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Factors Affecting Awareness of Applying International Accounting Standards at Enterprises in Thanh Hoa Province, Vietnam

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Abstract

In the current context of strong globalization, using a common language for the business community through applying the International Financial Reporting Standards (IFRS) system in preparing financial reports is important. Absolutely necessary. However, reality shows that applying IFRS also faces many difficulties and challenges due to unavoidable differences in accounting systems between countries. This difference causes many difficulties for users in assessing the quality of financial reports in each country, as well as when comparing reports globally. In the world, there are currently many countries that apply all of IFRS. Besides, there are some countries that only apply part of IFRS, while Vietnam has not applied IFRS but only applies Vietnamese accounting standards (VAS). However, based on Decision No. 345/QD/BTC dated March 16, 2020 of the Minister of Finance approving the project to apply international financial reporting standards (IFRS) in Vietnam. In this decision, it is clearly

stated that Vietnamese enterprises should be encouraged to apply IFRS in its entirety, if they have all the necessary conditions. Thus, awareness of the importance of applying ISRS is very necessary for businesses. The article conducts a survey on the awareness of international accounting issues of 130 businesses in Thanh Hoa province, Vietnam, who are business managers and accountants, about their awareness of the application of international accounting standards. Through research results, the author points out the current situation regarding the application of international financial reporting standards. At the same time, the study also proposes directions to help business managers and accountants improve their awareness and approach to the issue of international accounting convergence, including awareness opportunities and challenges, thereby improving understanding and approaches to the issue of international accounting convergence and applying international accounting standards to businesses in the digital era.

Keywords: International Accounting Standards, IFRS, Businesses, Thanh Hoa

1. Introduction

International accounting integration is a challenging process, because of the reality of applying standards across countries and regions in different approaches (Christopher & Parker, 2016) ^[8]. However, this is an inevitable trend in the development process of each country. Applying IFRS (International Financial Reporting Standards) in Vietnam will certainly encounter many obstacles because the method of developing IFRS basically follows the Anglo-Saxon accounting model and is principle-based, therefore, this set of standards is difficult to adapt to culture and practice in Vietnam. The Ministry of Finance's issuance of Decision 345/QD-BTC, dated March 16, 2020 on the IFRS Application Project has affirmed Vietnam's determination to apply this standard system in the process of preparing financial reports. The main subjects that are considered to be able to ensure the capacity and conditions to apply IFRS are encouraged by the Ministry of Finance to apply IFRS voluntarily, in the period 2022-2025. Will Vietnamese businesses have the ability to apply? IFRS and at what level should IFRS be implemented? Businesses need to determine what they have, what they need and map out an appropriate roadmap for smooth application of IFRS in the future. To identify this, studying the factors affecting the awareness of IFRS application among Vietnamese businesses is necessary, in the current context.

Thanh Hoa is a key economic region in the North Central region with an abundant labor force, which is a great advantage in attracting investment capital from foreign businesses ^[1]. To integrate the Vietnamese economy and Thanh Hoa province in particular into the world economy, it is necessary to convert financial reporting according to VAS to IFRS, but the conversion is also affected by many other factors together. Therefore, studying the factors that affect the perception of applying IFRS is urgent and necessary at the current stage. From there, appropriate recommendations are made to speed up the application of IFRS by businesses.

2. Research methods

2.1 Data Collection Methods

Primary data

- Survey sample selection: The selected sample is small and medium enterprises randomly selected in Thanh Hoa province, Vietnam. Random, stratified sampling method: Samples were surveyed in Thanh Hoa city and Bim Son town according to the list provided by the Department of Planning and Investment of Thanh Hoa province because these are the two largest concentrations of businesses. Whole Thanh Hoa province. The number of investigations is expressed through the Yamane formula below:

$$n = N/[1+N(e)^2]$$

In which

- n: ballot size (number of survey ballots);
- N: total number = total number of businesses operating in Thanh Hoa city and Bim Son town;
- e: standard error.

As of February 2023, the total number of businesses operating in Thanh Hoa city and Bim Son town is 12,204 businesses, with a standard error of 0.1 (90% confidence). %, so, we can calculate the number of votes to be investigated as: $n = N/[1+N.(e)^2] = 12,204/(1+12,204 \times 0.12) \approx 99$ (votes). To increase the reliability of the article, the number of survey votes is 130 votes.

