




RELATIONSHIP BETWEEN EXPERTS AND ENTERPRISES VIEWED VIA THE IFRS APPLICATION: AN EMPIRICAL STUDY IN VIETNAM



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ABSTRACT

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The International Financial Reporting Standards (IFRS) are researched and developed by the International Accounting Standards Board with the goal of providing an international framework for preparing and presenting financial statements for businesses. IFRS create a common accounting language worldwide, which enhances the transparency and comparability of financial statements. Converging with IFRS is an inevitable trend of any country. Vietnam is currently developing a project to implement IFRS in 2020. In the process of converging with IFRS, the cooperation of State administrative agencies, experts, businesses, financial statement users and accountants is required. We surveyed 119 experts and 104 businesses in different sectors of the economy to gather their opinions to give the policy-making process more objective and reliable grounds. At the same time, we also conducted an assessment on the advantages and disadvantages of applying IFRS in Vietnam, assessing the preparations for an IFRS application roadmap. The research results are an important information channel to help the Ministry of Finance have additional theoretical background for creating IFRS policies in Vietnam.

Contribution/ Originality: This study contributes to the existing literature by assessing the awareness and response to IFRS implementation in Vietnam. This study looks at the awareness of the disadvantages of VAS, the comparison of VAS to IFRS, the range of IFRS application and its subjects, the roadmap for IFRS implementation, and the comparison of expert assessments and preparation for IFRS and its benefits and difficulty in implementation.

1. INTRODUCTION

Globalization and internationalization make international trade thrive, so the boundaries between finance, market, technology, investment and accounting are fading. In particular, the decline in financial boundaries allows large enterprises to access the international capital market to expand their business. To meet the needs of international investment, cross-listing of multinational corporations, global efforts to harmonize accounting standards have been implemented to converge to a common accounting language.

The widely accepted International Financial Reporting Standards (IFRS) reinforce the confidence of investors in using financial reporting information and thus contribute significantly to the development of global economy. According to the survey results of the International Accounting Standards Board (IASB), IFRS has been applied in

131 of 143 countries and brought about certain values. The IFRS create a common accounting language worldwide which enhances the transparency and comparability of financial statements.

In 2005, the European Union required listed companies to present IFRS financial statements. Australia was the first non-European country to have a Financial Reporting Council proposed in July 2002 to replace the generally accepted Australian Accounting. Other developed countries such as Hong Kong, and New Zealand have made efforts to apply IFRS. Asian countries such as Bahrain, Malaysia, Singapore and Jordan have completely adopted IFRS or have taken important steps with the application. Countries like India, China and Japan have confirmed the application process. Vietnam as well as countries such as Nigeria, Saudi Arabia, and Turkey are in the process of developing an IFRS application scheme.

1.1. Characteristics of Vietnamese Accounting Standards (VAS)

From 2001 to 2005, Vietnam issued 26 Vietnamese Accounting Standards (VAS). These standards were based on the International Accounting Standard and adapted to specific characteristics of the economy, politics and culture in Vietnam. Most standards focused on the normal business activities of enterprises such as fixed assets, inventory, revenue, costs. The principle covering these standards was the original price principle. The current VAS system is not suitable for Vietnam's economic situation as the domestic and international stock markets thrive, and international investment and trade increase rapidly along with the development of global science and technology.

The VAS system has revealed limitations, such as:

- i. No accounting is recorded at fair value.
- ii. Not reflecting the value of impaired assets or recording asset losses.
- iii. A lack of standards for agriculture, mineral resources exploration and accounting for financial tools.
- iv. The key difference between VAS and IFRS makes financial statements based on VAS fail to ensure reliability as well as comparability, which makes it difficult for attracting international investment and international economic integration.

From the above analysis, the application of IFRS in Vietnam is an inevitable result because the current VAS has revealed many limitations and is no longer suitable for the pace of economic development.

This study was implemented with two subjects, experts and businesses with 223 observations in order to gather opinions on the IFRS application process in Vietnam. The results of this study are especially significant for the state administrative agencies which are the Ministry of Finance and related units in the research, development, issuance, training and guidance of IFRS implementation in Vietnam; training and professional associations of universities, academies and professional organizations in coordinating research and training on IFRS; and, businesses, listed companies, economic groups, businesses with the ability to choose to apply IFRS if needed and with sufficient resources and conditions for implementation.

1.2. The objectives of the Research

The objectives of this study included:

- i. Evaluating the preparation for IFRS application in terms of knowledge, skills, documents, routes.
- ii. Assessing the advantages and disadvantages when applying IFRS in Vietnam.
- iii. Developing plans, routes, and ways to organize implementation to apply IFRS in Vietnam for each specific subject group, in accordance with international practices.
- iv. Addressing some implications for the state, Government and Ministry of Finance of Vietnam in the process of implementing IFRS in Vietnam.

2. LITERATURE REVIEW

According to the survey results of the IASB, by 2016 there had been 131 out of 143 countries (accounting for 93%) permitting IFRS application in different forms, and detailed data is shown in Table 1.

Table-1. IFRS application situation in the world.

Afghanistan	Bulgaria	Germany	Latvia	Oman	St Vincent and the Grenadines
Albania	Cambodia	Ghana	Lesotho	Pakistan	Suriname
Angola	Canada	Greece	Liechtenstein	Palestine	Swaziland
Anguilla	Cayman Islands	Grenada	Lithuania	Panama	Sweden
Antigua and Barbuda	Chile	Guatemala	Luxembourg	Paraguay	Switzerland
Argentina	China	Guinea-Bissau	Macao	Peru	Syria
Armenia	Colombia	Guyana	Macedonia	Philippines	Taiwan
Australia	Costa Rica	Honduras	Madagascar	Poland	Tanzania
Austria	Croatia	Hong Kong	Malaysia	Portugal	Thailand
Azerbaijan	Cyprus	Hungary	Maldives	Qatar	Trinidad and Tobago
Bahamas	Czech Republic	Iceland	Malta	Romania	Turkey
Bahrain	Denmark	India	Mauritius	Russia	Uganda
Bangladesh	Dominica	Indonesia	Mexico	Rwanda	Ukraine
Barbados	Dominican Republic	Iraq	Moldova	Saint Lucia	United Arab Emirates
Belgium	Ecuador	Ireland	Mongolia	Saudi Arabia	United Kingdom
Belarus	Egypt	Israel	Montserrat	Serbia	United States
Belize	El Salvador	Italy	Myanmar	Sierra Leone	Uruguay
Bermuda	Estonia	Jamaica	Nepal	Singapore	Uzbekistan
Bhutan	European Union	Japan	Netherlands	Slovakia	Venezuela
Bolivia	Fiji	Jordan	New Zealand	Slovenia	Vietnam
Bosnia and Herzegovina	Finland	Kenya	Nicaragua	South Africa	Yemen
Botswana	France	Korea (South)	Niger	Spain	Zambia
Brazil	Gambia	Kosovo	Nigeria	Sri Lanka	Zimbabwe
Brunei	Georgia	Kuwait	Norway	St Kitts and Nevis	

Resource: "Global financial statement" by IFRS Foundation published in May 2016.

