

Apply International Accounting Standard for Financial Report in Some Countries and Experience for Vietnam

Dao Thi Dai Trang

Faculty of Accounting, Duy Tan University, Danang 550000, Vietnam

Email address: daitrangdtu@gmail.com

Abstract— Vietnam Economy has been integrating with ASEAN Area as well as all over World. To improve business environment, stable development, support security market, protecting investor and attracting foreign direct investment, Government has required to advance transparency of financial information. On the other hand, in order to approach capital flow from international market and listing on foreign market, building financial statement with IFRS standard more and more is essential and important tendency of group and public firms. It is seen that, international account converging is indispensable tendency in globalization of world economy. That is long period and there are many nations joining. However, because of national difference that relate to legal, politic, culture, society make different converge way. This paper focus on international account standard applying process for financial statement in some nations and offering experience lesson to Vietnam.

Keywords— Account Converge, IFRS, Financial Statement.

I. INTRODUCTION

In Vietnam, most of financial report of companies is applied following Vietnam Accounting System (VAS) that was published into 5 periods by The Ministry of Finance from 2001 -2005 and 26 standards. Only some FDI companies or foreign market enlisting set financial report following IFRS. Basically, VAS is important role in a past period. However, along with changing in economic institution of Vietnam and IFRS now, VAS have some disadvantages, especially it cannot solve some problem in market economy completely, record asset missing, account Derivative financial tools for business purpose and avoiding risk.

Base on statistic data from International Accounting Standard Board (IASB), until Aug, 2016, there were 137 countries committing in applying IFRS. There were 122 countries that required all or majority of enlisting companies to set financial report following IFRS. In US, government have applied specific standard (US GAAP) long time but now considering unify US GAAP and IFRS. Vietnam which is one of 10 Countries don't sign this committing. Some economic special person admit that using same accounting language, promoting business environment, make belief for investor, Vietnam government need to unify VAS and IFRS

II. REAL CASE OF APPLYING INTERNATIONAL ACCOUNTING STANDARD FOR FINANCIAL REPORT IN SOME COUNTRIES

A. In US

One of biggest challenge of IASB is to take financial report with IFRS into US stock market that have biggest and best development of Account Standards on over the world. Security and Exchange Commission (SEC) and Financial accounting standards board (FASB) are 2 big partners of IASB in finding out global high accounting standards. "There are no international standard if US market is not a part of development" FASB President, Robert H. Herz. In 2002, with support from SEC, Norwalk Agreement was signed by IASB and FASB for setting global international accounting standards with high quality. With effort of IASB and FASB, on Nov, 2017 in FASB meeting, SEC have accepted new policy that permit foreign firms to set financial report with IFRS without unifying with US GAAP. This new policy was published on Dec 12, 2007 and valid from March 4, 2008. After that, on Aug 27, 2008, SEC have noticed way to carry out IFRS from different ideas. In 2010, SEC have published report to evaluate affecting of IFRS with US financial report. From 2011, some questions related to IFRS in CPA exam. Progress report show that comparing changing plan in 2008, there are 10/12 short projects and 6/8 long projects was finished. All finished projects was changed by 2 partners in standards themselves (FASB & IASB. 2012). Following this progress, SEC support tendency of global accounting standard with US enlisting companies must apply IFRS from 2015 along specific policies and promoting to apply in 2010. Comparing with IASB policy, US annual financial report system (large company) have managing report, discussion report, business result analysis, financial situation. Publishing accounting policy affect to financial report, financial comparing data report in 5 or 10 years. Until now, unifying process of IFRS and GAAP more and more improve step by step although conflict of technology and politic between IASB and some countries.

B. In France and the European Union (EU)

France is a European country with economic and political position on the world. The center of the French accounting system is the Plan Comptable General (PCG), a unified

accounting system. In the period 2002 - 2004, based on EU regulations on promoting the integration process with international accounting standards, the French accounting system was adjusted through the regulations of the National Accounting Council (CRC). Since 2005, French listed companies have consolidated financial statements under the IAS / IFRS. In 2009, the French Accounting Standards Board (ANC) was established, with the main function of setting accounting standards to the form of regulations for the private sector, and participating in the activities of the national accounting organization. This includes accepting international accounting standards in Europe (ANC, 2010). From 2011 onwards, in parallel, PCG applied for separate financial statements, and the international accounting standards for consolidation financial statement of public companies.

