2.4 Benefits for implementation of IFRSs

This section helps to find answers to research question 3: What are the benefits for Vietnam in implementing IFRSs? Three main benefits for implementation have been commonly reported, consisting of benefits for financial statements (2.4.1), benefits for national accounting system (2.4.2), benefits for national economy and capital market (2.4.3). The conclusion of this section is provided in section 2.4.4.

2.4.1 Benefits for financial statements

Implementation/adoption of IFRSs brings many benefits for the improvement of quality of financial information which are summarised in the following table:

Table 2. 2: Benefits for financial statements

Contents	Authors and published years
Significantly facilitate financial reporting requirements for international corporations investing in domestic markets	Tyrrall, Woodward and Rakhimbekova, 2007, p. 92;
Bring a greater transparency and enhance the comparability of financial statements	Wong, 2004; Aljifri and Khasharmeh, 2006; Jermakowicz and Tomaszewski, 2006; Joshi, Bremser, and Al-Ajmi, 2008; Tyrrall, Woodward and Rakhimbekova, 2007; and Wong, 2004
Provide greater relevance and reliability of financial information; and reduce the possibility of illegal acts such as frauds	Joshi, Bremser, and Al-Ajmi, 2008;
Provide more detailed commentary around disclosures and narratives; and improve disclosure and better sharing of information	Ernst and Young, 2006;
Improve the quality of financial information	World Bank, 2004; UNCTAD, 2005 & 2007c; Zhang and Lu, 2007;
IFRS-based corporate reports are considered to be more reliable and understandable than statutory reports; and to provide better information	UNCTAD, 2005, p.11;
Improve the efficiency and effectiveness of financial reporting;	Joshi and Ramadhan, 2002;
Save multinational corporations the expense of preparing more than one set of financial statements for different national jurisdictions	Irvine, 2008, p.131;
Help to avoid the additional issuance and transaction costs for converging financial statements as listed in different financial markets;	UNCTAD, 2005

The improvement in transparency of financial information is shown through providing commentary on the financial disclosures in more detail and displaying further narratives relating to the numbers of the financial statements (e.g. Ernst and Young, 2006; Bowrin, 2007). The comparability of the financial statements is

also significantly improved when financial statements comply with IFRSs (e.g. Wong, 2004; Zhang and Lu, 2007). There is a greater comparability of IFRS based financial statements on account of the uniformity of financial statements (Bowrin, 2007). IFRS based financial statements provide reliable information for a variety of users such as banks, investors and business partners (UNCTAD, 2005; Joshi, Bremser, and Al-Ajmi, 2008), and help to improve the quality of financial information (Zhang and Lu, 2007). The governments also get the benefits when using reliable financial information for national statistic plan (Joshi, Bremser, and Al-Ajmi, 2008).

2.4.2 Benefits for national accounting system

Key benefits for national accounting system are summarised in table 2.4 as follows.

Table 2. 3: Benefits for national accounting system

Contents	Authors
Improve the perception of accounting profession across the world of financial reporting;	Aljifri and Khasharmeh, 2006;
Save multinational corporations the expense of preparing more than one set of accountants for different national jurisdictions;	Irvine, 2008, p.131;
Help to avoid the additional issuance and transaction costs for converging financial statements as listed in different financial markets;	UNCTAD, 2005
Get a significant growth in technical accounting issues;	UNCTAD, 2007b; Irvine, 2008, p. 131;
Enhance the professional status of accounting bodies;	Irvine, 2008, p. 131;
Save time, costs and efforts in setting up and develop national accounting standards;	Aljifri and Khasharmeh, 2006
Bring national accounting standards to higher level and closer to IASB's standards.	Aljifri and Khasharmeh, 2006; UNCTAD, 2007c; Zhang and Lu, 2007

Implementation of IFRSs helps developing countries to introduce sound accounting standards which have been applied in many countries (Ip and

Noronha, 2007; UNCTAD, 2007c; Joshi, Bremser, and Al-Ajmi, 2008). IFRS are to provide "*a single set of high quality, uniform, globally-applied, and enforced accounting standards that is essential for both domestic and cross-border investment and financing decisions*" (Deloitte, 2003). Indeed, sound accounting standards are a necessary condition for providing reliable, comparable and transparent financial information to external users. It is very difficult for a single country to establish a set of accounting standards that are internationally accepted (IASB, 2006). Additionally, developing countries would spend a lot of money if they tried to prepare a set of high quality accounting standards by themselves (IASB, 2006; UNCTAD, 2007c).

Secondly, developing countries had the benefit of using the accounting conceptual framework, and the IASB's concepts when implementing IFRSs (e.g. Aljifri and Khasharmeh, 2006; Lin, Chen and Tang, 2001). In China, for example, the new accounting system based on international accounting standards has contributed positively to bridging the gap between Chinese accounting and international accounting norms (Lin, Chen and Tang, 2001). The implementation of IFRSs led to a significant improvement in accounting in unifying its accounting practices in China and reduced further the differences between China GAAP and the IASs (Ng, Yuen and Pacter, 2002). The figures of financial statements prepared under Chinese accounting standards are not significantly different from those prepared under IFRSs (Ip and Noronha, 2007).

Thirdly, IFRSs provide many facilitated means in technique that helps accounting practice (Saudagaran and Diga, 1998; Irvine, 2008). The implementation of IFRSs is to help accountants to deal with a variety of specific accounting issues by providing further accounting standards compared with national accounting regulations (Tyrall, Woodward and Rakhimbekova, 2007). The implementation of IFRSs has brought national accounting standards to higher level and closer international accounting standards (Aljifri and Khasharmeh, 2006; UNCTAD, 2007c; Zhang and Lu, 2007).

2.4.3 Benefits for national economy and capital market

The following table provides a summary of the benefits for the national economy and capital markets of countries implementing IFRSs.

Table 2. 4: Benefits for national economy and capital markets

Contents	Authors
Help efficient allocation of financial resources by reducing the barriers created by national accounting regulations	Wong, 2004; UNCTAD, 2005;
Provide better information for governments for economic planning	Aljifri and Khasharmeh, 2006
Develop national economy, capital markets, facilitate for understanding of operations of multinational companies, and attract FDI	Aljifri and Khasharmeh, 2006; Irvine, 2008, p.131; Mir and Rahaman, 2005, p. 831; Tyrrall, Woodward and Rakhimbekova, 2007, p.92; Wong, 2004; Zhang and Lu, 2007;
Help achieve the greater mobilisation of domestic and international financial markets	UNCTAD, 2005; Jermakowicz and Tomaszewski, 2006;
Help to assess to international funding and facilitate for quotation of company shares on the international stock exchanges	Tyrrall, Woodward and Rakhimbekova, 2007, p.98 and p.92
Help the firms applied IAS improve the opportunities to obtain financial assistance from the banking sector; and reduce cost of capital	Joshi and Ramadhan, 2002; Wong, 2004; UNCTAD, 2005;
Support the stability of the international financial market; and improve investor confident	UNCTAD, 2005;

Implementation of IFRs takes an important part in the development of a national economy (Mir and Rahaman, 2005, p. 831; Wong, 2004; and Zhang and Lu, 2007). Benefits for the national economy and capital markets have been realised in many aspects such as attracting FDI (Wong, 2004; Mir and Rahaman, 2005, p.831; Aljifria and Khasharmeh, 2006; Tyrrall, Woodward and Rakhimbekova, 2007, p.92; Irvine, 2008, p. 131), facilitating understanding of the operations of multinational companies (Aljifri and Khasharmeh, 2006), helping to industrialise the economy rapidly (Irvine, 2008, p.131), providing better information for the government in economic planning (Aljifri and Khasharmeh, 2006), helping to assess international funds (Tyrrall, Woodward and Rakhimbekova, 2007, p.98), and helping the firms who have applied IAS to improve the opportunities to obtain financial assistance from the banking sector (Joshi and Ramadhan, 2002). Additionally, implementing IFRSs leads to a significant advantage for multi-

national companies (MNCs) and listed companies in time and cost saving when preparing and presenting financial statements, especially, in consolidating financial statements (e.g. Tyrrall, Woodward and Rakhimbekova, 2007; Joshi, Bremser, and Al-Ajmi, 2008).

Secondly, benefits for capital markets caused by implementation of IFRSs consist of decreasing capital costs (Wong, 2004; UNCTAD, 2005), easing quotation of company shares on the international stock exchanges (Tyrrall, Woodward and Rakhimbekova, 2007, p.92), developing capital markets (Mir and Rahaman, 2005, p.831; Zhang and Lu, 2007; Irvine, 2008), improving the trust of investors (UNCTAD, 2005), helping a efficient allocation of financial resources (UNCTAD, 2005), increasing the mobilisation of capital in both national markets and international markets (UNCTAD, 2005; Jermakowicz and Tomaszewski, 2006). Implementation of IFRSs allows entities in different capital markets to use the same standards to measure and report their financial position and financial performance (Tokar, 2005). The implementation of IFRSs will save MNCs the expense of preparing more than one set of financial reports for different national jurisdictions (Chand, 2005, p.216). The implementation brings many benefits for capital markets such as an increase in capital valuation, and a decrease in firms' costs of capital (Daske, Hail, Leuz, and Verdi, 2008). For example, the new Chinese standards that incorporate accounting principles familiar to investors worldwide will encourage investor confidence in China's capital markets and financial reporting and will be an additional spur for investment from both domestic and foreign sources of capital (Deloitte, 2006).

2.4.4 Conclusion

Many benefits from implementation of IFRSs have been realised by previous researchers. Those benefits include the improvement of the reliability, transparency and comparability of financial statements (2.4.1), benefits for setting a national accounting system (2.4.2) and benefits for the national economy and capital markets (2.4.3). The greatest benefits which are most frequently mentioned are the improvement of the accounting conceptual framework and the quality of financial statements (2.4.1). The quality of financial statements is increased by improvement in reliability, transparency and comparability of

financial information. The improvement is a direct result of the implementation which leads to the development of national accounting system (2.4.2). It is obvious that when the national accounting system is improved, the national economy and capital markets should be benefited, because of attracting FDI, encouraging new investments and reducing capital costs (2.4.3). This study focuses on the benefits for the accounting conceptual framework (chapter 6), for accounting standards (chapter 7), and for financial statements (chapter 8). Related to benefits for financial statements, this research also includes the assessment on the improvement of accounting measures and disclosures since Vietnamese accounting has implemented IFRSs (chapter 8).

2.5 Challenges for the implementation of IFRSs

Many challenges for implementation of IFRSs have been found, but they are not completely similar, and the degree of a challenge has not been experienced equally across countries (Wong, 2004; and Ashraf and Ghani, 2005).

Understanding those challenges probably helps countries which are adopting/implementing IFRSs or intending to adopt IFRSs, to realise the better way of achieving international accounting practice (Wong, 2004). This section provides challenges occurring in the implementation of IFRSs which helps to answer research question 4: What are the challenges for Vietnam in implementing IFRSs? The structure of this section consists of four sub-sections: institutional challenges (2.5.1), cultural challenges (2.5.2), other challenges (2.5.3), and conclusion (2.5.4).

2.5.1 Institutional challenges

A variety of institutional challenges has been reported. Those may be categorised in four themes as follows.

2.5.1.1 Inconsistency between national legislation and IFRSs

Firstly, inconsistency between the national legislation and IFRSs causes many challenges for developing countries (World Bank, 2004; UNCTAD, 2005, 2006a and 2007c; Tyrrall, Woodward and Rakhimbekova, 2007). For example, the laws pertaining to the preparing financial statements are too old and not suitable for the implementation (UNCTAD, 2006a and 2007c). The lack of coherence in the

regulatory framework, and insufficient legislation backing for IFRSs as reporting standards in a country may pose significant challenges in implementing IFRSs (Wong, 2004). Notably, certain developing countries, which exhibit code law systems, will encounter more challenges than common law countries in implementation of IFRSs (e.g. Ashraf and Ghani, 2005; Zhang and Lu, 2007). The countries, which apply code law system, commonly allow the existence of both national GAAP and IFRSs, and it causes the implementation in those countries to face more severe challenges (e.g. Street and Gray, 2002; Irvine, 2008).

Secondly, when laws overlap or become inconsistent, or when the roles and responsibilities of legislative institutions are not clearly defined, the implementation of IFRS becomes complicated and inefficient (UNCTAD, 2006a). Such issues normally lead to serious misunderstanding in the implementation (UNCTAD, 2006a). When IFRSs are introduced in a given jurisdiction, they are combined with the national pre-existing laws, regulations and make business entities bear a heavy burden by the governance of many authoritative institutions (UNCTAD, 2006a).

Thirdly, the tax oriented accounting is one of the severe challenges in the implementation of IFRSs of many developing countries (Street, 2002b; Larson and Street, 2004; Sucher and Jindrichovska, 2004; UNCTAD, 2005; Tyrrall, Woodward and Rakhimbekova, 2007; UNCTAD, 2007). A tension between the tax-driven nature of many countries and capital market orientation of IFRSs leads challenges for implementation (Street, 2002b). In fact, tax purpose in accounting leads to many differences in accounting practice from the requirements of IFRSs (Larson and Brown, 2001; Sucher and Jindrichovska, 2004; World Bank, 2004).

2.5.1.2 Political challenges

Some developing countries have implemented/adopted IFRS because of political motivations (Ashraf and Ghani, 2005, p.194; Ezzamel, Xiao and Pan, 2007; Xiao, Weetman and Sun, 2004). Many countries face several challenges in the implementation or adoption of IFRSs, because they wish to gain ‘instant respectability’ or to serve as a ‘politically correct substitute’ for their own accounting standards (Ball et al., 2003, p. 260). Challenges in politics are

exhibited through the involvement of governments to process and content of the implementation (Ezzamel, Xiao and Pan, 2007; Xiao, Weetman and Sun, 2004). Generally, the influence of politics which was raised by national governments (Ashraf and Ghani, 2005, p.194) or international pressure (Xiao, Weetman and Sun, 2004, p.195) affects implementation of IFRSs in developing countries.

2.5.1.3 Inappropriate mechanism

There is a lack of an appropriate mechanism in developing countries that helps to bring the requirements of IFRSs into national accounting conceptual framework, accounting standards, and accounting practice (World Bank, 2004). The lack of legal enforcement powers which make accounting preparers follow requirements of the international authoritative body has often occurred, especially, in the early stage of implementation of IFRSs (Kenny and Larson, 1995). The lack of an appropriate mechanism was also found in the lack of coherent coordination among accounting authoritative institutions in the implementation that causes many challenges for developing countries (Mir and Rahaman, 2005). To obtain a successful implementation or adoption of IFRSs requires the implementing countries having the existence of firm conditions in institutions and regulations, known as “preconditions” (World Bank, 2004). In fact, necessary conditions for the advantageous and sound implementation in developing countries are often under developed or absent (World Bank, 2004). This argument indicates that developing countries have implemented IFRSs because of international influences or under a pressure.

2.5.1.4 Lack of accounting infrastructure and professional institutions

There is a lack of accounting infrastructure and professional institutions that are needed for implementation of IFRSs in developing countries (Chen, Sun, and Wang, 2002, Larson and Street, 2004, Prather-Kinsey, 2006). Only very few professional accountants have a detailed knowledge of IFRSs and these standards require proficiency in the application phase (Wong, 2004). Most developing countries face a shortage of professional accountants who have a good knowledge of IFRSs, and those who are familiar with the practice of IFRSs (Alp and Ustundag, 2009; Chand, 2005; Irvine, 2008; and Wong, 2004). The shortage of expertise is experienced not only in an academic environment such as universities

and institutions, but also in the accounting regulators (Wong, 2004; Mir and Rahaman, 2005). The knowledge deficit might lead to misunderstanding the nature of the implementation of IFRSs (e.g. Wong, 2004, UNCTAD, 2005). It could be argued that the limitation of expertise of IFRSs is very common in developing countries. The phenomenon leads the implementation in developing countries to face more challenges.

2.5.2 Challenges for culture

Many researchers have suggested that the various cultural values of developing countries have impeded the smooth implementation or adoption of IFRSs experienced smoothly (e.g. Wong, 2004; Mir and Rahaman, 2005; UNCTAD, 2005; Irvine, 2008). The challenges to culture include many aspects such as the difference in languages, religions, thoughts and behaviour of accountants (e.g. Abd-Elsalam and Weetman, 2003; Chow, Chau, and Gray, 1995; Irvine, 2008; Perera and Baydoun, 2007; Wong, 2004). The degree of such challenges has been experienced differently across developing countries (Ashraf and Ghani, 2005).

2.5.2.1 Challenges for judgments

The differences in culture among countries lead to judgment challenges of professional accountants when implementing IFRSs (Chand and White, 2006, p84). Culture causes the unique features in national accounting theories and leads to different judgment or measurement in accounting (Perera and Baydoun, 2007; Zhang and Lu, 2007). For example, while IFRSs are principle-based standards and apply a fair value orientation in judgement, traditional Chinese accounting is based on codes (Zhang and Lu, 2007). The differences lead to many challenges for accounting preparers and auditors because of the differences in accounting judgements and principles between the IASB's standards and national GAAP (Zhang and Lu, 2007). For example, the measurement of revenues based on accrual basis and cash basis or the recognition of research and development expenditures in financial statements is often debated in accounting practice (Tokar, 2005). Wong (2004) argued that applying a principles-based approach in international standard setting is important. Code-based countries often face more challenges than principle-based countries when implementing IFRSs.

2.5.2.2 Challenges for language

The most frequently considered issue in terms of cultural challenges is the diversity of national languages which are different from the language officially used in the IASB's standards, English language (e.g. Abd-Elsalam and Weetman, 2003; Larson and Street, 2004; Wong, 2004; UNCTAD, 2005; Irvine, 2008). As a result, the translation of IFRSs into national languages is significantly problematic (e.g. Larson and Street, 2004; Tyrrall, Woodward and Rakhimbekova, 2007; Alp and Ustundag, 2009). Challenges for translation have been experienced under many themes such as the absence of an authoritative translation of IFRSs into national languages (Wong, 2004; Tyrrall, Woodward and Rakhimbekova, 2007), the different interpretation of IFRSs translated into national languages (Street, 2002a, p.89; Joshi, Bremser, and Al-Ajmi, 2008), no similar words having the same meaning as terms used in IFRSs and largely consuming time because of slow translation (Sucher, and Jindrichovska, 2004; Wong, 2004; Alp and Ustundag, 2009). The lack of authoritative translations of IFRSs in national languages and the different interpretations cause inconsistencies or divergence in the implementation or adoption of IFRSs in developing countries (e.g. Street, 2002a; Wong, 2004; Tyrrall, Woodward and Rakhimbekova, 2007). The slow translation of IFRSs into national languages makes the implementation of IFRSs in developing countries often lag behind the effective time of IFRSs and does not help developing countries keep update with the changes in IFRSs (e.g. Abd-Elsalam and Weetman, 2003; Sucher, and Jindrichovska, 2004; Wong, 2004).

2.5.2.3 Challenges for terminology

Challenges to terminology which derive from IFRSs include lengthy English sentences, inconsistent use of terminology, use of similar terminology in different concepts and use of terminology which is very difficult to translate (Wong, 2004; Alp and Ustundag, 2009). Additionally, the words of IFRSs can be read differently depending in part on national GAAP and other cultural issues (Tokar, 2005, p.698). From the viewpoint of developing countries, the concepts used in developing countries are not similar to accounting concepts used in IFRSs (Abd-Elsalam and Weetman, 2003; Mir and Rahaman, 2005). Concepts of accountability used in IFRSs are new and fundamental in some countries (Sucher,

and Jindrichovska, 2004; Mir and Rahaman, 2005). For example, the concept of fair value is perhaps the single largest problem encountered with IFRSs (Ernst and Young, 2006).

2.5.2.4 Education and training

Training of staff to understand and implement IFRS properly is a great demand to secure a successful implementation of IFRS in developing countries (Street, 2002a, p.89; Sucher, and Jindrichovska, 2004; Wong, 2004; Tokar, 2005; Ernst and Young, 2006; UNCTAD, 2006b; Tyrrall, Woodward and Rakhimbekova, 2007; Joshi, Bremser, and Al-Ajmi, 2008; Samaha and Stapleton, 2008; Joshi, Bremser, and Al-Ajmi, 2008). There is a need to accelerate efforts to training and education of IFRS (Street, 2002a). The reason is that there is a shortage of faculty for training and continuing education on IFRSs experienced in many countries (Alp and Ustundag, 2009; UNCTAD, 2007c; and Wong, 2004). The need for education and training on IFRSs is not only in the starting stage of the implementation, but is also maintained in later stages (UNCTAD, 2006b). For example, to implement IFRSs in South Africa, over 80% of companies were assisted by external consultants, or/and auditors (Ernst and Young, 2006).

2.5.3 Other challenges

A variety of other challenges have been found in the implementation of IFRSs which are different across the countries. Other challenges consist of costs of implementation (section 2.5.3.1), nature of IFRSs (section 2.5.3.2), technical challenges (section 2.5.3.3), and readiness for implementation (section 2.5.3.4).

2.5.3.1 Costs of implementation

The implementation of IFRS leads to significantly increasing costs for companies (Larson and Street, 2004; Ernst and Young, 2006; UNCTAD, 2005; UNCTAD, 2006a; Tyrrall, Woodward and Rakhimbekova, 2007). Other researchers argued that the process of implementing IFRSs is costly, complex and burdensome (Jermakowicz and Tomaszewski, 2006). Costs of implementation were revealed under many aspects e.g. training of personnel or recruiting staff having IFRSs knowledge, changes in software systems and accounting organisation, purchase of new accounting literature, and the need for consulting services (Tyrrall,

Woodward and Rakhimbekova, 2007). In most developing countries, the scale of many entities is small and medium-sized (SMEs), and such entities cannot afford to bear relevant costs of implementation (Wong, 2004). The costs of implementation become more severe in circumstance of SMEs because the cost of applying IFRSs at SMEs may outweigh the benefits (UNCTAD, 2005; Wong, 2004). In the case of Vietnam in which SMEs are popular, the cost of implementation needs to be carefully considered.

2.5.3.2 Nature of IFRSs

The nature of IFRSs leads to challenges for implementation in two main aspects: the availability of IFRSs, and complexity of compliance with IFRSs.

Firstly, IFRSs do not cover all accounting demands in developing countries (e.g. Mir and Rahaman, 2005; Tyrrall, Woodward and Rakhimbekova, 2007). In Bangladesh, for example, one of the main problems in implementation is the lack of international accounting standards for major sectors in the Bangladesh economy including jute, garment, tea and oil-gas sectors (Mir and Rahaman, 2005). International accounting standards are not fully appropriate and need to be developed for various users, particularly for SMEs (World Bank, 2004). Obviously, it is very difficult to prepare a set of international accounting standards which satisfy all demands of every country.

Secondly, IFRSs are complicated and require excessive disclosures for SMEs (Alp and Ustundag, 2009; Larson and Street, 2004; and Street, 2002b). Preparing and presenting financial reporting in compliance with IFRSs is normally complicated (Ernst & Young 2006, Jermakowicz and Tomaszewski, 2006). Some contents of IFRSs, such as the disclosure of judgments and assumptions, are now far too complex for ordinary shareholders to understand (Ernst & Yong, 2006). It is the reason for raising demand for detail guidance on the implementation of IFRSs (UNCTAD, 2005), especially at the first time of adoption or implementation (Larson and Street, 2004).

2.5.3.3 Technical challenges

Technical challenges are challenges in technique such as lack of adequate computer software in developing countries (Tyrrall, Woodward and

Rakhimbekova, 2007), challenge for information technology (Jermakowicz et al., 2006, p.182) and some technical accounting requirements or treatments (Street, Gray and Bryant, 1999). For example, in Kazakhstan, companies applying IFRSs argued that they cannot wholly collect required information (Tyrrall, Woodward and Rakhimbekova, 2007). The study of Street, Gray and Bryant (1999) in 12 countries around the world in 1996 revealed many technical challenges because national accounting requirements were not compliant with IASs. Those non-compliances include inventories, profit and loss for the period, research and development costs, property, plant and equipment, retirement benefit costs, the effect of changes in foreign exchange rates, business combinations and borrowing costs (Street, Gray and Bryant, 1999). Technical challenges have been changed during the implementation by time (Larson and Street, 2004). In subsequent stage, there are less technical challenges than those that have been reported, for example, accounting for financial instruments, financial leases, segment reporting, accounting for government grants, and business combinations regarding to developing countries (Street, 2002b; Larson and Street, 2004; Wong, 2004; UNCTAD, 2006b).

2.5.3.4 Readiness for implementation of IFRSs

The readiness for implementing IFRS in many developing countries is still concerned (Ernst & Young 2005). For example, the most problematic aspect of the adoption of IAS in Bangladesh is on the process of adoption rather than the content of individual accounting standards (Mir and Rahaman, 2005). Most countries need a transition period to remove existing differences with IFRSs gradually or to give companies sufficient time to prepare the full adoption of IFRS (Street, 2002b and Wong, 2004). The un-readiness for implementation of IFRSs in developing countries is also exhibited when those lack human and financial resources (section 2.5.1.4). Additionally, the process of drafting new regulations is often slow and lacks proper instructions (Sucher, and Jindrichovska, 2004; Tyrrall, Woodward and Rakhimbekova, 2007). Hence, the insufficient instructions make pressure on the readiness for implementation of IFRSs in developing countries. The phenomenon raises an interesting question of why developing countries have adopted or implemented IFRSs when they are not ready.

2.5.4 Conclusion

A variety of challenges for implementation of IFRSs has been reported in developing countries. Institutional challenges are realised as significant factors which consist of many issues such as inconsistency of national legal system, challenges for political institutions, and lack of accounting infrastructure and professional institutions. The challenges for inconsistency of national legislation make laws and regulations inconsistent with IFRSs which lead to difficult situations for accounting practice (2.5.1.1). The influences of politics contribute to more challenges for the implementation (2.5.1.2) and may lead to other challenges such as un-readiness of implementation (2.5.3.4), inappropriate mechanism (2.5.1.3) and tight involvement of the government in process of implementation. The heavy involvement to process of implementing IFRSs makes contents of national accounting system driven by tax purposes (2.5.1.3). This thesis will investigate what are political factors and how political institutions influence the implementation in Vietnam (chapters 6, 7 and 8).

Cultural challenges for implementation consist of many issues (2.5.2). The most significant challenge of culture for the implementation is accounting judgment (2.5.2.1). It derives from the differences in national values and accountants' behaviour. In addition, challenges of national languages, which are different from the language used to write IFRSs, also make developing countries encounters further challenges (2.5.2.2). The difference from language also makes challenges for terminology because countries implemented IFRSs face challenges to find similar terms or concepts in their language which have close meaning with the terms used in IFRSs. The different language costs time and money for developing countries to adopt IFRSs (2.5.3.1) and causes the lack of readiness for implementation in developing countries (2.5.3.4).

This study focuses on political challenges for the implementation of IFRSs in Vietnam, especially the involvement of the Vietnamese government in the process of implementation (6.2, 7.2.2, 8.2 and 8.4).

2.6 Conclusion

Related to research question 1, there are diverse factors which might influence national accounting such as institutions, politics, culture, economy, geography,

religion, and education (2.2.1). Those form the national accounting environment (2.2.2). Such factors experience different influence on the accounting system cross countries. The national accounting environment and influence of a factor are various among countries, even where such factor seems similar in appearance. This research will focus on exploring the foundation of political, cultural and economic theories influencing Vietnamese accounting theories. It also analyses how the foundation influences implementation of IFRSs in Vietnam (6.2). The findings of the influence of accounting environment on accounting system (section 2.2.2) help to examine why Vietnam attempts to implement IFRSs (chapters 6 and 7), what factors are significant and how those factors influence the implementation of IFRSs in Vietnam (chapters 6, 7 and 8). In addition, previous researchers have also emphasised the significant role of institutional and cultural factors which helps the author form a specific plan for investigating such factors (chapters 7, and 8). The awareness also helps the author determine how to explore the basis of Vietnamese culture, institutions and other influential factors (chapter 4).

Related to research question 2, while section 2.2 provides general theories of national accounting system and influential factors on the system, section 2.3 focuses key factors which influence the implementation of IFRSs in developing countries. Reviewing factors which influence implementation of IFRSs in developing countries indicates that both motivations (2.3.1) and methods (2.3.2) significantly influence the process and outcome of implementation. Previous researchers have indicated that understanding motivations of implementation of IFRSs might help to realise the nature of implementation as to which is “real” or “apparent” implementation. It is, therefore, necessary to investigate the motivation of the Vietnamese authoritative bodies in implementation and analyse how motivations influence the outcomes of the implementation in Vietnam (chapter 6). Additionally, the method of implementation is regarded as a significant factor which influences implementation of IFRSs (section 2.3.2). Under different methods of approaching IFRSs or adoption of IFRSs, developing countries have gained distinguished benefits and faced various challenges. This research into methods of implementation of IFRSs employed in Vietnam aims to provide a further contribution to the literature because of the distinguished

accounting environment in Vietnam (chapters 6.2, 7.3.1 and 8.4). Additionally, institutions (2.3.3) and culture (2.3.4) have a significant influence on the implementation. The empirical chapters of this research will investigate factors which significantly influence the process of implementation of IFRSs in Vietnam. This research aims to enrich the literature on the implementation of the IFRSs in developing countries, in a case study of Vietnam.

Related to questions 3 and 4, this study plans to investigate the nature of benefits and challenges for the implementation of IFRSs in Vietnam which help to create a suitable theory for the implementation. Particularly, the benefits for improving the reliability, transparency and comparability of financial statements will be focused due to the important role of those (chapters 7 & 8). The study focuses on challenges for the inconsistency of national legislative system, specially the influence of politics on implementation (chapter 6). It also examines challenges of language and terminology used in the IASB's conceptual framework for the implementation (chapter 6). Additionally, this study analyses changes of financial statements since IFRSs to be implemented in Vietnam (chapter 8). The assessment and investigation of the changes, which aim to realise the challenges and benefits for Vietnamese financial statements, might help to complete further the theory of Vietnamese accounting.

Chapter 3: Vietnamese Accounting system

3.1 Introduction

3.1.1 Definition of the Vietnamese accounting system

In this thesis, the term “Vietnamese accounting system” (“he thong ke toan Vietnam” in Vietnamese language) refers to all legislative accounting documents, which are mandatorily applied to entities operating in Vietnam, as required by the State (section 3.3.1). The Vietnamese accounting system includes the 1988 Vietnamese Ordinance in Accounting and Statistics (VOAS), which was replaced by the 2003 Vietnamese Accounting Law (VAL) issued by the National Congress (section 3.3.2), accounting decrees/decisions issued by the Prime Minister (section 3.3.3), Vietnamese accounting regimes issued by the Ministry of Finance (MOF) and other authoritative bodies³ equivalent to the MOF (section 3.3.4), Vietnamese accounting standards (VASs) (section 3.3.5), and additional legal documents which interpret and instruct the application of Vietnamese accounting, issued by MOF and equivalent authoritative bodies to MOF (section 3.3.7). The term “Vietnamese accounting regimes” (“che do ke toan Vietnam” in the Vietnamese language) refers to regulations for preparing and presenting financial statements, chart of accounts, book keeping and accounting policies mainly issued by the Ministry of Finance. The Vietnamese accounting regimes, therefore, are a portion of Vietnamese accounting system. There are many accounting regimes applied to different kind of entities (section 3.4.1)

3.1.2 Content and structure

Vietnam is in the process of transforming its economy from a centrally planned economy to a market economy under socialist orientation, namely “Doi Moi”, or innovation, by which it attempts to develop the economy and integrate into the international markets. The implementation of IFRSs is a part of the integrating process (World Bank, 2001). This chapter provides background of Vietnamese accounting and focuses on issues which help to answer the research questions of

³ Authoritative bodies refer to organisations which are right and responsible for dealing with issues relating accounting in Vietnam such as the Ministry of Finance, and the State Bank .

this thesis. The structure of this chapter consists of the history of Vietnamese accounting in the modern time (section 3.2), components of the Vietnamese accounting system (section 3.3), notable features of the Vietnamese accounting system (section 3.4), Communist theories and its influences on the Vietnam accounting system (section 3.5) and a conclusion for this chapter (3.6).

3.2 History of Vietnamese accounting

This section provides an overview on the process of development of Vietnamese accounting in the modern time (from the twentieth century to present) which aims to explore particular features of Vietnamese accounting in the past and analyses how its heritages influence implementation of IFRSs in Vietnam.

3.2.1 The period from 1900 to 1954

Before 1954, Vietnamese accounting was influenced by French accounting because Vietnam was a colony of France (Sarikas, Hien and Djatej, 2009). The application of French accounting and the existence of a relationship between the Vietnamese and the French for a long period make modern Vietnamese accounting somewhat influenced by French accounting (section 3.2.4).

3.2.2 The period from 1954 to 1975

In 1954, Vietnam was divided into two parts, the North and the South Vietnam, by the Geneva treaty (Le, Tran and Nguyen, 2011, p.126). North Vietnam was supported by China and the Soviet Union (Le, Tran and Nguyen, 2011, p.178 and 253). The Vietnamese accounting in the North imported many properties of Chinese accounting which also was influenced by the Soviet Union's accounting model. The notable features of the accounting system in the North are a uniform and rigid accounting mechanism based on different industries, departments and regions (Sarikas, Hien and Djatej, 2009).

South Vietnam was significantly assisted by the United State of America (Le, Tran and Nguyen, 2011, p.158), but Vietnamese accounting in the South still intensely inherited French accounting resulting from more than one hundred years as a French colony (Nguyen and Tran, 2012; and Sarikas, Hien and Djatej, 2009).

3.2.3 The period from 1975 to 1986

Vietnam was reunited in 1975 (MOET, 2009, 162), and started its innovation in 1986 (section 3.5.3.2). In the late 1970's to the early 1980's Vietnam had a closer relationship with the Soviet Union (USSR). Under the influence of USSR, Vietnamese accounting imported many features of the USSR's accounting (Nguyen and Tran, 2012; and Sarikas, Hien and Djatej, 2009, p.185). In the Soviet Union regime, accounting and statistics were used as basic tools of control to manage the planned economy (Sarikas, Hien and Djatej, 2009, p.186). The Vietnamese accounting regimes in this period included a plan/chart-based system and uniform reports based on the USSR accounting (Doan and Nguyen, 2013, p.78). Similar to Soviet Union's accounting, Vietnamese authoritative bodies issued the 1988 VOAS which includes both statistics and accounting requirements (section 3.3.2). Such accounting system aims to exercise central control of the government over enterprises' assets and operations (Tyrrall, Woodward, and Rakhimbekova, 2007, p.87 & p.91).

3.2.4 The period from 1986 to 2012

Since 1986, Vietnam started to reform its economy from a central planning economy to MESO (section 3.5.3.2). Many scholars argued that Vietnamese accounting system in this period has been significantly modified, frequently improved and approached closer to commonly accepted accounting principles in the world (Dang, 2010; Nguyen and Gong, 2012). In the twentieth century, Vietnamese accounting systems incorporated aspects of accounting from France, Soviet Union, China, and United States GAAP because of various political influences (Sarikas, Hien and Djatej, 2009). Since the 1986 innovation, Vietnamese authorities bodies has issued accounting requirements applied for many economic sectors such as decision No.229/QD/CDKT on "Accounting for individual and household business entities" in 1988, decision No.598/QD/CDKT on "Accounting for non-SOEs" in 1990, and decision 212/QD/CDKT on "A unifying chart of accounts", instead of issuing requirement for only SOEs in the previous periods. The issuance of VOAS in 1988 is a milestone in the development of Vietnamese accounting. Based on the 1988 VOAS, the main accounting regime for business enterprises (ARBES) was issued under decision No.1141/ TC-CDKT dated 01/11/1995 which was applied until 2006 (3.3.4).

Vietnamese accounting has critically changed since 1996 to the present (2012) (Nguyen and Gong, 2012, p.27). The implementation of IFRSs in order to issue VASs since 2001 is a key event of such changes in the Vietnamese accounting system.

3.2.5 Conclusion

The history of Vietnamese accounting points out that Vietnamese accounting has imported many features of Western accounting such as French accounting and United States GAAP (sections 3.2.2 - 4). When embodying those features, Vietnamese accounting might appear familiar in respect of some concepts, accounting methods and measures widely used in Western countries. This might support the implementation of IFRSs in Vietnam. However, Vietnamese accounting also has inherited many features of Chinese and Soviet Union accounting which were incorporated to support the centrally planned economy in Vietnam and help the government control properties and assets of society. Those accounting features might obstruct the implementation of IFRSs because of the difference of methods, purposes and theories applied in accounting.

3.3 *Elements of the Vietnamese accounting system*

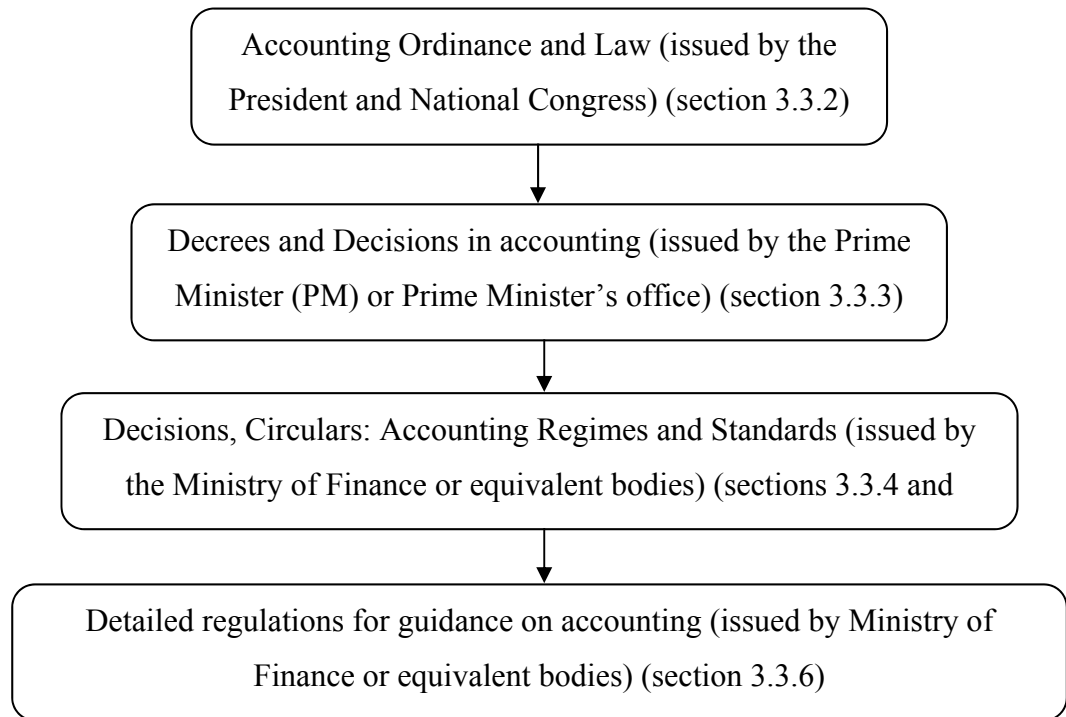
This section describes elements of the Vietnamese accounting system and explains the role of each element in accounting practice. It includes the legislative institution of the Vietnamese accounting system (section 3.3.1), the 1988 VOAS and the 2003 VAL (section 3.3.2), accounting decrees/decisions issued by the PM (section 3.3.3), Vietnamese accounting regimes (section 3.3.4), Vietnamese accounting standards (VASs) (section 3.3.5), a brief comparison between VASs and corresponding IFRSs (section 3.3.6), other accounting regulations and interpretations (section 3.3.7) and a conclusion to this section (section 3.3.8).

3.3.1 The legislative institution of the Vietnamese accounting system

There are many Vietnamese authoritative bodies in accounting which include the National Congress, the President, the Prime Minister, the Ministry of Finance, and other bodies equivalent to the MOF such as the State Bank and State Securities Committee. The legislative institution in accounting is described in

figure 3.1, in which legislative materials issued by a lower state organ must be consistent with legal documents issued by higher state organs.

Figure 3. 1: the Vietnamese legislative system in accounting



3.3.2 The Vietnamese Ordinance in Accounting and Accounting Law

The 1988 VOAS was issued by the President of Vietnam under Order No.06-LCT/HDNN dated 20/05/1988. According the acknowledgement stated on the VOAS, the VOAS was issued in order to improve the state management in finance and economy, together with to help the government control to business entities operating in all economic sectors. It also aims to help the government explore national potential resources and satisfy the needs of management in the innovation era. The VOAS was superseded by the 2003 Vietnamese Accounting Law (VAL) which has been effective since the beginning of the year 2004. The VOAS/VAL is compulsorily applied to all entities in any kind and industry. Although the VOAS was and the VAL is the highest legislations in accounting, the influences of those in accounting practice are limited because of the following reasons.

The VOAS was too brief, totally included in 20 articles, 4,192 words (counted by Microsoft-word tool) and just stated in five pages of A4 size including the guidance on supporting documents (stated at article 8 of the VOAS), accounting methods (article 9), books and chart (article 10), and requirements for financial reports (article 12). The VOAS just stated very general regulations in accounting and was not clear enough to apply in practice. It often required that other regulatory bodies of the government should promulgate detailed regulations for accounting practice (stated in article 9, 10, 11, 12 and 20 of the VOAS). Notably, the VOAS also regulated reports of national statistics. Financial information, in compliance with the VOAS, was also used for statistical purposes and preparing national plans. It explains why the VOAS required “accuracy” of financial information presented in financial reports (section 3.4.4) This requirement leads the implementation of IFRSs to face more challenges than usual, because VASs must be consistent with the VOAS based on the Vietnamese legislation (section 3.3.1). It could be argued that Vietnamese accounting in the period, when VOAS was in force, aims to help the Vietnamese government run the country (section 3.2.4).

VAL was issued under the Law No.03/2003/QH11, dated 17/06/2003 by the National Assembly. Compared with the VOAS, the VAL has satisfied much better accounting preparers’ demands because it provides more detailed regulations in accounting such as accounting definitions and concepts. The issuance of the Law aims to satisfy the demand of accounting and support for the development of the economy, according to the introduction part of this law. However, the VAL exhibits a weak role in accounting practice similar to the VOAS, because the VAL just provides generally regulations. The Law still needs legal materials which explain and instruct implementation of the law issued by the Prime Minister and lower state organs.

3.3.3 Decisions or decrees issued by the Prime Minister (PM)

Decisions or decrees issued by the Prime Minister (PM) promulgate detailed regulations required by the VOAS and VAL. Those are the second highest legal documents in the legislation. Such decisions or decrees issued by the PM have a higher position than legislative documents issued by MOF. However, those

materials take a weak role in accounting practice, because those also provide general regulations and always require the MOF or other state organs to guide the application in practice.

3.3.4 The Vietnamese accounting regimes

Accounting regimes are key legal materials in accounting practice in Vietnam, which instruct and interpret the VOAS/VAL and PM's decrees in detail. There are many different accounting regimes which are compulsorily applied for entities operating in different industries (table 3.1), but the main one is accounting regime for business enterprises (ARBES). Other accounting regimes are based on the ARBES. ARBES are often changed, particularly in the innovation era. During this research period from 1998 to 2009 (5.5.2), the old ARBES refers to the 1995 ARBES was issued by decision No.1141/ TC-CDKT dated 01/11/1995 and its modified regulations consisting of circular No. 10TC/CDKT dated 20/03/1997, circular No. 100/1998/TT-BTC dated 15/07/1998, decision No.167/2000/QĐ-BTC dated 25/10/2000. The new ARBES refers to the accounting regime which was issued by decision No.15/2006/QĐ-BTC dated 20/03/2006 of the MOF. Morerecently, the MOF just issues the further new ARBES under circular No.200/2014/TT-BTC, on 22/12/2014. This regime will replace the accounting regime issued under decision No.15/2006/QĐ-BTC since February, 2015.

Table 3. 1 Detailed accounting regimes applied to particular entities*

	Accounting regimes	Applied to
1	Accounting regime for Business enterprises (ARBES)	Business enterprises operating in common industries such as manufacture, service, and trade.
2	Accounting regime for Small and Medium enterprises (ARSMEs) (under decision No. 48/2006/QĐ-BTC, dated 14/09/2006)	SMEs
3	Accounting regime for Fund Management Companies (under circular No. 125/2011/TT-BTC, dated 05/09/2011)	Trust funds or investment funds
4	Accounting regime for Security Depository Centre (under circular No. 152/2010/TT-BTC, dated 28/09/2010)	Centres of Securities (Stocks) Depository
5	Accounting regime for Non-State Service entities (under circular No. 140/2007/TT-BTC, dated 30/11/2007)	Non-state entities providing social services such as health care, education, and environment.
6	Accounting regime for Stock Exchange Departments (under circular No. 132/2007/TT-	Applied to the Hochiminh and Hanoi Stock Exchange

	BTC, dated 08/11/2007)	Departments
7	Accounting regime for Banks (ARBs) (under decision No. 16/2007/QĐ-NHNN, dated 18/04/2007)	Commercial Banks and Financial Institutions
8	Accounting regime for Insurance Broking entities (under circular No. 175/2011/ T-BTC, dated 05/12/2011)	Insurance broking entities
9	Accounting regime for Non-life insurance entities (under circular No. 232/2012/TT-BTC, dated 28/12/2012)	Non-life insurance companies
10	Accounting regime for Investing management boards (under circular No. 195/2012/TT-BTC, dated 15/11/2012)	Investing management boards
11	Accounting regime for Trusted entities (under circular No. 198/2012/TT-BTC, dated 15/11/2012)	Opened funds
12	Accounting regime for Trading securities entities (under circular No. 95/2008/TT-BTC, dated 24/10/2008)	Trading securities entities

Key: * Updated on 31 Dec, 2014.

Normally, a Vietnamese accounting regime includes four parts including (1) requirement for supporting documents, (2) accounting charts and accounting treatments, (3) forms and instruction of preparing financial statements, and (4) accounting books. ARBEs functions like code laws.

3.3.5 The Vietnamese accounting standards (VASs)

This section provides information on the goals and principles of preparation and issuance of VASs (section 3.3.5.1), the process of issuance of VASs (section 3.3.5.2) and an analysis of the limited role of VASs (section 3.3.5.3)

3.3.5.1 The goals and principles of the issuance of VASs

According to decision No.38/2002/QĐ-BTC dated 14/03/2000 of the MOF, the issuance of VASs aims to satisfy the Vietnamese economic reforms under the MESO and the process of international integration. VASs should be developed under the following principles: (1) on the basis of the International Accounting Standards; (2) in harmony with the development of the Vietnamese market-based economy; (3) in response to the legal requirements, and Vietnamese accountancy experience, proficiency and practice; (4) to be simple and clear, and in line with the regulations on the making legal documents in Vietnam (article 1, the decision No.38/2002/QĐ-BTC). Apart from the first point, the three remaining points of the principles of preparing VASs indicate the influence of the Vietnamese

accounting environment, law and regulations on the implementation of IFRSs. Under these principles, it might be predicted that the implementation of IFRSs should be significantly influenced by institutional factors.

3.3.5.2 Process of the issuance of VASs

Preparation of VASs began in draft in 1999 when the Ministry of Finance issued the decision No. 19/1999/QD-BTC dated 12/02/1999 to set up the Steering Committee on Development of Vietnamese Accounting Standards. The first batch of VASs was published on 31/12/2001 and the latest batch (the fifth issuance) was released on 28/12/2005. Up to the end of 2012, in total twenty six Vietnamese accounting standards were issued by the Ministry of Finance, in five batches and many standards of IFRSs are omitted from VASs (section 3.3.6). In addition, VASs are normally in force just fifteen days after the publishing dates. This issue might lead entities operating in Vietnam to face more challenges than usual when applying VASs in accounting practice.

3.3.5.3 The limited role of VASs

VASs have a limited role in the accounting legislative hierarchy because of the position of the VASs in the hierarchy (section 3.3.1) and low quality of the VASs. Firstly, VASs have a lower legislative hierarchy than the VOAS/VAL (section 3.3.2) and the Prime Minister's decrees/decisions (section 3.3.3). VASs also equal to other accounting materials in accounting issued by MOF and equivalent bodies to MOF (sections 3.3.4 and 3.3.7). Secondly, VASs are brief and general. Those lack interpretive documents (see chapters 6 and 7). VASs need a comprehensive guidance in order to avoid the differences in practice (McGee, 2009, p.238). In addition, the Vietnamese accounting regimes are more familiar with Vietnamese accountants and accounting users than VASs. Those factors make VASs become less attractive to accounting preparers than Vietnamese accounting regimes in accounting practice. The low hierarchy, the lack of detailed interpretations and incomplete issuance of VASs lead VASs to a low position in the hierarchy of the Vietnamese accounting system.

3.3.6 A comparison between VASs and equivalent IFRSs

This section provides a brief comparison between VASs and equivalent IFRSs, which is mainly based on the work of the Price Waterhouse Coopers, and completed by the author.

Table 3. 2 Brief comparison of IFRSs and VASs

VASs	IFRSs	Comment
VAS1: Framework (issued on 31/12/2002)	The IASB Framework	See detail in thesis chapter 6
VAS2: Inventories (issued on 31/12/2001)	IAS2: Inventories	Key differences from IAS 2 are: <ul style="list-style-type: none"> - Estimation techniques such as standard cost and the retail method are not permitted under VAS; - FIFO, LIFO, specific identification and weighted average methods are all accepted. However, if LIFO method is used for disclosure of the effect of using LIFO in comparison to FIFO or weighted average is required. <p>However, since Feb 2015, LIFO method has not been accepted because of the effectiveness of the new Vietnamese accounting regime issued by circular No.200/2014/TT-BTC (section 3.3.4), while the VAS2 has no change.</p>
VAS3: Tangible fixed assets (issued on 31/12/2001)	IAS16: Property, Plant and Equipment	Key differences from IAS 16 are: <ul style="list-style-type: none"> - Property, plant and equipment (PPE) should be carried at cost less depreciation. Revaluation of PPE is not allowed unless specific approval is obtained from the Government of Socialist Republic of Vietnam (“the Government”). VAS 3 does not include within its scope the measurement and recognition of asset dismantlement, removal and restoration costs. In determining the cost of an item of PPE, VAS 3 only includes the costs incurred as a consequence of installing the item. - IAS 16 requires an entity to measure an item of PPE acquired in exchange for a non-monetary asset or assets, or a combination of monetary and nonmonetary assets, at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. IAS 16 requires companies to first look at the fair value of the asset received in measuring the value of the transaction. Under VAS 3, an entity measures such an acquired asset at fair value of either the asset received or given up, adjusted by any cash received or paid. Where the exchanged assets were similar and had similar fair values, the carrying amount of the asset given up is used as the cost of the new

		asset, even if the fair value of these assets can be reliably determined. Impairment write down of PPE is not allowed under VAS 3 unless specific approval is obtained from the Government.
VAS4: Intangible fixed assets (issued on 31/12/2001)	IAS38: Intangible Assets	Key differences from IAS 38 are: - Intangible assets recognised in accordance with VAS 4 must be amortised over a useful life of no longer than 20 years, unless there is persuasive evidence that a life over 20 years is appropriate; - Under VAS, intangible assets must be recognised at cost less accumulated amortisation. Revaluation or write down for impairment is not allowed. - Certain pre-operating costs, in relation to an entity's establishment, training, advertisement activities, research and relocation of a business are allowed to be deferred and charged to income statement over 3 years under VAS.
VAS 5: Investment Property (issued on 30/12/2003)	IAS40: Investment Property	- VAS 5 is similar to IAS 40 except fair value measurement is prohibited under VAS 5. Investment property can only be carried at cost less accumulated depreciation.
VAS 6: Leases (issued on 31/12/2002)	IAS17: Leases	VAS 6 is similar to IAS 17 except that VAS 6 does not provide guidance for accounting for revenue by manufacturer or dealer lessor.
VAS7: Accounting for investments in associate Companies (issued on 30/12/2003)	IAS28: Investment in associates	Key differences from IAS 28 are: - Investment in an associate is not subject to impairment testing under VAS 7. - Investment in an associate that meets the held for sale criteria must be classified as non-current asset held for sale in accordance with IFRS 5. Under VAS, such investment must be classified as investment in an associate until it is sold or disposed. - Under IAS 28, investments in associates in the investor's separate financial statements can be carried at cost or as a financial asset in accordance with IAS 39. VAS 7 requires such investments to be carried at cost if the investor does not have a subsidiary and does not prepare consolidated financial statements.
VAS 8: Financial Reporting of Interest in Joint Venture (issued on 30/12/2003)	IAS31: Interests in joint ventures	Key differences from IAS 31 are: - VAS 8 includes Vietnam-specific references such as Business Co-operation Contracts ("BCCs"); - Proportionate consolidation method is not allowed under VAS 8; - Under IAS 31, a venturer accounts for its interest in a jointly controlled entity in its separate financial statements at cost. IAS 31 allows such investments to be carried at cost or as financial assets in accordance with IAS 39. - IAS 31 requires that a venturer must account for its interest using equity method regardless of whether

		consolidated financial statements are prepared. There is no clear guidance in VAS 8. In practice, companies that only prepare separate financial statements account for their investment in joint ventures at cost.
VAS 10: The effects of the change in Foreign Exchange rates (issued on 31/12/2002)	IAS21: The effects of changes in foreign exchange rates	VAS 10 is based on the previous version of IAS 21 (1993)
VAS 11: Consolidated corporation (issued on 28/12/2005)	IFRS3: Business combinations	Key differences from IFRS 3 are: - Goodwill is amortised over its estimated useful life of no more than 10 years after date of acquisition; - Goodwill is not subject to mandatory annual impairment review.
VAS 14: Revenue and other incomes (issued on 31/12/2001)	IAS18: Revenue	VAS 14 is based on the previous version of IAS 18. VAS 14 provides a specific guidance on what should be considered as other income.
VAS 15: Construction contracts (issued on 31/12/2002)	IAS 11: Construction contracts	VAS 15 is similar to IAS 11 except for the following additional guidance in VAS 15: - For contracts where progress payments are agreed in advance, the entity shall apply the stage of completion as assessed by the contractor; - For contracts with payments made by reference to amount of work completed, the entity shall apply the stage of completion as certified by the customer.
VAS 16: Borrowing costs (issued on 31/12/2002)	IAS 23: Borrowing costs	VAS 16 is similar to IAS 23 except that VAS 16 requires capitalisation of borrowing costs which are directly attributable to qualifying assets. In contrast, IAS 23 allows entities to elect as an accounting policy choice whether to capitalise or expense off immediately such borrowing costs.
VAS 17: Income tax (issued on 28/12/2005)	IAS 12: Income taxes	VAS 17 is similar to IAS 12 except that: - VAS 17 does not address temporary differences and deferred tax recognition, in respect of: business combinations, goodwill, assets carried at fair value, and government grants; - Definition of income tax under VAS 17 includes Business Income Tax (“BIT”) being withheld on payments to overseas service providers in accordance with BIT law.
VAS 18: Provision for assets and liabilities (issued on 28/12/2005)	IAS37: Provisions, contingent liabilities and contingent assets	VAS 18 is similar to IAS 37, except IAS 37 states that in the case where it is not clear whether a present obligation exists, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the balance sheet date. In contrast, VAS 18 recognition criteria for such event is based on “certain” threshold which is likely to be a different

		threshold from “more likely than not” under IAS 37.
VAS 19: Insurance contracts (issued on 28/12/2005)	IFRS4: Insurance contracts	VAS 19 is consistent with IFRS 4 except for amendments to IFRS 4 as a result of the release of IFRS 7 Financial Instruments: Disclosures, which are not reflected in VAS 19.
VAS 21: Presentation of Financial Statements (issued on 30/12/2003)	IAS1: Presentation of financial statement	Key differences from IAS 1 are: <ul style="list-style-type: none"> - VAS 21 does not require disclosure of management’s key judgments, key assumptions concerning the future and other key sources of estimation uncertainty; - VAS 21 requires an analysis of changes in equity in the notes to the financial statements rather than as a primary statement. - Information to be presented on the face of the balance sheet and income statements are based on the standard VAS financial statement format*. <p><i>* In addition to the above differences, companies reporting under VAS are also required to apply the VAS chart of accounts and standard financial statements format, prescribed by Decision 15/2006-QĐ-BTC issued by the Ministry of Finance, which are descriptive and inflexible. Therefore, financial statements prepared under VAS may have various classification and presentational differences compared to financial statements prepared under IFRSs.</i></p>
VAS 22: Disclosure of financial statements of Banks and similar institutions (issued on 15/02/2005)	IAS30: Disclosure of financial statements of Banks and similar institutions and superseded by IFRS7 in 2007	IAS 30 was superseded by IFRS7, Financial instruments: Disclosure effective 1st January 2007. VAS 22: <ul style="list-style-type: none"> - Requires banks to classify items in the income statement and balance sheet by their nature, and to present assets in order of relative liquidity. - Identifies certain minimum income statement and balance sheet line items for banks. - Disclosure requirements include concentration of assets, liabilities, and off balance items; losses on loans and advances; contingencies; asset pledges; and general banking risks. <p>However, Accounting regime for Banks and Financial Institutions is regulated by the State Bank of Vietnam (find section 3.4.1).</p>
VAS 23: Events after the balance sheet date (issued on 15/02/2005)	IAS 10: Events after the balance sheet date	Key differences from IAS 10 are: <ul style="list-style-type: none"> - While IAS 10 provides guidance on the determination of the date the financial statements are authorized for issue which will vary depending upon the management structure, statutory requirements and procedures to follow in preparing and finalizing the financial statements, VAS 23 is silent on this. - VAS 23 specifically states that the issuing date is the date when the head of the reporting entity (or an authorized person) authorizes the issue of the

		financial statements to outsiders. IAS 10 does not have such specific guidance.
VAS 24: Cash Flow statement (issued on 31/12/2002)	IAS 7: Cash flow statement	VAS 24 is based on the previous version of IAS 7. There are no significant differences.
VAS 25: Consolidated Financial Statements and Accounting for Investment in Subsidiaries (issued on 30/12/2003)	IAS 27: Consolidated and separated financial reporting, which is replaced by IFRS 10, issued in 2011 and applied in 2013	VAS 25 is based on the previous version of IAS 27. Key differences from IAS 27 are: <ul style="list-style-type: none"> - Under IAS 27, investments in subsidiaries in the parent's separate financial statements can be carried at cost or as a financial asset in accordance with IAS 39. VAS 25 only allows such investments to be carried at cost in the parent's separate financial statements. - Under VAS, a parent is exempted from preparing consolidated financial statements if the parent is a wholly-owned subsidiary, or is virtually wholly-owned, provided in the case of one that is virtually wholly-owned, the parent obtains the approval of the owners of the minority interest. More conditions must be met under IAS 27 before this exemption is permitted. VAS 27 allows a subsidiary to be excluded from consolidation when it operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent. IAS 27 does not contain such exemption.
VAS 26: Related Parties Accounting (issued on 30/12/2003)	IAS 24: Related party disclosures	VAS 26 is based on the previous version of IAS 24 (1994). Key differences from IAS 24 are: <ul style="list-style-type: none"> - The definition of related party under IAS 24 has been expanded to: parties with joint control over the entity; joint ventures in which the entity is venture; and post-employment benefit plans for the benefit of employees of an entity, or of any entity that is a related party to that entity. - IAS 24 adds a definition of 'close members of the family of an individual' and clarifies that non-executive directors are key management personal. - IAS 24 clarifies that an entity discloses that the terms of related party transactions are equivalent to those that prevail in arm's length transactions only if such terms can be substantiated.
VAS 27: Interim financial reporting (issued on 15/02/2005)	IAS 34: Interim financial reporting	VAS 27 is similar to the current version of IAS 34, except VAS 27 specifically states that VAS 27 is applicable for enterprises which are required by law to prepare quarterly financial statements or which voluntarily prepare interim financial statements.
VAS 28: Segment reporting (issued on 15/02/2005)	IAS 14, and replaced by IFRS 8: Operating segments in	VAS 28 is fully implemented by IAS 14

	2009	
VAS 29: Changes in accounting policies, accounting estimates and errors (issued on 15/02/2005)	IAS 8: Accounting Policies and changes in accounting estimates and errors	Fully implemented
VAS 30: Earning per share (issued on 28/12/2005)	IAS 33: Earning per share	Fully implemented

Source of comments: mainly based on the Price Waterhouse Coppers (PwC, 2008) and supplemented by the author.

The comparison indicates that there are many differences between VASs and IFRSs, even though the Vietnamese authoritative bodies in accounting argued that VASs are prepared in the basis of IFRSs (section 3.3.5.1). Chapter 6 provides further detailed differences between the Vietnamese accounting conceptual framework and the IASB's conceptual framework.

3.3.7 Other accounting regulations and interpretations

Other regulations and guidelines in accounting take a very important role in accounting practice, because those are also compulsory to apply similar to ARBEs. Business entities need those documents for accountancy on matters which are not stated in ARBEs. The contents of the regulations and guidelines are related to a variety of accounting arenas such as the provision for bad debts, the provision for inventories, the allocation of foreign exchange differences and the recognition and depreciation of fixed assets. Most of the regulations are issued by the MOF, and some are issued by other Ministries. It can be argued that the Vietnamese accounting system would not work smoothly, if the detailed regulations had not been issued. However, the regulations are also the most complicated part in the accounting system because they have a large number of volumes, and are issued by many different bodies, such as the MOF, the State Securities Committee and the State Bank. Sometimes, there is a conflict among such detailed regulations. This situation makes Vietnamese accounting become complicated to follow, and easy to confuse and costly to apply. More importantly, such legal materials might reduce the role of VASs, because those directly

influence detailed accounting policies and requirements. It also means that the implementation of IFRSs in Vietnam is influenced by the regulations and guidelines.

3.3.8 Conclusion

The Vietnamese accounting system consists of many elements. Those are different in the legislative hierarchy and take different roles in accounting practice (section 3.3.1). It is notable that the role of each element in accounting practice does not correspond with its level in the hierarchy of accounting system. The VOAS/VAL is the highest level in the hierarchy, but its influence in accounting practice is weak (section 3.3.2). Decisions/decrees issued by the PM are used to instruct the VOAS/VAL, but those are not clear enough to apply in practice (section 3.3.3). The Vietnamese accounting system needs detailed regulations issued by the MOF or other state organs. It causes ARBEs (section 3.3.4) and detailed regulations (section 3.3.7) to become the most important element of Vietnamese accounting system in practice. The experience of the hierarchy could make VASs hold a weaker role than the VAL and decisions issued by Prime Minister (section 3.3.5). Additionally, VASs exhibit many different issues from IFRSs (section 3.3.6). The experience both of the accounting regimes and the VASs makes the implementation of IFRSs face more challenges than usual, because VASs must be consistent with the VOAS/VAL and Prime Minister's decisions. While accounting standards issued by the IASB suggest flexibility and judgment in accounting measurement, the VOAS/VAL and Vietnamese accounting regimes require to compulsorily apply. Those features of the Vietnamese accounting system make preparers strictly comply with accounting regimes and additional regulations. The empirical chapters 6, 7 and 8 of this study will explore the influence of such features on the implementation.

3.4 Notable features of Vietnamese accounting system

This section provides further notable features of the Vietnamese accounting system, especially, of ARBES and additional legislative materials.

3.4.1 Accounting requirements for entities

VOAS/VAL, PM's decisions and VASs are applied to all business entities in all industries. Most business enterprises apply ARBEs, but SMEs can select to apply ARBEs or Accounting Regime for SMEs (AR SMEs). IFRSs are not required, but an entity operating in Vietnam can prepare additional financial statements in compliance with IFRSs for individual needs. Table 3.3 summarises the accounting requirements for each kind of entities operating in Vietnam.

Table 3. 3 The Vietnamese accounting requirements

Kind of entities	VOAS/ VAL (3.3.2)	PM's Decision (3.3.3)	VASs (3.3.5)	Acc. Regimes (3.3.4)	Acc. Regulations (3.3.7)	Financial statements audited (*)
SMEs	required	required	Not required	required (AR SMEs or ARBEs)	required	option
Business enterprises	required	required	required	required (ARBEs)	required	option
SOEs	required	required	required			option
Listed companies	required	required	required			required
Professional accounting firms	required	required	required			required
FDI	required	required	required			required
Securities trading entities (STEs)	required	required	required	required (AR for STEs) (**)	required	required
Insurance entities (IEs)	required	required	required	required (AR for IEs) (**)	required	required
Banks & Financial Institutions	required	required	required	required (AR Banks) (**)	required	required

Keys: (*)Requirement of annual financial statements are audited, according to article 17, decree no.17/2012/ND-CP, dated 13/03/2012, issued by the Prime Minister. (**) The entities are required to comply with both ARBEs and an additional accounting regime and regulations of every individual industry (table 3.1).

3.4.2 Influence of tax on accounting system

Tax significantly influences the Vietnamese accounting regimes. The influence of tax on accounting is derived from the centrally planned economy, implemented

for a long time in Vietnam (Tran, 2010, p.230). In the planned economy, Vietnamese accounting was used as a tool of the state's management which aimed to provide financial information for national statistics and tax purposes (Sarikas, Hien and Djatej, 2009 and Tran, 2010, p.230). Vietnamese accountants, who have practised such accounting during a long time in the planned economy, have formed behaviours of preparing financial statements for tax purposes (Tran, 2010, p.230). Tax influences have been found by the following matters: Firstly, the Ministry of Finance has regularly changed accounting regimes, policies and financial reports when having tax changes. Secondly, many accounting policies are influenced by tax regulations in both the nature of transactions and amount of expenses. Thirdly, many tax items are presented on face of financial statements, especially in income statement. Fourthly, tax invoices take a very important role in accounting of tax assessment, cost allocation and sale recognition. Costs cannot be accepted as legal or reasonable costs in financial reports if those have not been attached to tax invoices, normally called "red invoices". The omission of tax invoices can lead to record the business transactions into other accounts. Turnover cannot be accepted as a legal transaction and allowed to record into sale account if the business entity has not issued a tax invoice.

3.4.3 Requirement of precise figures

The Vietnamese regulatory bodies in accounting have emphasised the characteristic of precision of financial information and regarded it as a basic requirement in many legislative documents. Article 12.1 of the VOAS required that "*Accounting and statistical reports must be accurate*". Additionally, article 12.4 also stated that "*Those, who have prepared, verified and signed accounting and statistical reports, must be responsible for the precision of figures prepared and presented in the reports in his/her related duties*". The VAL, which was superseded the VOAS in 2004, has reassured the continuation of this requirement. Article 6.3 in accounting requirement of the VAL says that "*Accountancy must be transparent, understandable and precise in accounting information and figures*". The requirement of providing precise financial information might lead the implementation of IFRSs in Vietnam to face more challenges, because this

requirement is different from IFRSs in terms of qualitative characteristics of financial information.

