

## APPLICATION OF INTERNATIONAL ACCOUNTING STANDARDS IN VIETNAM

### REALITY & SOLUTIONS

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#### ABSTRACT

Application of international accounting standards is extremely necessary in the current condition of our country due to integration requirements and management objectives. The system of international accounting standards includes international corporate accounting standards and international public sector accounting standards. It is necessary to propose models, applying all international accounting standards as well as take into account the roadmap to apply accounting standards. Putting the contents of the international accounting standards in teaching at the training facilities is also an important ways of delivery. Besides, when the system of international accounting standards is applied in Vietnam, requirements for accounting information users are also the issue needed to take into account.

**KEYWORDS:** International Accounting Standard, International Public Sector Accounting Sandard, IAS, IPSAS, IFRS

#### INTRODUCTION

The models of group of international corporate accounting standards and group of international public sector accounting standards are being selected to apply by many countries with the aim of bringing the highest economic effectiveness. Each model applied has particular characteristics, advantages, limitations and conditions. Derived from strategy for the development of accounting, auditing and from requirement of the AEC integration, the article will offer solutions to apply international accounting standards in the specific conditions of Vietnam today.

#### RESULTS AND DISCUSSIONS

Firstly, Affirmation of the Need of Applying the System of International Accounting Standards

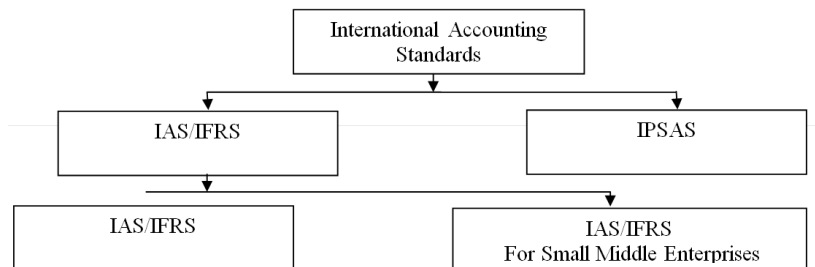


Figure 1: The System of International Accounting Standard

## **Secondly, Understanding of International Accounting Standards as Well as Participation in the Drafting Process for Issue and Application**

Clearly understanding of international standards is firstly on general structure of standard with basic elements such as the standard name, the purposes of the standards, the terms used in the standard, etc., next to the content of standards from which defines the applied objects appropriate to each specific object and form.

Besides, to regulate the organization involved in the preparation, the drafting process for issue and application and process for editing and updating. In Vietnam, drafting and issuing functions are undertaken by State management agencies, but these functions in the international will be under IASB - International Accounting Standard Board. However, in the future, this will not be suitable due to the necessity of transferring the management role at micro level for Associations role of micro-level as well as further expanding components involved in the drafting and commenting processes.

As of February 2017, there have been international accounting standards as follows:

### **IFRS List Includes**

IFRS 1—First-time adoption of International Financial Standard; IFRS 2—Share of Payment; IFRS 5—Non-current Assets Held for Sale and Discontinued Operations; IFRS 6—Exploration for and Evaluation of Mineral Resources; IFRS 7—Financial Instruments: Disclosures; IFRS 8—Operating Segments; IFRS 9—Financial Instruments; IFRS 10—Consolidated Financial Statements; IFRS 11—Joint Arrangements; IFRS 12—Disclosure of Interests in Other Entities; IFRS 13—Fair Value Measurement; IFRS 14—Regulatory Deferral Accounts; IFRS 15—Revenue from Contracts with Customers; IFRS 16—Leases

### **IAS List Includes**

IAS 1—Presentation of Financial Statements; IAS 2—Inventories; IAS 7—Statement of Cash Flows; IAS 8—Accounting Policies, Changes in Accounting Estimates and Errors; IAS 10—Events After the Reporting Period; IAS 11—Construction Contracts; IAS 12—Income Taxes; IAS 16—Property, Plant and Equipment; IAS 17—Leases; IAS 18—Revenue; IAS 20—Accounting for Government Grants and Disclosure of Government Assistance; IAS 21—The Effects of Changes in Foreign Exchange Rates; IAS 23—Borrowing Costs; IAS 24—Related Party Disclosures; IAS 26—Accounting and Reporting by Retirement Benefit Plans; IAS 28—Investments in Associates and Joint Ventures; IAS 29—Financial Reporting in Hyperinflationary Economies; IAS 32—Financial Instruments: Presentation; IAS 33—Earnings Per Share; IAS 34—Interim Financial Reporting; IAS 36—Impairment of Assets; IAS 37—Provisions, Contingent Liabilities and Contingent Assets; IAS 38—Intangible Assets; IAS 39—Financial Instruments: Recognition and Measurement; IAS 40—Investment Property; IAS 41—Agriculture