Notes: Red colored boxes are where IFRS is required for public interest units (119 countries); creamcolored boxes are where countries allow agencies to choose to apply (12 countries); white colored boxes are where countries are applying the country's own accounting standards (12 countries), some of which also have future plans to apply IFRS.

Since the actual implementation of IFRS, many studies have been conducted in different countries to assess the effectiveness, advantages, disadvantages, influencing factors as well as the IFRS implementation process and the orientation of countries. These studies are carried out by many different subjects such as experts, scientists, lecturers, researchers, businesses, government, and state agencies.

In this literature review, we selected countries which have many similarities with Vietnam in terms of geographic areas, cultural foundations, political institutions, and economic growth, thereby, to draw lessons for the process of building, implementing and standardizing IFRS in Vietnam.

Raoudha (2016); Hanefah and Singh (2012); Kilic *et al.* (2014); Lasmin (2012); and Wahyuni (2011) studied in emerging countries like Singapore, Malaysia and Indonesia. In 2002, Singapore issued Singapore Financial Reporting Standards (SFRS) based on IFRS, applicable to listed companies. In 2009, the Accounting Standards Council (ASC) of Singapore introduced a strategy to reform SFRS to align further with the IFRS. In 2012, the ASC planned to thoroughly adopt IFRS and determined the application timeline. In 2014, the ASC announced that listed companies in Singapore would apply the new financial statements format like IFRS for the fiscal year starting from 2018 and, non-listed companies could voluntarily apply IFRS. Singapore did not apply the IFRS completely but it had to make changes accordingly. The roadmap was initially applied to listed companies, then applied to other companies.

In 2008, the Malaysian Accounting Standards Board (MASB) officially announced the adoption of IFRS. In 2012, Malaysia issued the Malaysian Financial Reporting Standards (MFRS) that showed Malaysia's commitment in the process of adopting IFRS. In the process of adopting IFRS, Malaysia had also faced many challenges as the

collection, preparation and presentation of information cost more than the benefits it brought about. Malaysia has been taking slow steps and in the right direction on applying IFRS, when inheriting and building a robust national accounting policy, while improving education and training of practitioners in the accounting field, and promoting the development of business associations as well as accounting, which is an important key to the complete IFRS approval process.

In 2009, the Indonesian Institute of Accountings announced that the roadmap for IFRS approval would be completed in 2012 by issuing the Indonesian accounting standards Standar Akuntansi Keuangan - SAK or Indonesia GAAP that is completely similar to IFRS. Indonesia's pressure to approve IFRS was immense as Indonesia is the only Southeast Asian country joining the G20 and adherence to IFRS is one of the commitments when joining the G20. Currently, according to the assessment of the integration of Indonesian Accounting Standards and IFRS, the Indonesian Accounting Standards have many differences and do not have the same standards as IFRS, and Indonesia has not announced the next phase to completely approve IFRS.

According to experts, the biggest challenge is the harmonization of the cultures between emerging countries and the United States and United Kingdom. Raoudha recommended that for these countries, the process of international integration begins with adaptation to Anglo-Saxon accounting culture. Kilic *et al.* (2014) believed that IFRS applied in underdeveloped countries would help to reduce fraud when preparing financial statements because there were still some arbitrary and sensual feelings in the national standards. Raoudha (2016) felt that the biggest challenge when applying IFRS was to implement regulations on accountability and disclosure and determining the fair value of the market in emerging countries.

Xinyun (2017) found that currently China does not have any regulations on applying IFRS. Enterprises in China prepare their financial statements based on the Chinese Accounting Standards (CAS) and in accordance with the IFRS in terms of principles, but the internal content is not completely the same as IFRS. Before 2008, China had a regulation to require financial institutions to prepare IFRS financial statements to supplement CAS financial statements. Since 2008, this regulation has been dismissed, and instead, Chinese companies have to issue IFRS financial statements if listed on both Chinese stock exchanges. So far, the Ministry of Finance has not announced any plans to apply IFRS directly in China. To sum up, China has not yet allowed the direct application of IFRS to prepare financial statements.

Odo (2018); Adejoh and Hasnah (2014); and Okpala (2012) found that Nigeria started applying IFRS in January 2012. The Nigerian Accounting Standards Board (NASB) has announced its plan to implement IFRS by stages as follows: listed companies, public interest units and other units. Many research projects with different research methods such as quantitative research, document overview and, trend analysis, have made general conclusions about the benefits of IFRS application in Nigeria including: improving the quality of information presented on financial statements, attracting foreign direct investment flows, and the uniformity of accounting language which helps to compare financial statements. Although the application faces many challenges such as confusion and high prices, it can be overcome by increasing professional accounting training, raising awareness of management teams, and investing in facilities and resources to support sustainable IFRS implementation.

Mohammad *et al.* (2015); Bhattacharjee and Hossain (2010); and Mir and Rahaman (2005) studied the application of the IFRS in Bangladesh which was carried out in July 2006 by The Institute of Chartered Accountants of Bangladesh (ICAB). The results proved that international business is growing among countries so there should be a unified language around the world to present financial statements. Applying IFRS would bring about many benefits such as reducing capital costs, improving financial reporting quality and attracting foreign investment. Some difficulties such as building a synchronous legal framework, and training employees needed to be overcome to successfully apply IFRS. In addition, the researchers emphasized that socio-cultural factors may play an important role in implementing IFRS in developing countries like Bangladesh, as high corruption and poor

government execution have disappointed policy makers. This was consistent with the results of another study by Adejoh and Hasnah (2014) about Nigerian accountants and scholars.

Katta (2014) studied Indian enterprises applying IFRS at the request of the Indian Institute of Certified Public Accountants (ICAI) starting from 2011. The results showed that by 2014, 30% of enterprises reported a loss-making status because the IFRS requires enterprises to report more honestly and improve their sense of responsibility. India is one of the 119 countries that require public interest units to apply IFRS. When IFRS was first applied in India the biggest difficulty was the complexity of IFRS on information disclosure because it was judgmental and subjective while requiring businesses to present truthfully.

