



Received: 30-08-2023  
Accepted: 10-10-2023

## International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

### Improve the Quality of Information in the Financial Reports of Listed Garment Companies on Vietnam Stock Market

<sup>1</sup>Tran Thị Thu Thuy, <sup>2</sup>Vu Thị The, <sup>3</sup>Phạm Thị Thanh Hoà  
<sup>1, 2, 3</sup> University of Labour and Social Affairs, Hanoi, Vietnam

Corresponding Author: **Tran Thị Thu Thuy**

#### Abstract

The information in the Financial Reports provides useful financial information about the business for current and potential investors, lenders and other creditors in making decisions about providing resources to enterprise. Therefore, information in financial reports needs to ensure information quality. This article studies the current status of information quality in financial reports of garment companies listed on

the Vietnamese stock market through survey data of 212 investors, accounting experts, auditors and regulatory agencies physical. From the research results, the authors propose some solutions to improve the quality of information in financial reports of garment companies listed on the Vietnamese stock market.

**Keywords:** Information in Financial Reports, Quality of Information in Financial Reports, Listed Garment Companies..

#### 1. Introduction

Many Vietnamese companies that are publicly traded on the stock market issue financial reports with highly realistic financial aims but in practice are unable to make payments and have targets for negative profits. Vietnam Construction and Import-Export Joint Stock Corporation, Gemadept Corporation, and Bach Tuyet Cotton Corporation (BBT) are examples of the difference between the previous data and Audits of listed companies. Investors lose faith in the caliber of the financial reports provided by listed companies and express concerns about the lack of transparency in information disclosure.

Since many years ago, one of Vietnam's main export businesses has been the textile and apparel sector. The textile and apparel industry has seen numerous hopeful developments because of technological advancements, a growing percentage of skilled workers, and state-sponsored incentives. These factors have helped add value to products and ensure both domestic and international demand. Although the manufacturing sector in general and the clothing industry in particular experienced numerous challenges following the Covid 19 epidemic. On the stock market, however, textile and apparel stocks have recently drawn attention for their cash flow. Listed companies in general, and listed apparel firms in particular, need to build investor confidence with the caliber of information in financial reports in order to attract capital flow from investors. There are many methods to measure the quality of information in financial reports. The article is based on the results of research on the current status of information quality on financial reports of garment companies listed on the Vietnamese stock market to propose some recommendations to improve the quality of information in financial reports.

#### 2. Overview of the Quality Information in Financial Reports

The core issue of research on information quality in financial reports is to learn how to determine and evaluate the quality of financial report information (Andra Gajevszky, 2015) <sup>[1]</sup>.

Profit using method: This approach is based on the accrual principle and measures the quality of data in financial reports through the degree of profit management (Healy & Wahlen, 1999 <sup>[5]</sup>; Nguyen Ha Linh, 2017). Managers can adjust financial targets without breaking accounting rules in order to reach the desired profit level.

A technique for assessing the relevance of information in financial statements is to examine the connection between earnings and stock market activity (Barth *et al.*, 2001 <sup>[2]</sup>; Choi *et al.*, 1997; Nichols & Wahlen, 2004).

The method makes use of a certain component from the financial statements. This approach focuses on one or more specific aspects of financial reports rather than profit as a proxy for financial reports, such as the quality of information disclosed in financial reports (Billings, 2011), the promptness with which losses are recorded (Barth, Landsman, and Lang, 2008), the frequency with which financial statements must be restated, or the loss of market value as a result of restatement (Hirschey,

Smith, and Wilson, 2012). The criteria used to assess the information quality in financial reports are those set forth by professional associations or the government in relation to accounting. The effectiveness of the information in financial reports for users to make decisions can be improved by using this approach, which can assess the quality of information in financial reports directly as well as measure and assess numerous other aspects of information in financial reports. Beest & colleagues (2009), Beest & colleagues (2013), Nguyen To Tam (2014), Pham Quoc Thuan (2016)<sup>[7]</sup>, Nguyen Phuong Hong and Duong Khanh Linh (2014), and Nguyen Trong Nguyen (2015) are typical examples of this study direction. However, because data must frequently be directly obtained, this approach of measurement and evaluation has numerous challenges.

