

# Quality Assurance for Implementing International Financial Reporting Standard (IFRS) in Vietnam and Some Recommendations

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**Abstract**— In the context of the economy is in the process of deep integration with the region and the world, to improve the business environment, sustainable development, support the stock market, protect investors and Attract foreign investors, the Government has required to improve the transparency of financial information. On the other hand, in order to access capital flows in the international market, listing companies in foreign markets, Quality Assurance for implementing IFRS is increasingly urgent and indispensable for corporations, public companies. This paper assesses the achievements and shortcomings in the Vietnamese accounting system and points out the urgency of implementing the International Financial Reporting Standards (IFRS). It proposes some related proposals.

**Keywords**— Capital flow, IFRS, financial information, quality assurance.

## I. INTRODUCTION

Vietnam economy has been intergrating with world economy. Therefore, it is essential that all filed must be suitabled to international standard, especially accounting standard. There are many shortcoming of Vietnam accounting standard when comparing with international standards, it make many difficulties for FDI enterprises. This article show shortcoming and achievements of Vietnam accounting standard and give recommendation for improving.

## II. GENERAL ASSESSMENT OF THE ACHIEVEMENTS AND EXISTING IN THE SYSTEM OF ACCOUNTING STANDARDS IN VIETNAM

### A. Achievements

In practice, the Vietnamese accounting standards system has achieved following results:

- Vietnam has formed a standard system that reflect the all basic business transactions. It is noteworthy that these standards were developed and issued quite quickly Bottom = 1.18"
- Initially resolving the relationship between the standard and the unified accounting system. This is a challenge for all national accounting integrations in the context of existing unified accounting system.
- Initially creating the social awareness of accounting standards. All parties who are relate to financial statements have a certain level of awareness about the role of accounting standards in the preparation and presentation of financial statements. This is one of the noteworthy

achievements when Vietnam organizations have formed the standard in the context of this completely new concept.

### B. Shortcoming

Firstly, the differences between the Vietnamese accounting standards and the international financial reporting standards haven't been met.

The first accounting standards were issued in 2001, in which Vietnam's economy was in general developing and the accounting standard system was gradually improving. Therefore, in order to avoid economic fluctuations as well as to suit specific characteristics, Vietnam has adjusted certain accounting principles, methods and contents of accounting standards when it comes to setting up accounting standards or not necessary in the current period. This has created a difference in content between Vietnamese accounting standards and international financial reporting standards. In addition, over the past many years, many international standards have been promulgated, but Vietnam has only updated it recent years. This reason cause increasing the gap between the two systems.

In addition, the system of accounting standards from the first issuance in 2001 to now have been modified but hasn't been updated more new standards for to suiting the economic development of Vietnam, meeting the practical requirements. *The second: The dominant scope of the Vietnamese accounting system*

The current accounting standards system is applied to all kind of enterprises, regardless of whether they are listed or unlisted, large or small enterprises and medium. If accounting standards are applied generally will lead to missing or redundant. As for large-scale enterprises and listed companies, there are more and more complicated transactions such as stock-based payment, long-term assets held for sale and intermittent operations. The current system hasn't met the requirements, while the majority of SMEs aren't listed, the system of accounting standards has become over-complicated. *Third, the discrepancies between accounting standards and enterprise accounting systems.*

In order to apply to reality, Vietnamese accounting standards system must be followed the guidelines or regulations of the accounting system of enterprises. Vietnamese businesses have to use the Vietnamese accounting system. Therefore, once the standard is issued but no guiding circulars, enterprises cannot apply until guiding circulars are issued. Therefore, in practice, when there are inconsistencies

between the standards and the enterprise accounting regime, enterprises generally prefer to apply the accounting regime. It is reason that causes reducing the role of accounting standards and making it difficult to apply in practice standards. The parallel existence of accounting system standards and Accounting system leading to difficulties and obstacles for Vietnam in the process of international accounting.

*Fourth, the capacity and level of implementation for accounting standards in reality hasn't achieved high efficiency.*

Accounting standards must be solved problems related to economic reality. However, the implementation and application of accounting standards in reality is not effective and there is a gradual decline from recognition and presentation information and evaluation. This shows that accounting standards do not fully reflect the role in reality.