Siriyama and Faredah (2017); Abdulrahim (2015); AlMotairy and Stainbank (2014); Alkhtani (2012); and Al-Matari *et al.* (2012) conducted research in Saudi Arabia showing that public companies would apply IFRS instead of SAS from 2017, and that in 2018 it would be applied to the remaining companies. Converging with IFRS in Saudi Arabia makes the legal environment more attractive by enhancing the quality of information disclosure, reliability and sufficiency, which in turn improves market quality in general. This will lead to increasing the confidence of investors. Applying IFRS is considered a turning point in attracting foreign direct investment. These opportunities are important because increased foreign direct investment will allow Saudi Arabia to diversify its economy, reduce its dependence on oil, access new technologies, enhance crude materials, create jobs for young workers, promote bank loan opportunities, and minimize the difference in accounting between nations. The most difficult and controversial issue in this country was the language and culture difference when converging with IFRS. Abdulrahim (2015) affirmed that Muslim multinationals use a higher number of administrative staff than other types of companies so increasing foreign investment would benefit domestic and foreign businesses, and that in addition, the higher the host country's FDI level is, the higher the competitiveness and economic growth measured by GDP.

Kilic *et al.* (2014); Aga (2014); Uyar and Güngörmüş (2013); Poroy and Sipahi (2007); and Alp and Ustundag (2009) studied the advantages of applying the IFRS in Turkey. Initially, the entire Turkish Financial Reporting Standards (TFRS) under IFRS translation was published for use by listed companies. After that, IFRS for small businesses was translated as Turkish Financial Reporting Standards for small businesses and was issued in 2010. In 2013, Turkey implemented IFRS application for listed businesses and small businesses have applied since 2014. We can easily see that Turkey in particular and emerging countries in general are willing to apply IFRS with the aim of improving capital flows, financial information and national image to attract investment. Applying IFRS would make the information on the financial statements of enterprises ensure comparability, reliability, transparency and understandability, providing financial report users with a number of useful information for making decisions about management, administration and investment.

Uyar and Güngörmüş (2013); and Poroy and Sipahi (2007) proved that the IFRS' benefits improve the quality of financial information, help businesses make effective investment decisions, and reduce capital costs. Kilic *et al.* (2014) considered the biggest difficulty when applying IFRS was to implement accountability and disclosure regulations. All information on financial situation, cash flow, business results and other information needs to be publicly available.

Alali and Cao (2010) conducted research in Ireland and explored IFRS relevance for small businesses at different scales. The findings of the study indicated that there was no significant relationship between scale and assessment of accounting methods. This shows that the IFRS for small and medium enterprises was suitable for all types of business scales. However, it still had the complexity, novelty and very strict regulations on information disclosure in terms of quantity and quality of information, deadlines and responsibilities for information.

Atik (2010) investigated the awareness of owners, managers or accountants of IFRS. The findings showed that small and medium enterprises often made financial statements for tax purposes. Small businesses want to adopt new standards voluntarily and international investors also supported small businesses in applying IFRS.

Ballas *et al.* (2010) looking at IFRS in Greece, and Joshi and Ramadhan (2002) studied the IFRS in Bahrain and both were concerned about the high prices in getting acquainted with IFRS, training new employees, converting financial statements, preparing infrastructure and translating into native languages. IFRS aims at presenting the assets and liabilities of the enterprise at market value at the time of reporting, and this requires the market to be relatively developed in order to provide reliable information. Most of the emerging markets only provide some basic information, such as the price of listed shares, prices of trading fuel and agricultural products.

The biggest difficulty is the harmonization of culture and legal mechanisms of each country with the IFRS cultural and legal mechanisms. Joshi and Ramadhan (2002) believed that nationalism could still hinder the application of IFRS, as well as language and cultural differences (Schipper, 2005) and the legal orientation of each country.

Nerudova and Bohusova (2008) found that the Czech Republic is a country that has applied IFRS, and the study concluded that IFRS was really not suitable for SMEs, causing a waste of resources.

Nerudova discovered that the main problem would be the relevance of IFRS for all types of SMEs in the implementation process. According to their research, the first application of IFRS for SMEs would be costly and time-consuming for small and medium enterprises in the Czech Republic. On the other hand, the profit was expected to exceed IFRS cost for the implementation of small and medium enterprises.

Alfredson *et al.* (2009) studied the use of IFRS in Australia. In 2005, the Australian Accounting Standards Board (AASB) issued Australian GAAP (A-IFRS) based on the complete IFRS approval. Listed companies in Australia and others, except for very small, unlisted companies, must apply IFRS. In 2005, New Zealand also issued New Zealand GAAP based on IFRS compliance, however, New Zealand is only at the level of allowing to use New Zealand GAAP without requiring enterprises to report under New Zealand GAAP. Thus, both Australia and New Zealand have adopted almost all of IFRS, but there are still modifications needed to be compatible with the legal environment and specific national characteristics. Research shows that the comparability, helping to enhance the qualitative characteristics of accounting information, is the main motivation for applying IFRS. In fact, the implementation of IFRS makes financial statements standardized, simple and easy-to-understand, which attracts investment by overseas funds.

Cirkveni (2011) conducted research in the European Union (EU). The application of IFRS to the consolidated financial statements of EU listed companies began in 2005, and then expanded to other companies. This application is governed by law and applies to all member countries. Currently, IFRS is applicable to companies in the industrial sector; commercial banks, financial institutions, insurance companies, investment funds and securities companies; subsidiaries that have listed parent companies outside the EU market; and companies having revenue conditions of over 10 billion euros/year and the average number of employees of over 100 people/year for two consecutive years.

Cai and Wong (2010) examined the impact of IFRS application on the integration of global capital markets among G8 countries. Applying IFRS has attracted many foreign investors, strengthening global financial market integration as opposed to countries that have not applied IFRS. Therefore, it is more convenient for countries which have applied IFRS to facilitate cross-border capital movements and enhance global financial market integration as opposed to countries that have not applied IFRS. Cai and Wong realized that having an internationally accepted set of standards in financial statements would minimize the diversity in accounting among countries. This reduction would play an important role in reducing the need to re-create financial statements.

