

# Differences of Items in the Financial Statements of FDI Firms under Vietnamese Accounting and International Accounting

Duc Tai Do  
University of Labour and Social Affairs, Vietnam

Manh Dung Tran  
The National Economics University, Vietnam  
Room No. 202, A14, Hai Ba Trung District, Hanoi, Vietnam

## Abstract

This study is conducted to investigate the differences of items in the financial statements of FDI Firms under to Vietnamese Accounting and International Accounting (IAS/IFRS). Data were collected by conducting surveys of FDI firms, independent audit firms from 2015 to 2017. Descriptive analysis and T-test have been employed to measure the differences among items in the financial statements under Vietnamese and international accounting. The result shows that there is a significant difference in recording, measuring and reporting items in the financial statements of FDI firms under Vietnamese and international accounting. Based on the results, some suggestions have been given for reducing the gap between Vietnamese accounting and international accounting, including financial statements.

**Keywords:** Vietnamese Accounting, International Accounting, Financial Statements

## 1. Introduction

In the last few years, there are a number of important changes in accounting policies and presentation of financial statements. At present, international financial reporting standards (IFRS) and US GAAP are designed basing on high-developed market economy. The European Union requires EU members' listed firms to employ their own accounting standards in convergence with IFRS (Ha, 2016). Up to now, more than 130 countries and territories in the world apply IFRS (IFAC, 2016), but Vietnam is an exception.

Vietnam has issued 26 Vietnamese accounting standards (VAS) in the period from 2001 to 2005, mostly based on IFRS. Vietnam's law on accounting, Vietnam's accounting framework also are designed basing on international standards, however, current VASs are said to be unsuitable and out of date in comparison with international accounting (Tran, 2016).

Some studies such as studies of Ha & Nguyen (2011), Do & Tran (2017) investigated the differences of framework, of items in issued specific accounting standards, of items in unissued accounting standards. They found that significant differences existed in recording, measuring and reporting items in the financial statements, but the sample sizes are small, mostly investigated basing on the desk review.

FDI firms in Vietnam have grown rapidly in quantity and quality as well. However, the differences of preparations of financial statements make them difficult in accounting. Presently, FDI firms form two sets of financial statements for complying with Vietnamese accounting standards and IFRS or requirements from mother firms. This makes FDI firms difficult in accounting in general and in converting financial statements in the perceptions of Vietnam into international accounting.

Difference from other studies, this research looks into the differences of items in the financial statements under Vietnamese accounting and international accounting with large sample size and focuses on FDI firms that are much influenced by the differences of local and international accounting, then some suggestions will be proposed for reducing the gaps of two types of accounting.

## 2. Literature Review

Foreign investment could be shifted from Vietnam to other countries because investors do not clearly understand regulations of accounting and presentation of financial statements in Vietnam, or joint stock firms would face challenges and increase costs when they list stocks and securities in the security market (Ha & Nguyen, 2011). Many differences in accounting of Vietnam and other countries such as financial statement formats, fair value application, recognitions of items and others have been pointed out because Vietnam up to now has not employed IFRS and on the way to design own Vietnamese accounting standards.

Vo & Nguyen (2010) found that these differences could unintendedly make data in the financial statements good, on the other hand may lead inaccurate economic decisions given by investors. Vietnamese accounting standards still have a number of differences with IFRS. For example, Vietnamese accounting standards do not provide guidance for recording assets and liabilities basing on fair value at the year end, no statement of changes in equity, differences of income statements with statement of comprehensive income, no requirements of impairments and others.

Nguyen (2010) used desk review the differences between Vietnamese accounting and IFRS and impact of differences on decision making from stakeholders including investors. Nguyen (2017) found that recording economic events had effects on presentation of financial statements. However, there are deviations between two accounting because IFRS is designed on principle-based accounting whereas Vietnamese accounting is designed on rule based accounting.