3.4.4 Other features of the Vietnamese accounting system

There are some other notable features of Vietnamese accounting system as follows. Firstly, many important accounting policies such as depreciation of fixed assets, provision for bad debts, and foreign exchange allocations⁴ are regulated by additional legislative documents. Those particular accounting policies cannot find in ARBEs or VASs; Secondly, ARBEs require business entities to compulsorily apply the unifying accounting charts including name and number of accounts, and to record business transactions in suitable accounts as the guidelines of the MOF⁵; Thirdly, business entities have to apply one of four book-keeping methods including: General Journal (Nhat Ky Chung), Journal Ledger (Nhat Ky So Cai), Journal Voucher (Chung Tu Ghi So), and General Journal Voucher (Nhat Ky Chung Tu)⁶; and fourthly, supporting documents such as cash receipt, cash payment and sale invoice must be consistent with the government's regulations in format and content.

3.4.5 Conclusion

The Vietnamese accounting system exhibits many individual features consisting of accounting requirements for entities (3.4.1), especially, the heavy influence of tax on accounting policies and financial statements (3.4.2). Those features indicate a strong and broad influence of the Vietnamese government on accounting. In addition, the often changes of accounting regimes and detailed regulations reflex a changeable accounting environment in Vietnam (3.4.3). Notably, the requirement of VOAS/VAL for providing “precise” information and figures presented in financial reports indicates a different point of view of the

⁴ According to decision No. 203/2009/TT-BTC dated 20/10/2009, circular No. 38 /2001/TT-BTC dated 05/06/2001, and circular 13/2006/TT-BTC dated 27/02/2006. All were issued by the Ministry of Finance. The decision and circulars are given as examples of additional legislation. There are many other legal documents relating to the issues..

⁵ According decision No.1141 TC/CDKT dated 01/11/1995 and decision No. 15/2006/QD-BTC dated 20/03/2006 issued by the Ministry of Finance.

⁶ According decision No.1141 TC/CDKT dated 01/11/1995 and decision No. 15/2006/QD-BTC dated 20/03/2006 issued by the Ministry of Finance.

government from the qualitative characteristic suggested by IFRSs (3.4.4). Such individual features indicate that the accounting system is heavily influenced by the institutional factors. The individual features also exhibit a different point of view of the government on the function and purpose of the Vietnamese accounting. Chapters 6 and 7 provide empirical evidence and discuss further influences of the Vietnamese institutions on accounting and the implementation of IFRSs in Vietnam.

3.5 Communist theory and its influences on accounting

Marxism-Leninism and Hochiminh's thoughts are the most important doctrines in Vietnam, because those are chosen as the platform for other theories and policies issued by the government (CPV, 2011a). The important role of Marxism-Leninism and Hochiminh's thoughts has been asserted at article No.4, the 1992 Constitution of Vietnam which says the Communist Party of Vietnam (CPV) is the only one political party legally operating in Vietnam. This section provides nature and content of the form of Marxism-Leninism brought into Vietnam (3.5.1), Hochiminh's thoughts (3.5.2), influences of communist theory in the Vietnamese accounting (3.5.3), and conclusion (3.5.4).

3.5.1 Marxism-Leninism in Vietnam

Marxism-Leninism was brought into Vietnam in the period of the 1930s when the CPV was founded by former president Hochiminh (MOET, 2009). It is notable that Marxism-Leninism was not implemented exactly as it originated, but it has been flexibly and changeably applied in Vietnam to suit the Vietnamese environment (CPV, 2001b, p.1). The form of Marxism-Leninism introduced in Vietnam might be more clearly understood when exploring three issues (1) the nature of socialism in Vietnam, (2) the proletariat state, and (3) state ownership of "means of production".

3.5.1.1 The nature of socialism in Vietnam

The socialism in Vietnam is a kind of socialism under a communist orientation. The CPV and National Congress ensure that Vietnam is faithful to Marxism-Leninism (CPV, 2011a). The socialism mentioned in Vietnam is a stage of the process in development of communism suggested by Marxism-Leninism. A core

element of Marxism-Leninism, namely “Scientific Communism” is called “Scientific Socialism” in Vietnam, but the content of “Scientific Socialism” is similar to “Scientific Communism”, as explained by the Ministry of Education and Training (MOET, 2007, p.2). Since the year 1986, the CPV has suggested innovation and a developed market economy, but they still maintained a socialist orientation (CPV, 1986). The policies of developing the Vietnamese economy under socialist theories were reaffirmed in the latest the National Party Congress of the CPV in 2011 (CPV, 2001a). The CPV said that Vietnam determines to follow the policy of building the “market economy under socialist orientation” (MESO) (CPV, 2011b).

3.5.1.2 The proletariat state

The “Proletariat State” is regarded as a core factor to ensure the success of the communist revolution and the leading role of the communist party according to the Marxism-Leninism (MOET, 2011b, p.172-173). “Proletariat State” is a term suggested by the doctrine which refers to the state of the working class and its alliance, the peasantry and intelligentsia, in which the working class holds the leadership role through the party of the working class, the communist party (article 2 of the 1980 Vietnamese Constitution). Since 1992, the “Proletariat State” has been called the “People State” but its nature and elements are not changed (article 2 of the 1992 Vietnamese Constitution, and MOET, 2011b, p.174). Marxism-Leninism indicated that to gain a victory in the class struggle, the working class must establish the communist party (MOET, 2011b, p.18). The communist party is responsible for organising and leading the class struggle to obtain the government and to build the new society (MOET, 2011b, p.19). It means that the CPV takes wholly the leadership role of all organisations and entities in the society through the People State (article 4, the 1992 Vietnamese Constitution).

3.5.1.3 State ownership of “means of production”

State ownership of “means of production” should be the dominant form in Vietnamese society, especially the land use right must entirely belong to the Vietnamese people (CPV, 2011a). State ownership refers to possession by all Vietnamese citizens because the state is representative of the entire people under

the leadership of the CPV according to the communist theory (MOET, 2011b, p.176). “Means of production” are means used in productive process such as machines, tools, plant and equipment (MOET, 2006, p. 25). The state ownership of “means of production” is an important requirement because it ensures a fair distribution and elimination of the phenomenon of human exploitation in society according to Marxist-Leninist theories (MOET, 2006, p.25). The root of exploitation in a capitalist society, suggested by the Marxism-Leninism, is derived from the private ownership of “means of production”, because the owners of “means of production” gain “surplus values” created by workers during productive process (MOET, 2006, p.94). The ultimate goal of the communist revolution is communism; therefore, state ownership of the “means of production” is a core issue of the Marxist-Leninist theories which influence many aspects of the Vietnamese economy. The government wishes to maintain the state ownership during the innovation.

3.5.2 Hochiminh’s thoughts

Hochiminh’s thoughts are defined as *“a system of comprehensive and remarkable points of view on the basis of the Vietnamese revolution, a result of an application and ingenious development of Marxism-Leninism in particular circumstances of Vietnam, a heritage and development of traditional values of the nation, and an acquisition of remarkable human culture”* by the CPV (CPV, 2011a). Hochiminh’s thoughts take significant role in many aspects of Vietnamese society consisting of education, culture, politics and economy. According to the textbook of Hochiminh’s thoughts taught at Vietnamese universities, Hochiminh’s thoughts mention nine topics including (1) liberation of nation, class and people, (2) combination on national independence with socialism, and national powers with modern trend, (3) power of people and solidarity of all ethics living in the country, (4) rights of people and establishing the state of people, from people and for people, (5) forming defence of entire citizens and people army force, (6) economic and cultural development and continuous improvement of living standards in both of wealth and mentality, (7) training morality of revolutionists including diligence, dedication, righteousness and selfless behaviour, (8) cultivation of next revolutionist generation, (9) building the transparent and solid CPV, and governmental officials who should be

both leader and servicemen of the community (MOET, 2011a). Of those, three key Hochiminh's thoughts might influence the Vietnamese accounting system and implementation of IFRSs in Vietnam consisting of: (1) the flexible and creative implementation of Marxism-Leninism, (2) combination of traditional values of the Vietnamese people with Marxism-Leninism, and (3) selectively implementing outstanding features of advantageous cultures of other countries in Vietnam.

3.5.2.1 The flexible and creative implementation of Marxism-Leninism

According to the CPV, Hochiminh's thoughts of the flexible and creative implementation of Marxism-Leninism is that unsuitable issues of Marxism-Leninism for the Vietnamese environment have been decisively eliminated when those were implemented as Marxism-Leninism in Vietnam (MOET, 2011a, p.49). This thought of implementing flexibly and creatively international knowledge has been commonly mentioned in many CPV's documents, since the 1986 innovation. Under the influence of this thought, the CPV has suggested the Vietnamese market economy under socialist orientation (MESO). The MESO has formed a unique accounting environment which strongly influences the implementation of IFRSs in Vietnam (section 3.5.3.2). In terms of the implementation of IFRSs in Vietnam, this thought of Hochiminh might lead to a selective and changeable implementation of IFRSs.

3.5.2.2 Combination of traditional values with Marxism-Leninism

Hochiminh's thoughts praise nationalism (MOET, 2011a, p.60). While Marxism-Leninism focuses on class struggle between the capitalist class and the proletariat class and urges the development of the union of the international working class, Hochiminh concentrates the struggle in order to liberate the country from the colonial regime (MOET, 2011a, p.58). While Lenin encourages the international communist ideology, Hochiminh suggests that the independence of the nation is foremost and then proceeds to socialism (MOET, 2011a, p.64). Hochiminh's thoughts suggested that Vietnam needs to keep national independence, traditional values together with economic development and international cooperation (Le, 2012, p.45). Based on this Hochiminh's thought, it could be predicted that the Government wishes to maintain or combine "traditional" accounting concepts and

policies, which were commonly used in the centrally planned economy, with the new ones of IFRSs.

3.5.2.3 Selectively implementing outstanding features

Hochiminh's thought suggested that the CPV should selectively implement the sound culture of international civilisation which aims to help Vietnam prevent poverty and increase the people's knowledge (MOET, 2011a, p.60). Based on this thought, the Vietnamese authoritative bodies in accounting should select outstanding issues of IFRSs in order to import those in the MESO. The different opinions on the implementation in Vietnam might lead to a selective implementation of IFRSs.

3.5.3 Influence of Marxism-Leninism and Hochiminh's thoughts on the Vietnamese accounting system

Politics, economy and new culture are three core goals of the Vietnamese revolution (MOET, 2011b, p.192). This section analyses the influence of Marxist-Leninist theories and Hochiminh's thoughts on the Vietnamese accounting system through political factors (3.5.3.1), economic factors (3.5.3.2) and cultural factors (3.5.3.3).

3.5.3.1 Political factors

The core issue of the Marxist-Leninist theories and Hochiminh's thought in political theories is the maintenance of a total leadership of the communist party to the country in order to bring content of Marxism-Leninism and Hochiminh's thought to the society (section 3.5.1). Through steering the National Congress and Government, the CPV's policies have been passed and issued under laws, regulations or decisions in practice. The influence of politics on accounting is exhibited in three aspects: (1) changes in accounting environment, (2) establishment of accounting legislation and institution, (3) recognition on purposes of Vietnamese accounting system.

Firstly, the changes in politics in Vietnam since 1986 have led to changes in the accounting environment. Under the innovation (Doi Moi), the Vietnamese government issued the first Law for Foreign Investment in Vietnam, on 09/01/1988, and the Company Law on 02/01/1991 which permitted non SOEs

operating in Vietnam. The change leads to changes in the Vietnamese accounting environment and the issuance of the 1988 VOAS (section 3.3.2). The process of developing further the MESO and integrating into the world market supports the implementation of IFRSs in Vietnam (section 3.3.5).

Secondly, the CPV through the National Congress and Government has established the accounting legislation (section 3.3.1). In addition, the Ministry of Finance was appointed by the Government to set up the Vietnamese accounting system and the implementation of IFRSs, according to decree No.178/CP dated 28/10/1994. Based on this, the members of the Steering Committee on Development of VASs were also selected by the Ministry of Finance under decision No.776/QD-BTC, dated 15/05/2002. The members of the Committee are those who are working at the Ministry of Finance, General Statistics Office, General Tax Department, Securities Transaction Centre and State Bank of Vietnam.

Thirdly, the purpose and content of Vietnamese accounting system are influenced by political strategies and policies of the CPV. Main Vietnamese accounting materials, consisting of VOAS, VAL and VASs, were issued in order to satisfy the government's demand in transforming economic and financial management, as stated in the acknowledgements of those materials. Those lead to a regular change of Vietnamese regimes during the accounting history (section 3.2), especially, in the innovation era (3.3.4). Particular accounting policies such as provisions, depreciation and pensions and the preparation and presentation of financial statements are also changed when the authoritative bodies issue new taxes or policies which are investigated in chapter 8. Those are common methods which help the CPV bring political theories to economic policies and the Vietnamese accounting system.

3.5.3.2 Economic factors

The core point in the theories of the Vietnamese economy in the innovation era is “market economy under socialist orientation” (MESO), called “Doi Moi” or innovation (CPV, 1986). Vietnam experienced a centrally planned economy for a long duration from 1954 to 1986 (MOET, 2011b, p.118-121). The innovation does not mean that Vietnam gives up the goal of building socialism, but it helps

to provide a right recognition of the socialism and to build socialism efficiently in Vietnam (Nguyen, 2011, p.190). The process of innovation should be conducted loyally with the goal of nationalist independence and socialism based on the Marxism-Leninism and Hochiminh's thought (CPV, 2003, p.69). According to the CPV' reports, main features of the MESO consist of: (1) *“The goal of MESO is to develop means of production and the economy in order to build physical and technical infrastructure of socialism;*(2) *MESO consists of various ownership sectors, and many economic sections in which state ownership is the main sector; State and collective ownership sectors in so far become solid foundation of the economy;*(3) *MESO is monitored by the socialist state* (CPV, 2011b). Such key features of MESO influence Vietnamese accounting system on the following aspects.

Firstly, national or collective owners are the forms of ownership strongly supported by the government in the MESO (article 15, the 1992 Constitution). Especially, land and national resources must be managed by the State, and nobody is approved to possess land (articles 17 and 18 the 1992 Constitution). Many economic sectors are approved to operate in the MESO, but state ownership is the key element in the economy in order to build the socialist infrastructure. This issue leads to the dominant role of SOEs in the economy (section 4.4.2).The Vietnamese accounting authoritative bodies have issued ARBEs and VASs applied for many kinds of enterprises including SOEs (section 3.4.1). To manage SOEs, the Vietnamese accounting system aims to satisfy many purposes of the government such as asset management, tax control and social welfare management. While IFRSs aims to maximise profits of shareholders, the multi-purses of the Vietnamese accounting system might make the implementation face more challenges. .

Secondly, since the 1986 innovation, the government has permitted many sectors operating in the economy including SOEs, stock, joint venture, partnership, private and FDI companies (article 15, the 1992 Constitution). In addition, the government affirmed to determine the policy of privatisation of SOEs until 2020 (CPV, 2011b). Accounting users, therefore, are also various such as shareholders, investors, traders, bankers and partners rather than mainly the state organ. The

existence of multi-sectors and accounting users in the economy might lead to different goals of accounting which provides information for making economic decisions of many objectives instead of for central planning by the government. Therefore, the accounting system and information prepared and presented in financial statements of entities under the MESO also function in different ways.

Thirdly, the market economy is monitored by the government (section 3.5.3.1), actually put under the leadership of the CPV (section 3.5.1.2). The control of the CPV and State in the economy is exhibited in various ways: control of personnel who operate the economy and prepare economic policies; and interference in the operation of the economy such as regulations of transportation fees, telephone charges and gas, interest rates, business conditions and tax policies of important goods.

3.5.3.3 Cultural factors

Culture is the motivation of social development (MOET, 2011b, p.200). The duty of building the new Vietnamese culture is conducted under the leadership of the CPV and management of the Government (MOET, 2011b, p.208). The goal of building the new culture in Vietnam has been adopted by the influence of Hochiminh's thought combined with Marxism-Leninism. The modern Vietnamese cultural goal is a developed culture and enriched with the nature of the Vietnamese characteristics (MOET, 2011b, p.205). The developed culture is the culture of patriotism and advance which is comprised of the ideology of national independence and socialism under the doctrine of Marxism-Leninism and Hochiminh's thought as defined in CPV's policies (MOET, 2011b, p.205). Under the influence of nationalism, contents of IFRSs could be adjusted by the government in order to correspond with Vietnamese features.

Together with building the modern culture in Vietnam, "new socialist persons" are also emphasised by the CPV. President Hochiminh argued that "to build successfully the communist society, we need in advance the new socialist persons" (MOET, 2011b, p.204 and MOET, 2011a, p.275). Human beings are the most valuable resource and are the deciding factor for achieving success of the Vietnamese revolution according to Hochiminh's thought (MOET, 2011a, p.272). The new socialist persons are those who are ultimately loyal to the theories,

policies and strategy released by the CPV and State. Discipline and law are also used as important tool in order to direct people's activities. A person who commits an offence against the policies suggested by the CPV and State might be sentenced from seven to twenty years in jail (article No.86 of the 1999 Penal Law of Vietnam). In terms of financial reports, the culture of strictly following the government's requirements could lead to the phenomenon of limited information presented in the statements because accounting preparers might ignore information which is not required. The empirical chapters 6 and 7 will discuss further on this argument.

3.5.4 Conclusion

This section introduces Marxism-Leninism and Hochiminh's thoughts and explains the important role of those in Vietnam. The key point of Marxism-Leninism is communism which is flexibly applied in Vietnam by Hochiminh's thoughts (3.5.1). Hochiminh suggested the Vietnamese form of communism which is combined with nationalist interests (3.5.2). Those doctrines help the CPV hold the leadership role to entire organisations operating in the country, from the National Congress to executive organisations, and from central to local state organs (3.5.1). The total control of political, economic and cultural factors helps the CPV and State to monitor purposes and functions of Vietnamese accounting system. The implementation of IFRSs is probably resulted by the innovation under the communist theories and Hochiminh's thoughts (3.5.3). Understanding those issues could help to analyse the method of approaching IFRSs and predict benefits and challenges raised from the implementation.

3.6 Conclusion

The Vietnamese accounting system has been significantly changed during the 20th century, especially in the first decade of the 21th century (3.2). Investigating the history of the Vietnamese accounting system shows that the Vietnam accounting system has been imported by many features derived from other nations such as China, Soviet Union, France and the United States of America (3.2). The possession of some features of the French and American accounting characteristics makes it gain a certain advantage in implementation of IFRSs. However, the Vietnamese accounting system also holds many characteristics

originated from centrally planned economy which might make it challenged for the implementation. Since the 1986 innovation, the Vietnamese accounting has been modified and modernised by commonly accepted accounting principles applied to entities operating in market economies. Currently, Vietnam has been developing an individual market under the communist theories, namely MESO (3.5.3). The individual political, economic and cultural features of Vietnam have formed a particular legislation in Vietnam in which VOAS was and VAL is the highest legal materials in accounting and there are many elements in the accounting system (3.3). Notably, ARBEs exhibit a heavy influence on practice (3.3.4) and VASs take a weak role (3.3.5). The experience of many accounting regimes for different industries (section 3.4.1) and co-existence of VASs and accounting regimes makes the omission of accounting theory become more severe. The particular accounting environment of Vietnam and individual accounting legislation lead to many additional features of the Vietnamese accounting system (3.4). Under the influences of the communist theories and Hochiminh's thoughts, the CPV take total control to the country (3.5.1). The strongest influence of Hochiminh's thoughts in politics, economy and culture could be the praise of nationality characteristics (3.5.2). It probably leads to a changeable implementation of IFRSs in Vietnam (3.5.3). Understanding the influence of Marxism-Leninism and Hochiminh's thought helps to realise the nature of implementation of IFRSs and predict changes of IFRSs when those are converted into VASs. Up to 2012, an accounting theory of Vietnamese accounting system has not been officially published by authoritative bodies in accounting. The lack of accounting theory in Vietnam is a critical loss. The omission of a Vietnamese accounting theory might lead to inconsistency of among accounting elements. Understanding individual features of the Vietnamese accounting system is essential to find answers to the research questions.

Chapter 4: Vietnamese political, economic, cultural and social environment

4.1 Introduction

This chapter provides an overall view of the Vietnamese political, economic, cultural and social environment and investigates factors which influence the implementation of IFRSs in Vietnam. This chapter also analyses how those factors influence the process of the implementation and the Vietnamese accounting system, particularly VASs. In addition, this chapter provides a foundation for finding a theory of the implementation of IFRSs and Vietnamese accounting. This section helps to deal with two research questions:

- Which theories help to understand the implementation of IFRS in Vietnam? (RQ 1)
- What factors are influencing the implementation of IFRS in Vietnam? (RQ 2)

The Socialist Republic of Vietnam (Vietnam) is located in South-East Asia and borders Cambodia, Lao, China, South China Sea and Thailand Gulf. It covers an area of approximately 331,000 square kilometres and has a population (2012) of around 90 million, according to the General Statistics of Vietnam. Vietnam is run by the CPV, the only one political party legally operating in Vietnam (article 4, the 1992 Vietnamese Constitution). The Vietnamese culture is formed by a mixture of Buddhism, Confucianism and Taoism interconnected with ancestor worship and ancient and animistic practices derived from native culture. Recently, the culture has been changed by the influences of the communist theories and Hochiminh's thoughts together with western culture imported in Vietnam since the innovation. Vietnam has transformed its economy from a centrally planned economy into more market-oriented economy through the integration into the world since 1986. In the first decade of the 21th century, SOEs are still dominant in the economy. More recently, SMEs, private companies and FDI companies, however, have become important sectors in the economy.

The Vietnamese economy grew at an annual average of 6.3 percent from 2007 to 2012 and currently becomes a lower middle-income country (WTO, 2013, p.8).

Based on the research questions, this chapter focuses on three issues consisting of political environment (4.2), cultural environment (4.3), the Vietnamese economic environment (4.4) and the conclusion of this chapter (4.5).

4.2 Political environment

As mentioned in section 3.5, communist theories have been applying in Vietnam. This section investigates further the political institutions and its operation in Vietnam.

4.2.1 The Communist Party of Vietnam (CPV)

The CPV is the only legal party operating in Vietnam, and there is no opposition party allowed to operate in Vietnam (the 1992 Vietnamese Constitution, article 4). The CPV totally controls the country from the jurisdiction entity (the National Congress) to the executive entity (the Government) and the judicial entity (the Vietnamese Court system) (sections 3.5.1 and 3.5.3.1). The leading role of the CPV is ensured in practice in account for members of the CPV who are assigned in order to take important positions of the government from the central to local bodies (CPV, 2011b). The total leadership of the CPV is exhibited through analysis of the role of the CPV and its impact on the Vietnamese National Congress and Government as follows.

4.2.2 The Vietnamese National Congress

The Vietnamese National Congress is led by the CPV because most members of the National Congress are members of the CPV. From 1976 to 2012, the average proportion of communist members of total parliament members is around 89 percent, in which the lowest rate was 81 percent in the Congress course VI (1976-1981), and the highest rate was 94 percent in the course VIII (1987-1992) according to the announcement of the National Congress website⁷.

Based on the majority of communists in the National Congress, policies composed by the CPV are easily converted into laws or regulations in practice,

⁷ Available at: <http://www.na.gov.vn/#bhRMT2Ostt1u> [accessed 15/09/2012]

including accounting laws. The domination of the communists in the National Congress leads to the amendment of the article 4 of the Vietnamese Constitution (1992) which assures the CPV as the one and only party legally operating in Vietnam.

4.2.3 The Vietnamese state, government and social bodies

The Vietnamese state is headed by the President who acts as commander-in-chief and the government is headed by the Prime Minister. Both are elected by the National Assembly (article 84, the 1992 Constitution), but are actually elected by the CPV's Central Committee because the CPV holds the leadership of all political institutions, governmental and social bodies (CPV, 2011b and MOET 2011b, p.183 and 185). Dinh (2009, p.192) said that the leadership role of the CPV to governmental organisations is carried out through the suggestion or assignment of those who are members of the CPV into government agencies. Social and professional organisations such as Labour Union, Women Union, Scientist Association, Religion Committee and Youth Union in Vietnam are also put under the full control of the CPV (article 10, 26, 41, and 44 of the 2001 Communist Charter stated on the structural organisation and duties of divisions of the CPV).

4.2.4 The Vietnam Association of Accountants and Auditors (VAA)

The Vietnam Association of Accountants and Auditors (VAA) was established in 1994 under the original name of the Vietnam Association of Accountants, according to decision No.12/TTg dated 10/01/1994 issued by the Prime Minister. Currently, it is renamed the Vietnam Association of Accountants and Auditors. It is a member of the Vietnam Union of Science and Technology Association (VUSTA)⁸. In terms of legislative institutions, the VAA is not a governmental organisation. The VAA does not have the authority to issue legal documents applied in accounting. *“The VAA is weak and is not exercising its roles as professional body. MOF is responsible for developing and issuing auditing and*

⁸ The VUSTA is put under the monitor of the CPV, based on the website of Hochiminh VAA (Vietnamese language), available at <http://www.vaa-hcmc.org.vn/index.php?o=modules&n=ktkt&f=list&idtype=152>, accessed on 20/04/2012.

accounting standards” (World Bank, 2001). The main duty of the VAA is to gather entities and individuals that work in the accounting and auditing field for the purpose of improving accounting careers. It is different from common national professional accounting bodies in other countries; the VAA cannot take this role because of the particular political and legislative institutions in Vietnam. The role of the professional accounting association in Vietnam to prepare VASs is weak, and the government is responsible for issuing accounting regulatory materials and standards (World Bank, 2004; Nguyen and Gong, 2002; and Nguyen and Tran, 2012).

4.2.5 The constraints on the role of laws

Both the CPV and Government can issue legal documents which are compulsory in practical application. Although laws are regarded as the highest level in the Vietnamese legislation, they have exhibited a constrained role in practice. The constrained role of Vietnamese laws in practice derives from the legal institution and quality of legislation. Firstly, laws are issued by the National Congress, according to article 83 of the 1992 Constitution. However, the Vietnamese National Congress is led by the CPV, and it has a limited role in running the country (see 4.2.2). Secondly, Vietnamese laws commonly state general regulations which are not clear enough to implement and need many additional regulations to explain and instruct the implementation (Phuong, 2008). Currently, there are around two hundred laws and a hundred ordinances having been issued in Vietnam (Phuong, 2008). Those need around ten thousand legal documents to guide the implementation in practice, argued by Mr. Tran Huu Huynh, the director of the Legislative Board of the Vietnam Committee of Commerce and Investment (VCCI) (Phuong, 2008). The issuance of many additional legal documents by a variety of Ministries raises a risk of conflict among those documents. There are conflicts and inconsistencies between the law and regulations in Vietnam which impede their effectiveness (McGee, 2009, p.238). The legislative institution makes the application of laws complicated and reduces the effectiveness of the Vietnamese legislation. The implementation of IFRSs has been influenced by this factor because IFRSs are implemented under the form of VASs which are a part of the legal system in Vietnam (section 4.2.3). The

application of contents stated in IFRSs should be consistent with other legal documents in Vietnam. This makes the implementation of IFRSs more complex.

4.2.6 Conclusion

The political influence on Vietnamese accounting and the implementation of IFRSs is exhibited under many factors in which the legislative institutions and political factors show a significant impact (section 4.2.1). The significant influence of politics probably derives from the theory of Marxism-Leninism and Hochiminh's thought. Under the influence of this communist theory, the CPV exhibits a willingness to lead and control all organisations in the country. The strong role of government leads to the limited role of the professional accounting body in Vietnam, VAA (section 4.2.5). It explains why the preparation of VASs and the implementation of IFRSs in Vietnam have been put under the management of the Ministry of Finance. It raises a hypothesis that there is a significant influence of policies, plans and strategies prepared on the basis of communist theories and Hochiminh's thought brought into the content of VASs through the implementation. The empirical chapters clarify this issue to understand the nature of the implementation of IFRSs in Vietnam and the result of the implementation expected by the government (section 6.3.1 and 6.3.2). In addition, this research will suggest a theory of implementation which satisfies the demands of accounting users and preparers when doing business in the Vietnamese environment.

4.3 *The cultural and social environment*

This section provides fundamental philosophies and theories which influence Vietnamese culture, behaviour and characteristics of the Vietnamese people. It begins with investigation of the main aspects of Vietnamese culture, and then explores how the culture influences Vietnamese accounting and the implementation of IFRSs. This section also investigates Vietnamese language and education, and analyses how those influence the implementation of IFRSs in Vietnam.

4.3.1 The overall Vietnamese culture

Vietnam is a multicultural country (Pham and Dao, 2004, p.40). The Vietnamese culture is guided by a mixture of Buddhism, Confucianism and Taoism interconnected with ancestor worship and ancient and animistic practices (GCRA, 2006, p.7-8).

Firstly, the main feature of early beliefs of the Vietnamese is the worship of Goddesses (GCRA, 2006, p.6). There are fifty four ethnic groups living in Vietnam and every group has certain Goddesses which have contributed to the rich features of Vietnamese culture (GCRA, 2006, p.4 and Nguyen, 2010a). These groups have different traditional religions and beliefs, yet all groups share a common practice of polytheistic worship (GCRA, 2006, p.6). Vietnamese society in the early stages of history (before Christ era) followed a matriarchy model (Chu, 2002, p.91) and some aspects of the matriarchy society are still present (Pham and Dao, 2004, p.38).

Secondly, exogenous religions are religions that arose in other countries and were subsequently implemented in Vietnam. The main exogenous religions in Vietnam are Buddhism, Catholic and Muslim (GCRA, 2006, pp.6-7). Those religions and philosophies have been combined with native beliefs and adopted for many years that contribute to form the Vietnamese faiths, values and behaviours (Kalman, 2002; GCRA, 2006 and Phan, 2011).

Thirdly, Western missionaries started to explore Vietnam in the sixteenth century. The first Western cultural event which was recorded in Vietnamese history is the introduction of Catholicism for the first time in 1553 (GCRA, 2006, p.7-8). Western culture had been really developed since the late nineteenth century after France completely conquered Vietnam in 1883 (Chu, 2002, p.267, Pham and Dao, 2004, p.107). One of the greatest events that Western culture brought to Vietnamese culture is the invention of the national language (“Quoc Ngu” in Vietnamese language), which is still being used today (Chu, 2002, p.269; Pham and Dao, 2004, p. 108; and Tran et al, 2011, p.187).

The mixture of such religions and culture has enriched the Vietnamese culture and values. Subsequent sections provide further information on three main religions in Vietnam consisting of Buddhism, Confucianism and Taoism.

4.3.2 The Vietnamese religions

4.3.2.1 Buddhism

Buddhism is a foreign religion which was brought into Vietnam by Indian traders in the first or second century A.D., (Dinh et al., 2006, p.1 and GCRA, 2006, p.10). Buddhism is not only regarded as a religion, but is also thought of as a philosophy in Vietnam. Buddhism suggests that the people's life consists of suffering and focuses on finding the way in order to liberate human beings from the suffering and to reach Nirvana (Sanskrit, an ancient India language) (Tran, 2011b, p.23). Nirvana means ultimate peace and happiness, and those who have attained the Nirvana can end the circle of rebirth and "live" in another realm, namely Heaven (Niet Ban in Vietnamese language) (Chu, 2002, p.81). Buddhism indicates that all living beings are endowed with Buddha nature and they may all become enlightened as Buddha (Nguyen, 2005a, p.248 and Chu, 2002, p.82). The term "Buddha", derived from Sanskrit, means those who have super knowledge and can understand all rules of nature (Tran, 2011b, p.13).

Most Vietnamese people are influenced by Buddhist beliefs (GCRA, 2006, p.11 and Kalman, 2006, p.16). The philosophy of Buddhism which has been practised in Vietnam during a long time has contributed to the behaviour, spirit and values of the Vietnamese from the top leaders to grassroots people (Phan, 2011). The key thoughts of Buddhism which commonly influence the Vietnamese behaviours in livelihood are "Tu", "Bi", "Hy", and "Xa", namely "Tu Vo Luong" (in Vietnamese language) or "Four Immeasurable Qualities". Firstly, "Tu" means loving kindness. People should help and bring happy things to each other under Buddhist philosophy (Tran, 2011b, p.34). Buddhists believe that they have raised a good thing for themselves when they have helped or brought happiness to other people. When Buddhists have accumulated many good things and if good things are good enough, this might help them improve their destiny (Tran, 2011b, p.35). Secondly, "Bi" means compassion. Buddhism encourages people to share sorrows of other people and love each other. Thirdly, "Hy" means appreciative

joy. Buddhists should keep their minds in peace and pleasure even if they encounter difficulties in their life. Fourthly, “Xa” means forgiveness, equanimity and abandonment from bad desires. Buddhists should forgive mistakes or faults caused by other people even if those make the Buddhists have suffered severe problems. Under the influence of the Buddhist philosophy, the Vietnamese tend to accept what happens in their current life because their fate “Karma”. They believe that when they are born in the real world, they are still in sufferings because those sufferings are only stopped when the circle of rebirth is ended. However, the acceptance of sufferings of Buddhists does not mean that they are pessimistic or experience passive behaviour when they face difficulties or troubles in their life (Tran, 2011b, p.37). Buddhism encourages belief of human beings. Ones do not surrender their destiny and should overcome their challenges because they can improve their lives and fate by accumulating and practising their virtues (Tran, 2011b, p.37). Buddhism taught people the way to escape their sufferings and to achieve the enlightenment.

4.3.2.2 Confucianism

Confucianism was found by Confucius (551-479 BC) in China and brought into Vietnam in the second century before Christ calendar (Chu, 2002, p.71). The Confucianism implemented and practiced by the Vietnamese has a certain difference from the Chinese Confucianism. The Chinese Confucianism was combined with local culture to form a particular Vietnamese Confucianism, in which some Vietnamese Confucian concepts are differently understood, even though those have similar name to Chinese concepts (Tran, 2000, p.267; Pham and Dao, 2004, p.50). Especially, in terms “filial piety” (Xiao), while the Chinese Confucianism emphasises the role of father in a family, the Vietnamese Confucianism mentions the role of both father and mother (Nguyen, 2005b, p.242). The differences may be derived from the worship of Goddesses and matriarch in the Vietnamese native culture (section 4.3.1).

Influences of Confucian philosophies on the Vietnamese society and thoughts of the Vietnamese people have been found in two main subjects: politics and morality (Doan and Pham, 2006; and Tran, 2000, p.258). In terms of politics, Confucianism suggested that a society was made up of five basic relationships

including Ruler (King)-Minister, Father-Son, Husband-Wife, elder Brother-younger Brother, and Friend-Friend (Chu, 2002, p.217). Confucius suggested that all ministers should honour governmental officers and ultimately obey their King. Son must follow father's orders (Tran, 2000). Confucius taught that ruler, master and father are the three most honourable objectives in society (Kalman, 2002). This theory praised the hierarchy of classes in Vietnamese society under monarch dynasties and its heritage is still appeared in the contemporary society (Tran, 2000). In terms of morality, Confucius said that five fundamental virtues of human beings including "Humanness, Righteousness, Rite, Wisdom, and Faithfulness" are the basis of morality in a society. Firstly, "Humanness" is regarded as the core virtue of humans that means the benevolence and compassion of humans to other people (Vo, 2006). People embodying "Humanness" are those who are willing to help other people without any condition or profitable purpose. Confucius said "do not do to others whatever you do not want done to you" (Vo, 2006). Secondly, "Righteousness" means moral obligations and duties which need to be done to satisfy the requirements in ethics. Thirdly, "Rite" means the propriety in the way of living and relationship of humans with others. The "Rite" virtue may help to know cultivated people and to distinguish between educated people and uneducated people (Tri, 2006). Confucianism encourages reverence to elderly people. This leads to the custom of the worship of ancestor and pioneers in Vietnam. In normal life, "Rite" is exhibited in formal procedure at ceremony, festival or necessary activities of humans in the basis of moral principles widely accepted in society. "Rite" encourages that people should respect each other. Fourthly, "Wisdom" in Confucianism means that people should have knowledge good enough to differentiate a right and a wrong issue. Confucius taught that learning is a ceaseless process. Fifthly, "Faithfulness" emphasises to the loyalty of people. Confucius classified people in society into three styles based on morality: Sage, Superior Men (Junzi or Guanxi) and Vulgar Men. Superior men are those who possess the five virtues suggested by Confucius. He said that when doing something, superior men are driven by kindness, benevolence and responsibility, while vulgar men (inferior men) are driven by profit or self interest. Such Confucian philosophies have influenced thought and activity of Vietnamese people (4.3.2.2).

4.3.2.3 Taoism

Taoism was found in China by Lao Tzu and brought into Vietnam at the end of the second century (Chu, 2002, p.72 and Tran, 2000, p.277). Taoism came to Vietnam later than Buddhism and Confucianism (Nguyen, 2005, p.309). The philosophy of Taoism is contained in the theory of “Yin” and “Yang” which is symbolised by the black and white halves of circle. “Yin” and “Yang” refers to opposite things such as hot and cold, water and fire, and good and evil existing in the nature. The theory of “Yin” and “Yang” states that there is a universal force existing in all things and to humans, when these opposites are in balance, the physical body and soul are peaceful (Kalman, 2002). The main philosophy of Taoism focuses the Way or Path which helps people to find the peace in living harmony with the nature (Kalman, 2002) and no extreme (Tran, 2000). Lao Tzu suggested that one should liberate oneself and gains a real happiness. Humans should live simply, closely to nature, and get away from cities, particularly do not involve to politics (Tran, 2000). Therefore, those who follow the theory often tend to be satisfied with simple lives, accept natural lives and avoid argument.

Taoism widely influenced Vietnamese faiths, particularly in the Vietnamese common class (Tran et al., 2011c, p.93). Many Vietnamese people followed the Taoist religion in hope that they have great longevity and better life (Tran et al., 2011, p.93). The Vietnamese have been influenced by one of the common views in the Eastern orientation is no criticism, no argument on other opinions, and issues etc. which is considered as Lao Tzu’s thoughts. The Taoist philosophy is embodied into the normal life in a set of three small monkey sculptures which keep eyes, mouth and ears closed by hands. Those sculptures are very popular in Eastern Asian countries such as China, Vietnam, Korea and Japan. Today, the Taoist religion is not popular in Vietnam, but the Taoist philosophy still remains and influences the Vietnamese beliefs and thoughts (4.3.3.3).

4.3.3 Influences of religions on the Vietnamese people and accounting

Most of the traditional Vietnamese values, beliefs and behaviours are formed under the influence of Buddhism, Confucianism and Taoism combined with native culture (GCRA, 2006, p.6, and Kalman, 2002).

4.3.3.1 Influences of Buddhism

Under “Hy” influence, Vietnamese accountants and accounting setters would feel easier in mind when they encounter difficulties in their life or challenges for the implementation of IFRS. They cannot avoid such challenges because it is their fate under the influence of Buddhism. The best thing, which they should do, is to easily accept challenges and attempt to overcome such challenges as advised by Buddha. Hard working, driven by both Buddhist and Confucius thoughts, might help them overcome challenges raised during the process of implementation. The “positive” values and characters of the Vietnamese are hard work, enthusiasm and devotion in learning, benevolence, kindness and living in harmony with environment and each other (Tran, 2011). Experts in IFRSs who are influenced by the Buddhist thoughts might be encouraged to share their knowledge with other people. Acceptance of sufferings (Karmar) might help Vietnamese accountants feel easier when facing challenges and they do not question the decision on implementation of IFRSs suggested by the government. They believe that when they overcome challenges, they would improve their fate and have a better life in their next life circles. Such arguments on the influences of Buddhism on accounting need a full research. In this study, the influence of Vietnamese values, behaviour and characteristics is explored in chapters 7 and 8.

4.3.3.2 Influences of Confucianism

Confucius encouraged education which contributes to form the spirit of successively learning of Vietnamese people (Chu, 2002, p.218). This value derived from the virtue of “Knowledge”, one of five fundamental virtues could encourage the ceaseless learning of the Vietnamese. The favourite learning of the Vietnamese people would help to learn new knowledge of IFRSs and overcome challenges for the implementation. In addition, the characteristics of “Keeness” would help the Vietnamese to maintain positive behaviour and determination when facing challengers for the implementation. Confucianism supports for the thought of existence of the hierarchy in society in which ruler (King) are the commander. This theory also leads to the belief in the fate of Vietnamese people (Tran, 2000, p.263). This thought is based on the theory of “Mandate by Heaven” and it is consistent with the communist theory, in terms of ultimately following the leadership of the CPV. The belief in the fate and hierarchy in Vietnamese

society makes Vietnamese people strictly follow orders of the rulers. This thought is also partly influenced by Buddhism when it convinces people to accept their destiny. Therefore, Vietnamese accountants and users have tendency of accepting new policies issued by the government. The implementation of IFRSs in Vietnam is supported by this thought. It means that Vietnamese people should agree with the decision on implementation of IFRSs of the government. However, “Shyness” and attempt to solve problems by oneself might be an obstacle to learning new knowledge. Those might lead to the slowness of the process of implementation and prevent the helps from other people. Additionally, “Modesty” might make the implementation more challenging because of the different manner in presenting financial statements. Under the influence of Confucius thoughts, the Vietnamese people have the humble behaviour and modest reservation of individual thoughts to other people. The Vietnamese tend to close relationship in a limit group of friends or family. Those who are humble often tend to limit their openness in providing information. This characteristic might limit the announcement of information to public. Therefore, such values might challenge the implementation, because IFRSs encourage transparency and require entities to provide more pieces of information to public.

4.3.3.3 Influences of Taoism

Based on the Taoist philosophy and its influence on the Vietnamese culture, Taoism could bring both positive and negative influence on the implementation. On the positive side, they can agree the implementation of IFRSs on any argument, because they think that everything is nothing, and they do not wish to interfere with other ones’ business as Taoists’ thought. Therefore, they support the decision of the government in implementation of IFRSs. On the negative side, Taoists can oppose the implementation because they think that IFRSs is complicated. Taoists like to keep everything simple. Poor co-operation of working in groups, mainly influenced by Taoism (because of no argument) and partly driven by Confucianism (because of shyness), might impede the process of implementation, particularly when finding a better solution or dealing with problems occurring in the process of the implementation. Such hypotheses will be explored in chapters 7 and 8.

4.3.4 The Vietnamese education and language

This section provides influences of the communist theories and Hochiminh's thoughts on the Vietnamese education (4.3.4.1) and analyses the impact of the Vietnamese language on the implementation (4.3.4.2).

4.3.4.1 Influence of communism on the Vietnamese education and people

The educational environment of Vietnam is significantly influenced by the communist theory and Hochiminh's thought since the government steers ideology and controls the academic programme. *“The Vietnamese education is a socialist education embodying popular-people characteristics, nationalism, and scientific and modern features which is based on Marxism and Hochiminh's thoughts”* according to article No.2, the 2005 Education Law of Vietnam. The educational responsibility is the duty of entire Vietnamese people, but it should be completely led by the CPV and strictly managed by the government (Nguyen, 2010b). In terms of the academic programme, a syllabus of Vietnamese universities should follow a framework suggested by the Ministry of Education and Training (MOET), and it must be accepted by the MOET, according to the decision No.25/2006/QD-BGDDT dated 25/06/2006. As required by the MOET in decision 43/2008/QD-BGDDT dated 15/08/2008, educational credit of subjects relating to communist theories should possess around ten percent of total credit units of every programme at a Vietnamese university. This exhibits the significant influence of the communist theories on the education programme at universities in Vietnam. The heavy ideology of Marxism-Leninism and Hochiminh's on education may affect the behaviour of Vietnamese students.

More recently, there is the trend of unexpected changes which leads to the loss of sound traditional values and characteristics of the Vietnamese, particularly when the Vietnamese economy has been developing in the basis of MESO (Nguyen, 2003). Some traditional values of the Vietnamese have been replaced by communist ideology which aims to build the new socialist persons since the CPV has led the country. The five virtues suggested by Confucianism have been replaced by five issues which include patriotism, people love, good study, good labour and very good hygiene habits taught by Hochiminh in the Vietnamese primary schools. Hochiminh said that, in terms of education, a different regime

has a different educational system, quoted by Nguyen (2010b). Particularly, when Vietnam has further integrated into the world, many traditional values such as to be simple, gentle, close and natural in living way have been eliminated and replaced by materials and money importance (Nguyen, 2003). It could be argued that the institutional factors of law based society have been developing and overweighting the cultural factors of moral base society in the Vietnamese modern society.

4.3.4.2 The Vietnamese language and its influence on accounting

The contemporary Vietnamese language is created from the old Vietnamese language by many priests who wanted to bring the Christ into Vietnam in sixteen, seventeen and eighteen centuries (Tran, 2000). The priest, namely Alexander De Rhodes (1591-1660), has a great contribution into the foundation of the current Vietnamese language (GCRA, 2006). The current Vietnamese language uses Latin letters. To understand further the Vietnamese language, it is necessary to know the old Vietnamese language. Its written characters appear similar to the current Chinese or Korean and Japanese language. However, the old Vietnamese language was created in a different way from Chinese language. While the Chinese language is based on images to form, the Vietnamese language is based on sounds (Tran et al., 2011, p.79). The current Vietnamese language that is inherited from the old Vietnamese language but has involved the way of writing, therefore, is diversified and plentiful in meaning. The meaning of Vietnamese words is various in the same word. The diversity in meaning and variety in appearance of Vietnamese terms make it difficult to translate into English and vice versa. For instance, the different order in displaying Vietnamese names which start with surname, middle name and then first name might confuse international readers. Reading Vietnamese financial statements raise a heavy challenge for foreign users. A document in foreign languages, after having been translated into Vietnamese language, is difficult for foreign people to check and compare it with the original one. The VASs are in a similar position.

4.3.5 Conclusion

The Vietnamese culture is driven by three large oriental traits including Buddhism, Confucianism and Taoism. Those are combined with native beliefs in

Goddesses to form a particular culture in Vietnam (4.3.1 and 4.3.2). The Vietnamese people hold remarkable characteristics and sound behaviour such as filial piety, respect to elders, loving kindness, sympathy, forgiveness and hard working. In terms of accounting, some Vietnamese values and behaviour may support the Vietnamese to implement IFRSs such as hard work, enthusiasm and devotion in learning (4.3.3). However, they also have other characteristics which might impede the implementation such as shyness, modesty and simplicity (4.3.3). Therefore, recognising strong and weak points in behaviour and characteristics of the Vietnamese people may help the Vietnamese accounting standard setters to find a suitable method for the implementation. Understanding the culture, therefore, might help to predict challenges and benefits for the implementation and find a theory for Vietnamese accounting. Recently, since the CPV running the country, many traditional values have been changed by the influence of Marxism-Leninism and Hochiminh's thoughts (4.3.4.1). The Vietnamese education is also influenced by the communist theories and Hochiminh's thoughts which contribute to the changes in the Vietnamese values and behaviour (4.3.4.1). Chapters 7 and 8 provide evidence and assess the influence of the Vietnamese culture on accounting and the implementation. There is also a focus on the influence of changes in the Vietnamese culture under the effect of the communist theories and Hochiminh's thoughts on the implementation.

4.4 The economic environment

The accounting environment of Vietnam exhibits many features demonstrated by the communist theories and Hochiminh's thoughts, through developing the MESO. This section provides the particular features of the economy.

4.4.1 The overall Vietnamese economy

Vietnam was a centrally planned country and began economic liberalisation in 1986. Its economy is strongly outward oriented (WTO, 2013, p.9). Vietnam joined ASEAN in 1995 and became a member of the WTO in 2006. Vietnam exports many products in agriculture, fisheries, footwear, textiles and furniture, and imports heavy industrial products, machine and high-tech manufacture

products. Vietnam was ranked as the 140th freest economy⁹ (out of 177 countries) in 2013 (WTO, 2013, p.13). Key Vietnamese economic figures are:

Table 4. 1 Key economic figures

	2007	2008	2009	2010	2011	2012
GDP at market price (US billion)	71.0	89.6	91.5	101.6	120.9	140.4
GDP growth (%)	8.5	6.3	5.3	6.8	6.0	5.0
Unemployment rate (%)	2.9	2.4	2.9	2.9	2.2	2.0
Inflation (%)	6.5	2.3	6.9	9.2	18.6	9.2
Foreign reserves (US billion)	21	23	14.1	12.4	13.5	25.4
Trade exports (US billion)	48.561	62.658	57.096	72.237	96.906	114.573
Trade imports (US billion)	58.999	75.468	64.703	77.373	97.356	104.689
FDI (US billion)	6.981	9.579	7.600	8.000	7.519	8.368

(Source : WTO, 2013, pp.15-8)

4.4.2 The important role of SOEs

SOEs take an actual important role in the Vietnamese economy, even though the government has strongly carried on the policy of privatisation of SOEs (find table 4.1). SOEs in Vietnam are identified as enterprises with one hundred percent of state capital or joint stock companies of which the government shares more than 50% registered capital (GSO, 2010). In the year 2000, for example, SOEs possessed around 67% of capital registered (GSO, 2010). SOEs used 59% of employees and contributed to around 55% of turnover in the 2010 Vietnamese economy (GSO, 2010). Tables 4.2, 4.3, and 4.4 provide further information of capital, turnover and employee which indicates the important role of SOEs in the Vietnamese economy from 2000 to 2009. SOEs have received most of the loans from large state banks and direct investment from the state budget (Perkins and Vu, 2010, p.14). As a result, the top ten Vietnamese biggest enterprises in the year 2010 are SOEs (VNR-500, 2010). It is obvious that the role of SOEs should influence the implementation of IFRSs, because the government has different

⁹ Source: Heritage Foundation: *the 2013 Index of Economic Freedom*, [Online] available at: <http://www.heritage.org/index/pdf/2013/countries/vietnam.pdf> [Assessed 20 Dec 2014]

purposes on accounting policies, accounting book management and financial reports of SOEs. The dominance of SOEs in Vietnamese economy provides evidence on the influence of the communist theories (section 3.5.1.3).

Table 4. 2: Structure of average capital in active enterprises by ownership

	Years									
Styles	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
SOEs	67,13	65.91	63.50	59.53	57.40	54.88	51.92	47.06	40.80	38.70
Non SOEs	9,86	11.99	14.97	18.48	21.50	24.98	28.16	34.69	41.80	45.60
FDI	23.01	22.10	21.53	21.99	21.10	20.14	19.92	18.25	17.40	15.70
Total (%)	100	100	100	100	100	100	100	100	100	100

(Source: GSO- Enterprise Investigation, Statistical Hand Book of Vietnam year 2006 & 2010) synthesised by the author).

Table 4. 3: Structure of employees in active enterprises by ownership

	Years									
Styles	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
SOEs	59.05	53.76	48.52	43.77	39.00	32.67	28.29	23.90	20.00	19.50
Non SOEs	29.42	33.80	36.65	39.61	42.90	47.76	50.18	53.30	57.50	59.00
FDI	11.53	12.44	14.84	16.62	18.11	19.57	21.52	22.80	22.50	21.50
Total (%)	100	100	100	100	100	100	100	100	100	100

(Source: GSO- Enterprise Investigation, Statistical Hand Book of Vietnam year 2006 & 2010, synthesised by the author)

Table 4. 4: Structure of net turnover contributed to the economy by ownership

	Years									
Styles	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
SOEs	54.91	51.24	51.15	46.38	41.21	38.85	35.82	31.50	25.40	25.00
Non SOEs	25.09	29.02	30.35	33.57	37.05	39.44	41.96	47.30	56.00	56.50
FDI	20.00	19.74	18.50	20.05	21.74	21.71	22.22	21.20	18.60	18.50
Total (%)	100	100	100	100	100	100	100	100	100	100

(Source: GSO- Enterprise Investigation, Statistical Year Book of Vietnam year 2006 & 2010, synthesised by the author)

4.4.3 Many micro enterprises and SMEs

There is a fast development of micro and small enterprises in the Vietnamese economy (tables 4.6 and 4.7). Micro enterprises and SMEs in Vietnam are very small business enterprises which are not required for a minimum capital and have employed ten or less than ten people (find table 4.5). Notably, big enterprises are still small companies compared with those in other countries (UNDP, 2007).

Table 4. 5: The criteria for scale of Vietnamese enterprises

Scope Sector	Micro enterprises	Small enterprises		Medium enterprises		Big enterprises	
	Employees	Capital	Employees	Capital	Employees	Capital	Employees
Agriculture, forestry and fishery	≤10	≤ 20 billion	More than 10 to 200	More than 20 to 100 billion	More than 200 to 300	More than 100 billion	More than 300
Industry and construction	≤10	≤ 20 billion	More than 10 to 200	More than 20 to 100 billion	More than 200 to 300	More than 100 billion	More than 300
Trade and services	≤10	≤ 10 billion	More than 10 to 50	More than 10 to 50 billion	More than 50 to 100	More than 50 billion	More than 100

(Source: the decree No. 56/2009/NĐ-CP dated 30 June 2009 of the Vietnamese Government; Clarify units are Vietnamese Dong. Exchange rates: GBP 1 # VND 33,250 and USD 1 # VND 20,800, in Dec 2012 (MOF))

Table 4.6 provides the proportion of labour force employed by enterprises operating in Vietnam, in the year 2009. The table indicates that micro enterprises hired 68 percent of labour force of Vietnam, and took the biggest labour proportion, while big companies employed just 2.9% of the labour force in 2009 (GSO, 2010).

Table 4. 6: the proportion of enterprises by employment on 01 Jan 2009

Styles	Micro enterprises	Small enterprises	Medium enterprises	Big enterprises	Total
	61.8	33.1	2.2	2.9	100%
1. State owned	2.1	35.6	16.5	45.8	100%
2. Non – state owned	64.2	32.5	1.7	1.6	100%
3. FDI	12.7	53.8	10.0	23.5	100%

(Source: GSO, 2010: Enterprises in Vietnam 9 years at the beginning of the century 21st)

Table 4. 7: the proportion of enterprises by capital on 01 Jan 2009

Sector \ Styles	Small enterprises	Medium enterprises	Big enterprises	Total
		86.4	9.9	3.7
1. State owned	22.3	32.8	44.9	100%
2. Non – state owned	88.8	8.8	2.4	100%
3. FDI	40.2	34.3	25.5	100%

(Source: GSO, 2010: Enterprises in Vietnam 9 years at the beginning of the century 21st)

Small enterprises took the biggest proportion of registered capital, at 86.4% in 2009 (table 4.7). It indicates that they replaced SOEs and became the main proportion in the Vietnam economy in 2009. In terms of implementation of IFRSs, small companies often face more challenges than big companies (2.3.5.2). It is necessary to assess how the scale of companies influences the implementation of IFRSs in Vietnam.

4.4.4 The early stage capital markets

The scale of the Vietnamese capital market is very small, and travelling in the infant stage. Although the policy of transforming the Vietnamese economy into a free market under socialist orientation was issued in 1986, the first Vietnamese capital market was founded in 1998, under the government decision No. 48/CP dated 10/07/1998. The first one, namely the HOCHIMINH Stock Exchange (HOSE) was officially operated in 2000, according to the history of HOSE¹⁰. Until the end of year 2001, there were only two stock symbols listed at HOSE and average daily trading value was of 70 million of VND (# 3,100 GBP or 4,600 USD) (HOSE, 2010, p.20). The small number of companies listed in the capital market could lead to a low demand for financial statements prepared and presented in complying with IFRSs. The Vietnamese capital market in the early stage may influence the demand for the implementation of IFRS in Vietnam.

However, the Vietnamese capital markets have been quickly developed, particularly in the late years of the first decade of the twenty first century (see table 4.8). At the Hochiminh Stock Exchange (HOSE), for example, while there

¹⁰ According the website of the HOCHIMINH Stock Exchange (HOSE), available at: www.hsx.vn/hsx/Modules/Gioithieu/Lichsu.aspx, [accessed on 15/10/2010].

were only 2 stock symbols and average daily trading value of 70 million VND (#3200 GBP or 4600 USD) in 2001, there were 329 stock symbols and average daily trading value of 1000 billion VND (# 31 million GBP of 51 million USD) in 2010 (HOSE, 2010, p.20). While total trading values of the HOSE were of VND 103,569 million in year 2001, those were 43,633,621million, in year 2010. The total capitalisation value on HOSE as of 31/12/2010 has reached VND 591,345 billion, and is nearly two thousand times larger than capitalisation value in 2001 (HOSE, 2010, p.20). The quick development of the Vietnamese capital markets and scale of enterprises operating in Vietnam increases the demand for financial statements complying with IFRSs, because those lead to increased demands of transparent, reliable, and comparable accounting information and the motivation of implementation of IFRSs.

Table 4. 8: Trading value at HOSE from year 2000 to 2010

Year	Stocks		Fund certificate		Bonds		Total
	Trading Value (VND million)	(%)	Trading Value (VND million)	(%)	Trading Value (VND million)	(%)	Trading Value (VND million)
2000	0		0		0		0
2001	40,672	39.27	-	0.00	62,898	60.73	103,569
2002	174,856	59.71	-	0.00	118,008	40.29	292,864
2003	89,919	3.48	-	0.00	2,491,724	96.52	2,581,643
2004	269,967	1.49	3,246	0.02	17,877,992	98.49	18,151,204
2005	522,818	2.14	26,756	0.11	23,837,589	97.75	24,387,163
2006	3,164,423	6.10	60,438	0.12	48,654,249	93.78	51,879,110
2007	10,472,223	20.69	233,518	0.46	39,918,829	78.85	50,624,570
2008	10,547,197	28.42	122,942	0.33	26,445,562	71.25	37,115,702
2009	21,302,476	87.00	200,478	0.82	2,982,634	12.18	24,485,588
2010	40,986,872	93.93	262,162	0.60	2,384,587	5.47	43,633,621
Total	87,571,423	34.58	909,540	0.36	164,774,071	65.06	253,255,034

(Source: HOSE, annual report 2010, p.43; Exchange rates: GBP 1 # VND 33,250 and USD 1 # VND 20,800, in Dec 2012 (MOF).

Additionally, the Vietnam economy is not a full free economy because there is too much interference by the government. The government, for example, has controlled prices of essential goods and supplies such as gas, petrol, flight fares and telephone charges, according to the Ordinance of Prices

No.40/2002/UBTVQH10 dated 26/04/2002 and the Decree No.170 /2003/NĐ-CP dated 25/12/2003 of the Prime Minister. Currently, the Vietnamese economy has not been considered as a free market according to the assessment of international organisations (Vo, 2012, p.35). According to Heritage Foundation, the Vietnam economy was ranked as the 136th , 140th and 147th freest economy¹¹ in the world in the year 2012, 2013 and 2014 respectively.

4.4.5 The increase of non SOEs and FDI companies

The number of non-SOEs and FDI companies in Vietnam has increased significantly in recent years. The number of non SOEs and FDI enterprises in year 2009 increased quickly at 5.6 times as many as that in year 2000 (GSO, 2010). At the end of year 2009, the total number of enterprises operating in Vietnam was 248,842 enterprises in which there were 238,932 non-SOEs, FDI companies, and only 3,364 SOEs (GSO, 2011b). In percentage, the ratio of non-SOEs, FDI companies and SOEs was 96.01 percent, 2.63 percent and 1.36 percent respectively (GSO, 2011b). In the first nine years of the 21st century, the Vietnamese economy shows many changes in style of business enterprises in which a large number of SOEs was alternated with non-SOEs and FDI (GSO, 2010). A non-SOE in Vietnam is defined as an enterprise in which its capital may be possessed by a cooperative, a personal enterprise with a group of individuals or one person or the Government when state capital is equal to or less than fifty percent of registered capital (GSO, 2010, p.21). The government commits to maintain the policy of privatisation of SOEs until the year 2010's (the CPV's, 2011). This has led to the increase of non-SOE number and the decrease of SOE number. Especially, FDI sector takes an important role in development of the Vietnamese economy in many aspects (Vo, 2012, p.534). Those consist of contributing capital of production, collecting foreign currencies, balancing foreign payments, restructuring the Vietnamese economy from agriculture to industry and service supplying, increasing technical knowledge and technology, training labour force, increasing income of labours and helping Vietnam to integrate into the international markets (Vo, 2012, pp.534-8). The change in

¹¹ Source: Heritage Foundation, *the 2012-4 Index of Economic Freedom*, available at: <http://www.heritage.org/index/pdf/2014/countries/vietnam.pdf> [assessed 20 Dec 2014]

equity of business companies operating in Vietnam leads to increase demand for accounting information for making economic decisions rather than for levying tax purpose and state management. Consequently, the first batch of Vietnamese accounting standards was issued in 2001, and a new accounting regime for business enterprises was issued in 2006.

4.4.6 The influences of international organisations

International organisations take an important role in the development of Vietnam, particularly in economic development through financial support, loans and technical help (Vo, 2012, p.45). In the process of integration in the innovation era, Vietnam has signed one hundred and twenty bilateral and multilateral commercial treaties with many countries and international organisations such as Vietnamese-American Bilateral Trade Agreement (BTA) (2000) and the World Trade Organisation (WTO) (2006) (Vo, 2012, pp.187 and 230). Especially, in the year 2010, the finance agreements of Official Development Assistance (ODA) are 8,036 million US dollar, in which around fifteen to twenty percent is unpaid assistance (Vo, 2012, p.45). In relation to accounting, the project EURO-TAPVIET funded by the European governments helped to improve the knowledge of Vietnamese accountant working in governmental organisations and provided other technical support for the government in improving Vietnamese accounting . As a result, VASs are prepared on the basis of IFRS and were issued firstly in 2001 (MOF, 2006, p.6).

4.4.7 Conclusion

The Vietnam economy has been transformed from centrally planned economy to oriented free market economy. It is not a full free economy and has small scale, but is stable in development (4.4.1). The figures provided by authoritative bodies indicate that the Vietnamese capital markets are in a very early stage (4.4.4). Almost all entities operating in the market are very small (4.4.3). Most of big companies in Vietnam are SOEs, although those are still small compared to big companies in the world (4.4.2). It produces a question of the ability of those companies in implementing IFRSs, while prior scholars argued that companies in small scale often face significant challenges from the implementation (section 2.3.5.2). The development of non-SOEs and FDI enterprises in the late 2000s

makes the Vietnamese economy significantly changed in structure. The Vietnamese authoritative bodies have affirmed the commitment to privatise and rearrange SOEs till 2020 (3.5.3). It means that the SOE sector will be continuously decreased, while the non SOE/FDI sectors will be continuously supported by the government. More recently, the Vietnamese capital markets have been quickly developed (4.4.4), and non SOE/FDI companies have increased (4.4.5). The development of non SOE/FDI sectors, in turn, promotes demands of reliability, relevancy, transparency and comparability of financial information, because those are necessary for external users in making economic decisions. The Vietnamese economy has many features similar to a common free market economy. The changes create a new demand of financial information for various users instead of only for the government. Such demands support the implementation of IFRSs in Vietnam. In addition, Vietnam has been positively supported by many developed countries, including accounting assistance (4.4.6). It provides an advantageous condition in order to implement IFRSs in Vietnam. Generally, the Vietnamese economic environment exhibits certain challenges for the implementation such as many SOEs, large number of small enterprises and small capital markets developed in early stage, but it also contains many advantageous points for the implementation. Understanding Vietnamese accounting environment might help to investigate inherited challenges and find sound solutions for the implementation of IFRSs in Vietnam. This understanding might be useful to suggest a suitable theory of the implementation and Vietnamese accounting.

4.5 Conclusion

Three key factors influencing the implementation of IFRS in Vietnam are political institution, culture and accounting environment. Currently, the Vietnamese accounting environment contains many factors which may lead to challenges for the implementation. Those crucial factors may influence the nature and method of the implementation. However, it also carries factors which support the implementation such as quick developed capital market and attractive environment for FDI companies. Such features of the Vietnamese accounting environment are resulted from the MESO driven by communist theories and Hochiminh's thoughts. In Vietnam, the political institutions have exhibited

significant and direct influences on the Vietnamese accounting environment. Institutional factors also directly influence the implementation of IFRSs through the setting process of preparation of VASs, deciding those who are responsible for the implementation and issuing laws, policies and strategies wholly carried out by the CPV. While institutional factors directly influence on accounting and the implementation of IFRSs in Vietnam, cultural factors exhibit indirect influence on accounting and the implementation of IFRSs through humans' activities and social principles. The Vietnamese culture which has been formed under the influence of Buddhism, Confucianism and Taoism combined with native culture gives it a unique characteristic and different to other orient countries. The recent economic innovation (as integrating with the world and following free market rule) and transformed politics (in combination of communism with nationalism and Hochiminh's thoughts) has shifted the Vietnamese culture. Cultural factors may significantly influence on the implementation because it directly effects on the Vietnamese people.

Understanding influential factors provide a grid foundation to discover factual factors to predict challenges and benefits for the implementation of IFRSs. This is also useful to understand the theory of the implementation and accounting in Vietnam. The empirical chapters of this study will investigate particular factors which influence the implementation of IFRSs in Vietnam and suggest a suitable theory of Vietnamese accounting through the implementation of IFRSs.

Chapter 5: Research methodology

5.1 Introduction

This chapter describes the research philosophy, methodology and methods employed in this study. It also discusses detailed aspects of research philosophy consisting of paradigm, ontology, epistemology of this research (5.2). An interpretivist paradigm is chosen in this study because of the nature and goal of the research questions (5.2.1.2). An inductive approach and qualitative methodology are employed to deal with the research questions (5.2.2). Three methods are employed in this thesis, consisting of comparison (5.3), interview (5.4) and case study (5.5). Those sections explain the rationale behind choosing these three methods, and describe empirical data and performance of every method. The conclusion of this chapter is in section 5.6.

5.2 Research methodology

This section describes the paradigm (section 5.2.1) and methodology (section 5.2.2) applied in this research, and explains the rationale behind choosing the paradigm and methodology.

5.2.1 Research philosophy

5.2.1.1 Paradigm

“Paradigms are models, intellectual frame-works or frame of reference, with which researchers in organizational science can affiliate themselves” (Kuhn, 1970). There are four common research paradigms consisting of Positivism, Action Research, Critical Realism, and Interpretivism (Dorlfer, Hibbert, and McInnes, 2006). The paradigm used in this research is interpretivism.

