

Determinants influencing differences of financial statements under Vietnamese accounting and international accounting: The case of Vietnam

Duc Tai Do^a, Manh Dung Tran^{b*}, Thi Ngoc Lan Nguyen^c, Duc Dinh Truong^a and Duc Cuong Pham^b

^aUniversity of Labor and Social Affairs, Vietnam

^bNational Economics University, Vietnam

^cTrade Union University, Vietnam

CHRONICLE

ABSTRACT

Article history:

Received: November 26, 2017
Received in revised format: January 31, 2018

Accepted: April 26, 2018

Available online:
April 27, 2018

Keywords:

Vietnamese accounting
International accounting
Financial statements
FDI

This research is conducted for evaluating the impact levels of determinants affecting the differences of financial statements of FDI firms under Vietnamese Accounting (VA) and International Accounting (IAS/IFRS). Data were collected by conducting survey of FDI firms and audit firms for the period from 2015 to 2017. Based on the quantitative data, multiple regression was employed for showing the influence levels of determinants on the variable of differences of financial reports. The results show that seven determinants had positive relationships with the differences of financial statements prepared by FDI under Vietnamese accounting and IAS/IFRS. Based on the findings, some recommendations are given for reducing fee of conversion of financial statements from Vietnamese accounting to international accounting, increasing the comparability of financial statements and improving information quality of financial statements.

© 2018 by the authors; licensee Growing Science, Canada

1. Introduction

Up to now, there are about 135 nations around the world applying International Financial Reporting Standard (IAS & IFRS). IAS and IFRS are constantly updated and reissued by International Federations of Accountants (IFAC). Vietnamese government has issued 26 Vietnamese accounting standards in five periods from 2001 to 2005 and accounting law. Accounting system for enterprises in Vietnam is designed basing on international orientation. However, Vietnamese accounting (VA) now is considered not to be suitable and sufficient, not met the current requirements of Vietnam and IAS/IFRS as well.

The differences between VA and IAS/IFRS have been discussed by some researchers. Typically, the differences in financial statements under VA and IAS/IFRS include two key issues, namely, (i) differences in presentation and differences in financial statements' items (Deloitte, 2016; Do & Truong, 2017); (ii) differences in financial statements' items of FDI firms under VA and IAS/IFRS (Tran & Do, 2017).

* Corresponding author. Tel: 0947 120 510

E-mail address: imdungktoan@yahoo.com (M. D. Tran)

During the last few years, FDI firms have rapid growth in quantities, scales as well as financial performance. However, due to two different accounting standards between VA and IAS/IFRS, FDI firms have to prepare two sets of financial statements: one set complies with Vietnamese accounting and the other complies with IAS/IFRS for requirements of holding groups in overseas (Tran, 2016). For having financial statements complying with IAS/IFRS, a small number of FDI firms either prepare by themselves or almost all FDI firms ask audit firms to do it. This makes some difficulties and complication for FDI firms in terms of preparation & disclosure and expenses because two sets accounting standards co-exist. Thus, it is important to clarify these differences as well as thoroughly explain causes of these differences.

Differences in financial statements under VA and IAS/IFRS of FDI firms doing business in Vietnam always exist because of having two sets of accounting standards, but it causes some difficulties in comparability, time of conversion, expenses of conversion and others. Financial statement users only accept the situation of having two sets financial statements under VA and IAS/IFRS and are too far to understand why there are differences. That is why investigating the determinants (factors) influencing the differences of financial reports prepared by FDI under VA and IAS/IFRS needs to be scrutinized.

This research is structured as follows. Section 2 reviews the suitable literature of financial statement differences between the host accounting and IAS/IFRS. Research hypotheses are designed in Section 3. Section 4 describes the data sample collection and methodology employed in the conduct of the research. Section 5 sets out a discussion of key results, while Section 6 shows some key recommendations for reducing the gap of financial statements between Vietnamese accounting and international accounting.

2. Literature Review

In the research of Hopwood (2000), factors influencing the differences of accounting across countries are not thoroughly analyzed and presented. He argued that the determinants had been identified as potential causes of international differences as infrastructure, culture, legal systems, economic development and political systems and individual accountant characteristics. Financial reporting systems of a country is affected by social climate, culture, economic development, political systems and individual accountant characteristics. Therefore, popularity and synchronism of financial statements may not be obtained even when IFRS has been applied. In this study, Hopwood employed quantitative method for synthesizing, analyzing and measuring the impact levels of factors on differences in financial statements. However, this study was conducted in the period before the year 2000 in the context of unsharp changing of accounting like today.

Determinants influencing the differences of accounting across countries have been analyzed in both macro and micro aspects, including environmental factors and individual accountant characteristics. Environmental factors include nature of business ownership and financial system (Zysman, 1983); taxation (Radebaugh & Gray, 2002); inflation (Nobes, 1998); age and size of accountancy profession (Chow et al., 2002); economic development (Radebaugh & Gray, 2002); legal systems (Doupnik & Salter, 1995); history, geography, language, influence of theory, political systems, social climate (Nobes, 1998). Meanwhile, individual accountant characteristics consist of experience, knowledge and ability (Libby & Luft, 1993; Bonner, 1994; Trotman, 1996).