Locality	Number enterprises	Ratio (%)	Number of survey forms	
			Accountant	Manage
Thanh Hoa city	11.093	90.9	68	44
Bim Son town	1.111	9.1	12	6
Total	12.204	100	80	50

Source: Department of Planning and Investment of Thanh Hoa province in Vietnam, 2022^[1]

- Building a survey form: The survey form was built for all businesses, accountants and managers, including the following main information: Business name; production situation and field of operation; Number of employees, gender, age, professional qualifications and income of employees in the enterprise, self-awareness of IFRS, awareness of opportunities brought when applying IFRS, awareness of challenges when IFRS application.

2.2 Analytical Method

Descriptive statistics method: This method is used to describe the current status of cognitive factors about applying IFRS in businesses in Thanh Hoa province, Vietnam.

3. Research Overview

The transition from Vietnamese accounting standards to Vietnamese IFRS is an important factor that helps businesses in Vietnam integrate and participate at a higher level with international financial markets. International. In addition to the positive effects of applying IFRS on businesses, there will be many significant challenges. Converting to IFRS and having a scientific, methodical, and clear plan and transition roadmap will be one of the

prerequisites for businesses to be able to deploy IFRS gently, smoothly, and effectively than.

On March 16, 2020, the Minister of Finance issued Decision No. 345/QD-BTC approving the Project to apply international financial reporting standards in Vietnam with this application roadmap consisting of 3 stages, specifically as Table 1.

Table 1: Roadmap for applying international accounting standards in Vietnam

Stage	Main content
2019-2021 Preparation phase	The Ministry of Finance prepares necessary conditions such as: - Announcing the translation of International Accounting Standards (IFRS) into Vietnamese - Develop and promulgate documents guiding the application of International Accounting Standards (IFRS) - Develop relevant financial mechanisms - Training human resources and implementation processes for businesses
2022 -2025 Voluntary phase	- The following enterprises have the need and sufficient resources to notify the Ministry of Finance before voluntarily applying International Accounting Standards (IFRS) to prepare consolidated financial statements: + Parent company of a large-scale state-owned economic group or with loans funded by international financial institutions; + The parent company is a listed company; + Large-scale public company is an unlisted parent company; + Other parent companies. - Enterprises with 100% foreign direct investment that are subsidiaries of foreign parent companies and have the need and sufficient resources must notify the Ministry of Finance before voluntarily applying National Accounting Standards. IFRS to prepare separate financial statements.
After 2025 Mandatory period	- Based on the assessment of the implementation of International Accounting Standards (IFRS) of phase 1, the Ministry of Finance, based on the needs and readiness of businesses and the actual situation, stipulates The plan and time for mandatory application of IFRS to prepare consolidated financial statements for each group of businesses belonging to the following specific subjects: + Parent company of a state-owned economic group; + The parent company is a listed company; + Large-scale public company is an unlisted parent company; + Other large-scale parent companies. - Other companies that are not subject to mandatory application above and have the need and sufficient resources must notify the Ministry of Finance before voluntarily applying International Accounting Standards (IFRS) to prepare financial statements. consolidated or reported separately.

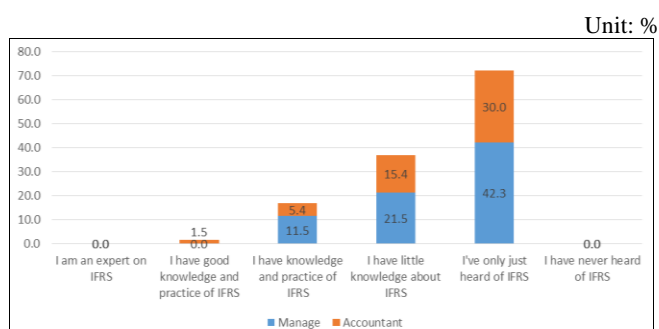
Source: Decision 345/QD-BTC^[3]

Thus, whether applying IFRS at the voluntary stage creates good conditions for applying IFRS at the mandatory stage will partly affect the process of applying IFRS in Vietnam.