5.2.1.2 Why Interpretivism

It is necessary to discuss why interpretivism overwhelms other paradigms for doing this research. Firstly, positivists think that reality exists independently. Positivism is suitable for natural science and social science which operate following objective rules. *Positivism is ill-equipped to recognize some basic human attributes (such as self-reflection and evaluation) and is hard put to*

develop techniques sensitive enough to recognize the more developed human tendencies” (Ackroyd and Fleetwood , 2000). Positivism is used to discover phenomena which exist and occur independently from human desires or beliefs, while this research in the implementation of IFRSs in Vietnam is completely dependent on the ideas of people (section 3.3.5). Secondly, action research is mainly used to intervene, solve or improve a particular “organization” in practice. *“Action research aim to contribute both the practical concerns of the people in an immediate problematic situation and to the goals of social science by joint collaboration within a mutually accepted ethical framework”* (Rappoport ,1970, p.499). Therefore this paradigm is not suitable for the research. Thirdly, critical realists think the world is concrete and external (Easterby-Smith, Thorpe and Lowe, 2004, p.32). They research relationships between people, institutions and structures to explain phenomena occurring in society. *“Critical realism, as a philosophy of science, offers a series of valuable insights into the practice of social science and particularly into the place and role of methodology”*, (Ackroyd and Fleetwood, 2000). Critical Realism probably provides a better philosophical approach than Positivism and Action Research in conducting this thesis. However, it is not the best research philosophy to carry out this research because of the nature and goal of this thesis explained as follows. Fourthly, interpretivism is the key feature of the paradigm which helps to understand the phenomenon, social group, or organisation existing in society. Interpretivists are concerned to unravel aspects of social life that have not been systematized and institutionalized. Interpretivism is considered for sense marking subjects, rather than objects of study (Dorlfer, Hibbert, and McInnes, 2006). Thietart (2001, p.14) also said *“constructionism and interpretivism share several assumptions about the nature of reality”*. The nature and the goal of this research are to understand and explain social phenomena occurring in implementation of IFRS (sections 1.3 and 1.4). More importantly, interpretivism can help researchers to investigate below the surface to realise what is really occurring. It also helps to synthesise individual phenomena and events into a general rule (Kuhn, 1970). The core goal of this study is to provide a deeper understanding of Vietnamese accounting environment and reality of factors influencing the environment in order to find out a theory for the implementation of IFRSs in Vietnam. This theory is expected to help achieve more benefits and fewer challenges for the implementation. This

study emphasises what is to be accomplished. In this thesis, three research questions of “what” have been raised in this study consisting of “what factors” influencing the implementation, “what benefits” and “what challenges” for the implementation. Subsequently, this study is further developed with “how” and “why” such factors, benefits and challenges occurred in process of the implementation. It provides the explanation of the reality of the phenomena and events incurred. The findings of this study help to develop a theory which can be employed in the particular environment of Vietnam. It is the ultimate goal of this study. Therefore, an interpretivist paradigm is suitable to deal with such kind of the research targets and questions.

5.2.1.3 Ontology

Ontology is defined as assumptions that one makes about the nature of reality (Easterby-Smith, Thorpe and Lowe, 2004). It answers the question of what does the reality like (Dorlfer, Hibbert, and McInnes, 2006). The subjects of this study are phenomena and events occurring Vietnamese society when the government attempts to implement IFRSs. This study aims to understand the nature of the implementation and theories which influence the implementation. It also focuses on the nature of factors and provides the understanding of the mechanism of how those factors influence the implementation. This understanding provides a base to develop a suitable accounting theory of implementation. Therefore the core issue of this study is to understand the reality of the implementation and theory of the implementation. This study also investigates the nature of issues which impede Vietnam from fully adopting IFRSs. It aims to enrich the literature of the implementation of IFRSs around the world and contributes to answering the question whether IFRSs are suitable for implementation in developing countries. This study makes contributions to setting up a new version of IFRSs which is expected to satisfy further demands of developing countries.

5.2.1.4 Epistemology

Epistemology is a general set of assumptions about the best ways of inquiring into the nature of the world (Easterby-Smith, Thorpe and Lowe, 2004). It answers the questions of how we know and what we know. While ontology helps to identify the nature of reality, epistemology assists to find the discipline of

methods to realise the reality (Easterby-Smith, Thorpe and Lowe, 2004). The core goal of this study is to understand theories which influence the Vietnamese accounting environment, in order to explain phenomena and events incurred in the process of the implementation of IFRSs in Vietnam. To achieve this goal, this study investigates factors influencing the implementation which aims to realise the nature of such factors and how those influence Vietnamese environment and the implementation. In addition, this study investigates the nature of challenges and benefits for implementation and analyses the influences of those on the preparation and presentation of financial statements in Vietnam. This study is expected to draw out essential lessons and develop a theory of implementation of IFRSs in Vietnam in future. The findings should help to understand the nature of implementation of IFRSs in Vietnam and contribute to the literature of implementation of IFRSs in developing countries around the world.

5.2.2 Inductive and qualitative methodology

This section explains why and how inductive and qualitative methodology is employed in this study.

5.2.2.1 Inductive methodology

Methodology is the discipline of methods. It is the way that techniques and methods are grouped together to provide a coherent picture of research methods (Dorlfer, Hibbert, and McInnes, 2006). Induction means reasoning from the particular to the general, e.g. if something seems true in many varied circumstances, it may also be true in specific circumstances, (Easterby-Smith *et al*, 2004). Induction means reasoning “bottom-up” approach. Researchers begin specific observation or measurement to detect general patterns and regularities. By contrast, deductive reasoning begins from generality to more specific.

In this study, inductive reasoning is applied. The author begins research into specific issues related to the implementation of IFRS and then explores general patterns for individual issues. The inductive reasoning process is begun in chapter 6 and chapter 7. It is supported by empirical evidence found in chapter 8. The process is ended in chapter 9, when the author detects the relationship of the findings and suggests a theory of the implementation. In every empirical chapter, the logical critique is employed to identify general patterns.

5.2.2.2 Qualitative methodology

A qualitative research is a process of enquiry that collects data from the context in which events occur in order to describe these occurrences. A qualitative methodology is a suitable methodology to deal with social science. While quantitative research focuses more on numerical data which come closer to the natural scientific approach, qualitative research is suitable for the interpretivist paradigm which focuses on social phenomena and events. The goals of this research are supported by a qualitative methodology. It helps find the best methodology to assess the process of implementation of the IFRSs in Vietnam because of the particular attributes of the Vietnamese accounting environment.

The following sections discuss research methods used in this thesis consisting of comparison (5.3), interview (5.4) and case study (5.5).

5.3 Research comparison

This section provides reasons for applying comparison method (5.3.1), describes the objectives of the comparison (5.3.2), and explains the performance of the comparison (5.3.3), **Why comparison**

Comparison is a useful method to distinguish one from others. Research methods are defined as techniques and methods used for data collection and analysis (Easterby-Smith *et al.*, 2004). It helps to find key points and assess selected aspects of a subject from a set. One of the goals of this study is to find the nature of the implementation of IFRSs in Vietnam in order to find a suitable theory of the implementation. The comparison can help to achieve this target and understand the method employed in the implementation. Comparison results will provide a good sample which helps to assess how VASs are similar and different from IFRSs, as the Vietnamese authoritative bodies in accounting have argued VASs were “based on” IFRSs. The comparison helps to understand the method used to implement the IASBF, the factors influencing the implementation of IASBF, the benefits and challenges for the Vietnamese accounting.

5.3.2 Description of the comparison

In this thesis, the 1989 accounting framework issued by the International Accounting Standard Board (IASBF) is compared with the 2002 Vietnamese

accounting framework (VNF). This section explains (1) reasons for comparing the frameworks rather than other VASs with IFRSs, and (2) why the 1989 IASBF, instead of the 2010 IASBF, the latest one, has been chosen to compare with the 2002 VNF.

Firstly, an accounting conceptual framework takes an important role in accounting. It *sets out the concepts that underlie the preparation and presentation of financial statements for external user* (paragraph 1 of the IASBF). An accounting framework provides principles which are generally accepted for the development of new reporting practices and evaluating the existing practices (Weetman, 2010, p.7). It is difficult to develop accounting standards in the absence of a conceptual framework, because each standard must begin from scratch. The absence is more likely to lead to the inconsistencies and contradictions between one standard and another (Melville, 2009, p.17). The VNF is called “General Standard” (VAS 01).

Secondly, the 1989 version of IASBF, instead of the 2010 version, has been chosen to compare with the 2002 VNF because the 2002 VAF was prepared in base of the 1989 IASBF. This comparison helps to assess the method, nature and purpose of the implementation of IFRSs in Vietnam. However, the 2010 IASBF has also been discussed in order to analyse influences of the changes in the IASBF on the VNF (section 6.6).

5.3.3 Performance of the comparison

The comparison is conducted in detail of every paragraph between the 1989 IASBF and the respective paragraph of the 2002 VNF. It is carried out in both its structure and content.

In the detailed comparison, the Vietnamese language version of the VNF is the main source employed in the comparison, because the Vietnamese language is the official language for all legislative documents, according to the Vietnamese Law. The English language version of the VNF is also considered in the comparison, to assess the influence of the translation in the implementation. The comparison of the Vietnamese and English versions of the VNF also helps to assess the influence of language, and the usefulness of the English language version for

international users, who do not understand the Vietnamese language. If any unclear issue has been found between the Vietnamese and English versions of the VNF, additional explanations or comments are given in the corresponding comment. After comparing each paragraph, the author gives comments on the influence of the implementation in the paragraph on Vietnamese accounting.

The comparison also analyses the influences of the changes in the 2010 IASBF revision on Vietnamese accounting system and the implementation of IFRSs. This comparison is separately stated in section 6.5.4.

The full comparison is presented in appendixes 6.1 and 6.2, because of the limited space of the thesis. Appendix 6.1 provides an overall view of how IASBF and VNF are similar and different from each other in every paragraph. It also provides a referencing link to appendix 6.2 which provides full results of the detailed comparison, including comments suggested by the author. The important findings that directly answer the research questions are stated in chapter 6 which are based on the nature of each research question.

5.4 Research interview

This section explains why interview method has been chosen in this thesis (5.4.1), describes interviewees (5.4.2), and discusses interview performance (5.4.3).

5.4.1 Why interview

Research interview is “*a conversation with a purpose*” (Kahn and Cannell, 1957), or a specific form of conversation, (Kvale, 1996, p.19). The interviews take plenty of forms, for example, job interview, therapeutic interview, and research interview. Each kind has different purposes and structures. A research interview is characterized by the question forms used in the interview, interaction between interviewers and interviewees, and the content of the conversation. It can be classified into structured interviews, semi-structured interview, and unstructured interview. A structured interview is based on a schedule of pre-prepared questions. By contrast, an unstructured interview is based on rough checklist of topics. In this study, structured interview is employed. It aims to provide an opportunity for the interviewees to prepare necessary contents of replies for the interview. This method also helps the interviews focus on important issues.

In Vietnam, interview is a quick and beneficial way to gather opinions, because of the limited information in the financial statements. The interviewees chosen in this study are those who have good knowledge in this field and their work is closely related to the implementation (section 5.4.2).

5.4.2 Description of interviewees

There are sixteen interviewees selected for this study. They are interested in the process of implementing IFRSs in Vietnam and have experience in the Vietnamese accounting and IFRSs. They include two accountants at well known companies, eight auditors, four lecturers, and two current members of the Vietnamese Accounting Standard Setting Group (VASG) (see table 5.1). The interviewees working for VASG are also working at the Ministry of Finance. Actually, the interviewees had experience in many other careers relating to accounting such as accounting lecturers, accountants, and government officers. There are only two interviewees currently working as accountants. The reason for choosing two accountants is because they regularly focus on their main duty as preparing financial statements and tax reports. There are relatively more auditors in the interview sample because of their ability, knowledge and experience (see tables 5.2 and 5.3). In Vietnam, auditors have the most suitable environment and conditions to experience regular contact with IFRSs, especially those work for international professional accounting firms. At their companies, they are trained in IFRSs and International Standards on Auditing (ISA). In business operations, auditors have audited and consulted a variety of international companies where IASs are implemented. They normally have good knowledge of IFRSs, and know how IFRSs are implemented in Vietnam in practice. All auditors chosen in the interview have worked a long time for international professional accounting firms or for Vietnamese accounting professional accounting companies which are members of international accounting firms. While auditors are selected for their practical experience, the lecturers at universities are helpful for the interviews because of their academic knowledge. They also have plenty of practical experience, and are distinguished people in their positions. They have worked as accountants, auditors or consultants in the accounting and financial field with more than twenty years of experience. They have joined many conferences regarding setting Vietnamese accounting standards and they contribute

significantly to the process of rewriting the VASs. The tables 5.1 provides detailed information on the interviewees.

Table 5. 1: Interviewees' information

No	Code	Working experience (year)	Education & qualification (*)	Current career	Current position
1	A	25	Master and CPA	Auditor	Partner, General Director of D. professional accounting firm
2	B	25	Master and CPA	Auditor	Senior audit manager of A. professional accounting firm
3	C	22	Doctor	Lecturer	Head of Auditing Department at E. University
4	D	18	Bachelor and CPA	Auditor	Audit Manager of A. professional accounting firm
5	E	27	Bachelor and CPA	Auditor	Deputy audit manager of A. professional accounting firm
6	F	12	Bachelor	Gov. officer	An expert at the MOF and a member of VASG
7	G	26	Bachelor and CPA	Accountant	Chief accountant of A. professional accounting firm
8	H	25	Doctor	Lecturer	Head of Accounting Department at A. College
9	I	12	Bachelor	Gov. officer	An expert at the MOF and a member of VASG
10	J	20	Bachelor and CPA	Auditor	Partner, Director of S. professional accounting firm
11	K	25	Master and CPA	Auditor	Partner, Vice Director of A. professional accounting firm
12	L	25	Doctor	Lecturer	Senior lecturer at E. University
13	M	22	Bachelor	Accountant	Chief accountant and financial Manager of T.N. company
14	N	28	Doctor and CPA	Auditor	Partner, Director of A. professional accounting firm
15	O	26	Master	Lecturer	Permanent Lecturer at Hochiminh Accounting Association
16	P	22	Master and CPA	Auditor	Partner, Vice Director of S. professional accounting firm

(*) Note: Education and qualification, including BA, Master, and Doctor, is shown at the highest level attained by the interviewee in 2007.

Additionally, it is necessary to explain why the interviews were carried out in 2007. It is the point of time that the new Vietnamese accounting regime for business enterprises (under decision No.15/2006/QD-BTC), which was prepared on the basis of all twenty-six VASs, had been practised for two years. Two years of practising the new accounting regime provides sufficient time for preparers

and the interviewees to fully understand the new accounting regime. However, the period is sufficiently short that the memory of the old accounting regime was sufficiently fresh to allow the interviewees to compare it with the new accounting regime and VASs.

5.4.3 Performance of the interviews

The interview performance can be described in three stages: (1) preparation, (2) conduction, and (3) report.

Firstly, the author has contacted with potential interviewees by telephone. Interviewees, who had agreed the interview, have been received the letter (appendix 5.1) and questionnaire (appendix 5.2) which aim to help them have good preparation. Before interviewing, the author calls them to confirm the interview plan. Most interviews are conducted in person at the office where they are working. Except the three interviewees C, H and L, their interviews have been conducted at their home. The two interviewees F and I, who are working at the MOF, are interviewed via telephone, because they live in Hanoi, far away from Hochinh city, where the interviewer is living. All interviewees' opinions have been recorded by digital files and noted by the author.

Secondly, the interviews took the form of a broad discussion, starting with the interview questions but then expanding into other aspects of the topic and arguments developed by the interviewees during the interview. An interview progress does not exactly occur in the order of questions as presented in the questionnaire. That aims to help the interviewees feel free to address their opinions. Occasionally, the interviewer asked more extra questions to clarify the interviewees' responses or suggested questions to bring the conversation back to the topics. Many additional questions relating to four main research questions have been created in the questionnaire (appendix 5.2) in order to help the interviewees have good opportunities to address their ideas. It is because by the influence of the Vietnamese culture, sometimes, they do not give a direct answer to a particular question, specially, in sensitive cases.

Thirdly, audio files, recording the interviewees' opinions, have been replayed and transferred to transcripts by the author. Total interview time is 11:59 hours, and

45 minutes in average. The resulting interview transcripts were consequently wide-ranging. Some answers are similar, some contradict each other. Similar opinions which answer directly to research questions are selected, and grouped into similar themes, and then reported in tables. A blank in the tables shows that the interviewees did not make any mention of the issue. In such tables, Y stands for a positive answer and N stands for a negative answer (chapter 7). Other interviewees' opinions, not relating to topics suggested in the questionnaire, have not been reported in the tables. Based on interviewees' opinions, the author gives comments and discusses further on issues related to research questions.

5.5 Case study

This section explains why case study method has been chosen (5.5.1), describes the case study (5.5.2) and performance of the case study (5.5.3).

5.5.1 Why case study

Case study is a research strategy, “*an empirical inquiry that investigates a contemporary phenomenon within its real-life context*” (Yin, 2003, p.13). Case studies are the preferred strategy when “how” or “why” questions are being focused (Yin, 2003, p.1). Vietnam has a unique economic environment in which the main sector in the Vietnamese economy is state owned enterprises (4.4.2). Financial statements of SOEs are not publicly required, and are mainly used for government management, not for the community. There are a limited people having approval to read full financial reports of SOEs. Additionally, the number of listed companies operating in the Vietnamese markets is limited (4.4.4). Listed companies have not been required to publish additional accounting policies, except information presented in Notes to financial statements which have formed and formatted template issued by the MOF. Most common companies in Vietnam are micro or small (4.4.3). Such small companies have incomplete accounting systems and their business transitions are simple. There are some big FDI companies are operating in Vietnam, but they do not want their financial statements to be published and researched. As a result, it is difficult to find a full set of financial statements of a company operating in Vietnam which can exhibit the Vietnamese accounting system in practice. Case study offers a method to investigate complex instances where researchers cannot gather full information

(Yin, 2003). Through a case study, the researchers can explore the actual context (Yin, 2003). Case study gives validity to the context and story of what has been finding in other chapters. Hence, case study is a suitable method for this study.

5.5.2 Description of the case study

This section describes the case study consisting of the development of C. Corporation (5.5.2.1) explains reasons for choosing the case study (5.5.2.2) and introduces financial statements used in case study (5.5.2.3).

5.5.2.1 Development of C. corporation

C. corporation has a long business history. The corporation was established in 1958 by the American construction corporation R.B.K. It was taken over by the Government and became a state owned enterprise, in 1975. The corporation has operated as a joint stock company since 2001, under a decision of the government¹². The change in equity and organisational structure of the C. corporation exhibits the typical changes in the Vietnamese economy under the innovation. This change is one of reasons for choosing the C. corporation as a case study. In the year 2001, the Vietnamese government owned 29,400 million VND (around 1million GBP), controlling 49% of its equity, and public shareholders owned nearly 29,526 million VND (rounded), dominating 51% of its equity (source: the Notes to the Financial Statements 2001). At the end of the year 2009, the privatisation had increased significantly, by which time the government owned 6.523 million VND, holding 5.93% of its equity, and public shareholders owned nearly 103,455 million VND, dominating 94.07% of its equity (source: the Notes to the Financial Statements 2009).

5.5.2.2 Reason for choosing the case study

The reasons for choosing this case study are the relevance of the case study to research questions, the lack of a full set of financial statements announced publicly and most financial statements having been audited.

Firstly, the corporation is a well known company and has many typical attributes of common companies operating in Vietnam. It was ranking No. 1 in the private

¹² Source: the corporation's web site

construction industry and No. 43 in the list of 500 biggest private companies by assets¹³, in the year 2007. The Corporation operates in many kinds of industries consisting of construction, trade and service. Therefore the accounting system and financial reports of the corporation has provided a good opportunity for investing and assessing many extents of the Vietnamese accounting system in practice. Currently, privatisation has become a common process in Vietnam and the C. Corporation experienced this process. Researching into the corporation helps to investigate changes of Vietnamese accounting system, from an accounting system which was mainly served for SOEs in the centrally planned economy, to the current system which is widely applied to many different economic sectors in the MESO. Hence, the case study works as a representative of Vietnamese enterprises and the objective to which VASs have served.

Secondly, Vietnamese business entities are not required to publish their full set of financial statements except they are listed companies. The financial statements of such companies are considered as legal documents. Under the 1995 Vietnamese accounting regime for business enterprise¹⁴, which was effective until 2005, financial statements were only provided for the purpose of informing their higher level management company (any if) and for government agencies such as the province (or city) Tax Department, Statistics Agency, Financial Department or Ministry of Finance. There were only brief financial reports which had particularly formatted and limited contents announced to particular people and agencies required by the government's regulations¹⁵ (find appendixes 8.1 and 8.2). In the process of this study, the author experienced difficulty in finding a continuous set of financial statements of companies for a long time series in order to assess influences, benefits and challenges from VASs on the Vietnamese

¹³ According to the Vietnam News, available at <http://vnr500.com.vn/vn/xephang/64/index.aspx> (in Vietnamese language)

¹⁴ Issued under the Decision No.1141TC/QD/CDKT on 01/11/1995 by the Ministry of Finance (Vietnamese language)

¹⁵ According to Decree 59/CP dated 03/10/1996 issued by the Government, and Circular No.73/TC/TCDN dated 12/11/1996 issued by the Ministry of Finance, then Decision No.225/1998/QD-TTg dated 20/11/1998 issued by the Prime Minister, and then Decision No.182/2001/ QD-TTg dated 20/11/2001 issued by the Prime Minister (Vietnamese language).

accounting system and financial statements. In terms of legislation, financial statements older than five years are kept under specific conditions¹⁶, isolated from normal uses of accounting department. To access such documents requires the approval of a higher level of administration managers. Responding to the requirement will take them a significant time. The author also contacted the HOCHIMINH Security Exchange Department to ask for data. Unfortunately, the earliest data on financial statements stored at the Department is from year 2001. Therefore, the financial reporting of C. Corporation forms a unique serial set of twelve years' consecutive financial statements which the author has collected in order to investigating the changes in the Vietnamese financial statements before and after the first batch of VASs were issued in 2001.

Thirdly, most financial statements of the corporation in the period of the study, including 12 consecutive years, from 1998 to 2009, have been audited. Generally, according to the auditors' opinions, the financial statements present a true and fair view in conformity with the prevailing Vietnamese accounting standards and the accounting regime for business enterprises. There are still some issues qualified by the audit firms which lead to the limited auditors' opinions. For example, all confirmation letters from debtors were not been collected in 2002, or provision for bad debts were not fully made in 2002 and 2003. However, those are not significant errors and users can estimate the influences of those errors on financial statements based on auditors' opinions.

5.5.3 Performance of the case study

This case study is stated in chapter 8. In this chapter, twelve-year financial statements of the corporation are compared and analysed. The comparison focuses on the presentation of financial statements includes the changes in format, content of a set of annual financial statements, and accounting policies applied in the corporation. Based on the findings from the comparison, the differences form preparation and presentation among annual financial statements are analysed to understand reasons of the changes and to investigate how the changes influencing influence qualitative characteristics of financial statements. The analysis of the

¹⁶ According to the circular 218/2000 QD-BTC dated 29/12/2000 issued by the Ministry of Finance, the guidance on management and storage accounting documents (Vietnamese language).

case study also includes the assessment on the influence of process of implementation of IFRSs on preparing and presenting key elements of financial statements such as provision for bad debts and usefulness of financial information for external users. Additionally, accounting policies applied in the corporation are carefully investigated in order to assess method of recognition and measurement of key elements of the financial statements in terms of how Vietnamese accounting system has been improved since implementing IFRSs.

5.6 Conclusion

Vietnam exhibits a unique accounting environment of politics, society, economy and culture which is influenced by the communist theories. The implementation of IFRSs in Vietnam is a social phenomenon in financial accounting field. It is conducted under an individual method which produces many benefits and challenges for the Vietnamese accounting system. Therefore, it is necessary to understand the nature of the implementation and related issues of the implementation, mentioned above. The process of the implementation is also needed to assess why those occur and how those influence on the Vietnamese accounting. Based on the goals of this study and nature of research questions, an interpretivist paradigm is suitable for doing this research. The inductive approach helps to find a suitable theory for the Vietnamese accounting system, particularly in the implementation. Additionally, comparison, interview and case study are suitable methods because of the goals of this thesis, and data collected in the unique Vietnamese accounting environment.

Chapter 6: Theories of implementation of IFRSs in Vietnam

6.1 Introduction

This chapter explores the implementation of IFRSs in Vietnam in the case of the Vietnamese accounting conceptual framework issued in 2002 (VNF), namely “General standard” (VAS 01) through a comparison between VNF and the 1989 accounting conceptual framework of the IASB (IASBF). Method of the comparison is described in section 5.3. VNF was issued in the basis of IASBF, as announced by the Vietnamese authoritative bodies in accounting (3.3.5.1).

Additionally, this research also discuss influence of the further development of the 2010 conceptual framework on the Vietnamese accounting system, with a focus on how the changes in contents of the 2010 IASBF affect VNF. In this thesis, abbreviation IASBF refers to the 1989 version of the conceptual framework issued by IASB, except other clearly indicated circumstances. A full report of the comparison is presented in appendix 6.2, and a summary of results of the comparison is stated in appendix 6.1. This chapter helps to partly answer all four research questions (RQ):

1. Which theories help to understand the implementation of IFRSs in Vietnam? (6.2)
2. What factors are influencing the implementation of IFRSs in Vietnam? (6.3)
3. What are the benefits for Vietnam in implementing IFRSs? (6.4)
4. What are the challenges for Vietnam in implementing IFRSs? (6.5)

This chapter structured as follows. Section 6.1 introduces this chapter. Section 6.2 analyses the theories applied in the implementation of IASBF in Vietnam and how the theories influence the contents of VNF. Section 6.3 provides the factors influencing the implementation of IASBF in Vietnam found in the comparison. It also includes the analysis and discussion of the methods used and how the factors and methods used influence the contents of VNF. Section 6.4 investigates the nature of the benefits for the implementation of VNF and analyses how those help Vietnamese accounting. Section 6.5 analyses the nature of the challenges, and explains the reasons why the challenges occurring. It also argues the influence the

further development of the 2010 IASBF on the Vietnamese accounting system. The conclusion of this chapter is in section 6.7.

6.2 The theories helping to understand the implementation of VNF

This section aims to answer the research question of “Which theories help to understand the implementation of IFRSs in Vietnam?” VNF implemented in Vietnam aims to support the government in transforming the Vietnamese economy, namely MESO (3.5.3). This section focuses on how the communist theories and Hochiminh’s thoughts influence on VNF. It also contributes to provide evidence on realising the purpose of VNF which aims to help the government to increase and transform their financial management. However, the main findings of the purpose of the issuance of VNF are stated in section 6.4, benefits for Vietnamese accounting system. This section is structured in the basis of the preparation and announcement of VNF (6.2.1), the increase in control power of the State (6.2.2), amendment to content of VNF (6.2.3) and conclusion (6.2.5)

6.2.1 The basis of the preparation and issuance of VNF

VNF was issued by the Ministry of Finance (MOF) under decision No.165/2002/QD-BTC in 2002 (3.3.5) and has been effective since 2002 without amendment. This section analyses the theories applied to prepare and announce VNF (6.2.1.1), the basis for the preparation and announcement of VNF (6.2.1.2), and the influence of that basis on the content and legal position of VNF (6.2.1.3).

6.2.1.1 Theories applied to prepare and announce VNF

When analysing the basis for the preparation and announcement of VNF, the author found that Marxism-Leninism and Hochiminh’s thoughts have been applied in the implementation of IASBF. According to the decision No.165/2002/QD-BTC, the issuance of VNF aims to satisfy “*the requirement of economic and financial management reform, improvement of the quality of accounting information*”. The announcement stated in that decision clearly indicates that VNF aims to help the government to improve economic and financial management. Notably, the Vietnamese government is developing

MESO, which is built in the basis of Marxism-Leninism and Ho Chi Minh's thoughts (3.5.3). Indeed, the theories employed to prepare and announce VNF are revealed when the author analyses the basis for the preparation and issuance of VNF in following sections.

6.2.1.2 The basis for the preparation of VNF

Generally, VASs were prepared on the basis of IFRSs, as officially announced by the MOF (3.3.5.1). Actually, according to the decision No.165/2002/QĐ-BTC, the contents of VNF should be decided by five bases:

- 1) Pursuant to the VOAS (section 3.3.3.1), and the regulation on Organisation of State Accounting under the Decree No.25-HĐBB dated 18/03/1989 issued by the Council of the Ministers (currently (2012), namely the Government);*
- 2) Pursuant to the Government decree No.86/2002/ND-CP dated 05/11/1993 on the assignment, authority and responsibility for state management of the ministries and agencies similar to the ministries [of Vietnam];*
- 3) Pursuant to the Government decree No.178/CP dated 28/10/1994 regulating the functions, assignment and administration of the Ministry of Finance;*
- 4) In response to the requirement of economic and financial management reform, improvement of the quality of accounting information provided in the national economy and examination and verification of accounting practice;*
- 5) Upon the proposal of the Director of the Accounting Policy Department and Chief of the Office of the Ministry of Finance.*

Section 6.2.1.3 analyses further how five bases influence the content of VNF.

6.2.1.3 The influence of the bases on VNF

Among the five bases for the preparation of VNF, the VOAS takes the most important role which influences content of VNF, because VNF must be consistent with VOAS, based on the Vietnamese legislation (3.3.1). The influence of VOAS on VNF is exhibited in theory applied to set up the VOAS, and requirement of VAOS. In terms of theory, the key theory underlying the content of the VOAS is communist theories. VOAS aims to provide information to help the Vietnamese government run the country and increase the State's control in business entities, mainly SOEs (3.5). Therefore, many issues in the content of the VOAS are

obstacles to full adoption of IASBF, consisting of purpose of financial statements, main financial users and qualitative characteristics etc. Therefore, in terms of requirements, VNF should be consistent with VOAS in the accuracy of financial information, strictly following accounting policies issued by the State, and the unifying format of accounting reports (3.3.2). Article 2 of the VOAS stated that

“Accounting and statistics business of the entities [operating in Vietnam] must carry the following issues in the same way throughout the national economy: (1) the initial supporting accounting documents, (2) accounting charts and books, (3) accounting reports, (4) items and method of preparing and presenting the items in financial statements, (5) classification of economic sectors, economic forms, codifications and contents of national budgets (which are related to national statistics), (6) accounting measurement and currency units, and (7) accounting period”.

The 1988 VOAS was issued by the government that aims to satisfy two needs: taxation requirements and statistical needs of the government. It explains why the VOAS required that all entities throughout the national economy must prepare accounting and statistical reports with uniform forms issued by the MOF. It is clear that when VNF was prepared in basis of the VOAS, the content of VNF is difficult to be consistent with IFRSs.

Basis (4) for the preparation of VNF is the second important issue in the preparation of VNF because it involves the economic and accounting reform in Vietnam. The economic and accounting reform, namely MESO, is regarded as the motivation for the implementation of the IFRSs in Vietnam. The demand of the State in increasing the economic management and accounting control leads to a particular accounting framework in Vietnam which differs from IASBF (sections 6.3.1.3-5). The theories used in economic and financial reform are based on Marxism- Leninism and HoChiminh’s thoughts (3.5), therefore, those significantly influence the content of VNF.

Bases 2, 3 and 5 indicate the influence of the government in the preparation and announcement of VNF. The decrees No.86/2002/ND-CP and No.178/CP state the function, duty and authority of the bodies in the government. VNF was issued by the MOF. Based on the Vietnamese legislation, VNF should be a lower legal role than regulations which are issued by the prime minister or the national assembly.

The institution of legislative system limits the role of VNF in term of providing underlying concepts for setting up other Vietnamese accounting standards.

The following sections provide the findings of the influence of Marxism-Leninism and Hochiminh's thoughts on the contents of VNF through the comparison.

6.2.2 The increase in control power of the State

As stated in chapter 3, one of the key issues of Marxism-Leninism and Hochiminh's thoughts is that the CPV always wishes to maintain and increase the control power of the State, namely a proletariat state, under the leadership of the CPV (3.5.1). When comparing IASBF and VNF, the author has found many matters supporting this argument. To increase control power, the government has eliminated inconsistent issues and added many extra issues in VNF which support the government's control. Those are the omission of the issue of "*external users*" in VNF (6.2.2.1); the addition of "*VNF namely as a standard*" (6.2.2.2); "*accounting regime*" (6.2.2.3); "*inspectors in accounting*" (6.2.2.4); "*keeping records*" (6.2.2.5); and the omission of those who are interested in the preparation of accounting standards (6.2.2.6).

6.2.2.1 The omission of "external users" in VNF

The purpose of financial statements for external users was omitted when paragraph 1 of IASBF was converted to VNF (A6.2.1.2.1). The reason for this omission may derive from the purpose of the Vietnamese accounting system which supports the tax purpose (3.4.2) and management of the government (3.3.2). Notably, the Vietnamese accounting regimes before the innovation in 1986 were prepared to serve for SOEs (3.2.3). When VNF was issued in 2002, the main sector in the Vietnamese economy is SOEs (4.4.2). Additionally, the financial statements of SOEs were mainly used for management of the State and did not be broadly publicised. At that time, the publicising financial statements of SOEs was consistent with the legal materials, consisting of circular No. 73 dated 12/11/1996 issued by the Ministry of Finance and decree No. 07/1999/ND-CP dated 13/02/1999 issued by the Prime Minister. Those explain why the issue of "*external users*" was omitted from VNF. The omission is significant, because it strongly influences the content, and method of the preparation and presentation of

financial statements. It also leads to different recognition and methods in the measurement of elements of financial statements in VNF. Identifying the main users of financial statements is an extremely important issue in accounting theory because it helps to identify main purposes of financial information. The omission indicates an unclear point of view of the Vietnamese government in implementation of IFRSs.

6.2.2.2 VNF regarded as an accounting standard

According to the decision No. 165/2002/QĐ-BTC, VNF is named the Vietnamese Accounting Standard 01 (VAS 01). In the comparison, the issue of VNF regarded as an accounting standard is mentioned many times in paragraph 1 of VNF (A6.2.1.2.3). This issue has revealed a different point of view of the Vietnamese accounting standard setters of the first Vietnamese conceptual framework in the history of the Vietnamese accounting. Under the Vietnamese legislative institution (3.3.1), VNF takes a weak role in the accounting legislation. VNF cannot become an accounting foundation for setting other accounting regimes and standards. The foundation of Vietnamese accounting regimes and accounting standards is the 1988 VOAS, and then the 2003 accounting law. In this way, the theories of Marxism-Leninism and Ho Chi Minh's thoughts have been brought into the VASs through the VOAS and accounting law, even if VASs were based on IFRSs.

6.2.2.3 The mention of “accounting regime” in VNF

The term “accounting regime” is mentioned in many paragraphs of the VNF such as paragraphs 1a, 1b, 1c and 1d of VNF (A6.2.1.2.4). VNF indicates that the Vietnamese accounting regimes have the same role with VASs in the Vietnamese accounting system. Actually, the Vietnamese accounting regimes is much more influences on accounting practice than VASs, because the limitation of VASs and the strong role of the accounting regimes (3.3.4 and 3.3.5). By using both accounting regimes and VASs, the government can produce a Vietnamese accounting system which is suitable for demands of the government and coincident the implementation of IFRSs because of international pressure (7.2.1.4). It could be argued that the co-existence of both accounting regimes and

VASs is a good method that helps the government to bring communist theories in the Vietnamese accounting system.

6.2.2.4 The issue of “inspectors in accounting”

The issue of “*inspectors in accounting*¹⁷” is stated in sub-paragraph 1c of VNF which is an extra issue added in VNF compared with the corresponding paragraph of IASBF (A6.2.1.2.7). The mention of “*inspectors in accounting*” together with “*auditors*” in VNF indicates those who are responsible to verify financial statements in Vietnam. It is notable that IASBF mentions only “*auditors*”. The mention of “*inspectors in accounting*” also exhibits the willingness of the government to increase its management and control to business entities, because, commonly, “*inspectors in accounting*” in Vietnam are officials of the government.

6.2.2.5 The issues of “keeping records”

Sub-paragraph 1d of IASBF is converted into paragraph 1b of VNF in which VNF has added “*keeping records*” as one of purposes of the framework (A6.2.1.2.6). The requirement of “*keeping records*” indicates that the accounting standards setters in Vietnam still regard book keeping as one of significant issues in accounting practice. Indeed, VOAS (article 10) and ARBEs (3.3.4) always require accounting books of entities to be organised under specific and uniform methods suggested by the government. The requirement of keeping record indicates the government’s wishes to strictly manage business entities. This evidence exhibits the influence of Marxism-Leninism and Hochiminh’s thoughts on VNF.

6.2.2.6 The omission of those who are interested in preparing VASs

Paragraph 1g of IASBF which mentions those who are interested in preparing accounting standards, is omitted from VNF (see A6.2.1.2.8). The omission of this paragraph from VNF makes it unclear who is likely to be interested in setting the VASs and the Vietnamese accounting policies. It is likely argued that the Vietnam Accounting Standards Setting Group (VASG) would think that there are few people who are interested in preparation of VASs, or the preparation of VASs

¹⁷ This term is called “accounting reviewers” in English language version of VNF

has been assigned to a small group, namely VASG. This omission shows an aspect of the Vietnamese culture in which the Vietnamese would prefer to understand government's regulations thoughtfully rather than enquiring why the regulations are issued. In addition, the mechanism of the preparation and issuance of Vietnamese accounting is also a barrier for those who are interested in setting VNF, because most accounting standard setters are government officers. This finding provides evidence on the influence of the Marxism-Leninism and Hochiminh's thoughts in the term of increasing the personnel management, in the implementation of IFRSs.

6.2.3 Amendment to the content of VNF

This section provides the evidence on the selective and alternative implementation of IASBF in order to prepare VNF. This issue may be caused by Hochiminh's thoughts of selective implementation of international knowledge and civilisation into Vietnam (3.5.2).

6.2.3.1 Recognition of IASBF in a different way

Recognition of issues of IASBF, in a different way, refers to the circumstances in which the paragraphs of IASBF and VNF have a similar content, but those are stated and recognised under different categories. The different in recognition is exhibited in many issues. Firstly, VNF regards two accounting assumptions of IASBF as Vietnamese basic accounting principles, even if the content of the assumptions are similar to IASBF (A6.2.3.1 and A6.2.3.2). Secondly, qualitative characteristics of information in financial statements of IASBF are regarded as the Vietnamese basic accounting principles or basic accounting requirements in VNF (A6.2.3 and A6.2.4). Thirdly, "*Historical costs*" is a method of accounting measurement of IASBF, but it is added in the section "*basic accounting principle*" of VNF (6.2.3.2). Fourthly, "*Matching principle*" is a requirement of recognition of turnover and expense of IASBF, but it is regarded as one of Vietnamese basic accounting principles which are similar to qualitative characteristics of IASBF (A6.2.4.9.2). Fifthly, "*Consistency*" is a requirement for preparing and presenting financial statements stated in paragraph 27 of the IAS 1, but it is stated as a basis accounting requirement in VNF (A 6.2.4.9.3). Sixthly, VNF is regarded as "*accounting standards*" rather than an accounting framework

(6.2.2.2). The different recognition of the Vietnamese accounting standard setters may be explained by the influence of Hochiminh's thoughts.

6.2.3.2 Selective implementation of IASBF

The Vietnamese authoritative bodies have selected certain ideas of IASBF which are suitable to the Vietnamese accounting environment and the purpose of Vietnamese accounting to prepare VNF. The clearest illustration of selection in the implementation is the omission of many paragraphs of IASBF which conflict with other Vietnamese legislative materials (6.3.1.5 and 6.3.2.2). There are 56 of 110 paragraphs of IASBF (51%) that are omitted from VNF (A6.1). In addition, the shortening of ideas of the Vietnamese paragraphs compared with IASBF also indicates selective implementation (6.3.1.3). There are 32 paragraphs (29%) of IASBF which are shortened, when they are transferred into VNF (A6.1).

Analysing the method of implementation of IASBF in Vietnam provides further information on amendment to content of VNF (6.3.1).

6.2.4 Conclusion

The theories of Marxism-Leninism and Hochiminh's thoughts have significantly influenced the implementation of IASBF. The influence of those theories is exhibited in the basis of preparation and announcement of VNF (6.2.1). Those theories directly affect the content and legal position of VNF in the legal system in Vietnam. VNF must be consistent with VOAS because of the Vietnamese legislation. In terms of the content of VNF, the communist theories make VNF diverge from IASBF in order to satisfy the government's demands (6.2.2). To gain this goal, the Vietnamese accounting authoritative bodies have added new issues in VNF or omitted unsuitable issues from IASBF and made it consistent with the Vietnamese legal system. In addition, Hochiminh's thoughts have exhibited a clear influence when content of VNF were revised and adjusted from IASBF (6.2.3). The amendment to the content of VNF aims to maintain and increase the control power of the State (6.2.2). This indicates a different point of view of the Vietnamese authoritative bodies in setting VASs because IFRSs aims to provide financial information for external users and shareholders in order to maximise profits. The implementation of IFRSs in Vietnam under the communist theories and Hochiminh's thoughts would impede a full adoption of IFRSs in

future if the Vietnamese authoritative bodies maintain the current political institution and economic strategy.

6.3 Factors influencing the implementation of IASBF

This section aims to explore the research question: “What factors are influencing the implementation of IFRSs in Vietnam?” This section includes five sub-sections as follows: the methods used in the implementation (6.3.1), institutional factors (6.3.2), cultural factors (6.3.3), other factors (6.3.4) and conclusion (6.3.5).

6.3.1 Methods of the implementation of IASBF

6.3.1.1 General view on the implementation

VNF is a short form of IASBF in structure. VNF looks similar to IASBF in the titles of sections, but it omits a few sections and many paragraphs of IASBF in every section (table 6.1).

Table 6. 1: A comparison of the structure of VNF and IASBF

IASBF (1989)	Paragraph number	VNF	Paragraph number
Introduction	1- 11	General regulations	1- 2
The objective of financial statements	12- 21	Omission	
Underlying assumption and the qualitative characteristics of financial statements	22- 46	Basis accounting principles	3- 9
		Basic accounting requirements	10- 16
The elements of financial statements	47- 81	The elements of financial statements	17- 38
Recognition of the elements of financial statements	82- 98	Recognition of the elements of financial statements	39- 47
Measurement of the elements of financial statements	99- 101	Omission	
Concepts of capital and capital maintenance	102 -110	Omission	

While IASBF encompasses 110 paragraphs, VNF consists of only 47 paragraphs. VNF has omitted 63 paragraphs of IASBF. Actually, VNF has omitted 66 paragraphs, because it adds 3 extra paragraphs which are not stated in separate paragraphs in IASBF (A6.2.4.9). Details of paragraphs of VNF which are omitted, shortened, or adjusted from IASBF are stated in appendix 6.1. There are

four methods which have been applied when the Vietnamese authoritative bodies transfer paragraphs of IASBF to VNF (6.3.1.2, 6.3.1.3, 6.3.1.4 and 6.3.1.5).

6.3.1.2 Similarity of VNF to IASBF

The term ‘similarity in implementation’ refers to circumstances in which paragraphs of IASBF are fully converted into corresponding paragraphs of VNF. There are only 19 of 110 paragraphs of IASBF (17 percent) which are classified in this category (A6.1). Hence, when assessing the implementation as a whole, it is difficult to say the content of VNF is similar to that of IASBF.

6.3.1.3 Shortened use of VNF in the implementation of IASBF

The term ‘shortened use of VNF’ in the implementation of IASBF refers to the circumstances in which paragraphs of VNF have just conveyed a proportion of contents stated in the respective paragraph of IASBF. In this instance, certain ideas, illustrative sentences or examples stated in the paragraphs of IASBF have been omitted from the corresponding paragraphs of VNF. The shortened use of VNF is various. Firstly, it is the omission of idea from IASBF. For example, VNF has omitted the ideas of “*this framework is not an International Accounting Standard*” stated in paragraph 2 of IASBF (A6.2.1.2.9). This omission exhibits a different point of view of the Vietnamese accounting setters on the role of VNF¹⁸. Secondly, the omission of interpretative sentences and examples has been found, for example, the issue “*comparability*” (A6.2.4.6). This kind of omission makes VNF difficult to understand. 32 of 110 IASBF paragraphs (29 percent) were converted to VNF by this method. Other omissions have been summarised in appendix 6.1. The shortened use makes VNF unclear in meaning and difficult to understand and apply for accounting users.

6.3.1.4 Divergence of VNF from IASBF

The term ‘divergence of VNF from IASBF’ encompasses the introductions of new issues which are not stated in IASBF. For example, VNF has been added with many new issues such as *accounting regime* (6.2.2.3), “*inspectors in accounting*” (6.2.2.4), and “*keeping records*” (6.2.2.5).). Furthermore, the recognition of IASBF in different way contributes to the difference of VNF form

¹⁸ The Vietnamese accounting standard setters regard VNF as an accounting standard (6.2.2.2).

IASBF (6.2.3.1). There are only 3 paragraphs of VNF (3 percent) diverted from IASBF. However, the divergence from IASBF is important, because it makes VNF understood and practised by a different way.

6.3.1.5 Full omissions from VNF compared with IASBF

“Omissions from VNF” refers to sections or paragraphs fully omitted from the implementation. There are 56 paragraphs (51 percent) of IASBF fully omitted from VNF. VNF omits two entire sections of IASBF including “*Measurement of elements of financial statements*” (from paragraph 99 to paragraph 101) (A6.2.7) and “*Concepts of capital and capital maintenance*” (from paragraph 102 to paragraph 110) (A6.2.8). The section “*Measurement of elements*” provides definitions related to measurement (paragraph 99), suggests methods used for measurement (paragraph 100), and give examples for the implementation of those methods in accounting practice. The omission of those paragraphs makes VNF weak in setting up a firm background for providing methods of measurement of the elements of financial statements. VNF omits many paragraphs that explain definitions or introduce necessary concepts stated in IASBF, for example, paragraph 6, 7, and 8 of IASBF (A6.2.1.3.2-4). More importantly, some fundamental paragraphs which decide basic features of financial statements are also omitted, such as the purpose of financial statements, and the content of a set of financial statements. VNF not only omits some interpretive paragraphs, but it also fails to convey basic concepts used in preparing and presenting financial statements such as “*substance over form*” (paragraphs 35-36) (A6.2.4.5.3) or the concepts of capital and capital maintenance (paragraphs 102-110) (A6.2.8). Those omissions obviously influence contents and qualitative characteristics of financial information presented financial statements.

6.3.2 Institutional factors

Institutional factors which influence the implementation of IASBF are Vietnamese politics (6.3.2.1), and the Vietnamese legal system (6.3.2.2).

6.3.2.1 The influence of politics on the implementation of IASBF

The Vietnamese accounting system is influenced by politics through the Vietnamese legislation (3.3.1) and personnel management (section 4.2.4). In the

case of IASBF in Vietnam, politics has also significantly influenced the implementation. The political influence is exhibited in two aspects consisting of (1) deciding purpose and content of VNF, and (2) controlling the accounting authoritative bodies.

Firstly, the motivation and purpose of the implementation of IASBF aim to increase financial management of the government in order to develop MESO (6.2.1.1). MESO is the result of the implementation of Marxism-Leninism and Ho Chi Minh's thoughts. It influences the implementation of IASBF through the basis of preparation and issuance of VNF (section 6.2.1). Therefore politics is the main factor which influences the particular methods applied for the implementation (6.3.1). To gain those goals, VNF has additions, adjustments or omissions of many aspects from the contents of IASBF when it is converted into VNF (section 6.2.2, 6.2.3 and 6.2.4). Detail of the analysis stated in appendix 6.2 shows further how the divergence and omission of VNF help the CPV and State achieve political goals.

Secondly, the accounting authoritative bodies (MOF) which prepare and issue VNF are state organisations which are put under the leadership of the CPV (4.2.3). By this way, the State is able to control and assign those who take part in the procedure of preparing the Vietnamese accounting standards. Hence, the MOF can amend content of IASBF in order to match their demands when issuing VNF (6.3.1). Such method used in the implementation of IASBF aims to increase the management of the government to business entities (6.2.2).

6.3.2.2 The influence of the Vietnamese legal system on VNF

The influence of the Vietnamese legal system on VNF is exhibited in the form of the issuance and announcement of VNF. The announcement of VNF under a decision issued by the Ministry of Finance indicates that VNF is a legislative material and a part of the legal system in Vietnam (6.2.1.2) and it has a lower role than VOAS and accounting law (3.3.1). Hence, the content of VNF should be consistent with VOAS and accounting law (3.3.2). In the implementation, VNF has not mentioned the duty of the management board in preparing and providing financial statements as stated in paragraph 11 of IASBF (A6.2.1.4.3). The reason is because both leaders and accountants are responsible for preparing and

presenting financial statements, according to articles 30 and 52 in the 2003 Accounting Law (section 3.5.5.3). Many other influences of VOAS on the implementation of VNF have been found such as the omission of external users (because the government is main financial user) (6.2.2.1) and accounting keeping record (6.2.2.5). The requirement of providing precise information of VOAS also leads the omission of the qualitative characteristic “*substance over the form*” (A6.2.4.5.3) and “*true and fair view/fair presentation*” (A6.2.4.8).

6.3.3 Cultural factors

There are some cultural influences found in the contents of VNF when analysing the implementation of IASBF. Cultural influences are understood as the belief of the preparers when they prepare VNF. The cultural factors consist of language used in VNF (6.3.3.1) and the Vietnamese behaviour (6.3.3.2).

6.3.3.1 Language and translation

Language is importantly influential issues in the implementation of VNF. The influence of language consists of the translation of English language used in IASBF into the Vietnamese language (6.5.2.2). Additionally, the Vietnamese authoritative bodies have not found similar terms in the Vietnamese language (6.5.2.1). The challenge from technical terms makes it difficult for users to understand the content of IASBF. It is because VNF just produces the general meaning of IASBF and does not convey further complicated illustrations or examples stated in IASBF.

6.3.3.2 The Vietnamese behaviour

Analysing the implementation of IASBF indicates that sub-paragraph 1g of IASBF is omitted in VNF. Sub-paragraph 1g mentions that one of purposes of IASBF is to provide those who are interest in the process of setting accounting standards (A6.2.1.2.8). This omission exhibits a behavioural characteristic of the Vietnamese who wish to strictly follow laws and regulations promulgated by the government rather than to give an opinion on how the laws and regulations are set up (3.5.3.3). It also means that the implementation of the IFRSs should be more useful and efficient when the accounting standard setters are active and

thoughtful in issuing both VASs and accounting interpretations. Understanding this issue might help to gain a better result of the implementation of IFRSs.

6.3.4 Other factors

Two other factors consist of main users of financial information (6.3.4.1), and the level of development of the Vietnamese markets (6.3.4.2).

6.3.4.1 Main users of financial information

VNF is not clear in the identification of those who are the main users of financial information. It is the reason which explains the omissions of the issue “*external users*” (6.2.2.1), “*Users and their financial information needs*” (A6.2.1.4) and “*the objective of financial statements*” (A6.2.2). Those omissions are significant, because they help to identify users and the information and how information should be presented in financial statements. Those omissions makes VNF unclear about whether the purpose of financial information is to provide for making economic decisions or for the management of the State such as statistics and tax purpose.

6.3.4.2 The level of development of the Vietnamese markets

The influence of the level of development of the Vietnamese markets on the implementation of IASBF is revealed in the omission of many paragraphs and sections of VNF. The securities exchange market in Vietnam is an early stage having started in 2001 (see section 4.4.3). The State has seriously interfered in the operation of the Vietnamese market. For example, prices of essential goods and supplies such as gas, petrol, flight fares and telephone charges are decided by the State (4.4.3). It is difficult to obtain necessary and reliable information in the Vietnamese market to apply the methods suggested by the IASB to measure the elements of financial statements. Therefore, the level of development of the Vietnamese market leads to the omission of the section “*measurement of the elements of financial statements*” of IASBF (A6.2.7). This section provides the interpretation of the elements and methods applied to determine monetary amounts when the elements are recognised and presented in the balance sheet and income statements. Several methods have been suggested in paragraph 100 of IASBF to measure the elements of financial statements such as historical cost,

current cost, realisable value and present value. To apply those methods, the existence of full and developed markets is necessary, but such markets have not existed in Vietnam. In addition, the section “*the concepts of capital and capital maintenance*” is also omitted from VNF compared with IASBF (A6.2.8). This omission is caused by the level of development of the market and the very common existence and operation of SOEs and entities in which the State mainly holds the equity in Vietnam.

6.3.5 Conclusion

Institutional factors consisting of political institution and legislation are the strongest factors influencing the implementation of IASBF in Vietnam. Of the two factors, political factors are probably more powerful than the Vietnamese legislation (6.3.2). The “Vietnamese” communist theories and Hochiminh’s thoughts, together with the Vietnamese culture have created a unique political institution in Vietnam. It can influence all other factors, because any other organisations, including the national congress are led by the CPV. Therefore, political institution has affected the Vietnamese legislation. Those factors have significantly influenced the method of implementation, the content of VNF and the role of VNF in accounting legislative system.

The methods applied in the implementation of IASBF indicate a significant influence over the content of VNF. Vietnamese authority bodies have chosen selective and amended methods in the implementation of IASBF. Those methods lead to the shortening, divergence and omission of many ideas and paragraphs of IASBF from VNF. As a result, there are 17 percent of IASBF paragraphs similar to VNF (6.3.1.2). 32 percent of IASBF paragraphs are shortened and diverged in VNF (6.3.1.3-4). More importantly, 51 percent of IASBF paragraphs are fully omitted in VNF (6.3.1.5). Therefore even though VNF has appearance similar to IASBF in structure, titles, and some paragraphs, the mass omission of VNF makes it unclear in content and different from IASBF. It indicates that the implementation of IASBF is likely to be more a matter of appearance rather than sincere intention. This method indicates a strong influence of Hochiminh’s thoughts in the implementation.

The influences of cultural factors and other factors have been found in the implementation (6.3.3 and 6.3.4). Language is clearly a difficult issue, because some technical terms used in IASBF have not found similar Vietnamese terms in meanings. Additionally, the level of development of the Vietnamese markets and the omission of identify those who are the main users of financial information also lead the implementation of IASBF to become more difficult.

6.4 Benefits for the Vietnamese accounting system

The issuance of VNF has benefited the preparation of Vietnamese accounting standards and accounting practice. Those benefits consist of providing accounting concepts (6.4.1), definitions of the elements of financial statements (6.4.2), benefits for accounting users in making economic decisions (6.4.3), and benefits for accounting preparers (6.4.4). Section 6.4.5 concludes this section.

6.4.1 Improvement of financial and economic management

This section provides evidence on the selective implementation of IASBF to prepare VNF which aims to support the development of the MESO in Vietnam, particularly to manage SOEs.

6.4.1.1 New accounting concepts and principles

By implementing IASBF, VNF has provided further new qualitative characteristics of financial information which are maidenly appeared in the Vietnamese accounting system. For example, the Vietnamese accounting system incorporates many new accounting concepts such as “*materiality*” (A6.2.4.4.2), “*comparability*” and “*prudence*” (A6.2.4.5.5). Financial statements prepared and presented in compliance with those concepts probably provide reliable, transparent and comparable information for making economic decisions of a broad range of users. The transparency, completeness and timeliness of financial information, in turn, support the development of the MESO in Vietnam. In addition, the Vietnamese accounting standard setters have augmented extra issues in VNF in order to increase the management and control in SOEs such as “accounting regimes” (6.2.2.3), “accounting inspectors” (6.2.2.4) and “keeping records” (6.2.2.5). The contents of IASBF were also intentionally implemented in the way which aims to increase the management of the government to business

entities, particular to SOEs (6.2.2). Although VNF has omitted a few concepts stated in IASBF, generally, VNF has provided many essential concepts for setting up a set of accounting standards necessary for business entities operating in a market economy. By the issuance of VNF in the basis of IASBF, Vietnamese accounting has approached common concepts which have been broadly applied in the world.

6.4.1.2 Method of measurement “Historical cost”

“*Historical cost*” is the only method of accounting measurement stated in VNF. It may be caused by the dominance of SOEs in the economy (4.4.2). In the Vietnamese accounting system, the Vietnamese authoritative bodies only accept SOEs to revalue assets in particular circumstances and conditions (according to article 21 of decree No.199/2004/NĐ-CP, dated 03/12/2004 issued by the Prime Minister). The Vietnamese accounting regimes also require that revaluation and measurement of assets need an approval of accounting authoritative bodies¹⁹. Additionally, the Vietnamese markets are very small. There has not existed operating markets in Vietnam (4.4.4). Therefore, it is really difficult for SOEs when applying other methods of measurement such as current cost or present value. Those methods could lead to understatement or overstatement of assets in such a Vietnamese accounting environment. When implementing IASBF in this way, the Vietnamese accounting setters have limited options of business entities for choosing suitable accounting measurement methods.

6.4.2 Providing general definitions of elements of financial statements

By issuing VNF, it is also the first time definitions of elements of financial statements such as assets, liabilities, incomes and expenses are provided according to their economic nature. It is notable that before VNF was issued, an asset normally was identified by its appearance such as cash, plant, tool or equipment in Vietnamese accounting. The definition of each element under its economic nature provides broad and general understanding of elements of

¹⁹ According to decision No. 1141 TC/QĐ/CDKT dated 01/11/1995 was effective until 2006, and then it has been superseded by decision No.15/2006/QĐ-BTC dated 20/03/2006 issued by the Ministry of Finance which is currently effective (2012).

financial statements. The definitions might help accounting users deal with new transactions and events which have not occurred previously or been stated in Vietnamese accounting.

In addition, VNF also provides definitions on the content of a common set of financial statements which is necessary for entities. Vietnamese accounting users have benefited from this event when annual financial statements should contain information on cash movements and changes of owner equity since VNF and other VASs were issued.

6.4.3 Benefits for accounting users in making economic decisions

The implementation of IASBF benefits those who need information for making economic decisions. By issuing VNF, financial statements prepared and presented in compliance with the principles and requirements stated in VNF aim to provide information for making economic decisions rather than for the demands from the State such as statistics and tax purpose. Although the Vietnamese accounting setters have not mentioned external users as the main users of financial information in VNF (A6.2.1.2.1), they provide the Vietnamese basic accounting principles and requirements of information in VNF such as comparability, understandability, prudence and materiality (A6.2.4). It is notable that information presented in financial statements, which were prepared in compliance with Vietnamese accounting regimes before the issuance of VNF, focuses on the characteristics of accuracy, completeness and faithfulness (section 3.3.2 and 3.3.4). The issuance of VNF, therefore, contributes to satisfying the demand for qualitative financial information for users to make economic decisions. It is obvious that there are many new entities set up and business transactions occurred when the market is provided by transparent and complete financial information. On the broader vision, therefore, the issuance of VNF promotes investment, and development of the Vietnamese market.

6.4.4 Benefits for accounting preparers

The benefits for financial statements encompass saving time and costs for business entities (6.4.4.1), and dealing with accounting treatment of new transactions and events (6.4.4.2).

6.4.4.1 Saving time and costs for business entities

The regulation on “*materiality*” of financial information stated in paragraph 09 of VNF provides a useful principle to the Vietnamese preparers to save time, money and labour. Especially, it helps business entities operating in Vietnam avoid the small mistakes that are not material in financial statements. The characteristic of “*materiality*” in preparing financial statements also helps to bring financial information to users in shorter period. It is really useful in the Vietnamese business environment where the entities do business under the strong impact of tax codes (3.4.2) and control of the government (3.5.3.2). It is notable that a mistake in small amount under a tax code is regarded as fraud incident. Therefore, the change in the point of view in the precision of financial figures helps business entities so much in doing business in Vietnam.

6.4.4.2 Dealing with accounting treatments of new transactions and events

Paragraph 2 of VNF states that “*If the topics have yet to form the subject of a specific accounting standard, the framework will prevail*” (A6.2.1.2.9). It is very useful for Vietnamese accounting users, especially, in the Vietnamese accounting environment which is very changeable. However, the Vietnamese accounting regime is set up on the basis of a code principle. Hence, many transactions and events have not been described in the regime. This regulation of VNF gives a sound solution for Vietnamese accounting.

6.4.5 Conclusion

The implementation of IASBF has brought certain benefits for both the theory of the preparation of other Vietnamese accounting standards and the practice of Vietnamese accounting, even if VNF has not conveyed the full content of IASBF. In term of preparing VASs, VNF has provided many “new” concepts necessary for Vietnamese accounting under MESO (6.4.1). VNF also provides definitions of elements of financial statements and essential information on identifying the

formation of financial statements (6.4.2). When applying those concepts in Vietnamese accounting, the Vietnamese accounting setters have brought many benefits for both accounting preparers and users. Accounting preparers might find benefits for costs and time saving (6.4.4.1) and dealing with new issues in accounting practice (6.4.4.2). The most significant benefits of VNF should be the supplement of new accounting concepts for the Vietnamese accounting system (6.4.1). Financial information which is prepared and presented in consistent with the new concepts and principles probably provides reliable information for making economic decisions (6.4.3). Providing financial information that is transparent, reliable, understandable and comparable, in turn, promotes the development of the market economy in Vietnam.

6.5 Challenges for implementation

Most challenges in the implementation of IASBF have been found related to the cultural challenges such as translation from English to Vietnamese languages and the difficulty of technical terms. In addition, a few institutional challenges are also revealed in the comparison.

6.5.1 Institutional challenges

The most institutional challenges should be the Vietnamese politics and the Vietnamese legislation which are derived from the communist theories and Ho Chi Minh's thoughts as stated in section 6.3.2. This section analyses further two institutional challenges including challenges for the role of framework (6.5.1.1) and challenges for personnel resource and management (6.5.1.2)

6.5.1.1 Challenges for the role of VNF

The role of VNF is limited by the institution of the Vietnamese legislative system in which VNF takes a humble role. While IASBF is not an accounting standard, VNF is thought about as a general accounting standard. Therefore, paragraph 2 of VNF says that the regulation stated in VNF might be applied in the circumstances which have not been required by other accounting standards (6.4.4.3). It also explains reason why VNF is called the "*General standard*". The purpose of VNF and IASBF is slightly different. While IASBF aims to set out underlying accounting concepts for the preparation and presentation financial statements,

VNF seeks to “*regulate and prescribe [direct]*”²⁰ *the basic accounting principles and requirements...*” (Quoted from paragraph 1 of VNF). The term used in VNF, especially “*prescribe*” indicates the limited role of VNF, because VNF tends to instruct or prescribe. The role of VNF therefore should be modest in the function of providing underlying accounting concepts for other accounting standards. The reason is that VASs and accounting regimes should follow the 1988 Ordinance in accounting and 2003 Accounting Law (6.3.2.2). The limited role of VNF probably influences setting up other Vietnamese accounting standards because VNF cannot exceed regulations stated in the Ordinance and Law.

6.5.1.2 Challenges for personnel resource and management

Those challenges are revealed in the decision No.165/2002/QĐ-BTC, dated 31/12/2002 of the Ministry of Finance on the preparation and issuance of VNF. According to this decision, those who are responsible for preparing VNF are state officials and the government completely manages the personnel issue (6.2.1.2). Hence, the issue related to personnel who are interested in the work of preparing accounting standards has been eliminated in the content of VNF (paragraph 1) (6.2.2.6). It also indicates that the personnel resource who can take part in the preparation of VASs is limited. The challenge for the personnel management is also exhibited when VNF has to add “*accounting inspectors/reviewers*” in paragraph 1 (6.2.2.4). This is an exhibition of the application of theories of Marxism-Leninism and Ho Chi Minh’s thoughts in the term of the total management of CPV in the implementation of IASBF.

6.5.2 Cultural challenges

Cultural challenges for the implementation of VNF have been found in two main issues: technical terms used in IASBF (section 6.5.2.1) and translation between Vietnamese language version and English language version (section 6.5.2.2).

6.5.2.1 Technical terms used in IASBF

Firstly, the term “should” used in IASBF means an obligation and accounting users must follow the guidance issued by the IASB in this circumstance. However, when this term is translated into the Vietnamese language, “*nen*”, it

²⁰ Further discussion is stated in section 6.5.2.2.

takes the meaning of an advice, but not an obligation or requirement. If IASBF use the term of “must”, it should be translated into “phai” in Vietnamese language that has the meaning of “must do the obligation”. The different understanding of concepts used in IASBF in English sometimes is a significant challenge for users in other languages.

Secondly, it is difficult to find a term in the Vietnamese language which has meaning similar to the term used in IASBF in English language. For example, the term “framework” has not existed as a term in Vietnamese accounting. In the Vietnamese language version of VNF, the Ministry of Finance translates “framework” as “Chuan muc” (Vietnamese language), but “Chuan muc” means “standard” when it is translated to English. Therefore, it causes confusion to users about the meaning of this term between the Vietnamese language version and English language version of VNF.

Thirdly, the terms “tuong lai gan” (Vietnamese language), meaning “*near future*” in paragraph 4 of the Vietnamese language of VNF, are translated into “*foreseeable future*” in the English language version of VNF. The term used in the English version of VNF is similar to the term used in IASBF. In this circumstance, the English version of VNF has not conveyed the mean of terms used in the Vietnamese version. The difference between the Vietnamese language version and the English version raises a difficulty for international users in practising accounting and auditors in forming opinions.

6.5.2.2 The challenge for translation

Many challenges have been found for the translation from English language used in IASBF into the Vietnamese language. Some notable issues are as follows:

Firstly, in the introduction of paragraph 1, the Vietnamese language and the English version of VNF contain some different issues that make it inconsistency in meaning. The Vietnamese version states that “*The purpose of this standard is to regulate and direct the basic accounting principles and requirements...*”, while the English language version says “*The objective of this standard is to prescribe the basic accounting principles and requirements and the elements of financial statements and recognition of the elements in order to...*”. The

difference between the terms of “to regulate and instruct” used in Vietnamese version and “prescribe” used in the English language version might lead to different understanding of the purpose and role of VNF. While the term used in the Vietnamese language version implies an obligation, the term used in the English language version means an introduction and description. Furthermore, the English version does not mention the objective of the framework for “business entities”. It might be a mistake in the translation of the Vietnamese version into the English version. However, the mistake makes the content of VNF inconsistent between two versions. It is evidence that shows the influence of culture on the implementation of IFRS in Vietnam.

Secondly, in the sub-paragraph 1a, while the Vietnamese language version says the framework “*to set the basis to develop and improve accounting standards and accounting regime in detail under a unifying frame*”, the corresponding paragraph in the English version of VNF states “*the objective of this standard is to set a framework for [the] consistent development and review of accounting standards and regulations*”. The difference between the Vietnamese version and the English version indicates the influence of the translation in the implementation. The definition in the English version of VNF seems unclear in meaning when it says the purpose of the Vietnamese accounting framework is “to set a framework” (a circular definition). In fact, it is difficult to find a Vietnamese term that gives the meaning exactly similar to the term: “framework”. The users of VNF need the Vietnamese accounting standard setters to explain and identify more clearly the role of VNF in the Vietnamese accounting. When finding an English or technical term used in IASBF that is difficult to find a Vietnamese term having similar meaning, the Vietnamese accounting setters should explain and clarify the term by a sentence or phrase instead of using only a Vietnamese term. In this circumstance, it shows the influence of meaning of language on the implementation again.

Thirdly, some technique terms consisting of “true and fair presentation” and “materiality” cause difficulty in the implementation. It is because the Vietnamese accounting setting bodies feel tough to find similar terms in the Vietnamese language which can convey the full meaning of the IASBF term. Additionally, it

may derive from the habit of providing precise financial information of Vietnamese accountants as required by VOAS and accounting law (3.3.2).

Fourthly, in the English language version of VNF, the term of “*inspectors*” is translated in to “*reviewers*” (section A6.2.1.2.7). The Vietnamese language version of VNF in this stance is clearer than the English language version in meaning when it uses the term “inspectors”. The reason for the addition is because financial statements in Vietnam can be used to levy taxes, distribute profits or judge at courts according to the Vietnamese Ordinance in Accounting and Statistics (1988) and the Vietnamese Accounting Law (2003). The issue also shows that international persons who do not understand Vietnamese language will see more challenges than those who can use Vietnamese language in reading VNF.