As of January 2017, 38 international public sector accounting standards have been continuously numbered as follows: Conceptual Framework; IPSAS 1- Presentation of Financial Statements; IPSAS 2—Cash Flow Statements; IPSAS 3—Accounting Policies, Changes in Accounting Estimates and Errors; IPSAS 4—The Effects of Changes in Foreign Exchange Rates; IPSAS 5—Borrowing Costs; IPSAS 6—Consolidated and Separate Financial Statements; IPSAS 7—Investments in Associates; IPSAS 8—Interest in Joint Ventures; IPSAS 9—Revenue from Exchange Transactions; IPSAS 10—Financial Reporting in Hyperinflationary Economies; IPSAS 11—Construction Contracts;

IPSAS 12–Inventories; IPSAS 13–Leases; IPSAS 14–Events after the Reporting Date; IPSAS 15–Financial Instruments: Disclosure and Presentation; IPSAS 16–Investment Property; IPSAS 17–Property, Plant and Equipment; IPSAS 18–Segment Reporting; IPSAS 19–Provision, Contingent Liabilities and Contingent Assets; IPSAS 20–Related Party Disclosures; IPSAS 21–Impairment of Non– Cash Generating Assets; IPSAS 22–Disclosure of Financial Information about the General Government Sector; IPSAS 23–Revenue from Non–Exchange Transactions (Taxes and Transfer); IPSAS 24–Presentation of Budget Information in Financial Statements; IPSAS 25–Employee Benefits; IPSAS 26–Impairment of Cash–Generating Assets; IPSAS 27–Agriculture; IPSAS 28–Financial Instruments: Presentation; IPSAS 29–Financial Instruments: Recognition and Measurement; IPSAS 30–Financial Instruments: Disclosure; IPSAS 31–Intangible Assets; IPSAS 32–Services Concession Arrangements: Grantor; IPSAS 33–First-time Adoption of Accrual Basic IPSASs; IPSAS 34–Separate Financial Statements; IPSAS 35–Consolidated Financial Statements; IPSAS 36–Investments in Associate and Joint Ventures; IPSAS 37–Joint Arrangements; IPSAS 38–Disclosure of Interests in other Entities

### Thirdly, Identification and Building of the Models Applied International Accounting Standards

The model applied the entire international accounting standards or model applied partially international accounting standards or model not applied has different advantages, disadvantages and conditions of application. However, it must come from the management objectives of our country in the current period, starting from the economy, the effectiveness of accounting to select suitable models. For the current status of Vietnam, it will be the most suitable when applying the model applied the entire international accounting standards. Although, initially, there will be many arising problems such as inappropriate management structure features of the units, inappropriate financial and accounting policies, etc. but they will be gradually adjusted to meet this model to quickly and intensively intergrate and achieve high standardsization

### Forthly, Development of Training Programs with Subject of International Accounting Standards

Training institutions will develop training programs, training contents, currently, there are many institutions teaching this subject under the different names such as international accounting or international accounting standards, etc. However, from the continuity, continuousness in training process in each institution and among institution, it is recommended to develop and teach the subject named Accounting law with education levels as listed in the table 1

**Table 1: Accounting Law and Education Levels**

No.	Content	Level	Target
1	<b>Accounting law 1</b>	Undergraduate	+ Understand the legal basis of accounting in Vietnam + Requirements on ethics in Accounting and Auditing
	+ Regulations on Accounting in Vietnam		
	+ Ethics in Accounting and Auditing		
2	<b>Accounting law 2</b>	Post-graduate	Understand the basic knowledge about IAS/IFRS, IAS/IFRS for SMS, IPSAS
	+ International Accounting Standards		
	+ International Accounting Standards for SMEs		
	+ International Public Sector Accounting Standards		

### Fifthly, Determination of Teaching Contents

To ensure the generality and proper objective of accounting standards is of priciple, general provisions, thus, the subject should help learners obtain basic knowledge on the agencies in charge of drafting, promulgating, editing and updating; the basic content of the standards, applicable situations and subjects. All above-mentioned standards are divided

into several groups with similar properties, such as:

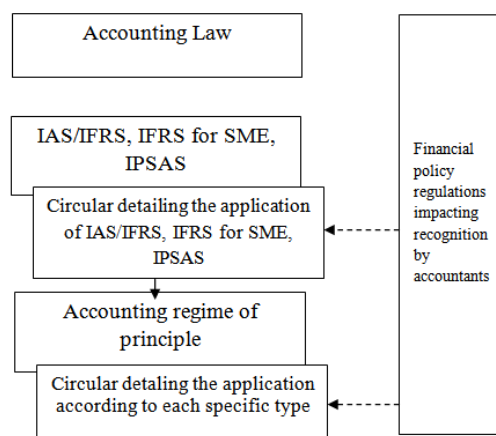
- + International standards on assets
- + International standards on revenues
- + International standards on expenses
- + International standards on reports

Classification into each group will ensure the overall understanding, as well as groups of standards, facilitating the access and comparison. However, the question is the international standards change and update frequently, so how promulgating agencies and lecturers will handle this problem? Many standards can be replaced in its entirety and many standards can be replaced, supplemented or deleted in each segment; therefore, in principle, we must change accordingly. To ensure the stability, the consistency of accounting as well as the novelty of the document, it is necessary to carefully calculate to achieve overall harmony.

#### Sixthly, Role of the Accounting Regime when Applying International Accounting Standards

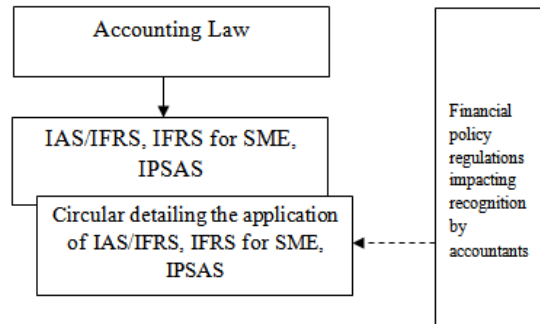
It is possible to affirm that, in Vietnam, the accounting regime plays an important role in data processing and recognition by accountants, while the role of normative documents, including the Accounting Law and accounting standards, is unobvious. This seems to reflect a paradox of legal value of the accounting regulation system. When international accounting standards are applied, it is necessary to take into account the following alternatives:

+ Alternative 1: Both international accounting standards and current domestic accounting standards (for enterprises of all types) are applied. However, regulations set forth in international accounting standards and the accounting regime should be theoretically and basically established in the form of detailed instructions for transaction recognition and processing. This will reduce an impact of any change in international accounting standards, as illustrated in figure 2.



**Figure 2: Vietnam's Legal System on Accounting when Applying International Accounting Standards**

+ Alternative 2: The accounting regime will be no longer in use, only international accounting standards will be applied, and explanations will be given for specific situations. This alternative will reflect a closer approach than the process of applying international accounting standards; however, the disadvantage is that there will be regular change, as illustrated in figure 3



**Figure 3: Vietnam’s Legal System on Accounting when Applying International Accounting Standards**

**Seventhly, Information Preparers and Users when Applying International Accounting Standards**

When applying international accounting standards, all related persons must master this knowledge. Information preparers are persons who participate directly in accounting; therefore, it is important that they will understand the knowledge. At present, they are applying current regulations. Similarly, information users who have basic knowledge on accounting will understand the knowledge on the basis of detailed regulations and models; the regulations will become flexible ones. For this reason, to clearly understand and have a wide knowledge of transactions, processing and recognition are necessary requirements for information preparers and users, as shown in table 2.

**Table 2: Distinguishing Information Preparers from Information Users**

Related Persons	Current Regulation		Applying International Accounting Standards	
	Implementation	Requirements	Implementation	Requirements
Information preparers	Model regulation on contents and reporting (Compulsory, directive)	Recognizing and processing transactions according to relatively detailed regulations	Principled regulation; understanding and exactly reflecting the nature of operations	Recognizing and processing transactions substantially and theoretically
Information users		Having basic knowledge of accounting		Having a wide knowledge and relatively high qualification

**CONCLUSIONS**

The article proposed seven solutions to facilitating the application of international accounting standards in Vietnam in the present period: Affirmation of the need of applying the system of international accounting standards; Understanding of international accounting standards as well as participation in the drafting process for issue and

application; Identification and building of the models applied international accounting standards; Development of training programs with subject of international accounting standards; Determination of teaching contents; Role of the accounting regime when applying international accounting standards; Information preparers and users when applying international accounting standards. To apply international accounting standards, both enterprises and the public sector must have a certain roadmap that is carefully prepared by state management agencies and units applying the standards.

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