*Fifth, compliance of enterprises in the application of Vietnamese accounting standards is limited*

Compliance of enterprises with accounting standards in practice in general and public enterprises in particular is limited, and the current situation shows that enterprises that implement the accounting policies have not complied with the regulations. Appraisal methodology, the presentation and disclosure information in accordance with accounting standards. This is one of the issues to be considered by the practical application of enterprises still gap compared with the requirements of accounting standards.

Based on the above observations, the updating of accounting standards has not yet shown professionalism to improve the quality of accounting information. The lack of a specific roadmap often leads to "patchy", not systematic, lack of consistency. The lack of investment to build a professional team to focus full time on the study of finalization of accounting standards is difficult to ensure the improvement of information quality as well as the standard application in practice. The issue of public disclosure of additional comments and corrections of stakeholders has not been properly addressed. This reduces the transparency of information in recognizing the interests of the parties involved.

### III. THE URGENCY OF APPLYING IFRS IN VIETNAM IN THE CURRENT PERIOD TIME

In the recently years, the adoption of the International Financial Reporting Standards (IFRS) has grown rapidly and widely applicable worldwide. Of the 140 countries surveyed, 116 countries required all domestic firms or most of them to apply IFRS. Most of the remaining countries allow IFRS. All organizations have significant impact on the world economy, such as the G20, the World Bank, the International Monetary Fund (IMF), the International Financial Stabilization Board (FSB) and the Organization. The International Securities Commission (IOSCO) supports and supports the global adoption of IFRS.

In Vietnam today, most of the financial statements (FFOs) of enterprises are being applied in accordance with Vietnam Accounting Standards (VAS) issued by the Ministry of Finance in five batches from 2001 to 2005 with 26 only a few

foreign-invested enterprises or listed on the international market make IFRSs.

Basically, there is no denying the positive effects of VAS in the past. However, with changes in domestic economic institutions as well as changes in the IFRS system in the current period, VAS has revealed many problems, especially the transactions of the new market economy have not been thoroughly handled by VAS, such as recognition and assessment of assets, liabilities at fair value, asset impairment, accounting for derivative financial instruments for business purposes. venture and risk prevention which don't have specific guidance.

Along with the increase of foreign investors as well as for the purpose of calling for investment capital, enterprises should have a complete, transparent, accurate and reliable IFRS. In the context of the economy is in the process of deepening integration with the region and the world, to improve the business environment, sustainable development, support the stock market (securities market), protect the house investment and foreign investment attraction, the Government has requested to improve the transparency of financial information. On the other hand, in order to access capital flows in the international market, listing in foreign markets, the requirement to make IFRS financial reports is becoming increasingly urgent and indispensable for corporations and public companies.

### IV. RECOMMENDATIONS

#### A. On the Side of the State

- Propagate to raise awareness of the application of financial reporting standards to enterprises.
- Supervise the compliance of enterprises with the presentation and disclosure of information.
- To perfect the legal corridor of laws, decrees and circulars guiding the contribution of the legal environment to the accounting activities in particular and to the economic sector in general. Therefore, when issuing the Laws, Decrees or Circulars guiding the Decree, attention should be paid to related issues in order to avoid conflict of views with the financial reporting standards and especially with regard to the content of the law. Relevant provisions in the financial reporting standards that are relevant to the rule of law.
- The State should ensure the independence of the interests when issuing accounting standards as well as tax regulations.
- The legal corridor is also manifested through the promulgation of norms and circulars guiding standards. For example, Vietnam doesn't issue accounting standards for financial reporting and disclosures of financial instruments but issued Circular 210/2009 / TT-BTC to guide the application of accounting standards. International financial reporting and disclosures for financial instruments. This not only hinders the issuance of financial reporting standards but also creates a lack of legal consistency in the standard system.