Fifthly, paragraph 2 of the Vietnamese language version says “*Chuan muc nay khong thay the cac chuan muc ke toan cu the. Khi thuc hien thi can cu vao chuan muc ke toan cu the. Truong hop chuan muc ke toan cu the chua qui dinh thi thuc hien theo chuan muc chung*” (Vietnamese language). The three sentences should be translated into English as “*The standard [framework], does not override any specific accounting standard in particular circumstances. Specific accounting standards are the basis for accounting practice. If the topics have yet to form the subject of a specific accounting standard, the framework will prevail*”. The corresponding paragraph of VNF in the English version states only two sentences: “*The framework does not override any specific accounting standard, which shall apply in respective circumstances. If the topics have yet to form the subject of an accounting standard, the framework will prevail*”. In this instance, the first and the last sentences in the Vietnamese version have been correctly translated into the English version. However, the second sentence of the Vietnamese version in the paragraph has not been explicitly conveyed into the English version. The second one should be translated in the independent sentence of “*Specific accounting standards are the basis for accounting practice*” according to the meaning of the sentence stated in the Vietnamese language version.

6.5.3 Other challenges

Other challenge is mainly caused by the unique accounting environment in Vietnam. It contributes to the omission of many qualitative characteristic requirements, paragraphs and sections in VNF. Especially, the omission of the section “*measurement of the elements of financial statements*” (A6.2.7) and the section “*concepts of capital and capital maintenance*” (A6.2.8) are possibly caused by the level of development of the Vietnamese market and the existence of many SOEs in the Vietnamese economy. The elimination of the concept “*true and fair presentation*” and section “*measurement of elements of financial statements*” indicates the challenges for judgement when IASBF is implemented in Vietnam. That may be caused by both institutions and culture. The institution of the legislative system requires companies and preparers strictly to follow regulations and law (3.2.4.2). The Vietnamese culture of acceptance in life and avoidance of conflict makes the preparers feel hesitant when making a judgement because of the worry of responsibility (4.3.5.3). Additionally, the Vietnamese markets are developing at a low level and are not full free markets. Those lead to the shortage of reliable information. It makes the preparers and managers feel unsatisfied when making a judgement in accounting practice and preparing financial statements.

6.5.4 Further development of conceptual framework

The 2010 IASBF onward produces two new chapters compared with the 1989 IASBF, consisting of chapter 1 and chapter 3. This section analyses influences of the changes in the 2010 IASBF on the VASs and other elements of the Vietnamese accounting system, with a focus on qualitative characteristic of financial information stated in chapter 3 of the 2010 IASBF. The brief comparison is exhibited in table 6.2. Notably in VNF, qualitative characteristics of financial information are considered as the Vietnamese basic accounting principles and requirements which include two underlying assumptions (accrual basis and going concern), method of accounting measurement (historical cost) and recognition (matching principle). Those are not similar to qualitative characteristics suggested by IASBF. Hence, table 6.2 does not mention accounting assumption, measurement and recognition stated in VNF.

Table 6. 2 A brief comparison among the 1989 IASBF, 2010 IASBF and 2002 VNF

	The 1989 IASBF		The 2010 IASBF		The 2002 VNF
Para. No.	Content	Para. No.	Content	Para. No.	Content
25	Understandability	QC30-32	Understandability	14	Understandability
26-28	Relevance	QC6-11	Relevance		N/A
	N/A	QC8	Predictive value		N/A
	N/A	QC9	Confirmative value		N/A
29-30	Materiality	QC11	Materiality	9	Materiality
31-32	Reliability		N/A		N/A
33-34	Faithful presentation	QC12-16	Faithful representation	10	Faithfulness
	N/A	QC15	Free from error		N/A
35	Substance over the form		N/A		N/A
36	Neutrality	QC14	Neutral depiction	11	Objective
37	Prudence		N/A	8	Prudence
38	Completeness	QC13	Complete depiction	12	Completeness
39-42	Comparability	QC20-25	Comparability	15	Comparability
	N/A	QC22	Consistency	7	Consistency
	N/A	QC26-28	Verifiability		N/A
43	Timeliness	QC29	Timeliness	13	Timeliness
44	Balance between benefit and costs	QC35-39	The cost constraint on useful financial reporting	11	N/A
45	Balance between qualitative characteristics	QC33-34	Applying enhancing qualitative characteristics	16	Balance between qualitative characteristics
46	True and fair view/ fair presentation		N/A		N/A

Key: Para. No. means paragraph number.

The further development of the 2010 IASBF affects VNF on the issues as follows.

Firstly, in terms of users of financial statements, the 2010 IASBF makes it clearer than the 1989 IASBF in terms of those who are main financial users. They

include investors, lenders and other creditors (OB2, OB7). However, the 2002 VNF does not mention main financial users. The Vietnamese accounting standard setters just says the purposes and bases of issuing VNF to satisfy the financial management of the government (6.2.1). Additionally, while the 2010 IASBF mentions objective of general purpose financial reporting which helps to make decision about providing economic resources and claims to the entity (OB12-15 OB18 and OB21), the VNF just says the VNF aims to help to prepare a uniform Vietnamese accounting standards and regimes (6.2.1). Those phenomena occurring in Vietnam may be explained that the government is currently the main financial users; and the important purposes of the Vietnamese accounting system is to help the government control and manage the Vietnamese (3.5), in which many SOEs are operating (4.4.2). The issuance of the 2010 IASBF makes the Vietnamese accounting system face more challenges when implementing IFRSs, because the 2010 IASBF has indicated the main financial users. It is obvious that the identification (who) main users and (what) important purposes of financial statements are crucial, because those affect qualitative characteristics of financial information, the method of recognition and measurement of elements. When the VNF has not clearly defined what is the main purpose of financial information and who are the most important financial users, the implementation of IFRSs in Vietnam will encounter more severe challenges, because of the influence of the new IASBF. The Vietnamese accounting system has not converged with IFRSs because of the influence of the current communist theories and Ho Chi Minh's thoughts on the accounting system (6.2). It means that important benefits for the implementation cannot be achieved in Vietnam. Chapter 8 provides evidence on the influence of the financial users and the purposes of financial statements on content of financial statements in Vietnam (8.3.1 and 8.3.2).

Secondly, in terms of qualitative characteristics of financial statements, the 2010 IASBF has produced many new qualitative characteristics such as confirmative value, predictive value, verifiability, and free from error. Certainly, the new conceptual framework will lead to new or amended international accounting standards. The VASs were based on the old framework. Hence, the Vietnamese accounting system will face more challenges in the implementation. Additionally, the 2010 IASBF has classified qualitative characteristics into two categories

consisting of fundamental qualitative characteristics and enhancing qualitative characteristics. It means that some characteristics are fundamental, and more important than other ones. Currently, VNF treats qualitative characteristics of financial statements as basic accounting principles and requirements which have equal role. Therefore, the classification in the 2010 IASBF may make the implementation in Vietnam become difficult because VNF has to decide which qualitative characteristics are fundamental.

Thirdly, the new characteristics of the 2010 IASBF have different influences on the VNF and the Vietnamese accounting system. Characteristic of “faithful representation” of the 2010 IASBF has replaced the characteristic of “reliability” in the 1989 IASBF. The 2002 VNF has not provided characteristic “reliability”, but it has “faithfulness”. The replacement accidently helps the 2002 VNF close to the 2010 IASBF. However, the 2010 conceptual framework indicates that faithful representation does not mean accurate in all respects (QC15). Although the 2002 VNF does not provide “accuracy” as one of accounting requirements or principles, the VNF should follow its base, the Vietnamese Ordinance in Accounting and Statistics which requires accounting information to be accurate (section 3.3.2). In my opinion, it is the most important difference in the qualitative characteristics between the 2002 VNF and the 2010 IASBF. Additionally, the VNF provides the accounting principle “*prudence*” (paragraph 8 of VNF, appendix 6.1), which is not mentioned in the 2010 IASBF. However, the purpose of prudence helps the entity avoid errors from recording uncertain profits. Hence, this qualitative characteristic supports the characteristics of free from error in the 2010 IASBF.

6.5.5 Conclusion

Many challenges for the implementation of IASBF have been found, consisting of institutions, culture and the unique accounting environment in Vietnam.

Institutional challenges, especially derived from the Vietnamese politics and the Vietnamese legal system, influence the content and role of VNF (6.5.1). Those also makes the role of VNF lower than its normal position that does not helps VNF function as underlying concepts for the Vietnamese accounting system (6.5.1.1). The theories of Marxism-Leninism and Hochiminh’s thoughts also lead

to constraints for those who are interested in the work of preparing the accounting standards (6.5.2.2). It might limit the attraction for experts and scholars who have good knowledge of IASBF to contribution a sound implementation of IFRSs in Vietnam. The Vietnamese culture contributes to important challenges for the implementation because some technical terms or contexts stated in IASBF are quite difficult for the Vietnamese accounting setters and users (6.5.2). They cannot find similar terms or events existing in the Vietnamese environment to explain the events. It explains why VNF is too general and lacks detail illustrations, examples and interpretations. In addition, the particular characteristics of the Vietnamese accounting environment and level of the development of the market also raise challenges for the implementation (6.5.3). Recently, the issuance of the 2010 IASBF leads the implementation of IFRSs to face more challenges in close future (6.5.4). Especially, the issue of identifying main users of financial statements are investors, lenders and other creditors, while the 1988 IASBF just mentions financial information for external users. The Vietnamese accounting standard setters have not decided those who are the main users of financial information. Currently, they also have announced that the purpose of issuing VASs is to improve the government's financial management (6.2.1). Additionally, while the 2010 IASBF clearly indicates that faithfulness does not mean accuracy, the 2002 VNF must be consistent with the 1988 VOAS which requires entities to provide exactly financial information. That is an important difference of the VNF from the new IASBF which would lead to further challenges for the implementation of IFRSs in Vietnam.

6.6 Conclusion

The implementation of IASBF in Vietnam through issuing VNF is significantly influenced by the communist theories and Ho Chi Minh's thoughts (6.2). VNF is expected to satisfy the government's demands in financial and economic management which aims to develop the economy and strengthen the political institutions in Vietnam. The main features of the theories are to maintain and increase the control power of the CPV and State in accounting (6.2.2). In the implementation of IASBF in Vietnam, such theories have been inserted into VNF by the particular methods (6.3.1) and bases (6.2.1) which allow the Vietnamese accounting standards setters to revise the content of IASBF. As a result, VNF is

similar to a shortened form of IASBF in structure, titles and some paragraphs (6.3.1.1), but content of VNF is diverted from IASBF (6.2.4). There are many factors which influence the implementation of IASBF consisting of institutions, culture and accounting environment. Among those factors, institutional factors are the most influential factors which consist of political and legislative institutions (6.3.2). The Vietnamese politics significantly influences content of VNF (6.3.2.1), and the Vietnamese legislation affects the role of VNF (6.3.2.2). The greatest benefit should be the implementation of “new” accounting concepts and principles in the Vietnamese accounting system (6.4.1). Quality of the Vietnamese Financial statements which are prepared and presented in consistent with such qualitative characteristics should be improved. That helps business entities save costs and time (6.4.4). VNF also helps the entities improve financial information for users to make economic decisions (6.4.3). The implementation, therefore, takes an important role in developing the economy. However, the implementation also faces many challenges in which the most challenges should be political institutions and communist theories (6.5.1). Additionally, technical terms used in IASBF and translation IASBF from English language to the Vietnamese language also are important challenges (6.5.2).

Generally, the quality of VNF is poor. VNF it is not clear in meaning and is inconsistent in content. VNF omits many concepts, interpretations, illustrations and examples compared with IASBF (6.3.1.3-5). It is difficult for VNF to take the role as a common accounting framework which aims to provide underlying accounting concepts for preparation and presentation financial statement for external users. Increasing quality of VNF is very important because it is the foundation of preparing other Vietnamese accounting standards. The Vietnamese Accounting Standard Setting Group should eagerly improve the quality of VNF.

Chapter 7: Interviews

7.1 Introduction

The purpose of this chapter is to answer the following research questions (RQ):

RQ2: What factors are influencing the implementation of IFRSs in Vietnam?

RQ3: What are the benefits for Vietnam in implementing IFRSs?

RQ4: What are the challenges for Vietnam in implementing IFRSs?

This chapter reports detailed findings from the interviews. The findings are stated under tables which aim to provide an easy view and assessment. The interviewees' similar opinions are summarised together to form key topics in the tables. Some separate ideas of the interviewees are also shown if they are interesting or essential. However, it is not practical to display all of the interviewees' opinions in the tables. Therefore, interesting or important opinions relating to the research questions, which are not displayed in tables, are provided in descriptive paragraph following the tables. Additionally, opinions of the interviewees are categorised in such paragraphs in order to convey the main aspects of the implementation of IFRSs in Vietnam. There were sixteen interviewees selected for the interviews who were persons interested in the process of implementing IFRSs in Vietnam. They included two accountants at well known companies, eight auditors, four lecturers, and two members of the Vietnamese Accounting Standard Setting Group (VASG). Further information on the interviewees and performance of the interviews are presented in sections 5.4.2 and 5.4.3.

This chapter is structured as follows. Section 7.2 states the factors influencing the implementation of IFRSs in Vietnam. Section 7.3 provides benefits found in the interviewee's opinions. Section 7.4 produces challenges for the implementation. The conclusion of this chapter is in section 7.5.

7.2 Factors influencing the implementation

7.2.1 Motivation of the implementation of IFRSs in Vietnam

The interviewees were asked the question: “Do you think that Vietnam needs to implement IFRSs? Why or why not?”

7.2.1.1 Summary of responses

The motivations in Vietnam for the implementation of IFRS are given by the interviewees as follows:

Table 7. 1: Motivation for the implementation of IFRS in Vietnam

No	Interviewees	Responses			
		1(*)	2(*)	3(*)	4(*)
1	A: Auditor	Y	Y		
2	B: Auditor	Y			
3	C: Lecturer	Y	Y	Y	
4	D: Auditor	Y			
5	E: Auditor	Y			
6	F: Expert	Y	Y		
7	G: Accountant	Y			
8	H: Lecturer	Y	Y	Y	
9	I: Expert	Y	Y	Y	
10	J: Auditor	Y			
11	K: Auditor	Y	Y		
12	L: Lecturer	Y	Y	Y	
13	M: Accountant	Y			
14	N: Auditor	Y	Y	Y	
15	O: Lecturer	Y	Y	Y	Y
16	P: Auditor	Y	Y	Y	Y
	Total	16	10	7	2
	Percentage (%)	100	62	44	12

Keys: Y stands for interviewees who mention the theme; a blank means that the interviewee does not mention the theme.

Explanations (*):

1. The old Vietnamese accounting regime is obsolescent and it needs to be improved in order to satisfy the transformation of the Vietnamese economy.
2. Implementation of IFRSs is necessary for transparency of Vietnamese financial statements.
3. Influence of international organisations.
4. Attraction to Foreign Directed Investment (FDI)

The following sections describe the answers of the interviewees on the motivation of the implementation categorised in three themes: support for transformation of the economy (7.2.1.2), transparency of financial statements (7.2.1.3), pressure from international organisations (7.2.1.4), and attraction to FDI (7.2.1.5).

7.2.1.2 The obsolescent accounting regime and demand of economic transformation

Sixteen interviewees (100%) agreed that implementation of IFRSs in Vietnam is necessary. The demand for the implementation of IFRSs in Vietnam derives from the transformation of the Vietnamese economy. Many economic sectors have developed rapidly since the innovation, contrasting with having only SOEs and collective entities before transforming. A broad range of new business transactions have arisen in the Vietnamese economy. The old accounting regime²¹ based on a chart of accounts, which mainly serviced SOEs, is no longer suitable. Especially, an interviewee who is a lecturer at the Hochiminh Economic University said that the Vietnamese economy has developed very fast. It leads to the appearance of many big companies, particular international companies operating in Vietnam. They spent and lost in money, and time since applying the old accounting regime, according to the interviewees. Therefore, Vietnam urgently needs a new accounting system that can satisfy the accounting requirements of a variety of companies operating in the MESO. Implementation of IFRSs is very necessary for accounting practice in Vietnam.

7.2.1.3 Transparency and reliability of information presented financial statements

Ten interviewees (62%) said that implementation of IFRSs derives from the demand for transparency and reliability of information presented in financial statements. In parallel with economic success, many social problems arose at the end of the 1990s which influenced the Vietnamese people's behaviour and thinking. Many fraudulent cases and corruptions were found. Most of those social problems were related to accounting fraud. The Vietnamese accounting system at that time revealed many poor issues. Therefore, implementation of IFRSs was chosen as a solution to improve the Vietnamese accounting system. The

²¹ The definition of the old accounting regime is provided in section 3.3.4.

improvement of the accounting system is a vital demand to retain stable development of the Vietnamese economy.

7.2.1.4 Influence of international organisations

Eight interviewees (50%) said Vietnam has implemented IFRSs because the Vietnamese government is influenced by international organisations such as the Asian Development Bank (ADB), IMF, and WB. Those organisations have influenced the Vietnamese government in making decision implemented IFRSs based on the supports of funds and technical aids. Interviewee F, who is working for the MOF, said that the issuance of VASs relied on the help of the project, namely EUROTAPVIET, funded by the European Union (1994-2000) and then the World Bank (since 2000). The interviewee continued that a few accounting experts, from the Institute of Chartered Accountants of Scotland, were currently working for the project to help the MOF complete VASs, at the interview date in 2007.

7.2.1.5 Attraction to FDI

Implementation of IFRSs is necessary for Vietnam to attract foreign investors, particularly, multinational and FDI companies, as argued by interviewees O and P. The transparency and reliability of information represented in financial statements and accounting regime are key factors for foreign investors making a decision to invest in Vietnam said by interviewee O. The Vietnamese government wants to accelerate the process of integration with the world and the investment of foreign investors is an important factor of the integration process as argued by interviewee P.

7.2.1.6 Discussion of opinions of the interviewees

Firstly, the implementation of IFRSs in Vietnam aims to support the development of MESO (3.5.3). Finding a new accounting system which is able to support the development of MESO is vital for the Vietnamese government. The rapid development of the Vietnamese economy since the innovation in the 1990s has supported the establishment of a large number of new business entities in many different sectors (section 4.4.5). The new companies in turn take a more important role in the Vietnamese economy compared to the SOEs (section 4.4.2).

Relationships in the current Vietnamese economy (MESO) are not limited to the exchange and distribution of products or raw materials as were the relationships in the centrally planned economy. The old ARBEs, which is mainly based on a chart of accounts with a focus on SOEs, is no longer suitable and shows a lot of constraints for business enterprises operating in the current environment (section 3.3.4). Even at the simplest level, the old ARBEs did not have enough numbers of accounts to serve the new transactions. Especially, in the old ARBEs, to record owners' equity there was only one account, namely "*capital business*", used to present owners' equity. The reason for that is the government totally owned the capital of the entities at the point of time when the old regime was issued. Therefore, the old ARBEs with such features did not satisfy demands of accounting users, particularly in joint stock, joint venture or partnership companies. Such entities require an accounting system which is able to help to present many different kinds of the entities' equity such as outstanding shares, treasury shares, and surplus value of shares. Furthermore, the contents of transactions guided in old ARBEs are mainly applied for SOEs which had prevalently operated under the centrally planned economy. The old ARBEs is no longer suitable for normal and regular transactions arising under the MESO. As a result, accountants do not know how to deal with many new transactions as using the old accounting chart.

Secondly, the transparency and reliability of information presented in financial statements is essential. In parallel with economic success, many social problems and financial deceptions were found in the innovation era such as Dong Thap Import and Export Oil Commerce Company (Ho, 2002, p.27), EPCO, Tran Xuan Hoa, La Thi Kim Oanh and TAMEXCO (Nguyen, 2012, p.61). Corruption in Vietnam is ranking at 107/159 in the world (Nguyen, 2012, p.61). The main causes of those events are the poor government management and the Vietnamese legislation (Nguyen, 2012, p.59). In addition, the establishment of Vietnamese capital markets raises huge demands for transparency and reliability of financial statements (Nguyen, 2008, p.81). Those events support an urgent implementation of IFRSs.

Thirdly, it is the fact that international organisations such as the Asian Development Bank and the World Bank have significantly supported the

Vietnamese government in implementation of IFRSs in the innovation era (section 4.4.6). The Vietnamese government have been funded in many projects from international organisations in order to improve the ability in financial management (section 4.4.6). Especially, the project EURO TAP VIET, funded by European Union to support accounting techniques in 1996-2000, and then by the World Bank since 2000 (section 4.4.6). This project provided both finance and scholars of IFRSs to help the Vietnamese government not only in preparing VASs but also in training accountants and auditors. Hence, the arguments of the interviewees are reliable.

Fourthly, the argument of the interviewees who said that implementation of IFRSs aims to attract foreign investors is reasonable because of the important role of FDI in Vietnam (4.4.5). Vietnam continuously encourages the development of FDI sector, regarded as key economic sector of economic development policies suggested by the CPV (MOET, 2011b, p.155). As a result, the rate of FDI production has increased in the Vietnamese gross domestic production (GDP). Especially, the production of FDI companies contributed to ten percent of the Vietnamese GDP in the year 1988, and reached nineteen percent of the GDP in 2008 (Vo, 2012, pp.534-5). Vietnam is located in South East Asian which consists of many dynamic countries such as Malaysia, Singapore, Indonesia and Thailand which have many similar aspects to Vietnam, but the economies of those countries are more developed than that of Vietnam (Vo, 2012, p.178). Hence, the Vietnamese government understood that Vietnam needs to improve the investment environment of Vietnam to compete neighbour countries. Implementation of IFRSs is an important issue of the process of improvement of the Vietnamese environment.

7.2.2 Factors influencing the implementation in Vietnam

The interviewees were asked: “*What factors have influenced the implementation of IFRS in Vietnam?*”

7.2.2.1 Summary of responses

The interviewees’ responses to the question are presented in table 7.2, in which seven themes are identified from the responses. In the table, Y stands for a

positive answer and a blank space means that the interviewee did not mention the theme.

Table 7. 2: Factors influencing the implementation of IFRS in Vietnam

No	Interviewees Code	Responses (*)						
		1	2	3	4	5	6	7
1	A: Auditor	Y	Y	Y		Y	Y	Y
2	B: Auditor		Y				Y	
3	C: Lecturer	Y		Y	Y	Y	Y	Y
4	D: Auditor					Y		
5	E: Auditor		Y			Y		
6	F: Expert	Y					Y	Y
7	G: Accountant					Y		
8	H: Lecturer	Y	Y		Y	Y	Y	Y
9	I: Expert						Y	
10	J: Auditor		Y			Y		Y
11	K: Auditor		Y					
12	L: Lecturer				Y	Y	Y	Y
13	M: Accountant		Y					
14	N: Auditor					Y	Y	Y
15	O: Lecturer	Y	Y	Y		Y	Y	Y
16	P: Auditor		Y	Y		Y	Y	Y
	Total answer	5	9	4	3	11	10	9
	Percentage (%)	31	56	25	19	69	62	56

Key: Y stands for interviewees who mention the theme; a blank means that the interviewee does not mention the theme.

Explanation (*):

1. The process of preparation of VASs is influenced by government institutions
2. Vietnamese accounting policies issued by the MOF still influence the Vietnamese accounting system.
3. The role of professional organisations in accounting is weak.
4. Vietnamese characteristics and culture significantly influence implementation.

5. Vietnamese accountants lack professional knowledge of international accounting.
 6. The strategy of the development of Vietnamese economy influences the implementation.
 7. The history of Vietnamese accounting influences the implementation of IFRSs significantly.
-

The following sections describe the responses of interviewees in detail. The seven themes of the answers can be categorised into four main topics: the influence of institutions (7.2.2.2), culture (7.2.2.3), knowledge of professional accountants (7.2.2.4), and the history of the development of Vietnamese accounting (7.2.2.5).

7.2.2.2 Institutional influences

Firstly, 10 interviewees (table 7.2) said the economic development policies of the Vietnamese government play a key role in the implementation. The interview C said when the Vietnamese economy becomes a fully opened market, and Vietnam establishes a free exchange market such as a metal exchange market, and a product exchange market, VASs will be easier to practise. Additionally, interviewees F and O said the commitment of the Vietnamese government with international organisations on the progress of issuing VASs based on IFRSs creates problems for the quality of VASs, because of the time limitation for preparing and writing VASs.

Secondly, nine interviewees (table 7.2) said the MOF still has a strong affect on VASs and accounting practice through issuing detailed accounting policies under MOF's circulars or decisions. The interviewee L said the MOF sets extra conditions on fixed assets, the policy of dividing bonus fund, and provision for bad debts that influence the entities' business operating. When these policies are no longer compulsory, VASs could be implemented fully.

Thirdly, five interviewees (table 7.2) said VASs have to be passed by overseeing government organisations such as Department of Finance at MOF, General Tax Department. Therefore, the opinion of those organisations has significantly affected the contents of VAS.

Fourthly, four interviewees (code A, C, O and P) said the role of the accounting professional organisation, namely the Vietnam Association of Accountants and

Auditors (VAA), in the implementation is too weak. The organisation has not satisfied the expectation of many people. For example, interviewee C said the main duty of VAA in the implementation of IFRSs is training for accountants. Interviewee A claimed that the government should increase the role of VAA in preparation accounting policies and standards.

7.2.2.3 Influences of culture and language

Three interviewees C, H and L (19%) who are senior lecturers said that Vietnamese culture has a strong effect on the implementation of IFRS. Interviewee C argued that the Vietnamese are active, flexible, adjusted, and easily forget past events. The advantage from these characteristics helps Vietnam implement new matters, introduced in VASs, easily. However, the characteristics also lead to a disadvantage because they make the Vietnamese lose their traditional culture. In addition, the Vietnamese often have a psychology of being afraid of unclear issues which have no mention in Vietnamese laws or regulations. They are afraid of any issue relating to laws, courts, and police. They want to live a peaceful life, finish their duties at their offices and go home. Therefore, they do not want to use unclear accounting policies in VASs when these are issued for the first time, and regularly wait until the MOF introduces its guidance.

Secondly, interviewees A, L and O said language plays a significant part in the implementation. Interviews A and O argued that VASs were translated from IFRSs, and many issues presented in IFRSs in the English language were not properly understood by the Vietnamese standard setters. Interviewee L said that the VNF is the poorest translated copy of IFRSs among other VASs. Both interviewees L and O said that the process of writing VASs was the translation of IFRSs into Vietnamese language, conducted by the Vietnamese accounting setters. They continued that the translated copies of IFRSs were eliminated or revised in unsuitable issues and added with some extra issues to become VASs. However, the limitation of language and knowledge of the Vietnamese accounting setters make it difficult to understand.

7.2.2.4 Knowledge of accounting by professional accountants

Firstly, 11 interviewees (table 7.2) said that the limited knowledge in Vietnamese accountants of IFRSs significantly influences implementation of IFRSs in Vietnam. Interviewees L and O said that Vietnamese preparers, particularly accountants and managers of SOEs, have grown up in communist society for a long time. Hence, their habits have been formed on the basis of a communist economic relationship which dominates deeply their thoughts and activities. Especially, the accounting knowledge provided at universities aimed to satisfy the demand of a centrally planned economy in which the communist relationship dominated. Interviewees A and C said Vietnamese accountants should be trained systematically and basically in IFRSs rather than rely on a high quality of VASs and full explanation from Ministry of Finance (MOF).

Secondly, interviewees A, C and O said that accounting standard setters who are experts, mainly working at MOF, need further empirical experience.

7.2.2.5 History of the Vietnamese accounting and accounting environment

Nine interviewees (table 7.2) said that the history of Vietnamese accounting and the development policies of the Vietnamese economy have a significant influence on the implementation of VASs. Interviewee L said Vietnamese accountants were significantly influenced by accounting treatments and book keeping. They thought that accounting treatments would be the key issue of accounting. Vietnamese accountants regularly focussed on the content of circulars issued by the MOF to find the guidance on accounting treatments and book keeping and forgot the content of VASs. It is because they were taught the important role of accounting treatments and recording in accounting practice for a long time, said by interviewee L. She also argued that Vietnamese accounting before issuing VASs was strongly influenced by the Soviet Union's accounting. The influence of the Soviet Union's accounting is shown in two aspects: the authoritative leaders in the Vietnamese accountancy [the MOF] and Vietnamese accountants. The interviewee continued that the knowledge of the current leaders [the MOF] is still affected by the Soviet Union's accounting. Therefore, the content of VASs cannot avoid the influence. Interviewee O said that Vietnamese accountants were taught accounting applied for entities operating in centrally planned economy

which mainly focuses on the contents of an account, keeping records, supporting documents and preparing a set of financial statements. Interviewee O emphasised that it is different from other countries, the Vietnamese authoritative bodies require that entire business entities must follow the regulations of supporting documents in both format and content such as sale invoice, goods delivery note, goods receipt note, receiving voucher and payment voucher.

Interviewees C and O said that regulators do not have the knowledge of professional accounting in a free market economy. Additionally, working for a long time under a socialist economy, the accounting regulators have formed a habit of thinking which differs far from knowledge presented in IFRSs.

Interviewees P, E, J and L said the existence of SOEs, as the main sector in the Vietnamese economy, strongly influences the contents of VAS. Interviewees A, C and O argued that most Vietnamese enterprises are on a small scale and most of the owners of such enterprises are individuals or small groups. Such kinds of business entities have no demand for publicising their financial statements which appear to be used only for tax purposes. Interviewee C said Vietnam is in the initial stage of transforming its economy into a free and opened market economy. He continued that Vietnamese accountants cannot identify “fair values” of goods in the domestic markets. Obviously, they cannot implement some IASs, for example IAS 36 “Impairment of Assets”. As a result, many accounting policies in IFRSs which are written mainly for developed countries cannot apply in Vietnam because the Vietnamese economy does not have similar conditions. Interviewee I, who is working at MOF, said Vietnam tries to implement the contents of IFRSs as much as possible, but the Vietnamese need more time.

7.2.3 Discussion of factors influencing implementation of IFRS

7.2.3.1 Institutional influences

It is not surprised when 10 interviewees (63%) said that political, economic and social strategies of the government influence the implementation. Politics should be the most significant institutional factor which influences implementation of IFRSs in Vietnam, because it is directly affected to the economic and social strategies driven by the theories of Marxism-Leninism and Hochiminh’s thought (3.5.3). Indeed, the political institutions in Vietnam influence personnel

management, strategy and organisational structure including the National Congress and the government (4.2.2 and 4.2.3). The interviewees' opinions of political, economic and social influences are correct. The findings support the arguments of previous research in this theme (2.3.3.1 and 2.3.3.3).

Secondly, the role of VAA in the implementation was too weak, as argued by the interviewees. This phenomenon is derived from the function and duty of VAA assigned by the Vietnamese law (4.2.4), actually, influenced by the communist theories (3.5.3). Additionally, the hierarchy of the Vietnamese legislation significantly influence the role of VASs (3.3.1). The top legislative document in the accounting field is the 1988 VOAS and then the 2003 accounting law, instead of VASs because VASs were issued by the MOF (section 3.3.5). The individual features of the Vietnamese legal system limits the effectiveness of VASs in practice.

7.2.3.2 Influences of culture and language

Firstly, the psychology of being afraid in applying a new issue of the Vietnamese people, as argued by the interviewee C, is correct in the author's point of view. It is because the CPV wishes to build the new socialist people who are ultimate loyal with the CPV (3.5.3.3). They always follow regulations of the government (4.3.4.1). Hence, the Vietnamese accountants feel hesitated when they face unclear things because of the strict laws in Vietnam (4.3.4.1). Notably, interviewee C also said behaviour of the Vietnamese people is active, flexible, adjusted and easily forget the past events (7.2.2.3). It is understood that such behaviour is driven by the Vietnamese traditional culture which is influenced by Confucianism of "wisdom" (4.3.2.2) and Buddhism of "forgiveness" (4.3.2.1). That behaviour of the Vietnamese people is consistent with Hofstede's work (2001) when he argued that Vietnamese society is classified into categories: "collectivism, high power distance, and femininity" (2.3.4.2). In terms of uncertainty avoidance dimension, Hofstede argued Vietnamese society is low (2.3.4.2). It means that the Vietnamese people believe there should be no more rules in the society than that are necessary (Hofstede, 2014). Additionally, Gray (1988, p.7) argued that low uncertainty avoidance maintains a more flexible atmosphere in society (2.3.4.2). What are occurring in the Vietnamese society is

different from Hofstede's and Gray's arguments, because of the existence of the strict legislation in Vietnam, under the communism (3.5.3.3 and 4.2.1). The anxiety or nervousness of the Vietnamese people may lead to many challenges for the implementation because it supports the secrecy in providing financial information and makes accountants hesitated in applying new accounting requirements. In my opinion, the arguments of Hofstede (2014) and Gray (1988) are consistent with the Vietnamese traditional culture under the influence of Taoism (4.3.2.3). However, many changes have arisen when Vietnam has become a communist country and been transforming its economy (4.3.4.1). Those changes lead the traditional Vietnamese society based on a relaxed attitude and harmonisation to the new society based on strict disciplines. Generally, there is just 19 % of interview population giving opinions of the influence of the Vietnamese culture on the implementation. It is not many amounts, but their opinions are interesting. Hence, it is essential to do further research and pay attention to the current changes of Vietnamese culture when studying the influence of Vietnamese culture on accounting.

Secondly, it is correct when the interviewees said Vietnamese language makes heavy influence on the implementation. Actually, there are a few people who are good in English language and understand clearly and thoughtfully the Vietnamese accounting system to order to provide good solutions occurring when conveying IFRSs to VASs (2.2.3.2). Hence, it explains why the Vietnamese government needs the technical aids from international experts in the preparation of VASs, as interviewee F said (7.2.1.4). The finding is consistent with arguments of previous researchers.

7.2.3.3 Knowledge of accounting by professional accountants

There are some younger experts taking part in the Vietnamese Accounting Standard Setting Group (VASG), but they had more than ten years of experience in the accounting field. Furthermore, they are only nine of a total of forty three members of the current VASG, equivalent to 21%, according to the Decision No. 766/2002/QD-BTC dated 15 May 2002 of the Ministry of Finance on founding the VASG. The others are people working for a long time in practical accounting such as at the financial accounting inspection department of MOF, and many

other international accounting firms like KPMG, E&Y, and PricewaterhouseCoopers. Therefore, they cannot say that the lack of practical experience of MOF's experts influenced the quality of VASs. There are many factors affecting the quality of VASs such as the Vietnamese legislation (6.2.1 and 7.2.3.1), and influence of communist theories and Ho Chi Minh thoughts (6.2.1). The lack of practical experience of MOF's experts is only a small factor which can be easily dominated by many other factors.

7.2.3.4 Accounting environment

The development of MESO in which SOEs hold a main role is a key environmental factor importantly influencing the implementation. The important role of SOEs in the economy makes the Vietnamese accounting standard setters pay attention to SOEs in the implementation. As a result, many issues of IFRSs have been revised in order to fix demands of the Vietnamese government. It explains the omissions of "external users" (6.2.2.3), "users and their financial information needs" and "the objective of financial statements" in the Vietnamese accounting framework (6.3.4.1). Currently (2012), the Vietnamese market has not been considered as a free market (section 4.4.3) and MESO is regarded as the core policy of the economic innovation until 2020 (3.5.3). Therefore, there is no significant change in the Vietnamese economic policies. Understanding this issue may help to predict the result of the implementation in close future.

7.2.4 Conclusion

The interviewees indicated that the motivation of the implementation of IFRSs in Vietnam is driven by political and economic goals of the government. The implementation of IFRSs intends to help the government support the development of MESO, because the old accounting regime cannot satisfy the demand of the economy, consisting of various economic sectors (7.2.1.2). The issuance of VASs is necessary to increase integration into the world markets and attract FDI (7.2.1.5). In addition, international organisations such as the World Bank, ADB and IMF also have affected on the decision of the Vietnamese government to implement IFRSs (7.2.1.4).

Secondly, the most significant factors influencing the implementation are political and economic institutions (7.2.2.2). Culture is also mentioned as a particular

factor influencing the implementation of IFRSs. Cultural factors influence the way of applying VASs in practice and raise a challenge for the implementation because of the different languages used between VASs and IFRSs (7.2.2.3). The limited knowledge of IFRSs of accounting preparers also influences the implementation, because they learned and practised the Vietnamese accounting regime for a long period (7.2.2.4). Particularly, the Soviet Union’s accounting still influences the thoughts of authoritative leaders in Vietnamese accounting (7.2.2.5). All these factors make it difficult for the Vietnamese accounting authoritative bodies to decide on full adoption of IFRSs in Vietnam.

7.3 Benefits for implementation of IFRSs in Vietnam

The benefits for implementation consisting of two aspects: benefits for Vietnamese accounting (7.3.1) and for presentation of financial statements (7.3.2), said by the interviewees.

7.3.1 Benefits for the Vietnamese accounting system

Interviewees were asked the question “*What are the benefits for the implementation of VASs compared with the old accounting regime since VASs have been issued in 2001?*” Actually, additional questions such as questions 7, 8, and 9, stated in the questionnaire (appendix 5.2) have been asked to collect further information relating to the research question.

Similar interviewees’ opinions are selected and grouped in table 7.3, consisting of four topics. These topics are summarised in the columns at the right-hand side of the table. A blank space in the table means that the interviewee did not mention the topic.

Table 7. 3: Benefits for the Vietnamese accounting

No	Interviewee Code	Responses in topic (*)			
		1	2	3	4
1	A: Auditor	Y	Y	Y	
2	B: Auditor	Y	Y	Y	Y
3	C: Lecturer	Y	Y	Y	Y
4	D: Auditor	Y	Y		
5	E: Auditor	Y	Y	Y	Y
6	F: Expert	Y	Y		
7	G: Accountant	Y	Y		Y

8	H: Lecturer	Y	Y	Y	
9	I: Expert	Y	Y		
10	J: Auditor	Y	Y		Y
11	K: Auditor	Y	Y	Y	Y
12	L: Lecturer	Y	Y	Y	
13	M: Accountant	Y	Y	Y	Y
14	N: Auditor	Y	Y		
15	O: Lecturer	Y	Y	Y	
16	P: Auditor	Y	Y	Y	Y
	Total	16	16	10	8
	Percentage (%)	100	100	62	50

Key: Y stands for interviewees who mention the theme; a blank means that the interviewee does not mention the theme.

Explanations (*):

1. VASs have supplied basic accounting principles and requirements that help business entities solve a variety of issues in practice more easily.
2. VASs have brought to Vietnamese accounting more benefits than challenges.
3. VASs have provided new accounting concepts and methods that help accountants solve new transactions arising in a market economy such as shares, and investment property that were not mentioned in the old accounting regime.
4. VASs have importantly contributed to the integration of Vietnam into the world.

7.3.1.1 Benefits for Vietnamese accounting principles and requirements

All interviewees said that VASs help accountants improve their knowledge of professional accounting compared to that under the Vietnamese accounting regime. Implementation of IFRSs has benefited Vietnamese accounting in terms of providing basis accounting principles and requirements for Vietnamese accounting for the first time. The Vietnamese financial statements when prepared in compliance with those principles and requirements should be improved of qualitative of financial information. More importantly, all interviewees agree that the implementation of IFRSs have brought more benefits than challenges to the Vietnamese accounting.

7.3.1.2 Benefits for Vietnamese concepts and methods

Ten interviewees said that the Vietnamese accounting also benefits for new accounting concepts and methods from the implementation. Those concepts and methods satisfy demands of accounting for business entities in MESO. Business entities have more options to choose suitable accounting methods for their business, such as methods of depreciation and provision. The implementation also provides essential accounting policies and replaces the obsolescent accounting policies stated in the old Vietnamese accounting regime.

7.3.1.3 Benefits for the integration of Vietnamese accounting into the world

Eight interviewees mentioned that the implementation has brought Vietnamese accounting closer to commonly accepted principles of international accounting. The implementation could improve the position of Vietnamese accounting in the area and helps the integration of Vietnamese accounting easier into the world.

7.3.1.4 Discussion of the benefits for the Vietnamese accounting system

The core benefits for the implementation consist of the issuance of the 2002 VNF, and new accounting concepts, principles, and methods. Those are essential for business entities to choose suitable accounting policies when operating in MESO. Notably, VASs provide another method of accounting guidance which is significantly different from legal accounting materials issued by the government in the past. While accounting policies stated in legal regulations, and requirements presented in accounting regimes are compulsory, VASs provide optional accounting policies. Those principles help accounting preparers to apply flexibly accounting policies, methods of measurement in accounting practice. Accountants are more interested in VASs than the old accounting regime because they can find many options for accounting practice (7.3.1.2). By contrast, the Vietnamese accounting regime, which is prepared on code-based principles, is influenced by the management and accountancy for SOEs of the government. Vietnamese accounting regime provides limited options of accounting policies (3.3.5 and 3.4.4). Therefore, the implementation of IFRSs has brought a new way of accounting practice by providing more methods, concepts and accounting policies for Vietnamese accounting users. The implementation helps the Vietnamese accounting system approach closer to commonly accepted accounting

methods, measures and requirements around the world. It raises an opportunity for professional Vietnamese accountants to join with international accounting activities such as conferences, meetings and exchanging accounting careers. Hence, the implementation could lead to an improvement of ability and knowledge of accounting professionals.

7.3.2 Benefits for presentation of financial statements

The interviewees were asked questions: “*How do you think about the Vietnamese financial statements before and after issuing VASs since 2001?*”

The interviewees’ responses are categorised into topics based on frequency or importance of the responses. Similarly to previous tables, the responses are stood by Y for positive answers and blank for no mention to the topic. Table 7.4 includes N which shows negatives opinions of the interviewees.

Table 7. 4: Benefits for the Vietnamese financial statements

No	Interviewee Code	Responses						
		1(*)	2(*)	3(*)	4(*)	5(*)	6(*)	7(*)
1	A: Auditor	Y		Y	Y	Y	Y	Y
2	B: Auditor	Y	Y			Y		
3	C: Lecturer	Y	Y		Y			
4	D: Auditor	Y	Y			Y		
5	E: Auditor	Y	Y	Y	Y		Y	
6	F: Expert	Y	Y	Y				
7	G: Accountant	Y		Y		Y		
8	H: Lecturer	Y	Y					
9	I: Expert	Y	Y	N	N		N	
10	J: Auditor	Y	Y			Y	Y	
11	K: Auditor	Y						
12	L: Lecturer	Y	Y	Y	N		Y	
13	M: Accountant	Y				Y	Y	
14	N: Auditor	Y						
15	O: Lecturer	Y						
16	P: Auditor	Y	Y	Y		Y	Y	
	Y	16	10	6	4	7	6	1
	N	0	0	1	2	0	1	0
	NA	0	6	9	10	9	9	15

Key: Y on the table means that the interviewee has positive answer with the theme; N stands for negative answer; and a blank means that the interviewee does not mention the theme.

Explanation (*):

1. Quality of information presented in financial statements has improved since VASs have been issued in 2001. Vietnamese financial statements approach closer to international financial statements in performance and quality of information. However, there are still some constraints on financial statements which cause challenges in accounting practice for preparers.
 2. There are many more new items presented in financial statements since the implementation of IFRSs than those in prior financial statements. The improvement happens not only in the balance sheet, income statement and cash flow statement, but also in the Notes to financial statements.
 3. The face of the Vietnamese balance sheet and income statement contains many items which are too detailed. However, one interviewee said it is necessary to have the requirements of many ideas presented in the balance sheet is necessary.
 4. Four interviewees argued that it is not a good idea when the MOF makes a fixed form of financial statements. By contrast, two interviewees said the fixed form of financial statements is necessary in Vietnamese conditions.
 5. The cash flow statement has not been clearly described. Therefore, it appears there are arguments on how to present categories in the cash flow statement. The Vietnamese authoritative bodies in accounting do not have sufficient knowledge to identify what method is correct in the preparation of cash flow statement.
 6. The fixed contents of items required to be presented in the Notes to financial statements cause the notes to become untidy and boring because there are many empty items presented in the Notes. However, one interviewee who is working at the MOF opposed this idea. She said the Notes to financial statements would become messy or limited in information if the MOF had not required detailed issues presented in the Notes.
 7. The fixed forms of Vietnamese financial reporting break the principle of “*materiality*” in presenting financial information because an issue which is not significant might be presented in a face of financial statements. By contrast, other material issues, in individual cases, might omit to appear in the face of balance sheet or income statements because of the fixed forms.
-

The responses of the interviewees may be categorised in the following themes:

7.3.2.1 Significant improvement in the content of financial statements

All of the interviewees said the quality of information presented in Vietnamese financial statement has improved significantly since Vietnam began to implement IFRSs in 2001 (theme 1, table 7.4). The improvement in the financial statements is shown in two aspects: the content of financial statements and the reliability of information presented on the statements. They said current items presented on the balance sheet make it suitable for a variety of companies operating under an economy transformed into a free market, such as SOE, Joint Stock, and Individual companies. In addition, the method of preparing and presenting

Vietnamese financial reporting has come closer to the method required by IASs. Therefore, the Vietnamese financial statements have moved closer to the requirements of IFRSs, as the interviewees argued.

Secondly, the quality of financial information is also improved. Financial statements, which are prepared in compliance with VASs, have satisfied the qualitative characteristics such as *prudence, materiality, objectiveness and faithfulness*. Those qualitative characteristics are regarded as Vietnamese accounting requirements. However, interviewees B, D and P argued that the quality of financial information presented in financial statements is not improved equally in practice. The quality depends on economic sectors, industries and ownership to which the companies belong. Information presented in the financial statements of foreign invested and joint stock companies is often of higher quality than that of individual and limited companies. Particularly, SOEs, which have operated for a long time in Vietnamese environment, usually have low quality of information presented in financial statements, as said by interviewees J and P. Interviewees A, B and E argued that it is better for providing financial information when the authoritative bodies approve accounting preparers to interpret in detail the figures in Notes to financial statements. The interviewees hope that the tendency should be retained next time.

7.3.2.2 Improvement in providing financial information

Ten interviewees said that implementation of IFRSs helps financial statements of Vietnam to improve in the term of providing information (theme 2, table 7.4). Accounting users find more pieces of financial information in financial statements for making economic decisions, particularly notes to financial statements such as accounting policies and explanations of business operations.

7.3.2.3 Many constraints in financial statements

There are still many constraints in the statements which consist of many items presented on the face of the balance sheet and the income statement. Firstly, six interviewees said the face of the balance sheet and the income statement contains many items in detail. It could be better if such detailed items are brought to Notes to financial statements (see theme 3, table 7.4). Secondly, interviewees A, C and E said that MOF's requirements for fixed forms of financial statements, including

Notes, make them become untidy and dull because of many empty items in the statements. Furthermore, interviewee A argued that the fixed form makes financial statements breach the principle of “*Materiality*”, because different scales of businesses should have different thresholds of materiality. Therefore, the MOF should allow business entities to freely present their financial statements. By contrast, there are two negative opinions on the matter. One comes from the MOF’s expert (interviewee I) and the other derives from a senior lecturer (interviewee L). The expert explained that currently SOEs take a key part in the economy and the MOF requires that all SOEs have to issue publicly only two kinds of financial statements: Balance Sheet and Profit and Loss statement. Therefore, if MOF had not obliged detailed information to be presented in the Balance Sheet and the Profit and Loss Statement, these statements would lack much important information. SOEs will seek to present as little financial information as possible. The interviewee continued that if Vietnam had not required fixed forms, the Vietnamese government bodies could not find figures for national statistics. The lecturer said the fixed format of Vietnamese financial statement is necessary because it is suitable for a practical accounting environment where almost all of companies do not want to provide their financial statement to public. The lecturer added that fixed forms are necessary for transparency of financial statements. In addition, the accountants’ knowledge is limited, and if the Vietnamese financial statement format were flexible, the financial statement quality could become worse. However, she claimed that Vietnamese accounting preparers focused on tax purposes of financial statements rather than for providing financial information for economic decisions of external users.

7.3.2.4 Discussion of benefits for financial statements

Generally, Vietnamese financial statements have improved significantly in the term of providing financial information. The improvement in providing financial information can be easily realised when reading notes to financial statements (section 7.3.2.2). It could be argued that the implementation has helped to satisfy further demand of financial information for making economic decisions of accounting users. The most common complaint is about the fixed form of financial statements. The author think that the fixed forms of financial reporting

make them become complicated and uninteresting, but it is necessary and essential at the point of time. The issue should be removed when Vietnam fully apply IFRSs or removed for some particular companies which have good accounting systems. The reason is probably that MOF tries to compose a set of financial statements which suitable for all industries: service, construction, trade, and so on, for all scales, and for all sectors. Therefore, the phenomenon of having many blanks and fitting companies' figures into designed categories of financial statements is prevailing in practice.

7.3.3 Conclusion

The implementation of IFRSs has brought many benefits for Vietnamese accounting. Those benefits consist of issuance of VNF and new concepts of qualitative characteristics, accounting methods and principles for the first time (7.3.1). Such new things help Vietnamese accounting approach commonly accepted principles, and accounting methods and policies widely used around the world. The implementation also has improved the quality of financial information presented in financial statements (7.3.1.1). Financial information is also significantly improved since the implementation, particularly in terms of providing financial information for external users. They can find full detail of accounting policies applied in the Notes to financial statements. However, some interviewees did agree the benefits. They said that the fixed format of financial statements and requirement of presenting many items on the face of balance sheet are not suitable for entire business entities. In my opinion, the fixed format of financial statements should be applied for SOEs, but not for all.

Generally, interviewees agreed that the implementation of IFRSs has brought more benefits than challenges for Vietnamese accounting. It helps the Vietnamese accounting system approach commonly accepted principles and methods broadly applying around the world. Qualitative characteristics of financial information are also improved. The implementation essentially contributes to increase the integration of the Vietnamese economy in to the world.

7.4 Challenges for the implementation of IFRSs in Vietnam

This section provides findings which answer the research question 4: “*what are challenges for the implementation of IFRSs in Vietnam?*”

7.4.1 Summary of the findings of common challenges

The interviewees were asked the main question of “*What are the common challenges encountered when Vietnamese entities have implemented VASs since 2001?*” During the interview progress, some other questions may be asked such as questions 9, 10, 11 and 12 in appendix 5.2. Similar responses of the interviewees are grouped and categorised in fourteen themes as follows (table 7.5).

Table 7. 5 Challenges for the implementation of IFRSs

	Interviewees	Lack of clarity in VASs				Poor introduction of VASs			Poor quality of framework		Need for professional accounting knowledge			Legal environment and culture	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	A: Auditor	Y	Y	Y		Y	Y	Y	Y			Y	Y	Y	Y
2	B: Auditor	Y	Y	Y		Y	Y	Y							Y
3	C: Lecturer	Y	Y	Y		Y		Y	Y	Y	Y	Y	Y		Y
4	D: Auditor	Y	Y	Y		Y	Y	Y						Y	Y
5	E: Auditor	Y	Y	Y		Y	Y	Y	Y			Y		Y	Y
6	F: Expert	Y		Y	Y	Y									
7	G: Accountant	Y							Y					Y	Y
8	H: Lecturer	Y	Y	Y		Y			Y		Y	Y	Y		Y
9	I: Expert	Y		Y		Y									Y
10	J: Auditor	Y	Y			Y	Y	Y	Y				Y	Y	Y
11	K: Auditor	Y	Y	Y		Y									Y
12	L: Lecturer	Y	Y	Y		Y			Y	Y		Y	Y		Y
13	M: Accountant	Y	Y			Y	Y	Y						Y	
14	N: Auditor														
15	O: Lecturer	Y	Y	Y		Y						Y	Y		
16	P: Auditor	Y	Y	Y		Y	Y	Y	Y					Y	Y
	Total	15	12	12	1	14	7	8	8	2	2	6	6	7	12
	Percentage (%)	94	75	75	6	88	44	50	50	12	12	38	38	44	75

Key: Y on the table means that the interviewee has positive answer with the theme, and a blank means that the interviewee does not mention the theme.

1. Challenges for accounting assessment and method of evaluation.
2. VASs are unclear in contents and difficult to understand.
3. New concepts presented in VASs are not fully defined and interpreted.

4. VASs are numbered in a different way from IFRSs.
 5. The issuance of interpretation materials of VASs was delayed or limited.
 6. VASs have not been issued completely.
 7. Poor method of issuing VASs.
 8. Constraints between VASs and the Vietnamese accounting framework.
 9. Poor quality of the Vietnamese accounting framework.
 10. The limit of experience in accounting practice of accounting standard setters.
 11. The limit of professional accounting knowledge in IFRSs.
 12. The limit of accounting professional experts who are working for the MOF.
 13. The constraints between accounting regulations and contents of VASs.
 14. The legal environment in Vietnam and behaviour of Vietnamese accountants.
-

7.4.2 Responses of the interviewees

The following sections describe the responses of the interviewees which are categorised in themes as presented in table 7.5.

7.4.2.1 Lack of clarity in VASs

Theme 1: Fifteen interviewees (94 %) mentioned that accounting preparers of the entities operating in Vietnam often encounter challenges for accounting assessment and applying accounting methods of measurement of elements of financial statements. Those challenges are caused by the unclear meaning of VASs and the limited fundamental knowledge in the IFRSs of the preparers. Particularly, the challenges commonly occur in uncommon issues in Vietnamese accounting such as provisions for decline in inventory, bad debts and deferred tax. For example, interviewees C and K said that some issues of VASs are new and difficult for Vietnamese accountants to understand. Interviewee L said that when she taught accounting for Vietnamese accountants, they did not pay attention to the content of VASs and just focus on accounting treatments and book records on the basis of the guidance on application of VASs issued by the MOF.

Theme 2: Twelve interviewees (75 %) said VASs are a copy translated from the IFRSs in brief. The contents of the VASs are not clear and are difficult to understand. Especially, interviewees A and K said that VASs was prepared by the Vietnamese accounting setters who were supported by international experts. Interviewee A claimed that the international experts just answer individual questions asked by the Vietnamese accounting setters, but they cannot know all

the issues and ideas of IFRSs that the Vietnamese accounting setters wish to bring into VASs in the implementation. Hence the international experts cannot decide the content of VASs even if they understand thoughtfully IFRSs and realise issues which should benefit Vietnamese accounting. Interviewee K argued that the experts do not understand the Vietnamese language. They need Vietnamese interpreters when communicating with the Vietnamese accounting standard setters. Unfortunately, the interpreters do not understand accountancy. Therefore, the interpreters have transformed a portion of the opinions of international experts to the accounting standard setters. It makes VASs unclear and different from IFRSs. Some contents in VASs have not been updated to keep track with changes in IFRSs. Therefore, there is a gap between the VASs and the IFRSs. It makes a significant challenge for multinational companies in consolidation of financial statements. Moreover, there are still conflicting issues among the standards or standard interpretations (MOF's circulars or decisions) even they have been issued by the same organisation, the Ministry of Finance. It is probable that the materials are prepared by different teams in the MOF.

Theme 3: 12 interviewees (75 %) said that many new concepts in VASs did not exist in the Vietnamese accounting environment previously, but they do not have full definitions and explanations said by twelve interviewees. For example, interviewee L said the words used in VASs are academic terms and VASs contain many terms which are not normally used in Vietnamese accounting or business transactions.

7.4.2.2 Poor method of issuing VASs:

Theme 4: Interviewee F, who is working for the MOF, said that VASs were numbered in a different way from IFRSs which makes business doubtful when comparing VAS to IAS. For example, VAS 21 is named "Presentation of financial statements" (equivalent to IAS 1), and VAS 17 is named "Income tax" (equivalent to IAS 12). The interviewee explained that the reason for the problem is that the MOF wants to prepare distinct VASs, independent of IASs in appearance, at the first stage of the implementation.

Theme 5: Fourteen interviewees (88 %) agreed that VASs lack guidance, explanation, and illustration in detail on time. To clarify unclear contents of

VASs, the MOF has often issued a VAS guide under decisions or circulars. However, the documents instruct some aspects of standards but focus on how to record a transaction in accounting books and preparing financial statements. For example, interviewee L said that detailed regulations issued by the MOF which aim to interpret the application of VASs are different from interpretations originated by the IFRIC in the method and content. The regulations of the MOF focus on accounting treatment and book records. In addition, many interviewees said the period between issuing VASs and the interpretations of VASs is too long (around a year in average) (the shortest period is 10 months and the longest one is 15 months). Therefore, it has a role in causing accountants and users to meet more difficulty in the understanding and implementing VAS. Many interviewees said that VASs do not meet the expectation of accountants and users.

Theme 6: Seven interviewees (44 %) said that Vietnam has introduced a poor process of the implementation of IFRSs in which all VASs have not been issued completely and the issuance is spread over many times. Up to year 2007, twenty six VASs have been introduced. There are no instructions for recording many transactions encountered in practice. Specially, some new transactions for the Vietnamese economy such as goodwill, brand names, and franchises have not been fully introduced in VASs.

Theme 7: Eight interviewees (50 %) said that the method of issuing VASs makes it difficult for accountants to follow them. In practice, the Ministry of Finance (MOF) has issued some VASs each year since 2001, from four to six VASs per year. The standards have taken effect very soon after being issued, normally only fifteen days later. Consequently, accounting policies and financial reporting have been changed every year and accountants do not have time to learn and practise VASs. Especially, the regular changes become much severe at big companies where accounting software is applied in all system in different countries. This matter costs a huge expense for these businesses. Interviewee A said that the MOF's experts did not spend enough time on training accountants and other users. They normally spent around half of a day for training in a new Vietnamese standard.

7.4.2.3 Poor quality of the accounting framework

Theme 8: Eight interviewees (50 %) said the Vietnamese accounting framework is of poor quality. Its content is simple and has not really become a framework for Vietnamese accounting standards. As a result, there is no consistency in VASs. Some basic accounting principles are broken in certain standards. In addition, the contents of the standards are changed unintentionally and inconsistently, and they do not follow the VNF or IFRSs. Consequently, the implementation of VASs is too difficult, especially in international companies.

Theme 9: Two interviewees (12 %) said that the Vietnamese accounting conceptual framework has not been thoroughly understood. They think the accounting framework (VAS 01) is like any other accounting standard. Therefore, VAS 01 has a low quality and it cannot be found consistently through all VASs.

7.4.2.4 Need for professional accounting knowledge:

Theme 10: Two interviewees (C and H) (12 %) said that those who work for the MOF lack practical experience. Members of the Vietnamese Accounting Standard Setting Group (belonging to MOF), who play a key role in adopting VAS, lack sufficient practical experience that could influence the quality of VASs.

Individually, interviewee O claimed that accounting experts and lecturers who are not working at the MOF gave suggestions and ideas when they were asked for opinions in process of composing VASs, but the final drafts of VASs were decided by the MOF, and the experts' opinions regularly were omitted.

Theme 11: Six interviewees (38 %) mentioned that there are not sufficiently experts who have good knowledge at IFRSs. Just few lecturers with good knowledge at IFRSs are teaching in Vietnamese universities as claimed by the interviewee L. She said currently (2007), VASs have not been taught to students.

Theme 12: Six interviewees (38 %) said that the MOF has a limit of professional staff to introduce VASs. Therefore, the MOF cannot afford to reply to all enquiries from business at the time when their problems arise. The issue limits the effectiveness of the implementation of VASs in practice.

7.4.2.5 The Vietnamese legal environment and cultural features

Theme 13: Seven interviewees (44 %) said there are still differences between Vietnamese accounting policies which are issued under MOF's materials, and the contents of VASs. More importantly, the financial policies issued by the MOF are compulsory, but VASs contain many issues which interpret and explain accounting or advise accounting users. Those issues have a role in making the implementation of IFRSs face more challenges in Vietnamese.

Theme 14: Twelve interviewees (75 %) said the Vietnamese economy had passed a long time under communist rules in which companies operated under a centrally planned economy strictly controlled by the Government. Currently, the influence of communist relationship still has a strong effect on accountants and managers, and the MOF's regulations are compulsory for all business. Thus, accountants have to wait for MOF's accounting regulations before implementing VASs, while VASs are still guidance in accounting.

In addition, interviewees C, H, I and L mentioned the cultural challenges for implementation. Interviewees H and L said the Vietnamese like everything represented and described clearly. They feel hesitated when facing indefinable or intangible things. This way of treatment has formed the habit of Vietnamese accountants. Interviewees C and L argued that Vietnamese accountants commonly encounter challenges for accounting treatment of issues which require a judgement and assessment. Interviewee I, who is working for the MOF, said business entities felt uneasy when they had to provide many pieces of financial information particularly preparing Notes to financial statements because of their habits. Interviewee code L said that the Vietnamese tend to favour clear and detail issues, but VASs were written in academic way. Therefore, the content of VASs makes it difficult for Vietnamese accountants.

7.4.3 Discussion of common challenges

Most interviews mentioned that the most significant challenge is the clarity of VASs and issuance of interpretative materials of VAS. The low quality of the framework contributes to making more challenges. When VNF is not clear, VASs may be not consistent with each other. In relation to questions of clarity of the standards, four themes emerge. The first is that the content does not provide

sufficient definitions and explanations to allow preparers to understand how to apply the standards correctly. Notably, the Vietnamese legal system is operated on the basis of code-based principles, and there are many constraints in the Vietnamese legislation (4.2.5). Therefore, when VASs are prepared and issued under the principle-based standards, the Vietnamese people really need time and support of a strong legal system to practise VASs. The second is that terminology was not consistent in the Vietnamese economy before issuing VASs, causing confusion. The third is that there may be conflict among different standards and MOF's circulars. The fourth is that the language used in IFRSs, English, makes it more complicated for preparers when transferring IFRSs to VASs. Up to year 2012, there is no official Vietnamese translation of IFRSs.

The problems with the issuance of VASs may reflect labour resource constraints in the Ministry of Finance. Staff of the MOF, which is developing the standards, may need more training and development to be able to prepare VAS and its interpretations. Guidance and decisions issued by the MOF are provided but this may emerge some time after the standard was issued. The guidance is mandatory which means that accountants may have wait for this guidance before they can apply the standard in practice. This aspect exhibits the challenges for the co-existence of both accounting regime and VAS, as mentioned by many interviewees.

Generally, the knowledge of Vietnamese accountants and their behaviour are also main factors raising challenges for the implementation. The challenges are foreseeable because of the background knowledge of Vietnamese accountants which was established in the centrally planned economy over more than fifty years with a communist economic relationship. Those experiences make the accountants' thinking and habit different from those of accountants working in open markets. Vietnamese accountants did not learn IFRSs under socialist universities. When working, they applied different accounting policies and treatments from those of IFRSs. Therefore, it is obvious that they need time to adopt their thought to IFRSs. Situations arise in developed economies such as segment reporting, financial tools which have not existed in Vietnam.

In terms of cultural challenges, some interviewees (theme 2, table 7.7) said VAS has low quality and is a poor copy translated from IFRSs into the Vietnamese language. In my opinion, even if Vietnam has a perfect adoption, the users still face severe challenges when they do not have a firm background in IFRSs. Indeed, the accountants might not fully understand the contents of VASs and IFRSs if they do not have a firm background in accounting policies and technical terms used in developed economies. Therefore, the accountants cannot expect that when they have a high quality of VASs, they will understand its accounting policies and treatments. Truly, they need to learn fundamentally and systematically about IFRSs and VASs. The limitation of knowledge of IFRSs or English challenge might be solved in the near future when more Vietnamese students graduate in international schools and the Vietnamese economy deeply integrates into the world. However, challenges for the Vietnamese values and characteristics are more severe than challenges for language or lack of experts, because to change a national culture needs a long period. Vietnamese accountants cannot quickly change their behaviour in accounting judgment and assessment when applying IFRSs. The cultural challenge is supported by the influence of the communist theories which put everything under the comprehensive leadership of the CPV. They still wish to produce clear accounting codes and regulations in detail. Therefore, the implementation of IFRSs in Vietnam is expected to encounter such cultural challenges in near future.

7.4.4 Challenges for financial statements

To find further evidence which make interviewees' opinion clearer, the interviewees were asked: "*What are common challenges in preparing and presenting financial statements since VASs applied?*" The answers are summarised in table 7.6:

Table 7. 6: Challenges for preparing and presenting financial statements

Interviewees		Answers							
No	Code	1(*)	2(*)	3(*)	4(*)	5(*)	6(*)	7(*)	8(*)
1	A: Auditor		Y	Y					
2	B: Auditor	Y	Y	Y					
3	C: Lecturer		Y	Y					
4	D: Auditor	Y	Y	Y					

5	E: Auditor	Y	Y	Y	Y	Y	Y		
6	F: Expert		Y	Y					
7	G: Accountant		Y						
8	H: Lecturer		Y	Y					
9	I: Expert		Y	Y				Y	Y
10	J: Auditor	Y	Y	Y		Y			
11	K: Auditor	Y	Y	Y					
12	L: Lecturer		Y	Y					
13	M: Accountant		Y	Y					
14	N: Auditor			Y					
15	O: Lecturer			Y					
16	P: Auditor	Y	Y	Y		Y			
	Total	6	14	15	1	3	1	1	1
	Percentage (%)	37	87	94	6	19	6	6	6

Key: Y on the table means that the interviewee has positive answer with the theme, and a blank means that the interviewee does not mention the theme.

Explanation (*):

1. Foreign exchange rate.
2. Methods of accounting assessment such as provisions for inventory and bad debts.
3. Deferred tax.
4. Interim financial statements.
5. Transferring the beginning balances.
6. Earnings per share because of dividing profits into bonus fund and welfare fund at SOEs in which government controls 51% stake before announce of EPS
7. Method of presenting fixed assets
8. Habits of providing information

7.4.4.1 Responses of the interviewees:

Almost all of the interviewees said common challenges in preparing and presenting financial statements in practice related to deferred tax (94%) and accounting assessment (88%). Deferred-tax challenges consist of using the wrong method, identifying unsuitable items and calculating figures incorrectly. An interviewee said sometimes accountants in business make intentional mistakes. However, most of the interviewees argued that deferred tax is completely new matter of Vietnamese accounting. Therefore, accountants often do not completely understand it. Many interviewees were also concerned about challenges in asset assessment. The challenges frequently link to methods of identifying provision for bad debts, decline in value of inventory, or calculating depreciation, and evaluating inventory. Those are also new issues arising in a free market. Some

other interviewees argued for other challenges such as incorrectly identifying fixed assets, transferring wrong beginning balances, or using wrong foreign exchange rates, but those are only a few opinions. Particularly, interviewee I, who is working for the MOF, argued that habits of Vietnamese accounting preparers in providing little financial information have a role in making them face more challenges for applying VASs. Since VASs were issued, there are many items are required on the face of the financial statements (7.3.2.2). Interviewee I said that the MOF requires business entities to present many items on the face of the balance sheet and the income statement because the two statements (not notes to financial statements) are required to be announced on public media by the Vietnamese law.