Winney *et al.* (2010); Harris and Muller (2005); and Winney *et al.* (2010) studied American businesses. US companies present financial statements in compliance with the US Accounting Standards (US GAAP) issued by the FASB, besides, listed companies must also provide information at the request of the US Securities and Exchange Commission (SEC). Currently, the US does not have a requirement to present IFRS financial statements for domestic companies, especially as foreign private companies are allowed to apply IFRS to establish financial statements. In 2008, the SEC issued a draft roadmap in compliance with IFRS, but so far it has not been

implemented. The application of IFRS in the US is slow due to many reasons, such as the fact that the IASB and the FASB have not come to terms with each other, and the SEC focuses on issuing other necessary laws, and applying IFRS right away will not be relevant with the regulations to establish financial statements in other capital markets.

Although each study was conducted in different countries, they all aimed to find out the common advantages and disadvantages of applying IFRS. The benefits of applying IFRS seemed to include:

1. Increasing investment and integration opportunities, attracting many domestic and international investors, promoting the process of integration with the world economy.
2. Improving transparency and reliability of financial statements.
3. Increasing the comparability among businesses.
4. Enhancing the responsibility of enterprises.
5. Providing an important template for accounting.
6. Reducing frauds in establishing financial statements.
7. Increasing bank loan opportunities.

In general, the studies concluded that the benefits are well deserved and far outweigh the cost. Besides the benefits, the application of IFRS also creates many difficulties for businesses such as: expensive for the first time of application (consulting costs, IT system construction costs, training costs), lack of market information for some requirements of IFRS (fair value), the lack of human resources with knowledge about IFRS, the legal framework, and the cultural foundation and language are also the difficulties faced by many countries when implementing IFRS. In terms of the roadmap, most countries first apply it to listed companies, then small and medium companies. The average time for applying IFRS is normally three to five years. The results of these studies were a useful source of information for us in this study.

3. METHODOLOGY

The study was conducted through the survey forms sent to businesses and experts who are state management officials, researchers, and lecturers at universities in Vietnam. With convenient sampling methods, the results received 223 responses, in which there were 119 experts (31 managers, 88 lecturers), accounting for 53.4% and 104 business accountants.

The questionnaire was designed with two main parts, including: (i) IFRS benefits to Vietnam; (ii) or challenges faced when Vietnam applies IFRS. In addition, the questionnaire was supplemented with questions about the respondents' opinions on the IFRS application process in Vietnam, personal information and surveyed businesses.

The questions in the questionnaire were set out according to the Likert scale of 5 levels (1-strongly disagree; 2-agree; 3-normal; 4-agree; 5-strongly agree). The scales were inherited from previous studies.

Nine questions on the benefits of applying IFRS, were inherited from the studies by [Siryama and Fareedah \(2017\)](#); [Joanne et al. \(2016\)](#); [Kilic et al. \(2014\)](#); [Poroy and Sipahi \(2007\)](#); [Cheung et al. \(2008\)](#); [Cirkveni \(2011\)](#); [Harris and Muller \(2005\)](#); and [Mohammad et al. \(2015\)](#) and one additional question from the results of interviews with experts: "Vietnamese financial statements will be publicized in international forums and be recognized".

Five questions on the difficulties of applying IFRS, were inherited from the studies by [Xinyun \(2017\)](#); [Nerudova and Bohusova \(2008\)](#); [Jones and Finley \(2011\)](#); [Ballas et al. \(2010\)](#); [Winney et al. \(2010\)](#); [Alali and Cao \(2010\)](#); [Ballas et al. \(2010\)](#); [Nerudova and Bohusova \(2008\)](#); [Daske et al. \(2008\)](#); [Zeghal and Mhedhbi \(2006\)](#); and [Ball \(2006\)](#) and three additional questions from the in-depth interview results included: "Vietnam's legal framework is not synchronized"; "Language barriers" and "Pressure from international consulting companies in Vietnam".

The descriptive statistics of the survey sample are shown in [Table 2](#). Most respondents were women (169; 75.8%). Most respondents were aged from 30 to 40 (128; 57, 4%), followed by those under 30 (46; 20.6%). The academic level were mainly Bachelor (92, 43.1%), followed by Master (78; 35%).

Table-2. Descriptive Statistics.

Gender/Ages/Positions		No = 223	Percent (%)
Gender	Male	54	24.2
	Female	169	75.8
Age	< 30	46	20.6
	30 - 40	128	57.4
	40 - 50	39	17.5
	Over 50	10	4.5
Highest academic level	Professor	2	0.9
	Associate professor	13	5.8
	Doctor	38	17.0
	Master	78	35.0
	Bachelor	92	41.3
Job position	Managers	31	13.9
	Lecturers	88	39.5
	Accountants	104	46.6

4. RESULTS

4.1. Assessing the Awareness about IFRS

4.1.1. Assessing the Disadvantages of VAS

When asked about the disadvantages of VAS in providing financial statements and information of enterprises, 86.1% of respondents said that the VAS still had many shortcomings (N=192) while the percentage of respondents who disagreed was much less (13.9 %) as shown in Figure 1.

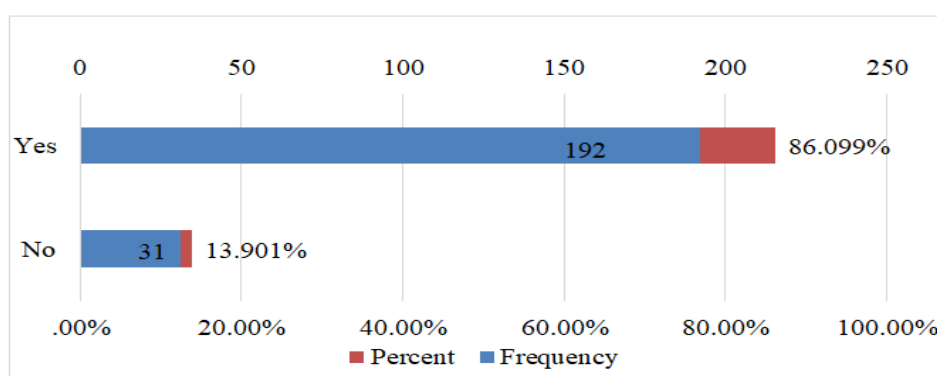


Figure-1. Awareness of the respondents regarding the disadvantages of VAS.

4.1.2. Assessing that IFRS Application is better than VAS

Does Vietnam apply IFRS better than VAS? Feedback showed that 84% agreed that it was better applied (N=187), and the number of respondents who disagreed accounted for a small percentage (N=28, 13%), and a small number of respondents were uncertain as shown in Figure 2.

