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A Study on Accounting Information Disclosure in Securities Firms

[1] Nguyen Van Thu, [2] Cao Thi Anh
[1] University of Labour and Social Affairs, Vietnam
[2] Hanoi College of High Technology, Vietnam

Corresponding Author: **Nguyen Van Thu**

Abstract
Vietnam's stock market has been operating for over 20 years. Through the ups and downs of the Vietnamese stock market, the profits of securities firms have also changed a lot. However, with the restructuring of securities firms from 2013 to present, the profits of securities firms have become more and more stable. Among the 25 securities firms listed on the Vietnam stock market (https://cophieu68.vn) [28], in addition to those with good profits, maintained for many years, and publishing full accounting information, there are still businesses with poor profits that have not disclosed complete accounting information. A securities firm is a type of conditional business company with a specific nature, placed under the direct management of a specialized management agency, the State Securities Commission. Securities firms provide information on the stock market. Accounting information plays an important role for users both inside and outside the firm. The state has regulations on accounting information disclosure for listed companies. However, the current status of information disclosure by firms to users still has certain shortcomings. The aim of this study is to discuss accounting information disclosure at securities firms listed on the Vietnamese stock market. The study uses qualitative research methods with techniques of synthesis, comparison, and expert interviews to analyze and discuss accounting information disclosure in securities firms listed on the Vietnamese stock market. Thereby, the study proposes some implications for accounting information disclosure in securities firms listed on the Vietnamese stock market.

Keywords: Accounting Information Disclosures, Accounting, Securities Firms, Finance, Bank

JEL Codes: M40, M41, F65

1. Introduction

Vietnam's stock market has been operating for over 20 years. Through the ups and downs of the Vietnamese stock market, the profits of securities firms have also changed a lot. However, with the restructuring of securities firms from 2013 to present, the profits of securities firms have become more and more stable. Among the 25 securities firms listed on the Vietnam stock market (https://cophieu68.vn) [28], in addition to those with good profits, maintained for many years, and publishing full accounting information, there are still businesses with poor profits that have not disclosed complete accounting information.

Accounting information disclosure is through a company's financial reports, which not only include financial statements but also include managers' analysis and evaluation reports, audit reports, and other reports (Healy & Palepu, 2001) [7].

The securities industry has its own characteristics in terms of operational complexity, strict management requirements, and high demands on the application of modern information technology. Facing the trend of integration and fierce competition, research on accounting information disclosure and the profits of securities firms is necessary.

This study uses a qualitative research method. Qualitative research methods include an overview of previous studies, using techniques of synthesis, comparison, and expert interviews to analyze and discuss accounting information disclosure at listed securities firms listed on the Vietnamese stock market. We interviewed experts who are leading lecturers in finance and accounting, such as the chief financial officer at a securities firm.

Following the introduction, part 2 of the article presents legal documents in Vietnam related to accounting information disclosure. Part 3 of the article presents the role of accounting information that was disclosed. Part 4 presents the accounting disclosure measurement. Part 5 presents theories related to accounting information disclosure. Finally, part 6 presents the conclusion of the article.

2. Legal documents in Vietnam related to accounting information disclosure

State agencies have regulations on information disclosure, such as Circular 52/2012/TT-BTC, Guidance on Information Disclosure on the Stock Market (Ministry of Finance, 2012) [12]; Accounting Law was issued on November 20, 2015 (National Assembly, 2015) [17]; Securities Law 2006 and amended Securities Law 2010 (National Assembly, 2006, 2010) [18, 19]; Circular 200/2014/TT-BTC issued on December 22, 2014 on guiding corporate accounting regime (Ministry of Finance, 2014) [13]; Circular 155/2015/TT-BTC: Guidance on information disclosure on the stock market (Ministry of Finance, 2015) [14]; Circular 96/2020/TT-BTC: Guidance on Information Disclosure on the Stock Market (Ministry of Finance, 2020) [15]; Securities Law 2019 (National Assembly, 2019) [20]; Enterprise Law 2020 (National Assembly, 2020) [21]. In addition, the process, content, and method of information disclosure are regulated in accounting standards on the preparation and presentation of financial reports, Standard No. 21 (Ministry of Finance, 2003) [11]. Based on the information disclosure requirements in these legal documents, firms disclose mandatory accounting information.