4. Current Status of Awareness of Applying International Accounting Standards at Enterprises in Thanh Hoa Province, Vietnam

The study conducted a survey on the awareness of

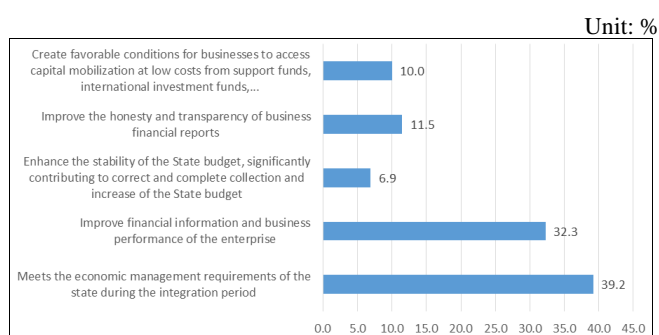
international accounting issues of 130 businesses that are business managers and accountants about their awareness of the application of international accounting standards. Through research results, the author points out the current situation regarding the application of international financial reporting standards. At the same time, the study also proposes directions to help business managers and accountants improve their awareness of and access to international accounting issues, including awareness of opportunities, challenges, thereby improving understanding and approaches to international accounting issues, applying international accounting standards to businesses in the digital era. Survey results in Thanh Hoa province show that 72% of surveyed subjects are aware of the application of IFRS in Vietnam, but no subject considers themselves to have complete understanding and readiness to apply. International Accounting Standards.



Source: Author's compilation

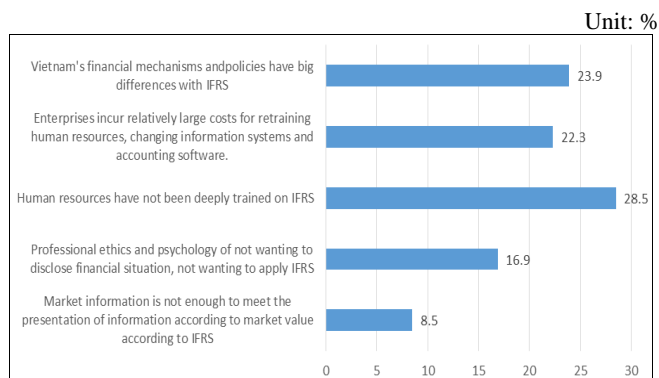
Fig 1: Results of self-assessment of IFRS knowledge of business subjects in Thanh Hoa province, Vietnam

Survey results show that subjects at all levels of qualifications consider themselves not experts in IFRS and do not have enough practical experience in exploiting the entire content of IFRS regulations. Most subjects expressed their opinion of following the provisions of accounting law when required, but did not consciously or voluntarily apply it themselves. The research also examines the survey subjects' awareness of the opportunities and challenges of international accounting convergence and IFRS application in Vietnam with those who know international accounting and IFRS (opportunities and This challenge was compiled by the research team from publications from the Vietnam Financial Reporting Standards Application Project and the IFRS Foundation (published by the IFRS Foundation) to evaluate accountants' awareness of the opportunities and challenges IFRS brings. again.



Source: Author's compilation

Fig 2: Results of subjects' awareness of the opportunities brought by applying IFRS at enterprises in Thanh Hoa province, Vietnam



Source: Author's compilation

Fig 3: Results of subjects' awareness of challenges when applying IFRS at enterprises in Thanh Hoa province, Vietnam

The survey results show that among the surveyed subjects who are knowledgeable about accounting and IFRS issues, the subjects' awareness of opportunities does not appreciate the benefits of contributing to correct and complete collection of revenue and increasing budget. State policies due to the realization that the accounting regime in Vietnam still has inconsistencies in accounting policies and tax policies, as well as financial mechanisms. The survey subjects also did not appreciate the opportunity to create favorable conditions for businesses to access capital mobilization at low costs from support funds and international investment funds because they believed that this source of capital is difficult for businesses to obtain. approach. The research results also show that the majority of subjects are concerned about the problems they will encounter when changing accounting regimes, changing presentation standards according to international financial reporting standards and the differences between new mode and old mode. Most of them expressed their opinion that they did so according to the state's requirements but not consciously.

