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Experience Applying International Financial Reporting Standards around the World and Lessons for Vietnam

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Abstract

In the trend of international economic integration and globalization of economic cooperation and development, accounting is no longer an internal, separate issue of each country. A common language for businesses in preparing and presenting financial reports is extremely urgent. International Financial Reporting Standards (IFRS) is a system of widely accepted accounting principles, financial statement presentation, and accounting regulations. Many countries around the world use IFRS as an official standard

for preparing and presenting financial reports of businesses. Applying IFRS is done in many different ways, to different degrees depending on the perspective of each country. The application of IFRS in Vietnam is facing many obstacles, and lessons are needed for successful application. This article discusses the experience of applying IFRS in countries worldwide and draws lessons from applying IFRS for Vietnam.

Keywords: IFRS, Experience, Lessons

1. Introduction

In the trend of international economic integration and globalization of economic cooperation and development, accounting is no longer an internal, separate issue of each country. A common language for businesses in preparing and presenting financial reports is extremely urgent (Hien, 2019) ^[2]. In Vietnam, the need for businesses to list or attract capital in foreign markets is increasing. The financial market is attracting more and more foreign investors and organizations to seek business opportunities. Therefore, more and more complex economic transactions and financial instruments appear without relevant standards and guidelines; or not using the fair value model, revaluing assets in many cases does not fully reflect the business's size and potential. At this time, accounting information prepared according to each country's requirements is no longer suitable for international investors (Atik, 2010) ^[1]. To suit the diverse requirements of businesses as well as investors, countries often allow businesses to choose IFRS when preparing and presenting financial reports. Applying the globally accepted IFRS accounting standards is essential (Rezaee *et al.*, 2010) ^[9]. This is especially meaningful for developing countries in creating high-quality financial information to access international financial sources (Siam *et al.*, 2010) ^[10]. Jermakowicz (2006) ^[5] believes that developing countries applying IFRS not only improve the quality of financial information and capital flows but also contribute to promoting the country's image.

Faced with the benefits that IFRS brings, organizations that have an important impact on the world economy such as the World Bank, the International Monetary Fund, and many other organizations, all support and support the application of IFRS. Globally. However, the application of IFRS by countries around the world is being implemented in many different ways, applied to many different levels, depending on the perspective of each country and the legal and political system. Governance of the country. Therefore, for Vietnam in particular and many countries around the world in general, the application of international reporting standards in each unit faces many difficulties and challenges. This article mentions the experience of applying IFRS in countries around the world and also gives lessons in applying IFRS for Vietnam.

2. IFRS

During 1973 - 2000, International Accounting Standards (IAS) ^[3] were issued by the International Accounting Standards Committee (IASC). In 2001, the International Accounting Standards Board (IASB) was established to replace the IASC, operating under the supervision of the International Accounting Standards Founding Committee (IASCF) - which made many

amendments to the IAS and proposed to add many new IFRS^[4] on issues not yet mentioned in IAS. IFRS has opened a new era in recording, measuring, and presenting targets and items on financial statements. IFRS is a condition to ensure that businesses and organizations apply accounting principles consistently, so IFRS is built according to very strict and strict principles. When first issued, IFRS focused on meeting the requirements of organizations operating in developing economies. Since 2000, IFRS has focused more on supporting shareholders and participants in the world capital market in making economic decisions. Currently, IFRS is widely used around the world and can be applied as a national standard, as guidance in drafting national standards or applied to companies listed on the stock market. Global accounting harmonization has the benefit of creating comparability of information in financial reports across borders, reducing the cost burden associated with financial records across borders. Companies in different financial markets apply the same accounting system. And help investors conveniently make investments and establish business establishments abroad. For Vietnamese businesses, harmonizing IFRS makes integration easier and more convenient than ever. Understanding IFRS will help Vietnamese businesses have useful information about other businesses in the same industry, with similar levels of operations in other countries (Uyen, 2020)^[11].

3. Experience in applying IFRS in countries around the world

According to a survey by the International Accounting Standards Board in 2018, out of 166 countries and territories, 144 countries and territories have declared a requirement to apply IFRS for all or most companies, 12 countries and territories allow all or most companies to use IFRS, 09 countries and territories have their accounting standards or are transitioning to IFRS, 01 country and territory requires adoption IFRS application for financial institutions. In this article, we focus on introducing the experiences of Asian countries, where there are similarities in the economy as well as cultural and legal characteristics with Vietnam.

