

IFRS in Vietnam: Issues, Obstacles & Reforms

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Study Aim and Research Questions

- This study aimed to examine progress towards the adoption of IFRS in Vietnam with an emphasis on how implementation can further be improved.
- (1) What are the perceptions of key stakeholders about the current progress towards the IFRS regulatory regime?
- (2) Are there any barriers to further progress towards full adoption of IFRS in Vietnam and, if so, what are they?
- (3) Based on the evidence and insights gathered in (1) and (2), what practical recommendations can be made about further reforms to enhance the future quality of financial reporting in Vietnam?

Research Method

- Interviews were conducted with senior accountants in HCMC and Hanoi.
- An interview instrument was developed that consisted of 10 semi-structured questions built on prior research.
- Interviews transcripts were then analysed for key themes and interesting quotes.

Key Findings – Current State of Play

- Interviewees (quotes follow) generally felt that the accounting profession in Vietnam has come a long way in a relatively short time but that many barriers still exist toward full implementation of IFRS.
- “I think the version of the current Vietnamese Accounting Standards is based on the version since about 2003, a long time ago.”
- “The main difference right now is, under IFRS, we apply the fair value. But under VAS, we apply the historical cost.”

Key Findings – Current State of Play

- “The quality of the audit profession generally when you get out of the top 10 or dozen firms is not very good”.
- ”In Vietnam, I think it is very difficult to take a radical change. I think because of the social impact that is difficult to measure. For example, with the banking sector ... it will have a major impact on the reported profitability of some of them”.

How has the accounting profession changed over the last five years in your country?

- The findings of Pham (2012) revealed that disclosure convergence between VAS and IFRS is still very incomplete because the IFRS standards require additional information compared to what is required by VAS

Barriers to Adoption in Vietnam

Interviewees generally felt that there were several major barriers to adoption including:

- the mindset of accountants and government
- lack of a well developed capital market
- lack of accurate asset prices
- lack of training/understanding.

Barriers to Adoption in Vietnam

Quotes from interviewees:

- “The application of appropriate fair value principles requires practitioners to behave in responsible manner and to not abuse the fair value concept. The concern here is that people would not understand the fundamental principle and therefore they would unintentionally just get it wrong.”
- “IFRS requires a marketable environment, but in Vietnam, we cannot meet the marketable environment”.
- “The number of Vietnamese client that can produce IFRS financial statements is less than a hand full”.

How will accounting profession change over the next two years in your county?

Interviewees felt that urgent reforms were needed in terms of training of accountants and regulators in IFRS:

- “I think that the reform is just going to take time. I think they need recognition from the government ... that the reforms have to happen”.
- “If the government ... do not force the company to follow IFRS, surely they don't follow it”.
- ”I think the change [is needed] in the mindset of the government”.

How will accounting profession change over the next two years in your county?

- “I think the training have different levels because there are so many college and universities doing training in accounting but the quality is quite different. I think for some ... the quality is good but some others, I think it's not good”.
- “People taking accounting training in Vietnam is very much needs black and white, it is hard for them to work in ambiguity environment. They can't make the decision for themselves”.

How has the changing landscape of accounting changed the practice of accounting education in your institutions?

I think the main barrier is the readiness. My observation is it's very hard for accountants here in Vietnam to transform themselves to adopt IFRS. They are too familiar with VAS. Quotes from interviewees follows:

- “The quality of the profession is still patchy so I think the biggest challenges and this is one of the reasons is that the government will not mandate the use of them. Because they are not just confident that they would be properly applied”.
- “If you don't want to go international, to issue bonds international or shares on international market. what is the point that we need IFRS accounts for. For those small companies, they are OK with the local market.”

Fair value”(1) stands out as a big issue for Vietnam

- Fair value major dilemma for Vietnam – both understanding of the term and how local accountants can accurately measure fair value are consider significant obstacles to IFRS adaptation.
- Training in “fair value” accounting is required.
- More independent asset valuers are needed.

Conclusion

- “Fair value” stands out as a big issue for Vietnam – both understanding of the term and how local accountants can accurately measure fair value are both major obstacles.
- There is concern from some about the impact of IFRS on banks in particular and the potential flow on effects from a change in bank provisioning.
- The slow rate of progress towards full IFRS implementation is seen as a problem.