Deloitte (2016) pointed the differences between Vietnamese accounting and international accounting into two aspects, i.e. differences in presentation of financial statements and differences in chart of accounts. Differences in financial statements are differences in Vietnamese accounting standard No. 2, 17, 3, 6, 14, 18, 4, accounting law, accounting system and related circulars and decisions. International accounting standards were used for comparison including IAS No. 2, 12, 16, 17, 18, 19, 20, 23, 32, 37, 38, 39; IFRS No. 9, 13, 14, 15.

The prior studies have synthesized, analyzed the harmonization, convergence, differences between Vietnamese accounting and international accounting. Almost all studies employed qualitative method except Pham et al. (2011). However, no research addresses the differences of items in the financial statements of FDI firms under Vietnamese accounting and international accounting in the case of the gap is bigger and bigger. FDI in Vietnam has to prepare financial statements under international accounting or mother accounting. As a result, they have to convert financial statements under Vietnamese accounting into international accounting. This make more works from accountants and in many cases they spend much money for this by asking auditors to do. To some extent, this influences FDI attractions.

### **3. Financial Statements under Vietnamese Accounting**

Vietnamese presentation of financial statements experiences significant changes. In the period before 1995, Ordinance on Accounting and Statistics allow foreign portfolio investment to apply general accounting and statistics principles and standards accepted by Vietnam's Ministry of Finance. Ordinance on accounting 1990 was adopted by public firms including two parts. First, the data part includes total assets (01/BCKT), income Statement (02/BCKT), cost of manufacturing and operating (03/BCKT). Second, the demonstration includes statement of profit or loss (04/BCKT).

In the period from 1995 to present. The general accounting and specific presentation of financial statements have been constantly reformed. Presentation of financial statements has unified with international accounting standards and been more stable. Financial statements provide information not only for the government but also for investors, commercial and investment banks, creditors, partnerships and publicity. Cash flow information in the financial statements becomes important in presenting corporations' wealth. Objectives and economic events were clearly shown in the financial statements. Financial statements system includes four statements of balance sheet, income statement; cash flow statement and notes to the financial statements.

Purposes, requirements and principles of recording of financial statements are released on VAS 1- Framework, VAS 21 – Presentation of financial statement; VAS 24 – Cash flow statement, Vietnam's Accounting Law (2015) and Circular No. 200/2014/TT-BTC in 2014.

Purposes of financial statement reveal strong structure of financial information and operating income of an entity. The major aim of financial statement is to provide reliable financial information, operating income and inflow and outflow of money of a specific firm for making decisions. Therefore, financial statement has to record some main accounting information such as assets, liabilities, stockholders' equity, revenues, expenses, extraordinary income, profit and loss account, cash flow statement.

Requirements of financial statement's presentation are to provide the reliable and suitable financial information, operating activities income and cash flow of a company. To comply with those requirements, financial statements must comply with Vietnamese accounting standards issued by Vietnam's Ministry of Finance.

Principles of financial statements must obey concepts of accounting such as going concerns concept, accrual concept, consistency, materiality and entity concept, comparable concept.

### **4. Data and Research Methodology**

#### *4.1. Data Collection*

The level of differences has been designed basing on the previous studies. Then we interview experts of accounting and auditing for adjusting difference scales of items in the financial statements under Vietnamese accounting and international accounting in order to have official questionnaires. Then questionnaires have been sent to FDI such as finance directors, chief accountants, accountants and independent firms who conduct the audits of financial statements of FDI such as partners and auditors.

450 questionnaires have been sent and we receive 305 questionnaires, accounting for 67%. FDI firms in the final sample consist of listed and unlisted, different scales of size, different fields of economy.

#### *4.2. Research Methodology*

We use both qualitative and quantitative method in this research. In the qualitative approach, after determining the

research objective, we undertake data collection by collecting and examining documents that are prior research works. After that, we develop a questionnaire and interview experts who have expertise in the field. Finally, we analyze the data, synthesize them to produce research results and develop questionnaires for quantitative methods.