Chand et al. (2008) presented determinants causing international differences in financial statements practice in the South Pacific countries in the post convergence period. The four countries of Australia, New Zealand, Papua New Guinea and Fiji have adopted different approaches, i.e. adopting full IFRS in Papuan New Guinea, adopting IFRS with modifications in Australia and New Zealand, selective adoption of IFRS in Fiji. By using qualitative methodology, three dominant determinants acting as constraints in accounting convergence in general and in financial statements practice in particular such as (i) nature of business ownership and financial system, (ii) culture and (iii) level of accounting education & experience

of professional accountants. Besides, financial statement comparability among countries has been concerned in this situation and even though IFRS has been adopted by these countries because different levels of IFRS have been implemented. Therefore, government of all countries need to introduce initiatives to reduce deviations between accounting in general, in financial statements in particular across countries for reaching the goal of convergence in accounting.

Le (2011) found that one of two reasons causing differences between VAS and IAS generally and differences in financial statements particularly is accounting environmental determinants, which include Vietnam tend to avoid risk and uncertainty, capital market in Vietnam is one of young markets and Vietnam uses code law or civil law, differing from others using common law. Tran (2013) and Le (2014) found that four factors of economy, politics, legal systems and culture are elements influencing financial statements practice in general and then having influences on financial statement differences under VA and IAS/IFRS. By using qualitative approach, both Tran (2013) and Le (2014) analyzed and presented the impact levels of those four determinants on difference of financial statements under VA and IAS/IFRS. This finding is similar to other studies, but the sample is rather small so persuasiveness is to some extent limited. In general, prior studies presented determinants influence on the differences of accounting practices and financial statement reporting in a macro scope (political systems, legal systems, culture and economy and others) or in a micro aspect (factors relating to enterprises, industries, organizational culture) or relating to individual accountant characteristics (experience, level of education, ability and incentive). Studies have analyzed the influence of determinants on differences of financial statements of the country between local accounting standards and international accounting standards. However, these studies face with several limitations in presentation scope, research sample; theory and practical research. Besides, most of these studies concentrate on the old-fashion post-convergence period.

This study will contribute to increasing the reliability of prior researches and emphasize analysis and measure factors that have impacts on differences of FDI firms' financial statements under VA and IAS/IFRS.

3. Research Hypotheses

Research question: How do impact levels of determinants on differences of FDI firms' financial statements under VA and IAS/IFRS?

Hypotheses were stated as below:

- H1: Economic development has an influence on financial statements differences of FDI firms under VA and IAS/IFRS.
- H2: Legal systems influence on financial statements differences of FDI firms under VA and IAS/IFRS.
- H3: Culture influences on financial statements differences of FDI firms under VA and IAS/IFRS.
- H4: Political system influences on financial statements differences of FDI firms under VA and IAS/IFRS.
- H5: IAS/IFRS influences on financial statements differences of FDI firms under VA and IAS/IFRS.
- H6: Professional techniques influence on financial statements differences of FDI firms under VA and IAS/IFRS.
- H7: Organizational condition influences on financial statements differences of FDI firms under VA and IAS/IFRS.
- H8: Level of accounting education and experience of accountants influence on financial statements differences of FDI firms under VA and IAS/IFRS.

Based on research models of Zhang (2005), Boolaky (2004), Ouda (2004), Cao (2016) of factors (independent variables) impacting on dependent variable of difference of financial statements and based on the results of in depth interviews, the model has been designed as shown in Fig. 1.