The Ministry of Finance (2012 & 2015) [12, 14] requires information disclosure by listed firms to ensure completeness, accuracy, and timeliness according to legal regulations. When disclosing information, subjects must simultaneously report to the State Securities Commission and the stock exchange where the securities are listed. Subjects disclosing information are responsible for preserving and storing reported information. The language of information disclosure is Vietnamese.

The process and content of information disclosure in financial reports are prescribed in accounting standards on preparation and presentation of financial reports (Ministry of Finance, 2003) [11] and regulations of the Securities Commission (Ministry of Finance, 2020) [15].

Ho Chi Minh City Stock Exchange (HOSE, 2012) [8] has issued rules for building and managing the VN30 index, marking the development of Vietnam's capital market. VN30 contributes to raising awareness of compliance with listed firms' obligations to investors while promoting firms to increase information disclosure and transparency.

3. The role of accounting information that was disclosed

Accounting information is a bridge between firms and different information users, including both internal and external to the firm.

For firms, accounting information helps managers evaluate the results and business performance during the period and the implementation of targets in production, technical and financial plans, and contracts for business cooperation; identify the existing causes to take corrective measures and make appropriate decisions for the business for the next period; outline business strategies or measures to strengthen public administration.

For management agencies: Through information disclosure activities, market management agencies can ensure the openness, fairness, and efficiency of trading activities. This is the basis for the state's financial and economic management agencies to inspect and supervise the operations of enterprises, synthesizing economic and financial situation indicators for each industry, each level, and the entire economy. At the same time, indicators in financial reports are the basis for calculating taxes and other obligations of firms to the state budget.

For investors, banks, and credit institutions, information from financial statement analysis helps them evaluate the current financial situation and predict the firm's ability to develop in the near future. From there, make faster and more accurate decisions about whether to lend, invest, contribute capital, or withdraw capital for firms.

Adina and Ion (2008) [1] concluded that information disclosure is an important factor that affects the effective allocation of society's resources and minimizes turbulence between firms and users of information external to the firm.

4. Measuring accounting information disclosure

Unweighted measurement

Ameh and Nicholls (1994) [3] and Owusu-Ansah (1998) [22] used an unweighted measurement approach. That is, based on the designed standard index set, the information indexes, if presented in the enterprise's report, will be assigned a value of 1. If not presented, they will be assigned a value of 0. Therefore, information indexes are concerned with the aspect of whether they are published or not, and implicitly, the role of indexes is the same when assigning values.

Weighted measurement

Barrett (1977) [4] and Marson (1986) [10] are two of the researchers who have used this approach. Accordingly, this method requires information indexes to be considered, along with considering whether the value of each index is greater or less. From there, a set of weights recording the value level of each information index is given in parallel with the set of information indexes designed on the standard scale. The measurement is carried out as an unweighted method, and after being assigned a value, it is multiplied by the weight given previously.

Mixed measurement

Mixed measurement is a combination of the above two measurement methods (unweighted measurement and weighted measurement).

Researchers use the level of information disclosure measurement based on the construction of three disclosure indexes: Quality index, scope index, and quantity index. Each index built based on the weighting method, such as the scope index (SCI), will be assigned 0 if it is not published; 0.5 if the statement is qualitative; 1 if the statement is quantitative; and unweighted methods such as the COV, ESM, and OLT index.

5. Theories related to accounting information disclosure

Information economics theory

Information economics theory has been applied since the 1970s to evaluate the extent to which financial markets and other organizations process and communicate information (Stiglitz, 2008) [24].

This theory was formed on the basis of the studies of Akerlof (1970) [2], Spence (1973) [25], and Rothschild and Stiglitz (1976) [23]. Among them, Akerlof (1970) [2] is the first researcher to officially analyze adverse selection in the product market because the seller has more information than the buyer. Spence (1973) [25] analyzed information asymmetry through analyzing the adverse selection in the labor market of firm owners because workers have a better information advantage about themselves and labor productivity potential. Rothschild and Stiglitz (1976) [23] analyzed information asymmetry in the insurance market because insurance buyers have a better information advantage about their own potential risks than insurance-selling firms.

Applying information economics theory to this study: Regarding mandatory information disclosure, the associated costs and benefits are borne by regulators, reporting firms, and stakeholders. Use information. For regulatory agencies, the cost-benefit trade-off involves promulgating and enforcing regulatory policies on information disclosure. For firms, costs that often need to be considered include both direct costs (financial reporting and information disclosure) and indirect costs (cost of information ownership). As for users, this cost is the cost of receiving and processing information, including costs arising from information interference.