Realize the practical opportunities that IFRS can bring to businesses. However, a positive point is that up to 98.2% of the people surveyed had a need to be trained on IFRS before applying it in Vietnam, and they also expressed their desire to apply it after seeing it. The opportunities that IFRS brings, this shows the interest of the surveyed subjects in the trend of international accounting integration.

According to many studies by many authors on factors that directly impact accounting as well as from practice, it has been shown that the development of national and territorial accounting systems is directly impacted by factors such as: economic, legal, political, cultural, etc. Therefore, the challenge facing Vietnam when applying IFRS is not small, especially for businesses with small scale of operations and simple operations. level of operations and scale of operations as well as limitations in human resources, therefore, this issue is of concern to the investigated subjects, especially regarding market information, human resources, policy mechanisms. Furthermore, accounting harmony and integration is one of the three leading inevitable trends in accounting in the Asia-Pacific region and globally in the medium term alongside the trend of changing business structures. and the trend of providing non-financial information in integrated reports [10]. Along with the trend of international economic integration, businesses are also forced to make changes with the

inevitable need for global financial market information.

5. Conclusion and Recommendations

IFRS has become an inevitable trend in the digital era with the support of truly changing technology applications, along with global investment and investment for sustainable development. This forces each country and each business to take steps to integrate economic and financial information not only with countries in the region but also around the world [7]. The current situation shows that most people working in management and accounting at businesses in Thanh Hoa province, Vietnam have heard of and are interested in IFRS issues, but the number of people who know IFRS is not many and most Many people claim that they do not have proficient skills to practice according to IFRS. However, in the process of applying IFRS in Vietnam, businesses will have certain difficulties in the process of accessing. This issue is also a matter of concern for Vietnam in the roadmap to apply IFRS, in the journey to build a transparent financial information system, meeting investment and financial requirements within the country, regional and international. The goal and roadmap for applying IFRS in Vietnam have been established. For the application of IFRS in Vietnam to be implemented, the participation of the entire business community, agency level, managers, and establishments is needed. Training, accountants, auditors, professional associations... and special attention to the majority of businesses in the integration process, moving towards sustainable investment and sustainable development [6].

On the Part of the State Management Agency

It is necessary to establish a system of compatible policy mechanisms when applying IFRS in Vietnam, and at the same time, in conjunction with professional associations, create an environment from encouraging to forcing the application of IFRS suitable for all types of businesses. industry, specific instructions, creating a practice environment to apply IFRS in real cases through virtual models. Regarding propaganda work, currently, the project to apply financial reporting standards in Vietnam has been implemented, in accordance with the characteristics of the Vietnamese economy, updating changes in IFRS to ensure compliance. Conforms to the highest level with international practices. However, most managers and accountants at businesses in Thanh Hoa province, Vietnam have only accessed knowledge that has been introduced at training facilities without the approach as well as practical practice and are not fully aware of the opportunities they bring to businesses. Most of them expressed their opinion that they would do so when requested by state agencies. Therefore, propaganda, psychological preparation, and awareness of difficult problems are necessary.

On the Business Side

Business owners in Thanh Hoa province, Vietnam need to raise awareness about the importance and benefits of International Financial Reporting Standards, which will help businesses stand firm in the context of integration and attract investment. Internationally for development. With automatic characteristics, fast updates and absolute accuracy, artificial intelligence will be a great tool to support the work of checking accounting work when applying IFRS.

Regarding the Management and Accounting Department

Management and accounting departments in businesses in Thanh Hoa province, Vietnam need to be equipped with knowledge and understanding of IFRS. Because only when knowledgeable can we provide appropriate and timely solutions for accounting staff in applying IFRS.

It is necessary to improve recruitment, training, and building of high-quality accounting staff capable of using and continuously updating IFRS to prepare and present IFRS. Businesses need to organize IFRS training and update classes for employees, such as regularly organizing seminars, inviting leading experts in teaching or sponsoring employees to participate in training programs. on IFRS by international professional organizations such as the Association of British Accountants (ACCA), the Association of Chartered Certified Accountants Australia (CPA Australia), and the Institute of Chartered Accountants in England and Wales (ICAEW). Well-prepared human resources with high quality, understanding, and specialized knowledge will help businesses well implement the process of applying IFRS in preparing financial reports.

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