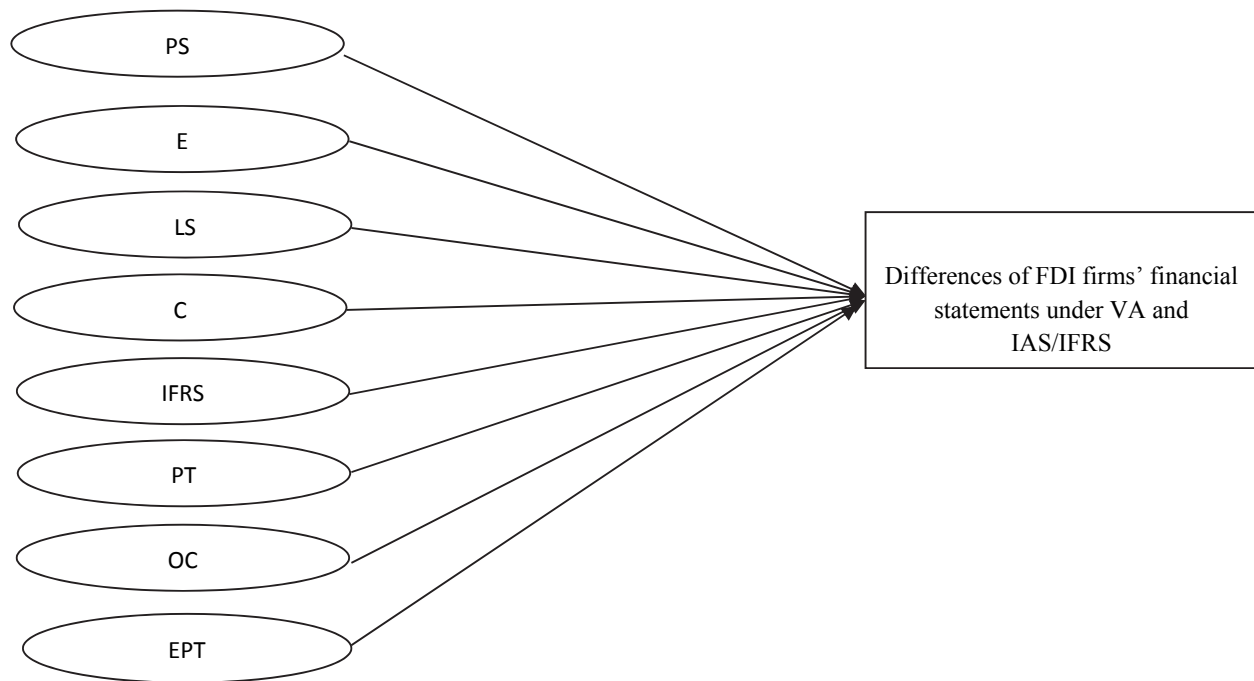


Fig. 1. Research Model of Differences of FDI firms' Financial Statements Under VA and IAS/IFRS

where

Dependent variable: D – differences in FDI firms' financial statements under VA and IAS/IFRS

Independent variables:

E: Economic (X1)

LS: Legal systems (X2)

C: Culture (X3)

PS: Political Systems (X4)

IFRS: IAS/IFRS (X5)

PT: Professional technique (X6)

OC: Organizational conditions (X7)

EPT: Education, professional training (X8)

4. Research Methodology

4.1. Variables and Sample

Variables in the model were synthesized basing on literature review, including the dependent variable. "Differences of financial statements of FDI firms under VA and IAS/IFRS" were measured by 13 criteria, measured by indirect method which is measurement through awareness, understanding of respondents about the difference in financial reports of FDI firms under VA and IAS/IFRS. Independent variables include political system, measured by 8 criteria; economics measured by 10 criteria; the legal system measured by 10 criteria; culture measured by 6 criteria; international accounting standards measured by 6 criteria; organizational performance measured by 7 criteria; education, professionalism measured by 7 criteria; professional techniques measured by 9 criteria. The degree of impact of independent variables is determined by the Likert scale of 5: From 1 - not influenced to 5 - very influenced. The results will determine the influence of each independent variable on the dependent variable.

According to Hair et al. (2006), sample size should be from 100 to 150 at least. Gorsuch (1983) argued that determinants analysis needed at least 200 observations. In order to assure reliability, 450 sets of questions had been sent to chief accountants, FDI's general accountants and auditors in independent auditing firms. Data collecting methods were employed by sending direct surveys, email and online questions, and the help of google. Feedbacks from FDI firms are 165 surveys, from independent audit firms are 140 surveys. Therefore, the rest of observations for model 1 are 305 surveys (67.7%), including 100% participants who are chief accountants, FDI firms' general accountants and 75% of the participants are auditors of independent audit firms. Participants mostly have 5-year experience (90%) and have Bachelor degree or higher (100%). As can be seen, all participants are at high quality of accounting knowledge, and this makes surveys' answer are reliable.

4.2. Data Processing

The data processing process is based on the common process of Creswell (2003) and is adjusted according to Ground Theory analyzing method of Strauss and Corbin (1998) for ensuring that the results of the study are trustworthy and valuable. The data processing process includes (i) overview of relevant studies to identify research gaps, conducting theoretical background study of determinants influencing on financial statements of FDI firms under VA and IAS/IFRS. (ii) Data collecting and analyzing for qualitative research include conducting interviews, designing questionnaires, collecting data, then summarizing, analyzing and drawing conclusions. (iii) data collection and analysis for quantitative research consists of survey continuance. By using collected data and theoretical basis, measuring the impact of factors on differences in financial statements of FDI firms under VA and IAS/IFRS by applying Cronbach Alpha, EFA, multi-variable regression method. (iv) Comparison, linkage, synthesizing and discussion of qualitative and quantitative research results with the aim to provide a comprehensive basis for the determinants influencing on differences of financial statements prepared by FDI firms under VA and IAS/IFRS. Conclusions and results of the study are the basis for giving recommendations to reduce the gap between VA and IAS/IFRS, enhancing harmonization between VA and IAS/IFRS on financial statements of FDI firms.

