



Received: 25-08-2023  
Accepted: 05-10-2023

## International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

### Enterprise Reporting System in Vietnam in International Accounting Integration

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#### Abstract

In the trend of international accounting integration and development, the article introduces many forms of reports in Vietnam, including financial statements, yearly reports, sustainable development reports, and integrated reports. Each type of report is prescribed for different methods and methods of preparation. However, the ultimate goal of business reporting is to offer information to information users. Enterprise information users can include corporate managers, investors, creditors, banks, state management agencies, employees, etc. Depending on the state's

regulations, the information supply needs of enterprises, and the information use needs of information users, reports of enterprises will be prepared to meet the above requirements. Financial and non-financial, historical, or forward-looking information can be found in company statements. The essay investigated the various types of corporate reporting in Vietnam today, identifying shortcomings and suggesting methods to improve the enterprise reporting system in international accounting integration.

**Keywords:** Financial Accounting Reports, Annual Reports, Sustainability Reports, Integrated Reporting, International Accounting Integration

#### 1. Problem

The accounting reporting system in international accounting integration offers information to water management agencies as well as many other information users such as investors, creditors, and partners. In addition to financial information, information users are increasingly interested in non-financial information, information that allows them to evaluate the business model, corporate governance, risks and challenges of the business, as well as the resources of the business and how to allocate resources to bring high efficiency to the business. Information users are also interested in how businesses protect the environment, locally and in society. As a result, in the process of international accounting integration, corporate reports must contain information that fulfills the needs of information users. In Vietnam, there are many different forms of company reports. Some are required by law, such as financial statements and annual reports, while others, such as integrated reports, are not. Each type of report has different content and preparation methods and provides users with information with different objectives. At the same time, in the trend of worldwide accounting integration, corporate reports must be merged with the global trend. Therefore, studying the Vietnamese enterprise reporting system in international accounting integration is necessary and topical.

#### 2. Types of Corporate Reports in Vietnam Today

##### *Financial Reports*

Financial statements are used to provide information about an enterprise's financial condition, business environment, and cash flows, to support the management demands of business owners, state agencies, and users in making economic decisions. A financial statement is a report that businesses must prepare and file. Financial statements must include information about a company's assets, liabilities, equity, revenue, other income, production and business expenses, and other expenses. Profits and losses, as well as the distribution of company results and flows of money. The financial reporting system in Vietnam now includes balance sheets, income statements, cash flow statements, and notes to financial statements. Financial statements must depict the enterprise's financial condition, business environment, performance, and cash flows honestly and reasonably. The

principles of financial statement preparation and presentation include continuous operations, accrual basis, consistency, materiality and aggregate, set-off, and comparability. The yearly financial reporting system and the mid-year financial reporting system are both part of the financial reporting system. Annual financial statements apply to all types of businesses in all industries and economic sectors. Annual financial statements must be completed in their entirety. Mid-year financial statements (quarterly financial statements and semi-annual financial statements) are required for enterprises in which the state owns 100% of charter capital or holds a majority stake; public interest units must prepare mid-year financial statements; and the remaining businesses are encouraged (but not required) to prepare mid-year financial statements. A public firm is required to disclose annual financial statements that have been audited by an auditing organization that has been approved to audit the public interest entity. Thus, enterprises prepare financial statements by the mandatory provisions of Vietnamese law; the information on the financial statements is a general reflection of the enterprise's financial situation in a period and reflects the results of the enterprise's past operations. The time and period of preparing financial statements are also specified for enterprises.