### 3. Theoretical Basis for Information Quality in Financial Reports

In the statement of the AAA in 1966, published a report on the theoretical foundations of accounting which set out the basic principles of accounting theory and the basic objective of financial reporting as seen as lays the first foundation for research on information quality in financial reports. In the AAA report, there are 12 objectives of accounting information identified and four standards to ensure the quality of information in financial reports: Relevance means financial reporting information useful in making decisions, verifiable (Verifiability), objective (Freedom from bias) and ability to determine quantity (Quantifiability). AAA continued to improve and introduce basic concepts of financial reporting in APB 4 in 1970. Trueblood Report of AICPA in 1973 and AAA's economic theory in 1977, but it still had many limitations in all its attributes. The necessity of standards to ensure the quality of information in financial reports (AAA, 1966).

According to the FASB framework, the following qualities of information quality standards in financial reports were included in the "Accounting Concepts Framework" published in 1980: suitable and dependable. After numerous modifications and additions to this template, FASB continues to preserve these traits in the belief that they represent the fundamental set of characteristics and that the secondary characteristics are similar and consistent (FASB, 1980). According to the IASB (2001) model, the quality characteristics of information on financial reports include four characteristics: Understandable, appropriate, reliable, and comparable. In addition, the IASB also points out that there needs to be a balance between timely requirements and reliability of information or a balance between the benefits from information and the costs of providing information (IASB, 2001). Along with the development of capital markets in the world with the trend of integration and globalization, creating capital flows between markets and between countries is open and easy to compare, ensuring market transparency. There is a need for harmonization of common standards in the field of accounting, so the harmonization project between FASB and IASB was signed in 2002. By 2006, FASB and IASB introduced a common template for information quality standards in newspapers financial reports. In 2010, this framework was officially issued with the name "2010 Financial Reporting Concepts Framework" which sets out information quality standards in financial reports including: Basic characteristics are Relevant, Fairly Presented, and attributes that increase the

quality of information in financial statements reports include Comparability, Verifiability, Timeliness, and Understandability. Characteristics from the IASB approach presented in the international financial reporting model:

#### a. Basic Characteristics

##### *Relevance*

Relevance is the state in which consumers rely on the data in the financial reports to make worthwhile decisions. Decisions may be affected by financial information if it provides predictive, confirmatory, or both types of value. The IASB's conceptual framework of international financial reporting standards states that relevance is crucial to make effective judgments when using information from financial reports (Cheung & colleagues, 2010). Fair value is regarded as one of the most significant indications of suitability, and its use as the foundation for measurement in a business is a sign of high level of suitability of quality. financial statement information (Beest *et al.*, 2009). Financial reporting plays a significant role in providing information to determine the adequacy by providing feedback on significant market events and significant transactions that affect the company as well as forward-looking information about business opportunities and risks (Beest *et al.*, 2009; Beest *et al.*, 2013). Information has a forecasted value if it is explicitly referred to the company's ability to generate future cash flows.

##### *Faithful Representation*

The idea of honesty is to reflect and express the information in financial reports in its real economic situation. This idea is useful for describing the financial reports ' complete representation of economic resources and responsibilities, including transactions and events. Positive and bad occurrences must be objectively presented in financial reports. Financial reports make assumptions and estimations more understandable and clearly demonstrate how accounting standards are applied within the organization. The auditor's judgement on whether or not the financial report's contents are fully acceptable or unacceptable is the final significant factor that improves the quality of information in financial reports.

#### b. Advanced Functions

##### *Comparability*

Comparability is a concept that allows users to compare financial reports to determine the financial position, cash flow and performance of a business. This comparison capability allows users to make comparisons over time and between other companies in the same period. As Cheung *et al* (2010) observe: Relevance requires that identical events in two situations be reflected by identical accounting facts and figures and that different events be reflected by various accounting facts and figures, that are reflected in a comparable and understandable manner. In case of inconsistency, it must be provided and explained in the notes to the financial reports.

##### *Understandability*

One of the most significant qualities of information in financial reports is its readability. When financial reports are presented in an understandable manner, users of the information can readily read, comprehend, and make productive judgments. As a result, when financial reports

are simple to grasp, the quality of information in financial reports improves. This is one of the advanced qualitative features that will improve when financial reports information is given, classified correctly, and comprehensively. The use of charts and tables aids in the presentation of information by employing language and technical phrases that are simple for the user to understand.

**Timeliness**

Timeliness is a sophisticated qualitative trait. The availability of information for decision-making users must be timely. The release of financial reports and audited financial reports of listed firms in conformity with requirements is used to assess the quality of information on financial reports.

The most significant and decisive criteria of information quality in financial reports are appropriate and truthful basic qualitative qualities. The enhanced qualitative properties, on the other hand, such as understandability, comparability, verifiability, and timeliness, boost the utility of financial information for users to make rational decisions.