7.4.4.2 Discussion

The challenges relating to deferred tax derive from the strong influence of tax in the past before introducing VASs. At that time, if companies were not SOEs, they were controlled by only one governmental organisation. It is a tax agency. Therefore, if they satisfied the requirement of tax agency, they will finish their duties with the government. In tax practice, the tax agency sent officers to assess a business's duties every year in the past. Although accountants in business had estimated tax payables, tax officer often levied more. In fact, most of the changes in tax figures derive from business lacking legal supporting documents, named "*Red Invoice*". The invoice is a compulsory document issued when a business sold goods or supplied a service. It is strictly controlled and published by the tax agency. Businesses have to buy the invoice from the tax agency or they themselves print it when they have a permission document from MOF. However, there are many small shops and markets operating in Vietnam which are normally accepted to sell goods or service with no Red Invoice because of loose laws. Therefore, adjusting the tax payable was a normal phenomenon in Vietnam at that time. The larger the amount of tax payables, it was often thought that tax officers had done a good business. It is also used as a base for tax officers to collect an award at the year-end in tax agency. Consequently, businesses do not want to calculate their duties actively, and wait for tax official to levy them because it makes a better relationship with the tax officer. In my experience when working as an auditor, I saw many companies in which they did not present exactly their

tax payable until they received official tax bills which were assessed by tax officer. It is probably a habit of Vietnamese business environment. Most of the challenges found by auditors fell in this situation.

Although eight challenges have been found, all of them are technical challenges unless the habits of preparers seem to be a cultural challenge. Those derive from preparers who are not familiar with accounting policies required by VASs. In addition, they used to apply accounting policies and treatment on the basis of detail instructions issued by the MOF. Those mandatory materials create accountants' habits, and they always wait and expect the issuance of detail interpretations from authoritative bodies. Therefore, the challenges need a longer time to respond in the Vietnamese accounting environment.

7.4.5 Conclusion

The implementation of IFRSs in Vietnam faces many challenges as mentioned by the interviewees. Their answers indicate that the poor quality of the VNF leads to the inconsistency of VASs and makes accounting preparers face significant challenges in accounting practice. The findings support the author's argument on the poor quality of VNF mentioned in chapter 6. It is the most important challenge of the implementation. Some interviewees argued that the reason for the poor quality of the VNF derives from the limited knowledge of the Vietnamese accounting setters. The author does not oppose the opinion, but emphasizes that the poor VNF is probably caused by the lack of a suitable theory for Vietnamese accounting. The poor VNF is resulted from the method of implementation which is significantly influenced by the communist theories and Hochiminh's thoughts.

7.5 Conclusion:

All interviewees said that the implementation of IFRSs in Vietnam is necessary which aims to increase and improve the government's management in financial information and accounting. It offers more many benefits than challenges for the Vietnamese accounting system. The implementation of IFRS in Vietnam is strongly influenced by institutional factors, especially the Vietnamese political institutions and legislation. Cultural influence on the implementation is

mentioned by a few interviewees. In Vietnam, an historical influence on the implementation is also mentioned. The benefits of the implementation for the Vietnamese accounting system include the accounting framework, accounting standards and policies. As a result, many interviewees argued that the implementation helps to improve the quality of information presented in financial statements, and to provide a profound knowledge for accountants. Although there are many challenges arising in the process of the implementation, the challenges are acceptable and can be solved. Vietnam is able to conduct a better implementation of the IFRSs if it has a good preparation. Overall, the benefits for the implementation for the Vietnamese accounting outweigh the challenges. The success of the implementation derives from the determined decision and dedication of the Vietnamese government, especially the MOF. There are still many problems occurring during the process on implementation which need to be quickly solved, but generally, the implementation of IFRS in Vietnam is successful as assessed by many interviewees. The implementation helps the Vietnamese economy to be considerably developed and it supports the integration into the world.

It could be argued that the IFRSs can be implemented in developing countries which have a low level of development, and the result of the implementation is positive. When the economy is developed at a higher level, developing countries will get more benefits if they fully adopt IFRSs. More importantly, very careful preparation for the implementation of IFRSs is vital if a developing country wishes to apply IFRSs successfully. A sound preparation might consist of three aspects: human resource, translated accounting standards, including interpretation documents and a detailed time plan for the implementation. Additionally, developing countries need to identify clearly what are the differences between their national accounting requirements and IFRSs, and predict possible challenges that may occur. By good preparation, developing countries can limit or eliminate as much as possible differences between IFRSs and their standards.

Chapter 8: Case study

8.1 Introduction

The chapter helps to answer the following research questions (RQ):

RQ 2: What factors are influencing the implementation of IFRSs in Vietnam?

RQ 3: What are the benefits for Vietnam in implementing IFRSs?

RQ 4: What are the challenges for Vietnam in implementing IFRSs?

A case study is used in the chapter to analyse the implementation of IFRSs in accounting practice in Vietnam. The corporation chosen in the case study is a well known company, namely C. corporation, which operates in many common industries in Vietnam (5.5.2). The period of the case study is 12 consecutive years, from 1998 to 2009. The case-study period includes four years before the first batch of the Vietnamese Accounting Standards (VASs) was issued (in 2001) and the subsequent eight years. Eight years is a period long enough to investigate the influence of implementation of IFRSs in Vietnam. In addition, accounting requirements issued by the government in preparing and presenting financial statements of the corporation in the years 2010 and 2011 are similar to those in the year 2009. Therefore, the period of the case study is stopped in the year 2009. Through investigating this case study, this chapter provides changes of the Vietnamese accounting system caused by the implementation of IFRSs, with a focus on the changes in Vietnamese financial statements and accounting policies. This chapter also helps realise theories and factors which influence the implementation and assesses benefits and challenges for the implementation of IFRSs in Vietnam. The case study contributes to the understanding how the Vietnamese accounting system has been improved when it is converged with IFRSs in practice. The results from the case study show that the Vietnamese accounting system has gained many benefits through implementation of IFRSs and the Vietnamese financial statements and accounting policies are closer to IFRSs. However, many challenges still exist in the Vietnamese accounting. The results indicate that there remained a large gap between IFRSs and the Vietnamese accounting at the end of the period of study.

The chapter is structured in five main sections. Section 8.1 gives an introduction to the chapter. Section 8.2 analyses factors that influence the implementation of IFRSs in Vietnam. It shows that the institutional factor is the strongest influential factor. Sections 8.3 and 8.4 provide benefits and challenges for implementation of IFRSs through analysing changes in the corporation's financial statements and accounting policies applied in the corporation. The conclusion of this chapter is in section 8.5.

8.2 Factors influencing the implementation

This section provides factors influencing the implementation of IFRSs in Vietnam through analysing the financial statements of the C. corporation. It consists of the changes in institution of the corporation (8.3.1), the changes in accounting requirements (8.2.2) and cultural influences on financial statements (8.2.3), and conclusion (8.2.4).

8.2.1 The changes in institution of the corporation

The corporation was operating as a SOE from 1997 to 2000 and then was transformed to a joint stock company in 2001 (5.5.2). The change in equity of the corporation leads to changes in component of a set of financial statements, financial statement users and content of financial statements.

Firstly, when operating as a SOE, the corporation also was required to prepared additional financial reports (appendixes 8.1 and 8.2), together with common financial statements stated in table 8.1. The additional reports were not required to prepare when the corporation was transformed to a joint stock company. A common set of annual financial statements are also different in components during the case study period (table 8.1).

Secondly, in terms of financial users, a set of common financial statements of C. corporation was normally submitted to few organisations required by the government consisting of direct higher management organisation (General Corporation of C. Corporation), Tax Department, Financial Department and Statistics Department of the B. province. The change in equity of the corporation also means that management institution and financial users of C. Corporation has been changed. As a listed company, financial statements of the corporation have

mainly focused on shareholders and potential investors and provided much more pieces of information (8.3.1.1 and 8.3.1.2). A set of financial statements in the period of listed company is similar to commonly occurring financial statements required by the IASB. Information which was used in internal management, and which aims to report to General Corporation, has been disappeared in the financial statements of the listed corporation (8.3.2.1 and 8.3.2.2). Those changes derive from the requirement of the government in transforming the Vietnamese economy. Hence, it could be argued that decision of the government in privatisation is the main institutional factor influencing financial statements of the corporation.

8.2.2 The changes in accounting requirements

While section 8.2.1 provides influences of the government on the institutions of the corporation, this section argues another influence of the government in terms of accounting requirements. There are three changes in accounting regimes, and regulations of preparing and presenting financial statements in the case study period (1998-2009) (3.3.4). The changes lead to a transformation in a set of financial statements. Changes in financial statements consist of appearance, content and method of preparing and presenting financial statements. Particularly, since the IFRSs have been implemented in 2001, the changes become significantly. Based on the changed, the annual financial statements of the corporation can be divided into two stages: stage 1 from 1998 to 2001 and stage 2 from 2002 to 2009. In stage 1, almost all of financial statements had not been published (table 8.1), except to the two additional reports (appendixes 8.1 and 8.2). In stage 2, many financial statements have been prepared and published. While there are five financial reports prepared and only one report published in the year 1998, seven financial reports have been prepared and published in the year 2009. The number of reports in a set of annual financial statements has increased along with the process of implementation of IFRSs.

Table 8. 1: Annual reports prepared and published during 12 years

Statements	1998		1999		2000-1		2002		2003-7		2008-9	
	Pre	Pub	Pre	Pub	Pre	Pub	Pre	Pub	Pre	Pub	Pre	Pub
1. Report of the Directors	N	N	N	N	N	N	Y	Y	Y	Y	Y	Y

2. Auditor's report	N	NA	N	NA	N	NA	Y	Y	Y	Y	Y	Y
3. Balance sheet	Y	N	Y	N	Y	N	Y	Y	Y	Y	Y	Y
4. Income statement	Y	N	Y	N	Y	N	Y	Y	Y	Y	Y	Y
5. Cash Flow	N	NA	Y	N	Y	N	N	NA	Y	Y	Y	Y
6. Appendix in Changes in equity	N	NA	N	NA	N	NA	N	NA	N	NA	Y	Y
7. Notes to the financial statements	Y	N	Y	N	Y	N	Y	Y	Y	Y	Y	Y
8. Announcement on financial information (Appendix 8.1)	Y	Y	Y	Y	Y	Y	N	NA	N	NA	N	NA
9. Distributed earnings report (appendix 8.2)	Y	N	Y	N	N	NA	N	NA	N	NA	N	NA
Number of reports pre. and pub. per year	5	1	6	1	5	1	5	5	6	6	7	7

Keys: Pre. stands for prepared, Pub. stands for published. Y stands for yes, N stands for no and N/A stands for Not Relevant.

Table 8.1 indicates that the implementation of IFRSs helps the corporation approach the requirement of the IASB in term of publishing a common set of annual financial statements. Additional financial reports of the Vietnamese enterprises which were required by the Vietnamese government have been replaced by common reports for business enterprises. Since 2002, all financial statements prepared are widely published. This is a significant improvement in terms of the transparency of financial information in Vietnam. Additionally, content and method of preparation and presentation of financial statements also have been improved. Those improvements are explained in section 8.3, benefits for the implementation.

8.2.3 Cultural influences on financial statements

In this case study, the Vietnamese cultural factors show some particular influences on financial statements which consist of behaviour and characteristics

of the preparers in preparation of financial statements (8.2.3.1) and the method of providing financial information (8.2.3.2).

8.2.3.1 Behaviours and characteristics of the preparers

The financial statements of the corporation aim to satisfy requirements of the government rather than to provide financial information to users, particularly in stage 1 of the case study (1998-2001). The accounting preparers had used patterns that were printed to prepare for annual financial statements in the years (8.2.3.2) and financial statements provide insufficiently information (table 8.2). The finding provides evidence of the characteristics and behaviour of the Vietnamese people who are modest and limited in performance of their opinions to public (4.3.3). Under the influence of this cultural factor, there is not much information prepared in financial statements. In this case study, the corporation had filled in very basic and little information on its business operations and financial information.

Secondly, the influence of the Vietnamese beliefs and characteristics has also been found in the content of information prepared in Notes to financial statements. The Vietnamese tend to accept the facts rather than fighting their challenges (4.3.3). They believe that the challenges derive from their fate, and they cannot avoid such challenges, because of the influence of Buddhism (4.3.3.1). They ask for helps from a higher level in the social hierarchy, because they are respectful of the higher level, or elder under the influence of Confucianism (4.3.3.2). In the case study, the corporation had the General Company (parent company) help to solve tax challenges from local Tax Department (in the year 1998, on page 11 of the annual financial statements), to supplement current assets (in the year 1999, on page 14), and to collect overdue debts from other companies monitored by the General Company (in the year 2000, on page 11; and in the year 2001, on page 14).

8.2.3.2 The method of providing financial information

When analysing the culture of presentation of information, the author found that the preparers of the corporation tend to provide information to the State and authoritative bodies rather than for external users to make economic decisions. The corporation did not focus on providing much financial information in the

early years of the case study (1998-2001). The corporation had used printed forms of financial statements including balance sheet, income statement and notes to financial statements to present the annual financial reports. The printed patterns of financial statements, based on the financial statement models issued by the MOF, were regularly sold in bookstores or office suppliers. They are basic, general and simple and used for most economic sectors and business scales. This even indicates that the Vietnamese preparers have chosen the way of following the government's regulation and refused to take the opportunity to provide more pieces of information to users that might promote their business. It could be the influence of Confucianism (4.3.2.2 and 4.3.3.2), and Marxism-Leninism and Hochiminh's thought (3.5).

8.2.4 Conclusion

The government has significantly influenced the financial statements of the corporation in the case study period (8.2.1 and 8.2.2). The method of the Government applied to make the influence on the financial statements consists of a direct method and an indirect method. The direct method is carried out in changes in accounting regimes and regulations which lead to changes of reports required to prepare in a set of annual financial statements (8.2.2). The implementation of IFRSs is a part of the process which aims to bring the Vietnamese accounting approach towards the international accounting. The indirect method is changes in accounting environment which leads to the transformation in components of a set of financial statements and the content of each report (8.2.1). Analysing the case study indicates that the influence of the government makes an improvement to a set of financial statements. The disappearance of additional financial reports (appendixes 8.1 and 8.2) required by the government in stage 2 (2002-2009) of the case study indicates that a set of annual financial reports have become similar to a common set of annual financial statements around the world (table 8.1).

Culture influences on financial statements of the corporation have been found, particular in stage 1, when the corporation was a SOE. The cultural factors consist of the behaviour and beliefs of the Vietnamese accountants and managers in preparing financial information and the way to deal with challenges incurred in

business (8.2.3.1). Culture also influences the recognition by the Vietnamese in providing financial information to public (8.2.3.2). They prepare and present financial information to satisfy their duty required by the government rather than to provide financial information for external users for attracting potential business parties or investors. Hence financial information is insufficient. Additionally, influences of Confucianism and Buddhism have been explored in the case study when the accountants and managers preparing and presenting financial statements.

Generally, the key factors significantly influencing the implementation in the case study are institutional and cultural factors in which the government takes a very important role. Cultural influences are not as strong as institutional influences. The influence of other factors such as language, education and geography has not been found in the case study. The implementation leads the Vietnamese financial statements closer to a commonly occurring set of financial statements.

8.3 Benefits for the implementation

Implementation of IFRSs in Vietnam brings many benefits for the Vietnamese accounting which are exhibited in three aspects consisting of benefits for the appearance and announcement of a set of annual financial statements (section 8.3.1), benefits for users of financial statements (section 8.3.2), and benefits for qualitative characteristics of financial information (section 8.3.3).

8.3.1 Benefits for appearance and announcement of financial statements

The benefits achieved for a set of annual financial statements in the implementation of IFRSs consist of improvement in a set of financial statements (8.3.1.1) and improvement in the contents of financial statements (8.3.1.2).

8.3.1.1 Improvement of a set of financial statements

Improvement in a set of financial information refers to the improvement of information presented in financial statements and the increase of number of financial statements prepared in a set of financial statements.

As argued in section 8.2.2, there are more financial reports prepared and published in a set of annual statements in stage 2 of the case study than those in the early years of the case study period (table 8.1). Along with the process of the implementation in each year, a set of financial statements is longer in page count (table 8.2). The average number of pages of a set of financial statements in stage 1 is around twenty four pages, while the average number of a set of annual reports in stage 2 is thirty pages (around). Particularly, a set of annual financial statements from 2006 to 2009 contains thirty five pages on average. It is caused by the issuance of decision No. 15/2006/QD-BTC in 2006 under which much financial information is required to present. Furthermore, line items presented in the face of financial statements are also similar to the common financial statements suggested by IFRSs (8.4.1).

Table 8. 2: A set of annual financial statements in pages

Statements	Year											
	98	99	00	01	02	03	04	05	06	07	08	09
Report of the Directors	N	N	N	N	2	2	3	3	3	3	3	4
Auditor's report	N	N	N	N	2	2	2	1	1	1	2	2
Balance sheet	4	4	4	4	4	4	2	4	4	4	4	4
Income statement	1	3	3	3	3	3	3	1	1	1	1	1
Cash Flow	N	1	1	1	N	1	1	2	2	2	2	2
Appendix in Changes in equity	N	N	N	N	N	N	N	N	N	N	1	1
Notes to the financial statements	13	13	13	15	8	9	17	19	25	25	19	20
Announcement of financial information (appendix 8.1)	2	3	3	2	N	N	N	N	N	N	N	N
Distributed earnings report (appendix 8.2)	1	1	N	N	N	N	N	N	N	N	N	N

Total number of pages	21	25	24	25	19	21	28	30	36	37	33	34
-----------------------	----	----	----	----	----	----	----	----	----	----	----	----

Keys: N stands for no. The figures presented in the table 8.4 are number of pages of the annual statements.

Comments

The figures in table 8.2 indicate that the increase in the number of pages in a set of annual statements normally comes from the Notes to the financial statements. There are many more explanations in the notes of later years in the case study than those in the notes of earlier years. For example, the notes of the first three years extend to thirteen pages, while the length of notes of three latest years 2007, 2008 and 2009 are 25, 19 and 20 respectively. That event shows the benefits of the implementation in providing more detail pieces of financial information to public.

Secondly, there are more commonly occurring financial statements in a set of financial statement in the ending years of the case study. The set of financial statements for the year 2009, for example, consists of report of the directors, auditor's report, balance sheet, income statement, cash flow, appendix in changes in equity, and notes to the financial statements. This set consists of all annual reports required by IAS1.

8.3.1.2 Improvement of contents of financial statements

This section analyses further on contents of information presented in financial statements. The case study indicates that financial statements have improved during the process of applying VASs, in terms of providing necessary information for users making economic decisions rather than for tax purposes and state managements. The improvement has been explored by two aspects: the increase of essential information presented in financial statements and the reduction of information for management of the State such as tax purpose and business management

Firstly, more pieces of essential information are presented in financial statements in stage 2 than those in stage 1, particularly at the ending years of the case study.

Since 2002, all set of annual financial statements have been audited by independent auditing firms (table 8.2). It is obvious that information presented audited financial statements should be more reliable than those presented in financial statements before 2002. Many more pieces of accounting and financial information have been presented in the Notes to financial statements in the latest years of the case study, particularly information of accounting policies applied in the corporation (table 8.3). It could be argued that external users should benefit from information on accounting policies applied in the corporation for making economic decisions.

Table 8. 3: Accounting policies applied in the C. Corporation

	Contents	Year								
		98-01	02	03	04	05	06	07	08	09
1	A statement on accounting regime applied in the Corporation	N	Y	Y	Y	Y	Y	Y	Y	Y
2	The commitment of the board director in following accounting regimes and regulations	N	N	N	N	Y	Y	Y	Y	Y
3	Accounting convention (historical costs)	N	N	N	N	Y	Y	Y	Y	Y
4	Method of book keeping	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Fiscal year	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Currency unit used	Y	Y	Y	Y	Y	Y	Y	Y	Y
7	Methods of foreign exchange	N	N	Y	Y	Y	Y	Y	Y	Y
8	Policies in fixed assets	N	Y	Y	Y	Y	Y	Y	Y	Y
9	Method of depreciation in tangible fixed assets	N	Y	Y	Y	Y	Y	Y	Y	Y
10	Depreciation time of main fixed assets	N	Y	Y	Y	Y	Y	Y	Y	Y
11	Policies on disposal fixed assets	N	N	N	N	N	N	Y	Y	Y
12	Intangible fix assets	N	N	N	N	Y	Y	N	N	Y
13	Financial leasehold assets	N	N	N	N	Y	Y	Y	Y	Y
14	Depreciation of Financial leasehold assets	NA	NA	NA	NA	NA	NA	Y	Y	Y
15	Policies in borrowing costs	N	N	N	N	Y	Y	Y	Y	Y
16	Principles of measurement in inventory costs	N	Y	Y	Y	Y	Y	Y	Y	Y
17	Inventory cost formulas used	N	Y	Y	Y	Y	Y	Y	Y	Y
18	Method used to identify inventory balances (perpetual or periodic methods)	Y	Y	Y	Y	Y	Y	Y	Y	Y
19	Provision for obsolete inventories	N	N	N	Y	N	N	Y	Y	Y
20	Policies in receivables	N	N	N	N	N	Y	Y	Y	Y
21	Provision for bad debts	N	Y	Y	Y	Y	Y	Y	Y	Y
22	Financial investments	N	N	N	N	Y	Y	Y	Y	Y
23	Provision for devaluation of financial investments (shares)	NA	NA	NA	NA	NA	Y	Y	Y	Y
24	Fixed asset investments	N	N	N	N	N	N	N	N	Y
25	Policies in accrued expenses	N	N	N	N	N	Y	Y	Y	Y
26	Policies in prepayments to	N	N	N	N	N	Y	Y	Y	Y

	suppliers									
27	Method of calculating salary budget	N	Y	Y	N	N	N	N	N	N
28	Provision for unemployment allowances	N	N	N	N	Y	N	Y	Y	Y
29	Provision for construction work warranties	N	N	N	N	N	Y	Y	Y	Y
30	Accounting policies in payables	N	N	N	N	Y	Y	Y	Y	Y
31	Explanation on calculating tax and duty estimates	N	Y	Y	Y	Y	Y	Y	Y	Y
32	Method of recognising turnover	N	N	Y	Y	Y	Y	Y	Y	Y
33	Accounting policies in revenue of construction contracts	N	N	N	N	Y	Y	Y	Y	Y
34	Method of distribution on corporate income ²² and dividends	N	N	N	Y	N	Y	Y	Y	Y
35	Capital and Funds	N	N	N	N	N	Y	Y	Y	Y
36	Definition of related parties	N	N	N	N	Y	Y	Y	Y	Y
37	Accounting principles in joint venture entities	N	N	N	N	Y	Y	Y	Y	Y
38	Changes in accounting policies	NA	NA	NA	Y	Y	NA	NA	NA	N A

Notes: NA stands for not available which means there is no related information on the issue; N stands for No and Y stands for Yes.

Secondly, the reduction in information used for internal management consists of the elimination of reports for the State's management such as "report of annual announcement of financial information" (appendix 8.1), and "report of distributed earnings (appendix 8.2). When researching into notes to financial statements, the author also found certain information for the State's management having been eliminated. For example, information relating to employees such as average salary and number of employees which was required to be presented in notes to the financial statements of years 1998-2005, has been cancelled in the notes since 2006. The improvement of contents of financial statements can be understood further in sections 8.3.2 and 8.3.3.

8.3.2 Benefits for the purpose of financial statements

One of the most significant benefits from the implementation of IFRS in Vietnam is the change in the purpose of financial statements. It aims to provide financial information for a broad range of users making economic decisions rather than for the State collecting data for tax, statistics and management. The change in purpose of financial statements is exhibited in reducing information for the internal management (8.3.2.1) and reducing information for tax and statistics purposes (8.3.2.2).

²² The income distribution in years 1998-2001 is prepared in separated report (see section 8.3.2.3)

8.3.2.1 Reducing information for the internal management

Information used for internal management has been significantly reduced in financial statements since the year 2002, when IFRSs were implemented, under the form of VASs. Such management information was normally used to report important issues to the authority entities, for example, the General Corporation when the corporation was a SOE. Those issues are normally insignificant or, sometimes, meaningless to external users. To describe the information used for internal management, section 5, at page 11, of Notes to financial statements year 1998 is quoted as follows:

“From the beginning to the end of the year [1998], the corporation has to borrow money from banks for buying raw materials and supplies and to pay total interest of 1,630 million Vietnam Dong (VND) for the loans. The corporation suggests that the General Corporation (parent company) should encourage and stimulate other corporations in the group which own the corporation to pay the debts, especially, corporation X still owns the corporation of 1,844 million VND. In the year 1998, the corporation has built three bridges in P.R. province. The corporation is exempted in sales tax and reduced 50 percent in corporate income tax for the building project in the three bridges. However, the [BD] Tax Department has alternated sales tax to value added tax and applied new corporation income tax in year 1999 for the three bridges. The corporation suggests that the General Corporation should give opinions on the issue and guide the corporation how to deal with the Tax Department in this circumstance”²³.

Section 4, at page 12 of the Notes to financial statements year 1999 provides another example of information used for internal management as follows:

“The Corporation suggests that the General Corporation encourages and stimulate other Corporations in the group pays debts for the Corporation to help the Corporation generate cash for business operations. Based on the letter No. 1199TCT/ NV5 dated 23/03/2000 and the circular No. 142/1999/TT-BTC, the Corporation sincerely suggests the General Corporation and the main bidder of the building project in three bridges in P.R province discuss with the project management board for preparing a file to help the Corporation to get VAT paid back and contact with B.D. Tax Department in payment in VAT for the project”²⁴.

²³ This paragraph is presented in Vietnamese language and translated into English by the author.

²⁴ This paragraph is presented in Vietnamese language and translated into English by the author.

Such paragraphs as those described above are the largest verbal paragraphs prepared and presented in Notes to financial statements of the years before 2002. The other parts of the Notes to the financial statements in stage 1 are insufficient of financial information. Those have few words, figures and tables that strictly follow the format issued by the MOF. With the presentation of such management information, it could be argued that financial statements in the first stage of the case study do not aim to provide information to external users. There is not paragraph similar to ones quoted above in the Notes to the financial statements in stage 2 of the case study. The reduction of information used for internal management and addition of more pieces of information on accounting policies in the Notes to the later financial statements show positive changes in financial statements of the corporation in term of providing financial information to the public.

8.3.2.2 Reducing information for management of the State

The financial statements, prepared from the year 1998 to 2005, aim to provide information for the State's management, but the latest financial statements in the case study, prepared from the year 2006 to 2009, tend to provide information to broad range of users. The purposes of financial statements in the later one have been significantly changed in of the case study. The changes were occurred in the balance sheet, notes to financial statements, but the largest change has been found in the income statement (table 8.4 and 8.5). The changes make financial statements better for both preparers and users. For preparers, the reduction of information on tax and statistics in financial statements lets financial statements become shorter and simpler in preparing and presenting. For users, the later financial statements are focused on financial information which helps users to gain more pieces of necessary financial information in order to make economic decisions easier.

Table 8. 4: Part B of income statement: Obligations to the Government

ITEMS (*)	1998	1999-2005	2006-2009
I. Taxes			
1. Sales tax or VAT(**) payables for domestic goods	Y	Y	N
2. Sales tax or VAT payables for imported goods	Y	Y	N

3. Excise tax	Y	Y	N
4. Export-Import tax	Y	Y	N
5. Corporate Income tax	Y	Y	N
6. Taxes on state capital	Y	Y	N
7. Natural resource taxes	Y	Y	N
8. Land and housing taxes	Y	Y	N
9. Land rental payables	Y	Y	N
II. Other taxes and duties			
10. Extra duties	Y	Y	N
11. Fees and charges	Y	Y	N
12. Main depreciation payables ²⁵	Y	N	N
13. Social insurance	Y	N	N
14. Welfare insurance	Y	N	N
15. Union fees	Y	N	N
16. Others	Y	Y	N

Keys: Y stands for yes. It means there is a figure stated in the statement; N stands for no figures stated in the categories; and NA stands for Non-available. It indicates a circumstance that is no longer suitable with the corporation because the government had changed the requirement in the statements or the Corporation had changed the policies for example, applying VAT instead of sale tax.

(*) Items: the item numbers are given by the author for the purpose of a clear description. The order of items presented in the table may be different from the format of the Corporation's income statements because of changing formats across twelve years.

However, the contents of items are completely followed.

(**) VAT: value added tax

Comments: In the income statement of the year 1998, many items related to management of the State had been presented. Even in the period of 2002-2005, when operating as a listed company, the corporation was still required to report many figures for the State's management such as taxes on state capital, social insurance, and welfare insurance. That provides evidence on the influence of politics and institution on the Vietnamese accounting system. Since 2006, all part B of income statement (table 8.4) has disappeared. Those events indicate a large reduction of the state's management through financial statements. That shows an improvement of the Vietnamese financial statements in terms of approaching the model of financial statements required by the IASB.

²⁵ Depreciation payables are depreciation amounts which derive from fixed assets funded by the state for SOEs. The Corporation has to pay the fund back to the state budget as those assets are depreciated during the business operation.

Table 8. 5: Part C of Income statement: VAT

DEDUCTIBLE, REFUNDABLE, REDUCIBLE or EXEMPTABLE VAT

ITEMS (*)	1998	1999-2005	2006-2009
I. VAT deductible	NA	Y	N
17. Opening VAT deductible, refundable	NA	Y	N
18. VAT refundable for the year	NA	Y	N
19. VAT deducted, refunded, VAT on purchases return and non-deductible, <i>In which:</i>	NA	Y	N
a. VAT deducted	NA	Y	N
b. VAT refunded	NA	Y	N
c. VAT on purchases returns and rebates	NA	Y	N
d. VAT on non – deductible goods	NA	Y	N
20. Closing VAT deductible, refundable	NA	Y	N
II. VAT refunding	NA	Y	N
21. Opening VAT refundable	NA	Y	N
22. VAT refundable for the year	NA	Y	N
23. VAT refunded	NA	Y	N
24. Closing VAT refundable	NA	Y	N
III. VAT reduction	NA	Y	N
25. Opening account to reduce	NA	Y	N
26. VAT to reduce for the year	NA	Y	N
27. VAT deducted	NA	Y	N
28. Closing account to reduce	NA	Y	N
IV. VAT of domestic sales	NA	Y	N
29. Opening VAT on domestic sales	NA	Y	N
30. Output VAT for the year	NA	Y	N
31. Input VAT deducted	NA	Y	N
32. VAT on sales returns and rebates	NA	Y	N
33. VAT netted off against taxes payables	NA	Y	N
34. Domestic sales VAT	NA	Y	N
35. Closing VAT on domestic sales	NA	Y	N

Comments:

Part C provides information related to VAT. In the year 1998, the corporation applied sales tax. Therefore, the income statement of the corporation for the year

1998 was not relevant to VAT. Many items relating to tax had been presented on the face of the Vietnamese income statements from the year 1999 to 2005, but this part (part C) has been eliminated since 2006. By the reduction experienced from 1998 to 2006, it might be argued that the longer the time since implementation of IFRS, the more the reduction in the tax requirement in the Vietnamese financial statements. Since 2006, the appearance of the Vietnamese income statement is closer to the common income statement required by the IASB. Some researchers argued that implementation of IFRSs raises complicated issues in preparing and presenting financial statements for developing countries (2.5.3.2). By contrast, in the circumstance, the implementation of IFRS helps the Vietnamese accounting practice become simpler.

8.3.2.3 Providing further financial information for external users

The increase of financial information for external users is recognised in many aspects consisting of the number of a set of annual financial statements (table 8.2), the length of financial statements in page (table 8.3) and content of financial statements (8.3.1.2). External users can find much more useful pieces of information presented in financial statements in the stage 2 than that in stage 1 of the case study, for example, in accounting policies applied in the corporation (table 8.3). Especially, in the notes to financial statements in stage 2, accounting preparers of the corporation has not only provided and explained account balances, but they also interpreted the nature and content of main accounts such as fixed assets, equity, expenditure and income occurred in the fiscal year. Such information benefits a lot for investors and creditors in making economic decisions.

8.3.3 Benefits for qualitative characteristics of financial information

The longer the period since implementation of IFRSs, the more benefits for improvement of qualitative characteristics of information presented in financial statements of the corporation have been found.

8.3.3.1 Improvement of characteristic “prudence” of financial information

Characteristic “prudence” of financial information has been improved when the corporation prepared financial statements in the case study. It means that the longer the period since implementation of IFRSs, the more provisions have been made. Provisions are mentioned in the ARBEs consisting of provision for bad debts, financial investments and decline in value in inventories. In stage 1 of the case study (1998-2001), there is no information of accounting policy of provisions having been provided in the notes to financial statements. However, the author has found an amount of VND 687 million having been covered for bad debts of VND 1,374 million, presented in the section of receivable accounts of the notes, in the year 2001. It means that a provision of 50% of value of the bad debts was made by the corporation. In terms of characteristic “prudence”, the corporation is not complied with the requirement of IFRSs, because a bad debt needs 100% provision. According to circular No.64/TC-TCDN dated 19/04/1997 issued by the MOF, total provision for bad debts in the year 2001 should not exceed 20% total balances of receivable accounts of an entity. The Vietnamese regulation of provision for bad debts was different from IFRS at that time. Based on the MOF’s regulation, the corporation can make additional provision for bad debts in 2001, because the corporation can make maximum provision of VND 15,049 million (20% of VND 75,248 million, total receivable balances). Both the Vietnamese government and the corporation were not complied with IFRSs in terms of provision for bad debts in 2001.

From the year 2002 to 2005, provision for bad debts was made of ten percent of total value of bad debts by the corporation. In the year 2006, provision for bad debts was made from 50% to 100% of total worth of bad debts. Notably, the MOF issued circular No. 13/2006TT-BTC dated 27/02/2006 which permitted business entities to make 100% provision for bad debts. The circular No.13/2006/TT-BTC was effective from 2006 to 2008, and it was replaced by circular No. 228/2009/TT-BTC dated 27/02/2009, which has been effective since 2009. Those circulars permit business entities to make full provision for bad debts, out of date inventories etc. In the years 2007 and 2008, the corporation fully made provision for all bad debts. In year 2009, the provision policy for bad debts was changed by the corporation. The corporation has based on the overdue

period of each bad debt to make particular provision. Those rates are 30%, 50% (over 1 year), 70% (over 2 years) and 100% (over 3 years). Generally, the provision for bad debts has been increased along with the process of implementation of IFRSs except the year of 2009.

8.3.3.2 Improvement of characteristic “understandability” of financial information

The characteristic “understandability” of financial information is improved because of the interpretation in detail of accounting policies and figures in notes to financial statements. The improvement is clearly exhibited in financial statements prepared since the year 2006. Based on accounting policies provided in the notes, accounting users can understand how a figure in the balance sheet is prepared and presented. For example, accounting users were not able to find basic accounting policies of acquisition of fixed assets, disposal fixed assets, depreciation, and foreign exchange of the corporation in the notes to the financial statements in the years 1998-2000 (table 8.3). However, those policies have been presented in detail in the notes to the financial statements since 2006. Secondly, the interpretation of figures presented in financial statements before the year 2002 was also too simple. For example, related to receivable and payable accounts, the notes to the financial statements in the period from 1998 to 2001 just provided the beginning balance, total debits and credits incurred in the year, and ending balance. Therefore, accounting users could not know the debtors and creditors corresponding to those ending balances. Since 2002, when the VASs have been applied in practice, the names of the main debtors and creditors have been provided in notes to financial statements. Other figures have also been presented and explained in detail in the notes to financial statements since the year 2002 onward. Particularly since 2006, the characteristic “understandability” has been significantly improved, when the new models of financial statements have been applied according to decision No.15/2006/CDKT of the Minister of Finance.

8.3.3.3 Improvement of “reliability” of financial information

The reliability of financial statements of the corporation is improved by providing more pieces of financial information to users, particularly in the notes to the financial statements (table 8.3). It is clear that more pieces of information can

help financial statement users have more opportunities to understand and assess financial position and performance of the entity. The improvement of the method applied to prepare financial statement contributes to the reliability of financial information provided to the users. In the case study, the author has found the corporation has applied a positive policy of provisions since year 2007 which helps to improve the reliability of financial information on the performance (section 8.3.3.1). Since 2002, it is the first time that external users can find information on business operation such as plans, changes in business organisation, and dividend distribution of the corporation in sets of financial statements thank to the Director Reports. In addition, external users also are provided with audit opinions on financial position, and results of operation of the corporation through Audit Reports. Especially, statements in changes in equity have been prepared and added in sets of financial statements in the years 2008 and 2009. The appearance of a statement in changes in equity in a set of annual financial statements shows that a set of the Vietnamese financial reports consists of all common financial reports required by the IASB. The result indicates a positive aspect of the implementation of IFRSs in accounting practice in Vietnam.

8.3.4 Conclusion

Many benefits for Vietnamese accounting have been recognised in the case study when the IFRSs have been implemented in Vietnamese. The findings indicate that the implementation helps the Vietnamese accounting setters to change their point of view on the purpose of financial accounting. While prior purposes of financial statements aim to provide financial information for tax purpose or statistics and management of the government (3.3.2), the new purposes of financial statements since VASs having been issued target to broad range of users for making economic decisions (8.3.2). This change shows the influence of the communist theories in developing an economy with a variety of economic sectors (MESO) on Vietnamese accounting. The additional annual reports (appendices 8.1 and 8.2) have not been required by the government. Generally, the implementation brings the Vietnamese accounting policies and financial statements closer to the IASB's requirements. It means that accounting policies applied in Vietnamese to prepare and present financial statements become more common with other

countries. The implementation improves both the appearance of a set of annual financial statements and the contents of information presented in financial statements (8.3.1). Financial information presented in the Vietnamese financial statements has improved in term of prudence, understandability and reliability (8.3.3). The implementation, therefore, has helped Vietnamese financial statements to improve in the qualitative characteristics of transparency and comparability. The more the Vietnamese accounting standards have been issued and applied in accounting practice, the more the benefits for external users have been found.

8.4 Challenges for implementation of IFRSs

Even although Vietnamese accounting has gained many benefits for implementation of IFRSs, many challenges from the implementation have been found in this case study. Those challenges are analysed in two sections consisting of presentation of financial statements (8.4.1) and measurement and recognition of key items in financial statements (8.4.2). The conclusion of this section is in section 8.4.3.

8.4.1 Presentation of financial statements

In terms of presentation of financial statements, business enterprises operating in Vietnam are required to prepare and present annual financial statements in compliance with models issued by the Ministry of Finance (section 3.3.4). Such models of financial statements are built on the basis of requirements stated in the 1988 Ordinance and then 2003 accounting law which were prepared on the basis of the communist theories and the government's demands on financial and economic management. Therefore, Vietnamese financial statements are still certainly different from the commonly occurring financial statements required by the IFRSs which aim to maximise profits of creditors, investors and shareholders. This section focuses the presentation of the 2009 balance sheet (table 8.3) which was prepared in compliance with decision No.15/2006/QD-BTC of the MOF (3.3.4).

8.4.1.1 The appearance of the Vietnamese financial statements

Generally, all Vietnamese financial statements should be consistent with the models suggested by the government in format and items presented in the face of the financial statements. The report of change in equity has not been required to present in a separate report, according to ARBEs. However, information of changes in equity is required to interpret in Notes to financial statements.

Actually, the corporation has prepared this report in 2008 and 2009, and presented it the appendix of the annual financial reports (table 8.2). This is an improvement of the corporation in terms of providing information to users.

To provide further information of the Vietnamese balance sheet, table 8.6 exhibits a brief comparison of the Long-term assets of the corporation's balance sheet against the Non-current assets of the model designed by Deloitte in 2009. The full 2009 balance sheet of the corporation is stated in appendix 8.3.

Table 8. 6: A comparison of the presentation of Long-term assets vs.Non-current assets

	VASs required by the MOF (*)	Code	Ref.	IFRSs suggested by Deloitte (**)
B -	LONG TERM ASSETS	200	IAS 1.60	NON-CURRENT ASSETS
I.	Long term receivables	210	IAS 1.54(a)	Property, plant and equipment
1.	Long term receivables	211	IAS 1.54(b)	Investment property
2.	Investments in subsidiary	212	IAS 1.55	Goodwill
3.	Internal long term receivables	213	IAS 1.54(c)	Other intangible assets
4.	Other long term receivables	218	IAS 1.54(e)	Investments in associates
5.	Provision for long term bad receivables	219	IAS 1.54(o)	Deferred tax assets
II.	Fixed assets	220	IAS 1.55	Finance lease receivables
1.	Tangible fixed assets	221	IAS 1.54(d)	Other financial assets
	Cost	222	IAS 1.55	Other assets
	Accumulated depreciation	223		Total non-current assets
2.	Financial lease tangible fixed assets	224		
	Cost	225		
	Accumulated depreciation	226		
3.	Intangible fixed assets	227		

	Cost	228		
	Accumulated amortisation	229		
4.	Construction in progress	230		
III.	Investment properties	240		
	Cost	241		
	Accumulated depreciation	242		
IV.	Long-term investments	250		
1.	Investments in subsidiaries	251		
2.	Investments in associates	252		
3.	Other long-term investments	258		
4.	Provision for long term investments	259		
V.	Other long-term assets	260		
1.	Long term deferred assets	261		
2.	Deferred tax assets	262		
3.	Other long-term assets	268		

Source:

(*) Those are Parts A and B of the 2009 balance sheet of the C. Corporation.

(**) IAS Plus, [Online] available at:

<http://www.iasplus.com/en/publications/global/models-checklists/2009/ifrs-model-financial-statements-2009>

Firstly, the format of the Corporation' balance sheet is slightly different from that of model suggested by IAS 1 in the order of items presented on the face. While the IAS model introduces “Non-current assets” at the top of the balance sheet, Vietnamese balance sheet presents “Current assets” at the top, and then Long-term assets. It indicates the influence of American accounting on the Vietnamese financial statements as previous researcher has argued in section 3.2.4.

Secondly, in terms of fixed assets, the Vietnamese balance sheet presents many line items consisting of tangible fixed assets, financial lease tangible fixed assets, intangible fixed assets and construction in progress. Each kind of fixed assets is included cost and accumulated depreciation. However, the IAS balance sheet displays only the remaining value of fixed assets, under a different term “property, plant and equipment”, and does not present lines of cost and accumulated depreciation of the item. Additionally, cost of construction in progress is also not separately presented on the IAS balance sheet.

Thirdly, the technical terms used in the two balance sheets have certain different features. For example, the Vietnamese balance sheet uses the term “*Long-term assets*” and “*fixed assets*” while the IFRS’ one uses “*Non-current assets*” and “*property, plant and equipment*” respectively.

Fourthly, the Vietnamese balance sheet classifies financial elements which have similar nature into groups. For example, the long-term assets of the Vietnamese balance sheet (code 200) are presented in five groups (code 210, 220, 230, 240, and 250) (appendix 8.3). However, the non-current assets of the IAS balance sheet include nine separate line items.

Fifthly, there are many items which are required to present on the face of the VAS balance sheet in 2009, for example, provisions (8.4.1.3).

The difference is not important, but there are many different issues between the two balance sheets. It makes financial users face difficult when comparing the commonly accepted financial statements suggested by IFRSs and the Vietnamese balance sheet. It exhibits particular point of view of the Vietnamese accounting authoritative bodies affected by Hochiminh’s thoughts.

8.4.1.2 Off-balance sheet statement

The Vietnamese government requires entire business entities operating in Vietnam should prepare an off-balance sheet attached in common balance sheet (table 8.7). This is a difference from commonly accepted financial statements required by IAS 1.

Table 8. 7 Off- Balance Sheet year 2009

Currency unit: VND

	Items	Notes	Ending balance	Beginning balance
1.	Operating lease assets		-	-
2.	Goods, inventories under trust or for processing		-	-
3.	Consignment goods held for sales		-	-
4.	Bad debts written off	V.29	5,574,755,385	4,879,966,985
5.	Foreign currencies (USD)		15,052.00	15,183.99
6.	Planned Fund provided by the Government		-	-

This report aims to provide extra information to the state organisations. It is a heritage of the centrally planned economy in the Vietnamese accounting system. This reflects the influence of the communist theories in terms of increasing the control and management of the government to business entities (3.5). Notably, since Feb 2015, the Vietnamese government will not require business entities prepare off-balance sheet, according to decision No.200/2014/TT-BTC dated 22/12/2014 (3.3.4). This is a new improvement of the Vietnamese accounting system in terms of approaching commonly accepted financial statements and IFRSs.

8.4.1.3 Provisions

The Vietnamese financial statements separately present provisions for current assets and long-term assets (appendix 8.3). Provisions for current assets is divided into provision for diminution in value of investments (code 129), provision for bad debts (code 139), and provision for obsolescent inventories (code 149). Provisions for long-term assets include provision for bad debts (code 419) and Provision for long term investments (code 259). All Vietnamese provisions are presented on assets section of the Vietnamese balance sheet under minus figures. However, provisions prepared on the IFRS balance sheet are divided and presented into current and non-current liabilities. This requirement of the Vietnamese accounting system supports the argument that Vietnamese government supports tends to strictly monitor business entities.

8.4.2 Measurement and recognition key items

This section focuses on typical challenges for implementation of IFRSs which are caused by the differences of measurement and recognition of key items presented the financial statements of the corporation. This section may not provide all challenges for the Vietnamese accounting in terms of the method of measurement and recognition, because of limited transactions occurring in the corporation.

8.4.2.1 Issue “Land use right” as an inventory

The current Vietnamese accounting regime for business enterprises does not mention land kept for sale in the short-term. It should be noted that all entities

operating in Vietnam do not have land possession, but they can gain “land use right”. According to the regime, “land use right” is considered as a fixed asset investment (recorded at account number 217, in the Vietnamese accounting chart) and presented in long term assets of the Vietnamese Balance sheet, namely investment properties. By contract, according to the IAS 2, paragraph 8, land is also considered as an inventory when it is held for resale. The difference derives from the Vietnamese laws in land possession in which the Vietnamese, unities and organisations have only “land use right”, but no land possession. It is because land belongs to entire the Vietnamese people under the communist theories and Hochiminh’s thoughts. Hence, in this situation, the theories of communism of the possession of properties land have influenced the implementation of IFRSs in Vietnam.

8.4.2.2 Inventories and LIFO method

In the case study, the corporation has applied weighted average and FIFO method to measure inventories (part IV, note 3 of the 2009 Notes to financial statements). According to the current ARBEs, the government still accept the LIFO method for accounting inventories, while IAS 2 does not suggest LIFO method since January 2005. Recently, the MOF has issued the new ARBEs under circular 200/2015/TT-BTC (3.3.4), which will be effective in February 2015. This regime has removed LIFO method out of accounting inventories, but the VAS 2 has not been amended.

Additionally, when measuring costs of inventories, VAS 02 allows to allocating production management expenses (namely fixed overhead expenses, account number 627, in the Vietnamese accounting chart) into inventory costs. This regulation of the VAS is different from IFRSs.

8.4.2.3 Provision for bad debts

VAS 18 provides method and requirement of provision for assets and liabilities which are almost similar to IAS 37. Actually, the corporation making the provision based on the regulations issued by the MOF. During the case study period from 1998 to 2009, accounting policy of provision should be consistent with the following legal regulations issued by the MOF, consisting of circular No. 64/TC-TCDN dated 15/09/1997 effective from 1/1/1997 to 31/12/2001, circular

107/2001/TT-BTC dated 31/12/2001, effective from 1/1/2002 to 14/03/2006, circular 13/2006/TT-BTC dated 27/02/2006, effective from 15/03/2006 to 22/02/2010, and then circular 228/2009/TT-BTC dated 07/12/2009, effective since 22/02/2010. Notably, the VAS 18 has not been changed since the issued date on 28/12/2005. Such legal regulations produce many differences from VAS 18 and IAS 37. For example, according to circular 64/TT-BTC, business entities could not make total provision for bad debts larger 20% amount of total receivable balances at the balance sheet date. At part IV, note 4, in the 2009 Notes to financial statements, the provision policy of the corporation is:

- 30% for bad debts overdue under 1 year
- 50% for bad debts overdue from 1 year to under 2 years
- 70% for bad debts overdue from 2 year to under 3 years
- 100% for bad debts overdue over 3 years

The 2009 provision policy of the corporation is not supported by the VAS 18 and IAS 37. The provision should rely on the assessment on nature of the bad debts rather than only based the period of overdue debts. The measurement of provision for bad debts provides a view on the implementation of VASs in Vietnam. It indicates that the legal documents issued by the government have strongly affected on the Vietnamese system rather than VASs.

8.4.2.4 Fixed assets

Although land is a part of an estate, land is not recorded as a fixed asset if the entity that has the land use right and does not have the Land Use Right Certificate issued by the government. It is a significant challenge for IFRSs, because according to IAS 16, paragraph 6 and 37, land held for use in production for more than one period is recorded as a tangible asset. This circumstance is occurring in Vietnam because of the influence of the communis theories in which land is belonged by entire the Vietnamese people.

8.4.2.5 Reasonable expenses

In the case study period (1998-2009), reasonable expenses in Vietnam are regarded as the expenses which comply with tax law and other regulations which instruct tax law, especially, decree No.24/2007/ND-CP dated 14/02/2007 issued

by the Prime Minister. Many items of necessary expenses for doing business would not be recorded in the expense accounts of the entity if such expenses are not consistent with tax regulations. Common cases regarded as unreasonable expenses are as follows.

- Expenses that have no legal or acceptable supporting documents attached such as no tax invoices and omitted original documents (stated at part III, item 1.1 of the decree).
- Depreciation expenses of fixed assets which are not managed in the accounting book in the way complying with current legal regulations (stated at part III, item 2.1c of the decree).
- Advertisement and promotion expenses which exceed seven percent of all deductible expenses for tax law (stated at part III, item 2.21 of the decree).
- Penalties are incurred for breaching laws (stated at part III, item 2.25 of the decree), for example penalty fee for transportation (item 2.3, in table 8.3).

All unreasonable expenses are deducted in corporate income after tax if those are attached by legal supporting documents. Those challenges show the differences of Vietnamese accounting policies from IFRSs. This event also indicates the influence of tax on accounting and management regulations of the State to recognise reasonable expenses.

Actually, the Vietnamese government often changes regulations. The regulations of tax under the decree No.24/2007/ND-CP have been amended by circular No.123/2012/TT-BTC dated 27/07/2012. This section also provides an additional evidence of the method which is employed by the government to operate the Vietnamese accounting system. It indicates that although VASs have been issued, they slightly affect the Vietnamese accounting system in practice. The implementation of VAS, therefore, faces many challenges for the management method of the government. This method of the government's management exhibits the influence of the communist theories in the Vietnamese accountancy in terms of increasing the government's control.

8.4.2.6 Foreign exchange rate differences

VAS 10 produces requirement of the effects of changes in foreign exchange rates. Actually, the government has issued additional regulations to manage the differences caused by fluctuation of exchange rate. For example, as stated in part IV, note 17 of the 2009 Notes to financial statements, foreign currency balance at the balance sheet date has been revaluated based the year-end exchange rate (at 31Dec 2009) of 17.941 VND/USD. The revaluation of foreign currency is consistent with circular No. 201/2009/TT-BTC dated 15/10/2009 of the MOF. The differences of the revaluation of cash and short-term receivables by foreign currency are recorded in account of “foreign exchange rate differences” and presented in the balance sheet. The differences of the valuation of long-term receivables are recorded in incomes or expense of the years.

More importantly, the MOF often issues new regulations. Actually, business entities in Vietnam have to apply legal materials to deal with accounting transactions rather than base on VASs. It makes the implementation of VAS become more complicated. In terms of dealing with foreign exchange rate differences, The MOF has issue circular 179/2012/TT-BTC in 2012, which has replaced the circular No. 201/2009/TT-BTC mentioned above. As stated at article 10 of the circular No.179, the government allows business entities to allocating the previous year balances of foreign exchange rate differences to incomes or expenses in the financial year. This new requirement of the circular 179/2012/TT-BTC is not consistent with VAS 14 of revenue and other income, and IAS 18. This section gives another example of the method of the government in running and affecting the Vietnamese accounting system. Under this method, VASs are clearly lost opportunity to perform in accounting practice. Therefore, by applying the co-existence of VASs and ARBEs, the government creates a good chance to satisfy their demands in financial management.

8.4.2.7 Requirement of physical count of inventories and fixed assets

According to the ARBEs, business entities should physically check and count inventories and fixed assets at the annual balance-sheet day. This requirements indicates the government’s wish to control and monitor business. It is an

exhibition of centrally planned economy which is still remained in the innovation era, because of the influence of the communist theories.

8.4.3 Conclusion

Challenges for implementation of IFRSs found in this case study consist of format and content presented in financial statements (8.4.1), and measurement and recognition of key items of financial statement (8.4.2). The formats of Vietnamese financial statements are different from commonly occurring financial statements, particular the Vietnamese balance sheet. The Vietnamese balance sheet represents many items on its face when compared with the requirements of IFRSs and the model of Deloitte (8.4.1.1). Individually, the Vietnamese balance sheet includes an off-balance sheet part, which aims to increase the government's management to physical assets or valuable assets existed at the entity (8.4.1.2). This report is a heritage of the centrally planned economy when the government had focused on management assets in physical materials. Such challenges for the implementation are driven from accounting regulations issued by the Vietnamese government, when they wish to strictly control and manage business companies because of the influences of the communist theories. Additionally, the influence of Hochiminh's thoughts also makes the Vietnamese balance sheet appeared many slightly different from the common balance sheet suggested by IFRSs. Vietnamese accounting policies are significantly influenced by legal regulations issued by the Government such as tax laws and management of land (8.4.2). The differences of accounting policies make items represented in Vietnamese financial statements changed even if those have the same nature of accounting transactions. It is the most significant challenge for the implementation of IFRSs in Vietnam, because such regulations are often issued by the government when VASs have not been revised since they were issued in 2001. The origination of the challenges results from the difference between the code-based principles applied in Vietnamese accounting under the influence of the communist theories and the standard-based principles used in IFRSs. Vietnamese accounting setters have been familiar with using code based principle in Vietnamese accounting for a long period. This principle is supported by the theories of Marxism-Leninism and Hochiminh's thought when the rulers encourage everyone to strictly follow the detailed regulations of the Government. In addition, the influence of

Confucianism encourages the Vietnamese accept the orders and regulations issued by the rulers. It makes the Vietnamese accept any format of financial statements even if those contain too many detailed items and are not suitable with individual features of their business operation. The findings indicate the influence of communist theories in the accounting field in term of increasing the control power of the CPV.

8.5 Conclusion

The influential factors, benefits and challenges occurring in the implementation of IFRSs are primarily derived from the theories of Marxism-Leninism and Ho Chi Minh's thoughts. Those theories aim to increase the control power of the CPV and the government in financial accounting management in order to successfully develop the MESO in Vietnam. The analysis of financial statements of the corporation indicates that the government significantly influences the implementation of IFRSs in Vietnam (8.3.2). The government has changed accounting regimes and standards which lead to changes in a set of annual financial statements (8.2.1). The accounting environment of the corporation was also transformed by the government during the case study period (8.2.2). The changes lead to modify financial statement both in set of financial statements and contents of each statement (8.3.2). The government also often changes requirements of measurement and recognition of financial elements that make more challenges for the implementation (8.4.2). The culture of the Vietnamese also influences the behaviour and characteristics of preparers when preparing financial statements (8.2.3.1). Accounting preparers of the corporation tend to satisfy requirements of the government rather than providing financial information to external users (8.2.3.2). Those findings provide evidence of the influence of culture in Vietnamese accounting hypothesised in chapter 4 (4.3.6). Many challenges for implementation of IFRSs have been found in the case study. It is very easy to realise that the face of Vietnamese financial statements are different from commonly incurring financial statements required by IFRSs and the 2007 model suggested by Deloitte (8.4.1). There are many items presented on the face of Vietnamese balance sheet (8.4.1.1). The fixed format of the Vietnamese balance sheet, which is applied to all industries, makes it difficult to adopt in practice. The fixed format provides evidence of the strict management of

the government, as suggested in chapter 3 (3.5.3) in terms of the influence of the communist theories. The most challenges for implementation found in the case study are derived from regularly changed accounting policies. Accounting policies required to apply at the corporation, such as provision for bad debts, and measurement of expenses, have been often changed by the government (8.4.2). There are many differences and changes in accounting requirements between the Vietnamese accounting system and IFRSs such as the recognition of land (8.4.2.1), inventory (8.4.2.2), and provision (8.4.2.3), even VASs have not been amended. The differences make accounting transactions, which have the same nature, differently recorded in accounting books and reports in different period. It reduces the comparable characteristic of financial information. The differences in accounting policies are severe and difficult to solve when the government continuously apply the theories.

The implementation has brought many benefits for Vietnamese accounting. The most significant benefits should be for purpose of financial statements (8.3.2) and the improvement of qualitative characteristics of financial information (8.3.3). Financial statements prepared and presented in compliance with VASs aim to provide information to broader range of users for making economic decisions. Additional reports, required by the government for management purpose, were also eliminated since IFRSs has been implemented (8.3.2.2). It makes the Vietnamese financial statements better in terms of transparency and reliability (8.4.3). The longer the implementation of IFRSs, the more benefits have been found in the case study.

Generally, the implementation of IFRSs has brought many benefits for the corporation, especially in terms of providing further information and improving qualitative characteristics of financial information. It helps the corporation focus on information necessary for external users and reduce the preparation of information used in the state management as required by the government. Hence, the implementation supports the corporation in doing business and making profits. It could be argued that the longer the period since implementation of IFRSs, the more the benefits for business entities and the Vietnamese accounting system have achieved.

Chapter 9: Discussion and Conclusion

9.1 Introduction

This chapter discusses further how the findings of the empirical chapters contribute to theories and practices of Vietnamese accounting and implementation of IFRSs in Vietnam. The beginning sections of this chapter provide a summary of the findings of the following research questions:

- Which theories help to understand the implementation of IFRSs in Vietnam? (section 9.2)
- What factors are influencing the implementation of IFRSs in Vietnam? (section 9.3)
- What are the benefits for Vietnam in implementing IFRSs? (section 9.4)
- What are the challenges for Vietnam in implementing IFRSs? (section 9.5)

The following sections continue with suggestion for further study related to this research (section 9.6), policy implementations (section 9.7), and the conclusion (section 9.8).

9.2 Theories of the implementation of IFRSs in Vietnam

The findings in the three empirical chapters indicate that implementation of IFRSs in Vietnam is significantly influenced by the communist theories raised by Marxism-Leninism and Hochiminh's thoughts.

This section consists of key issues of Marxism-Leninism and Hochiminh's thoughts (9.2.1), the summarisation of findings in empirical chapters (9.2.2), contribution to theories of implementation of IFRSs (9.2.3) and conclusion for this section (9.2.4).

9.2.1 Key issues of Marxism-Leninism and Hochiminh's thoughts

The ultimate goal of Marxism-Leninism and Hochiminh's thoughts is to build socialism in Vietnam in which the CPV holds the leadership to all organisations in the society and runs the country (section 3.5.1). Based on the communist

theories, the CPV has suggested MESO in which SOEs are a core economic sector and state and collective equity is main ownership (sections 3.5.3). Hochiminh's thoughts support nationalism which praises the national characteristics, and encourages flexible and adaptable implementations of international knowledge in Vietnam (section 3.5.2).

9.2.2 The summarisation of the findings

This section summarises the key issues of Marxism-Leninism and Hochiminh's thought which aims to provide useful indications of the theories and the empirical findings (9.2.1.1). Those theories influence the method of the implementation of IFRSs that aim to increase the control power of the CPV and State (9.2.1.2) and support the development of the MESO (9.2.1.3).

9.2.2.1 Increase the control power of the CPV and State

The implementation of IFRSs in Vietnam aims to increase the control power of the CPV and State in the accounting field. The following explanation supports for this statement.

Firstly, VAS 01 was prepared on the basis of legal materials which were supported by Marxism-Leninism and Hochiminh's thoughts (section 6.2.1.1). Those legal materials help the Vietnamese government to gain control over the content of VASs and to assign the role of VASs in the Vietnamese legal system (sections 6.2.1.2 and 6.2.1.3). It explains why VNF is named as VAS 01 (6.2.2.2) and diverted from IASBF (6.2.2, 6.2.3 and 6.3.1).

Secondly, the content of IFRSs has been revised, when IFRSs were transformed into VASs in order to maintain and increase the control power of the government in accounting (6.2.2). The divergence of VASs from IFRSs consists of the omission or amendment of issues, paragraphs and sections presented in IFRSs, because keeping those in the VASs might diminish the control power of the government (6.3.1.4). The contents of VASs were augmented by extra issues which aim to increase the control power of the CPV and State such as "accounting inspectors", "accounting regime" and "keeping records" (6.2.2).

Thirdly, the Vietnamese authoritative bodies in accounting have allowed the coexistence of the Vietnamese accounting regime and VASs which allow the

government to achieve control over accounting (sections 6.2.2.3 and 8.4.2). More importantly, they emphasise the role of Vietnamese accounting regimes and regulations in practice (section 7.4.2.1), and the MOF has often issued legal documents in order to amend accounting requirements (8.4.2). The Vietnamese accounting regimes require a broader field in accounting which consists of accounting treatment, chart of accounts, accounting books and supporting documents (6.2.2.5). Hence, it could be argued that the individual method of implementation of IFRSs in Vietnam, which still underlines the role of accounting regimes, lets the government have opportunities to increase its control power in accounting practice.

9.2.2.2 Support for the development of the MESO

The goal of implementation of IFRSs is to satisfy “*the requirement of economic and financial management reform, improvement of the quality of accounting information*” as announced by the MOF (6.2.1.1). In consistent with the MOF, the interviewees argued that implementation of IFRSs aims to satisfy the demand of increasing the qualitative characteristics of financial information in the process of transforming Vietnamese economy (7.2.1.2). The implementation of IFRSs supporting the development of MESO is exhibited in an increase in the control of the government over the economy including entities operating in the economy (6.2.2.1, and 6.2.3.2), support for the development, management and control of SOEs (6.2.3.1, 6.2.3.2, 6.5.3 and 8.3.2), and support for the development of multi-economic sectors in the economy (6.2.3, 6.4.1 and 7.3.1.3). Of the three aspects of the MESO above, this section focuses on the second and third aspects because the first one has been provided in section 9.2.1.2. In addition, some interviewees argued that the Vietnamese government has implemented IFRSs in order to attract FDI (section 7.2.1.3). The transparency, comparability and reliability of financial information, in turn, support the development of the many economic sectors in Vietnam.

9.2.3 Contributions to theories of implementation of IFRSs

9.2.3.1 Understanding implementation of IFRSs in Vietnam

Although no theory of Vietnamese accounting is officially announced, the influence of the communist theories and Hochiminh's thought on the implementation of IFRSs and the Vietnamese accounting system is clear and significant (section 9.2.2). The nature of the theories is to maintain and increase the control power of the CPV and State in order to conduct political and economic goals. In terms of accounting, employing the theories aims to set an accounting system which is able to support the CPV and State to achieve innovation in the economy. The government wishes to develop a particular market economy under socialist orientation (MESO) which consists of many different economic sections, and attracts foreign investors, but the operation of the market remains under the control of the government. The core issue of the theories which is the control power of the government leads to the coexistence of Vietnamese accounting regimes and VASs. Although VASs were prepared on the basis of IFRSs, VASs have been adjusted and differentiated from IFRSs in many issues. VASs also have added extra issues to suit the higher level materials and satisfy political and economic goals suggested by the CPV and State. The issuance of additional accounting regulations gives Vietnamese accounting the characteristics of a code-based principle which conflicts with the principle-based standards of IFRSs. The emphasis on the detailed regulations in accounting also limits the application of VASs which state general principles and provide many options in accounting policies rather than mandatory requirements as stated in accounting regimes. In addition, the influence of accounting regimes (which are prepared on the code-based principle) and Vietnamese culture (in which the Vietnamese people are commonly concerned with issues related to law), together prevent the implementation of VASs shortly after VASs were issued. The Vietnamese regularly wait until obtaining legal materials which interpret VASs before applying VASs. Such individual features explain how the theories derived from communism and Hochiminh's thoughts influence the Vietnamese accounting system and implementation of IFRSs. The implementation of IFRSs in Vietnam seems likely to be more a matter of appearance rather than sincere intention.

9.2.3.2 Insufficiency of the theories in implementation of IFRSs

The implementation of IFRSs which has been conducted in Vietnam probably leads to a limited achievement. According to paragraph 16 of the IFRS Preface (version 2004) says “*An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliances in the notes. Financial statements shall not be described as complying with IFRSs unless they comply with all the requirements of IFRSs*”. This statement indicates that financial statements which are prepared and presented in compliance with the VASs shall not be considered as compliance with IFRSs. Currently (2012), financial statements prepared and presented in complying with the VASs of an entity operating in Vietnam still need to be converted and adjusted in order to compare with or consolidate to financial statements prepared and presented in compliance with IFRSs. Although the implementation of IFRSs in Vietnam has improved the qualitative characteristics of information presented in financial statements (section 7.3.2), it has brought a limited success for Vietnamese accounting. Vietnam is developing an economic model including many economic sectors and trying to integrate into the world (section 3.2.3.1). Particularly, it wishes to attract foreign investors (section 4.4.4). The purpose of implementation of IFRSs in Vietnam aims to achieve those goals (section 7.2.1). Therefore, in terms of integration into the world and attraction to FDI, the implementation of IFRSs under the theories derived from Marxism-Leninism and Hochiminh’s thought seems not to be fully sufficient.

9.2.3.3 Communist theories and implementation of IFRSs

The findings indicate that it is difficult for a communist country like Vietnam to fully implement IFRSs. The key point of the communist theories is the totalitarian control of the government. The findings of this study are also essential for countries which experience totalitarianism, even if such countries are not communist countries. The theory found in this study indicates that communist or totalitarian countries prefer to choose selective implementation of IFRSs and do not fully adopt IFRSs. It can be predicted that the Vietnamese government will continuously apply the selective implementation of IFRSs as they did in recent years. In my opinion, however, if the Vietnamese wish to achieve a significant improvement for the Vietnamese accounting system, they should fully adopt

IFRSs under a suitable process (section 9.7.2). The acceptance of a selective implementation of IFRSs should be thought of as a transition phase in order to fully adopt in the later stage. This kind of approach to IFRSs might support such countries to integrate into the world more deeply and easily. The more countries are applying IFRSs, the more opportunities of business and investment are raised in the countries applying IFRSs. The remaining countries in the world which have not planned to implement IFRSs would be interested in the implementation if there are real successful cases of pioneer countries in implementation of IFRSs.

9.2.4 Conclusion

The implementation of IFRS in Vietnam is influenced by the theories derived from Marxism-Leninism and Hochiminh's thought (9.2.2). The implementation aims to help the CPV and State to set up VASs which support the government to increase a firm control (9.2.2.1), and to develop the MESO (9.2.2.2). This study indicates that the implementation of IFRSs still brings many benefits which outweigh challenges for Vietnam and the theories of Marxism-Leninism and Hochiminh's thoughts make the implementation of IFRSs in Vietnam face many challenges (9.2.3.1 and 9.2.3.2). The obstacles are caused by the nature of the theories which aim to maintain and increase the totalitarianism of the CPV and to develop the MESO. The influence of the communist theories explains the coexistence of VASs and Vietnam accounting regimes. Additionally, Hochiminh's thoughts support the nationalism which contributes to the divergence of VASs from IFRSs. The factors prevent a full adoption of IFRSs in Vietnam. Therefore, the implementation of IFRSs under the communist theories and Hochiminh's thought should be difficult for Vietnam in achieving a full success (9.2.3.1) and efficiency (9.2.3.2).