5. Results and Discussions

The number total of FDI firms in Vietnam till 31 December 2016 was about 22,509, from 116 countries and territories, focusing on 19 industries such as processing and manufacturing industry, construction, technology and service (General Statistics Office, 2016). FDI firms contribute largely to economic growth, create jobs and improve productivity, promote investments and contribute to government budget (Nguyen, 2016). Because of certain differences between VA and IAS/IFRS, accounting department of FDI firms have to prepare two sets of financial statements (Tran, 2016). These differences need to be explained what determinants are and how impact levels of determinants have.

Quality scale testing result

By using scale testing, it can eliminate inconsonant variables and reduce errors in the research model. Therefore, only variables which have total correlation coefficients (Corrected Item – Total Correlation) greater than 0.3 and Cronbach's Alpha coefficients equal or greater than 0.6 are accepted (Hoang & Chu, 2008). By analyzing Cronbach's Alpha testing of factors have an influence on differences of FDI firms' financial statements under VA and IAS/IFRS (8 factors with 63 observed variables), the result is presented in Table 1.

Table 1

Results of Testing of Factors Confidence of Scales in the Model

Determinants	Cronbach's Alpha	n
Economic	0.907	10
IAS/IFRS	0.838	6
Legal systems	0.892	10
Professional Technique	0.925	9
Political Systems	0.904	8
Organizational conditions	0.919	7
Education, Professional training	0.890	7
Culture	0.904	6

The result shows that, all Cronbach's Alpha coefficients of population are above 0.6; all Corrected Item – Total Correlation of observed variables are above 0.3. So all variables of research model are suitable for next analyses.

Exploratory Factor Analysis

Table 2

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.910
Bartlett's Test of Sphericity	Approx. Chi-Square	16,718.545
	Df	1,953
	Sig.	0.000

The results of factor analysis in Table 2 show that $0.5 < \text{KMO} = 0.910 < 1$. Bartlett's testimony shows $\text{sig.} = 0.000 < 0.05$. It means variables in the whole are interrelated. After implementing the rotation matrix, eight determinants with factor load factor are greater than 0.5; Eigenvalues are greater than 1; the variance explained is 68.580%. It demonstrates that research data analyzing factor discovery is appropriate. Through the quality assurance of the scale and the test of the EFA model, identify eight factors influencing the differences of financial statements of FDI firms under VA and IAS/IFRS.

Regression Model Analysis Result

Based on adjusted model after the exploratory factor analysis, we have a multiple regression model:

$$D = \alpha + \beta_1 E + \beta_2 LS + \beta_3 C + \beta_4 PS + \beta_5 IFRS + \beta_6 PT + \beta_7 OC + \beta_8 EPT$$

Table 3Model Summary^b

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate	Durbin-Watson
1	.720 ^a	.519	.517	11.462	
2	.817 ^b	.667	.665	9.544	
3	.866 ^c	.750	.748	8,284	
4	.888 ^d	.789	.786	7.637	
5	.900 ^e	.810	.807	7.251	
6	.903 ^f	.816	.812	7.154	
7	.905 ^g	.818	.814	7.117	1.360

a. Predictors: (Constant): E, LS, C, PS, PT, OC, EPT

b. Dependent Variable: D

Table 4
Anova^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	42,912.81	1	42,912.81	326.625	.000 ^b
	Residual	39,808.91	303	131.383		
	Total	82,721.72	304			
2	Regression	55,212.56	2	27,606.28	303.066	.000 ^c
	Residual	27,509.16	302	91.09		
	Total	82,721.72	304			
3	Regression	62,066.32	3	20,688.77	301.486	.000 ^d
	Residual	20,655.40	301	68.623		
	Total	82,721.72	304			
4	Regression	65,226.35	4	16,306.59	279.615	.000 ^e
	Residual	17,495.37	300	58.318		
	Total	82,721.72	304			
5	Regression	67,000.95	5	13,400.19	254.864	.000 ^f
	Residual	15,720.77	299	52.578		
	Total	82,721.72	304			
6	Regression	67,469.13	6	11,244.86	219.698	.000 ^g
	Residual	15,252.59	298	51.183		
	Total	82,721.72	304			
7	Regression	67,677.78	7	9,668.25	190.872	.000 ^h
	Residual	15,043.94	297	50.653		
	Total	82,721.72	304			

a. Dependent Variable: D

b. Predictors: (Constant): E, LS, C, PS, PT, OC, EPT

Table 5
Coefficients**Coefficients^a**

Model	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.	Collinearity Statistics Tolerance	VIF
	B	Std. Error					
(Constant)	-109.823	3.747		-29.309	.000		
Economic	6.152	1.058	.208	5.814	.000	.479	2.086
Political systems	9.803	.944	.314	10.380	.000	.668	1.498
Culture	5.906	.780	.237	7.569	.000	.623	1.605
Organizational conditions	4.406	.751	.165	5.870	.000	.772	1.296
Education	4.552	.981	.157	4.641	.000	.533	1.875
Legal systems	3.453	1.192	.107	2.897	.004	.445	2.245
Professional technique	1.347	.664	.062	2.030	.043	.652	1.534

a. Dependent Variable: D

b. Predictors: (Constant): E, LS, C, PS, PT, OC, EPT

Results of Table 3, 4 and 5 show that

Multicollinearity testing: all variance inflation factor (VIF) of independent variables are under 2, so multicollinearity of model is low (Hoang & Chu, 2008). Therefore, this regression model does not have any violation of the CLRM basic assumption.

