

Impact of Differences Between Local GAAP and IFRS on Accounting Practice in an
Emerging Market, Vietnam

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Abstract

The purpose of this study is to investigate the impact of the differences between International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS) and Vietnamese accounting regulations in the way businesses in Vietnam practice accounting. By analysing key controversial/complex standards including goodwill, foreign currency transactions, leases, intangible assets (other than goodwill), investment properties, property, plant, and equipment, and fair value in the annual reports of 29 listed companies in Vietnam, this study sheds light on the reporting behaviour of businesses in Vietnam. In particular, through the lens of institutional theory, I find that businesses in Vietnam prefer to follow the Vietnamese accounting system, even in the situation when the system does not provide adequate instructions for complex accounting standards and when permission is given to use IAS/IFRS as an alternative. I find that normative isomorphism influenced by firm characteristics such as firm size; industry; boards of directors (BOD); ownership; and Big Four auditors do not noticeably affect the accounting choices made by listed companies in Vietnam. These findings suggest that in a setting with a totalitarian history, it is not easy to introduce new accounting systems such as the IAS/IFRS.

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List of Abbreviations

BOD	-	Boards of directors
GAAP	-	Generally Accepted Accounting Principles
HNX	-	Hanoi Stock Exchange
HOSE	-	Ho Chi Minh Stock Exchange
IAS	-	International Accounting Standards
IFRS	-	International Financial Reporting Standards
MOF	-	Ministry of Finance
PP&E	-	Property, Plant, and Equipment
SCIC	-	State Capital Investment Corporation
UAS	-	Uniform Accounting System
VAS	-	Vietnamese Accounting Standards
VASB	-	Vietnamese Accounting Standards Board

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Attestation of Authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

Tina (Thoang) Dao

Chapter 1 Introduction

Prior studies (Doan & Nguyen, 2013; Nguyen, 2019; Nguyen & Rahman, 2019; Nguyen & Richard, 2011) have found that Vietnam has a unique institutional environment that makes the adoption of the International Financial Reporting Standards (IFRS) a challenge. Vietnam's long history of central planning with State control of the national economy has shaped the national accounting mechanism in a form that supports central planning and control (Nguyen & Richard, 2011). Despite various barriers (legal and knowledge), Nguyen and Rahman (2019) found that the Ministry of Finance (MOF) Vietnam had a strategic approach to IFRS adoption. That is while allowing IFRS to permeate into the business environment, it creates significant variances in the Vietnamese accounting standards from those of their corresponding IFRS. This research aims to examine the impact of such variances on the financial reports of listed companies in Vietnam. This research is important as it looks into the application of key standards in practice that are not considered in existing research.

I used content analysis as proposed by Eriksson and Kovalainen (2008) to analyse the impact of the difference between the International Accounting Standards (IAS), the IFRS, and existing accounting systems used in Vietnam, particularly the Uniform Accounting System (UAS), and the reporting behaviours of listed companies. Annual reports for the period of 2017–2018 produced by 29 listed companies in Vietnam were collected and analysed. The key standards under examination were goodwill; foreign currency transactions; leases; intangible assets (other than goodwill); investment properties; property, plant, and equipment (PP&E); and fair value.

The theoretical framework used in this study is the institutional theory by DiMaggio and Powell (1983). It consists of three key isomorphic processes: coercive, normative, and mimetic, capable of demonstrating the reporting behaviour of businesses under examination.

My study contributes to the accounting literature in two ways. First, this study provides further insights into Nguyen and Rahman's (2019) study, which concludes that accountants are allowed to refer to IFRS for complex standards such as goodwill, fair-value accounting, particularly when detailed instructions are absent or inadequate in the UAS. It is found in this study that listed companies in Vietnam still adhere to the UAS with a certain degree of discretion, e.g. the amortisation period for goodwill. Second, I found that firm characteristics, in particular firm size and Big Four auditors for listed companies, do not influence the application of the IAS/IFRS, which contrasts with the findings of Tran et al.'s (2019) study where they concluded that firms audited by Big Four auditors and large in scale

were more likely to adopt the IFRS. This potentially could be that a limited number of companies were analysed in the current study and most of these companies had domestic ownerships. Furthermore, I found that other firm characteristics such as industry, boards of directors (BODs), and ownership do not influence the application of the IAS/IFRS in developing countries, particularly Vietnam. The firm characteristic features are often responsible for creating similarities in reporting behaviours (norms) between firms (Rahman et al., 2002). Therefore, it seems that coercive isomorphism, as espoused by Nguyen and Rahman (2019) for a totalitarian setting, is the primary driver of accounting practice in Vietnam. This confirms Nguyen and Rahman's (2019) summation that IFRS adoption in settings influenced by totalitarianism will be challenging.

This dissertation consists of seven chapters. Following chapter 1, the introduction, chapter 2 provides a short overview of accounting in Vietnam. Chapter 3 reviews the literature on the relevance of IFRS in developing countries and the adoption of IFRS in Vietnam and identifies the research question. Chapter 4 outlines the theoretical framework of DiMaggio and Powell (1983). Chapter 5, Research Design, discusses the research methodology. Findings and discussions are presented in chapter 6, followed by a conclusion in chapter 7, with study limitations and recommendations for future research areas also presented in the final section.

Chapter 2 Overview of Accounting in Vietnam

In Vietnam, the MOF has been entrusted with significant responsibility for accounting regulations. The MOF is the only ministry authorised to promulgate the Vietnamese Accounting Standards (VAS) (Tran, 2018).

In 1988, the MOF introduced its first regulation, called the *Ordinance on Accounting and Statistics*. It required all accounting to be uniformly implemented throughout Vietnam (Phan et al., 2018). The first UAS was released in 1995 according to Decision 1141-TC/QD/CDKT, which was legally backed by the *Ordinance on Accounting and Statistics* in 1988. The UAS contained detailed guidelines in four areas: chart of accounts, bookkeeping, accounting documents, and presentation of financial statements (Nguyen & Rahman, 2019).

The adoption of the IAS in Vietnam began in 1998. It showed a pattern of institutional arrangements through which the IAS were localised. The IAS were slowly translated into a Vietnamese Accounting Standard (VAS). Specific guidance on how to use these standards in various situations were provided in a circular, i.e. *Circular No. 89/2002/TT-BTC* issued by the MOF in 2002. A circular provides instructions to accounting practitioners; It is published after each set of new accounting standards (VAS are issued) (Nguyen & Rahman, 2019). However, there has been a lack of uniform accounting regulation in the Vietnamese market (Tran, 2018). This is why the Government introduced the *Accounting Law* in 2003 to replace the *Ordinance on Accounting and Statistics* (Phan et al., 2018). This law created the legal basis for Vietnam's Government and the MOF to issue new accounting standards and circulars. The MOF issued a new series of 26 VAS in the period of 2001–2005, which were generally based on the previous versions of the IAS.