9.3 *Factors influencing the implementation of IFRSs in Vietnam*

This section consists of the summary of the findings of factors influencing the implementation (9.3.1), contribution to influential factors (9.3.2) and conclusion (9.3.3).

9.3.1 Summary of findings

The factors that influence the implementation of IFRSs in Vietnam having been found in this thesis may be classified into five categories: motivations (9.3.1.1), methods (9.3.1.2), institutional factors (9.3.1.3), cultural factors (9.3.1.4), and environmental factors (9.3.1.5).

9.3.1.1 Motivations for the implementation of IFRSs in Vietnam

The implementation of IFRSs in Vietnam aims to satisfy “*the requirement of economic and financial management reform, improvement of the quality of accounting information*”, according to the announcement of the Ministry of Finance (section 6.2.1). 94 percent of the interviewees said that implementation of IFRSs in Vietnam is to satisfy the demand of transformation of the Vietnamese economy and the government’s financial management (7.2.1). Other motivations of the implementation having been found in this research consist of the demand for transparency and reliability of financial information, the influence of international organisations such as the World Bank, Asian Development Bank and European Union, and the attraction to FDI (7.2.1). Researching the case study of VNF indicates that the ultimate goal of implementation of IFRSs is to increase the government’s financial and economic management to business entities (6.2.2 and 6.4.1). This finding is supported by evidence found in analysing financial statements of the C. corporation (8.3).

9.3.1.2 Methods of implementation

The Vietnamese government has chosen the method of selective adoption of IFRSs, but this method is different from other countries. The selected standards of IFRSs were revised when those have been converted to VASs and many ideas presented in IFRSs have been omitted in VASs (6.3.1). Especially, in the implementation of IASBF, 51 per cent of paragraphs of IASBF were fully omitted from VNF (6.3.1.5) and 29 per cent of IASBF paragraphs were partly converted (6.3.1.3). 50 per cent of interviewees argued that the Vietnamese authoritative bodies in accounting have applied poor policies of implementation (7.4.2.2). This method of the implementation leads to the shortening, divergence and omission of many ideas and paragraphs of VNF from IASBF. Other Vietnamese accounting standards were prepared by a similar method in the

implementation, because they were prepared under the same bases and process (section 3.3.5). Additionally, the Vietnamese government has required business entities to comply with additional legal materials together with VASs (8.4.2). This event makes the implementation of IFRSs become more difficult in accounting practice.

The study of the implementation of IFRSs in the case of IASBF indicates that methods applied in Vietnam lead to a significant divergence and limitation of VNF from IASBF (9.3.1.2). It could be argued that other VASs which were prepared in the same bases and methods as preparing VNF probably lead to similar results. Interviewees also argued that the content of VASs is poor and diverted from IFRSs. As a result, VASs are similar to IASBF in titles, and some contents, but the omission and amendment of VASs makes it unclear in content and different from IASBF.

9.3.1.3 Influence of institutions

Key institutional factors which influence the implementation of IFRSs in Vietnam comprise the political system, Vietnamese legal system, and institutional organisations and the role of accounting authoritative bodies.

Firstly, the political factor influences the implementation in many aspects consisting of motivation and institutional process of preparation and issuance of VNF (6.3.2.1 and 6.3.2.2). The issuance of VNF aims to satisfy political and economic goals which are to increase the control power of the CPV/State, and to support the development of MESO (6.3.2.1). Based on the governance by the MOF, the CPV has controlled the entire process of preparing and issuing VASs including those who take part in the preparation of VASs (6.3.2.1 and 7.2.2.2).

Secondly, the Vietnamese legal system influences implementation of IFRSs on two ways, including the legal position of the VASs in the legal system, and the content of the VASs (6.3.2.2 and 7.2.2.2). The Vietnamese accounting framework and other VASs, issued by the MOF, have a lower level in the legal hierarchy of Vietnamese accounting system (6.2.2.2). Therefore, many issues stated in IFRSs have been revised when the government has prepared VASs in order to suit the Vietnamese legal system (6.2.3 and 6.3.1).

Thirdly, almost all members of the Steering Committee on Development of VASs are governmental officers (4.2.4). The personnel management which is one of key issues under the communist theories (3.5.3) has influenced the implementation of IFRSs in Vietnam (7.2.2.2). It is likely the reason which leads to many issues of VASs amended and omitted from IFRSs, such as people interested in the preparation of accounting standards (6.2.2.6) and the duty of the management board in the preparation and presentation of financial statements (6.3.2.1). The overwhelming role of the government explains the weak role of professional accounting organisations such as VAA and VACPA in implementation of IFRSs (7.2.3.1).

9.3.1.4 Influence of culture

Vietnamese culture consists of individual Vietnamese cultural values, behaviour and language which notably influence implementation of IFRSs. The Vietnamese who are active, flexible, adjusted, and ready to forget past events make them easy in implementation of IFRSs as claimed by an interviewee (7.2.2.3). However, the Vietnamese people often have the psychology of being afraid of unclear issues required in the Vietnamese laws or regulations (7.2.2.3). They are also afraid of any issue relating to laws, courts, and police, as argued by an interviewee (7.2.2.3). Such characteristics and behaviour of the Vietnamese make implementation of IFRSs difficult because contents of VASs are not clear enough. Hence, they hesitate to apply VASs (7.4.2.1). Vietnamese accounting preparers regularly wait the interpretations of VASs issued by the MOF before applying VASs (7.2.3.3).

Secondly, accounting preparers wish to satisfy the requirements of preparation and presentation of financial statements rather than to provide financial information to external users (8.3.3.1 and 8.3.3.2). Information on financial position and performance of a business entity seems likely modest and limited (8.3.3.2). Additional information, which was not made compulsory by the MOF to present on notes to financial statements, was normally suggestions or necessary explanations of the entities (8.3.3.1). The description of such information aims to seek helps from the parent company or to explain the financial position and performance of the entity to authoritative bodies of the government (8.3.3.1).

Such features of the financial statements analysed in the case study indicate the influence of the Vietnamese cultural behaviour on preparation of financial statements, because the Vietnamese are considered as modest and respectful people to higher level bodies in social hierarchy (4.3.3).

Thirdly, the difference between language used in the IFRSs (English) and VASs (Vietnamese language) influences the implementation of IFRSs in Vietnam significantly (6.3.3.1 and 7.2.2.3). Those influences consist of technical terms and issues related to translation of IASBF into VNF. Many concepts and terms used in IASBF have not found similar concepts and terms in the Vietnamese language (6.3.3.1 and 7.2.2.3).

9.3.1.5 Influence of accounting environment

The environmental factors which influence the implementation of IFRSs in Vietnam consist of the important role of SOEs in the economy, the level of development of the Vietnamese market capital, knowledge of accounting by professional accountants, the development of non-SOEs and FDI sectors, and the development of Vietnamese accounting history.

Firstly, the SOE sector is the key environmental factor which influences the implementation of IFRSs in the contents of VASs and regulations of financial statements (7.2.3.4) such as the addition of “accounting inspectors” (6.2.2.4) and “keeping records” (6.2.2.5). The public announcement of financial statements of SOEs is limited because of regulations of the government. Financial statements of SOEs are mainly used for management and tax of the State (8.2.2).

Secondly, the level of development of the Vietnamese market has influenced the implementation of IFRSs in Vietnam because of lacking necessary information for measurement and assessment (6.3.4.2). It is notable that the Vietnam economy is still not a fully free market and is seriously interfered by the government (4.4.4).

Thirdly, knowledge of IFRSs by both Vietnamese accounting setters and preparers is weak (7.2.2.4). The Vietnamese accounting setters lacks practical experiences as claimed by the interviewees (7.2.2.4). Vietnamese accountants are familiar with accounting regimes which are focussed on accounting treatments

and keeping records. Accounting students have not been taught and trained in IFRSs at Vietnamese universities (7.2.2.4).

Fourthly, the rapid development of non SOEs, FDI companies and intensive operations of international organisations in Vietnam which have urgent demands of transparent, reliable, understandable and comparable financial information affects the implementation of IFRSs in Vietnam (7.2.2.5).

Fifthly, Vietnamese accountants refer to applying accounting regimes rather than VASs because their habits are formed in working in SOEs and a centrally planned economy (7.2.2.5). Hence, the interpretations of VASs need to be written in detail and issued on time to reduce the challenges for the implementation. Vietnam also needs to plan a longer road map for the implementation.

9.3.2 Contributions to factors of implementation of IFRSs

9.3.2.1 Motivations

In the literature review, previous studies reported that developing countries made the decision on implementation of IFRSs as a result of either voluntary compliance or/and forces of international organisations including international professional accounting organisations and developed countries (section 2.3.1). The findings indicate that motivations of the implementation of IFRSs in Vietnam are nearly consistent with internal motivations found in prior studies.

Table 9. 1 A comparison of motivations

Previous research: Other nations implementing IFRSs are to:	Findings in this thesis: Vietnam implementing IFRSs aims to:	Comments
Improve the national accounting system (2.3.1.1)	Improve the Vietnamese accounting system (7.2.1.2) and quality of financial information (6.2.2.1 and 7.2.1.3)	Consistent with previous reports
Develop national capital markets (2.3.1.2)	Develop the Vietnamese markets (6.2.2.1)	Consistent with previous reports
Attract FDI (2.3.1.2)	Attract FDI (7.2.1.5)	Consistent with previous reports
Integrate globalisation and satisfy demands from international organisations (including the international accounting firms (Big	Satisfy the demand of international organisations (7.2.1.4)	Consistent with previous research, except none evidence of the influence of Big Four. However, a few representatives of Big Four

Four) (2.3.1.3)		have participated preparation of VASs
	Increase the government's economic and financial management (6.2.2.1)	It is an important factor of the Vietnamese authoritative bodies in accounting

The Vietnamese external motivations are omitted from the force of professional accounting firms and developed countries in implementation of IFRSs as argued in other countries. Other commonly reported external factors in the literature review (section 2.3.1.2), are similar to Vietnam (sections 9.3.1.1 and 9.3.2.1). The most considerable issue is the origin of the motivations in implementation of IFRSs in Vietnam caused by political influences. The CPV and State show a strong willingness towards implementation in order to set up VASs as a tool for the control and management to achieve individual goals of the CPV.

The findings show that the Vietnam government has decided to implement IFRSs because of internal motivations and external influences. The internal motivations are derived from the demand for reforming economic and financial management and improving accounting (6.2.1.1 and 7.2.1.2). When studying further the origin of the internal motivations, the author found that the internal motivations are caused by the innovation in politics in Vietnam (3.5.3). Therefore, in Vietnam, the changes in politics make the changes in the Vietnamese accounting system which are the motivations of implementation of IFRSs in Vietnam (see further the political influence on section 9.3.2.3). The internal motivations have directly influenced the method of implementation of IFRSs and the content of VASs because VASs were written to satisfy the requirement of the government in accounting. The external influence caused by international organisations takes important role in the decision of implementation of IFRSs in Vietnam because it affects the process of integration of Vietnam into the world and the financial aid from international organisations to Vietnam. It is notable that the Vietnamese government shows a strong willingness in attracting FDI companies and international integration (4.4.5 and 4.4.6). Therefore, the motivations take part in deciding the nature of the implementation of IFRSs in Vietnam which depends on both the efforts of the government and the influence of international organisations. In terms of implementing the accounting framework, the findings

also indicate that the implementation of IFRSs in Vietnam seems likely to be in appearance only because of the divergence and numerous omissions in content of IASBF when it was converted into VNF (9.3.1.2).

9.3.2.2 The methods of implementation

The methods of implementation of IFRSs applied in Vietnam are individual. Of four methods of implementation of IFRSs which are commonly occurred around the world, reported by previous scholars (2.3.2), the Vietnamese accounting standard setters have combined two methods. The Vietnamese methods include “selective adoption of IFRSs”, and “amendments and additions of IFRSs to issue national accounting standards”. Another method of implementation of IFRS, which has been reported by previous researchers, is “continuation with local accounting standards but in harmony with IFRSs” (2.3.2). Vietnam had no accounting standards before implementing IFRSs from 2000s, to argue that Vietnam applied this method. Additionally, the Vietnamese government has required business entities to apply ARBEs together with VASs and has issued many legal materials to amend accounting policies. By those methods, the authoritative bodies have controlled the preparation and issuance of VASs, and reduced the role of VASs in accounting practice. Hence, the methods of implementation of IFRSs in Vietnam are much different from prior methods which have been reported by previous researchers. Those may be derived from the influence of the theories of Marxism-Leninism and Hochiminh’s thoughts. Under the theories, the authoritative bodies wish to gain the control power in accounting and financial management in order to achieve the political and economic goals.

The findings of the outcomes in Vietnam are also consistent with the previous studies which said that different methods applied in different environment could lead to different results of the implementation of IFRSs (section 2.3.2). Those methods employed in Vietnam indicate that the implementation of IFRSs is likely to be more a matter of appearance rather than sincere intention.

9.3.2.3 Contribution to institutional factors

Almost all institutional factors reported by previous researchers have been found in Vietnam (table 9.2). However, the level of influence on implementation of

international factors is different. While some countries such as Pakistan and Bangladesh strongly influenced by international organisations in making the decision on implementation, Vietnam has implemented IFRSs based on the decision of the government. In the implementation the Vietnamese political institutions exhibits significant influences. The most interesting issue on findings the influence of political institutions is the method by which the government has been used in order to affect the Vietnamese accounting system and the issuance of VASs (6.3.1 and 8.4.2).

Table 9. 2 A comparison of institutional factors

Institutional factors	Findings	Comments
National governments and political systems (section 2.3.3.1)	Strongly influenced by political institution and the Vietnamese government (6.3.2.1, 7.2.3.1 and 8.4.2)	Consistent with previous arguments. It is the most institutional factor influencing the implementation of IFRSs in Vietnam
National legislation of implemented nations (section 2.3.3.1)	the Vietnamese legislation (6.3.2.2), the limited role of VASs in the Vietnamese legislation, especially the constraint in the Vietnamese legislation (6.2.1, 7.2.2.4 and 8.4.2)	Consistent with previous researchers' arguments. Additionally, the co-existence of ARBEs and VASs, especially the legal materials issued by the government makes the Vietnamese accounting system become heavy and complicated in implementation.
Influences of professional accounting organisations in implementing nations (section 2.3.3.2)	Lack of professional accounting experts (6.5.2.2 and 7.4.2.4)	Consistent with previous researchers' reports. It is a severe issue of Vietnam. It leads to other challenges for the implementation.
Scale, developed level and structure of national economy i.e. proportion of MNCs and local companies, banks, listed companies, FDI companies, capital markets (section 2.3.3.3)	The developing level of the Vietnamese markets (6.3.4.2 and 7.2.2.5), SOEs influence (6.3.4.2) FDI influence (7.2.2.2)	Similar to previous reports, the Vietnam economy is developing at a low level of a free market and is heavily intervene by the government. Additionally, the dominance of SOEs, regarded as a main component in the economy under the influence of the communist theories, makes the implementation aimed to serve the accountancy for SOEs.
Influences of international financial institutions, international government, international capital markets (section 2.3.3.4)	Pressure of international organisations (7.2.2.2)	Similar to other nations
Influences of international professional accounting	The weak role of the Vietnamese accounting	None evidence of the influence of the Big Four having been

firms (for example, Big Four) (section 2.3.3.4)	professional organisation (7.2.2.2)	found in this research.
---	-------------------------------------	-------------------------

The findings in Vietnam indicate that of institutional factors, politics is the most significant institutional factor which influences the implementation of IFRSs. Actually, the origin of institutional factors is the theories of Marxism-Lenin and Hochiminh's thoughts applied in running the country and implementation of IFRSs.

9.3.2.4 Contribution to cultural factors

Table 9. 3 A comparison of previous reports and findings of cultural factors

Previous research	Findings in this thesis	Comments
Social values (2.3.4.1)	Vietnamese values consisting of shyness, flexibility and activity (7.2.2.3) lead the Vietnamese accountants to lack professional accounting judgment and measurement; and secrecy in disclosure.	Consistent with previous reports in terms of social values influencing implementation of IFRSs
Accountants' behaviour and the characteristics (2.3.4.1)	Accountants' behaviour and the characteristics (7.2.2.3, 8.2.3.1, and 8.2.3.2). They tend to satisfy requirements of the authoritative bodies rather than to providing essential financial information to users.	Consistent with previous arguments in terms of accountants' behaviour and characteristics influencing implementation of IFRSs, but Vietnamese accountants' behaviour is quite different
Technical terms	Technical terms (6.5.2.1)	Consistent with previous arguments, but more severe than other countries because of none similar terms in Vietnamese language
Language	Vietnamese language (7.2.2.3 and 6.5.2.2)	Consistent with previous arguments. This factor strongly affects the implementation of IFRSs in Vietnam, because it is supported by the lack of professional accountants who have good knowledge at IFRSs

Vietnamese culture strongly influences the implementation of IFRSs in both the preparation of VASs and accounting practice.

Firstly, the hesitant characteristic and habit of strictly following the government's laws of the Vietnamese people makes them feel it is difficult to apply IFRSs in certain aspects such as accounting measurement, judgement and assessment. However, the characteristics of patience and spirits of favourite learning and hard working help the Vietnamese people overcome challenges for the implementation. Other values, such as acceptance of social hierarchy and modesty (4.3.2.2), lead to challenges for the implementation (7.2.2.3 and 7.4.2.1).

Secondly, financial statements prepared and presented in compliance with IFRSs aim to provide financial information for external users to make economic decisions (section 6.2.2.1). Vietnamese behaviour makes accounting preparers tend to limit providing information presented in financial statements (section 9.3.1.4). Hence, to gain the purpose of financial statements as suggested by the IASB, the Vietnamese accounting setters need to realise the influence of Vietnamese accounting preparers' behaviour in order to issue suitable regulations of preparation and presentation of financial statements.

Thirdly, in term of practising VASs, the "large power distance" of Vietnamese society is supported by the theory of educating the "new socialist persons" who are ultimately faithful with the CPV's policies (section 3.2.4.2). Hence, Vietnamese accounting preparers commonly wait to obtain legal documents in detail which interpret and guide on applying laws and legal documents. It is a fact that the accounting preparers commonly wait until the government issues interpretations of VASs in detail and are trained before implementing VASs in practice (section 7.2.2.3). Understanding this feature of the Vietnamese culture should be essential for implementation of IFRSs or any new accounting standard in Vietnam. It means that to achieve a successful implementation of IFRSs, the Vietnamese authoritative bodies need a detailed plan which consists of the time for issuing guidance on VASs and necessary training for accountants.

Relating to Hostede's works and arguments of previous researchers on features of financial statements of Vietnamese business entities, table 9.4 provides a brief comparison as follows.

Table 9. 4 Hofstede’s dimensions and Vietnamese accounting

Previous researcher’s arguments of financial statements could be:	Findings in this thesis : Financial statements prepared in compliance with VASs and ARBEs are	Comments
A low rank in degree of professional (2.3.4.2)	Low rank in degree of professional (7.2.3.2, 8.2.3.1 and 8.2.3.2)	Consistent with previous arguments
Favour of uniformity (2.3.4.2)	Favour of uniformity (7.2.3.2 and 8.2.3.2)	Consistent with previous arguments
More flexible atmosphere in society (2.3.4.2)	Grid in regulations and fixed forms of financial statements (7.2.2.3, 8.2.3.2 and 8.4.1)	Opposed with previous reports of Vietnamese characteristics
A greater degree of the secrecy in accounting practice (2.3.4.2)	a greater degree of the secrecy (7.2.3.2 and 8.2.3.1)	Consistent with previous arguments
Higher rank in degree of conservatism and secrecy (2.3.4.2)	High rank in degree of conservatism and secrecy (7.2.3.2 and 8.4.2)	Consistent with previous arguments

Vietnam society is classified in “high power distance” reported by Hofstede (2001) (section 2.3.4.2). The influence of “high power distance” has been found in the relationship between accounting authoritative bodies and preparers in the implementation of IFRSs, in which the officers of the Ministry of Finance take a key role in process of preparation and announcement of VASs. It also makes those who are interested in the preparation of accounting standards omit a chance to participate the process of implementation (section 6.3.3). The Vietnamese culture of “high power distance” has contributed to alternate the principle -based standards of IFRSs to the code-based principle of VASs when the Vietnamese authoritative bodies compose VASs. It is notable that the issuance of VASs has not included accounting interpretations attached like IFRSs. However, VASs are explained and guided by accounting regulations issued by the MOF. The regulations are legal materials and compulsory to apply. It may be the reason by which the accounting setters have eliminated many illustrative or interpretive paragraphs of IASBF when preparing VNF (6.3.1). This finding also reaffirms the theory of “high power distance” of the Vietnamese society suggested by Hofstede (2001), in which the Vietnamese expect and accept unequal distribution of power.

The finding supports the theory of Gray (1988) that the higher rank of power distance and the lower rank of collectivism in a country likely lead to lower rank of the degree of professionalism (2.3.4.2). Of four dimensions suggested by Hofstede (2001), the argument of Vietnamese society which is low uncertainty avoidance is opposite with the findings in this thesis. It indicates that the Vietnamese society has changed in recent years.

9.3.2.5 Contribution to environmental factors

The early stage of development of the capital market in Vietnam, intervention of the government to the operation of the market, the important role of SOEs and the lack of professional accounting labour are main environment factors in the implementation of IFRSs in Vietnam.

The key environmental factor which significantly influences implementation of IFRSs in Vietnam should be the knowledge of professional accountants. It is apparent that if the accounting standard setters had firm knowledge of IFRSs, the quality of VASs would be better. The gap of knowledge of IFRSs can be solved when the professional accountants are properly educated or the government creates an environment for practising IFRSs. The development of non SOEs, FDI companies and the deeper international integration of Vietnam should be positive factors which support a full implementation of IFRSs. However, the important role of SOEs in the development of MESO could lead Vietnam to face many challenges for implementation of IFRSs, because of the demand from the government in managing and controlling SOEs. Particularly, when the Vietnam government wishes to maintain unifying accounting regimes for entire business entities operating in Vietnam, challenges for a full implementation of IFRS become more severe.

9.3.3 Conclusion

The Vietnamese institutions, culture and individual features of the Vietnamese accounting environment are key factors which influence the implementation of IFRSs in Vietnam. Institutional factors directly and significantly influence the implementation (9.3.1.3). The motivation and method of implementation take part in raising individual challenges and benefits for the implementation in Vietnam (9.3.2.1 and 9.3.2.2). The institutional factors which have been found in this study

consist of the political system, Vietnamese legal system, mechanism in personnel administration of the government, organisations of accounting authoritative bodies belonged to the government, and professional accounting organisations (9.3.1.3). Among the institutional factors, the political system is the most significant factor, because it directly influences the content and role of VASs in the Vietnamese accounting system through communist theories and Hochiminh's thoughts (9.3.2.3). In term of the cultural factors, the strongest cultural factor is the Vietnamese behaviour and values. The behaviour and values make Vietnamese accountants accept a hierarchy order the society and follow regulations of the rulers, as they believe their fate (sections 4.3.2 and 4.3.3). They refer to a code or legal accounting system rather than apply a standard accounting system. In addition, the education of building "new socialist persons" who are ultimately loyal with the CPV is also an important issue of the communist theories (section 3.2.4.2). Those cultural values combined with the education of new socialist persons support the influence of communist theories in the implementation. Both institutional and cultural issues are significant factors which raise particular benefits and challenges for the implementation. Those also strongly influence the method of the implementation employed in Vietnam. The Vietnamese accounting environment consist of many "positive" factors, which support the implementation of IFRSs; but it also contains many "negative" factors which obstruct the implementation (section 9.3.2.5).

9.4 *The benefits for Vietnamese accounting*

This section provides the benefits for the implementation of IFRSs in Vietnam found in three empirical chapters. It consists of the summarisation of findings (9.4.1), contribution to implementation of IFRSs (9.4.2) and the conclusion (9.4.3).

9.4.1 The summarisation of findings

The implementation of IFRSs in Vietnam has brought many benefits for Vietnamese accounting which may be summarised in three themes consisting of benefits for accounting principles, concepts, and methods (9.4.1.1), benefits for financial statements (9.4.1.2); and benefits for development and integration of Vietnam (9.4.1.3).

9.4.1.1 Benefits for accounting principles, concepts, and methods

The general benefits for Vietnamese accounting consist of providing definitions of elements of financial statements, concepts, principles and methods which is very necessary for accounting of business entities operating in a market economy. Studying the implementation of IASBF in order to compose VNF indicates that VNF provides many new accounting concepts and principles for Vietnamese accounting (6.4.1 and 7.3.1). Such concepts bring a basic change of the point of view of the Vietnamese on accounting which was thought to be accurate (3.3.2). VNF also introduces many basic definitions of the elements of financial statements which describe the economic nature rather than the appearance of the elements as stated in Vietnamese accounting regimes before VASs were issued (6.4.2). It is the first time that many new accounting concepts, principles, requirements and methods are officially introduced in Vietnam (7.3.1.1). VASs help to improve accounting professional knowledge of Vietnamese accountants (7.3.1.2). By implementing IFRSs, Vietnamese accountants were provided with professional accounting knowledge which is commonly applied around the world.

As evidence, studying financial statements of Corporation C, the author found that the issuance of VASs relying on IFRSs also provides many new accounting policies, principles and methods (8.3.3). It could be argued that the implementation helps business entities to have many opportunities to choose accounting policies, methods and principles which are suitable with business operation.

9.4.1.2 Benefits for financial statements

The key benefits for financial statements in the implementation of IFRSs consist of the improvement of content of financial statements which includes the qualitative financial information, and the change of view for purpose of financial statements.

Firstly, all interviewees agreed that the implementation of IFRSs in Vietnam have improved the content of financial statements (7.3.2.1). The findings in analysing financial statements of the Corporation C from 1998 to 2009 have proved that this argument of the interviewees is right (8.3.1.1). Accounting users find more pieces of information on financial statements since VASs were applied in practice

(8.3.1.2). The quality of information is also improved, as said by the interviewees (7.3.2.1). The improvement of qualitative characteristics of financial information should derive from the application of new accounting methods, principles and requirements suggested by VASs. In addition, the interviewees said the way of providing financial information is also improved (7.3.2.2).

Secondly, the implementation also contributes to a change in the point of view of the Vietnamese accounting setters on the purpose of financial statements (section 8.3.2). Since VASs have been applied in practice, financial statements aim to satisfy both the demands of the government and those of external users for economic decisions (section 8.3.2). The change in point of view on the purpose of financial statements is significant. It leads to the changes in reports required to be prepared in a set of annual financial statements and method of preparation of financial information presented in financial statements. As evidence, reports prepared for internal management were reduced and then eliminated in a set of annual financial statements required by the government since VASs were applied (section 8.3.2.1). The elimination of individual reports (8.3.2) shows the change in the point of view on the purpose of financial statement of the accounting authoritative bodies. Furthermore, information relating to internal management of the entity also disappeared in notes to financial statements (section 8.3.2.1). Similarly, information, which aims to provide information for tax, statistics and management by the government, has been reduced in financial statements since VASs were issued (section 8.3.2.2). It could be argued that a set of financial statements, prepared when VASs have been practised since 2001, tends to provide financial information to broader users. The change makes a set of Vietnamese financial statements closer to common annual reports required by the IASB.

9.4.1.3 Benefits for development and integration of Vietnam

The benefits for international integration of Vietnam resulted from the implementation consist of the integration of (1) Vietnamese accounting labour, and (2) the Vietnamese economy into the world.

Firstly, implementation of IFRSs has given Vietnamese accountants a good opportunity to gain professional accounting knowledge which is commonly applied around the world (section 7.3.1.3). The implementation should help to form the professional accounting labour force in Vietnam which is able to satisfy the demand of accountancy for business operating in a market economy for a long term.

Secondly, the implementation of IFRSs in Vietnam has improved the transparency, comparability and reliability of information presented in financial statements. Those benefits raise trust in the Vietnamese business environment which may attract traders and investors doing business and investment. Hence, the implementation contributes to the development of the Vietnamese economy, especially the development of FDI and private sector.

9.4.2 Contribution to benefits for implementation of IFRSs

Generally, the benefits resulted from the implementation for Vietnamese accounting are fundamental, consisting of many aspects. By contrast with some arguments stated that implementation of IFRSs makes entities face complicated issues when preparing and presenting financial statements (2.5.4.2), the Vietnamese entities benefit by the implementation when the Vietnamese financial statements eliminate many issues relating to taxes and government's management (9.4.1.2). The implementation also benefits the improvement in the content of information and methods of measuring and preparing information (sections 9.4.1.1). It helps to improve the transparency, understandability, comparability and reliability of financial information that mean improvement in the qualitative characteristics of financial information. In this term, the implementation of IFRS in Vietnam brings similar benefits for financial statements as other developing countries (sections 2.4.2 and 2.4.3).

Related to benefits for financial statements, it is notable that financial statements have improved in terms of providing information (section 9.4.1.2). However, the improvement of Vietnamese financial statements is limited. The main objective of financial statements is to provide financial information for external users (paragraph 1 of the 1989 IASBF), but it is omitted from the Vietnamese accounting framework (section 6.2.2.1). The change in this point of view on the

purpose of financial statement of the Vietnamese accounting setters is important but it is not a good idea for the implementation because it leads to many changes in the contents and methods of preparation and presentation of financial statements (section 8.3.2). The root of this issue is the influence of the theories of Marxism-Leninism and Ho Chi Minh's thought on the implementation (section 6.2.1), when financial statements aim to provide financial information for the governance and tax purposes (section 8.3.2). Consequently, the implementation of IFRSs in the period (1998-2009) has gained limited achievement because financial statements prepared by entities operating in Vietnam still experience many issues different from IFRSs (section 8.5.1). It also means that implementation of IFRSs in Vietnam in future is able to bring a better outcome when the accounting authoritative bodies use a suitable theory and apply a right method.

The previous studies reported that the benefits for implementation of IFRSs in developing countries consist of benefit for financial statements (2.4.2), accounting standards and practice (2.4.3), economy (2.4.4) and capital market (2.4.5). This study of implementation of IFRSs in Vietnam indicates that the implementation brings many benefits for Vietnam, similar to other developing countries. Those benefits encompass the benefits for accounting principles, concepts and methods (9.4.1.1), financial statements (9.4.1.2) and the Vietnamese economy and integration into the world (9.4.1.3). The Vietnamese capital markets are developed at the very early stage (section 4.4.3). It could be the reason for the benefits for the development of the capital market have not been mentioned. However, the improvement of qualitative characteristics of financial information presented in financial statements probably supports the development of a number of companies listed in the Vietnamese markets and capital volume of the markets. In fact, the empirical figures in statistics indicate the Vietnamese capital markets has developed quickly since 2006 when VASs and the accounting regimes updated by the change in Vietnamese accounting caused by the issued of VASs and the interpretations issued (4.4.5). While prior scholars argued that implementation of IFRSs makes countries, which have less developed accounting infrastructure, face more challenges (2.5.5), this argument is not consistent in the case study of Vietnam. The research into implementation of IFRSs in Vietnam

indicates that the benefits outweigh the challenges. Such a low-level developing country as Vietnam still obtains many benefits for accounting, financial statements and economy caused by implementation of IFRSs (9.4.2).

9.4.3 Conclusion

The implementation of IFRSs in Vietnam has brought many benefits for the Vietnamese accounting system. It helps to import many new accounting principles, concepts, methods and requirements (9.4.1.1). As a result, accountants have more options in choosing a suitable method for accounting policies of the entity. The most interesting thing is that the preparation of financial statements since the implementation is simpler than that of older financial statements, thank to reducing information used in state management, even though previous reports that implementation of IFRSs brought more complicated to business entities (2.5.3). The qualitative characteristics of Vietnamese financial statements have been improved. The implementation of IFRS provides a good opportunity for Vietnamese accountants to learn professional accounting which is commonly applied around the world (9.4.1.3). The issuance of VASs on the basis of IFRSs has improved the accounting environment which increases the interests of foreign investors in Vietnam (9.4.3.1). Hence, it takes an important role in the integration of Vietnam into the world.

While previous scholars argued that implementation of IFRSs brought a complicated situation for preparation and presentation of financial statements in developing countries, this study found that the implementation in Vietnam achieved many benefits (section 9.4.2). Many interviewees agreed that Vietnam has gained more benefits than challenges in the implementation (9.4.2). However, Vietnam still achieves a better result from implementation of IFRSs when the accounting authoritative bodies apply a suitable theory and method (9.4.2)

9.5 *The challenges for the implementation of IFRSs*

This section provides the challenges for the implementation of IFRSs for Vietnam found in this study. It consists of a summary of findings (9.4.1), contributions of this thesis to challenges for implementation of IFRS (9.4.2) and the conclusion (9.4.3).

9.5.1 Summary of findings

The findings are summarised in challenges for institutions (9.5.1.1), culture (9.5.1.2), and others (9.5.1.3).

9.5.1.1 Institutional challenges

Firstly, the Vietnamese legal system causes more challenges for implementation. As stated in section 9.3.1.3, the Vietnamese legal system is a significant factor which directly influences the implementation of IFRSs in Vietnam. The institution of the Vietnamese legal system limits the role of VASs in accounting system (6.5.1.1 and 7.4.2.5). It makes the content of VASs changed in order to suit the legal regulations by omitting content from IFRSs or adding new issues in VASs when implementing IFRSs (6.3.2 and 7.2.2.2). Especially, the role of the VNF (VAS 01) has not been considered properly in preparing other VASs and accounting regimes (section 6.5.1.1). The weak role and unclear content of VASs explain the reason for accounting preparers regularly waiting for detailed regulations which interpret VASs issued by the MOF before applying VASs (section 7.4.2.1). In addition, the Vietnamese legal system causes the Vietnamese people to form the habit of strictly following laws. Accounting policies and treatments, which have not been interpreted or mentioned by laws or the government's regulations, should not be applied in practice. The implementation of an accounting policy without an approval of the government probably leads to a punishment. This issue also reflects the influence of communist theories in accounting.

Secondly, the co-existence of the Vietnamese accounting regime and VASs in accounting practice causes many challenges for implementation (section 7.4.2.5). While regulations presented in Vietnamese accounting regime are compulsory, VASs provide general guidance and explanation on accounting (section 6.5.1.1). VASs give advices to accountants of accounting issues they should do or how to deal rather than an obligation (section 7.4.2.5). It explains why Vietnamese accounting preparers regularly wait for detailed regulations before applying VASs as stated above.

Thirdly, challenges for institutions of preparing VASs and personnel management are exhibited in the limit of those who are responsible for preparing and issuing

VASs (section 6.5.1.2). In fact, authoritative bodies in preparing VASs are organisations of the government or persons who are working for the government (section 6.2.1.2). It leads to the omission from IFRSs in VASs found in the implementation (section 6.2.2.6). In addition, opinions, given by those who are not working for the MOF, were regularly neglected in the preparation of VASs (section 7.4.2.4).

Fourthly, challenges for professional accounting knowledge and ability occur both for accounting setters and preparers (section 7.4.2.4). Vietnamese accounting standard setters have not fully understood the accounting framework, as claimed by the interviewees (section 7.4.2.4). Members of the Vietnamese accounting standard setting group at MOF who play the key role in adopting VAS lack sufficient practical experience that could influence the quality of VASs (section 7.4.2.4). It could be the reason for issuance VASs in batches, late issuance of accounting standard interpretations, non updating VASs and having in totally twenty six of VASs issued.

9.5.1.2 Cultural challenges

Challenges for implementation caused by the Vietnamese culture consist of the difference of language, technical terms and individual features of Vietnamese characteristics and values.

Firstly, the difference of English language, used to write IFRSs, from Vietnamese language, used to write VASs, leads many challenges for translation of IFRSs into the Vietnamese language (section 6.5.2.2). It also causes other challenges such as technical terms and concepts which are not common in Vietnam. The challenge of language difference impedes those who wish to obtain a good knowledge of IFRSs. Many issues presented in IFRSs were not thoroughly understood by Vietnamese accounting setters, as claimed by some interviewees (section 7.4.2.4).

Secondly, there are many new concepts that did not exist in the Vietnamese accounting environment, but those were not fully introduced or clearly explained in VASs (section 6.5.2.1). In some circumstances, the Vietnamese authoritative bodies in accounting cannot find Vietnamese terms which are similar in meaning

to the terms used in IFRSs, because such accounting transactions have not occurred in Vietnam (section 6.5.2.1).

Thirdly, the Vietnamese characteristics and values make challenges for the implementation of IFRSs become more severe. Vietnamese accountants often feel hesitant when measuring or assessing accounting transaction (sections 7.4.2.5 and 7.4.3). In addition, they have a tendency of providing less financial information because of their characteristics (section 7.4.2.5). The Vietnamese financial statements are prepared and presented to satisfy the requirements of the government, rather than to provide financial information to external users (section 8.3.3.1).

9.5.1.3 Other challenges

Other challenges consist of the accounting assessment and measurement, poor process of issuance of VASs, different forms of financial statements, and education of IFRSs.

Firstly, the interviewees argued that Vietnamese accounting preparers often encounter challenges for accounting assessment and measurement of elements of financial statements such as provisions for decline in inventory, bad debts and deferred tax (section 7.4.2.1).

Secondly, the poor process of issuance of VASs also makes the implementation of IFRS more challenging (section 7.4.2.2). The poor issuance consists of (1) non updating VASs from IFRSs since VASs were issued in 2001; (2) the issuance of interpretations of VASs is too late, (3) the preparation time for the implementation of VASs in practice is too tight, which is just fifteen days after the issuance days of VASs; (4) non issuance of all IFRSs issued by the IASB; and (5) VASs were numbered in a different way from IFRSs (section 7.4.2.2). In addition, Vietnam has not issued all IFRSs, and in total, 26 VASs were issued. VASs are normally required in force just fifteen days after the publishing dates (section 7.4.2.2). The poor issuance of VASs makes the entities operating in Vietnam face more challenges than usual when applying VASs in accounting practice.

Thirdly, Vietnamese financial statements are still different from line items presented in the face of balance sheet suggested by IFRSs (section 8.5.1.1) and a model balance sheet designed by Deloitte accounting firm (section 8.5.1.2). In addition, Vietnamese accounting policies applied to prepare and present financial statements are also different from policies introduced in IFRSs (section 8.5.2).

Fourthly, IFRSs have not been taught to accounting students in Vietnamese universities and there are few Vietnamese lectures when understood, IFRSs as claimed by an interviewee (section 7.4.2.4). It raises an urgent demand for improvement the educational programme in accounting at Vietnamese universities.

9.5.2 Contributions to challenges for implementation of IFRSs

This research indicates that the theories used in implementation of IFRSs and the Vietnamese institutions are core reasons for the challenges (9.5.2.1).

Additionally, Vietnamese culture has contributed to make the challenges severer (9.5.2.2). The Vietnamese environment, especially the lack of professional accounting labour and the key role of SOEs also contribute to make the more challenges for the implementation (9.5.2.3).

9.5.2.1 Institutional challenges

The findings of institutional challenges indicate that the legislative system in Vietnam makes the implementation of IFRSs in Vietnam face many challenges in accounting practice. This feature exposes the influence of political factors on the implementation which is created on the basis of the communist theories of Marxism-Leninism and Ho Chi Minh's thoughts (9.2.3 and 9.3.2.3). Those features of the legal system make accounting preparers wait to obtain accounting interpretations before applying VASs. The Vietnamese accountants refer to clear and detail accounting regulations. However, the contents of VASs have not satisfied the expectation of the accountants and the interpretations of VASs were issued too late. Those factors make VASs take a weak role in accounting practice. It means that the implementation of IFRSs has achieved a limited success.

Secondly, the findings in Vietnam of the challenges of the Vietnamese legal system for implementation of IFRSs confirm the influence of national legal

systems on implementation of IFRSs suggested by previous scholars (section 2.5.1). The Vietnamese legal system should be the most significant challenge in Vietnam, because it leads to other challenges for the implementation. The findings also indicate that the implementation of IFRSs in Vietnam has faced similar challenges to other developing countries such as inappropriate mechanism of implementation, lack of professional accounting labour, tax purpose in accounting, and political challenges (2.5.1).

9.5.2.2 Cultural challenges

The two most common challenges caused by the Vietnamese culture for the implementation of IFRSs in Vietnam are the Vietnamese language and Vietnamese behaviour and habits. The challenges for different language between IFRSs and VASs may be significantly solve in a short period when the Vietnamese accounting setters have been properly trained and educated in IFRSs. It is obvious that Vietnamese accounting setters can compose a better set of VASs when they understand IFRSs thoroughly. However, challenges caused by the Vietnamese habits and behaviour need to be considered when implementing IFRSs, because to change those cultural characteristics, the Vietnamese authoritative bodies need a longer time. Vietnamese society is categorised as high power distance and collectivism according to the work of Hofstede (2001) (2.3.3.2). The high power distance likely maintains the order and favour of uniformity (Perera, 1989). The higher rank of power distance in a country, it is likely to rank lower the degree of professionalism (Gray, 1988, p.9). In addition, individualism and collectivism are closely linked with the secrecy of accounting practice (Gray, 1988, p.11). The higher degree of collectivism in a country, the greater degree of the secrecy in accounting practice it is likely to rank in the country (Gray, 1988, p.11). Therefore, the findings of cultural influence of Vietnamese accounting preparers' behaviour on providing financial information are consistent with the works of Gray (1988) and Perera (1989).

Secondly, Vietnamese accountants refer to apply clear and detail legal regulations in accounting practice (section 7.4.2.5). The work of Hofstede (2001) suggested that Vietnamese society was categorised at low uncertainty avoidance. This means that the society maintains a more relaxed attitude (Hofstede, 2012).

The people in the society believe that there should be no more rule than are necessary (Hofstede, 2012). The result of the work of Hofstede (2001 and 2012) in the Vietnamese society seems likely opposite to the Vietnamese accounting preparers found in this research. In my opinion, the difference should be a result of recent changes in the Vietnamese culture which is significant influenced by politics (section 3.2.4.1), and education of the “new socialist person” (section 3.2.4.2). The Vietnamese people wish to strictly follow legal regulations under the socialist society (section 3.2.4.2). This behaviour of the Vietnamese should lead the implementation of IFRSs to encounter more challenges, because they require more accounting interpretations of VASs. The Vietnamese accounting standard setters need to pay attention to this issue to achieve a successful implementation of IFRSs in future.

9.5.2.3 Other challenges

Measurement of the elements of financial statements is one of the important issues of modern accounting which is presented in the accounting framework (paragraphs 99-101). It helps accounting preparers satisfy the requirements of qualitative characteristics of financial information presented in financial statements such as “materiality”, “substance over form” and “prudence” suggested in IFRSs. In Vietnam, the challenges for accounting assessment and judgment related to measurement of elements of financial statements might be derived from the regulations of the Vietnamese government, content of VASs, knowledge of accounting preparers and Vietnamese culture. The Vietnamese accounting system requires entities to obtain an approval from authoritative bodies for revaluation of elements of financial statements, according to article No.7 of the 2003 Vietnamese Accounting Law. The content of VASs allows accounting preparers to conduct necessary assessment and judgment elements of financial statements in preparing and presenting financial statements, for example, making provision for bad debts, decline in inventories and accepting “materiality principle”. However, Vietnamese accounting regimes or other legal materials require additional conditions for applying provisions or revaluations. The extra requirements of the government make accounting preparers concerned about the accounting treatment related to assessment and judgment in term of following legal documents. Knowledge of Vietnamese accounting preparers

Secondly, the difference in content of the balance sheet indicates a limited achievement of the implementation of IFRSs in Vietnam, because one of the qualitative characteristics of financial information, “comparable”, has not been available between the Vietnamese balance sheet and balance sheets prepared in compliance with IFRSs. Furthermore, the “reliability” and “transparency” of financial information of Vietnamese financial information should be concerned when it is prepared under the accounting policies. The difference shows evidence of the influence of the theory of “flexible implementation” of Ho Chi Minh’s thought in importing international knowledge in Vietnam (section 3.2.1.2).

Thirdly, Vietnam also faces challenges of education and training of professional accounting labour similar to other developing countries in implementation of IFRSs (section 2.5.4.4). This challenge could be more severe than other developing countries because Vietnam just left a centrally planned economy and began to integrate into the world in a short period in 1986.

9.5.3 Conclusion

The findings indicate that during the process of implementation of IFRSs, Vietnam has faced some similar challenges to other developing countries consisting of institutions, culture, and professional accounting labour, but level, cause and effect of each challenge are different.

Firstly, in terms of institutional challenges, the Vietnamese legal system appears as the most significant challenge among institutional challenges found in this thesis (section 9.5.1.1). It contributes to increase in other challenges (section 9.5.2.1). Other institutional challenges consist of the co-existence of Vietnamese accounting regimes and VASs, institutions for preparing VASs and personnel management, and professional accounting knowledge and ability of those who are working for the authoritative bodies in writing VASs (section 9.5.1.1). The findings of the institutional challenges show that they are caused by the theories of Marxism-Leninism and Ho Chi Minh’s thought (section 9.5.2.1).

Secondly, the most significant cultural challenge is derived from the Vietnamese values and characteristics. Those make the Vietnamese accountants feel hesitant when assessing and measuring accounting transactions. However, the most

common cultural challenges are related to the different language used in IFRSs from VASs (section 9.5.1.2). The Vietnamese standard setters cannot find similar terms in Vietnamese language to describe technical terms used in IFRSs (section 9.5.1.2).

The challenges caused by the different language may be solved when the Vietnamese accounting setters understand clearly and thoroughly IFRSs. However, the Vietnamese characteristic of limiting the provision of financial information to external users and the preparation of financial statements which aim to meet the legal requirements of the Vietnamese accounting preparers need a longer time to adjust. The findings of the influence of the high power distance in Vietnamese society suggested by Hofstede (2001) and on the secrecy of providing financial information claimed by Gray (1988) are confirmed in this research (section 9.5.2.2). The only contrast issue between the Hofstede's (2001) and the Vietnamese value which has been found in this research is the Vietnamese society prefers to strictly follow the government's requirement because of tough laws, but Hofstede (2001) argued more flexibility in the society. Studying in the behaviour of Vietnamese accounting in applying VASs indicates that Vietnamese accounting setters need to issue detailed and clear interpretations of VASs to secure a successful implementation of IFRSs in future (section 9.5.2.2).

Thirdly, other challenges comprise the accounting assessment and measurement, the poor process of issuance of VASs, different forms of financial statements, and education in IFRSs (section 9.5.1.3). The challenges for assessment and measurement are caused by both the Vietnamese culture and institutions (9.5.2.3). It indicates a distinctive way of raising challenges in the implementation of IFRSs in Vietnam caused by the communist theories in Vietnam and Hochiminh's thought combined with the Vietnamese culture. In addition, the development of the Vietnamese economy also takes part in creating more challenges, because some issues presented in IFRSs have not occurred in the Vietnamese accounting environment.

9.6 Further research

9.6.1 Influence of institutions on Vietnamese accounting

The theories of Marxism-Leninism and Ho Chi Minh's thoughts show a significant influence on Vietnamese accounting. This research indicates that the theories are unsuitable for a full implementation of IFRSs in Vietnam. The findings give a basic foundation to raise a new accounting theory for Vietnamese accounting. The new theory needs to suit the current Vietnamese environment and the tendency of development of the market economy. There are many signals which show the relief of interferences of the government on economic management, such as intensive privatisation and approval on non-SOEs doing business in key industries such as insurance and bank. The limitation of business areas within an industry has been also reduced. For example, foreign individuals and companies have been approved to export Vietnamese rice since January 2011 (Vo, 2012, p.232). The government commits the Vietnamese economy to become a fully free market in 2018 (Vo, 2012, p.231). The innovation in economy and politics under the tendency of increasing business liberty for entities operating raises an expectation of significant changes in the Vietnamese economy in near future. Therefore, a further research into the changes in Vietnamese institutions and its influences on implementation of IFRSs is necessary.

9.6.2 Influence of culture on accounting

This research has found a relationship between the Vietnamese culture and the preparation of VASs, and application of the accounting standards (sections 9.3.1.4 and 9.5.1.2). It also has exposed the influence of the Vietnamese culture on preparation and presentation of financial statement. However, those findings stop at the nature of the factor. This study has not assessed the level of the influences of cultural factors on Vietnamese accounting. A comprehensive research of the influence of the Vietnamese culture on accounting practice and the preparation of financial statements is necessary.

9.7 Policy implications: suggestions for implementation of IFRSs

Based on the findings in the empirical chapters combined with the analysis of individual features of Vietnamese institutions, culture and Vietnamese accounting environments, this section provides suggestions for implementation of IFRSs in Vietnam in future.

9.7.1 Challenges and advantages for a full adoption of IFRSs

9.7.1.1 Challenges for a full adoption of IFRSs

Many factors prevent full adoption of IFRSs in Vietnam because of the influences of the theories of Marxism-Leninism and Ho Chi Minh's thoughts (9.2.2.1). Under the communist theories, the socialist relationship should be dominant in the economy (3.5.3). The strategy of developing the MESO will be continuously applied in next ten years as confirmed by the CPV in the report of the eleventh National Party Congress in 2011 (3.5.2). This also means the market will be still put under the control of the government. Although the government is continuously conducting the policy of privatisation, SOEs will continuously hold an important role in the economy. Therefore, the government continuously intervenes in the operation of the Vietnamese market. It could lead to a lack of a full free market in Vietnam and information for accounting assessment or impairment such as fair values and present values.

Additionally, the Vietnamese economy contains many characteristics of a small market economy at the early stage of developing as a market economy. The scale of business entities operating in the market is small (4.4). The number of big business entities which have the real demands for listing on international capital markets or doing international business transactions is limited. Therefore, the requirement of application of IFRSs for all business entities operating in Vietnam is not necessary and costly for the small entities. This requirement could make the entities decrease in competitive ability and prevent establishment of new companies, particularly SMEs. More importantly, business entities need to obtain necessary information in reliability to practice accounting standards, especially for accounting standards that are used to judge elements of financial statements

such as IAS 36 Impairment of Assets and IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Hence, to obtain a successful implementation of IFRSs, the developing countries which intend to implement IFRSs needs to have markets developed at a certain level. According to paragraph 14 of IAS 1, Presentation of Financial Statements, *“an entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with the IFRSs unless they comply with all the requirements of IFRSs”*. The full implementation of IFRSs, therefore, is very important. If a country does not have markets developed, it cannot obtain enough conditions to implement all of the IFRSs. It means that if a country does not build fully free markets the country will face severe challenges to fully implement IFRSs. The procedure of implementation of IFRSs can occur at the same time with the establishment and operation of free markets, but the implementation of IFRSs is successful when the markets are developed. If markets are not developed, the implementation brings a limited result. The level of the development of a market is suitable when its operation is free from the intervention of the government or other factors on the market.

9.7.1.2 The factors supporting a full adoption of IFRSs

By contrast with factors which prevent a full adoption of IFRSs presented in section 9.7.1.1, the Vietnamese accounting environment contains many potential factors which support a full implementation of IFRSs in Vietnam. The figures collected by the national statistics organisation indicate the firm trend of the development of non-SOE and FDI sectors in the economy (4.4.5). Additionally, the government commits to develop the Vietnamese economy to become a free market in 2018 (Vo, 2012, p.231). Currently, a few Vietnamese business entities have prepared and presented financial statements in compliance with IFRSs, for example, Bao Viet company (MOF, 2012). Many multinational companies and big corporations are doing business and operating in Vietnam such as Intel, BP and Shell. Such kinds of companies have real demand of issuing financial statements in compliance with IFRSs for consolidating financial statements of parent companies.

9.7.2 Suggestions for implementation of IFRSs in Vietnam

9.7.2.1 The method suggested for implementation of IFRSs

Based on those conditions and characteristics in politics, economy and culture stated above, it is clear that there are two groups of business entities in Vietnam, one small and the other large. The small one is micro and small companies which have not the demand for implementing IFRSs. The financial reports of such companies are prepared for tax purposes. Those companies cannot afford to apply fully IFRSs because of accountants' ability, time and costs. The large one consists of big foreign invested companies, multinational companies and big Vietnamese companies which have real a demand for implementing IFRSs. They need to prepare and present financial statements in compliance with IFRSs for international users such as listing on international markets and doing business with international partners. For such companies, a full adoption of IFRSs should be essential. The full adoption of IFRSs will save costs and save time for business entities in consolidation of financial statements, because they are no need to convert financial statements prepared in the basis of the Vietnamese accounting to IFRSs.

Hence, the Vietnamese government needs to form two groups of companies in implementation of IFRSs in Vietnam based on the demand for preparing and presenting financial statements. The first group which consists of public companies and the companies relating to public interest, such as banks and insurance companies, should fully implement IFRSs. The government should encourage other companies to apply IFRSs because of the transparency, comparability and reliability of financial information should support the development of the economy. The second group should apply the Vietnamese accounting regime for preparing tax reports. The Vietnamese accounting regime will develop a trend of approaching IFRSs. The full adoption of IFRSs for entire business entities will be conducted at a suitable point of time.

9.7.2.2 Advantages and challenges for the method suggested above

Firstly, the advantages of fully adopting IFRSs consist of attracting FDI, supporting domestic entities to integrate into international markets and training the Vietnamese labour resource in the knowledge of IFRSs in long term. The full

implementation of IFRSs surely makes FDI save cost when parent companies set up the accounting system for their business operating in Vietnam because they can use the software and infrastructure similar of the parent companies or other entities operating in the group. It also helps FDI entities save time and money when consolidating financial statements. Particularly, the new Vietnamese accounting system which will be fully adopted from IFRSs raises a good influence on psychology of FDI entities. FDI entities can believe in the new accounting applied in Vietnam which does not make them face any problem involved to preparation and presentation of financial statements required by the Vietnamese law, because the new Vietnamese accounting system is similar to the system applied in their countries.

Secondly, the Vietnamese government could save costs of preparing and issuing VASs when they fully adopt IFRSs. The full adoption of IFRSs is especially suitable for the Vietnamese government when they have limited funds and experts in IFRSs.

The challenges for fully adopting IFRSs in Vietnam comprise the difficulty in tax assessment and management by governmental bodies of such entities which apply IFRSs. However, if governmental officers such as tax investigators and financial monitors are receiving detailed guidance on the notable issues, they can overcome the challenges. In addition, there is a limit of labour resource of accountants who have knowledge of IFRSs in Vietnam at the early stage of the adoption. In the longer term, however, the shortage of labour resource will be eliminated because of the ability of self adjustment of the labour market in Vietnam.

It could be argued that Vietnam should fully apply IFRSs and let entities operating in Vietnam opt for the application of IFRSs. The full implementation of IFRSs could bring more benefits for Vietnam than challenges.

9.7.2.3 Policy implementation

Firstly, if the Vietnamese government continues to apply the current methods of implementation of IFRSs as stated in section 6.3.1, the Vietnamese accounting standard setters should list entire differences of the VASs from the IFRSs. In

addition, the accounting setters all need to interpret the reason for making the differences.

Secondly, VNF contents do not meet the requirement of a common accounting framework which underlies accounting concepts, and policies, methods and measurements. It leads to the inconsistency of VASs and Vietnamese accounting regimes. Therefore, the Vietnamese accounting setters need to rewrite VNF urgently.

Thirdly, the Vietnamese accounting setters need to update changes of IFRSs in time. It is really necessary in the circumstance of Vietnam because VASs have not been updated since the first VAS was published in 2001 (3.3.4). Financial statements of business entities in compliance with VASs, therefore, do not comply with IFRSs.

Fourthly, the Vietnamese accounting standard setters need to prepare and issue coincidentally both the VASs and the interpretations of VASs because of the habits and behaviour of the Vietnamese (section 9.5.2.2).

9.7.2.4 Education

As stated in chapter 7, the interviewees claim that Vietnamese accountants lack firm knowledge of IFRSs. The accountants who are referred by the interviewees include four objectives (1) accountants and managers who prepare financial statements, (2) accounting officers who are working for government bodies responsible for reviewing financial statements, (3) accounting authority bodies which prepare and issue interpretation of VASs and (4) universities' lecturers. The lack of knowledge on IFRSs is a very important matter in the implementation of IFRSs. If Vietnam cannot solve immediately this matter, the implementation probably falls into an implementation of IFRSs in appearance as mentioned by prior researchers such as Chand and Patel (2008, p.83).

9.7.3 Suggestions to the IASB

Firstly, the IASB should give Vietnam and other developing countries a chance to join with activities of the board in preparation of IFRSs and the interpretations. It is because Vietnam should to comply with contents stated the IFRSs when it wishes to successfully adopt IFRSs. To facilitate the implementation, the

Vietnamese accounting authority need to understand completely IFRSs and the interpretation of IFRSs. As a developing country ranking at low middle income countries, Vietnam needs a support to participate the IASB conferences and activities. The more Vietnam joins the activities, the more the chances for Vietnam to give opinions in preparation of IFRSs. The activities benefit for both IFRSs and the Vietnamese accounting in terms of the convergence across national borders.

Secondly, the IASB often changes and updates the contents of IFRSs. It makes Vietnam face difficulty in following the changes, because of limited labour resources and funds. The difficulty happens to both accounting setters and business entities. As found in chapter 7, some reviewers argued that the government lacks capacity in exercising the implementation. Therefore, Vietnam needs a set of IFRSs which work in a certain time period. When identifying the effectiveness of IFRSs, Vietnamese authority bodies can prepare a useful plan for the implementation.

Thirdly, IFRS should be written in plain English to facilitate for other countries which national languages are different from English. The languages and words used in IFRSs and interpretations of accounting should be simple and clear as it can, and should be understood under the same meaning in other languages. Therefore, other languages and cultures also need to be referred to in preparation of IFRSs.

9.8 Conclusion

The findings indicate that Marxism-Leninism and Hochiminh's thought have significantly influenced implementation of IFRSs in Vietnam which lead to form individual factors, challenges and benefits for the implementation. Of influential factors, politics outweighs other factors to become the most significant factor influencing implementation of IFRSs in Vietnam. In the circumstance of Vietnam, more benefits have been found than challenges for implementation of IFRSs. The benefits of implementation have overcome the challenges. This study indicates that implementation of IFRSs might bring several benefits for national accounting even if the national accounting is less developed, and markets of such countries are just developed at the very early stage. However, the theories of

Marxism-Leninism and influences of Hochiminh's thoughts, actually, Vietnamese nationalism have prevented a full implementation of IFRSs in Vietnam. The findings also indicate that the implementation of IFRSs in Vietnam is likely to be more a matter of appearance rather than a genuine goal for full adoption of IFRSs in Vietnam.

In the global scale, the communist theories based on Marxism and then developed to Leninism or Maoism convey two key features including the existence of totalitarian state in politics and majority of state owned entities in economy. This study in Vietnam provides further contributions of studies in China to implementation of IFRSs under communist countries. The findings of this research indicate that under the influence of communist theories the country intended to implement IFRSs but faces severe challenges to convey all contents of IFRSs to national accounting or to fully adopt IFRSs. This argument is also extended to other countries which exhibit a kind of totalitarian state and maintain SOEs as key sector in the economy. Such countries, having political institutions like Vietnam, expect to face many severe challenges for implementation of IFRSs. Therefore, it requires efforts and aids from international community in order to support the process of implementation of IFRSs in developing countries occurring faster.

This study contributes to the literature of implementation of IFRSs at many levels. Firstly, in the term of the theory of the implementation in Vietnam, this study indicates that communist theories and Hochiminh's thoughts do not support a full adoption/implementation of IFRSs in Vietnam. The Vietnamese accounting system is significantly influenced by politics. The influence of politics is exhibited through the legal organisational structure of structure of the Vietnamese law system. In the system, the role of VASs is limited. Therefore, the many distinguishing features of IFRSs, which make financial information, presented in financial statements, transparent, reliable, relevant and comparable, have been revised or omitted in VASs. In addition, Vietnamese cultural values and behaviour also partly influence the implementation. The behaviours of hesitance and habit of strictly following the government's laws of the Vietnamese people makes them feel awkward when applying IFRSs in the aspects of accounting measurement, judgement and assessment. However, the characteristics of

patience and spirits of favourite learning and hard working help the Vietnamese people overcome challenges for the implementation. When Vietnam wishes to develop the economy to become an open economy operating under market rules, and to deeply integrate into the world, Vietnam should fully adopt IFRSs.

Vietnam should encourage volunteers in full adoption of IFRSs, and require selected objectives such as listed companies, banks and insurance companies because most business entities in the economy are micro entities and SOEs.

The findings in this study indicate that IFRSs can be implemented in countries which have an economy developed at low level like Vietnam. While many previous researchers argued that IFRSs are suitable for countries which have developed capital markets, this study exhibits that the benefits outweigh the challenges for the implementation in Vietnam. The findings also show that Vietnam might achieve a better result of the implementation if the authoritative bodies in accounting would have better preparation. The positive result of the implementation of IFRSs in Vietnam might encourage other developing countries to adopt or implement IFRSs. This research confirms that IFRSs can be implemented in developing countries.

References

- Abd-Elsalam, O.H. and Weetman, P., 2003. *Introducing international accounting standards to an emerging capital market: relative familiarity and language effect in Egypt*. Journal of International Accounting, Auditing and Taxation, Vol.12 (1), pp.63-84.
- Abd-Elsalam, O.H. and Weetman, P., 2007. *Measuring accounting disclosure in period of complex changes: the case of Egypt*. Advances in International Accounting, Vol. 20, pp.75-104.
- Ackroyd, S. and Fleetwood, S., 2000. *Critical Realism in Action in Organisation and Management Studies*. London: Routledge.
- ADB (2000). *Financial Management and Government issues in Vietnam*. Asian Development Bank, Volume 1, year 2000, ISBN: 971-561-333-0. [Online] Available at: http://www.adb.org/documents/books/financial_mgt/vietnam/ [Accessed 08 February 2010].
- ADB (2008). *Technical Assistance Regional Report: Strengthening Southeast Asian Financial Market*. Asian Development Bank (project number: 42132). [Online] Available at: www.adb.org [Accessed 08 February 2010].
- ADB (2009). *Country Strategy and Program Midterm Review: Viet Nam 2007–2010*. Asian Development Bank. [Online] Available at: <http://www.adb.org/documents/csps/vie/2009/CSP-VIE-2007-2010.pdf> [Accessed 08 May 2011].
- Agca, A. and Aktas, R., 2007. *First time application and its impact on financial ratios: a study on Turkish listed firms*. Problems and Perspectives in Management, Vol.5 (2), pp.99-112.
- Aljifri, K. and Khasharmeh, H., 2006. *An investigation into the suitability of the international accounting standards to the United Arab Emirates environment*. International Business Review, Vol. 15, pp. 505-526

- Alp, A. and Ustundag, S., 2009. *Financial reporting transformation: the experience of Turkey*. *Critical Perspectives on Accounting*, Vol.20 (5), pp. 680-699.
- Ampofo, A.A. and Sellani, R.J. 2005. *Examining the differences between United States General Accepted Accounting Principle (U.S. GAAP) and International Accounting Standard (IAS): implications for the harmonization of accounting*. *Accounting Forum*, Vol. 29 (2), pp. 219-231.
- Anwar and Nguyen, P.L., 2010. *Absorptive capacity, foreign direct investment-linked spillovers and economic growth in Vietnam*. *Asian Business & Management*, Vol. 9, pp. 553-570.
- ASEAN, 2009. *Overview on the Association of South East Asian nations*. Association of South East Asian Nations(Available at http://www.aseansec.org/about_ASEAN.html). Accessed on 28/11/2009.
- ASEAN Federation of Accountants (AFA), 2009. *About ASEAN Federation of Accountants (AFA)*. Available at <http://www.aseanaccountants.org/about.htm>. Accessed on 28/11/2009.
- Ashraf, J. and Ghani, W.I., 2005. *Accounting development in Pakistan*. *International Journal of Accounting*, Vol. 40 (2), pp.175-201.
- Askary, S., 2006. *Accounting professionalism - a cultural perspective of developing countries*. *Managerial Auditing Journal*, Vol. 21 (1), pp.102-111.
- Ball, R., 2006. *International Financial Reporting Standards (IFRS): pros and cons for investors*. *Accounting and Business Research*, International Accounting Policy Forum. pp. 5-27.
- Ball, R., Robin, A. and Wu, S.J., 2003. *Incentives versus standards: properties of accounting income in four East Asian countries*. *Journal of Accounting and Economics*, Vol. 36, pp. 235-270.
- Ballas A.A., Skoutela D.. and Tzovas, 2010. *The relevance of IFRS to an emerging market: evidence from Greece*. *Managerial Finance*, Vol. 36 (11), pp 931-948.

- Baydoun, N., & Willett, R., 1995. *Cultural relevance of western accounting systems to developing countries*. Abacus, Vol. 31(1), pp.67-92.
- Bazaz, M.S., Parameswaran, R., Bordoloi, B., 1995. *A new approach to the problem of harmonizing international accounting reports*. Global Finance Journal, Vol. 6 (2), pp. 155-173.
- Belkaoui, A.R., 1985. *International Accounting*, Quorum.
- Berrell M., Wright P., and Hoa, T.T.V., (1999). *The influences of culture on management behaviours*. Journal of Management Development, Vol. 18 (7), pp. 578-589.
- Bloom, R. and Naciri, M.A., 1989. *Accounting Standards setting and culture: A comparative analysis of United States, Canada, England, West Germany, Australia, New Zealand, Sweden, Japan, and Switzerland*. The International Journal of Accounting, Vol. 24 (1), pp. 70-97.
- Bowrin, A.R., 2007. *International Accounting Standards and Financial Reporting Uniformity: The Case of Trinidad and Tobago*. Advances in International Accounting, Vol. 20 (1), pp. 27-53.
- Chand, P., 2005. *Impetus to the success of harmonization: the case of South Pacific Island Nations*, Critics Perspective Account. Vol.16 (3), pp. 209-226.
- Chand, P. and Patel, C., 2008. *Convergence and harmonisation of accounting standards in South Pacific region*. Advances in Accounting, Vol. 24 (1), pp. 83-92.
- Chand, P. and White, M., 2006. *The influence of culture on judgments of accountants in Fiji*. Australia Accounting Review, Vol. 16 (3), pp. 82-89.
- Chand, P. and White, M., 2007. *A critique of the influence of globalization and convergence of accounting standards in Fiji*. Critical Perspectives on Accounting, Vol. 18 (5), pp. 605-622.
- Chau, G. and Chan, T., 2001. *Challenges faced by accountancy education during and beyond the years of transition – some Hong Kong evidence*. Journal of Accounting Education, Vol. 19, pp. 145-162.