**4. Current State of Information Quality in Publicly Traded Apparel Firms' Financial Reports**

**Introduction to Garment Companies Listed on the Stock Market**

According to the listing floor, there are 8 firms on the Stock Exchange out of the 9 companies working in the garment production and business that are listed on the Vietnam stock market as of 2023: Hanoi Stock Exchange (HNX) and one business in Ho Chi Minh City (HOSE).

**Table 1:** List of garment companies listed on the Vietnam stock market

STT	Stock code	Company	Exchanges
1	TCM	Thanh Cong Textile Garment Investment Trading Joint Stock Company	HOSE
2	TVT	Viet Thang Coporation	HOSE
3	GMC	Garmex Saigon Coporation	HOSE
4	ADS	Damsan Coporation	HOSE
5	EVE	Everpia Coporation	HOSE
6	KMR	Mirae Coporation	HOSE
7	MSH	Song Hong Garment Joint Stock Company	HOSE
8	GIL	Galimex	HOSE
9	TNG	TNG	HNX

Early in 2023, Vietnam's textile and apparel sector experienced a number of obstacles and hurdles. When export turnover reached 44 billion USD in 2022—an increase of nearly 10% from 2021—this industry had seen success. However, starting around the conclusion of the 2022 fourth quarter, the political and economic conditions The textile sector is badly impacted by the numerous issues the globe faces.

The lack of orders is one of the major issues the Vietnamese textile and apparel sector is now experiencing.

This industry has had challenges since the end of the third quarter of 2022, difficulties that are worse than they were during the Covid-19 pandemic. When compared to the average of the three prior quarters, textile and apparel exports fell 15% in the fourth quarter of 2022. The shortage of orders continues to persist and affects the production performance of businesses in the industry. However, despite

facing difficulties and challenges, the textile and garment industry still has the potential to grow in 2023. In the second half of 2023, domestic garment manufacturing enterprises expect orders in the third quarter of 2023 will remain similar to the second quarter of 2023 level and after the sharp price reduction during the fourth quarter of 2023 holidays, the revenue outlook will improve. Most companies have recorded low business results in the fourth quarter of 2022, so it is expected that businesses will achieve positive profit growth as early as the fourth quarter of 2023.

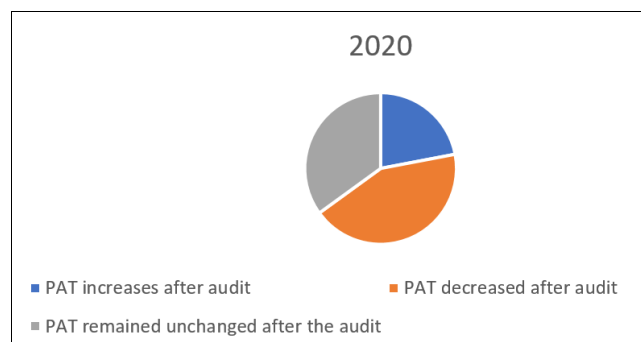
There are hopes for improvement and stabilization of the situation in the near future. This requires the textile and garment industry to adapt and find expected solutions, such as enhancing competitiveness, proactively finding new partners, and effectively using support policies from the government and other organizations relevant organizations.

**Quality of Information on Financial Reports of Listed Garment Companies**

In fact, the stock market has shown in recent years that the rate of post-audit discrepancies is relatively high, but it is decreasing over time. Looking especially at profit targets, Vietstock's statistics from 2020 to the first six months of 2023 reveal that, with just the first six months of the year remaining, the percentage of listed garment firms with post-audit revisions is about 70% each year. 2023 accounts for around 52% of the total. This is a major red flag about the company's financial reporting quality and openness of accounting data. In particular, the number of businesses that must adjust profits after audit to drop is always greater than the number of enterprises that must modify profits to increase.

Early in 2023, Vietnam's textile and apparel sector experienced a number of obstacles and hurdles. When export turnover reached 44 billion USD in 2022—an increase of nearly 10% from 2021—this industry had seen success. However, starting around the conclusion of the 2022 fourth quarter, the political and economic conditions The textile sector is badly impacted by the numerous issues the globe faces.

The lack of orders is one of the major issues the Vietnamese textile and apparel sector is now experiencing:



**Fig 1:** Percentage of garment companies listing incorrect information after audit

The authors performed a poll of 250 investors, accounting experts, auditors, and regulatory authorities to assess the quality of information in financial reports. There were 212 valid votes as a result. According to the descriptive statistics data, "MD.CL2. Information in Financial reports is reliable enough to predict the company's future operating results," which is not evaluated too highly (mean = 2.6891). When it

comes to conformity with Vietnamese accounting laws, however, they are all well regarded (mean = 3.7825). On the other side, some businesses postpone presenting financial reports after an audit. One of the reasons why corporations explain the delay in filing financial reports after audit is that the company's structure, production, and commercial operations have changed, making it difficult.