In 2011, the MOF formed the Vietnamese Accounting Standards Board (VASB) to revise the existing VAS to align with the IFRS. However, the VAS were not updated to indicate the subsequent amendments to the IAS, or the new IFRS (Pham, 2016), due to the absence of fair-value measurements in the *Accounting Law 2003* (Nguyen & Rahman, 2019). Nguyen and Rahman (2019) found that the MOF had continually updated the UAS to provide more comprehensive guidance for local and foreign business entities in Vietnam. For instance, the following circulars were issued: *Circular No. 20/2009/TT-BTC*, issued in 2009, guided the revaluation of foreign exchange rate differences; and *Circular No. 179/2012/TT-BTC*, issued in 2012, guided the recognition and revaluation of accounting policies on foreign exchange rate differences in an enterprise.

More recently, in 2014, the MOF updated the UAS, which brought Vietnam's GAAP (Generally Accepted Accounting Principles) closer to the IFRS. The update included

Circular No. 200/2014/TT-BTC, which guided the Vietnamese Corporate Accounting System that is now applied to all enterprises operating in Vietnam for the financial year commencing 1 January 2015; and *Circular No. 202/2014/TT-BTC*, which guided methods of preparation and presentation of consolidated financial statements (Nguyen & Rahman, 2019; Phan et al., 2018). Also, 2003 laws were revised in 2015 (*Accounting Law No. 88/2015/QH13*) by the MOF; the revision introduced measurement and recognition of fair value. It is now required that assets and liabilities be revaluated and recognised at fair value on a reliable basis. Assets and liabilities must also be recognised at historical cost in the absence of a reliable basis (Nguyen & Rahman, 2019; PwC Vietnam, 2020). At present, the country's accounting system contains both the VAS (a principle-based set of standards modified from the IAS) and the UAS (a rules-based socialist approach). Yet, Vietnam's accountants have been relying on the UAS for a long time, which suggests that the UAS play a prominent role in accounting in the country (Nguyen & Rahman, 2019).

Chapter 3 Literature Review and Research Question

This section reviews the literature on IFRS adoption in developing countries and IFRS adoption in Vietnam and identifies the contribution of this dissertation, i.e., the research question I am addressing.

The Relevance of the IFRS in Developing Countries

The existing literature on the IFRS only broadly shows the challenges of IFRS adoption, such as regulatory weaknesses (Cai et al., 2014), and states little about the intricacies of how the IFRS is implemented in developing countries.

As an institutional setting like Vietnam, the Chinese economic system has changed from a socialist-planned economy to a market-based economy (Peng & van der Laan Smith, 2010). China has accomplished substantial convergence with the IFRS. Extant studies have examined the process of convergence in there and have found that the State dominates this process (Chen & Cheng, 2007; Chen & Zhang, 2010; Peng & van der Laan Smith, 2010). In particular, Peng and van der Laan Smith (2010) studied the process of convergence of China's GAAP with the IFRS using longitudinal analysis, and they found that the success of convergence with the IFRS came via both progressive changes to China's GAAP, and from the direct import of portions of the IFRS that were similar to the previous Chinese accounting system, or contained familiar concepts. This reflected China's caution in permitting the flexibility allowed under the IFRS. However, the Peng and van der Laan Smith (2010) study focused exclusively on measurement issues, excluding disclosure requirements and regulatory enforcement. Chen and Zhang (2010) then addressed the impact of regulatory enforcement and audit upon IFRS compliance in China. The Chen and Zhang (2010) study revealed that corporate governance may affect the convergence of accounting practices. The convergence of accounting practices may be marked by not only the lack of an insufficient understanding of the IFRS by domestic accounting professionals, but also by management behaviours enacted during the application of different standards. This implies that adopting the IFRS does not always lead to the same practices and outcomes.

Another study done by Aria and Nurul (2015) examined the factors contributing to the adoption of the IFRS in developing countries and found that regulatory quality positively affected the possibility of IFRS adoption; better regulator quality in a country increases the likelihood of adopting the IFRS. Aria and Nurul (2015) found that countries tend to adopt IFRS when they have local accounting standards that were previously adopted from

international standards. Aria and Nurul (2015) contradict the other papers cited above (e.g., Peng & van der Laan Smith, 2010) which concluded that developing countries tend to adopt the IFRS when they do not have a good set of standards or a comprehensive standard. On the other hand, Masum and Parker (2020) examined the implementation of the IFRS in Bangladesh, and they revealed that national accounting reforms can be constrained by a complex mix of institutional settings such as market, corporate structures, and political and regulatory concerns. These constraints lead to highly variable adoption of international accounting standards. The impact of IFRS adoption in developing nations is an important concern that the current study hopes to address by using Vietnam as a case study.

IFRS Adoption in Vietnam

Pham (2016) investigated Vietnam's approach to converging with international accounting standards by using a variety of *de jure* convergence scores and found that the failure to keep up-to-date with revisions to the existing IAS/IFRS and the new IFRS made the level of convergence between the VAS and the IAS/IFRS drop dramatically. For instance, Vietnam adopted 84% of the IAS issued up to 2003, and then fundamentally decreased adoption to 63% in 2013. The institutional factor is said to affect the adoption of the IAS/IFRS, leading to decreasing convergence (Pham, 2016).

Likewise, Tran et al. (2019) examined the factors influencing IFRS adoption by listed companies in Vietnam and found that firms are featured by Return on equity (ROE) with high rates of profitable on equity, a larger scale, and Big Four auditors are more likely to adopt the IFRS than others. The authors further claimed that firms do not adopt the IFRS based on their debt ratio or based on their listing in foreign markets (Tran et al., 2019). More importantly, Tran et al. (2019) stated that the MOF plans to adopt the IFRS for listed firms, foreign-invested enterprises, and public enterprises from 2022.

However, by examining the institutional and business environment in Vietnam, Nguyen (2019) found that there exist some major challenges regarding the regulations and infrastructure needed for, say, accounting for the fair value of assets. The current business environment in Vietnam is not favourable for adapting fair-value accounting. It is a complex environment including the domination of State intervention; therefore, fair-value accounting is less effectively applied (Nguyen, 2019).

Concerning fair-value accounting, Nguyen and Rahman (2019) examined the way Vietnam's standard-setter (the MOF) has approached the adoption of the IFRS. They found that the IFRS were not adopted to achieve their intended goal of presenting a true and fair

view of the firms to the investors, but were instead contextualised to achieve the goals of central planning and control of the State. With complex standards such as fair-value accounting, goodwill impairment, etc., the authors further found that the UAS does not always provide clear instructions. In such cases, accountants are allowed to refer to the IFRS for accounting treatment (Nguyen & Rahman, 2019). Such matters are potential reasons for uncertainty among the preparers of financial statements and can cause differences in the application of the UAS and the IAS/IFRS, which can lead to doubt in the business community about the financial information they receive through financial statements. Nguyen and Rahman (2019) also noted that the likelihood of the aforementioned variations is high in Vietnam due to the weak enforcement of accounting regulations.