The information disclosure strategy of firms is to have very low compliance with costly information items, even though this information is very much in demand by users. When disclosing information, firms must always consider meeting the regulations of management agencies, ensuring the interests of units, and satisfying the information needs of users.

Asymmetric theory

Asymmetric theory was first mentioned by Akerlof (1970) [2]. Accordingly, this theory refers to asymmetric information that occurs when transaction partners (shareholders) have less information than managers or have information but the information is incorrect and incomplete. This makes it possible for transaction partners to make incorrect or untimely decisions when performing transactions. At the same time, it also gives managers the conditions to perform actions that are detrimental to shareholders when making transactions. In addition, because shareholders do not have enough information or have unclear information about the investment project and have inherent skepticism about the management, they will demand a higher profit level.

The problem of information asymmetry will increase the capital mobilization costs of firms (Healy & Papelu, 2001) [7]. According to Mishkin (2004) [16], with the amount of information collected, investors can review and evaluate the business performance, thereby realizing the advantages, disadvantages, and ability to develop and survive at the enterprise. The benefit of accounting information disclosure is to help firms demonstrate their capabilities, attract the attention of investors, limit the impact of asymmetric information, and reduce transaction insiders and price manipulation.

Applying asymmetric information theory to this study: Asymmetric information theory explains the influence of financial leverage, profitability, and solvency factors on accounting information disclosure firms.

Agency Theory

Agency Theory defines an agency relationship as a contract whereby one or more persons commit to another person (the agent) to perform some service on their behalf (Jensen & Meckling, 1976) [9]. In agency theory, the owners are shareholders, and the managers who run the firm are representatives of the shareholders. The relationship between shareholders and representatives will incur a loss due to the difference between the representative managing the firm's operations and the shareholders. Disagreements between owners and representatives can be limited by publishing detailed and transparent information about the company.

Applying agency theory to this study is agency theory, which mentions a few factors such as firm size, financial leverage, profitability, listing time, etc. related to information disclosure accounting at firms.

Proprietary Cost Theory

Proprietary Cost Theory refers to the cost of ownership as an important limitation of information disclosure. More information disclosure to investors could harm a company's competitive position in the market. Darrough (1993) [5] argues that firms limit information disclosure to avoid undermining their competitive position, even though the cost of raising capital may be higher. Small firms are very sensitive. If they disclose information to a greater extent or disclose more information, it will be detrimental and damage the company's competitive advantage in the market (Singhvi & Desai, 1971; Giner, 1997) [24, 6]. Previous studies have also examined the costs stemming from gathering and preparing information as an obstacle to greater voluntary disclosure of information.

Applying the cost of ownership theory to this study, scale and profitability encourage companies to disclose more information to reduce these costs.

Signalling Theory

Signaling Theory points out that information asymmetry between firms and investors leads to unfavorable choices for investors. To avoid this situation, firms voluntarily disclose information and send positive signals to the market (Watts & Zimmerman, 1986) [27]. Also, according to this theory, the larger the enterprise, the greater the information imbalance. In addition, firms with higher profitability tend to disclose more information to provide positive signals to investors about growth prospects, thereby having a positive impact on the stock price of the firm (Giner, 1997) [6].

Applying signaling theory to this research shows that signaling theory explains the information disclosure activities of firms.

6. Conclusions and recommendations

After more than 20 years of accompanying the development of the stock market, securities firms have developed strongly, becoming important intermediaries in the market and providing almost all services from brokerage, underwriting, issuance, and consulting. However, in the process of competition, many securities firms that suffer losses and weak potential will be dissolved or merged, and then the market will only be left. Securities firms have enough capacity to provide services that satisfy customers' needs.

Through the use of qualitative research methods, this study has reviewed domestic and international research works, legal documents on accounting information disclosure, and information disclosure accountants at securities firms listed on the Vietnam stock market.

Most employees working at securities firms are people who require high expertise and the ability to quickly analyze the stock market. One of their tasks is to monitor and analyze the market, thereby being able to provide accurate advice to customers in times of need and improve profit margins. Therefore, securities firms should build, innovate, and complete training programs and update knowledge for employees so that employees can increasingly improve their skills: Customer search skills and communication skills, information exploitation skills, skills to seize investment opportunities, and skills to cope with work pressure; skills to synthesize and analyze information; ability to calculate and manage risks; confidence; and good health. At that time, it will contribute to improving the disclosure of accounting information in securities firms.

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