For the European Union, On 13 February 2001, the European Commission (EC) adopted a proposal to require EU listed companies to prepare consolidated financial statements under IAS / IFRS since 2005. This provision allows unlisted companies to also apply IAS / IFRS. In 2003, the European Securities Regulatory Commission adopted a set of 21 principles to develop and implement a common approach to the implementation of IFRS (Choi and Meek, 2011). EU has always created relationships with the IASB and played an active role in the process of establishing international accounting standards. By requiring consolidated listed companies to be consolidated under IAS / IFRS, more than 7,000 listed companies made the request from January 1, 2005. However, due to some unresolved issues between the EU and the IASB, the EU has not accepted all IAS / IFRS and requires listed companies to use only IFRSs that have been approved by the EU. Thus, in principle, the EU applies the IAS / IFRS but does not accept all IAS / IFRS, only approves each standard to apply. The EU and the IASB are continuing their discussions to resolve the remaining issues in order to reach agreement.

C. In China and Some Southeast Asian Countries

China is the second largest economy in the world, the rule of law is based on controlling of the government. The accounting system and financial statements of Chinese enterprises are now regulated by the Accounting Act and the regulations of the China Securities Commission (CSRC). The Accounting Act of China was first issued in 1995 and amended in 2000, which provides for the accounting principles applicable to all types of enterprises and organizations in the economy. In 1992, the Accounting Standards Board (CASC) was established, directly under the Ministry of Finance, to serve as the basis for the disclosure of information to listed companies for developing standards. The decision to issue accounting standards remains with the Ministry of Finance. In June 2005, China agreed with the IASB an action plan to reach a standard system. In November 2005, the Chinese Accounting Standards Board (CASC) and the IASB successfully organized a meeting to discuss the issue. In 2006, China decided to incorporate IFRS into its legal system and issued a system of Chinese business accounting standards (ASBE), which is basically appropriate.

with IFRS in key principles for the preparation and presentation of the Financial Statements. In 2010, the Ministry of Finance issued a road map to continue convergence of the Chinese accounting system with IAS / IFRS. Currently, listed companies are applying SAEBE, which is in harmony with IAS / IFRS in a state management roadmap. Meanwhile, unlisted companies in China still apply the enterprise accounting system issued in 2001. China's periodic financial reporting system is similar to that of the IASB, which includes: the balance sheet; Benefit Report; Cash flow statement; Notification of change of equity; Statement of the FTC. China's IAS / IFRS harmonization model reflects China's choice in the midst of a global response to the demands of the economy as well as the management of the House. In most East Asian countries with socio-economic conditions that have certain similarities with Vietnam, such as the Philippines, Thailand and Indonesia ... there is a road map for applying IAS / IFRS to draft and present the BCTC.

The Philippines has decided to adopt the entire IAS / IFRS and has almost not adjusted since 2005. The Philippine Financial Reporting Standards Board (FRSC) established the Commission to issue guidelines for the application of the Financial Reporting Standards (FRSC), 2012).

Thailand, through FAP, has developed 29 accounting standards, based largely on IAS / IFRS (World Bank, 2008). In 2010, Thailand announced two phases of integration with IAS / IFRS. Accordingly, phase 1 will adjust the current standard aligns with IAS / IFRS and introduces four new standards. Phase 2 will review the new standards and promulgate four new standards to form a harmonized accounting standard completely with IAS / IFRS.

Indonesia, Indonesia Accounting Standards Board (DBS) issued accounting standards, applied to listed companies, banks and other enterprises, including state-owned enterprises. In 2008, Indonesia announced plans in line with IAS / IFRS until 2012. However, due to the uncertainties, as of March 2010, only 68% of the benchmarks were matched with IFRS (World Bank, 2011).

III. EXPERIENCE IN VIETNAM IN THE PROCESS OF HARMONIZING WITH INTERNATIONAL ACCOUNTING STANDARDS

The description above shows the benefits of adopting international accounting standards; the process of harmonization with international accounting standards in the development and development of accounting and financial reporting systems in countries that are relatively robust, in varying degrees and modes. This group can be broadly grouped into the following major application models:

- Model 1: Apply the whole system of international accounting standards, almost unchanged. The model for this model is the Philippines, Singapore ... In these countries, IAS / IFRS has a very significant impact on the establishment of accounting standards, and international accounting standards are minimal adjustment when set up national accounting standards system.