In contrast, Nguyen and Rahman (2019) highlighted that although institutional factors impact accounting applications in Vietnam, the actual differences in practice remain unclear from their research. The current study aims to fill this gap. The current study aims to examine the impact of such variances on the financial reports of listed companies in Vietnam. This research is important as it investigates the application of key standards in practice that are not considered in prior research. The obsolete nature of the VAS, and the constant updates to the UAS by the MOF, highlight that the UAS is the first choice in Vietnam. Thus, my research question is: How do the differences between the IAS/IFRS and the UAS impact actual accounting practice in Vietnam?

Chapter 4 Theoretical Framework

I use institutional theory as proposed by DiMaggio and Powell (1983) to explain why organisations tend to have comparable characteristics, forms, and processes (including similar reporting practices). This theory associates organisational practices with social values and is increasingly being applied in accounting research to study the practice of accounting in organisations. It is relevant to the current study for investigating corporate reporting practices and in achieving an understanding of how organisations respond to shifting social and institutional pressures and expectations (Deegan, 2009). DiMaggio and Powell (1983) labelled the process by which practice tends to adopt the same structures as isomorphism. Isomorphism in institutional theory is a constraining process that forces one unit in a population to be similar to other units facing the same set of environmental conditions. DiMaggio and Powell (1983) developed a framework that presents three different isomorphic processes referred to as “coercive”, “normative”, and “mimetic”.

The first isomorphism is coercive. According to DiMaggio and Powell (1983), coercive isomorphism arises when organisations change their institutional practices because of both formal and informal pressures, and according to cultural expectations in the society within which the organisation functions. For instance, political influence, organisational legitimacy conveyed through laws, government regulations, and the influence of powerful stakeholders create coercion (Deegan, 2009). As per Nguyen and Rahman (2019), coercive isomorphism could occur when the UAS is dominantly used or is compulsory. This would be because Vietnam’s accountants have been relying on the UAS (a rules-based approach) for a long time.

The second isomorphism is mimetic. According to DiMaggio and Powell (1983), it involves an organisation seeking to copy or mimic behaviours as a form of organisational response to uncertainty. Uncertainty is a powerful driver of constraint that may encourage the organisation to model itself like other organisations. This is evidenced in adopting the best practices of other organisations, often for reasons of legitimacy or competitive advantage. As per Chua (2015), mimetic isomorphism could occur when the firm tries to mimic the other firm. Firms try to copy the use of IAS/IFRS because other firms use similar standards.

The third isomorphism is normative, and it relates to the pressures arising from group norms leading to the adoption of specific institutional practices (DiMaggio & Power, 1983). In the current work, I believe normative isomorphism occurs where most companies follow a certain accounting option, or where firms share characteristics. For instance, Rahman et al. (2002) have found that firm-specific characteristics are important influencers in the

accounting practice harmonisation process, especially when regulation harmony is weak or where there is no regulation, particularly in the areas of ownership concentration, auditor type, and industry type. In this regard, Bueno et al. (2018) have found that the presence of women as members of BODs positively influences voluntary disclosure of information. In contrast, Agyei-Mensah (2019) has found that the presence of Big Four auditors and effective audit committees can help increase quality and volume of voluntary information disclosure. Other factors such as board size and profitability were also found to affect disclosure, but the study did not consider ownership concentration (Agyei-Mensah, 2019).

For the present study, coercive, normative, and mimetic theories are used to analyse reporting behaviours in an accounting practice in institutional settings of developing countries, in particular Vietnam. Institutional theory is capable of demonstrating the reporting behaviours of businesses, which assists in answering my research question (see the section, “IFRS Adoption in Vietnam”).

Chapter 5 Research Design

The methodology used in this research is document analysis. The documents I analysed include official reports and statements (Eriksson & Kovalainen, 2008). This qualitative methodology was chosen because it provides in-depth information about human behaviour as a way to answer questions about why and how people behave in the way they do (Eriksson & Kovalainen, 2008). This analysis also emphasises exploration, contextualisation, accuracy, and reliability through verification (Park & Park, 2016). In this case, documented data already existed without any specific collection activities required and included IAS/IFRS/UAS documents and annual reports that I used and analysed throughout the research process in a qualitative manner. I believe this method was a suitable approach for the chosen topic area that enhanced my ability to answer the research question.

To investigate the differences between the IAS/IFRS and the UAS, I first selected key items from the list of IFRS shown on the IFRS Foundation website (IFRS Foundation, 2020) that corresponded with the recently updated *UAS Circular 200* (English version) available on the Vanbanphapluat Company website (Vanbanphapluat, 2020). These key items were chosen for the following reasons: 1) they impact on financial statements; 2) they have economic impact; 3) they are part of the debate about standards. For example, goodwill has gradually become an economic and institutional phenomenon in Vietnam, and it is recognised by more than 25% of publicly listed companies (Nguyen et al., 2015). Yet, there is controversy surrounding complex standards, such as fair-value accounting, goodwill impairment, etc., in emerging markets (Nguyen & Rahman, 2019; Pham, 2016). I divided my research into stages as follows.

Stage 1

In stage 1, I identified the differences in recognition, measurement, and disclosure requirements between the UAS and IAS/IFRS in respect of the key items under examination. Table 1 summarises differences between the IAS/IFRS and the UAS key standard measurements and disclosures. Key items - goodwill, foreign currency transactions, leases, intangible assets (other than goodwill), PP&E, and fair-value accounting — were carefully selected based on the differences. These key items are important because they have been the focus of prior studies in institutional settings (Nguyen, 2019; Rahman & Nguyen, 2019). The data were cross-checked with other relevant data related to the UAS and the IAS/IFRS, which were available in published articles (PwC Vietnam, 2018) on the IFRS and Vietnam's GAAP. My research focused on

both measurement and disclosure aspects of key items so that I could provide a comprehensive analysis of practical issues in differentiating between the IAS/IFRS and the UAS.