Durbin – Watson statistic which is used to test the autocorrelation of residuals presents the model does not violate when using multiple regression method because Durbin – Watson value is 1.36 (in the interval of 1 and 3). In other words, the model is indicated no autocorrelation of residuals.

ANOVA testing result: Level of significant (Sig.)=0.000 implies that multiple regression model is suitable with data. Coefficient of $R^2 = 0.814$, which means 81.4% of the total variation in differences of FDI firms' FS between VA and IAS/IFRS will be explained by the regression model.

Research model result indicates that all independent variables (Economic (X1), legal systems (X2), culture (X3), political systems (X4), professional technique (X6), organizational conditions (X7); education,

professional training (X8)) are significant (because Sig. < 0.05) to differences in FDI firms' FS under VA and IAS/IFRS. Meanwhile, with the collected data, the study has not found the significance of IAS/IFRS variable because there's relationship between this variable (X5) and the other variables such as professional technique, organizational conditions factor.

Factors have influences on differences in FDI firms' FS under VA and IAS/IFRS are presented in the following standardized regression model:

$$D = 0.208xE + 0.314xPS + 0.237xC + 0.165xOC + 0.157xE + 0.107xLS + 0.062xPT$$

Research model result indicates that all independent variables (Economic (X1), legal systems (X2), culture (X3), PS (X4), professional technique (X6), organizational conditions (X7); education, professional training (X8)) are significant (because Sig. < 0.05) to differences in FDI firms' FS under VA and IAS/IFRS. Hypotheses of H1, H2, H3, H4, H6, H7, H8 are accepted. Meanwhile, with the collected data, the study has not found the significance of IAS/IFRS variable because there's relationship between this variable (X5) and the other variables such as professional technique, organizational conditions factor. Therefore, hypothesis H5 is rejected.

Result explanations of determinants influencing the differences of financial statements under VA & IAS/IFRS as

Political system

According to professional judgments and research results, because of economic characteristics, accountants of FDI firms in particular mainly concern in tax accounting, do not provide enough information for all financial statement users, especially that information of FDI firms' financial statements were not completely and timely public. Shortages in financial management and irresponsibility, limited the level of professional knowledge of a group of officials have caused authoritarian behavior which makes obstacles for FDI firms. Besides, there are a number of drawbacks in drafting and issuing policies, several policies are inconsistent, overlap to each other or even conflict in practice. Constantly reissuance causes volatility and difficulties in practicing process, especial in accounting. Moreover, there are plenty of cons in administrative procedures of government agencies such as Tax agency, Customs agency, market management which is one of concerns of FDI firms. In addition, procedures related to home banks capital borrowing of firms still exist several mistakes (Nguyen & Lam, 2017). However, political systems often associate with economy while political and environmental factors are related to independent variables such as economic factors, legal systems.

Legal systems

Legal systems exist a number of shortcomings which are shown in the research result. Almost participants agree that existing regulations in accounting for enterprises are inconsistent, unclear and even duplicated. This leads to complication and difficulties in accounting practice. That is why, firms have to find out by themselves and if there is any mistake, these firms suffer the consequences on their own. Besides, there are plenty of legal systems documents especially tax law. Meanwhile, accountants of FDI firms do not have sufficient experience in exercising professional judgments, and shortage of supports from regulatory agencies. Accounting law issued in 2015 was implemented from 01 January 2017; Circular No. 200/2014/TT-BTC implemented from 01 January 2015; Circular No. 133/2016/TT-BTC implemented from 01 January 2017 and some legal documents have been reissued and remedied shortcomings presented in this study. However, drawbacks of Vietnamese legal systems not only cause difficulties for FDI firms but create also differences of financial statement reporting in comparison with IAS/IFRS.

Culture

During the last few years, there have been a lot of improvements in financial management but information publicity has not been focused yet. The role of professional body still exists some shortcomings and has not affected on accounting system of enterprises. VA is based on IAS/IFRS with modification. However, language barriers especially English leads to different translations of individuals. Moreover, if there is any mistake in practices, accountants even try to avoid it, not to publish in a transparent manner. Accountants also are cursory in their works, tend to compare this firm to other firms in order to change their jobs. It can be said that this is one of causes in difference of VA with IAS/IFRS. In addition, cumbersome and inexperienced administrative apparatus create accountants' thoughts that they just need to work for appearance rather than in nature.

Professional technique

According to the research result, VA practices in general and financial statement reporting in particular has a number of difficulties for accountants because there are numerous Vietnam accounting documents but they are not homogeneous. Moreover, Vietnamese accountants have the habit to practice accounting basing on specific instructions including accounting statement that was regulated in accounting system. Unfortunately, chart of accounts for enterprises still exists drawbacks accompanied with inconsistency of criteria of records system so the targets in financial statements have not been homogeneous, not completely provided information to users and even not suitable with international practice.