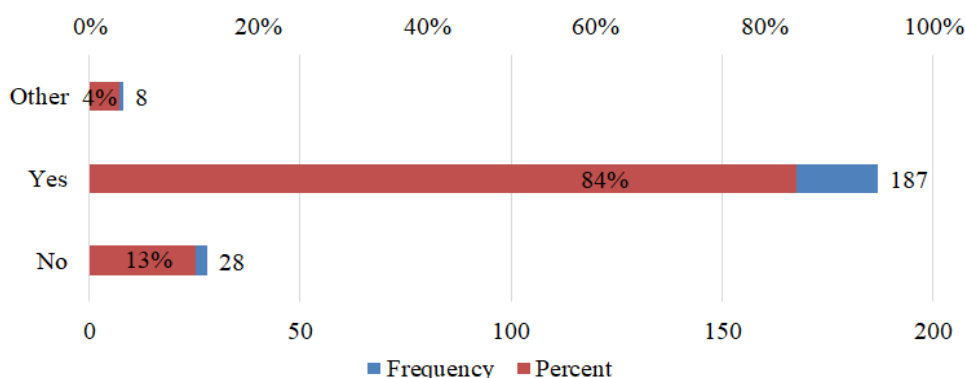


Figure-2. Assessing that IFRS application is better than VAS.

4.1.3. Assessing the Range and Subjects of Applying IFRS in Vietnam

"Should Vietnam apply all of IFRS or only part of it?" The majority of respondents supported partial application (N=174, 78 %) as shown in Figure 3.

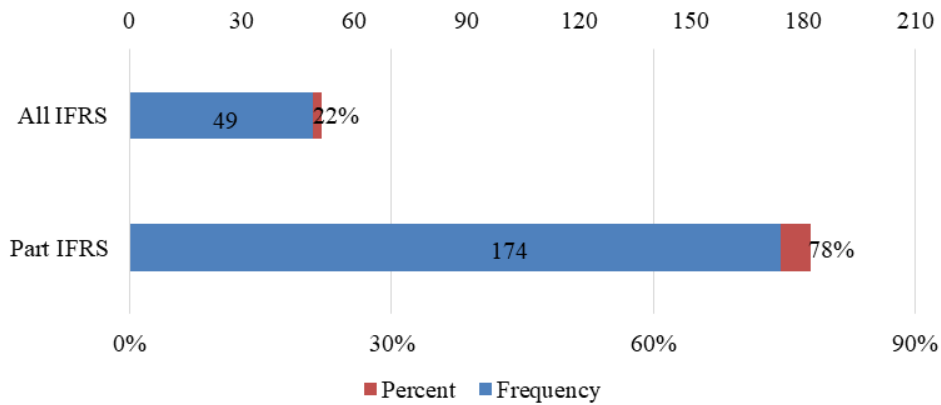


Figure-3. Range of applying IFRS in Vietnam.

As for those which need to apply IFRS, the number of opinions about applying all of the IFRS and for public companies was quite similar (48% and 47 %) while other opinions accounted for a small percentage (4%) as shown in, Figure 4.

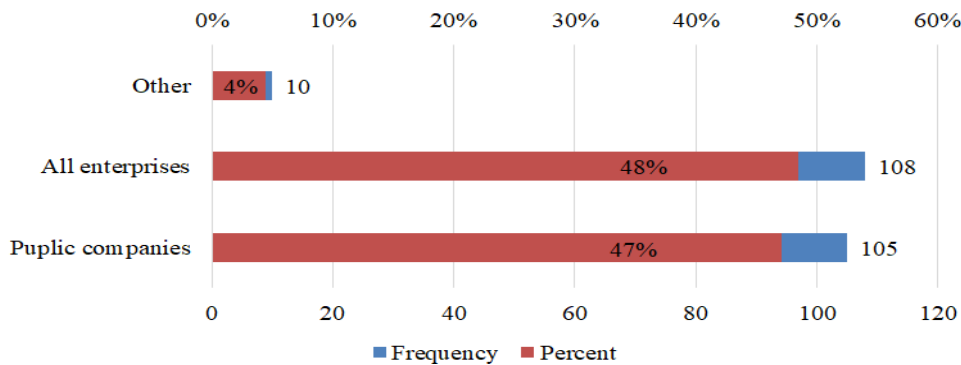


Figure-4. Subjects of applying IFRS.

4.1.4. Assessing the Roadmap of IFRS Application in Vietnam

Regarding the IFRS application roadmap, most participants supported the plan in the near future (3-5 years) (N=104, 47%). Several thought it would take 5 to 10 years around 32 % (N=72). The idea of immediate application (less than 3 years) was not chosen by many people (N=41, 18%) as can be seen in, Figure 5.

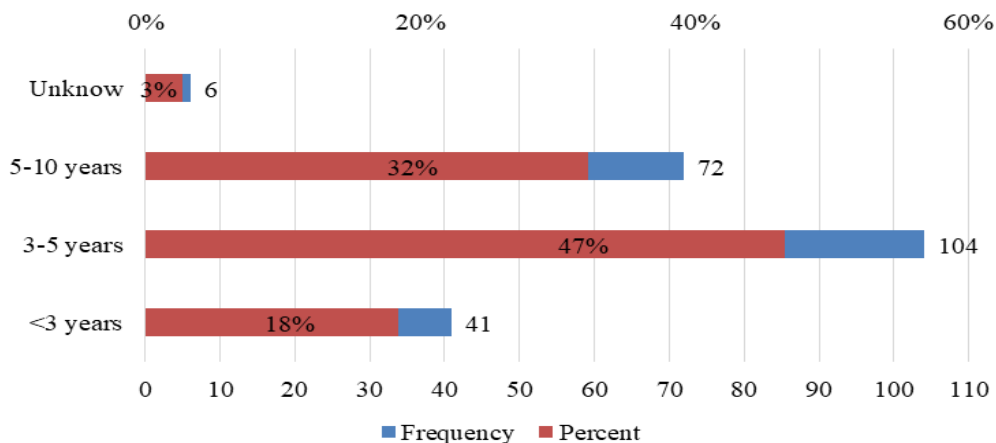


Figure-5. The roadmap of IFRS application in Vietnam.

The expert groups and accountants in the group assessments on: (i) IFRS awareness; (ii) subjects of application; (iii) range of application and (iv) the roadmap of IFRS application were compared using the Kruskal Wallis Test. The results showed that "the subjects of application" was statistically significant (Sig.=0.001<0.05), meaning that there was a different assessment between the expert group and the accountant group on this issue. Details of the selection of the subjects are shown in Table 3.

Table-3. Test Statistics^{a,b}.