- To step by step raise the role and position of the State Securities Commission. Previously, the State Securities Commission was established as an independent agency under the Government. Because State-owned enterprises will lose their scope of operation, their powers are narrowed and the practice must go through many overlapping intermediaries in management organizations. In the development trend of Vietnam's stock market, the State Securities Commission should clearly state the role and authority in solving and dealing with information supply of listed companies. To do this, the State Securities Commission must be an independent body under the Government instead of the Ministry of Finance.
- In addition, the role of the National Accounting Council should be strengthened. According to the current regulations, this Council is an organization in the process of drafting Vietnamese accounting standards to provide comments on the contents of accounting standards before submitting them to the Ministry of Finance. However, the status of the Council has not yet played a role in the issuance of accounting standards. As such, the Board should assume the role of an independent advisory body for the development of the Vietnamese financial reporting standard both in regulation and in practice.
- It is necessary to have more encouraging and favorable conditions for foreign companies to invest in accounting and auditing services in order to improve the quality of services.
- - The State should issue policies aimed at improving and enhancing business environments, including the development of financial markets, medium and long-term capital markets, and derivative instruments.

## B. On the Business Side

For businesses, experts say businesses need to make efforts to meet the special requirements of banks, insurance companies as well as listed companies to meet the trend of accounting convergence. Therefore, businesses should:

- Be aware of the importance of compliance.
- Learn to improve knowledge by managers who are directly responsible for implementing the rules in the standard.
- Improving the capacity of the team of accountants. The team of accountants is the one who directly applies financial reporting standards into practice in enterprises. As a result, the practice team needs continuous training to improve their ability to use the benchmark effectively.
- Build and improve the information and management system to meet the accounting infrastructure of enterprises.

## C. On the Professional Organization Side

For professional organizations, the following issues should be addressed:

- The role of the Professional Organization should be enhanced to become a strong Professional Organization capable of drafting standards as well as supervising the implementation of standards by enterprises. However, deciding on the degree of convergence, the mode of

convergence depends not only on the professional organization but also on other factors such as the political, economic, legal environment and the organization of current regulation. Vietnam is a state management agency, specifically the Ministry of Finance. Therefore, the occupational organization can only undertake the above-mentioned contents.

- In order to be able to perform the task, the professional organization needs to reorganize its personnel, strengthen the team by mobilizing researchers, experts, auditing firms, legislators, chief accountant.
- Professional organizations participate in training to improve professional qualifications for managers and practitioners to update professional knowledge.
- Encourage the compilation of manuals and explanations on financial reporting standards in order to create a rich and rich source of information to help users understand the contents, issues and contents of the standard.
- To further enhance the cooperation with foreign professional organizations in expanding training courses to raise the professional qualifications and skills of practitioners.
- It is necessary to renovate the organization of examinations and certificates for practitioners (CPA Vietnam) in which the content of examinations should be renovated in the direction of expanding the issues on the basis of related principles and regulations. It is more of a benchmark than handling the accounts on account to improve judgment in the profession.
- Keep supporting and reviewing roles in the development and promulgation of accounting standards as well as policies and regimes related to accounting.

In addition, renovating the curriculum and improving teaching methods is one of the key issues contributing to the improvement of accounting infrastructure in which education institutions include universities, colleges, institutes need to innovate the curriculum of audit accounting in the direction of enhancing the teaching of content related to national financial reporting standards and international rather than teaching skills the current accounting account to train high-performing accountants and can apply good financial reporting standards. At the same time, renovation of teaching methods should help learners to handle and solve real situations in order to improve their professional qualifications and professional judgment.

## V. CONCLUSION

Facing the trend of globalization and regional integration, the maintenance of VAS / VFRS for financial reports of enterprises is considered as one of the barriers to attract foreign investment. Financial reports of Vietnamese enterprises are currently under-evaluated, and don't reflect the financial and business situation of the organization. It can't be used effectively for both enterprises and housing management agencies. In order to support enterprises to increase their international competitiveness so that Vietnam can quickly integrate, the need to apply IAS / IFRS Vietnam is more urgent than ever. This is really a long and difficult process. To

do this it is necessary to have synchronous coordination of state agencies such as MOF, Taxation Agency, Enterprises or training institutions in the country

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