Economy

As the above analysis, there are some shortcomings in accounting documents. Since then, accountants have difficulties in applying and implementing. This leads to the consequence that the financial reporting system may differ between enterprises in terms of items as well as the presentation of economic targets. In addition, the current regulations on financial management in Vietnam do not meet the requirements of renovation, the roadmap for financial management reform is still extremely slow. In addition, the accounting enterprises still have to provide information, develop according to the development of the economy. Besides, the more integrated the economy, the higher the criteria of international standards, including accounting. However, while the IAS/IFRS is supplemented and updated constantly, VA has not been fully updated, in line with IAS/IFRS. Moreover, there is no uniformity in the reform of accounting. Therefore this is one of the reasons that makes the disparity between VA and IAS/IFRS larger in the post – convergence period.

Organizational conditions

Research results show that there are contradictions between government management agencies in finance and accounting. The limitation of funding sources to implement the process of revising and supplementing VA makes it difficult to access and learn from other countries' experiences as well as inviting experts to support the implementation. The drafting and supplementation of accounting have not clearly defined tasks for relevant departments. On the other hand, ability of applying information technology of units and individuals in enterprises is still limited. In addition, the qualified resources who can meet the need of innovation is limited and not ready, information about the company has not been public yet, so accountants cannot learn from each other. Therefore, the organizational conditions have a great impact on the difference between VA and IAS/IFRS.

Education and training

Although accounting training programs have traditionally focused on business accounting training, accounting training programs in Vietnam have turned learners into bookkeepers rather than becoming real

accountants. Universities lack facilities, such as the conditions of the lecture hall, the library system and especially the lack of qualified human resources, data sources for scientific research. Training programs are not really scientific, it is heavily assembled and contained a significant amount of knowledge which does not directly serve the development of the specialized knowledge. Therefore, it makes the training program become not only arduous but dry also. In addition, the design of the training program has not linked to practical knowledge of high application with modern knowledge of integration, so the program structure has not created the international connection as well as not create adaptability of learners in the working environment changed after graduation. In addition, many accountants lack the sense of improving professional qualifications, bear conservative thought, and are afraid of innovation. A group of people doing business in FDI firms is limited ability and level of education so they could not keep pace with the requirements of innovation.

International Accounting Standard

While IAS/IFRS is updated, amended, supplemented and guided in details, there are many shortcomings in the process of adjustment and supplement of VA to keep up with IAS/IFRS. IAS/IFRS has created a unified model for all enterprises to assess the financial situation and results of business according to the general criteria, the general trend nowadays is that many countries in the world have fully applied IAS/IFRS. However, the IAS/IFRS is not entirely suitable to the economic and political situation of every nation due to its institutional and political power. Vietnam is one of the countries having a large power gap with strict rules and regulations. On the other hand, tight conditions in enterprises as well as the limitations and inconsistencies in manufacturing process and using accounting software also contribute to increasing the gap between VA and IAS/IFRS. Accountants of FDI firms are trying to use their own accounting information system, including self-writing accounting software.

6. Recommendations

According to research model result, the following recommendations are given for enhancing the convergence of FDI firms' financial statements under VA and IAS/IFRS. The differences in FDI firms' financial statements between VA and IAS/IFRS will decrease significantly if departments of offices give specific and homogeneous solutions from every aspect.

Political systems

The government has little to do with accounting; deleting the corruption and waste that hinder the development of economy and society; improved administrative procedures on accounting for FDI firms; streamlined management apparatus at all levels; the management methods of State agencies must be changed accordingly; other restrictions on state management of accounting also need to be overcome.

The system of political systems at all levels needs to be further reformed in order to streamline, improve the efficiency, effectiveness of leadership, direction and administration. To renovate and consolidate the organizational apparatus must be associated with the improvement of the functions and tasks and the improvement of the quality of the contingent of cadres and civil servants; clearly defining the relationship between the leadership and the individual; Authority goes hand in hand with responsibility and enhances the responsibility of the head. To perfect and strictly implement the mechanism of controlling power, preventing the abuse of rights, violating the discipline and discipline. In addition, the organizational structure and the organizational structure are closely linked with the definition of functions, tasks and methods of organizations. The political machinery at all levels should adjust functions and tasks in line with the practical situation and new requirements and tasks.

Culture

It is necessary to enhance the role of the accounting association (Le, 2007). Accounting associations is one of important agencies in establishing legal documents adopted in accounting. Besides, accounting associations also take part in feedback suggesting for problems in implementing laws, instruct and monitor law enforcement and adherence to the professional ethics of members. It is also important to have a suitable solution in reducing the thought of cursory working of accountants, improving the efficiency of administrative offices.