- Model 2: Countries that have recently shifted from a centrally planned economy to a market economy such as

China, Thailand, and Eastern Europe ... have used IAS / IFRS as their main basis. Building the standard system. The effect of the IAS / IFRS is similar to that of the model countries¹, but these countries do not use all but modify them to build and perfect their own standards system.

- Model 3: Applicable in countries where their accounting standards were introduced prior to the advent of the IAS, they only need to be modified to conform to international standards. This is the case for developed countries, with a long history of accounting. The application process, in line with international accounting standards in the development of accounting and financial reporting systems in countries, has also shown that:

- Complying with international accounting standards is an objective trend;

- Immediately applying the entire international accounting standards system to the country is not an easy matter. Harmonization is not simply the introduction of standards in line with international accounting standards; the problem is that they are truly life-changing, meeting the information and control requirements of each country;

- Depending on the conditions of each country, the harmonization with the international accounting standards system requires a certain roadmap. The situation applies, as well as the characteristics of the model in accordance with the international accounting standards of countries. Vietnam experiences in the selection of modes and routes for accounting and financial integration systems integrate with international accounting standards. Vietnam is a developing country, market economy young audience Vietnam's financial market In recent years there have been changes, especially the stock market has certain development steps, but the development level and scale is limited. The level of inflation is controlled, stable. The Vietnamese legal system is based on the law, so the State plays a decisive role in the national accounting system. Taxes and fiscal policies still have certain impediments to accounting. In terms of culture, Vietnam is influenced by East Asian culture, to a certain degree, with prudence, with respect to the regulations being promoted, limiting the issues of judicial discrediting. From the characteristics of the models and experiences of the countries in the book with the international accounting standards, as well as the characteristics of the Vietnamese elements, the author proposes to select model 2 in determining the method and route. as well as developing and improving the principles, standards and contents of drafting and presenting financial statements for Vietnamese enterprises. Accordingly, some features of applying this model are defined as follows:

Firstly, the entire IAS / IFRS cannot be applied to the Vietnamese accounting system due to the conditions of socio-economic development. Even developing countries like the UK, Australia, the immediate application of IAS / IFRS also lead to disadvantages.

Secondly, it is necessary to formulate a strategy and define a roadmap for integration with the international accounting standards of Vietnam accounting system and financial statements. The content of the strategy should show initiative in integration.

Thirdly, for the capital market and the stock market, the application of VAS has been adjusted in comparison with IAS / IFRS, which will not adequately reflect and validate the operational information of the operators in the market. In fact, when there are demand for listing, mobilizing capital in the international market, enterprises are spending a lot of expenses and time to convert financial report. If you apply a full range of standards in accordance with international practice, it will make progress on the transparency of information of securities business organizations, as well as of other enterprises in the structure of assets have many financial instruments, such as the demand for transparency, increasing information of the market.

In summary, the Financial Report is the output of the accounting information system, also provides useful financial information about the business to the users, mainly current and potential investors. Borrowers and other creditors in making decisions about allocating resources to the business. In order to be able to provide useful information, the SF should meet the quality characteristics. The development of accounting and financial reporting systems in non-separable countries reflects and interferes with the economic, political, legal, cultural and regional and international integration processes.

The content of the IASB's financial reporting system and other countries are consistent with the structure in general, there is a diversity of content of financial reports to respond flexibly as information demand of users and increasingly There is a wealth of knowledge and corporate social responsibility information.

REFERENCES

- [1] Dao Thi Dai Trang & Trinh Le Tan. (2016). Applying international standard financial statement system (IFRS) in Vietnam and recommend. National conference preceding.
- [2] <http://vaa.net.vn/Tin-tuc/Tin-chi-tiet/newsid/3992/HOI-TU-KE-TOAN-QUOC-TE-O-MOT-SO-QUOC-GIA-VA-BAI-HOC-KINH-NGHIEM-CHO-VIET-NAM->.
- [3] <http://ndh.vn/da-toi-luc-don-duong-cho-chuan-ke-toan-ifrs-01701041107257p4c146.news>.