#### **Annual and Sustainability Reports**

The annual report is a report that is required to be prepared and filed for public companies. The "*Guidelines for Disclosure of Information on the Stock Market*" Circular No. 155/2015/TT-BTC, published October 6, 2015, states that financial information in the annual report must be consistent with the audited annual financial statements. Thus, there is a data link between the financial statements and the annual reports. The report's content often includes Yearly operations, Reports and assessments of the Board of Management, Assessments of the Board of Management on the Company's operation (for joint stock companies), Corporate governance, and financial statements. The sustainable development report is the content of the annual report, or the company may set up a separate Sustainability Development Report. The Sustainability Development Report is a Report related impact of the Company on the environment and society, including Management of raw materials, Energy consumption, Water consumption (water consumption of business activities in the year), Compliance with the law on environmental protection, Policies related to employees, Report on responsibility for local community, Green capital market activities under the guidance of the State Securities Commission of Vietnam. A public firm must compile and publish an annual report no later than 20 days after the date of publication of its audited annual financial statements, but no later than 120 days after the fiscal year ends. As such, annual reports and sustainability reports are mandatory for public companies. The annual report and sustainability report, in addition to providing users with general information about the company's financial situation, also provide information on corporate governance, environmental protection, employee policies, and so on, as well as the situation of using raw materials and energy, allowing users to assess the sustainability and values that businesses bring to society.

#### **Integrated Reporting**

Currently, Vietnam does not have regulations on integrated reporting. The International Integrated Reporting Committee (IIRC) was established in August 2010 to prepare the ground for the integrated report. The International Integrated Reporting Commission (IIRC) is a global alliance of regulators, investors, companies, standard-setters, professional accountants, academia, and non-governmental organizations (NGOs). The IIRC created an international integrated reporting guidance framework in 2013. This paradigm necessitates the synthesis of all financial, environmental, social, and corporate governance information in an "integrated" form that is clear, concise, relevant, and comparable. Therefore, the purpose of this report is to make it easy for readers to see the contents of performance, future vision, as well as the historical value of organizations towards sustainable development, globalization integration, and other arising requirements of stakeholders. The 2013 version of the IIRC's integrated reporting framework will be superseded by the January 2021 edition of the integrated reporting framework by 2021. This most recent version is effective for the reporting period commencing January 1, 2022. The long-term purpose of the IIRC is to create reports that are integrated with financial, environmental, social, and corporate governance information to improve capital allocation efficiency and productivity, assisting firms in developing steadily and sustainably.

According to IIRC 2021, "An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term". IIRC 2021 Integrated Reporting Principles: Strategic focus and future orientation, Connectivity of information, Stakeholder relationships, Materiality, Conciseness, Reliability and completeness, Consistency and comparability. The above ideas are directly related to the major content pieces for integrated reporting. Each integrated report includes eight core content parts to deliver information in the most comprehensive manner possible. An integrated report is made up of eight content pieces that are inherently interconnected but not mutually exclusive: Organizational overview and external environment, Governance, Business model, Risks and opportunities, Strategy and resource allocation, Performance, Outlook, and Basis of preparation, and presentation. As such, integrated reporting offers consumers information about the past and future, financial and non-financial data, and information about short-, medium-, and long-term goals.

#### **3. Limitations of Vietnam's Current Enterprise Reporting System**

Current corporate reports in Vietnam include financial statements, annual reports (including sustainability reports), and integrated reports. In particular, financial statements include a set of reports reflecting assets, capital sources, business results, and cash flow situation of the enterprise. Financial statements simply reveal broad information and historical data about the business. Financial statements are mandatory reports for all businesses. Because the financial reporting structure is already specified, the information in

the financial statements does not assist users in assessing the situation of the enterprise's ability to generate future profits, its resources, and dangers. At the same time, because Vietnam's financial reporting system currently adheres to Vietnamese accounting standards, many financial statement contents and methods have not been updated by the IFRS International Financial Reporting Standard, causing difficulties in comparing financial statements of Vietnamese enterprises and financial statements of foreign enterprises complying with IFRS in the process of international accounting integration.

An annual report is a report that is required of public companies. Annual reports (including sustainability reports) give financial information that is consistent with financial statements but is evaluated in greater depth from a financial standpoint. Furthermore, the annual report contains information on the company's development orientation, hazards, staff organization, project implementation, and environmental and social impact reports. However, these contents are simply guided, and there are no regulations or guidelines on the basic principles for making reports as well as the key contents for making reports. Therefore, enterprises are incomplete and have not provided valuable information for information users, especially investors to make investment decisions in enterprises.