- Chen, S., Sun, Z. and Wang, Y., 2002. *Evidence from China on whether Harmonised Accounting Standards Harmonise Accounting practices*. Accounting Horizon, Vol. 16 (3), pp. 183-197.
- Choi, F.D.S. and Mueller, G.G., 1978. *An introduction to Multinational Accounting*. New Jersey: Prentice-Hall.
- Choi, F.D.S., Frost, C., and Meek, G. K., 2002. *International accounting*. 4th edition. New Jersey: Prentice-Hall.
- Chow, L. M., Chau, G.K., and Gray, S.J., 1995. *Accounting reforms in China: Cultural constraints on implementation and development*. Accounting and Business Research, Vol. 26 (1), pp. 29-59.
- Chu, X.D., 2002. *Basis on Vietnamese Culture* (in Vietnamese language). HOCHIMINH city: The National University Publishing House.
- Cohen, J.R., Pant, L.W. and Sharp, D.J., 1992. *Cultural and Socioeconomic Constraints on International Codes of Ethics: Lessons from accounting*. Journal of Business Ethics, Vol. 11 (9), pp. 687-700.
- Combs A., Samy M., and Myachina A., 2012. *Cultural impact on the harmonisation of Russian Accounting Standards with the International Financial Reporting Standards: A practitioner's perspective*. Journal of Accounting and Organisational Change, Vol. 9(1), pp. 26-49.
- CPV, 1986. *The Report of the Central Committee of the CPV at the National Party Congress course VI* (in Vietnamese language). Communist Party of Vietnam. Hanoi: The Truth Publishing House.
- CPV, 1991. *The Report of the Central Committee of the CPV at the National Party Congress course VII* (in Vietnamese language). Communist Party of Vietnam. Hanoi: The Truth Publishing House.
- CPV, 1996. *The Report of the Central Committee of the CPV at the National Party Congress course VIII* (in Vietnamese language). Communist Party of Vietnam. Hanoi: The National Politics Publishing House.
- CPV, 2001a. *The Report of the Central Committee of the CPV at the National Party Congress course IX* (in Vietnamese language). Communist Party of Vietnam. Hanoi: The National Politics Publishing House.

- CPV, 2001b. *The Charter of the Communist Party of Vietnam* (in Vietnamese language). Communist Party of Vietnam. Available at <http://www.cpv.org.vn>. Accessed on 25/05/2011.
- CPV, 2003. *Decision of the Central Committee Board of the Vietnamese Communist Party on Continuous Reorganisation, Innovation, Development and Increase on the Efficiency of SOEs* (Vietnamese language). Communist Party of Vietnam. Available at http://123.30.49.74:8080/tiengviet/tulieuvankien/vankiendang/details.asp?topic=191&subtopic=9&leader_topic=&id=BT2412032267, accessed on 21/01/2011.
- CPV, 2011a. *The Report of the Central Committee of the CPV at the National Party Congress course XI* (in Vietnamese language). Communist Party of Vietnam. Hanoi: The National Politics Publishing House.
- CPV, 2011b. *The Strategy of Social-Economics Development of Vietnam passed in the National Party Congress 2011 (course XI) of Communist Party of Vietnam* (in Vietnamese language). Communist Party of Vietnam. Available at <http://www.cpv.org.vn>. Accessed on 25/05/2011.
- Craig, R.J and Diga, J.G., 1998. *Corporate Accounting Disclosure in Asia*. Journal of International Financial Management and Accounting, Vol. 9(3), pp.246-274.
- Dang, D.S., Marriott, N. and Marriott, P., 2006. *Users' perceptions and uses of financial reports of small and medium companies (SMCs) in transitional economies: Qualitative evidence from Vietnam*. Qualitative Research in Accounting and Management, Vol.3 (3), pp.218-235.
- Dang, V.T., 2010. *Vietnamese accounting and auditing: strong and stable development after twenty years of innovation (in Vietnamese language, "Kế toán và kiểm toán Việt Nam Những bước tiến mạnh mẽ, vững vàng sau 20 năm đổi mới")*. Accounting Review, Vol.77. [online] Available at: <http://www.tapchiketoan.com/ke-toan/ke-toan-hanh-chinh-su-nghiep/ke-toan-va-kiem-toan-viet-nam.html> [Accessed 20/04/2012].

- Daske, H., Hail, L., Leuz, C., and Verdi, R., 2008. *Mandatory IFRS Reporting around the World: Early Evidence on the Economic Consequences*. Journal of Accounting Research, Vol. 46 (5), pp. 1085-1142.
- Deloitte, 2006. *IFRSs in your pocket 2006*. Deloitte IFRS publications. [online] Available at: <<http://iasplus.com>> [Assessed 20 August 2007].
- Deloitte, 2009. *IFRSs in your pocket 2009*. [online] Available at: <<http://iasplus.com>> [Accessed 20 October 2009].
- Ding, Y., Jeanjean, T., and Stolowy, H., 2005. *Why National GAAP differ from IAS? The role of culture*. The International Journal of Accounting, Vol.40 (4), pp. 325-350.
- Dinh, M.C, Ly, K.H, Ha, T.M, Ha, V.T., and Nguyen, T.T., 2006. In: T.T Nguyen (chief editor), and T.T. Hoang (assistant editor), ed. 2006. *The History of Buddhism in Vietnam*. Cultural Heritage and Contemporary Change, Series IIID, South East Asia, Vol.5.
- Dinh, X.L., 2009. *The leading and managing social development of the party in innovation era: some issues on theory and practice* (in Vietnamese Language: *Dang lanh dao phat trien xa hoi va quan ly phat trien xa hoi thoi doi moi: mot so van de ve ly luan va thuc tien*). Hanoi: National Politics Publishing House.
- Doan N.P.A and Nguyen D.T., 2013. Accounting in a developing transitional economy: the case of Vietnam. Asian Review of Accounting, Vol. 21(1), pp.74-95.
- Doan, C. and Pham, T.L., 2006. *The development of Confucianism in Ly and Tran dynasty* (in Vietnamese language: *Su Phat Trien Cua Nho Giao Trong Thoi Ky Ly va Tran*). Philosophy Review, Vol. 12(187). [online] Available at <http://www.vientriethoc.com.vn/?vientriet=articles_deltails&id=343&cat=48&pcat=>> [Accessed 15 May 2012].
- Dorlfer V., Hibbert P., and McInnes P., 2006. Research Philosophy and Methodology. Class material, Research Philosophy and Methodology course, Business School of University of Strathclyde.

- Doupnik T.S., and Richter M., 2004. *The impact of culture on the interpretation of “in context” verbal probability expressions*. Journal of International Accounting Research, Vol.3, pp.1-20.
- Doupnik, T.S., and Salter, S.B., 1995. *External Environment, Culture, and Accounting Practice: A Preliminary test of a General Model of International Accounting Development*. The International Journal of Accounting, Vol.30 (3), pp. 198-207.
- Doupnik, T.S., and Tsakumie, G.T., 2004. *A critical review of tests of Gray's theory of cultural relevance and suggestions for future research*. Journal of Accounting Literature, Vol. 23, pp.1-48.
- Easterby-Smith M., Thorpe R., and Lowe A., 2004, (2nd edition) Management Research: An Introduction, London: SAGE.
- Ernst & Young, 2006. Transition to IFRS: The final analysis results. [Online] available at: <http://www.ey.com/ZA/> [Accessed 22 September 2008].
- Ezzamel, M., Xiao, J.Z. and Pan, A., 2007. *Political ideology and accounting regulation in China*. Accounting, Organisations and Society, Vol. 32, pp. 669-700.
- Evans, L., 2004. *Language, translation and the problem of international accounting communication*. Accounting, Auditing and Accountability Journal, Vol. 17 (2), pp. 210-248.
- GCRA, 2006. *Religion and policies regarding religion in Vietnam*. Government Committee of Religious Affairs. [online] Available at: <http://www.vietnamembassy.us/docs/vietnam%20white%20paper%20on%20religion> [Accessed 01 June 2011].
- Gernon, H. and Wallace, R.S.O., 1995. *International accounting research: A view of its ecology, contending theories and methodologies*. Journal of Accounting Literature, Vol. 14, pp. 54-106.
- Gernon, H., and Meek, G. K., 2001. *Accounting: An international perspective*. 5th ed. New York: Irwin McGraw-Hill.
- Gray, S. J., 1988. *Towards a theory of cultural influence on the development of accounting systems internationally*. ABACUS, Vol. 24 (1), pp. 1-15.

- GSO, 2006. *Statistical Year Book of Vietnam 2006*. [online]. General Statistics Office of Vietnam. Available at:
<<http://www.gso.gov.vn/default.aspx?tabid=512&idmid=5&ItemID=6106>>
[Accessed 12 February 2012].
- GSO, 2010. *Enterprises in Vietnam 9 years at the beginning of the century 21st*. Hanoi: Statistics Publishing House. [online] General Statistics Office of Vietnam. Available at:
<<http://www.gso.gov.vn/default.aspx?tabid=512&idmid=5&ItemID=9774>>
[Accessed 12 February 2012].
- GSO, 2011a. *General investigation of population, house and marriage of Vietnam in year 2009*. General Statistics Office of Vietnam, Hanoi: Statistics Publishing House. [online] Available at:
<<http://www.gso.gov.vn/default.aspx?tabid=512&idmid=5&ItemID=11077>>
> [Accessed 12 February 2012].
- GSO, 2011b. *Statistical Year Book of Vietnam 2010*. General Statistics Office of Vietnam, Hanoi: Statistics Publishing House. [online] Available at:
<<http://www.gso.gov.vn/default.aspx?tabid=512&idmid=5&ItemID=11973>>
> [Accessed 12 February 2012].
- Haniffa, R.M. and Cooke, T. E., 2002. *Culture, Corporate Governance and Disclosure in Malaysian Corporations*. ABACUS, Accounting Foundation: University of Sydney, Vol. 38(3), pp. 317-349.
- Harris, M., 1987. *Cultural Anthropology*. Harper & Row publication.
- Hassab-Elnaby, H.R., Epps, R.W. and Said, A.A., 2003. *The impact of environmental factors on accounting development: an Egyptian longitudinal study*. *Critical Perspectives on Accounting*, Vol.14 (3), pp. 273-292.
- Hatherly, D., 1997. *Global or local accounting: the debate in context*. *Accountancy*, February (1997), Vol. 119 (1242), p.87.
- Ho, H.T., 2002. *The responsibility of auditors for fraud and mistake in financial statements of business entities* (in Vietnamese language). *Economic Development Review*, April (2002): Hochiminh Economic University, Vol. 138, pp. 27-28.

- (HOSE, 2010. *Annual Report 2010*. [online] HOCHIMINH Stock Exchange. Available at:
<www.hsx.vn/hsx/Modules/annual/annual_file/BCTN%202010.pdf>
[Accessed 20 November 2011].
- Hoang, V. G., 1992. *Common Vietnamese-English Precepts and Proverbs*. 4th edition. Song Be: The Song Be General Publisher.
- Hoarau, C., 1995. International accounting harmonisation: American hegemony or mutual recognition with benchmarks? *The European Accounting Review*. Vol. 4(2), pp.217-233.
- Hofstede, G. H., 1980. *Culture 's consequences international differences in work-related values*. London: Sage Publications.
- Hofstede, G. H., 2001. 2nd edition. *Culture 's consequences: comparing values, behaviours, institutions, and organizations across nations*. California: Thousand Oaks in assoc. Sage Publications.
- Hofstede G. H., 2014. What about Vietnam? [Online] Available at: <<http://geert-hofstede.com/vietnam.html>> [Assessed 20 December 2014].
- IASB, 2006. *The IASB Chairman speech*. International Accounting Standards Board [Online] Available at:
<http://www.iasb.org/about/iasb_chairman.asp> [Accessed 24 November 2009].
- IASB, 2007. *IFRS around the world*. International Accounting Standards Board [Online] Available at: <<http://www.iasb.org>> [Accessed 24 November 2009].
- Ip C.K., Noronha C., 2007. *The progress of accounting harmonization in China: A comparison of A-share and H-share financial results*. Managerial Auditing Journal, Vol.22 (6), pp.620 – 640.
- Irvine H., 2008. *The global institutionalisation of financial reporting: the case of the United Arab Emirates*. Accounting Forum, Vol. 32, pp. 125-142.

- Jermakovicz, K.E. and Tomaszewski, G.S., 2006. *Implementing IFRS from the perspective of EU publicly traded companies*. Journal of International, Auditing and Taxation, Vol.15, pp.170-196.
- Joshi, P.L., Ramadhan, S., 2002. *The adoption of international accounting standards by small and closely held companies: evidence from Bahrain*. The International Journal of Accounting, Vol. 37, pp. 429-440.
- Joshi, P.L., Bremser, G.W. and Al-Ajmi, J., 2008. *Perceptions of accounting professionals in the adoption and implementation of a single set of global accounting standards: Evidence from Bahrain*. Advances in Accounting, incorporating Advances in International Accounting, Vol.24 (1), pp.41-48.
- Kalman, B., 2002. *Vietnam: the Culture*. Oxford, United Kingdom: Crabtree Publishing Company.
- Kenny, S. Y. and Larson, R. K., 1995. *The Development of International Accounting Standards: An Analysis of Constituent Participation in Standard-Setting*. The International Journal of Accounting, Vol.30 (4), pp. 283-301.
- Kimura, S. and Ogawa, H., 2007. *A Model for the Convergence of Accounting Standards*. Research in Accounting Regulation, Vol.19, pp. 215-229.
- Koga, C. and Rimmel, G., 2007. *Accounting harmonisation and diffusion of international accounting standards: the Japanese case*. In: J.W. Godfrey and K. Chalmers, 2007, ed. *Globalisation of Accounting Standards*. Cheltenham, U.K: Glensanda House, Edward Elgar Publishing Limited, Ch. 13, pp. 218-237.
- Kvale S., 1996. *Interviews, an Introduction to Qualitative Research Interviewing*. London: Sage Publications.
- Larson R.K. and Kenny S.Y., 1995. *An Empirical Analysis of International Accounting Standards, Equity Markets and Economic Growth in Developing Countries*. Journal of International Financial Management and Accounting Vol.6 (2), pp.130-157.

- Larson R.K and Brown K.L., 2001. *Lobbying of the international accounting standards committee: the case of construction contracts*. Advances in International Accounting, Vol.14, pp. 47-73.
- Larson K. R. and Street L. D., 2004. *Convergence with IFRS in an expanding Europe: process and obstacles identified by large accounting firms' survey*. Journal of International, Auditing and Taxation, Vol.13, pp. 89-119.
- Le M.H., Tran B.D., and Nguyen V.T., 2011. *Foundation of Vietnamese History- Part III* (Vietnamese language). Hanoi: Education Publishing House.
- Le T.L., 2009. *The Vietnamese Reconciliation of Culture and Religion*. In: G. Adian and D.G. Arivia ed. 2009. *Relations between Religions and Culture in Southeast Asia*. Cultural Heritage and Contemporary Changes, series IIID South East Asia, Vol.6. Ch. 16 [online] Available at http://books.google.com.vn/books?id=udYfoEqlbKQC&pg=PA215&dq=basis+vietnamese+culture&hl=en&sa=X&ei=zSuvT7_wHauRiQfl7PT9CA&ved=0CDgQ6AEwAA#v=onepage&q=basis%20vietnamese%20culture&f=false [Assessed 15 June 2012]
- Le V.T., 2012. *Hochiminh's thoughts of International Cooperation*. Human Resource Development Review Vol. 4(30), pp. 42-45
- Lin Z. J, Chen F and Tang Q., 2001. *An empirical evaluation of the new system of business accounting in China*. Journal of International Accounting, Auditing and Taxation. Vol. 10(1), pp. 23-49.
- Mai T.H.M., 2008. *Vietnamese Accounting Standard System: The Necessity of Content and Process of Updating and Issuing VASs* (Vietnamese language: *He Thong Chuan Muc Ke Toan Viet Nam: Su Can Thiet Noi Dung va Lo Trinh cua Viec Cap Nhat va Ban Hanh*) [online] Vietnamese Accounting Review. Available at: <http://www.tapchiketoan.com/ke-toan/chuan-muc-ke-toan-viet-nam/he-thong-chuan-muc-ke-toan-viet-nam-su-can-thiet-noi-dung-va-lo-trinh-cua-viec-cap-nhat-va-ban-hanh.html> [Accessed 10 August 2008].

- McGee R.W., 2009. *Corporate Governance in Developing Economies: Country Studies of Africa, Asia and Latin America*. Springer Science and Business Media, LLC.
- Meek G. and Saudagaran S., 1990. *A survey of research on Financial Reporting in a Transitional Context*. Journal of Accounting Literature, Vol. 9, pp. 145-182.
- Melville A., 2009. 2nd ed. *International Financial Reporting: A Practical Guide*. Pearson Education Publisher.
- Mir M.J. and Rahaman A.Z., 2005. *The adoption of International Accounting Standards in Bangladesh: An exploration of rationale and process*. Accounting, Auditing and Accountability Journal, Vol. 18(6), pp.816-841.
- Mirshekary S. and Saudagaran S.M., 2005. *Perceptions and characteristics of financial statement users in developing countries: Evidence from Iran*. Journal of International Accounting, Auditing and Taxation, Vol. 14(1), pp. 33-54.
- MOET (The Ministry of Education and Training), 2006. *The textbook of Marx-Lenin Economic Politics*. Hanoi: The National Politics Publishing House.
- MOET (The Ministry of Education and Training), 2007. *The textbook of Scientific Socialism*. Hanoi: The National Politics Publishing House.
- MOET (The Ministry of Education and Training), 2009. *The textbook of History of the Communist Party of Vietnam*. Hanoi: The National Politics Publishing House.
- MOET (the Ministry of Education and Training of Vietnam), 2011a. *The textbook of Hochiminh's thoughts (Vietnamese language)*. Hanoi: The National Politics Publishing House.
- MOET (the Ministry of Education and Training of Vietnam), 2011b. *The textbook of Revolution Road of the Communist Party of Vietnam (Vietnamese language)*. Hanoi: The National Politics Publishing House.
- Mueller G.G., 1968 (Spring). *Accounting principles generally accepted in the United States versus those generally accepted elsewhere*. International Journal of Accounting and Research, pp. 91-103.

- Muhammad J.A. and Kamran A., 2007. *The Legal and Institutional framework for corporate financial reporting practices in South Asia*. Research in Accounting Regulation, Vol.19, pp. 175-205.
- Narayanaswamy R., 2007. *The Impact of Globalisation of Accounting Standards on India*. In: J.M. Godfrey and K. Chalmers, 2007, ed. Globalisation of Accounting Standards. Cheltenham, U.K: Edward Elgar Publishing Limited, Glensanda House, chapter14.
- Nasir N.M. and Zainol A., 2007. *Globalisation of financial reporting: An Islamic focus*. In: J.M. Godfrey and K. Chalmers, 2007, ed. Globalisation of Accounting Standards. Cheltenham, U.K: Edward Elgar Publishing Limited, Glensanda House. Ch. 15, pp. 261-274.
- Ng Vincent, Yuen J., and Pacter P., 2002. *China Financial Reporting Update*. Deloitte Touch Tohmatsu, Issue 01.
- Nguyen C.P. and Richard J., 2011. Economic Transition and Accounting System Reform in Vietnam, *European Accounting Review*, Vol. 20(4), pp. 693-725.
- Nguyen C.P. and Tran D.K.N., 2012. *International harmonization and national particularities of accounting: Recent accounting development in Vietnam*. *Journal of Accounting & Organizational Change*, Vol. 8(3), pp. 431-451.
- Nguyen D., 1985. *Culture shock – A review of Vietnamese culture and its concepts of health and disease*. *Cross Cultural Medicine, West J Medicine*, Vol. 142(3), pp.409-412.
- Nguyen D.H., Le M.N., Nguyen V.D., Nguyen V.L., Do V.D, Nguyen D.T., Nguyen, D.T., Pham T.K.H, Nguyen T.T., and Nguyen M.H., 2009. *Doctrine of the Vietnam Communist Party in Economic Development in Innovation Era* (in Vietnamese language). Hanoi: The National Politics Publishing House.
- Nguyen K.C., 1960. *Introduction to Vietnamese Culture*. United Nations Educated, Scientific and Cultural Organisation (original transcript in Vietnamese language, firstly published on the *Journal of the Vietnamese-American Association*, Vol.4 (4), December 1959), [Online] available at:

<<http://unesdoc.unesco.org/images/0014/001478/147804eb.pdf>>, [accessed 12 April 2012].

- Nguyen K.T., 2005a. *Foundation of the Vietnamese Cultural History* (in Vietnamese language), part II: Buddhism and Taoism. 3rd ed. Hanoi: The Education Publishing House.
- Nguyen K.T., 2005b. *Foundation of the Vietnamese Cultural History* (in Vietnamese language), part III: Confucianism. 6th ed. Hanoi: The Education Publishing House.
- Nguyen N.C., 2008. *Perfecting the Crime on Management of Economic Stability in the Context of Jurisdiction Reform in Vietnam recently* (in Vietnamese language: “*Hoan thien cac toi pham trat tu quan ly kinh te truoc yeu cau cai cach tu phap*”). The Science Review on Economic and Law, Hanoi: National University, Vol.24, pp.76-83.
- Nguyen N.T., 2010a. *Confucianism and Vietnamese Cultural Characteristics* (in Vietnamese language: *Khong Giao va Tinh Cach Van Hoa Vietnam*). *The Review of Cultural Studies*, published by the Centre for Theoretical and Applied Technologies, the National University, the University of Social Science and Humanities in Hochiminh city. [Online] available at: <http://www.vanhoahoc.edu.vn/index.php?option=com_content&view=article&id=1641%3A%3Anguyen-ngoc-tho-nho-giao-va-tinh-cach-van-hoa-vietnam&Itemid=79&catid=29%3A>, [accessed 20 March 2012].
- Nguyen T.A. and Wong G.M., 2012. *Vietnamese Accounting Reform and International Convergence of Vietnamese Accounting Standards*. International Journal of Business and Management Vol. 7(10), pp. 26-36.
- Nguyen T.N., 2010b. *Hochiminh's thought of Education and Educational Development in Vietnam in the first decade of the twenty first century* (in Vietnamese language: *Tu Tuong Hochiminh ve Giao duc va Phat trien Giao duc trong thap nien dau the ky 21*). The Philosophy Review, Vol.12 (235), new series. [Online] available at: <http://www.vientriethoc.com.vn/?vientriet=articles_deltails&id=1330&cat=52&pcat=> [accessed 25 February 2012].

- Nguyen T.P., 2011. *Revolution Road of the Communist Party of Vietnam* (in Vietnamese language: *Con Duong Cach Mang cua Dang Cong San Viet Nam*). Hanoi: The National Politics Publishing House.
- Nguyen T.T., 2012. *Tough Challenges for Anti-corruption in Vietnam* (in Vietnamese language: “*Cuoc chien chong tham nhung o Vietnam dang cam go*”). *The Development and Integration Review*, Vol. 5(15), pp. 58-66.
- Nguyen V.H., 2003. *The Vietnamese Living Way under Influence of Globalisation (Loi Song Cua Ngnoi Viet Nam Duoi Tac Dong Cua Toan Cau Hoa*, in Vietnamese language). *The Philosophy Review*, Vol.12, pp. 33-39.
- Nguyen V.L., 2002. *Finance, Tax and Accounting policies* (in Vietnamese language). *Accounting Review*, Vol.36, pp.93-96.
- Nobes C.W., 1984. *International Classification of Financial Reporting*. 2nd edition. Published by Croom Helm Ltd., Provident House, Burrell Row.
- Nobes C. W., 1998. *Toward a general model of the reasons for international differences in financial reporting*. *ABACUS*, Vol.34 (2), pp. 162–187.
- Nobes C. W. and Parker R. H., 2004. *Comparative international accounting*, 8th edition. London: Prentice-Hall.
- Note that on page 44 you have ‘Nobes and Paker’ spelled incorrectly
- PWC, 2008. A Comparison of IFRS and Thai GAAP, Vietnamese GAAP, Cambodian GAAP and Laos GAAP. Price Waterhouse and Cooper Lybrand, [Online] Available at:
<<http://www.pwc.com/vn/en/publications/a-comparison-of-ifs.jhtml>>, [Accessed 05 Feb 2014].
- Perera M.H.B., 1989. *To ward a framework to analyse the impact of culture on accounting*. *The International Journal of Accounting Education and Research*, Vol. 24 (1), pp. 42-56.
- Perera H. and Baydoun N., 2007. *Convergence with International Financial Reporting Standards: The Case of Indonesia*. *Advances in International Accounting*, Vol. 20, pp. 201-224.

- Perkins D.H. and Vu T.T.A., 2010. *Vietnam's Industrial Policy Designing Policies for Sustainable Development. Prepared under UNDP – Harvard Policy Dialogue Papers “Series on Vietnam's WTO Accession and International Competitiveness Research”*. Policy Dialogue Paper Number3. [Online] Available at: http://www.undp.org.vn/undpLive/digitalAssets/20/20932_Industrial_Policy.pdf, [accessed on 15 May 2012].
- Pham T.V. and Dao N.T., 2004. *Foundation of Vietnamese Culture* (in Vietnamese language). Hanoi: Culture and Information Publishing House.
- Phan T.P.L., 2009. Vietnam has not fully implemented IAS/IFRS, why? (in Vietnamese language: Viet nam van chua ap dung tron ven IAS/IFRS, tai sao?). [online] Available at: <http://kiemtoan.com.vn/news/nghiencuu/viet-nam-chua-ap-dung-toan-bo-ifrs-ias-tai-sao-phan-1-2055/>; [released on 15 Jun 2009, assessed on 25 June 2013].
- Phan T. T. H., 2011. *The influence of Buddhism on the Ethics, and Values of the Vietnamese People in Society* (in Vietnamese language). [Online] Available at: <http://www.giaohoi-phatgiaovietnam.vn/tulieu-nghiencuu-traodoi/145-nh-hng-ca-pht-giao.html> [Accessed on 06 June 2011].
- Phuong L., 2008. *Vietnam “naturally” prepared legal documents*, (in Vietnamese language: Vietnam “hon nhien” lam luat). The Vietnam News [Online] 11 April. Available at: <http://vietnamnet.vn/chinhtri/2008/04/777935/> [Accessed on 11 April 2008]
- Prather-Kinsey J., 2006. *Developing countries converging with developed countries accounting standards: Evidence from South Africa and Mexico*, International Journal of Accounting, Vol. 41, pp.141-162.
- Price Waterhouse Coopers (PwC), 2008. *Similarities and Differences: A comparison of IFRSs and Thai GAAP, Vietnamese GAAP, Cambodia GAAP and Laos GAAP*. [Online] Available at: http://www.pwc.com/en_VN/vn/publications/assets/similarities_and_differences_gaap.pdf [Assessed 12 October 2012].

- Rapoport, R.N., 1970. "Three dilemmas in action research", *Human Relations*, Vol. 23(4), pp.499-513.
- Roberts A.D., 1995. *The very idea of classification in international accounting*. *Accounting, Organizations and Society*, Vol. 20, pp. 639-664.
- Saigon Tiep Thi Media, 2010. *Announcement of Top 500 biggest enterprise in Vietnam in year 2010* (in Vietnamese language). [Online] available at: <<http://sgtt.vn/Kinh-te/133451/Cong-bo-Top-500-doanh-nghiep-lon-nhat-Viet-Nam-2010.html>> [Accessed 12 February 2012].
- Samaha K. and Stapleton P., 2008. *Compliance with International Accounting Standards in a national context: some empirical evidence from the Cairo and Alexandria Stock Exchanges*. *Afro-Asian Journal of Finance and Accounting*, Vol. 1(1), pp. 40-66.
- Sands S. J. and Pragasam J., 1997. *The perceived importance of international accounting topics in the Asia-Pacific rim: a comparative study*. *The International Journal of Accounting*, Vol. 32 (2), pp.187-202.
- Sarikas, R.H.S., Hien, V.D. and Djatej, A.M., 2009. *International Influence on Accountancy in Vietnam*. In: R.W. McGee, ed., 2009. *Corporate Governance in Developing Economies: Country Studies of Africa, Asia and Latin America*. Springer Science and Business Media. Ch.19.
- Saudagaran S.M. and Diga J.G., 1997. *Accounting regulation in ASEAN: A Choice between the Global and Regional Paradigms of Harmonisation*. *Journal of International Financial Management and Accounting*. Vol. 8(1), pp. 1-32.
- Saudagaran S.M. and Diga J.G., 1998. *Accounting Harmonization in ASEAN: Benefits, Models and Policy Issues*. *Journal of International Accounting, Auditing & Taxation*. Vol. 7(1), pp. 21-45.
- Schultz J. and Lopez T.J., 2001. *The impact of national influence on accounting estimates: Implications for international accounting standard-setters*. *The International Journal of Accounting*, Vol. 36(3), pp. 271-290.

- Secord P. and Su X., 1994. *An empirical analysis of culture and accounting models in Asia*. Asian Review of Accounting, Vol. 2(1), pp. 3-21.
- Sidel M., 2008. *Law and Society in Vietnam: The Transition from Socialist in Comparative Perspective*. Cambridge University Press.
- Sophana S., 2006. *Thai and Vietnamese Proverbs and Common Expressions: The Influence of Buddhist and Local Beliefs*. Mon-Khmer Studies Journal, Vol.36, pp.103-120. [Online] Available at: < <http://sealang.net/sala/archives/pdf8/sophana2006thai.pdf> > [accessed 14 May 2011].
- Street L. D., and Gray S.J., 2001. *Observance of International Accounting Standards: Factors explaining non-compliance*. ACCA Research Report, Vol. 74. London: Association of Chartered Certified Accountants.
- Street L.D., and Gray S.J., 2002. *Factors influencing the extent of corporate compliance with International Accounting Standards: summary of a research monograph*. Journal of International Accounting, Auditing and Taxation, Vol. 11(1), pp. 51-76.
- Sucher P. and Jindrichovska I., (2004). *Implementing IFRS: A Case Study of the Czech Republic*. Accounting in Europe, 1:1, 109 — 141
- Taylor S.L., 1987. *International Accounting Standards: An Alternative Rational*. ABACUS, Vol. 32 (2), pp.157-171.
- Thietart, R.A., 2001. *Doing Management research: A comprehensive Guide*, London: SAGA
- Tokar M., 2005. *Convergence and the Implementation of a Single Set of Global Standards: The Real-Life Challenge*. Chicago: North western Journal of International Law & Business, Vol. 25 (3), pp. 687-711.
- Tran D.K.N., 2010. *A Conceptual Model for the Adoption of Vietnamese Accounting Standards by Small and Medium Sized Firms* (in Vietnamese language: *Ban ve mo hinh ap dung cac chuan muc ke toan trong cac doanh nghiep vua va nho*). Journal of Science and Technology, the University of

Danang, Vol.40 (2), p.225-233. [Online] Available at: <http://www.kh-sdh.udn.vn/tapchi_so.asp?Nam=94&ID=138>, [accessed 15 October 2011].

- Tran N.T., 2000. *Basis of Vietnamese Culture* (in Vietnamese language: *Co So Van Hoa Viet Nam*). Hanoi: The Education Publishing House.
- Tran N.T., 2006. *Research into the Nature of Vietnamese Culture* (in Vietnamese language: *Tim ve Ban Chat Van Hoa Viet*). Hochiminh city: The Hochiminh Publishing House.
- Tran N. V., 2011a. *Confucius' thought of "Tolerance" and the performance of Nguyen Trai's thought of the tolerance* (in Vietnamese language: *Tu Tuong Khoan Dung cua Khong Tu va su The Hien Cua No o Nguyen Trai*). *The Philosophy Magazine of the Institute of Philosophy*, Vol.2 (267). [Online] Available at: <http://vientriethoc.com.vn/?vientriet=articles_detaills&id=1383&cat=57&pcat=> [Accessed 18 July 2011]
- Tran T.K., 2011b. *Buddhism* (in Vietnamese language). Hanoi: Religion Publishing House.
- Tran Q.V., To N.T., Nguyen C.B., Lam M.D., and Tran T.A., 2011. *Basis of Vietnamese Culture* (in Vietnamese language). Hanoi: Education Publishing House, 2011.
- Tri T.N., 2006. *Discussion on the paper: "Junzi model- perfect person in "Luan Ngu" of Confucius" of Nguyen Thi Kim Chung issued on the Philosophy Review, Vol. 9*. *The Philosophy Review*, Vol.10 (185). [Online] Available at: <http://www.vientriethoc.com.vn/?vientriet=articles_detaills&id=381&cat=48&pcat=>[accessed 15 December 2011].
- Tyrrall D., Woodward D., and Rakhimbekova A., 2007. *The relevance of International Financial Reporting Standards to a developing country: Evidence from Kazakhstan*. *The International Journal of Accounting*, Vol. 42, pp. 82-110.
- UNCTAD, 2005. *Review of practical implementation issues of international financial reporting standards*. (TD/B/COM.2/ISAR/28; 21 October 2005).

[Online] Available at: <<http://unctad.org/en/docs>> [assessed 28 August 2008]

UNCTAD, 2006a. International accounting and Reporting issues: 2006 Review (UNCTAD/ITE/TEB/2007/2). [Online] Available at: <http://unctad.org/en/docs/iteteb20072_en.pdf> [assessed 28 August 2008]

UNCTAD, 2006b. Review of practical implementation issues of International Financial Reporting Standards: Case study of Brazil. [Online] Available at: <<http://unctad.org/en/docs>> [assessed 28 August 2008].

UNCTAD, 2007b. Review of practical implementation issues of International Financial Reporting Standards: Case study of South Africa. [Online] Available at: <<http://unctad.org/en/docs>> [assessed 28 August 2008].

UNCTAD, 2007c. Review of practical implementation issues of International Financial Reporting Standards: Case study of Pakistan. [Online] Available at: <<http://unctad.org/en/docs>> [assessed 28 August 2008].

UNCTAD, 2007d. Review of practical implementation issues of International Financial Reporting Standards: Case study of Turkey. [Online] Available at: <<http://unctad.org/en/docs>> [assessed 28 August 2008].

UNDP, 2007. *Top 200 Industrial Strategies of Vietnam's Largest Firms* (prepared by S. Cheshier and J. Penrose). Vietnam: Hong Duc Publishing House, issued Sep, 2007.

UNDP, 2010. *Vietnam Millennium Development Goals*. [Online] Available at: <http://www.undp.org.vn/digitalAssets/24/24255_Full_version_English2.pdf> [Accessed 10 February 2012].

VNR 500, 2010. *Top 500 Vietnamese biggest enterprises*. [Online] available at: <<http://vnr500.com.vn/ranking-table?ref=vnr500-top-500-vietnamese-largest-enterprises&year=2010>> [Accessed on 12 February 2012].

Vo V.T., 2006. *Compassion- A Traditional Cultural Value Needs to Be Inherited and Developed in Building the Current Living Style in Vietnam* (in Vietnamese language *Nhan ai- Mot Gia Tri Van Hoa Truyen Thong Can Ke Thua va Phat Huy Trong Viec Xay Dung Loi Song O Viet Nam Hien Nay*). The Philosophy Review, Vol.7 (182) (new series). [Online] available at: <http://www.vientriethoc.com.vn/?vientriet=articles_deltails&id=475&cat=48&pcat=>> [accessed 15 May 2012].

- Vo, T. T., 2012. *International economic relationship* (in Vietnamese language: *Quan he kinh te quoc te*). Hanoi: Society-Labour Publishing House.
- Vu H.D., 2010. *The Basic Issues of Accounting Theory* (in Vietnamese language: *Nhung Van De Co Ban Cua Ly Thuyet Ke Toan*). Labour Publishing House.
- Weetman P., 2010. *Financial Accounting: An Introduction*. 5th Edition. Pearson Education Publisher.
- Winkle G., Huss H.F. and Zhu C. X., 1994. *Accounting standards in the People's Republic of China: responding to the economic reforms*. Accounting Horizon, Vol. 8 (3), pp. 48-57.
- Wong P., 2004. Challenges and Successes in Implementing International Standards: Achieving Convergence to IFRSs and ISAs. International Federation of Accountants. [Online] Available at: <<http://www.ifac.org/>> [Accessed 20 June 2008]
- World Bank, 2001. *Vietnam country financial accountability assessment (Report No.22987-VN)*. [Online] Available at: <<http://www.worldbank.org>> [Accessed 09 September 2006].
- World Bank, 2004 (September). *Implementation of International Accounting and Auditing Standards*. Composed by Hegarty J, Gielen F. Barros A. C. H. [Online] Available at <http://www.worldbank.org/ifa/LessonsLearned_ROSC_AA.pdf> [Accessed 09 March 2010].
- WTO, 2013. Trade Policy Review 2013: Vietnam. World Trade Organisation [Online] Available at: <https://www.wto.org/english/tratop_e/tp_r_e/tp387_e.htm>, [Assessed 08 Feb 2015].
- Xiao Z.J., Weetman P. and Sun M., 2004. *Political influence and coexistence of a uniform accounting system and accounting standards: recent developments in China*. ABACUS, Vol. 40 (2), pp.193-281.
- Yalkın Y.K., Demir V. and Demir L.D., 2008. *International financial reporting standards (IFRS) and the development of financial reporting standards in Turkey*. Research in Accounting Regulation, Vol.20, pp. 279-294.

- Yang D.C. and Nguyen A.T., 2003. *The enterprise accounting system of Vietnam and United States Generally Accepted Accounting Principles: A comparison*. *Advances in International Accounting*, Vol. 16, pp. 175-204.
- Zeghal D., and Mhedhbi K., 2006. *An analysis of the factors affecting the adoption of international accounting standards by developing countries*. *The International Journal of Accounting*, Vol.41, pp. 373-386.
- Zeff S.A., 2007. *Some obstacles to global financial reporting comparability and convergence at high level of quality*. *The British Accounting Review* Vol. 39, pp. 290-302.
- Zhang W.G. and Lu D M., 2007. *Convergence of Chinese Accounting Standards with International Standards: Process, Achievements and Prospects*. In: G.M. Godfrey and K. Chalmers, 2007 (eds). *Globalisation of New Accounting Standards*. Cheltenham, U.K.: Edward Elgar Publishing Limited, Glensanda House. Ch.12, pp. 193-217.

Appendix 5. 1 Interview letter

University of Strathclyde
School of Business
Department of Accounting and Finance

Ref: For Interview on the implementation of the International Financial Reporting standards (IFRSs) in Vietnam

Dear Sir/Madam

I am currently conducting doctoral research in the Department of Accounting and Finance at the University of Strathclyde. My research is focused on the implementation of 'International Financial Reporting standards (IFRS) in developing countries: A case study in Vietnam'. The main purpose of this research is to provide a better understanding of the practical implementation of IFRS in Vietnam as an example of these countries and how to implement IFRS effectively.

In this interview, I would like to ask you some questions which are suggested on the attached paper on the implementation of IFRS in practice. I would like to take notes and will send you a transcription of the content of the interview later. It would be useful to me if you would also agree to the use of a tape recorder, but if you prefer not to, please let me know. I estimate that one hour would be sufficient time for the meeting.

All information provided will be treated confidentially and will be used for the purpose of this study only. Furthermore, the transcriptions of the interview are strictly confidential and the researcher guarantees that the identity of the respondents will not be disclosed to any one at any time.

Please do not hesitate to contact me if you need any further information about this interview. I look forward to hearing from you. Thank you very much for your co-operation.

Ho Huu Thuy
PhD Doctoral Student

Department of Accounting and Finance,
100 Cathedral Street, Glasgow G4 0LN, UK
Tel: 0141-548 2944 or 0141-548 5798
Fax: 0141-552 3547
E-mail: ho.thuy@strath.ac.uk

Appendix 5. 2 Interview questionnaire

Part 1

Suggested questions in the interview (for lecturers and accountants) (Bản câu hỏi dự kiến trong phỏng vấn)

1. Do you think that Vietnam is ready to implement IFRSs? (Ông (Bà) có nghĩ rằng Việt Nam đã sẵn sàng để áp dụng IFRSs?)
2. Do you think that Vietnam needs to implement IFRSs? Why or why not? (Ông (Bà) nghĩ rằng Việt Nam có nên áp dụng chuẩn mực kế toán quốc tế không? Tại sao có hoặc tại sao không?)
3. What factors have influenced implementation of IFRSs in Vietnam? (Những nhân tố nào ảnh hưởng đến việc áp dụng IFRSs in Việt Nam?)
4. How should Vietnam implement IFRSs? Should Vietnam fully adopt IFRSs or implement selective standards or adjusted standards of IFRSs? (Việt nam nên áp dụng chuẩn mực kế toán quốc tế như thế nào? Việt Nam nên áp dụng toàn bộ IFRSs, hay chỉ áp dụng 1 số chuẩn mực, hay chỉ áp dụng dựa trên những chuẩn mực IFRSs khi đã được điều chỉnh)
5. What are common challenges when Vietnamese companies have implemented VAS since 2001? (Ông (bà) có thể cho biết những khó khăn phổ biến khi các công ty bắt đầu áp dụng những qui định kế toán mới được ban hành dựa trên chuẩn mực kế toán phát hành từ năm 2001?)
6. What are benefits, advantages and disadvantages from the implementation of VASs compared with the old accounting regime when VASs have been issued since 2001? (Những điểm thuận lợi và chưa thuận lợi khi áp dụng chuẩn mực kế toán so với hệ thống tài khoản kế toán cũ áp dụng trước năm 2001?)
7. How do you think about the quality of financial statements before and after implementing VASs since 2001? (Ông (bà) nghĩ như thế nào về chất lượng của báo cáo tài chính của doanh nghiệp phát hành trước và sau thời điểm Việt nam phát hành những chuẩn mực kế toán đầu tiên vào năm 2001?)
8. How do you think of the reasonable, suitable, and necessary aspects of the items required to present in the face of financial statements, especially in the Notes to financial reporting? (Ông (Bà) nghĩ như thế nào về khía cạnh

- hợp lý, thuận lợi và cần thiết trong việc thiết kế và trình bày các khoản mục trên báo cáo tài chính, đặc biệt là thuyết minh báo cáo tài chính?)
9. How do business entities operating in Vietnam apply VASs? (Việc áp dụng VASs như thế nào ở các doanh nghiệp hoạt động tại Việt nam?)
 10. Do Vietnamese companies easily apply Vietnamese Accounting Standards (VAS) as required? (Các công ty có thuận lợi trong việc tuân thủ các chuẩn mực kế toán Việt Nam hay không?)
 11. Do you think the Vietnamese Accounting Standards be prepared and interpreted clearly enough for applying? (Ông (bà) có nghĩ rằng VASs được soạn thảo và hướng dẫn một cách rõ ràng cho việc áp dụng?)
 12. What are accounting treatments or policies required by VASs that make it difficult for accounting preparers to apply? (Những xử lý kế toán hoặc chính sách kế toán nào của VASs làm cho những người làm công tác kế toán khó áp dụng?)
 13. What issues should be supplemented or removed or changed in accounting requirements for preparing and presenting financial reporting? (Ông (Bà) vui lòng cho biết những vấn đề cần được bổ sung, hủy bỏ hoặc thay đổi trong việc soạn thảo và trình bày báo cáo tài chính?)
 14. What are remaining IFRSs (having not been implemented in Vietnam) that should be promptly issued in Vietnam in future? (Ông bà vui lòng cho biết những chuẩn mực kế toán quốc tế còn lại nào nên được sớm phát hành ở Việt Nam trong tương lai?)
 15. Can you please let me know the role of the Vietnam Accountant Association in the implementation of IFRSs in Vietnam? (Ông, Bà vui lòng cho biết vai trò của Hội Kế Toán trong việc áp dụng chuẩn mực kế toán tại Việt Nam.

Part 2

Suggested questions in the interview (for auditors) (Bản câu hỏi dự kiến trong phỏng vấn)

1. Do you think that Vietnam is ready to implement IFRSs? (Ông (Bà) có nghĩ rằng Việt Nam đã sẵn sàng để áp dụng IFRSs?)
2. Do you think that Vietnam needs to implement IFRSs? Why or why not? (Ông (Bà) nghĩ rằng Việt Nam có nên áp dụng chuẩn mực kế toán quốc tế không? Tại sao có hoặc tại sao không?)
3. What factors have influenced implementation of IFRSs in Vietnam? (Những nhân tố nào ảnh hưởng đến việc áp dụng IFRSs in Việt Nam?)
4. How should Vietnam implement IFRSs? Should Vietnam fully adopt IFRSs or implement selective standards or adjusted standards of IFRSs? (Việt nam nên áp dụng chuẩn mực kế toán quốc tế như thế nào? Việt Nam nên áp dụng toàn bộ IFRSs, hay chỉ áp dụng 1 số chuẩn mực, hay chỉ áp dụng dựa trên những chuẩn mực IFRSs khi đã được điều chỉnh)
5. What are common challenges when Vietnamese companies have implemented VAS since 2001? (Ông (bà) có thể cho biết những khó khăn phổ biến khi các công ty bắt đầu áp dụng những quy định kế toán mới được ban hành dựa trên chuẩn mực kế toán phát hành từ năm 2001?)
6. What are benefits, advantages and disadvantages from the implementation of VASs compared with the old accounting regime when VASs have been issued since 2001? (Những điểm thuận lợi và chưa thuận lợi khi áp dụng chuẩn mực kế toán so với hệ thống tài khoản kế toán cũ áp dụng trước năm 2001?)
7. How do you think about the quality of financial statements before and after implementing VASs since 2001? (Ông (bà) nghĩ như thế nào về chất lượng của báo cáo tài chính của doanh nghiệp phát hành trước và sau thời điểm Việt nam phát hành những chuẩn mực kế toán đầu tiên vào năm 2001?)

8. How do you think of the reasonable, suitable, and necessary aspects of the items required to present in the face of financial statements, especially in the Notes to financial reporting? (Ông (Bà) nghĩ như thế nào về khía cạnh hợp lý, thuận lợi và cần thiết trong việc thiết kế và trình bày các khoản mục trên báo cáo tài chính, đặc biệt là thuyết minh báo cáo tài chính?)
9. How do business entities operating in Vietnam apply VASs? (Việc áp dụng VASs như thế nào ở các doanh nghiệp hoạt động tại Việt nam?)
10. Do Vietnamese companies easily apply Vietnamese Accounting Standards (VAS) as required? (Các công ty có thuận lợi trong việc tuân thủ các chuẩn mực kế toán Việt Nam hay không?)
11. Do you think the Vietnamese Accounting Standards be prepared and interpreted clearly enough for applying? (Ông (bà) có nghĩ rằng VASs được soạn thảo và hướng dẫn một cách rõ ràng cho việc áp dụng?)
12. What are accounting treatments or policies required by VASs that make it difficult for accounting preparers to apply? (Những xử lý kế toán hoặc chính sách kế toán nào của VASs làm cho những người làm công tác kế toán khó áp dụng?)
13. What issues should be supplemented or removed or changed in accounting requirements for preparing and presenting financial reporting? (Ông (Bà) vui lòng cho biết những vấn đề cần được bổ sung, hủy bỏ hoặc thay đổi trong việc soạn thảo và trình bày báo cáo tài chính?)
14. What are remaining IFRSs (having not been implemented in Vietnam) that should be promptly issued in Vietnam in future? (Ông bà vui lòng cho biết những chuẩn mực kế toán quốc tế còn lại nào nên được sớm phát hành ở Việt Nam trong tương lai?)
15. Can you please let me know the role of the Vietnam Accountant Association in the implementation of IFRSs in Vietnam? (Ông, Bà vui lòng cho biết vai trò của Hội Kế Toán trong việc áp dụng chuẩn mực kế toán tại Việt Nam.
16. What are regular mistakes occurring in accounting treatments and typical errors of preparing and presenting financial statements having been found when you audited your clients since VASs were issued?

(Những lỗi thường gặp về hạch toán kế toán và sai sót phổ biến trong việc soạn thảo và trình bày báo cáo tài chính mà ông (bà) thường gặp khi thực hiện kiểm toán các doanh nghiệp?

Part 3

Suggested questions in the interview (for the accounting standard setters) (Bản câu hỏi dự kiến trong phỏng vấn)

1. Do you think that Vietnam is ready to implement IFRSs? (Ông (Bà) có nghĩ rằng Việt Nam đã sẵn sàng để áp dụng IFRSs?)
2. Do you think that Vietnam needs to implement IFRSs? Why or why not? (Ông (Bà) nghĩ rằng Việt Nam có nên áp dụng chuẩn mực kế toán quốc tế không? Tại sao có hoặc tại sao không?)
3. What factors have influenced implementation of IFRSs in Vietnam? (Những nhân tố nào ảnh hưởng đến việc áp dụng IFRSs in Việt Nam?)
4. How should Vietnam implement IFRSs? Should Vietnam fully adopt IFRSs or implement selective standards or adjusted standards of IFRSs? (Việt nam nên áp dụng chuẩn mực kế toán quốc tế như thế nào? Việt Nam nên áp dụng toàn bộ IFRSs, hay chỉ áp dụng 1 số chuẩn mực, hay chỉ áp dụng dựa trên những chuẩn mực IFRSs khi đã được điều chỉnh)
5. What are common challenges when Vietnamese companies have implemented VAS since 2001? (Ông (bà) có thể cho biết những khó khăn phổ biến khi các công ty bắt đầu áp dụng những qui định kế toán mới được ban hành dựa trên chuẩn mực kế toán phát hành từ năm 2001?)
6. What are benefits, advantages and disadvantages from the implementation of VASs compared with the old accounting regime when VASs have been issued since 2001? (Những điểm thuận lợi và chưa thuận lợi khi áp dụng chuẩn mực kế toán so với hệ thống tài khoản kế toán cũ áp dụng trước năm 2001?)
7. How do you think about the quality of financial statements before and after implementing VASs since 2001? (Ông (bà) nghĩ như thế nào về chất lượng của báo cáo tài chính của doanh nghiệp phát hành trước và sau thời điểm Việt nam phát hành những chuẩn mực kế toán đầu tiên vào năm 2001?)
8. How do you think of the reasonable, suitable, and necessary aspects of the items required to present in the face of financial statements, especially in the Notes to financial reporting? (Ông (Bà) nghĩ như thế nào về khía cạnh

- hợp lý, thuận lợi và cần thiết trong việc thiết kế và trình bày các khoản mục trên báo cáo tài chính, đặc biệt là thuyết minh báo cáo tài chính?)
9. How do business entities operating in Vietnam apply VASs? (Việc áp dụng VASs như thế nào ở các doanh nghiệp hoạt động tại Việt nam?)
 10. Do Vietnamese companies easily apply Vietnamese Accounting Standards (VAS) as required? (Các công ty có thuận lợi trong việc tuân thủ các chuẩn mực kế toán Việt Nam hay không?)
 11. Do you think the Vietnamese Accounting Standards be prepared and interpreted clearly enough for applying? (Ông (bà) có nghĩ rằng VASs được soạn thảo và hướng dẫn một cách rõ ràng cho việc áp dụng?)
 12. What are accounting treatments or policies required by VASs that make it difficult for accounting preparers to apply? (Những xử lý kế toán hoặc chính sách kế toán nào của VASs làm cho những người làm công tác kế toán khó áp dụng?)
 13. What issues should be supplemented or removed or changed in accounting requirements for preparing and presenting financial reporting? (Ông (Bà) vui lòng cho biết những vấn đề cần được bổ sung, hủy bỏ hoặc thay đổi trong việc soạn thảo và trình bày báo cáo tài chính?)
 14. What are remaining IFRSs (having not been implemented in Vietnam) that should be promptly issued in Vietnam in future? (Ông bà vui lòng cho biết những chuẩn mực kế toán quốc tế còn lại nào nên được sớm phát hành ở Việt Nam trong tương lai?)
 15. Can you please let me know the role of the Vietnam Accountant Association in the implementation of IFRSs in Vietnam? (Ông, Bà vui lòng cho biết vai trò của Hội Kế Toán trong việc áp dụng chuẩn mực kế toán tại Việt Nam.
 16. Currently, VASs has been issued totally 26 standards, a portion of IFRSs, could you tell me the plan of introducing full VAS? (Hiện nay, VASs chỉ phát hành 26 chuẩn mực, một phần của IFRSs, bạn có thể cho tôi biết kế hoạch phát hành đầy đủ các chuẩn mực kế toán Việt Nam?)
 17. At present, the Ministry of Finance is the authoritative body in preparing and issuing IFRSs. Could you tell me when does the Vietnam Accountant Association take the role? (Hiện nay, Bộ tài chính đảm nhiệm việc soạn

thảo và phát hành VASs, bạn có thể cho biết khi nào Hội Kế Toán Việt Nam có thể đảm nhiệm vai trò này?)

Appendix 6. 1 Comparison of the implementation of IASBF in Vietnam

IASBF		VNF		Comparison of the implementation (number of paragraphs)				
Para. No.	Content	Para. No.	Content	Similarity	Shortened	Divergence	Omission	Reference
1-11	Introduction							A6.2.1
1	Introduction	1	General			1		A6.2.1.1
2-3	Explanation	2	Explanation		2			A6.2.1.2.9
4	Framework revised		N/A				1	A6.2.1.2.10
5-8	Scope		N/A				4	A6.2.1.3.1-4
9-11	Users and their needs		N/A				3	A.6.2.1.4.1-3
12-21	The objective of financial statements		N/A				11	A6.2.2
22-23	Underlying Assumptions		Basic accounting principles					A6.2.3
22	Accrual basis	3	Accrual basis	1				A6.2.3.1
23	Going concern	4	Going concern	1				A6.2.3.2
24-46	Qualitative characteristics of financial statements		Basic accounting principles & requirements					A6.2.4.1
24	Definition of characteristics		N/A				1	A6.2.4.2
25	Understandability	14	Understandability	1				A6.2.4.3
26-28	Relevance		N/A				3	A6.2.4.4.1
29-30	Materiality	9	Materiality		2			A6.2.4.4.2
31-32	Reliability		N/A				2	A6.2.4.5.1

33-34	Faithful presentation	10	Faithfulness		1		1	A6.2.4.5.2
35	Substance over the form		N/A					A6.2.4.5.3
36	Neutrality	11	Objective	1				A6.2.4.5.4
37	Prudence	8	Prudence	1				A6.2.4.5.5
38	Completeness	12	Completeness		1			A6.2.4.5.6
39-42	Comparability	15	Comparability		4			A6.2.4.6
43-45	Constraints on Relevant and Reliable information							A6.2.4.7
43	Timeliness	13	Timeliness		1			A6.2.4.7.1
44	Balance between benefit and costs	11					1	A6.2.4.7.2
45	Balance between qualitative characteristics	16			1			A6.2.4.7.3
46	True and fair view/ fair presentation		N/A				1	A6.2.4.8
	N/A		Basic accounting principles					A6.2.4.9
	N/A	5	Historical costs			x		A6.2.4.9.1
	N/A	6	Matching principle			x		A6.2.4.9.2
	N/A	7	Consistency			x		A6.2.4.9.3
47-81	The elements of financial statements							A6.2.5
47	Definition of the elements	17	Definition of the elements		1			A6.2.5.1
48	Sub-classification of the elements		N/A				1	A6.2.5.1
49	Financial position:	18	Definition	1				A6.2.5.2.1

	definitions							
50	Explanation of the definitions		N/A				1	A6.2.5.2.2
51	Assessing assets, liabilities and equity	19	Explanation			1		A6.2.5.2.3
52	Exceptional cases		N/A				1	A6.2.5.2.4
53-59	Assets							A6.2.5.3
53	The definition of assets	20	The definition of assets	1				A6.2.5.3.1
54	Explanation of the definition		N/A				1	A6.2.5.3.2
55	Future economic benefits	21	Future economic benefits	1				A6.2.5.3.3
56	Physical and other forms of assets	22	Physical and other forms of assets	1				A6.2.5.3.4
57	Some special aspects of assets	23	Some special aspects of assets	1				A6.2.5.3.5
58	Explanation of forming assets	24	Explanation of forming assets	1				A6.2.5.3.6
59	Association between expenditure and assets	25	Association between expenditure and assets	1				A6.2.5.3.7
60-64	Liabilities							A6.2.5.4
60	Definition of a liability	26	Definition of a liability		1			A6.2.5.4.1
61	Distinction of obligation and commitment		N/A				1	A6.2.5.4.2
62	The settlement of a present obligation	27	The settlement of a present obligation		1			A6.2.5.4.3

63	Examples of liabilities	28	Examples of liabilities	1				A6.2.5.4.4
64	Provisions		N/A				1	A6.2.5.4.5
65-68	Equity	29	Equity		4			A6.2.5.5
69-73	Performance							A6.2.5.6
69	Interpretation of concept “profit”	30	Interpretation of concept “profit”		1			A6.2.5.6.1
70	Elements of income and expenses	31	Elements of income and expenses	1				A6.2.5.6.2
71	Criteria used to identify income and expenses		N/A				1	A6.2.5.6.3
72	Presentation of income and expenses	32	Presentation of income and expenses			1		A6.2.5.6.4
73	Interpretation of displaying income and expense	33	Interpretation of displaying income and expense	1				A6.2.5.6.5
74-77	Income	34 - 35	Revenues and other incomes		4			A6.2.5.7
78-80	Expenses	36 - 38	Expenses		3			A6.2.5.8
81	Capital Maintenance Adjustments		N/A				1	A6.2.5.9
82-89	Recognition of the elements of financial statements	39	Recognition of the elements of financial statements	1			2	A6.2.6
85	The probability of future economic benefit		N/A				1	A6.2.6.1
86-88	Reliability of measurement		N/A				3	A6.2.6.2
89-90	Recognition of	40 -	Recognition of	2				A6.2.6.3

	assets	41	assets					
91	Recognition of liabilities	42	Recognition of liabilities		1			A6.2.6.4
92-93	Recognition of income	43	Recognition of income	1			1	A6.2.6.5
94-98	Recognition of expenses	44 - 47	Recognition of expenses		4		1	A6.2.6.6
99-101	Measure of the elements of financial statements		N/A				3	A6.2.7
102-110	Concepts of capital and capital maintenance		N/A				9	A6.2.8
Total				19	32	3	56	110
In percent				17 %	29 %	3 %	51 %	100%

Keys: X stands for issues which are not stated in separate paragraphs of IASBF; N/A means Not Available; and Para stands for paragraph.

Appendix 6. 2 A detailed comparison between VNF and IASBF

A comparison in detail between the Framework (1989) of International Accounting Standard Board (IASBF) and the Vietnamese Framework (2002) (VNF)

This appendix aims to provide a full assessment on the implementation of IASBF through a comparison of every paragraph of IASBF and the corresponding one of VNF. In the comparison, the italic letters in quotation mark “...” are words exactly used in IASBF and VNF. The words that are in square brackets [] are terms added by the author which aim to make the meaning of sentences clearer or state the author’s comments. The bold letters are made by the author in order to emphasise important issues for attention.

To facilitate the comparison, appendix 6.2 is structured with titles and subtitles used in IASBF that include eight sections: comparison of the introduction of the frameworks (A6.2.1), the omission of objective of financial statements (A6.2.2), underlying assumption (A6.2.3), qualitative characteristics of financial statements (A6.2.4), the elements of financial statements (A6.2.5), recognition of the elements of financial statements (A6.2.6), the omission of measurement of the elements of financial statements (A6.2.7), the omission of concepts of capital and capital maintenance (A6.2.8). The summary of the comparison is provided in the final section (A6.2.9).

A6.2.1 Comparison of the introduction of IASBF and VNF

A6.2.1.1 Overall view

In the introductory section, VNF exhibits a few different issues from IASBF. Although the main contents of IASBF have been conveyed into VNF, VNF is shortened in some paragraphs and includes some additional issues when it is compared with IASBF. While the introduction to IASBF is comprised of eleven paragraphs and divided into three sub-sections including “*Purpose and status of the framework*” (A6.2.1.2), “*Scope of the framework*” (A6.2.1.3), and “*Users and their information needs*” (A6.2.1.4), the introduction of VNF has only two paragraphs, and apparently, no sub-sections. It could be argued that VNF has been selective in the implementation of IASBF. At first glance, the titles used in

IASBF and VNF are different. While the introductory section of IASBF is named “*The introduction*”, the title used in VNF is “*Nhung qui dinh chung*” (Vietnamese language) that means “*General regulations*”. Additionally, there is a difference between the Vietnamese language version and the English version of VNF in the title used. In the English version of VNF, the title is, namely “*general*”, only one term instead of “*general regulations*”. The different terms used in the title between VNF and IASBF are not important, because, normally, the content of a section is more important than its title. However, choosing an appropriate title can help readers to have a corresponding thinking of the content or purpose of the section. The difference between IASBF and VNF in the title, however, is not accidental in the opinion of the author. It introduces a significant difference in the point of view between the Vietnamese Accounting Standard Setting Group (VASG) and IASB in the content of the framework when the comparison is processed in detail. The difference includes the issues of omission of “external users” (A6.2.1.2.1), supplement of “business entities” (A6.2.1.2.2), namely VNF as Vietnamese Standard 01 (A6.2.1.2.3), “accounting regime” (A6.2.1.2.4), “keeping records” (A6.2.1.2.6) and “inspectors in accounting” (A6.2.1.2.7). In addition, there are many paragraphs of IASBF omitted from VNF such as sub-paragraphs 1b-1c (A6.2.1.2.5) and paragraph 4 (A6.2.1.2.10), paragraphs 6-8 (A6.2.1.3) and paragraphs 9-11 (A6.2.1.4). The addition of extra issues together with the omissions make VNF diverted from IASBF.

A6.2.1.2 Purpose and status of the framework

The “*purpose and status*” section of IASBF comprises four paragraphs 1 to 4, while the corresponding section of VNF is stated in two paragraphs 1 and 2.

IASBF, paragraph 1:

“*This framework set out the concepts that underlie the preparation and presentation of financial statement for **external users***”. The purpose of the framework is to:

(There are eight sub-paragraphs in this paragraph)

VNF, paragraph 1:

“*Muc dich cua chuan muc nay la qui dinh va huong dan cac nguyen tac va yeu cau ke toan co ban, cac yeu to va ghi nhan cac yeu to cua bao cao tai chinh cua doanh nghiep, nham*”: (Vietnamese language version). The sentence should be translated into English as “The purpose of **this standard** is to **regulate and instruct** the basic accounting principles and requirements, the elements of financial statements and the

	<p>recognition and presentation of these elements of financial statements of business entities in order to”:</p> <p>In the English version of VNF, the sentence is stated as “<i>The objective of this standard is to prescribe the basic accounting principles and requirements and the elements of financial statements and recognition of the elements in order to</i>”:</p> <p>[There are four sub-paragraphs in this paragraph]</p>
<p>Para. 1a: “assist the Board of IASC in the development of future IASs and in its review of existing International Accounting Standards (IASs)”</p>	<p>Para. 1a: “<i>lam co so xay dung va hoan thien cac chuan muc ke toan va cac che do toan cu the theo khuon mau thong nhat</i>” (Vietnamese language). The sentence should be understood as “set a basis to develop and improve accounting standards and accounting regime in detail under a unifying frame”.</p>
<p>Para. 1b: “Assist the Board of IASC in promoting international harmonisation of regulations...”</p>	<p>Not covered</p>
<p>Para. 1c: “Assist national setting bodies...”</p>	<p>Not covered</p>
<p>Para. 1d: “Assist preparers of financial statements in applying IASs and in dealing with topics that have yet to form the subject of an IAS”.</p>	<p>Para. 1b: Assist business entities in keeping records and preparing financial statements following established accounting standards and accounting regime in unifying and deal with issues that have not been defined in particular standards in order to ensure information having been presented truly and reasonably in financial statements.</p>
<p>Para. 1e: “Assist auditor in forming opinion...”</p>	<p>Para. 1c: Assist auditors and accounting inspectors in giving opinion on the compliance of financial statements with accounting standards and accounting regime.</p>
<p>Para. 1f: “Assist users of financial statements in interpreting...”</p>	<p>Para. 1d: Assist users of financial statements in interpreting the financial information disclosed in accordance with the accounting standards and accounting regime.</p>

Para.1g: *Provides those who are interested in the work of IASC about its approach to the formation of IASs.* | Not covered

Comments on paragraph 1:

Generally, the purpose and status of IASBF and VNF both aim to achieve similar goals such as to assist the stakeholders in the development of accounting standards, to prepare financial statements and to help auditors in forming opinions on financial statements. However, many contents of the four paragraphs of IASBF have been cut when those are conveyed into the two paragraphs of VNF. The elimination causes VNF to become unclear in content. In addition, there are eight sub-paragraphs in paragraph 1 of IASBF, while VNF comprises four sub-paragraphs. The following sub-sections provide additional issues stated in VNF which make it different from IASBF.

A6.2.1.2.1 The omission of the issue “external users” in VNF

The purpose of financial statement for external users is omitted when IASBF has been converted to VNF paragraph 1 (see further analysis of influences of the omission in section 6.2.2.1).

A6.2.1.2.2 The mention of “business entities” in VNF

The issue of “business entities” mentioned in paragraph 1 of VNF indicates a significant difference from IASBF. While IASBF does not mention financial statements prepared and presented by whom in paragraph 1, VNF explicitly states that the objectives of VNF aims to regulate and instruct the basic accounting principles, requirements and elements of financial statements of business entities. Actually, business entity is one of objectives applied the framework that is stated in paragraph 8 of IASBF. Paragraph 8 of IASBF says that “*the framework applies to the financial statements of all commercial, industrial and business reporting enterprises, whether in the public or the private sectors*”. The Vietnamese Accounting Standard Setting Group, in this circumstance, has mixed two paragraphs of IASBF by selecting ideas from paragraph 1 and 8 of IASBF to prepare paragraph 1 of VNF.

A6.2.1.2.3 VNF regarded as an accounting standard

The Vietnamese accounting standard setters have indicated that VNF is an accounting standard, namely standard 01 in the Vietnamese Accounting Standards (VASs), according to decision No. 165/2002/QĐ-BTC dated 31/12/2002 issued by the MOF.

A6.2.1.2.4 The mention of “accounting regime” in VNF

The term “accounting regime” is not only mentioned in paragraph 1a, but is also stated in paragraphs 1b, 1c and 1d. The mention of VNF which should be applied as the basis for preparing both accounting regimes and accounting standards indicates the role of the Vietnamese accounting regime similar to VASs in the Vietnamese accounting system. This mention reassures that VASs are not a single basis for accounting practice.

A6.2.1.2.5 The omission of sub-paragraphs 1b and 1c

The omission of two sub-paragraphs of IASBF when converted into VNF is reasonable because of the difference in position of the Vietnamese accounting setters from the IASB.

A6.2.1.2.6 The issues of “keeping records”

Sub-paragraph 1d of IASBF is conveyed into paragraph 1b of VNF. The main contents of both sub-paragraphs are similar, except that VNF has added “*keeping records*” as one of purposes of the framework and mentioned “*accounting regime*” together with further supporting words. This section focuses on the issue of “keeping records”, because “accounting regime” has been stated in section A6.2.1.2.4.

A6.2.1.2.7 The issue of “inspectors in accounting”

The issue “inspectors in accounting” is stated in sub-paragraph 1c of VNF which is conveyed from sub-paragraph 1e of IASBF. However, sub-paragraph 1e of IASBF does not mention “inspectors in accounting”. The content of VNF is quite similar to that of IASBF in this subparagraph. Both the sub-paragraphs say that the frameworks aim to assist auditors to give opinions, except that VNF has added a new idea of “*inspectors in accounting*” (“*nguoikiem tra ke toan*” in Vietnamese language).