Japanese experience

Because the application of IFRS has socio-economic impacts, Japan has discussed carefully with relevant parties before deciding which direction to apply IFRS (fully applying IFRS, converging international standards) and joining with IFRS (gradual or partial application). Japan plans to build a Japanese accounting standards system (JGAAP) to gradually converge with IFRS. Listed companies must apply JGAAP when preparing separate financial statements submitted to competent authorities such as tax authorities and relevant agencies; apply JGAAP or IFRS when preparing consolidated financial statements. However, the Japanese stock market management agency does not have instructions for converting information on the financial statements of different listed companies to the same basis. Investors and users of financial statements calculate the information themselves in comparison to the financial statements of listed companies. In 2008, the European survey team identified 26 major differences between IFRS and JGAAP, and Japan gradually amended these 26 differences. so that JGAAP gradually converges with IFRS. In December 2008, the EU assessed that JGAAP

was compatible with IFRS and there were no longer any major differences between JGAAP and IFRS. Up to now, Japan continues to carry out work to bring JGAAP closer to IFRS.

Korean experience

Korean accounting principles (KGAAP) have certain gaps compared to IFRS, so they are not reliable enough for investors to compare the financial information of Korean businesses with businesses in other countries. This adversely affects the value assessment of Korean businesses. Therefore, to improve and enhance the transparency of financial information provided to domestic and international investors as well as create opportunities for Korean businesses to apply quality accounting standards. Following the global trend, the Korean Government decided to establish the "IFRS Application Start-up Group" to research the roadmap, methods, and possibility of applying IFRS to Korea in February 2006, the main task is to research, evaluate, and develop an appropriate roadmap and method for applying IFRS in Korea. The group includes 16 members, representatives from units such as the Ministry of Strategy and Finance, the Supervisory Board (FSS), the Korean Accounting Standards Board, the Korea Stock Exchange, and the Company Association listed companies of Korea, Korea Association of Small and Medium Business Enterprises, Korea Institute of Certified Public Accountants (KICPA), auditing firms, Korea Accounting Association and many other members, in The Financial Services Authority (FSA) plays a key role. The launch team proposed to translate a prototype of IFRS standards from English to Korean. The Korean Accounting Standards Board organizes the translation of all IFRS standards and standard guidance from English into Korean. The translation of the standards is carried out in parallel with the process of the Initiation Group developing the Roadmap for applying IFRS to Korea. The draft "Roadmap for applying IFRS in Korea" was completed in October 2006 and sent to interested parties for comments through seminars and websites, then finalized again in February 2007 and announced on March 15, 2007. After more than 13 months of construction efforts, in November 2007, the translation of IFRS into Korean was completed, and after FSC carried out administrative procedures, the translation became the Korean financial reporting standard (K-IFRS) and officially has a legal force to apply in Korea. Korea applied IFRS in the "Big Bang" method, which means synchronously applying all K-IFRS standards in 2011. The subjects applying K-IFRS are listed enterprises.

Experience of Singapore

In 2001, Singapore established the Accounting Standards Committee (ASC). This agency has proposed to apply IFRS standards in preparing Singaporean financial reports. Since 2002, Singapore has issued financial reporting standards (SFRS) based on IFRS, applicable to companies listed on the Singapore exchange. In 2009, ASC launched a strategy to amend SFRS to be similar to IFRS to apply to listed companies in Singapore. In 2012, ASC plans to fully apply IFRS and decide on the application timeline. On May 29, 2014, ASC announced that listed companies in Singapore would apply IFRS for the fiscal year starting from January 1, 2018. In general, to fully apply IFRS, Singapore has built a relatively long transition roadmap, applying it partially and piloting it on listed companies before mass application. ASC is preparing to apply IFRS in Singapore from 2015, and will

officially apply it in 2018. Singapore's new financial reporting standards are built in the same way as international financial reporting standards IFRS (SG-FRS) and apply to businesses with accounting periods starting on or after October 1, 2018. The IASB recognizes Singapore's accounting standards as fully compatible with IFRS.

Hong Kong experience

Hong Kong applied IFRS in the 1980s as soon as the IASB issued accounting standards. Hong Kong's accounting training and examination programs are all based on the standard system of IAS. Because Hong Kong used to be a British colony before returning to China, there are no language difficulties when applying IFRS, because English is the main language used by Hong Kong in business and commerce. In the early stages of applying IAS, there were some differences between Hong Kong accounting standards and IAS, but by 2000, Hong Kong's accounting standards were no longer different from IAS. By 2005, when IFRS was born and gradually replaced IAS, Hong Kong switched to fully applying IFRS. HKFRS fully converges with the international financial reporting standards system, but because Hong Kong has not declared a date for fully applying IFRS, until now Hong Kong has not been recognized as having a reporting standards system. Finance is fully compatible with IFRS.

4. Lessons learned for applying IFRS in Vietnam

4.1 Lessons on common difficulties when applying IFRS in other countries

After reviewing the experiences of Asian countries in applying IFRS, we can draw some common difficulties of countries when applying IFRS.

Firstly, the IFRS system is very complex, financial and accounting information must be presented in detail and specifically, while the amount of reporting is increasing. Furthermore, IFRS changes every year, increasing the workload for the accounting department, businesses have to spend more time, money and effort to learn, practice, and maintain the standard system. IFRS. The main reason is the lack of a specific legal framework and guidance.