Table 1

Summary of IAS/IFRS and UAS Key Item Measurements and Disclosure Differences

Key items	Standards	Measurements	Disclosures
Goodwill	IFRS 3	Goodwill is not amortised and is subject to annual impairment review.	N/A
	<i>Circular No. 202/2014/TT-BTC, Article 10</i>	Goodwill amortisation over its estimated useful life of no more than 10 years after the date of acquisition.	N/A
Property, plant and equipment (PP&E)	IAS 16	Allows two accounting models: the cost model and the revaluation model. PP&E is subject to impairment assessment.	Requires disclosure of measurements, useful lives, or depreciation rates and revaluations.
	<i>Circular No. 200/2014/TT-TBC, Article 35, Article 45</i>	Cost model. Impairment/write-down of PP&E is not allowed.	Requires disclosure of measurement, estimated useful lives, and appropriate depreciation method. It is silent in terms of the review of residual value at each financial year-end.
Investment properties	IAS 40	Allows the fair-value model and cost model.	Requires disclosure of any gain/loss arising from a change in fair value of investment property and impairment loss.
	<i>Circular No. 200/2014/TT-TBC, Article 39</i>	Cost model. No impairment loss is allowed for investment properties other than those being held for capital gains.	The entity is not allowed to recognise a gain arising from a change in the market value of investment property.
Foreign currency transactions	IAS 21	Current rate method or temporal method.	Disclose reasons for use/change to a different currency, and the impact of the change on shareholders' equity and on net profit or loss.
	<i>Circular No. 200/2014/TT-BTC, Article 4, Article 5, Article 6</i>	Buying/selling exchange rates or an appropriate exchange rate not different more than 2% of the average exchange rate.	Clarifies the converting impact on financial statements.

Key items	Standards	Measurements	Disclosures
Intangible assets	IAS 38	Cost model or revaluation model. Impairment loss can be reversed. IAS 38 does not give any limit over the useful life.	Fully amortised intangibles that could not be recognised in the balance sheet.
	<i>Circular No. 200/2014/TT-TBC, Article 37</i>	Only the cost model is used, and no impairment loss is recognised. Impairment is not allowed.	N/A
Lease	IAS 17/IFRS 16	When a lease includes both land and building elements, an entity assesses the classification of each element as a finance or an operating lease separately.	N/A
	<i>Circular No. 200/2014/TT-BTC, Article 36</i> <i>Circular No. 45/2013/TT-BTC, Article 4.2</i>	Land lease (land-use right) is accounted for separately from the building. The land-use right is recognised as an intangible asset, and the land lease is granted with a land-use right certificate.	N/A
Fair value	IFRS 13	When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or the liability under current market conditions.	Requires fair-value measurement disclose.
	N/A	N/A	N/A

Note. Full table available on request.

Abbreviations. IAS, International Accounting Standards; IFRS, International Financial Reporting Standards; N/A, Not Applicable; UAS, Uniform Accounting System.

Stage 2

In stage 2, I identified the actual accounting practices for key items of listed companies via their annual reports. First, I referred to Forbes's Top 100 largest public companies in Vietnam, published in December 2019 (Forbes Vietnam, 2019). Companies were evaluated by Forbes based on size, and they were defined by revenue, profit, total assets, and capitalisation.

I then shortlisted companies and they are represented a variety of industry groups, except banking. In general, these companies' annual report were selected because 1) the companies were listed on either the Ho Chi Minh Stock Exchange (HOSE) or Hanoi Stock Exchange (HNX); 2) they were listed in Forbes's top 100 largest companies according to their market capital value; 3) they provided English-language annual reports either in 2017 or 2018; 4) they were required to follow a selected set of IAS/IFRS and the UAS; 5) the reports included notes to the consolidated financial statements (some companies missed requirement number 5 so were excluded). These criteria defined whether annual reports contained relevant data needed to answer the research question. The larger public companies had more international shareholders or received the attention of such investors, and therefore, they appeared to feel the pressure to embrace the application of the IAS/IFRS.

A final total of 29 companies meeting these criteria were selected. A summary comparison (Table 2) was created to evaluate these 29 companies' key measurements and disclosure items. A company was accountable if it had a noted key item reported in its financial statements, and if it also disclosed the same key items in the consolidated notes. Due to the large size of the table, the complete raw dataset on the IAS/IFRS and the UAS, and the dataset on differences between companies, were not included. The full datasets are available from the author on request.

Table 2*Annual Report Key Items Measurement and Disclosure*

Measurement items	IAS/IFRS	UAS	Frequency (number of companies)	Avg. % of TA	Measurement methods				
					Cost less accumulated depreciation/ amortisation	Straight-line basis over 10 years	Straight-line basis not exceeding 10 years	Straight-line basis over the term of lease	Straight-line basis over estimated useful life of assets
Goodwill (B/S)	P	P	17	5.88%	15	-	-	-	-
Goodwill amortisation (P/L)	NP	P	12	8.33%	-	9	2	-	-
Goodwill impairment (P/L)	P	P, NG	-	-	-	-	-	-	-
Intangible assets (other than goodwill)	P	P	29	3.45%	29	-	-	-	-
Intangible assets accumulated amortisation	P	P	29	3.45%	-	-	-	-	29
Intangible impairment	P	NG	-	-	-	-	-	-	-
Investment property	P	P	15	6.67%	14				
Gains/Losses on investment property	P	P	-	-	-	-	-	-	-
Investment property accumulated depreciation	P	P	14	7.14%	-	14	-	-	-
Foreign exchange differences	P	P	28	3.57%	-	-	-	-	-
Foreign currency exchange gains/losses	P	P	28	3.57%	-	-	-	-	-

Measurement items	IAS/IFRS	UAS	Frequency (number of companies)	Avg. % of TA		Measurement methods			
Foreign exchange reversals	P	P	-	-	-	-	-	-	-
Leases	P	P	16	6.25%	-	-	-	15	-
Accumulated depreciation	P	P	2	50.00%	-	-	-	2	-
Lease payments/Prepaid expenses	P	P	7	14.30%	-	-	-	-	-
Property, plant and equipment (PP&E)	P	P	29	3.45%	29	-	-	-	-
Gains/Losses on asset disposal	P	P	28	3.57%	-	-	-	-	-
Accumulated amortisation	P	P	29	3.45%	-	-	-	-	29

Note. Full datasets available on request.

Abbreviations. B/S, balance sheet; IAS, International Accounting Standard; IFRS, International Financial Reporting Standard; NG, no guidance; NP, not permitted; P, permitted; P/L, profit/loss; TA, total assets; UAS, Uniform Accounting System; -, nil.

Stage 3

The analysis for stage 3 includes discussion on whether selected companies were following the IAS/IFRS or the UAS. In stage 3, I also identified any significant variances in the UAS from the companies' corresponding IAS/IFRS. Any regulatory and non-regulatory reasons for the differences in practice were also explained.

To do this, I first delineated company characteristics (Table 3). Table 3 defines company characteristics of 29 companies by firm size (according to their total assets), industry type, ownership type, BOD features, auditors, and debt-to-equity ratio.