Economy

This is the factor that has the substantial influence on differing FDI firms' FS under VA and IAS/IFRS. According to Ha and Nguyen (2011), the development of market economy of any countries all requires an accounting system suitable with international generally accepted accounting practices. The adoption of IAS/IFRS in FS preparation of prepared listing on international stock market companies is indispensable. Vietnam is actively assimilating into international economy and finance. There are some modifications such as Circular No. 200/2014, Circular No. 133/2016. However, the adoption still need to be change from the root so it need to be more edited in order to meet the need of reality. To do this successfully, the Ministry of Finance has to introduce a homogeneous process and needs the support of qualified accountants in the country.

Organizational conditions

First, establishing a process for the supplement and amendment of the environmental sanctuary in details: The Ministry of Finance should establish clear roadmaps whereby it is necessary to set up the Vietnamese Accounting Department, including the National Assembly, the Ministry of Finance, the Independent Auditing, professional associations, experts in the field of building regimes and accounting standards, experts with experience in preparing financial statements in enterprises, especially large-scale FDI firms. In parallel with this, setting up the Control Board, consultant of the department to ensure that the Vietnamese Accounting Department operates properly, fairly and objectively for all subjects not for the benefit of the individual or the group.

Second, improving the human resource: Planning and designing suitable content for retraining in order to meet the requirements of innovation; implement preferential treatment for qualified and experienced accountants in the field of accounting at FDI firms.

Third, upgrade the information technology system in accounting: To set up a synchronous information technology system, to upgrade the data transmission line to ensure that information is accessed quickly for strict inspection but is absolute confidential protected. Attaching to the investment in upgrading information technology along with paying attention to training and raising the capability of applying information technology of accounting personnel in FDI firms.

Education, professional training

First, reforming the accounting training curriculums of universities, adopting the student centred learning method (SCL) into training accounting and finance (Pham, 2017).

Second, adding the existing accounting system following IFRS into the curriculum.

Third, attaching to skills such as teamwork skill, ability to work independently and improve knowledge about technology, language in order to self – study international training programs. Strengthening ties with international training institutes in order to have more opportunity to exchange knowledge and experience and approach modern management methods.

Legal systems

+ Remaining the stability and possibility of existing regulations in accounting systems for enterprises in general and for FDI companies in particular.

Based on the Law on promulgation of legal documents as well as in order to ensure the stability of the accounting regulations and create conditions for enterprises to practice, the documents promulgated in the field of accounting should be reviewed, overcome the overlapping content among the rules. In the immediate future, it is necessary to complete the regulations on making and presenting the financial statements in order to overcome the existing problems in making and presenting financial statements.

+ Drafting and promulgating financial law for enterprises

For the purpose of standardizing activities of the business sector (private sector), corporate finance law must be consistent with the provisions of the law of enterprises as well as some laws relating to enterprises and current financial management mechanism in Vietnam.

+ Reducing the effect of Tax on Accounting by gradual applying VAS 17 - "Tax income of enterprises in reality" helps enterprises clearly understand and correctly apply these standards (Le, 2007).

Professional technique

+ Modifying, updating accounting policy for enterprises' accounting: The Ministry of Finance needs to edit, implement in order to complete accounting policy for enterprises including activities in companies as well as related activities.

+ Complete FS system

Unifying regulations and general method for enterprises in preparing FS in order to provide transparent and reliable information to all users. This requires determination of specific needs of each object.

+ Complete chart of accounts and records system

Implementing, adjusting chart of accounts in entire accounting area in the opening way. In terms of records system, input, process and output system need to be perfect to ensure there are enough information and evidence in output. Particularly, records which is VAT invoice need to be have specific solutions so as to eliminate the status of making fake invoice as today.

+ Cost accounting and financial statement presentation should be adjusted in the approach in achieving convergence with IAS and meeting the needs of Vietnam's development.

IAS/IFRS

Accounting is a component of the economy; therefore, the adoption of IAS/IFRS to prepare and present financial statements is plausible of the market economy as well as an important component of national macro economy management system. Changing in concepts of accounting training is seminal in the new situation. Updating and approaching foreign curriculums, IFRS, GAAP is to improve existing lessons.

References

Boolaky, P.K. (2004) Determinants of accounting standards in the Southern African. Development Community (SADC). *Journal of Accounting Research*, 33-49.