**Table 2:** Descriptive Statistics

	N	Mean	Std. Deviation
MD.CL1. According to Vietnamese accounting rules, the company's financial reports employ fair value.	212	3.7825	.62995
MD.CL2. Information in Financial reports is reliable enough to predict the company's future operating results	212	2.6891	.68936
MD.CL3. The financial reports are presented in line with the principles and norms of Vietnamese accounting.	212	3.8613	.62725
MD.CL4. Financial reports provide comparable information over periods of time	212	3.2172	.68421
MD.CL5. The publication date of the financial report is prepared and presented in compliance with rules.	212	2.6732	.58142
Valid N (listwise)	212		

**Source:** Author's survey

## 5. Conclusion and Recommendations

The accuracy of information in financial reports is usually a topic that users are concerned about. A high-quality financial report will suit the management needs of business owners and government agencies while also assisting users in making sound economic decisions. Despite the level of trustworthiness of the information reports, research results on the quality of information in the financial reports of listed apparel firms show that the quality of information has increased in recent years. Finance is still undervalued by investors, accountants, and auditors. As a result, the authors recommend a number of measures to improve the quality of information in financial reports:

### (1) For businesses

- Business managers need to further improve awareness of the role of financial reporting information quality; Understand and control your unit's financial information; Build a cultural environment that focuses on integrity and professional ethics. At the same time, consider training and fostering to improve the qualifications of accountants as a development strategy of the enterprise.
- Enhance the efficiency of the internal control system in the company by enhancing the control environment, risk assessment, establishing an information and communication system, monitoring, and evaluating the quality of internal control, and contributing to the improvement of the information quality in the newspaper. financial records.
- Boost accountants' educational credentials. To properly apply accounting standards and rules to actual accounting work at organizations, accountants in businesses must be able to discern between tax and accounting regulations.

### (2) For audit agencies

- Auditors need to strengthen the assessment of auditors' qualifications and professional ethics and have plans to train and update policies, regimes, laws and accounting and auditing standards. Auditing companies need to build an audit team with professional capacity and professional ethics. When conducting an audit, they need to choose audit staff who are knowledgeable about the business field of the enterprise or Have experience auditing similar businesses.
  - To ensure the quality of the audit, auditing companies, listed companies in general, and listed apparel companies in particular, must carefully plan the timing of the audit and implement audit processes and procedures as directed. Verify the accuracy of financial reporting following an audit.
- ### (3) State-Run Organizations
- The Ministry of Finance must keep enhancing the Vietnamese accounting standards framework in line with best practices abroad.
  - The Ministry of Finance must strengthen management, enhance the effectiveness and caliber of independent audits, and enhance the legislative foundation for audits.
  - Improve audit quality external control.

## 6. References

1. Andra Gajevszky. Assessing Financial Reporting Quality: Evidence from Romania, *Audit financiar*. 2015; 13(121):69-80.
2. Barth ME, Beaver WH, Landsman WR. The Relevance of the Value Relevance Literature For Financial Accounting Standard Setting: Another View, *Journal of Accounting and Economics*. 2001; 31(77):p104.
3. Đoan Thị Hồng Nhung và Vũ Thị Kim Lan. Method for evaluating the quality of information on an Enterprise's Financial reports, *Accounting & Auditing Magazine*, 2014.
4. FASB. Statement of Financial Accounting Concepts No.2, Qualitative Characteristics of Accounting Information, Financial Accounting Standards Board, 1993. <http://www.fasb.org/jsp/FASB/Page/PreCodSectionPage&cid=1176156317989> truy cập ngày 18/02/2015.
5. Healy PM, Wahlen JM. A Review of the Earnings Management Literature and Its Implications for Standard Setting, *Accounting Horizons*. 1999; 13(4):365-383.
6. Nguyen Trong Nguyen. The impact of corporate governance on the quality of financial reporting information at Vietnam's listed businesses, Doctoral thesis in Economics, Ho Chi Minh City University of Economics, Ho Chi Minh City, 2016.
7. Pham Quoc Thuan, Factors influencing the quality of financial reporting information in Vietnamese firms, Factors influencing the quality of financial reporting information in Vietnamese firms, 2016.
8. National Assembly, Law No. 88/2015/QH-Promulgating the Accounting Law, National Assembly Session XIII, Hanoi, 2015.