Table 3

Company Characteristics

Company characteristics	Frequency (number of companies)	Average TA (\$000)
Size		
• Large (>50K bn)	5	111,924
• Medium (10K bn –50K bn)	15	22,804
• Small (<10K bn)	9	4,852
Industry		
• Service	8	39,274
• Manufacturing	17	17,722
• Construction and real estate	4	82,468
Ownership		
• State (SCIC)	1	73,543
• State and foreign (equal)	1	4,206
• Foreign	5	18,778
• Domestic	22	35,168
BOD features		
• Executive	24	34,896
• Non-executive	2	20,786
• Independent	-	-
• Equal (executive and independent)	2	25,381
• Equal (executive and non-executive)	1	15,500
• Gender (diverse)	20	29,076
• Gender (100% male)	9	40,425
• Non-Vietnamese	14	48,870
Auditor		
• Auditor Big Four	28	33,662
• Auditor non-Big Four	1	2,812

Company characteristics	Frequency (number of companies)	Average TA (\$000)
Debt-to-equity ratio		
• >50%	20	40,597
• 50%	1	21,004
• <50%	8	14,050

Abbreviations. bn, billion; BOD, board of directors; SCIC, State Capital Investment Corporation; TA, total assets; -, nil.

Table 4 shows the relationship between company characteristics and accounting practices; the relationship was derived by incorporating Table 2 annual reports key standard measurements and disclosures with Table 3 company characteristics.

The Relationships Between Company Characteristics and Accounting Practices

Abbreviations. bn, billion; exe, executive; non-exe, non-executive; SCIC, State Capital Investment Corporation; -, nil

Stage 4

In stage 4, I incorporated institutional theory in my discussion on whether practice items were coercive, normative, or mimetic. A summary (Table 5) identifies the type of isomorphism for each practice item. Coercive isomorphism relevant to the current work is caused by the UAS when everyone uses the UAS. In contrast, normative isomorphisms are systematic and are caused by firm characteristics that are identical across companies or a situation where most companies follow a certain accounting option. Mimetic isomorphism (companies copying each other) seems not to be applicable in the current study.

Table 5

Isomorphisms for Key Practice Items

	Measurements			Disclosures		
	Coercive	Normative	Mimetic	Coercive	Normative	Mimetic
Goodwill	✓	✓		✓	✓	
Foreign currency transactions	✓			✓		
Leases	✓			✓		
Intangible assets (other than goodwill)	✓			✓		
Investment properties	✓			✓		
PP&E (plant, property, and equipment)	✓			✓		
Fair value	✓				ND	

Abbreviation. ND, not determinable (due to lack of data and/or clarity of the reporting).

Chapter 6 Results and Discussion

In this section, key practice items include goodwill, foreign currency transactions, leases, intangible assets (other than goodwill), PP&E, and fair value are discussed. The discussion includes key differences between the IAS/IFRS and the UAS for each practice item; the results from the companies' annual reports in connection with these key items and firms' characteristics; and the implications for theories, previous literature, and accounting practice. This discussion will help to answer the research question on how the differences between the IAS/IFRS and the UAS impact actual accounting practice in Vietnam.

Goodwill

Goodwill is an intangible asset that arises when one company acquires another. It is classified as an intangible asset on the balance sheet. There is no specific standard for goodwill under either the IAS or the IFRS, or the UAS. However, under IFRS 3 for business combination, goodwill is not amortised and is subject to annual impairment review, or more frequently if there is an indication. In contrast, under the UAS *Circular No. 202/2014/TT-BTC*, Article 10 about business combination, goodwill is tested annually for impairment and carried at cost less accumulated amortisation less impairment losses. Goodwill amortisation is over its estimated useful life of no more than 10 years after the date of acquisition. This means both the amortisations of goodwill, and goodwill impairment, are permitted in Vietnam. If there is evidence that the impairment loss incurred during the financial year is higher than the annual allocated amount of goodwill, the impairment is record immediately in the accounting period in the consolidated income statement. However, there is no specific guidance for impairment tests.

As per Tables 2 and 4, 17 out of 29 listed companies in Vietnam reported goodwill as an asset on their balance sheet. Fifteen out of 17 companies used cost less accumulated depreciation/amortisation as their measurement method for goodwill. The remaining two companies did not mention their methods. Of the 15 companies who did report their methods, 13 companies reported goodwill amortisation, and none of the companies reported goodwill impairments or impairment losses. The remaining two out of these 15 companies disclosed their goodwill calculation methods as cost less accumulated depreciation/amortisation, but goodwill amortisation amounts were not allocated on their financial statements or notes appended to the consolidated financial statements. This then just assumed that these two companies did include goodwill accumulated together as part of their goodwill amount. The UAS recognises goodwill amortisation of no more than 10 years on a straight-line basis, but

nine out of the 13 companies reported goodwill amortisation using a straight-line basis over 10 years, and the remaining four companies fell outside the UAS requirement. This shows some discretion.

The results suggest that coercive and normative isomorphism is present in the case where companies comply with the UAS but with no guidance for impairment tests, so when companies do not know what to do, they seem to approach the problem in similar ways by ignoring the reporting of impairment losses. For example, although an impairment test is allowed under the UAS, no guidance is provided. This means companies simply amortise goodwill within 10 years. The decision is probably at the discretion of management. Also, due to the differences between the IAS/IFRS and the UAS, and to be on the safe side, companies follow the one system that offers clear instructions. This then agrees with Pham's (2016) and Nguyen and Rahman's (2019) assertions that the UAS plays a dominant role in accounting in Vietnam, and that for some complex standards, the UAS does not always provide clear instructions (Nguyen & Rahman, 2019). My result also agrees with prior studies (e.g., Nguyen & Rahman, 2019) that companies/accountants in Vietnam rely on guidance issued by the MOF. Although accountants can refer to the IFRS for impairment tests, my result shows that accountants are not keen on pursuing this pathway. This suggests that even though companies strictly follow the UAS, management has some discretion in deciding the amortisation period for goodwill. Likewise, my findings align with Nguyen and Rahman's (2019) claim that the likelihood of practice variations is high in Vietnam due to the weak enforcement arrangements inherent in accounting regulations.

Furthermore, the 29 companies shared similar characteristics, which again is in line with normative theories that the common reporting behaviour of these companies could relate to their characteristics. For instance, many of the companies that reported goodwill were medium in size (10 companies), were involved in manufacturing (10 companies), traded domestically (12 companies), had executive members on their BODs (12 companies) who were of diverse gender (11 companies), had debt-to-equity ratios of more than 50% (11 companies), and used a Big Four firm as their auditors (15 companies). The other two companies that did not state their accounting methods for goodwill were also domestic companies with executives on their BODs, one with a diverse gender BOD and audited by a Big Four firm. This means that the larger size, diverse gender BODs, and Big Four presence do not influence the application of the IFRS, because these companies adhered to the UAS. These results agreed with Rahman et al.'s (2002) contention that firm-specific characteristics are important influencers, especially when regulation is weak, or where there is no regulation.