In the quantitative method, the questionnaires were re-examined and distributed broadly to the surveyed subjects. Participants commented their opinions on the differences in items in financial statements of FDI firms under Vietnamese accounting and international accounting.

We use descriptive analysis basing on the mean levels of differences of questionnaires. The mean level is from 1 to 5 which 1 is no difference and 5 is significant differences (basing on Likert's scale). T-test also has been used to test the differences in the financial statements of FDI firms under Vietnamese accounting and international accounting.

## 5. Results and Discussion

FDI firms have grown rapidly in quantity, scale and profits. There were 9,093 FDI firms in Vietnam as at 31 December 2014, in which 7,543 firms are 100% foreign owned firms, making up 83%; 1,550 joint – venture firms, accounting for 17%. FDI are playing an important role in economic growth, job creation and productive improvement, state budget contribution (Nguyen, 2016). However, some difficulties of FDI firms still exist. Accounting department in FDI firms prepare two sets of financial statements. One comply with IAS/IFRS or comply with the mother firms, the other complies with Vietnamese accounting (Tran, 2016). This reason is an obstacle for attracting investment from FDI to Vietnam as well as affects comparability of financial statements formed in Vietnam with other countries.

Basing on previous studies, we analyse, evaluate and measure differences of items in the financial statements on the perceptions of respondents under Vietnamese accounting and international accounting. Items in the questionnaire include Inventory (KM1); Income taxes (KM2); fixed tangible assets (KM3); intangible fixed assets (KM4); assets lease (KM5); revenue (KM6); borrowing cost (KM7) and provision for contingent assets and liabilities (KM8).

Table 1. Statistical results of differences of Inventory, income taxes, fixed tangible assets and intangible assets

| Items                      |              | Mean  | Std. Deviation | Sig   |        |
|----------------------------|--------------|-------|----------------|-------|--------|
| Inventory                  | Recognition  | K1    | 2.43           | 1.089 | .000 * |
|                            |              | K2    | 3.80           | .722  |        |
|                            |              | Total | 3.06           | 1.160 |        |
|                            | Measurement  | K1    | 2.58           | .938  | .000 * |
|                            |              | K2    | 4.09           | .656  |        |
|                            |              | Total | 3.27           | 1.116 |        |
|                            | Presentation | K1    | 2.73           | .982  | .000 * |
|                            |              | K2    | 4.01           | .646  |        |
|                            |              | Total | 3.32           | 1.058 |        |
| Corporate income tax (CIT) | Recognition  | K1    | 2.73           | .978  | .725   |
|                            |              | K2    | 3.39           | 1.037 |        |
|                            |              | Total | 3.03           | 1.057 |        |
|                            | Measurement  | K1    | 2.75           | .946  | .904   |
|                            |              | K2    | 3.33           | .909  |        |
|                            |              | Total | 3.02           | .971  |        |
|                            | Presentation | K1    | 2.67           | .996  | .241   |
|                            |              | K2    | 3.35           | .944  |        |
|                            |              | Total | 2.98           | 1.029 |        |
| Tangible asset             | Recognition  | K1    | 2.21           | 1.069 | .000 * |
|                            |              | K2    | 3.05           | 1.260 |        |
|                            |              | Total | 2.60           | 1.232 |        |
|                            | Measurement  | K1    | 2.21           | .940  | .001 * |
|                            |              | K2    | 3.05           | 1.138 |        |
|                            |              | Total | 2.77           | 1.116 |        |
|                            | Presentation | K1    | 2.29           | 1.088 | .162   |
|                            |              | K2    | 2.94           | 1.201 |        |
|                            |              | Total | 2.59           | 1.184 |        |
|                            | Recognition  | K1    | 2.62           | 1.117 | .503   |
|                            |              | K2    | 3.38           | 1.208 |        |
|                            |              | Total | 2.97           | 1.218 |        |

| Items                   |              | Mean  | Std. Deviation | Sig   |      |
|-------------------------|--------------|-------|----------------|-------|------|
| Intangible fixed assets | Measurement  | K1    | 2.69           | .973  | .562 |
|                         |              | K2    | 3.48           | 1.028 |      |
|                         |              | Total | 3.05           | 1.072 |      |
|                         | Presentation | K1    | 2.62           | 1.044 | .741 |
|                         |              | K2    | 3.42           | 1.093 |      |
|                         |              | Total | 2.99           | 1.137 |      |