- Bonner, S. E. (1994). A model of the effects of audit task complexity. *Accounting, Organizations and Society*, 19(3), 213-234.
- Cao, T. C. V. (2016). Report of factors that influence on establishing Vietnamese Accounting Standards in conditions applying International Accounting Standards, PhD thesis, University of Economics of Ho Chi Minh City.
- Chand, P., Patel, C., & Day, R. (2008). Factors causing differences in the financial reporting practices in selected south pacific countries in the post – convergence period, *Asian Academy of Management Journal*, 13(2), 111–129.
- Chow, C. W., Harrison, G. L., McKinnon, J. L., & Wu, A. (2002). The organizational culture of public accounting firms: evidence from Taiwanese local and US affiliated firms. *Accounting, Organizations and Society*, 27(4-5), 347-360.
- Creswell, J. W. (2003). *Research design: Qualitative, Quantitative and Mixed Methods Approaches*. 2nd Ed, Thousand Oaks, Sage publications.
- Deloitte (2016), Reference Manual for Auditing, Hanoi.
- Do, D. T., & Truong, D.D. (2017). Vietnam Accountants and International Accountants in the Presentation of Financial Statements: In the case of FDI enterprises in Vietnam. *The Proceedings of the Research and Training: create accounting and auditing of Vietnamese universities according to international standards*, National Economics University.
- Doupnik, T. S., & Salter, S. B. (1995). External environment, culture and accounting practice: A preliminary test of a general model of international accounting development. *International Journal of Accounting*, 30(3), 189–207.
- General Statistics Office (2016), Statistical yearbook of 2016. Finance Publishing House.
- Gorsuch, R. L. (1983). *Factor Analysis*. 2nd Ed., Hillsdale, NJ: Erlbaum.
- Ha, X. T., Nguyen, N. H. (2011). Applying international accounting standards to financial reporting in Vietnam joint stock companies to prepare for listing in the stock market *International Journal of Economic Development*, 251, 17-30.
- Hair, J. F., Anderson, R. E., Tatham, R. L., & Black, W. C. (1998). *Multivariate Data Analysis*, Prentice-Hall International. Inc, New Jersey.
- Hoang, T., Chu, N. M. N. (2008). *Analyzing researched data with SPSS*. 2nd Ed, Hong Duc Publishing House, Ho Chi Minh City.
- Hopwood, A. J. (2000). Understanding financial accounting practice. *Accounting, Organizations and Society*, 25(8), 763–766.
- Le, H. P. (2011). Convergence between Vietnamese accounting standards and international accounting standards – Present situation, causes and oriented development. *Accounting and Auditing Magazine*, 11, 20-36.
- Le, H. P. (2014). Applying Vietnamese accounting standards to perfect financial reporting systems in conditions of Vietnam’s companies. PhD thesis, University of Economics of Ho Chi Minh City.
- Le, M. H. (2007). VAS 15 and IAS 11 about construction contracts – differences, *Accounting Magazine*, 8, 17-20.
- Libby, R., & Luft, J. (1993). Determinants of judgment performance in accounting settings: Ability, knowledge, motivation and environment. *Accounting, Organizations and Society*, 18(5), 425–450.
- National Assembly (2015). Accounting Law No. 88/2015/QH13.

- Nguyen, T. C. (2016). Roles of directly foreign investment in Vietnam's exported products restructuring, accessed at <http://www.mof.gov.vn>.
- Nguyen, T.H.T.B., & Lam, A. H. (2017). Financial development, international trade, and stock market integration: Evidence in six southeastern Asia countries. *Journal of Economics & Development*, 19(3), 5-17.
- Nobes, C. W. (1998). Towards a general model of the reasons for international differences in financial reporting, accessed 12 March, 2017, Available at: <http://onlinelibrary.wiley.com>.
- Ouda, H. A. G (2004). Basis requirements model for successful implementation of accounting in the public sector. *International Consortium on Governmental Financial Management*, 4(1), 1-26.
- Pham, D. C. (2017). Application of method that learners are key concerns in financial accounting training: foreign experience and lessons for Vietnam, *Scientific Seminar of Researching and training accountants, auditors in Vietnam' universities following International Standard*, National Economics University.
- Radebaugh, L. H., & Gray, S. J. (2002). *International accounting and multinational enterprises*. 5th Ed, New York: John Wiley.
- Strauss, A., & Corbin, J. (1998). *Basics of qualitative research: techniques and procedures for developing grounded theory*. 2nd Ed, London: Sage publications.
- The Ministry of Finance (2010). *Vietnamese Accounting Standards*. Finance Publishing House, Hanoi.
- Tran, M. D. (2016). Vietnam Accountant - Transition for the past 20 years. *Presentations at the workshop Presented at Auditing Audit Seminar - 20 Years of Reform and Integration*, Magazine Mathematics and Auditing, April 2016.
- Tran, M. D. & Do, D. T. (2017). Items on the financial statements of FDI firms under Vietnamese accountant and international accountant: What is the difference?, *Proceedings of Accounting-Auditing Training in accordance with IFRS during the Industrial Revolution 4.0*, Hanoi University of Business and Technology – Vietnam Association of Accountants and Auditors.
- Tran, Q. T. (2013). Building Vietnam financial reporting standards to meet the trend of international accounting convergence. *PhD thesis, University of Economics of Ho Chi Minh City*.
- Trotman, K. T. (1996). *Research methods for judgment and decision making studies in auditing*. Australia: Coopers and Lybrand and Accounting Association of Australia and New Zealand.
- Zhang, G. (2005). *Environmental factors in China's financial accounting development since 1949*. PhD Thesis, Erasmus University Rotterdam.
- Zysman, J. (1983). *Government, markets and growth: Financial systems and the politics of industrial change*. New York: Cornell University Press.