A6.2.1.2.8 The omission of sub-paragraph 1g of IASBF

Paragraph 1g of IASBF is omitted from VNF. The omission of the paragraph in VNF makes it unclear for those who are interested in setting VASs and the Vietnamese accounting policies.

A6.2.1.2.9 Comparison of paragraphs 2 and 3 of IASBF

IASBF, paragraph 2-3:

Paragraph 2: *“This Framework is not an International Accounting Standard...”*
Paragraph 3: *“The Board recognises that in a limited number of cases which may be a conflict between the Framework and an International Accounting Standard (IAS). In those cases where there is a conflict, the requirements of the IASs prevail over those of the Framework. As, however, the Board of IASC will be guided by the Framework in the development of future Standards and in its review of existing Standards, the number of cases of conflicts between the Framework and IASs will diminish through time”.*

VNF, paragraph 2:

“The basic accounting principles, accounting requirements and elements of financial statements stated in the Standard [framework] are regulated in detail in specific accounting standards and **apply to all industrial entities in all economic sectors** in Vietnam”.
“The standard [framework], does not override any specific accounting standard in particular circumstances. Specific accounting standards are the basis for accounting practice. If the topics have yet to form the subject of a specific accounting standard, the framework will prevail”.
(The above paragraphs are translated by the author based on para.2 of the Vietnamese language version). The English language version says
“The accounting principles and requirements and the elements of financial statements which are prescribed in this standard and dealt with in individual accounting standards shall be applicable nationwide to enterprises of all economic sectors in Vietnam”
“The framework does not override any specific accounting standards, which shall apply in respective circumstances. If the topics have yet to form the subject of an accounting standard, the framework will prevail”.

Comments on paragraphs 2-3: Paragraph 2 of VNF is prepared on the basis of paragraph 2 and 3 of IASBF, but VNF has added some new issues and eliminated IASBF’s ideas. Firstly, the Vietnamese accounting setters repeat VNF as an “*accounting standard*”, while IASB confirms the framework is not an Accounting

Standard (paragraph 2 of IASBF) (see further discussion on the issue of VNF namely as accounting standard in section A6.2.1.2.3). The omission of idea “*this framework is not an accounting standard*” is significant, because it exhibits a different recognition by the Vietnamese accounting authority bodies of the role of accounting framework. However, the English language version of VNF has used the term “Framework”. It exhibits the inconsistency between the Vietnamese language version and the English language version of VNF. Secondly, VNF has added the scope of implementation of VNF that are “all business entities and all economic sectors in Vietnam” while IASBF does not mention it. Thirdly, VNF in the English language version is also unclear in its contents when it is compared with the Vietnamese version (section A6.2.1.2.9). The English version of VNF does not mention explicitly that “*Specific accounting standards are the basis for accounting practice*” as having been stated in the Vietnamese language version. Those make VNF different from IASBF, especially for international users.

A6.2.1.2.10 The omission of paragraph 4 of IASBF

Paragraph 4 of IASB which says “*framework will be revised from time to time on the basis of the Board’s experience of working with it*” is completely not covered in VNF.

Comments: The disappearance of the paragraph has not been addressed by the Vietnamese Accounting Standards Setting Group (VASG). The reason is probably that it is the first version of the Vietnamese framework, and VASG is in the process of issuing all VASs. Therefore, the expected date of issuing the second version is un-known.

A6.2.1.3 Scope of the frameworks

The section comprises four paragraphs (from paragraphs 5 to 8) in IASBF, but no separate paragraphs stated in VNF, although a few contents of IASBF have been conveyed into VNF.

A6.2.1.3.1 The omission of paragraphs 5 of IASBF

Paragraph 5 of IASBF deals with 4 issues consisting of (1) the objective of financial statements, (2) the qualitative characteristics, (3) the definition,

recognition, and measurement of the elements of financial statements, (4) and the concepts of capital and capital maintenance. It is omitted from VNF.

Comments: While this paragraph identifies clearly what contents of IASBF will be stated in following sections onwards, such contents have not been identified explicitly in VNF. This omission might lead VNF to the circumstance in which the subject matters and structure of VNF are not clear. In fact, subsequent sections of VNF convert a portion of contents of IASBF stated in paragraph 5. Those include category (b): the qualitative characteristics of information (section A6.2.4) and (c): the definition, recognition and measurement of elements of financial statements (A6.2.5 and A6.2.6). The remaining contents in paragraph 5 of IASBF, including category (a) and (d) have not been converted into VNF. However, some minor issues of IASBF have been implemented in VNF such as “*Historical costs*” (section A6.2.4.8) and “*Matching principle*” (A6.2.4.9). The omission of paragraph 5 in VNF is significant because it makes VNF unclear about its main subjects and structure that need to be focussed on VNF.

A6.2.1.3.2 The omission of paragraphs 6 of IASBF

Paragraph 6 of IASBF provides “general purpose financial statements”, but it is completely omitted from VNF.

Comments: In this paragraph, IASBF provides many important concepts and issues relating to general purpose financial statements, such as the duration of financial statement (at least annually), style of information and users of financial reports. This omission from VNF is significant. It makes VNF inconsistent in the term of identifying underlying accounting concepts for setting other Vietnamese standards and accounting regulations.

A6.2.1.3.3 The omission of paragraphs 7 of IASBF

Paragraph 7 of IASBF introduces the concept “financial statements” and their elements. It also explains supplementary materials which should be presented together with financial statements. This paragraph also gives examples to illustrate those circumstances. However, it is completely omitted from VNF.

Comments: This omission is very significant. By the omission, VNF has almost lost the opportunity to introduce fundamental concepts for setting other specific

accounting standards. The subsequent sections of VNF discuss elements of financial statements such as assets, liabilities, and equity, but fundamental definitions of a set of financial statements are still not mentioned. It is likely that the VASG would think that the detail of financial statements will be introduced in the standard of preparing and presenting financial statement (VAS 21). There is, therefore, no need to state those issues in VNF. The omission provides evidence to support the argument that VNF is an accounting standard as thought by the setters. It could be argued that by the limit on its content, VNF is difficult to take a full role of specifying accounting concepts as its function.

A6.2.1.3.4 Comparison of paragraphs 8 of IASBF

Paragraph 8 of IASBF has no corresponding paragraph in VNF, but some ideas of paragraph 8 of IASBF are used in paragraph 1 of VNF such as business entities (section A6.2.1.2.2).

A6.2.1.4 Users and their financial information needs

Three paragraphs 9, 10 and 11 of IASBF discuss the users of financial information, common information presented on financial statement and the duty of the management board, but not all have been converted to VNF.

A6.2.1.4.1 The omission of identifying users of financial statements

Paragraph 9 of IASBF identifies the users of financial statements, but it is omitted from VNF. The omission is significant. The Vietnamese accounting setters need to realise the main users of financial statements in order to identify information which should be prepared and presented in the financial statements. In addition, analysing demands of the users in financial information might help the standard setters understand clearly the goal and method of the implementation of IFRSs in Vietnam.

A6.2.1.4.2 The omission of identifying common information of financial statements

Paragraph 10 of IASBF states that information presented in the financial statements should meet common demands. Although the issue of providing common information in financial statement has been mentioned in earlier paragraphs, this paragraph stresses how to identify information that meets all

common demands. Therefore, the paragraph should be presented in the Vietnamese framework.

A6.2.1.4.3 The omission of identifying the duty of management board

Paragraph 11 of IASBF explains the duty of management in enterprises of preparation and presentation of financial statements, but it is not covered in VNF. This paragraph also indicates what kind of management information should be presented, or not be stated, in financial statements. This omission is significant. It can make financial statements become unclear in terms of identifying the responsibility of management board and the boundary of management information presented in financial statements. This is evidence of institutional influence on personnel, because there are other Vietnamese legislative documents which promulgate the duty of those who prepare, present and verify financial statements (see 3.5.3.3).

A6.2.2 The omission of the objective of financial statements

There are 10 paragraphs of IASBF (from paragraph 10 to 21) which state many issues relating to the objective of financial statements, but all are completely omitted from VNF. The omission of scope, users and their information, and the objective of financial statements indicate that the Vietnamese framework loses the main issues of a framework. While IASBF states (in paragraph 1) that the purpose of financial statements is for external users, VNF has not clearly stated the purpose of Vietnamese financial statements (see A6.2.1.2.1). It may explain the reason why the VASG has still clarified the objective of Vietnamese financial statements and leads to this omission. The objective of Notes to financial statements and supplementary documents has also been omitted. The omission of this section makes Vietnamese authority lack a firm foundation to set up other accounting standards.

A6.2.3 Underlying assumptions

There is a difference between VNF and IASBF in the concept of accounting assumptions in accounting. Both “*Accrual basis*” and “*Going concern*” are regarded as the Vietnamese basic accounting principles in VNF instead of the accounting assumptions in IASBF. Totally, VNF provides seven basic accounting

principles. Together with “*Accrual basis*” and “*Going concern*”, the five remaining qualitative characteristics of financial statements of VNF are “*historical costs, matching principle, consistency, prudence and materiality*” (see section A6.2.4.1). This issue shows a completely difference in acknowledgement of the accounting assumption and qualitative characteristics of the VASG from the IASB. The implementation of the concepts is as follows.

A6.2.3.1 Accrual basis

Paragraph 22 of IASBF which provide the definition and explanation of concept “Accrual basis” are partly conveyed in paragraph 03 of VNF.

Comments: The contents of paragraph 3 of VNF are close to those of paragraph 22 of IASBF, but paragraph 23 was trimmed in some sentences when it was transferred in paragraph 3 of VNF. The Vietnamese paragraph lacks the statement of “*In order to meet their objective, financial statements are prepared on the accrual basis of accounting*”. Additionally, while IASBF has two last sentences in the paragraph used to explain further the difference between the cash basis and the accrual basis, the corresponding sentence in VNF seems to be unclear for the target as an explanatory sentence when it discusses the time scale of the financial statements.

A6.2.3.2 Going concern

IASBF, paragraph 23:

Going concern

The assumption that enterprises are “*going concern and will continue in operation for foreseeable future*”

VNF, paragraph. 04:

Going concern

Financial statements are normally prepared on the assumption that an enterprise is a going concern and will continue business for a **near** future. Hence, it is assumed that...

Comments: In this paragraph, VNF fully conveys the contents of IASBF. There is a small difference in the Vietnamese version of VNF and IASBF when those mention the time for business operating. While VNF uses “*tuong lai gan*” (Vietnamese language) that means “near future”, IASBF uses “foreseeable future”. The Vietnamese version has a clearer meaning, because of suggesting an estimated duration. However, the English version of VNF also uses the term “*foreseeable future*” similar to the term used in IASBF. The difference between

the Vietnamese version and the English version of VNF shows the challenge in translation in the process of implementation of IFRS in Vietnam.

A6.2.4 Qualitative characteristics of financial statements

A6.2.4.1 Overall view

The section “*qualitative characteristics*” of IASBF (paragraphs 24-46) and the corresponding section of VNF (paragraphs 3-16) are different in contents and structure, although both encompass many paragraphs having similar titles and containing contents similar to each other. Firstly, it is different in the title of the section. While the section of IASBF is named as “*Qualitative characteristics of financial statements*”, the corresponding section of VNF is called as “*basic accounting principles*” (paragraphs 3-9) and a proportion of IASBF namely “*Vietnamese accounting requirements*” (paragraphs 10-16). The contents stated in both IASBF and VNF are also different. Secondly, in term of structure, IASBF begins with the definition of qualitative characteristics (A6.2.4.2) and then continues with five main qualitative characteristics of information in financial statements including “*Understandability* (A6.2.4.3), *Relevance* (A6.2.4.4), *Reliability* (A6.2.4.5), *Comparability* (A6.2.4.6), and *Constraints of relevant and reliable information* (A6.2.4.7)”. A qualitative characteristic of IASBF might comprise many details. “*Reliability*”, for example, includes “*Faithful Representation*”, “*Substance over Form*”, “*Neutrality*”, “*Prudence*” and “*Completeness*”. The corresponding paragraphs of VNF raise seven “*Vietnamese basic accounting principles*” (A6.2.4.9). Some of remaining qualitative characteristics of IASBF are regarded as the “*Vietnamese accounting requirements*”. Those requirements encompass “*Faithfulness*” (A6.2.4.5.2), “*Objective*” (A6.2.4.5.4), “*Completeness*” (A6.2.4.5.6), “*Timeliness*” (A6.2.4.7.1), “*Understandability*” (A6.2.4.3) and “*Comparability*” (A6.2.4.6). VNF omits some qualitative characteristics of IASBF such as “*Relevance*, *Substance over form*, *Balance between benefit and cost*, *Balance between characteristics*”, and “*True and fair view/ fair presentation*”. The differences lead VNF to divergence from IASBF and also make it difficult for accountants to follow the standards, especially for those who are familiar with IFRSs. The

omission raises an issue whether the Vietnamese framework is consistent and clear enough to provide underlying concepts for accounting standards.

A6.2.4.2 Definition of qualitative characteristics

Paragraph 24 of IASBF provides the definition of qualitative characteristics and introduction to four qualitative characteristics. However, it is fully omitted from VNF.

Comments: While the paragraph of IASBF explains the meaning of terms “*Qualitative Characteristics*” and four principal qualitative characteristics including understandability, relevance, reliability, and comparability, VNF has presented no issue. This paragraph is necessary because it provides a general view of qualitative characteristics of information and its structure of following paragraphs in the section. The omission is significant.

A6.2.4.3 Understandability

The main content of paragraph 25 of IASBF is conveyed in paragraph 14 of VNF.

Comments: Paragraph 14 of VNF is quite similar to that of IASBF. However, the Vietnamese paragraph says “*information presented in financial statements should be straight-forward and understandable*” which is little different from “*information is readily understandable by users*” as stated in IASBF. In addition, paragraph 14 of VNF is not clear in the level of the complexity of information presented in financial statements because the next sentence of the Vietnamese paragraph just says that “*complex matter*” should be explained in the notes to financial statements.

A6.2.4.4 Relevance

Concept “*Relevance*” is stated in five paragraphs of IASBF from paragraph 26 to paragraph 30.

A6.2.4.4.1 Definition and explanation of “Relevance”

Three paragraphs 26, 27 and 28 of IASBF provide definition and explanation of the concept “*relevance*”, but all are omitted from VNF.

Comments: While IASBF identifies how “*Relevance*” of information should be prepared and presented in financial statements and also explains special aspects of financial information, VNF fully omits those paragraphs of IASBF. Actually, the Vietnamese language version of VNF provides a basic accounting principle, namely “*Phu hop*” (Vietnamese language) which should be translated into “*Relevance*” in the English language. However, the content of the accounting principle “*Phu hop*” is completely different from the definition and explanation of IASBF, because it contains the meaning of the “*matching principle*” stated in IASBF (see section A6.2.5.2). This concept in the English language version of VNF is called “*Matching principle*”. The omission of the qualitative characteristic “*Relevance*” makes VNF different from IASBF and weakens the role of VNF as underlying accounting concepts.

A6.2.4.4.2 Materiality

Contents of paragraph 29 and 30 of IASBF are conveyed to paragraph 9 of VNF.

Comments: The main contents of both paragraphs introducing *Materiality* are quite similar. Although VNF mainly conveys the contents of paragraph 30 of IASBF, it exposes some omissions, mostly in paragraph 29 of IASBF. Both VNF and IASBF say that “*Materiality*” depends on the size of an item or error judged in particular circumstances. However, VNF has not mentioned the nature of information which is also influenced the “*materiality*” characteristic of information of financial statements as stated in paragraph 29. IASBF says “*in some cases, the nature of information alone is sufficient to determine its relevance*”. The most different issue between IASBF and VNF is that VNF mentions *materiality* as a Vietnamese accounting principle instead of a characteristic of financial information as stated in IASBF. In addition, while IASBF emphasises “*materiality*” in its quantitative aspect, VNF mentions *Materiality* in both sides: qualitative and quantitative. The definition of VNF, which aims to represent both aspects of *Materiality*, is probably better, because it helps preparers provide high quality information to users. Unfortunately, some particular Vietnamese accounting policies in practice are not consistent with the framework. For example, up to 2010, the MOF has still required that an asset having a value of Vietnam Dong 10,000,000 (equivalent to £330) or more is

recognised as a fixed asset. This regulation is not reasonable at large entities in which many tools and office equipment are worth more than that amount.

A6.2.4.5 Reliability

The concept “reliability” is stated in nine paragraphs of IASBF, from paragraph 31 to paragraph 38, but only a few paragraphs of IASBF are transferred to VNF.

A6.2.4.5.1 Definition and explanation of “Reliability”

Paragraphs 31 and 32 of IASBF provide the definition and explanation of “*Reliability*”, but those are omitted from VNF.

Comments: The concept “*Reliability*” is one of the important characteristics of information which provides a scope of financial information and helps accounting preparers focus on essential information for users. The omission might lead VNF to inconsistency. It is likely that the Vietnamese accounting setters thought that if information has integrity (stated below) it should have reliability. Hence, the characteristic is omitted from the Vietnamese framework.

A6.2.4.5.2 Faithful representation

Paragraphs 33 and 34 of IASBF which provide the definition and explanation of concept “Faithful representation” are partly conveyed to paragraph 10 of VNF.

Comments: Such paragraphs of VNF and IASBF are quite similar in terms of meaning, but paragraph 10 of VNF is trimmed in many sentences of the two paragraphs of IASBF. Particularly paragraph 34 of IASBF seems to be almost entirely omitted. While the concept “*Faithful representation*” stated in IASBF is mentioned as an aspect of characteristics of information, the concept “*Faithfulness*” is regarded as a requirement of Vietnamese accounting information. This is a difference in recognition of characteristics of financial information between IASB and the Vietnamese accounting standard setters. In addition, the term “*Integrity*” used in the English language version contains a little difference from the term of “*Trung thực*” which means “*Faithfulness*” in the Vietnamese language version. This should be a challenge for the translation.

A6.2.4.5.3 Substance over form

Paragraph 35 of IASBF which provides the concept “substance over form” is not conveyed to VNF.

Comments: It is likely that the VASG thought that “*Substance over form*” is not necessary or no need to present it separately. As a result, the characteristic is omitted from the Vietnamese framework. The omission maybe derives from the cultural management of the State in the Vietnamese economy in which SOEs are the key sector and SOEs have to strictly follow the government’s rules when preparing and presenting their reporting.

A6.2.4.5.4 Neutrality

Paragraph 36 of IASBF is conveyed to paragraph 11 of VNF.

Comments: The main contents of both are nearly similar. While the paragraph of IASBF provides the requirement of “*Neutrality*” and explains neutral information, VNF uses the term “*Objective*” and interprets the recognition of “*Objective*” information. It is clear that there is a certain difference between “*Neutrality*” and “*Objective*”. In addition, paragraph 11 in the English version of VNF is too brief that is “*Accounting information should be factual, truthful, and unbiased*”. Actually, paragraph 11 of the Vietnamese version contains a better meaning as it states “*Các thông tin và số liệu kế toán phải được ghi chép và báo cáo trên cơ sở các bằng chứng đầy đủ, khách quan và đúng với thực tế về hiện trạng, bản chất nội dung và giá trị của nghiệp vụ kinh tế phát sinh*”. The statement should be translated into the English language as “*Accounting information and figures must be recorded and reported in basis of sufficient, neutral and reliable evidence which is compliant with the substance and economic reality of accounting transactions and events in practice*”. Therefore, VNF is not much different from IASBF in this case. The difference between the Vietnamese language version and English version of VNF shows the challenge of translation.

A6.2.4.5.5 Prudence

Paragraph 37 of IASBF is conveyed to paragraph 08 of VNF.

Comments: This is one of the few paragraphs of VNF which contain the same content stated in IASBF.

A6.2.4.5.6 Completeness

Paragraph 38 of IASBF is conveyed to paragraph 12 of VNF.

Comments: paragraph 12 of VNF says “*transactions arising in an accounting period should be completely recorded and reported*”. The statement indicates that it has a similar target to the paragraph of IASBF. However, the recognition of how a transaction is completed has not been provided in VNF. This is a common circumstance incurred in VNF in which contents of IASBF are often trimmed. Those lead to unclear meaning in VNF.

A6.2.4.6 Comparability

Four paragraphs 39, 40, 41 and 42 of IASBF which provide the concept “Comparability” are conveyed only into paragraph 15 of VNF. Paragraph 15 in the Vietnamese language version should be translated into English as follows. “*Accounting information among accounting periods of an entity and among entities is able to compare only when the information is prepared and presented in consistency. In the case of inconsistency occurred, the entities must disclose the changes and the effects of such changes in the Notes to financial statements in order to help users be able to compare financial information among accounting periods and among business entities or between actual result and plan of the entities*” (this translation is provided by the author). However, paragraph 15 in the English language version is “*Accounting information should be presented in consistent manner in order to interpret the enterprise’s financial performance for a period in relation with other enterprises. Otherwise, explanatory notes should be used to disclose the inconsistency to facilitate comparison by users of the enterprise’s accounting information with other enterprises, of current period with the prior periods and of the financial performance with the budget plan*”. Some issues between the two versions are notable as follows.

Comments: VNF has conveyed the main contents and omitted many issues of IASBF. VNF contains many issues which should be more clearly explained. Firstly, VNF mentions the comparability of the enterprise’s performance, but omits the comparability of information on financial position and changes in financial position of business entities (stated in paragraph 42 of IASBF). This omission from VNF might derive from the influence of Vietnamese regulations

related to SOEs, because the operating results of a SOE are assessed on the basis of items presented in the report of performance (income statement) of the enterprise such as sale, profits and expenses. It is notable that salary and bonus funds for employees and managers of a SOE in Vietnam are dependent on its operating results in which its items related to profit are the key factors, according to Decree No.03/2001/ND-CP, dated 11/01/2001 issued by the Prime Minister. This evidence exhibits the influence of Vietnamese institutions in the implementation. Secondly, VNF has conveyed poorly the ideas stated in IASBF. In addition, there are some differences between the Vietnamese language version and the English version. The content stated in the English language version is quite better, although the standard setters have used the term “*to interpret*” instead of “*to compare*”. If the term “*to compare*” was used, it would convey well the meaning of IASBF. This is a challenge for the implementation of IFRSs because of language difference. Thirdly, the Vietnamese framework omits all contents of paragraph 41, 42 and a proportion of paragraph 40 of IASBF. The omission is significant, because those provide many useful pieces of information to improve the comparability characteristics of financial statements. Therefore, although the main contents of IASBF has been conveyed in the Vietnamese framework, the Vietnamese framework still omits many aspects which help accounting users fully achieve the characteristic “*comparability*” of financial information.

A6.2.4.7 Constraint on Relevant and reliable information

A6.2.4.7.1 Timeliness

Paragraph 43 of IASBF is conveyed to paragraph 13 of VNF. The full text of paragraph 13 is “*accounting information should be reported on a timely basis, i.e. on or before the date due*”

Comment: The main content of IASB’s framework has been conveyed, but VNF is too short and omits many explanatory sentences of IASBF. For example, such statements of IASBF as balance between relevance and reliability, and how to provide the best quality information etc. have been trimmed in VNF.

A6.2.4.7.2 Balance between benefit and cost

Paragraph 44 of IASBF is completely omitted from VNF.

Comments: The omission is not significant, because it does not affect the quality of financial information. However, a framework which takes the role of underlying accounting concepts and the basis for setting accounting standards should introduce the issue to limit extra requirements exceeding the necessary needs.

A6.2.4.7.3 Balance between qualitative characteristics

Paragraph 45 of IASBF is conveyed to paragraph 16 of VNF. The full text of paragraph 16 is “*The requirements on accounting information prescribed in the preceding paragraph 10, 11, 12, 13, 14 and 15 should be exercised simultaneously*”.

Comments: In the paragraph, VNF contains issues similar to the main points of the corresponding paragraph of IASBF when VNF also requires that enterprises need balance among qualitative characteristics. However, VNF omits to mention the importance of each characteristic in any particular case which needs professional judgment. The flexible regulation can bring a better result if it is conducted correctly, but can also lead to a disaster if it is carried out poorly. It depends on the ability and knowledge of people who implement the regulation. In Vietnam, the omission could be acceptable because it lacks a professional judgment board when accountant needs advisory guide in specific cases. Presently, MOF has to solve all matters relating to Vietnamese accounting standards and policies.

A6.2.4.8 True and fair view/ fair presentation

Paragraph 46 of IASBF is completely omitted from VNF.

Comments: True and fair presentation is an important concept, but it is not introduced in VNF. Actually, this concept is presented in the Vietnamese Auditing Standards.

A6.2.4.9 Vietnamese basic accounting principles

This section provides three extra paragraphs of VNF which are the Vietnamese basic accounting principles. Those paragraphs are not stated in separate

paragraphs of IASBF. Those principles are “*Historical cost*” (A6.2.4.9.1), “*Matching principle*” (A6.2.4.9.2), “*Consistency*” (A6.2.4.9.3). Totally, there are seven Vietnamese basic accounting principles stated in VNF. The remaining ones of Vietnamese accounting principles are comprised of “*Accrual basis*” (A6.2.3.1.1), “*Going concern*” (A6.2.3.1.2), “*Prudence*” (A6.2.4.5.5) and “*Materiality*” (A6.2.4.4.2). Unless two Vietnamese principles are regarded as accounting assumptions of IASBF, the remaining Vietnamese accounting principles are stated in different sections of IASBF. For example, “*Materiality*” is stated in the section “*Relevance*” (A6.2.4.4), while “*Prudence*” is a characteristic of “*Reliability*” (A6.2.4.5) and “*Matching principle*” is an issue of “*Recognition of expenses*” (A6.2.6.6). Similarly, “*Historical cost*” is a method of “*Measurement of the elements of financial statements*” (A6.2.7). The selective method of the implementation makes VNF diverted from IASBF in both content and structure.

A6.2.4.9.1 Historical cost

“*Historical costs*” has not been encompassed in the section of “*qualitative characteristic of financial information*” of IASBF, but it is stated in a separate paragraph of VNF (paragraph 5). Actually, “*Historical cost*” is a method of accounting measurement which is stated in paragraph 100 of IASBF. “*Historical cost*” principle of VNF requires that historical cost of an asset should not be changed unless there is a different regulation in detailed accounting standards. It is notable that the Vietnamese accounting regime also requires entities operating in Vietnam should apply the historical cost principle in acquisition of an asset, and the asset is revalued only when the entities have approval from the authoritative bodies. This regulation might explain the appearance of historical cost in VNF. The implementation of IASBF in this way makes VNF different from the original framework.

In addition, by choosing “*Historical cost*” as the only method of accounting measurement in VNF, the Vietnamese accounting setters have limited the accounting measurement methods applied to Vietnamese accounting. According to the IASB’s framework, “*historical cost*” is stated in paragraph 99-101 titled “*Measurement of the Elements of Financial Statements*” in which four

measurement methods are introduced: “*historical cost, current cost, realisable value, and present value*”. Applying only historical cost method might make difficulties for many international entities when those consolidate their financial statements, especially as Vietnam wants to integrate deeply into the economic world.

A6.2.4.9.2 Matching principle

“*Matching principle*” is stated in paragraph 6 of VNF. The main content of its principle says that “*revenues should be recorded in matching with expenses occurred in the financial period*”. Actually, this idea is stated in paragraph 95 of IASBF. Paragraph 6 of VNF is an additional paragraph of VNF. It exhibits a different recognition and method of the implementation of IFRSs. It is notable that in the Vietnamese language version, the title of this paragraph is called “phụ hop” which means “*relevance*” in English language. However, the content of this paragraph as explained above is completely different the original “*relevance*” stated in IASBF. This issue is really difficult for the Vietnamese users who have to read IASBF translated into Vietnamese language, because the content of “*relevance*” in IASBF is completely different. Therefore, the circumstance can make accounting users confuse when they briefly read the titles or structure of VNF.

A6.2.4.9.3 Consistency

Paragraph 7 of VNF says “*Accounting policies and methods consistently applied at least one annual financial period. In the circumstance of incurring any change in those policies, reasons and the effects of such change should be explained in the Note to financial statements*”. This is an extra issue added to VNF compared with IASBF. Actually, *Consistency* as a requirement of financial statements is stated in paragraph 27 of the IAS 1. Such particular aspect of VNF makes it divert from IASBF.

A6.2.5 The elements of financial statements

A6.2.5.1 Definition of the elements of financial statements

Paragraph 47 of IASBF is conveyed to paragraph 17 of VNF. Full text of paragraph 17 is “*Financial statements present the financial position and*

performance results of an enterprise by grouping financial transactions into elements according to their economic characteristics. The elements directly related to the measurement of the financial position in the balance sheet are assets, liabilities, and equities, and those elements directly related to the measurement of performance results in the income statement are revenues, expense, and incomes”.

Comments: VNF has not given a full definition or explanation for the term that is called the elements of financial statements. In addition, VNF mentions that the elements are financial transactions while IASBF considers both of financial transactions and events that can be grouped in the basis of economic characteristics into the elements. VNF also omits to state the changes in financial position of the entity (statement of cash flow) as a part of the elements of financial statement. Furthermore, while IASBF states elements which are formed by **broad classes** of financial transactions and events such as assets, and liabilities, VNF does not mention the concept. The mention of the term “broad classes” helps to introduce another term “sub-classification” used in the next paragraph of IASBF. Those concepts help accounting users to define financial statements and the elements of financial statements. It could be argued that while the IASB provides the concept, definition and explanation for the elements of financial statements for users, the Vietnamese paragraph has not conveyed the full ideas of the IASB stated in paragraph 47.

In addition, paragraph 48 of IASBF is completely omitted from VNF.

Comments: Paragraph 48 of IASBF is necessary, because it states that the elements of financial statements need to be sub-classified to display the most useful information for users making economic decisions. Unfortunately, VNF omits the paragraph. Therefore, the new idea on “sub-classification” of the elements has not been conveyed in VNF. It might make VNF poorer than IASBF in the aspect of providing underlying concepts for preparing other accounting standards.

A6.2.5.2 Financial position

There are four paragraphs of IASBF (paragraph 49-52) which state the concept “*Financial position*”. VNF has conveyed two of them as follows and also trimmed many ideas of IASBF in this section.

A6.2.5.2.1 Definition of assets, liabilities and equity

Paragraph 49 of IASBF is conveyed to paragraph 18 of VNF.

Comments: Both paragraphs provide the definition of assets, liabilities and equity. This paragraph of VNF is similar to that of IASBF.

A6.2.5.2.2 Additional explanation of the definition

Paragraph 50 of IASBF is completely omitted from VNF.

Comments: Paragraph 50 of IASBF provides additional explanation of the definition of elements of financial position, but it is completely omitted from VNF. The omission makes it unclear. It becomes difficult to implement those concepts in practice.

A6.2.5.2.3 Assessing assets, liabilities and equity

Paragraph 51 of IASBF is conveyed to paragraph 19 of VNF. The full text of paragraph 19 is “*In assessing whether an item meets the definition as an asset, liability or equity, attention needs to be given to its ownership title and economic reality. In some circumstance, however, assets that are not legally owned by the enterprise are presented in its financial statements by reason of economic reality*”.

Comments: In the Vietnamese framework, although some of the contents of the IASBF has been conveyed, VNF has not clearly stated all content of IASBF and its intention. While IASBF wishes to stress that “*underlying substance and economic reality*” of an asset or liability is important, and “*not merely its legal form*”, VNF just mentions “*reason of economic reality*”. In addition, there is a slight different between IASBF and VNF in content when the Vietnamese paragraph says users should equally pay attention on the “*ownership title and economic reality*”. VNF also omits the factor of “*underlying substance*” when recognising an asset or a liability. All of the differences take a part to make a gap between IASBF and VNF.

A6.2.5.2.4 Exceptional cases

Paragraph 52 of IASBF is completely omitted from VNF.

Comments: In fact, the Vietnamese government has implemented the idea presented in paragraph 52 of the IASB's framework. The Vietnamese balance sheet includes a statement, namely "*Off balance sheet statement*". Categories presented in the statement are accounting figures that closely relates with the financial position of the entity, such as receivables written up, and goods consigned at the entity. The omission indicates that the Vietnamese framework lacks a firm background for setting the Vietnamese accounting standards and policies.

A6.2.5.3 Assets

In this section, IASBF encompasses seven paragraphs (from paragraph 53 to paragraph 59), while VNF includes six paragraphs (from paragraph 20 to paragraph 25). The key contents of the IASB's framework in assets have been conveyed in VNF.

A6.2.5.3.1 The definition of assets

Paragraph 53 of IASBF is conveyed to paragraph 19 of VNF. Full text of paragraph 20 is "*The future economic benefits embodied in an asset represent the potential contribution to the flow of cash and cash equivalents to, or the potential reduction of cash outflows from, the enterprise*".

Comments: The Vietnamese framework is quite similar to IASBF. The main content of IASBF's paragraph is conveyed to the Vietnamese framework. However, the Vietnamese framework is trimmed in some sentences of the IASB's framework which explain the definition of asset and give examples. Therefore, IASBF is easier to understand than VNF when reading.

A6.2.5.3.2 Additional explanation of asset

Paragraph 54 of IASBF is completely omitted from VNF.

Comment: Paragraph 54 provides further explanation of the employment of an asset in operating of entities. This paragraph is completely omitted from VNF.

The omission makes VNF shortened supporting ideas which help users understand the framework thoughtfully.

A6.2.5.3.3 The ways of future economic benefits of assets flowing to the entities

Paragraph 55 of IASBF is conveyed to paragraph 21 of VNF.

Comments: The content of the Vietnamese paragraph is completely the same as the IASB's paragraph.

A6.2.5.3.4 Physical and other forms of assets

Paragraph 56 of IASBF is conveyed to paragraph 22 of VNF.

Comments: The content of paragraph 22 of VNF is similar to that of IASBF.

A6.2.5.3.5 Some special aspects of assets

Paragraph 57 of IASBF is conveyed to paragraph 23 of VNF.

Comments: Content of the Vietnamese paragraph is nearly the same as the IASBF paragraph.

A6.2.5.3.6 Forming a asset

Paragraph 58 of IASBF is conveyed to paragraph 24 of VNF.

Comments: The main contents of the IASBF paragraph have been conveyed in the Vietnamese framework, but they have been trimmed some explanations. However, the key meaning introduced by the IASB's framework is presented clearly in the Vietnamese framework. Hence, the omission is not significant.

A6.2.5.3.7 Association between incurring expenditure and generating assets

Paragraph 59 of IASBF is conveyed to paragraph 25 of VNF.

Comments: The IASBF paragraph is presented briefly in the Vietnamese framework, but the main contents are conveyed. Therefore, the omission in the Vietnamese framework is not significant.

A6.2.5.4 Liabilities

Relating to this section, there are five paragraphs (from paragraph 60 to paragraph 64) of IASBF, while VNF encompasses three paragraphs (from

paragraph 26 to paragraph 28). The similarity and difference of those are as follows.

A6.2.5.4.1 Definition of a liability

Paragraph 60 of IASBF is conveyed to paragraph 26 of VNF. Full text of paragraph 26 is “*A liability is a present obligation of the enterprise when it received an asset, or agreed a binding contract or legal requirement*”

Comments: At first glance, VNF omits many sentences compared to the IASB’s paragraph. The definition of a liability in VNF is not clear enough for accounting users. For example, while VNF says “*A liability is a present obligation of the enterprise when it received an asset*”, it does not make sense in the case in which the enterprise receives an asset consigned by another entity. The Vietnamese accounting regime regulates that assets consigned by other entities are presented in an Off-balance sheet statement. While IASBF provides further interpretation of present obligation and gives examples to illustrate this concept, VNF omits all those contents. It could be argued that VNF in this case has not achieved the role of an accounting framework.

A6.2.5.4.2 Distinction of present obligation and future commitment

Paragraph 61 of IASBF is completely omitted from VNF.

Comments: The paragraph presents a further discussion on how to recognise a liability of the IASB’s framework. This is a necessary paragraph to make the concept of obligation clearer. However, the Vietnamese framework omits it. Hence, the omission is significant.

A6.2.5.4.3 The settlement of a present obligation

Paragraph 62 of IASBF is conveyed to paragraph 27 of VNF.

Comments: The Vietnamese paragraph is similar to IASBF in this paragraph in its structure. VNF also states five ways of settlement for a liability familiar with those of IASBF. However, the general explanation of the settlement “*giving up resources embodying economic benefits in order to satisfy the claim of other entity*” stated in IASBF is omitted from the Vietnamese paragraph. In addition, interpretation of other ways for settlement of an obligation in IASBF has not been

mentioned in VNF. It could be argued that the quality of the Vietnamese paragraph is not as good as that of IASBF.

A6.2.5.4.4 Examples of liabilities

Paragraph 63 of IASBF is conveyed to paragraph 28 of VNF.

Comments: The Vietnamese paragraph is quite similar to IASBF in this paragraph. The main content of the IASB's framework has been conveyed into the Vietnamese framework. The omission in the Vietnamese framework is not insignificant.

A6.2.5.4.5 Provisions

Paragraph 64 of IASBF is completely omitted from VNF.

Comments: The Vietnamese framework should keep the paragraph, because it helps the users understanding more clearly in the recognition of whether a liability is.

A6.2.5.5 Equity

Four paragraphs 65, 66, 67 and 68 of IASBF are conveyed to only paragraph 29 of VNF.

Comments: Generally, VNF omits many issues stated in IASBF. While IASBF introduces the general concepts related to equity, VNF begins with the common elements of equity in a corporate enterprise. The Vietnamese paragraph is continued with the description in detail of the elements. The institution of the Vietnamese paragraph is different from previous paragraphs that normally introduce briefly the IASB's framework contents. It is obvious that the Vietnamese paragraph discusses much further on elements of equity. The particular description makes the Vietnamese framework clear in the case of identifying the equity of corporate enterprise, but lacks a general view in identifying the equity of other entities such as sole proprietorships, and partnerships. In addition, when providing too particular information in the paragraph of the framework, the Vietnamese paragraph has not enough room to introduce in full all the issues related to equity. Hence, there are certain differences of the elements of equity in the framework from accounting policies

issued by MOF. For example, enterprise funds include financial reserves, business development fund, and bonus and welfare fund in practice. It is better that particular issues should be introduced in specific standards. Furthermore, it might risk consistency among accounting standards if the accounting standard setters state in too detail of particular issues in the framework.

A6.2.5.6 Performance

Relating to the concept “*Performance*”, IASBF has five paragraphs (from paragraph 69 to paragraph 73), while VNF encompasses four paragraphs (from paragraph 30 to paragraph 33).

A6.2.5.6.1 Interpretation of concept “profit”

Paragraph 69 of IASBF is conveyed to paragraph 30 of VNF.

Comments: Both VNF and IASBF are quite similar, except that VNF has trimmed many sentences. VNF also has not mentioned the recognition and measurement of income and expenses which depend in part on the concepts of capital and capital maintenance introduced in paragraphs 102 to 110 of the IASB’s framework. The reason is that the Vietnamese framework does not state the paragraphs. The omission helps to make VNF poor for its purpose as underlying accounting concepts.

A6.2.5.6.2 Definition of elements of income and expenses

Paragraph 70 of IASBF is conveyed to paragraph 31 of VNF.

Comments: Generally, the Vietnamese paragraph conveys the main contents of the IASB’s framework. However, VNF is slightly different from IASBF when VNF adds “other income” together with “income” in the paragraph. In addition, VNF also has not provided the general form of elements of income, for example inflows or enhancement of assets as stated in IASBF. VNF also mention particular subjects of equity contributions including “*owner and shareholder equity*” instead of a broader subject “*equity participant*” stated in IASBF. It might be influenced by the Hochiminh’s thoughts of the ingenious implementation of international civilisation into Vietnam (section 3.2.1.2)

A6.2.5.6.3 Criteria used to identify income and expenses

Paragraph 71 of IASBF is completely omitted from VNF.

Comments: The paragraph introduces a useful note of IASBF in recognising income and expense. It stresses that the definitions of income and expenses provide essential features about them but they need to meet criteria presented in paragraphs 82 to 98 to be recognised as income or expenses. Therefore, the omission makes the Vietnamese framework lose an opportunity to help users understand more clearly in identifying income and expenses.

A6.2.5.6.4 Presentation of income and expenses in income statement

Paragraph 72 of IASBF is conveyed to paragraph 32 of VNF. The full text of paragraph 32 is “*Revenues, other incomes, and expenses are presented in the income statement as a source of information for evaluating the enterprise’s ability to generate cash and cash equivalents in the future*”.

Comments: It is obvious that this paragraph of VNF is trimmed in many sentences compared with that of IASBF. The omission includes the main descriptions and illustrations which help the users understand the framework thoughtfully and easily. The most significant issue omitted from VNF is the purpose of financial information presented in income statement. According to IASBF, the income statement aims to provide information for economic decision making, but it is not mentioned in VNF. Identifying a clear purpose of providing information probably influence the content of particular standards and accounting regimes in Vietnam. Vietnamese financial statements aim to provide information for levying tax, national statistics and government management (section 3.3.5). Therefore, the purpose of providing information is not only for making economic decision, but also for the State’s management. This omission exhibits the institutional influence in the implementation of IASBF. In this case, the implementation of IASBF is diverted in VNF.

A6.2.5.6.5 Interpretation of displaying income and expense

Paragraph 73 of IASBF is conveyed to paragraph 33 of VNF.

Comments: The main content of the Vietnamese paragraph is quite similar to IASBF.

A6.2.5.7 Income

While IASBF encompasses four paragraphs, VNF comprises two paragraphs for this section. VNF also includes an additional concept “*other incomes*” as discussed in section A6.2.5.6.2.

IASBF:

Income

Para 74

Definition of income encompasses both revenue and gains. Revenue arises in the course of ordinary activities including sales, fees, interest, dividends, royalties, and rent.

Para 75

Gains present others items that meet the definition of income and may or may not arise of the ordinary activities

Para 76

Gains include disposal of non-current assets, unrealised gains, for example, revaluation of marketable securities. They should be presented separately in income statement.

Para 77

Assets may be received or enhanced by income. Income may also result from settlement of liabilities.

VNF:

Revenues and other incomes

Para 34

Revenues arises in the ordinary course of business is made up by sales, royalties, interest and dividends.

Para 35

Other incomes represent items arising from activities other than those generating revenues.

Not covered

Comments: Generally, the Vietnamese framework omits many contents presented in the IASB’s framework. This omission makes the Vietnamese framework insufficiently clear for users, because it presents mainly two matters: income arising in the ordinary activities namely revenues, and in unusual activities called other incomes. VNF also gives some examples. However, other contents stated in IASBF such as the requirement of separately displaying gains in income, and difference in nature between gains and revenue are not mentioned by VNF. Particularly, paragraph 77 of IASBF has completely omitted from VNF.

A6.2.5.8 Expenses

The concept “*Expenses*” is provided in three paragraphs 78, 79 and 80 of IASBF which are partly conveyed to three paragraphs 36, 37 and 38 of VNF.

Comments: In similarity to the section “*income*” (A6.2.5.7), the section “*Expenses*” of VNF omits many contents of IASBF although three paragraphs of IASBF have been conveyed into three paragraphs of VNF. The omission makes VNF not firm enough for its function of providing underlying accounting concepts.

A6.2.5.9 Capital maintenance adjustments

This issue is stated in paragraph 81 of IASBF, but it is omitted from VNF. It is a necessary content. The omission is significant. In fact, Vietnamese accounting policies have applied and followed the requirement of capital maintenance adjustments which is provided in Vietnamese accounting regimes. In term of providing underlying accounting concepts, this paragraph should be conveyed in the Vietnamese framework.

A6.2.6 Recognition of the Elements of financial statements

While three paragraphs 82, and 84 of IASBF are used to convey the issue of “recognition of the Elements of financial statements”, only paragraph 39 of VNF introduce this issue. All content of the paragraph 83 of IASBF is conveyed in the Vietnamese paragraph 39. However, paragraphs 82 and 84 are completely omitted from VNF. The omission makes VNF unclear in meaning and weak in supporting explanation.

A6.2.6.1 The probability of future economic benefit

This issue is stated in paragraph 85 of IASBF, but it is omitted from VNF. The omission of this paragraph is significant because it causes VNF to omit the general interpretation of the concept “probability”.

A6.2.6.2 Reliability of measurement

While three paragraphs 86, 87 and 88 of IASBF provide the “Reliability of measurement”, VNF has no paragraph for this topic. These paragraphs are necessary for the aim to provide high quality accounting information for users,

but those have been omitted from the Vietnamese framework. Hence, it is a significant omission from VNF.

A6.2.6.3 Recognition of assets

This topic is stated in two paragraphs 89 and 90 of IASBF, which are fully conveyed in two paragraphs 40 and 41 of VNF. This is one of the rare cases in which two paragraphs of VNF have followed the corresponding paragraphs of IASBF in every word.

A6.2.6.4 Recognition of liabilities

Paragraph 91 of IASBF and paragraph 42 of VNF are used to provide the topic. Paragraph 42 of VNF conveys the main content of IASBF. However, interpretive sentences in IASBF are omitted from VNF.

A6.2.6.5 Recognition of income

While two paragraphs 92 and 93 of IASBF provide the issue of “recognition of income”, VNF has paragraph 43 to introduce this issue. All verbal text of paragraph 43 is “*Revenues and other incomes are recognised in the income statement when the increase in future economic benefits related to increase in an asset or decrease of a liability that has arisen can be measured reliably*”.

Paragraph 43 of VNF contains the main ideas of paragraph 92 of IASBF. However, paragraph 93 of IASBF, which provides and explains further criteria for the recognition of income, is completely omitted. The omission might make VNF inconsistent and unclear.

A6.2.6.6 Recognition of expenses

Five paragraphs from 94 to 98 of IASBF provide the issue of “recognition of expenses”. VNF has four paragraphs from 44 to 47 for this issue. Generally, the main contents of IASBF are conveyed in the Vietnamese framework. However, the paragraphs of VNF have been trimmed in many explanatory sentences that make it insufficiently clear for users.

A6.2.7 The omission of measurement of the elements of financial statements

Three paragraphs 99, 100 and 101 of IASBF provides information on “measurement of the elements of financial statements. However, those are completely omitted from VNF. The omission of those paragraphs makes VNF weak in setting up a firm background for the measurement of the elements of financial statements. The reason might derive from the institutional influence in Vietnam in which the government expects to control assets strictly, particularly in SOEs. In management of assets, the Vietnamese authoritative bodies focus on the physical appearance of assets rather than the value, because Vietnamese accounting applies only the *historical cost* method (A6.2.4.9.1). In accounting practice, for example, the Vietnamese authoritative bodies allow SOEs to revalue assets of the entities in particular circumstances and conditions (according to article 21 of decree No.199/2004/NĐ-CP, dated 03/12/2004 issued by the Prime Minister). The Vietnamese accounting regimes also state the regulations of revaluation and measurement of assets (according to the decision No.1141TC/QD/CDKT dated 01/11/1995 and decision No. 15/2006/QD-BTC dated 20/03/2006 issued by the Ministry of Finance²⁶). It could be argued that although VNF has omitted this section, in practice, Vietnamese accounting regimes and government’s regulations still have been issued in the method of measurement of the elements of financial statement. This evidence indicates the role of VNF in accounting practice is weak. Obviously, VNF loses an opportunity to introduce modern accounting methods broadly used around the world, because of the absence of this section.

A6.2.8 The omission of concepts of capital and capital maintenance

The remaining section of IASBF (paragraphs 102-110) related to Concepts of Capital and Capital Maintenance has not been conveyed into VNF. These paragraphs provide many important concepts on the subject of capital, capital maintenance and determination of profit of an enterprise. Additionally, this section also provides useful concepts to assess and analyse the performance of an

²⁶ Decision No. 1141 TC/QD/CDKT dated 01/11/1995 was effective until 2006, and then it has been superseded by decision No.15/2006/QD-BTC dated 20/03/2006 issued by the Ministry of Finance which is currently effective (2012).

enterprise. The omission from VNF in this section, therefore, is significant. The Vietnamese accounting really needs these concepts to underlie particular accounting standards and accounting policies relating to revalued assets, and constitute reserve funds, especially, to determine the profit of an entity. The reason why those paragraphs are omitted from VNF is the institutional influence of the strict management by the government as analysed in section A6.2.7.

A6.2.9 Summary of the comparison

This section provides a summary on the assessment of the implementation of IASBF in Vietnam. The assessment is conducted by comparing every paragraph of IASBF and the corresponding paragraph of VNF. The result of the comparison indicates that VNF has conveyed a portion of IASBF. While IASBF encompasses one hundred and ten paragraphs, VNF comprises forty seven paragraphs including three additional paragraphs of Vietnamese basic accounting principle (A6.2.4.9). When assessing the implementation in every paragraph, the author has found that fifty one percent of IASBF paragraphs are omitted (56/110), twenty two percent of IASBF paragraphs are shortened (32/110), seventeen percent of IASBF paragraphs are similar (19/110), and three percent of IASBF are diverted (3/110) (appendix A6.1). The significant omission and amendment of VNF divert it from the original version of IASBF. In term of content, VNF has been amended and supplemented with new issues. It might be argued that VNF has not achieved the function of a common accounting framework which aims to provide underlying accounting concepts. VNF, therefore, is inconsistent and difficult for accounting users.

Appendix 8. 1 Report on announcement of financial information year 1998

The Socialist Republic of Vietnam
Independence- Freedom- Happiness

Date...1999

ANNOUNCEMENT OF FINANCIAL INFORMATION FOR THE YEAR 1998

Currency unit: '000,000 VND

No	Item	Prior year	Current year	Percentage compared with prior year
1	2	3	4	5
1	Current assets	55,646	57,644	104%
1.1	Cash	2,894	3,029	
1.2	Short-term financial investment			
1.3	Receivables, in which:	29,602	31,879	
	<i>Bad debts</i>	1,527		
1.4	Inventories	23,007	23,431	
1.5	Other current assets ²⁷	143	(695)	
2	Fixed assets	18,222	27,471	151%
2.1	Historical cost	45,883	59,594	
2.2	Accumulated depreciation	(28,034)	(32,542)	
2.3	Long-term financial investments	250	250	
2.4	Construction work in process	123	168	
2.5	Long-term deposits			
3	Short- term payables, in which	41,954	45,836	109%
	Over due date short-term payables			
4	Long-term payables, in which	977	3,601	
	Over due date long term payables			
5	Capital used in	24,961	28,163	113%
5.1	Invested in fixed assets	21,149	23,465	
5.2	Current capital	2,667	3,667	

²⁷ Item 1.5, other current assets (current year column) in year 1998, shows a negative figure (694,000,000 VND). This is an abnormal situation because this amount derived from credit ending balance of an account called “deposit for employees” for which it shows that the corporation has not paid for its employees in business travels or jobs done. Normally, the account has a debit ending balance that shows a deposit for employees in business operating.

5.3	Capital invested in construction (e.g. plant and office...)	114	0	
5.4	Accumulated depreciation fund	1,031	1,031	
6	Funds, in which:			
6.1	Investment and development fund			
	<i>Beginning balance</i>	8,961	1,208	
	<i>Credit</i>	4,090	3,508	
	<i>Debit</i>	11,843	2,610	
6.2	Financial reserve fund			
	<i>Beginning balance</i>		715	
	<i>Credit</i>	818	702	
	<i>Debit</i>	103	101	
6.3	- Bonus and welfare fund			
	<i>Beginning balance</i>	3,581	3,672	
	<i>Credit</i>	2,943	2,677	
	<i>Debit</i>	2,852	2,947	
6.4	- Subsidy for unemployment fund, in which			
	<i>Beginning balance</i>		381	
	<i>Credit</i>	409	351	
	<i>Debit</i>	28	42	
7	Corporate incomes			
7.1	Main products	130,934	142,127	109%
7.2	Total turnover	143,655	136,898	102%
7.3	Total expenses (including sales tax)	123,857	126,950	103%
7.4	Total gains in selling products	9,764	9,759	99%
7.5	Total gains	11,172	9,6221	86%
8	Contribution to State budget			
8.1	Total state payables, in which	8,766	7,669	87%
	<i>Corporate income tax payable</i>	2,793	2,627	94%
8.2	Total duty paid, in which	7,535	9,828	130%
	<i>Corporate income tax paid</i>	2,280	3,470	153%
9	Number of employees, in which:	650	853	
9.1	in short-term contract	189	303	
9.2	in long-term contract	461	500	
10	Incomes of employees			

10.1	Total salary payable	13,790	15,178	106%
10.2	Other incomes	1,542	1,397	
10.3	Average salary/person	1.77	1.49	
10.4	Average income/person	1.97	1.62	

The business enterprise is responsible for following the Vietnamese Law in the accuracy of figures presented in the report

Notes: The figures are used as illustration for the facts incurred in the corporation and have been changed from genuine figures in order to preserve anonymity.

Appendix 8. 2: Earnings distributed in the year 1998

Currency unit: '000,000 VND

Categories	Unit
1. Profits, in which:	10,000
1.1 Main activities	9,000
1.2 Financial activities	100
1.2 Extraordinary	900
2. Distribution	
2.1 Corporate income tax (25%)	2,500
2.2 Capital use payable (*)	200
2.3 Penalty in transportation (**)	50
2.4 Remaining earnings for funds	7,250
3. Funds	
3.1 Investment and Development (50% of remaining earning)	3,625
3.2 Financial reserve (10%)	725
3.3 Unemployment (5%)	363
3.4 Remaining earning for Welfare and Bonus	2,537
4. Profits/capital ratio (%)	
4.1 Year 1998	12
4.2 Year 1997	10
5. Total of actual employment salary 1998	12,000
5.1 Monthly average salary	1,000
5.2 Maximum welfare and bonus funds distributed (3 x monthly average salary)	3,000
6. Welfare and Bonus fund, in which:	2,537
6.1 Welfare fund (40%)	1,015
6.2 Bonus fund (60%)	1,522

Date 20/04/1999

President Union
(signed)

Director
(signed)

Notes:

The figures presented on the table are not genuine numbers occurring in the corporation in year 1998. Sample figures are used to illustrate and explain the method of preparing the report.

However, the facts presented in the table are real.

(*) The payable is a percentage of actual state capital granted for the corporation. The corporation should pay to the government annually. It does not relate to the performance result of the corporation.

(**) This figure is the payment for penalties of breaching transportation law occurring at the corporation.

Appendix 8. 3: Financial statements of C. corporation in 2009

Company name: C. corporation

Address: B.D. province

Financial statements

for the year ended on 31/12/2009

Balance sheet

As of 31 December 2009

Currency unit: VND

ASSETS	Code	Notes	Ending balance	Beginning balance
A. CURRENT ASSETS	100		366,398,270,242	416,003,781,053
I. Cash and cash equivalents	110	V.1	31,769,663,160	9,771,532,123
1. Cash	111		2,269,663,160	8,271,532,123
2. Cash equivalents	112		29,500,000,000	1,500,000,000
II. Short-term investments	120		10,000,000,000	7,719,332,000
1. Short-term investments	121	V.2	10,000,000,000	17,160,052,000
2. Provision for diminution in value of investments	129		-	(9,440,720,000)
III. Accounts receivable	130		244,999,136,972	258,263,875,250
1. Trade receivables	131	V.3	244,434,443,891	156,103,339,973
2. Advances to suppliers	132	V.4	14,674,146,479	2,275,463,672
3. Internal receivables	133		-	-
4. Construction contract receivables	134		-	-
5. Other receivables	135	V.5	3,805,287,283	108,372,843,524
6. Provision for bad debts	139		(17,914,740,681)	(8,487,771,919)
IV Inventories	140		77,841,765,205	139,132,510,815
1. Inventories	141	V.6	81,650,575,169	139,132,510,815
2. Provision for inventory obsolescence	149		(3,808,809,964)	-
V. Other current assets	150		1,787,704,905	1,116,530,865
1. Short-term prepaid expenses	151	V.7	-	-
2. VAT deductibles	152		-	-
3. Tax and other receivables from the State	154	V.8	-	-
4. Other current assets	158	V.9	1,787,704,905	1,116,530,865
B - LONG TERM ASSETS	200		301,529,395,057	234,287,259,967
I. Long term receivables	210		-	-
1. Long term receivables	211		-	-
2. Investments in subsidiary	212		-	-
3. Internal long term receivables	213		-	-
4. Other long term receivables	218		-	-
5. Provision for long term bad receivables	219		-	-

II.	Fixed assets	220		81,112,250,354	87,408,061,485
1.	Tangible fixed assets	221	V.10	67,009,406,217	60,895,412,696
	Cost	222		163,242,677,666	141,387,712,552
	Accumulated depreciation	223		(96,233,271,449)	(80,492,299,856)
2.	Financial lease tangible fixed assets	224	V.11		5,082,670,156
	Cost	225			8,717,457,122
	Accumulated depreciation	226			(3,634,786,966)
3.	Intangible fixed assets	227		-	-
	Cost	228		-	-
	Accumulated amortisation	229		-	-
4.	Construction in progress	230	V.12	14,102,844,137	21,429,978,633
III.	Investment properties	240		9,704,396,450	-
	Cost	241	V.13	9,704,396,450	-
	Accumulated depreciation	242		-	-
IV	Long-term investments	250		207,509,591,874	145,771,841,693
1.	Investments in subsidiaries	251	V.14	95,110,538,009	-
2.	Investments in associates	252	V.15	69,715,459,665	87,770,585,848
3.	Other long-term investments	258	V.16	73,639,360,000	84,987,970,000
4.	Provision for long term investments	259	V.17	(30,955,765,800)	(26,986,714,155)
V.	Other long-term assets	260		3,203,156,379	1,107,356,789
1.	Long term deferred assets	261		-	95,848,928
2.	Deferred tax assets	262	V.18	3,190,156,379	466,706,291
3.	Other long-term assets	268		13,000,000	544,801,570
	TOTAL ASSETS	270		667,927,665,299	650,291,041,020

LIABILITIES AND OWNERS' EQUITY		Code	Notes	Ending balance	Beginning balance
A	LIABILITIES	300		273,388,614,700	321,406,601,009
-					
I.	Current liabilities	310		227,517,309,892	238,013,233,625
1.	Short-term loans and borrowings	311	V.19	57,467,124,291	85,226,808,029
2.	Trade payables	312	V.20	49,479,806,731	57,440,886,996
3.	Advances from customers	313	V.21	63,878,453,036	34,925,800,778
4.	Statutory obligations	314	V.22	24,844,047,876	4,716,955,032
5.	Payables to employees	315	V.23	30,524,084,200	23,484,552,549
6.	Accrued expenses	316		41,451,978	41,605,688
7.	Internal short term payables	317		-	-
8.	Payables for Construction in process	318		-	-
9.	Other current payables	319	V.24	1,282,341,780	32,176,624,553
10.	Provision for short-term liabilities	320		-	-
II.	Non Current payables	330		45,871,304,808	83,393,367,384
1.	Long-term payables	331		-	-
2.	Internal long term payables	332		-	-
3.	Other long-term liabilities	333		-	-

4.	Long-term loans and borrowings	334	V.25	-	83,393,367,384
5.	Deferred tax liabilities	335		-	-
6.	Provision for severance allowance	336	IV.12	7,334,366,008	-
7.	Provision for long-term liabilities	337	V.26	38,536,938,800	-
B -	OWNERS' EQUITY	400		394,539,050,599	328,884,440,011
I.	Capital	410		381,105,372,810	317,578,518,732
1.	Paid-in capital	411	V.26	109,978,500,000	109,978,500,000
2.	Capital surplus	412	V.27	122,689,948,000	122,689,948,000
3.	Other capital of owners	413		-	-
4.	Treasury shares	414		-	-
5.	Assets revaluation differences	415		-	-
6.	Foreign exchange differences	416	V.27	14,512,106	-
7.	Investment and development funds	417	V.27	62,517,648,081	49,996,587,936
8.	Financial reserve fund	418	V.27	6,696,328,362	4,854,995,988
9.	Other funds belong to owner's equity	419	V.27	(205,357,543)	(636,156,968)
10.	Undistributed earnings (after tax)	420	V.27	79,413,793,804	30,694,643,776
11.	Fund for investing in fixed assets	421		-	-
II.	Other funds	430		3,433,677,789	11,305,921,279
1.	Bonus and welfare funds	431	V.28	13,433,677,789	11,305,921,279
2.	Other fund granted from Government or parent entities	432		-	-
3.	Fund invested in fixed assets (from Government or parent entities)	433		-	-
	TOTAL LIABILITIES AND OWNERS' EQUITY	440		667,927,665,299	650,291,041,020

OFF BALANCE SHEET				
Items		Notes	Ending balance	Beginning balance
1.	Operating lease assets		-	-
2.	Goods, inventories under trust or for processing		-	-
3.	Consignment goods held for sales		-	-
4.	Bad debts written off	V.29	5,574,755,385	4,879,966,985
5.	Foreign currencies (USD)		15,052.00	15,183.99
			
6.	Planned Fund provided by the Government		-	-

Date (day/ month/year)

Prepared by _____ Chief Accountant _____ Director _____
(Signature and name) (Signature and name) (Signature and name)

Source: Auditors' report for the year 2009, issued by the A&C professional accounting firm.

Appendix 8. 4: Income statement of the C. corporation in 2009

Company name: C. Corporation
Address: BD province

INCOME STATEMENT
For the year ended 31 December 2009

Currency unit: VND

	Items	Code	Notes	Current Year	Prior Year
	(1)	(2)	(3)	(4)	(5)
1.	Revenues from sale of goods and rendering of services	01	VI.1	748,804,471,321	844,215,492,055
2.	Deductions rendering of services	03	VI.1	-	36,703,333
3.	Net revenues from sale of goods and rendering of services (10 = 01 - 02)	10	VI.1	748,804,471,321	844,178,788,722
4.	Costs of goods sold and services rendered	11	VI.2	612,405,637,221	738,583,135,857
5.	Gross profit from sale of goods and rendering of services (20 = 10 - 11)	20		136,398,834,100	105,595,652,865
6.	Income from financial activities	21	VI.3	19,047,278,547	10,657,681,914
7.	Expenses from financial activities	22	VI.4	11,391,338,041	44,731,461,871
	<i>In which: Interest expenses</i>	23		3,727,795,099	11,462,288,921
8.	Selling expenses	24		913,814,085	-
9.	General and administrative expenses	25	VI.5	38,219,815,148	24,637,857,840
10.	Operating profit [30 = 20 + (21-22) - (24+25)]	30		104,921,145,373	46,884,015,068
11.	Other income	31	VI.6	1,452,153,534	2,131,090,986
12.	Other expenses	32	VI.7	1,343,440,934	1,761,706,420
13.	Other profit (40 = 31-32)	40		108,712,600	369,384,566
14.	Profit before tax (50 = 30 + 40)	50		105,029,857,973	47,253,399,634
15.	Current enterprise income tax expense	51	VI.22	28,806,220,548	10,426,752,150
16.	Deferred Income tax (expense) benefit	52	VI.18	(2,723,450,088)	707,905,214
17.	Net profit after tax (60 = 50 - 51 - 52)	60		78,947,087,513	36,118,742,270
18.	Basic and diluted earnings per share	70	VI.8	7,178	3,284

Date (day/ month/year)

Prepared by
(Signature and name)

Chief Accountant
(Signature and name)

Director
(Signature and name)

Source: Auditors' report for the year 2009, issued by the A&C professional accounting firm.

Appendix 8. 5: Cashflow statement of the C. corporation in 2009

Company name: C. corporation

Address: BD province

CASH FLOW STATEMENT

(Indirect method)

For the year ended 31 December 2009

Currency unit: VND

ITEMS	Code	Notes	Current year	Prior year
I. CASH FLOWS FROM OPERATING ACTIVITIES				
1. Net profit before tax	01		105,029,857,973	47,253,399,634
2. Adjustments for:				
• Depreciation and amortisation	02	V.10, V.11	12,786,303,991	
• Provisions	03		7,764,110,371	29,605,088,414
• Unrealised foreign exchange losses	04			747,153,872
• Gains/losses from investing activities	05	V.10, V.13	(18,627,236,126)	(10,190,739,998)
• Interest expenses	06	VI.4	3,727,795,099	11,462,288,921
3. Operating income before changes in working capital	08		110,680,831,308	91,002,295,844
• Increase (decrease) in receivables	09		(7,982,337,703)	(67,409,089,553)
• Increase (decrease) in inventories	10		57,481,935,646	86,745,439,303
• Increase (decrease) in payables (excluding interest expense payables and corporate income tax payable)	11		72,912,805,512	72,912,805,512
• Increase (decrease) in prepaid expenses	12		95,848,928	76,619,601
• Interest paid	13	VI.4	(3,727,795,099)	(11,462,288,921)
• Corporate income tax paid	14	V.22	(14,322,923,693)	(11,969,664,471)
• Other cash inflows from operating activities	15		177,993,100	166,527,421
• Other cash outflows from operating activities	16		(6,651,287,744)	(5,774,080,029)
Net cash flows from operating activities	20		208,665,070,255	(40,906,810,320)
II. CASH FLOWS FROM INVESTING ACTIVITIES				
1. Purchase and construction of fixed assets	21		(16,602,612,584)	(19,453,901,420)
2. Gains from disposals and liquidations of fixed assets	22		-	-
3. Payments for purchase of shares in other entities and investment in banks	23	V.2	(10,000,000,000)	-
4. Interest and dividends received	24		5,000,000,000	5,000,000,000
5. Proceeds from divestment in other entities	25		(79,683,248,009)	(22,003,000,000)
6. Withdrawing capital invested in other	26		33,417,894,456	4,262,118,095

entities				
7. Interest incomes, dividends, and corporate incomes received from other entities	27	VI.3	2,653,949,539	9,690,504,626
Net cash flows used in investing activities	30		(65,214,016,598)	(22,504,278,699)
III. CASH FLOWS FROM FINANCING ACTIVITIES				
1. Proceed from issues of equity shares or capital contributions	31		-	-
2. Payment for share buy-back	32		-	-
3. Proceeds from short-term or long term borrowings	33	V.19	116,425,824,039	138,231,207,317
4. Borrowings repaid	34	V.19, V.25	(225,961,881,044)	(81,007,522,132)
5. Payment for financial leasehold assets	35	V.19	(1,769,022,501)	(3,475,743,419)
6. Dividends, and profits already paid	36	V.27	(10,133,107,569)	(17,772,859,801)
Net cash flows from financing activities	40		(121,438,187,075)	35,975,081,965
Net increase in cash and cash equivalents	50		22,012,866,582	(27,436,007,054)
Cash and cash equivalents at beginning of year	60	VI.1	9,771,532,123	37,201,783,090
Effect of exchange rate fluctuations on cash and cash equivalents	61		(14,735,545)	5,756,087
Cash and cash equivalents at end of year	70	VI.1	31,769,663,160	9,771,532,123

Date (day/ month/year)

Prepared by
(Signature and name)

Chief Accountant
(Signature and name)

Director
(Signature and name)

Source: Auditors' report for the year 2009, issued by the A&C professional accounting firm.