Note:

K1: Respondents from FDI firms of 165 votes

K2: Respondents from audit firms who audit financial statements of FDI of 140 votes

(\*): Significance level less than 0.05

### Inventory

+ Recognition: The average scale of K1 is 2.43; of K2 is 3.8. The results of the analysis showed that the significance level of the test for variance of the "content of variance" between K1 and K2  $<0.05$ , reflected the difference in the variance of the two samples K1 and K2. The results of the T-test on the difference in the mean of "recorded content" between K1 and K2  $<0.05$ , reflect different and statistically significant.

+ Measurement: The average Likert scale of K1 is 2.58; of K2 is 4.09. The analysis results show that the significance level of the variance of the "content of the variance" between K1 and K2  $<0.05$  reflects the difference in the variance of the two samples K1 and K2. The results of the T-test on the difference in the mean between K1 and K2  $<0.05$ , reflect different and statistically significant.

+ Presentation: The mean Likert scale of K1 is 2.73; of K2 is 4.01. The results of the analysis show that the significance level of the test for variance of "Variation" between K1 and K2  $<0.05$ , reflects the difference in variance of the two K1 samples and K2. The results of the T-test on the difference in mean between K1 and K2  $<0.05$ , reflect different and statistically significant.

### Tax income

+ Recognition: The mean Likert scale of K1 is 2.73; of K2 is 3.39. The results of the analysis showed that the significance level of the test for differences in the "content recorded" variance between K1 and K2  $> 0.05$  showed no difference in the variance of the two samples of K1 and K2. The results of the T-test on the difference in the mean between K1 and K2  $<0.05$ , reflect different and statistically significant.

+ Measurement: The average Likert scale of K1 is 2.75; of K2 is 3.33. The results of the analysis showed that the significance level of the variance of "variance" variance between K1 and K2  $> 0.05$ , showed no difference in the variance of the two samples of K1 and K2. The results of the T-test on the difference in the mean between K1 and K2  $<0.05$ , reflect different and statistically significant.

+ Presentation: The average value of K1 by Likert scale is 2.67; of K2 is 3.35. The results of the analysis showed that the significance level of the test for variance of "Variation" between K1 and K2  $> 0.05$  showed no difference in variance of the two K1 samples and K2. The results of the T-test on the difference in mean between K1 and K2  $<0.05$ , reflect different and statistically significant.

### Tangible fixed assets

+ Recognition: The Likert scale of K1 is 2.21; of K2 is 3.05. The results of the analysis showed that the significance level of the test for variance of the "content of variance" between K1 and K2  $<0.05$ , reflected the difference in the variance of the two samples K1 and K2. The results of the T-test on the difference in the mean between K1 and K2  $<0.05$ , reflect different and statistically significant.

+ Measurement: The Likert scale of K1 is 2.21; of K2 is 3.05. The analysis results show that the significance level of the variance of the "content of the variance" between K1 and K2  $<0.05$  reflects the difference in the variance of the two samples K1 and K2. The results of the T-test on the difference in the mean between K1 and K2  $<0.05$ , reflect different and statistically significant.

+ Presentation: The average Likert scale of K1 is 2.29; of K2 is 2.94. The results of the analysis showed that the significance level of the test for variance of "Variation" between K1 and K2  $> 0.05$  showed no difference in variance of the two K1 samples and K2. The results of the T-test on the difference in mean between K1 and K2  $<0.05$ , reflect different and statistically significant.