The current integrated report has not received much attention from Vietnamese businesses. In Vietnam, integrated reporting is a new type of report for many businesses, according to the survey, many businesses have never known about integrated reporting, and many businesses responded to the survey that they do not need to prepare integrated reports because integrated reports are not required to be prepared. According to the author's survey, only Bao Viet Group has prepared and released integrated reports thus far. Bao Viet Group is the first corporation to prepare an integrated report since 2015. Every year, integrated reports are sent to users in PDF format. Still, since 2021, with strong digital transformation, Bao Viet Group has launched an integrated report with the Podcast - Broadcasting version that allows readers to open reports on personal computers and mobile devices, making information users' experiences more enjoyable with background music and inspiring voices. As a result, many organizations have not generated integrated reports because they are unfamiliar with them and the benefits of integrated reports in enhancing corporate operations and obtaining outside financing.

#### **4. Complete the International Accounting Integration Enterprise Reporting System**

Currently, all firms in Vietnam have designed and submitted financial reporting systems, but the financial reporting system does not meet international financial reporting standards. Annual reports, including sustainability reports, must be submitted to public companies. In Vietnam, integrated reporting is not yet regulated and guided.

Financial statements indicate financial features in the above corporate statements, with historical numbers and short-term vision, financial statements normally depict the enterprise's financial status. Financial statements do not convey information about the company's vision, strategy, or value-generating process. Users of information on financial statements will not have sufficient basis for making decisions related to the business. As a result, financial reporting must be reinforced with standards governing the

preparation of yearly and integrated reports. Vietnam has stipulated a relatively specific annual report in Circular No. 155/2015/TT-BTC dated October 6, 2015 "Guidance on disclosure of information on the stock market". Regarding integrated reporting, there are no regulations or guidelines in Vietnam. As a result, to complete the enterprise reporting system, the following solutions must be implemented:

For the Ministry of Finance, The Ministry of Finance must complete the integrated reporting structure and guide firms in preparing integrated reports. At the same time, the Ministry of Finance must hold seminars and training programs to help businesses understand the significance and value of integrated reporting in the internal development of businesses, as well as to attract outside financing.

For enterprises, in addition to preparing financial statements and yearly reports as required, businesses should prepare integrated reports. Integrated reports assist organizations in seeing the value generation process at the enterprise, demonstrating the business's potential and development orientation. Based on giving important and helpful information to information users and assisting integrated report information users to have confidence in the business, they are prepared to lend or invest in the enterprise.

For training institutions, training institutions, Accountants and Auditing Associations, and business associations must organize exchanges, tutorials, and courses on the enterprise reporting system to help businesses understand the importance of each type of report so that enterprises will take the initiative in preparing reports, contributing to national accounting integration, worship.

#### **5. Conclude**

There are various types of business reports, each of which meets a different set of information requirements. Financial statements apply to all organizations; nevertheless, the information on the financial statements is only historical and generic. The annual report applies to public enterprises. Integrated reporting is a report that is not required of businesses. However, in business reports, integrated reports are reports that assist organizations in integrating worldwide accounting. Integrated reporting provides numerous benefits to businesses, including the ability to identify the business environment, strategies, opportunities, and challenges of enterprises, thereby assisting production and business activities to become better and better, while also assisting businesses to increase their market position and attract investment capital from outside. Integrated reporting also brings many benefits to information users outside the business, especially investors. Integrated reporting provides investors with an overview of the firm, encompassing financial and non-financial information, opportunities and risks, appraising the enterprise's strategy and business performance, and the business's interaction with the environment and society. Investors may then assess the possibilities and dangers of firms in the short, medium, and long term, allowing them to make suitable investment decisions. Integrated reporting provides investors with an overview of the firm, encompassing financial and non-financial information, opportunities and risks, appraising the enterprise's strategy and business performance, and the business's interaction with the environment and society. Investors may then assess the possibilities and dangers of firms in the short, medium, and long term, allowing them to make suitable investment decisions.

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