Items	Disadvantages of IFRS application	IFRS application is better than VAS	Enterprises	Period of time applying IFRS	Scope
Chi-square	3.093	3.597	11.615	0.334	0.076
Df	1	1	1	1	1
Asymp. sig.	0.079	0.058	0.001	0.563	0.783

a. Kruskal Wallis test.

b. Grouping variable: Job position.

In particular, experts agreed with the first application to public companies at a higher rate than accountants, whereas accountants preferred applying the plan across all enterprises as can be seen in, Figure 6 and Table 4.

Table-4. Difference in assessing the subjects of application.

Items	Professional		Accountant		Total	
	N	%	N	%	N	%
Public companies	70	58.8%	35	33.7%	105	47.1%
All enterprises	43	36.1%	65	62.5%	108	48.4%
Other	6	5.0%	4	3.8%	10	4.5%
Total	119	100%	104	100%	223	100%

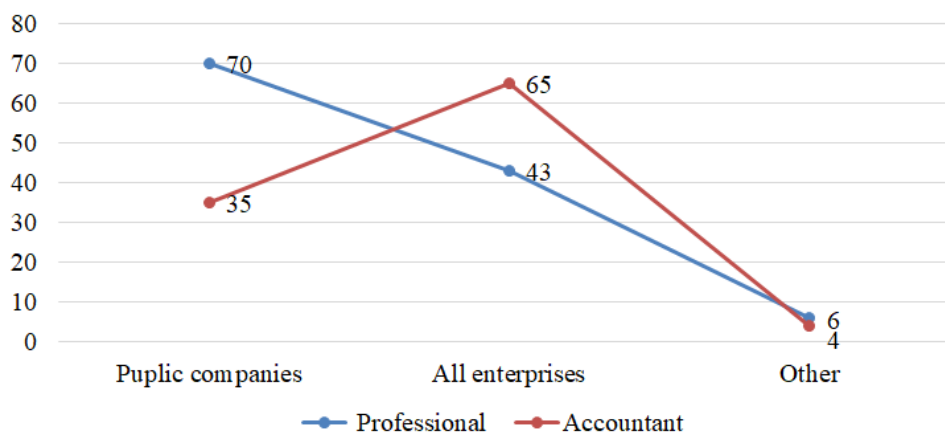


Figure-6. Compare assessment of experts and accountants about subjects of IFRS application.

4.2. Assessing the Preparation of IFRS

The respondents had gained their IFRS information mainly from reading documents (79.8%), followed by "exchanging with friends" (48.4%) and "attending training courses" (43.9%). Not many had learnt about IFRS through the experience of the standards themselves (21.5%). In order to compare the preparation of IFRS knowledge of experts and accountants in Vietnam, we examined the difference in distribution among groups without equivalent variance with the Kruskal Wallis test. The results showed that the two groups had a similarity in reading documents to have information about IFRS and there was a difference in terms of "exchanging with friends", "attending training courses" and "work experience" as shown in Table 5.

Table-5. Kruskal-Wallis test – assessing the preparation of IFRS.

Preparedness	Over all		Kruskal Wallis Chi-square
	Yes (%)	No (%)	
Communicating	48.4	51.6	12.834*
Reading documents	79.8	20.2	0.000
Training courses	43.9	56.1	44.441*
Working experience	21.5	78.5	9.355*

* Significant at the 0.05 level.

Details of the differences between experts and accountants are displayed in Table 6 and Figure 7. Both groups tend to be similar, in which, "reading documents about IFRS" accounted for 79.8%, followed by "exchanging with friends" and "attending training courses", with the lowest being "through work experience". The group of IFRS researchers was more informed than the accountants, specifically via, training courses which accounted for 64.7% compared to only 20.2% of the accountants; and exchanging with friends accounted for 59.7% compared to only 35.6% of the accountants.

Table-6. The preparation of IFRS of experts and accountants.

Preparedness	Professional		Accountant		Total	
	Yes (%)	No (%)	Yes (%)	No (%)	Yes (%)	No (%)
Communicating	59.7%	40.3%	35.6%	64.4%	48.4%	51.6%
Reading documents	79.8%	20.2%	79.8%	20.2%	79.8%	20.2%
Training courses	64.7%	35.3%	20.2%	79.8%	43.9%	56.1%
Working experience	29.4%	70.6%	12.5%	87.5%	21.5%	78.5%

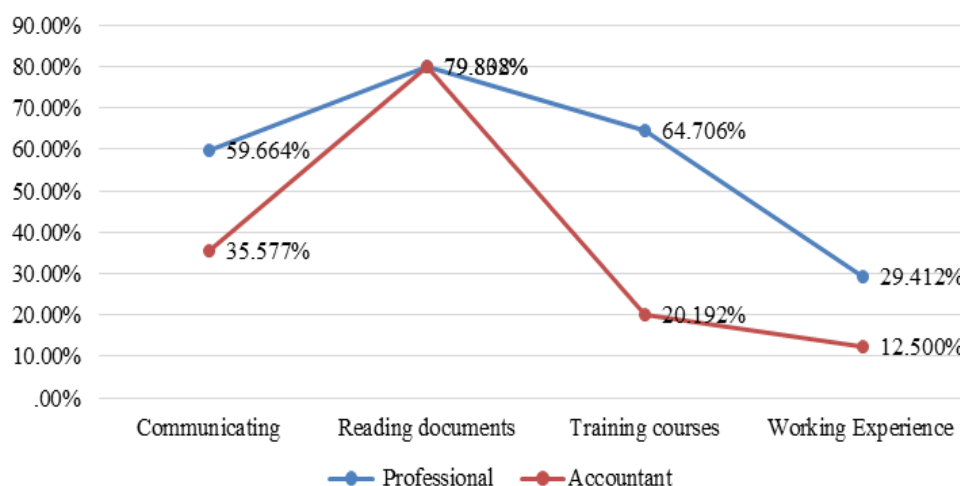


Figure-7. Compare the preparation of IFRS between experts and accountants.

4.3. Assessing the Benefits of Applying IFRS in Vietnam

All subjects showed agreement on the benefits when Vietnam applies IFRS (mean from 3.62 to 4.0), at the approved level. The highest consensus was that the information would be comparable to global businesses, with more transparent information and higher corporate responsibility. Other benefits ranked lower including reducing frauds in financial statements, increasing bank loan opportunities, and making financial statement information easier to understand, as can be seen in Table 7.

Table-7. Benefits of applying IFRS in Vietnam.