### Intangible fixed assets

+ Recognition: The average Likert scale of K1 is 2.62; of K2 is 3.38. The results of the analysis showed that the significance level of the test for differences in the "content recorded" variance between K1 and K2  $> 0.05$  showed no difference in the variance of the two samples of K1 and K2. The results of the T-test on the difference in the mean between K1 and K2  $<0.05$ , reflect different and statistically significant.

+ Measurement: The average Likert score for K1 is 2.69; of K2 is 3.48. The results of the analysis showed that the significance level of the variance of "variance" variance between K1 and K2  $> 0.05$ , showed no difference in the variance of the two samples of K1 and K2. The results of the T-test on the difference between K1 and K2  $<0.05$ , reflect different and statistically significant.

+ Presentation: The average Likert scale of K1 is 2.62; of K2 is 3.42. The results of the analysis showed that the significance level of the test for variance of "Variation" between K1 and K2 > 0.05 showed no difference in variance of the two K1 samples and K2. The results of the T-test on the difference in mean between K1 and K2 < 0.05, reflect different and statistically significant.

Table 2. Statistical results of differences of Assets lease, revenue, borrowing costs and provisions

| Items                             |              |       | Mean | Std. Deviation | Sig    |
|-----------------------------------|--------------|-------|------|----------------|--------|
| Leasing assets                    | Recognition  | K1    | 2.73 | 1.073          | .000 * |
|                                   |              | K2    | 3.65 | .729           |        |
|                                   |              | Total | 3.15 | 1.037          |        |
|                                   | Measurement  | K1    | 2.97 | 1.050          | .000 * |
|                                   |              | K2    | 4.09 | .709           |        |
|                                   |              | Total | 3.49 | 1.067          |        |
|                                   | Presentation | K1    | 3.02 | 1.021          | .000 * |
|                                   |              | K2    | 4.06 | .747           |        |
|                                   |              | Total | 3.50 | 1.042          |        |
| Revenue                           | Recognition  | K1    | 2.43 | 1.037          | .720   |
|                                   |              | K2    | 3.06 | 1.047          |        |
|                                   |              | Total | 2.72 | 1.087          |        |
|                                   | Measurement  | K1    | 2.59 | .890           | .169   |
|                                   |              | K2    | 2.91 | 1.024          |        |
|                                   |              | Total | 2.73 | .966           |        |
|                                   | Presentation | K1    | 2.55 | .852           | .031 * |
|                                   |              | K2    | 2.99 | 1.076          |        |
|                                   |              | Total | 2.75 | .985           |        |
| Borrowing costs                   | Recognition  | K1    | 2.44 | 1.176          | .129   |
|                                   |              | K2    | 3.08 | 1.151          |        |
|                                   |              | Total | 2.73 | 1.205          |        |
|                                   | Measurement  | K1    | 2.56 | 1.101          | .816   |
|                                   |              | K2    | 2.92 | 1.138          |        |
|                                   |              | Total | 2.72 | 1.131          |        |
|                                   | Presentation | K1    | 2.52 | 1.068          | .340   |
|                                   |              | K2    | 2.84 | 1.191          |        |
|                                   |              | Total | 2.66 | 1.136          |        |
| Contingent assets and liabilities | Recognition  | K1    | 2.83 | 1.124          | .000 * |
|                                   |              | K2    | 4.05 | .834           |        |
|                                   |              | Total | 3.39 | 1.171          |        |
|                                   | Measurement  | K1    | 2.92 | .963           | .011 * |
|                                   |              | K2    | 3.84 | .798           |        |
|                                   |              | Total | 3.34 | 1.001          |        |
|                                   | Presentation | K1    | 3.05 | 1.014          | .004 * |
|                                   |              | K2    | 3.86 | .824           |        |
|                                   |              | Total | 3.43 | 1.014          |        |

**Leasing assets**

+ Recognition: The mean Likert scale of K1 is 2.73; of K2 is 3.65. The results of the analysis showed that the significance level of the test for variance of the "content of variance" between K1 and K2 < 0.05, reflected the difference in the variance of the two samples K1 and K2. The results of the T-test on the difference in the mean between K1 and K2 < 0.05, reflect different and statistically significant.