Second, for countries that use their native language as the main language, a thorough understanding of IFRS to build according to each country's conditions is difficult, due to language barriers that make working difficult. Understanding the true nature and interpretation is difficult to be 100% accurate. Therefore, countries need a lot of time to translate and unify the understanding between national and international IFRS standards.

Third, businesses may also encounter difficulties in the application process. The subjects applying IFRS are listed enterprises, but most countries do not distinguish between large or small scale, so small-scale listed enterprises do not have enough financial, human resources, and technological resources. Information... to maintain the standard system also creates many challenges and barriers for both management agencies and businesses to implement.

4.2 Lessons learned for applying IFRS in Vietnam

From the lesson about the common difficulties of countries when applying IFRS, we can see that if we want to apply IFRS effectively, we must Right create things to give a job broadcast develop a frame juridical and application roadmap; determine the target; needs, and building a master plan for applying IFRS; broadcast develop teacher sex and

dig create purpose create a premise too converter and face challenges real When deployment implement IFRS. Specifically:

Firstly, terrible experience with broadcast development accounting legal framework. These terrible experiences are real international give see frame can mechanism speak shared, dense special to be frame next legal Math needs Right develop strongly to create a premise for work perform IFRS. Vietnam has received awake Okay question topic above, Satisfied Have these step dance spurt in job cabbage way onion main, dense especially the adjustments in the Accounting Law effective from January 1, 2017, Circular 200/2014 Guidance on corporate accounting regime and Circular 2012/2014 guiding financial reporting merged already Okay drafting is more intrinsically linked, asymptotic with standard squid financial report international government. However, the biggest difference between IFRS and Vietnamese Accounting Standards (VAS) still exists: IFRS is principles-based, while VAS is rules-based. A rules-based system is somewhat more flexible, while a rules-based system is somewhat more rigid. At the same time, some regulations in IFRS standards already exist but VAS does not have equivalent guidance.

Second, experience in the IFRS application roadmap. Vietnam has made efforts to transfer change and broadcast development generation system next maths according to direction draw fit IAS/IFRS. Although course, Vietnamese Males need the roadmap for applying IFRS should be based on allowing IFRS application rather than requiring it. According to experience from other countries above in phase, the first paragraph should circle the region subject of priority implementation, accordingly only mandatory real show with companies have capital head private water outside, labor ty grand they have sealed list, echo row, and nest position credit use.

Third, experience in human resource development, especially education and training development created in job IFRS application. This requires coordination with job personnel training Quality accountants, proficiency in standards to meet the needs of businesses' Karma, labor to check maths, and muscle administrator physical. In reality in Vietnam, the implementation of IFRS needs expansion and continuous support from professional accounting agencies such as Vietnam's Department of Accounting. They can contribute to the effective implementation of IFRS by holding their members responsible for vigilantly observing the approach and implementation of international accounting standards. Therefore, when the IFRS implementation program is introduced, it is necessary to fully assess the readiness status of relevant professional accounting organizations in the country, to ensure available resources for implementation. Support the IFRS implementation process of businesses. In addition, it is necessary to integrate IFRS into higher accounting education and update programs for accounting training by universities and professional accounting bodies in Vietnam to train the workforce. Have deep expertise and high professionalism in the field of accounting; people who can confidently and firmly perform accounting work applying international accounting standards. These will help limit difficulties and facilitate the application of IFRS.

Fourth, experience in determining goals and needs and building a master plan to apply IFRS for each enterprise. Every business needs to be properly aware of the long-term

benefits of applying IFRS. Determine goals, needs, and application plans. Specifically, based on the content and objects of the project, proactively develop detailed plans and organize implementation by the IFRS application roadmap. In addition, it is necessary to develop a master plan and deploy human resource training according to the requirements and roadmap for applying IFRS. The plan needs to be based on regulations on quality control of accounting and auditing services as well as the time to update the knowledge of the governing agency.

5. Conclusion

In the trend of globalization applying common standards for financial reporting, Vietnam cannot be left out of the integration process with the IFRS system. The transition from VAS to IFRS is an important factor that helps businesses in Vietnam integrate and participate at a higher level with international financial markets. To be able to apply IFRS effectively and successfully, learning from experiences from Asian countries such as Japan, Korea, Singapore, and Hong Kong is necessary. Development experiences developing accounting legal framework; about the IFRS application roadmap; on human resource development, especially education and training development created in job IFRS application; Determining goals, needs and building a master plan for applying IFRS for each enterprise are valuable lessons for applying IFRS in Vietnam. Departmental agencies; accounting and auditing professional associations; training facilities and business leaders have the right understanding of the difficulties and challenges of converting to IFRS and accompany, support, and have a scientific, methodical, and clear plan and roadmap for conversion. Will be one of the prerequisites for businesses to be able to deploy IFRS within their businesses conveniently and effective way.

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