For instance, the UAS guidance for goodwill is weak. My findings also agreed with Agyei-Mensah's (2019) and Bueno et al.'s (2018) position that the presence of women as members of the BOD and the oversight of Big Four auditors can help increase quality voluntary information disclosure (as per above results, 15 out of 17 companies has disclosed their goodwill methods). Yet, although most companies were audited by Big Four auditors, they had not adopted the IFRS in using an impairment test; instead, they followed the UAS's amortisation guidance. This situation is probably related to normative and coercive isomorphism. It indicates the profound influence of the UAS in accounting practice in Vietnam, even where voluntary adoption of goodwill impairment testing is allowable.

Furthermore, nine companies practicing goodwill amortisation used the straight-line basis over 10 years. These companies represented a mixture of industries, were large to medium in size (8 companies), and six of these companies had non-Vietnamese members on their BOD. Only two companies that followed the UAS for goodwill amortisation were small manufacturing companies. These results do not agree with Tran et al.'s (2019) statement that listed Vietnamese firms with a larger scale and audited by Big Four auditors will be more likely to adopt the IFRS.

Foreign Currency Transactions

As for the effects of changes in foreign exchange rates, the IAS 21 states that an entity should account for foreign currency transactions by translating its financial statements into a presentation currency (the currency in which financial statements are written), if different from the entity's functional currency (the currency of the primary economic environment in which the entity operates). Any foreign currency transaction should be recorded initially at the rate of exchange at the date of the transaction. Vietnamese *Circular No. 200/2014/TT-BTC* has several articles that offer guidance. For example, Article 4 deals with the selection of monetary units in accounting, Article 6 gives instructions about audit statements using foreign currency, and Article 5 deals with foreign currency conversion. *Circular No. 200/2014/TT-BTC*, Article 5, states that the enterprise must use the Vietnam Dong as an accounting currency unless the company is permitted to use another common currency; similar to the IAS 21, this circular says that foreign currency transactions should be recorded at the actual transaction exchange rates at the transaction dates, and that the enterprise must also clarify any impact on the financial statement when converting. Under the IAS 21, exchange differences are all recognised in profit or loss in the period that they are incurred. This is the same as *Circular No. 200/2014/TT-BTC*.

Table 2 shows that 28 companies recorded currency exchange differences and gain/loss on their income statement. They all disclosed that foreign exchange differences were recorded at the actual transaction exchange rates as they were at the transaction date. This means that coercive isomorphism is present in this process, in that these companies all followed the UAS. Despite the differences between these companies' characteristics, the UAS for foreign currency transactions could indicate that companies relying on the UAS are more familiar to UAS as compared to IAS/ IFRS. Also, I found five small-to-medium service and manufacturing companies with foreign and domestic ownership indicated a foreign exchange "reserve", which is noted as the "foreign exchange differences reserve" on the balance sheet under the heading "equity". It is stated in one of the companies' disclosure notes that "exchange differences allocated for the Group are presented in the 'foreign exchange reserve' under the 'Owners' Equity' section on the consolidated balance sheet". Another annual report stated, "exchange differences arising, if any, are classified as equity and transferred to the corporation's foreign exchange reserve".

The results from my research strongly suggest that companies tend to follow the UAS. The only company that did not record any foreign transactions was a small domestic construction and real estate firm. The UAS plays a dominant role in accounting in Vietnam (Nguyen & Rahman, 2019; Pham, 2016). On the other hand, in terms of voluntary disclosure of information, the presence of Big Four auditors and women on the BODs improved the quality of voluntary information disclosure, in line with Agyei-Mensah (2019) and Bueno et al. (2018). This is shown from the results where a majority of 28 companies disclosed foreign exchange are audited by Big Four (27 companies) and had executive members on their BODs (23 companies) who were of diverse gender (19 companies).

Leases

Under the IAS 17, leases need to be classified as either finance or operating (Table 1). If the lease is classified as operating, then lessees show neither asset nor liability on their balance sheets, just the lease payments as an expense in the profit and loss statement. A lessee is not obligated to report assets and liabilities from operating leases on the balance sheet, and instead, the company refers to off-balance-sheet items. The IFRS 16, which came into effect on January 1, 2019, changes this discrepancy by requiring a lessee to recognise right-of-use (ROU) assets and a lease liability on their balance sheet. Lessees do not need to classify the lease at its inception or determine whether it is a finance or operating lease. However, UAS *Circular No. 200/2014/TT-BTC* tends to follow the IAS 17 and classifies

finance leases and operating leases separately. In particular, Article 36 for financial lease fixed assets, states that operating leases' fixed assets shall not be recorded under this account. Moreover, the IAS 17 dictates that when a lease includes both land and building elements, an entity assesses the classification of each element as a finance or an operating lease separately. In contrast, in *Circular No. 45/2013/TT-BTC*, dated April 25, 2013, Article 4.2 states that land lease (land-use right) is accounted for separately from the building. The land-use right is recognised as an intangible asset when the leased land is obtained before the effective date of *Land Law 2003*, and the land lease is granted with a land-use right certificate. Not meeting these conditions, payments to acquire land-use right are recognised as prepaid land costs under prepaid expenses and allocated to income statements over the lease term. Land-use rights are discussed in detail in the "Intangible Assets" section below.

From the above, it seems like the UAS incorporates the older version of the requirement, which is in IAS 17, at the same time adding extras (land-use rights) to fit within the country's legal system. For instance, Tables 2 and 4 show that 16 companies had leases in their financial statement, where two companies had operating leases and 14 had finance leases. Seven out of 16 companies recorded lease payments/prepaid expenses, and they all used a straight-line basis over the lease term. From these 16 companies that reported a lease, two reported an accumulated depreciation amount. These were the two companies that also reported finance leases. But only one out of those two companies stated its method, which was computed on a straight-line basis over the estimated useful life of the assets. The other one did not state its method. This implies that despite following the UAS, this company does not disclose its method. I could only assume that it used the required method under the UAS.

Furthermore, companies included their future minimum lease payments for operating leases under non-cancellable operating leases in off-balance-sheet items, which is required under the IAS 17 and UAS. However, it appears that although they followed the IAS 17, they all used the UAS. These results suggest coercive isomorphism. Coercive isomorphism is present in this case for lease as the UAS are dominantly used due to the absence of land-use rights under IAS/IFRS. Despite the available option for companies to refer to the IAS/IFRS to meet the international reporting standards, companies still refer to the UAS as the UAS are more applicable to the Vietnamese legal system for lease. The majority of the 16 companies that reported leases were medium in size (11 companies), were from the manufacturing industry (10 companies), were domestic (10 companies), had executive members on their BODs (12 companies), had diverse gender BODs (9 companies), supported a debt-to-equity ratio of more than 50% (11 companies), and used the services of Big Four auditors (15

companies). This result was dissimilar to Tran et al.'s (2019) conclusion that firms audited by Big Four auditors and that were large in scale were more likely to adopt the IFRS. In this research, I found that firms were actually following the UAS.