No.	Benefits	Over all		Kruskal Wallis
		Mean	Std. deviation	Chi-square Job position
1	Information comparability with enterprises worldwide	4.00	0.937	2.437
2	More transparent financial statement information	3.96	0.972	3.395*
3	Higher enterprises responsibility	3.89	0.935	0.080
4	More reliable financial statement information	3.87	0.947	0.000
5	Financial statements are publicized and recognized worldwide	3.86	0.994	0.269
6	Providing important standards for accounting	3.85	0.949	0.013
7	Increasing investment and integration opportunities	3.82	0.993	1.580
8	Financial statement information is easier to understand	3.70	0.888	0.548
9	Increasing bank loan opportunities	3.67	1.008	0.019
10	Reducing frauds in financial statements	3.62	0.886	1.070

* Significant at the 0.1 level.

When comparing experts and accountants, the Kruskal Wallis test results showed that there was no significant difference between these two groups in terms of benefit assessment. Particularly, the assessment of "more transparent financial statement information" had statistical significance (Sig.=0.065<0.1, $X^2=3.395$). Figure 8 shows more clearly the comparison of benefit assessment of these two groups. The two groups have a fairly similar assessment, in which the group of experts assessed the benefits higher than the accountant group. More transparent financial statement information had a higher difference between expert group and accountant.

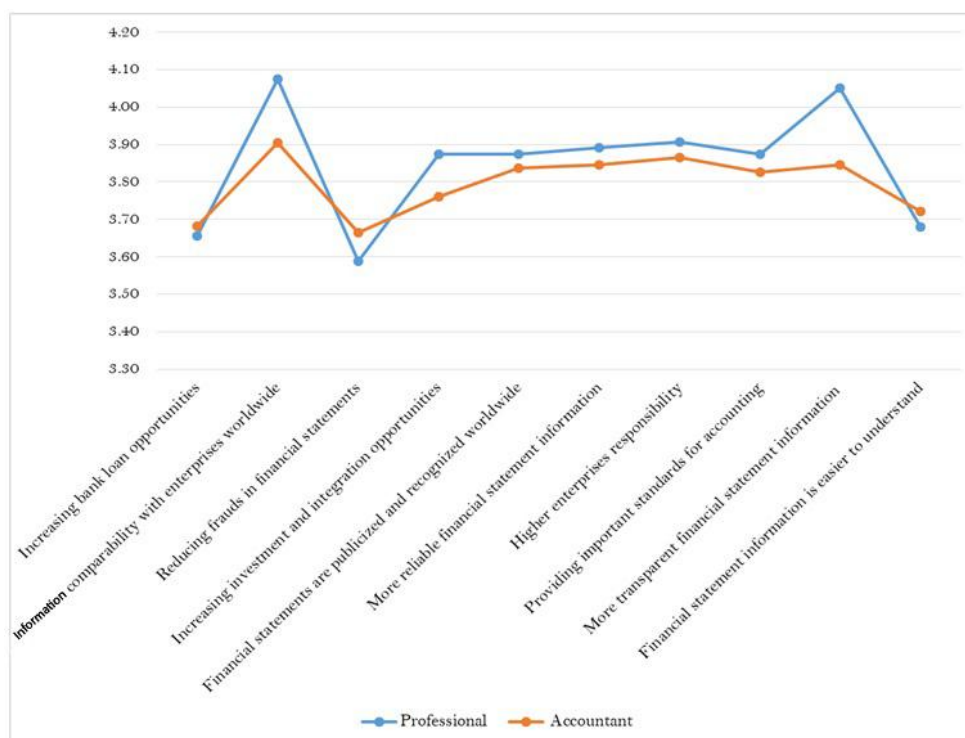


Figure-8. Comparing the benefits assessment of experts and accountants when applying IFRS.

4.4. Assessing the Difficulties when Applying IFRS in Vietnam

The respondents all assessed eight difficulties when Vietnam applies IFRS at the approved level (mean from 3.44 to 3.97). The biggest difficulty was highly considered to be that the first time of application was expensive and that the legal framework of Vietnam is not synchronized with international legal framework (mean=3.97 and 3.91).

Ranked lower was the pressure from the international consulting companies in Vietnam and the fact that a lot of the information would be subjective (mean=3.44 and 3.62), Table 8.

Table-8. Difficulties when applying IFRS in Vietnam.

No.	Difficulties	Over all		Kruskal Wallis Chi-square
		Mean	Std. deviation	Job position
1	First time of application is expensive	3.97	0.880	2.950**
2	The legal framework of Vietnam is not synchronized with international legal framework	3.91	0.904	3.945*
3	SMEs have difficulties in technology and human resources	3.87	1.016	0.217
4	Language barrier	3.78	0.956	4.513*
5	IFRS is complicated with strict regulations on information disclosure	3.78	0.946	1.596
6	Difficult to recruit qualified accountants to prepare financial statements	3.76	1.015	0.906
7	A lot of information is subjective	3.62	0.926	0.494
8	Pressure from the international consulting companies in Vietnam	3.44	1.020	0.121

* Significant at the 0.05 level.

** Significant at the 0.1 level.

When comparing the assessment of experts and accountants, the difficulties were different: "Language barrier" (Sig.=0.34<0.05, $X^2=4,513$); "The legal framework of Vietnam is not synchronized with international legal framework" (Sig.=0.47<0.05, $X^2=3.945$); and "First time of application is expensive" (Sig.=0.86<0.1, $X^2=2,950$), as can be seen in Figure 9.

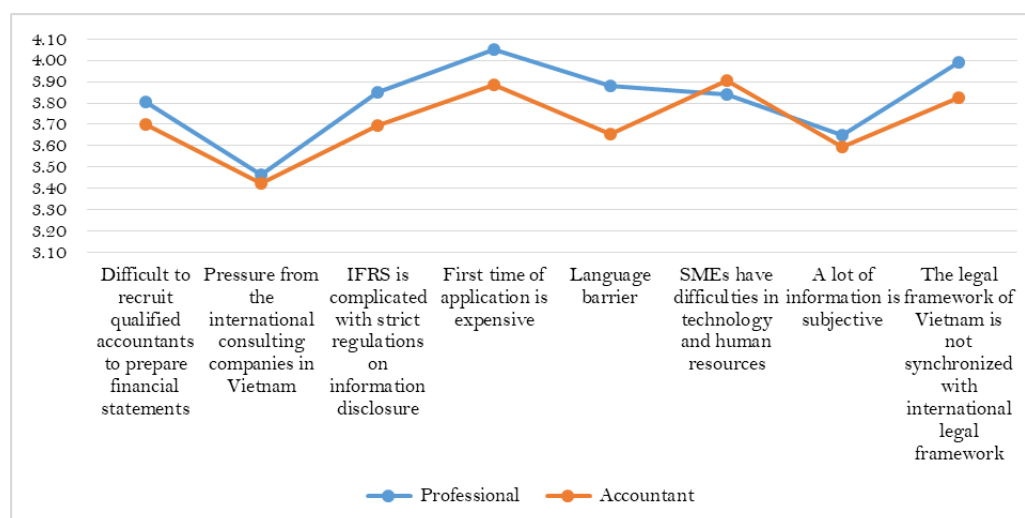


Figure-9. Comparing the difficulty assessment of experts and accountants when applying IFRS.