Intangible Assets

One of the key differences between the IAS 38's guidance on intangible assets and UAS *Circular No. 200/2014/TT-TBC*, Article 37 for intangible fixed assets, is that under the UAS, certain expenditures not qualifying as an intangible asset can be deferred on the balance sheet and allocated into an income statement for up to 3 years. This expenditure includes the entity's establishment costs, training costs, and advertising expenses incurred during the pre-operation period, and research and reallocation expenses. For example, the IAS 38 guidance gives initial recognition to research and development costs to be charged to expenses. The IAS 38 allows two measurement methods, which are: 1) historical costs less any amortisation and impairment losses, or 2) a revalued amount less any subsequent amortisation and impairment losses. Also, impairment losses can be reversed. Intangible assets should be amortised over the best estimate of their useful life. In contrast, UAS *Circular No. 200/2014/TT-TBC*, Article 37 intangible fixed assets, permits only the historical cost method. Article 38, depreciation of fixed assets, states that it depends on the effective period of time in which such intangible fixed assets depreciate from their starting value; depreciation starts when they are put into use, with no statement on how many years depreciation can last. However, the VAS 4 allows an amortisation period of up to 20 years. Impairment is not allowed, and no detail regarding the reversal of impairment loss is given.

I found coercive isomorphism to exist in this study as all 29 companies had intangible assets and recorded these at cost less accumulated amortisation/depreciation. In the 29 company reports, their common key intangible assets were land-use rights and software. As per above, *Circular No. 45/2013/TT-BTC*, dated April 25, 2013, Article 4.2, states that land lease (land-use right) is accounted for separately from building(s). 27 out of 29 companies that I reviewed recorded land-use rights and accounted this separately from buildings. Also, none of the 29 companies reported intangible impairment or impairment losses. This result was like what I found for leases, where results strongly showed that companies follow the UAS, which agrees with the institutional theory of coercive isomorphism — the UAS is compulsory. In this case, it is challenging for companies to implement the IFRS because IFRS requirements differ from the UAS.

The two companies that did not have land-use rights are domestic, small and medium service and manufacturing companies. This implies that although firm characteristics vary across the 29 companies, these companies still rely on the UAS. Once again, this finding is dissimilar to Tran et al.'s (2019) study, which concluded that large-scale firms audited by Big Four auditors were more likely to adopt the IFRS. These results further suggest that other firm characteristics included in this research, such as industry, BOD, and ownership, do not influence the application of the IAS/IFRS in the case of intangible assets.

Investment Properties

The IAS 40 for investment property allows the fair-value and cost models (Table 1). Under the fair-value option, a gain or loss arising from a change in the fair value of investment property is recognised in profit-or-loss statements for the period in which it arises. Under the cost option, an entity measures all of its investment properties in accordance with the IAS 16, PP&E requirements for that model, i.e. at cost less accumulated depreciation and less accumulated impairment losses. *Circular No. 200/2014/TT-TBC*, Article 39 investment property, only allows the cost model, and investment properties are carried at cost less accumulated depreciation. Article 39 provides additional guidelines for investment properties being held for capital gains: these investment properties are not depreciated, but are reviewed for impairment losses. Where there is strong evidence that the cost of investment property is lower than the market value and the impairment loss is reliably measured, the entity has to recognise the impairment loss as the cost of sales. However, the entity cannot recognise a gain arising from a change in the market value of investment property.

Fifteen out of 29 companies I reviewed that owned investment property reported it on their financial statements, but only 14 companies stated that they used cost models, which is the only method allowed under the UAS (Tables 2 and 4). The remaining company had questionable methods. I assumed that this company also used the cost model. Of these 15 companies, 14 reported accumulated depreciation, and all used a straight-line basis over 10 years. None of these companies recorded losses on investment property, nor did they report any revaluations. I presumed that they might have realised gains — gains are not allowed to be recognised under the UAS, so they are not reported. My result implies that these companies are following the UAS for investment properties, which is coercive in this case. This finding again aligns with Pham's (2016) and Nguyen and Rahman's (2019) assertions that the UAS plays a dominant role in accounting in Vietnam.

A majority of the 15 companies reporting investment properties were manufacturing (9 companies), domestic (11 companies), medium to large size (11 companies), and had executives on the BOD (12 companies) who were of diverse gender (12 companies); they had a debt-to-equity ratio greater than 50% (10 companies), and they were all audited by Big Four firms. This finding is inconsistent with Tran et al.'s (2019) study, which concluded that firms audited by Big Four players were more likely to adopt the IFRS. However, my conclusions are consistent with Agyei-Mensah's (2019) finding that the presence of Big Four auditors and Bueno et al.'s (2018) assertion that the presence of women as members of the BOD can help increase voluntary information disclosure, where the information is high quality. Moreover, my results clarified that domestic companies in Vietnam tend to follow the UAS for investment properties.

Property, Plant, and Equipment

There are significant differences between the IAS and UAS for PP&E. In particular, the IAS 16 guidance on PP&E allows two accounting models: the cost model and the revaluation model. Furthermore, PP&E is subject to impairment assessment. The cost model is the asset at the carried amount less accumulated depreciation and impairment. The revaluation model is the asset's fair value less subsequent accumulated depreciation and impairment losses. In contrast, UAS *Circular No. 200/2014/TT-TBC*, Article 35 tangible fixed assets, allows only the cost model, and Article 45, allowances for impairment of assets, does not include impairment/write-down of PP&E. When tangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the income statement. The UAS is silent in terms of the review of residual value at each financial year-end. With the IAS 16, any gain or loss on asset disposal should be recognised in profit-and-loss statements. The IAS 16 also says that the residual value and the useful life of an asset should be reviewed at least once per annum, at the end of each financial year.

My results showed that companies recorded PP&E in their financial statements, and that all 29 companies used the cost model. They also used a straight-line basis over the estimated useful life of assets for accumulated amortisation. This means they all followed the UAS for PP&E and coercive isomorphism is presented here where all 29 companies using a same cost model that is permitted under the UAS. However, 28 out of 29 companies recorded PP&E as part of tangible fixed assets, and one company presented PP&E separately under non-current assets on their consolidated financial statement. This exception was a foreign-

owned medium-size service company. The difference in the presentation of PP&E on their annual report could perhaps be because there is no specific article for PP&E under the UAS. This implies that although companies follow the UAS, managers have some discretion in deciding how to record PP&E.

There is also no indication of impairment taking place in any of these companies. Hence, I assumed that the IAS 16 were not followed by these 29 companies. Although accountants can refer to the IFRS for accounting treatment when there is no guidance under the UAS, companies seem not to be doing so. This finding agrees with Pham's (2016) and Nguyen and Rahman's (2019) assessment that the UAS plays a dominant role in accounting in Vietnam. My findings also agree with those of Nguyen and Rahman (2019), who stated that for some complex standards, the UAS does not always provide clear instructions. Yet, 28 out of 29 companies reported gains or losses on asset disposal for PP&E. The only company that did not appear to have reported this was a medium-size domestic service firm with a diverse gender BOD and audited by one of the Big Four. This company may simply not have disposed of any PP&E during this period; hence, I found no records of PP&E disposal.

Even though firm characteristics differed across the 29 companies, they still relied on the UAS. Therefore, my results disagree with those of Tran et al. (2019), who concluded that large-size firms audited by Big Four auditors were more likely to adopt the IFRS. Similar to intangible assets, my findings for PP&E further suggested that other firm characteristic included in this research, such as industry, BOD, and ownership type, do not influence the application of the IAS/IFRS for PP&E.

Fair-Value Adjustments

The IFRS 13 does not specify when fair value is required or permitted, but the document does provide guidance on how to measure it. Fair-value measurements require an entity to consider the assumptions a market participant, acting in their economic best interests, would use when pricing the asset or liability. If anything has changed since the last income statement, the report should show the change in the comprehensive income section. Adjustments must be made to reflect the fair value of these assets. However, the UAS provides very little information about fair value, and no specific standard is available.

Although accountants can refer to the IFRS for fair-value calculations, my results show that accountants are not keen on pursuing this pathway. For instance, fair-value disclosure was mostly mentioned under the cost of the business combination, but adjustments did not seem to appear on the income statement or balance sheet. Only one company included

in my study reported a fair-value adjustment on its balance sheet, which was related to trading and securities, and fair-value reserves. This company was medium in size and represented the manufacturing industry; it was foreign-owned, with non-executives of diverse gender featuring on the BOD, and with a debt-to-equity ratio of less than 50%; the company was overseen by a Big Four auditor. This implies that fair value remains a challenge for listed companies in Vietnam. Their accountants did not refer to the IFRS 13 for fair-value guidance, but instead, they adhered strictly to the UAS when reporting, making this situation a coercive isomorphism. Hence, I could not determine fair-value disclosure due to a lack of fair-value reporting.

Perhaps, that one exception company did try to refer to the IFRS for fair value but due to their unfamiliarity with the standard, it made it difficult for the company to follow the requirements of the standard. If it aligned with IFRS then my findings are in agreement with the findings of Chen and Zhang (2010) that insufficient understanding of the IFRS by local accounting professionals and management of employee behaviours during the application of standards may impact accounting practices. In Vietnam, company accountants are allowed to refer to IFRS for fair-value guidance, but perhaps the standard is still unfamiliar to them, so they ignore the IFRS on this point. This suggests that the UAS plays a very dominant role in accounting in Vietnam (Nguyen & Rahman, 2019; Pham, 2016).

Chapter 7 Conclusions, Limitations, and Future Research Directions

I acknowledge prior studies regarding the relevance of IFRS adoption in developing countries (Aria & Nurul, 2015; Chen & Cheng, 2007; Chen & Zhang, 2010; Masum and Parker, 2020; Peng & van der Laan Smith, 2010), and the co-existence of the IAS/IFRS and the UAS/VAS in accounting practice in Vietnam (Doan and Nguyen, 2013; Huong, 2016; Nguyen, 2019, Nguyen & Rahman, 2019; Nguyen and Richard, 2011). However, prior studies provide few insights into how existing regulatory arrangements could affect actual implementation in practical terms. In the case of Vietnam, previous studies did not narrow their focus to the UAS, nor did the authors discuss the impact of the differences between the IAS/IFRS and UAS on measurements and disclosures as they exist in practice. Therefore, my work addressed the concerns raised in papers such as Nguyen and Rahman (2019) on how the differences between the IAS/IFRS and the UAS impact actual accounting practice in Vietnam. I have found that although accountants are allowed to refer to the IFRS for complex standards such as goodwill, fair-value accounting, etc., accountants are not enthusiastic in pursuing this pathway. The results of my work suggest that despite strictly following the UAS, company management has some discretion in deciding the amortisation period for goodwill. Also, I found that firm characteristics including firm size, industry type, BOD makeup, ownership split, and the presence or absence of Big Four auditors, do not influence the application of the IAS/IFRS.

My study contributes to the accounting literature in two ways. First, this work provides further insights into Nguyen and Rahman's (2019) study in which the authors concluded that accountants are allowed to refer to the IFRS for complex standards such as goodwill, fair-value accounting, etc. when detailed instructions are absent or inadequate in the UAS. I found that listed companies in Vietnam still adhere to the UAS, but with a certain degree of discretion. For instance, the amortisation period for goodwill varies. Second, I found that firm characteristics, in particular firm size and Big Four auditors, do not influence the application of the IAS/IFRS, a finding that contrasts with the conclusions of Tran et al. (2019). This potentially could be that a limited number of companies were analysed in the current study and most of these companies had domestic ownerships. Furthermore, I found that other firm characteristics, such as industry, BOD, and ownership, do not influence the application of the IAS/IFRS in developing countries, particularly Vietnam. In fact, firm features are often responsible for creating similarities in reporting behaviours (norms) between firms (Rahman et al., 2002). Therefore, it seems that coercive isomorphism, as described by Nguyen and Rahman (2019) and in a totalitarian setting such as Vietnam, is the

primary driver of accounting practice in Vietnam. This finding confirms Nguyen and Rahman's (2019) conclusion that IFRS adoption in settings influenced by totalitarianism will find IFRS adoption challenging.

Finally, my study has some potential limitations that need to be acknowledged. I depended on a relatively limited number of companies (29 companies), all located in Vietnam, because these companies' annual reports had to be manually reviewed to ensure I met research requirements. This task was labour intensive. Future studies could focus on a much larger number of companies, either Vietnam-based or including a wider range of companies in other developing countries, which may enhance the generalisability of findings. Similarly, I only focused on a limited range of key accounting practice items; hence, in future, researchers might wish to incorporate other accounting items for a comprehensive study, which may take longer. Finally, I investigated a limited set of firm characteristics (size, industry type, BOD composition, ownership spread, Big Four affiliation, and debt-to-equity ratios). In future, scholars might examine other sets of firm characteristics, such as age of the firm and other financial ratios, e.g. profitability or liquidity, to capture other determinants IFRS adoption.

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