Figure 9 further clarifies the differences in assessment of the difficulties of these two groups. Basically, the tendency of fluctuations between the two groups was quite similar, in which the expert group assessed difficulties higher than the accountant group. The most obvious differences shown in Figure 9 are the differences in assessments for the difficulties of language barriers, the first time of application being expensive and that the legal framework in Vietnam is not synchronized with the international legal framework.

5. DISCUSSIONS AND IMPLICATIONS

The results above indicate that:

5.1. IFRS Awareness

In terms of IFRS awareness, the respondents believed that:

The VAS has many shortcomings:

- i. It will be better for Vietnam to apply IFRS.
- ii. Vietnam should apply IFRS part by part.
- iii. Subjects of IFRS application are similar according to the assessments of the entire enterprises and public companies only.
- iv. The majority agrees on the plan of 3 to 5 years, and the next agreement is from 5 to 10 years.
- v. There is only a difference in subjects of IFRS application, where the accountant group agrees on applying for the entire enterprises while the expert group agrees on applying for public companies.

5.2. Preparation of IFRS

It was clear from the results that:

- i. The subjects get IFRS information mainly from reading documents, then "exchanging with friends", and the "lastly through working experience.
- ii. Comparing the preparation of IFRS knowledge by experts and accountants, the two groups are similar in terms of "reading documents about IFRS" and different in "exchanging with friends", "attending training courses" and "work experience" and that both groups tend to be similar, but the group of experts studied IFRS more than accountants.

5.3. Benefits when Applying IFRS in Vietnam

It is clear from the result that the respondents believed that:

- i. With ten possible benefits of applying IFRS in Vietnam, the most appreciated are "Information comparability with enterprises worldwide", "More transparent information" and "Higher enterprises responsibility" while those less regarded are "Reducing frauds in financial statements of fraud", "Increasing opportunities for bank loans" and "Financial statements information is easier to understand".
- ii. Comparison between experts and accountants shows that there is no significant difference between these two groups in terms of benefit assessment and that the two groups have quite similar assessments, in which, the expert group evaluate the benefits higher than the accountant group.

5.4. Difficulties when Applying IFRS in Vietnam

It is clear that the respondents believed that:

- i. The biggest difficulties were that the first time of application is expensive, and that the legal framework of Vietnam is not synchronized with the international legal framework while the pressure from the international consulting companies in Vietnam and the lot of information being subjective caused them less concern.
- ii. Comparing the assessment of experts and accountants, they differed in how they assessed difficulties specifically: "Language barrier", "The legal framework in Vietnam is not synchronized with the international legal framework", "First time of application is expensive." and the expert group assessed the difficulties higher than the accountant group.

The research results reflect the reality of preparation for IFRS application, opinions, demands and aspirations of enterprises and experts on IFRS application in Vietnam. This result is useful reference information, contributing to helping policy makers such as the Ministry of Finance and related management agencies in issuing IFRS documents, and in selecting the model to apply IFRS in accordance with economic development conditions and the support of businesses and experts.

5.5. Research Results have Certain Similarities with Previous Studies, Specifically

The research results showed that there is a similarity between selecting all businesses and public companies, however, there are significant differences between the expert group and the accountant group. While the group of experts support the public companies, the accounting team support the application of all businesses. The research results of KPMG Vietnam, 2018 when surveying 27 Vietnamese enterprises, indicated that large-scale listed and public enterprises, financial enterprises and foreign-invested companies are selected subjects for IFRS application. This result is consistent with the opinions of the experts.

Applying IFRS will bring greater benefits than the current VAS (KPMG Vietnam, 2018). "Information on financial statements is more transparent" is the biggest benefit of the surveyed subjects. This result is consistent with the survey results of KPMG Vietnam (2018).

Mohammad *et al.* (2015); and Kilic *et al.* (2014) also had similar results when assessing the benefits of IFRS application. "Information is comparable to global enterprises" is also a well-regarded benefit in accordance with research by KPMG Vietnam (2018) and Odo (2018); Kilic *et al.* (2014); Uyar and GÜNGÖRMÜŞ (2013); Poroy and Sipahi (2007); Joanne *et al.* (2016); and Harris and Muller (2005). "Applying IFRS as easier-to-understand information" is similar to the study of Young and Zeng (2015). DeFond *et al.* (2011); and Alkhtani (2012).

"Applying for the first time is expensive" was the highest consideration of the surveyed subjects. This is also the result that KPMG Vietnam (2018) received from 27 enterprises' opinions. Financial difficulties include costs of training personnel, expert expenses, information technology investment...research by Xinyun (2017); Nerudova and Bohusova (2008); Jones and Finley (2011); Winney *et al.* (2010); and Bunea *et al.* (2012) also pointed out that the difficulty of applying IFRS was the expensive costs such as accounting training, changing the accounting information system, hiring consultants.

Other difficulties such as "Vietnamese legal framework is not synchronized with international legal framework" and "Difficulty by language barrier" agreed with the studies of Raoudha (2016); Siaga (2012); Alp and Ustundag (2009) and Ballas *et al.* (2010) for countries where English is not a mandatory language.

5.6. Research Results are not Consistent with Previous Studies, Specifically

KPMG Vietnam (2018) did not mention clearly the disadvantages of Vietnam when applying IFRS as "Difficulty by language barrier", "Vietnamese legal framework is not synchronized with the international legal framework". The difficulty of "Pressure from international consulting companies in Vietnam", according to KPMG Vietnam (2018) was more pressing a concern than the results of this study indicated. Regarding the transparency and effectiveness of providing financial statement information when applying IFRS, the research results contradicted Jeanjean and Stolowy (2008) where it was assumed that the standard application of financial statements has little impact on the quality of information provided to users because they depend on personal information.

5.7. Research Limitations

The research has not approached many accountants in enterprises that are preparing IFRS financial statements to better assess the situation as well as the benefits and shortcomings of Vietnam when implementing IFRS. The study has not assessed the factors affecting the application of IFRS in Vietnam to have a basis for measuring and implying policy based on the influencing factors of Vietnamese policy makers.

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