+ Measurement: The K1's Likert average score is 2.97; K2's is 4.09. The analysis results show that the significance level of the variance of the "content of the variance" between K1 and K2 < 0.05 reflects the difference in the variance of the two samples K1 and K2. The results of the T-test on the difference in the mean between K1 and K2 < 0.05, reflect different and statistically significant.

+ Presentation: The mean of K1 is 3.02; of K2 is 4.06. The results of the analysis show that the significance level of the test for variance of "Variation" between K1 and K2 < 0.05, reflects the difference in variance of the two K1 samples and K2. The results of the T-test on the difference in mean between K1 and K2 < 0.05, reflect different and statistically significant.

**Revenue**

+ Recognition: The average of K1 is 2.43; of K2 is 3.06. The results of the analysis showed that the significance

level of the test for differences in the "content recorded" variance between K1 and K2 > 0.05 showed no difference in the variance of the two samples of K1 and K2. The results of the T-test on the difference in the mean between K1 and K2 < 0.05, reflect different and statistically significant.

+ Measurement: The K1's average is 2.59; K2's is 2.91. The results of the analysis showed that the significance level of the variance of "variance" variance between K1 and K2 > 0.05, showed no difference in the variance of the two samples of K1 and K2. The results of the T-test on the difference in the mean between K1 and K2 < 0.05, reflect different and statistically significant.

+ Presentation: The average score of K1 is 2.55; of K2 is 2.99. The results of the analysis show that the significance level of the test for variance of "Variation" between K1 and K2 < 0.05, reflects the difference in variance of the two K1 samples and K2. The results of the T-test on the difference in mean between K1 and K2 < 0.05, reflect different and statistically significant.

#### **Borrowing costs**

+ Recognition: The Likert scale of K1 is 2.44; of K2 is 3.08. The results of the analysis showed that the significance level of the test for differences in the "content recorded" variance between K1 and K2 > 0.05 showed no difference in the variance of the two samples of K1 and K2. The results of the T-test on the difference in the mean between K1 and K2 < 0.05, reflect different and statistically significant.

+ Measurement: The K1's average is 2.56; K2's is 2.92. The results of the analysis showed that the significance level of the variance of "variance" variance between K1 and K2 > 0.05, showed no difference in the variance of the two samples of K1 and K2. The results of the T-test on the difference in the mean of between K1 and K2 < 0.05, reflect different and statistically significant.

+ Presentation: The average Likert scale of K1 is 2.83; of K2 is 4.05. The results of the analysis showed that the significance level of the test for variance of "Variation" between K1 and K2 > 0.05 showed no difference in variance of the two K1 samples and K2. The results of the T-test on the difference in mean between K1 and K2 < 0.05, reflect different and statistically significant.

#### **Provision for contingent assets and liabilities**

+ Recognition: The average of K1 is 2.83; of K2 is 4.05. The results of the analysis showed that the significance level of the test for variance of the "content of variance" between K1 and K2 < 0.05, reflected the difference in the variance of the two samples K1 and K2. The results of the T-test on the difference in the mean between K1 and K2 < 0.05, reflect different and statistically significant.

+ Measurement: The Likert scale of K1 is 2.92; of K2 is 3.84. The analysis results show that the significance level of the variance of the "content of the variance" between K1 and K2 < 0.05 reflects the difference in the variance of the two samples K1 and K2. The results of the T-test on the difference in the mean between K1 and K2 < 0.05, reflect different and statistically significant.

+ Presentation: The average score on the Likert scale of K1 is 3.05; of K2 is 3.86. The results of the analysis show that the significance level of the test for variance of "Variation" between K1 and K2 < 0.05, reflects the difference in variance of the two K1 samples and K2. The results of the T-test on the difference in mean between K1 and K2 < 0.05, reflect different and statistically significant.

Table 3. The Results of Differences of Two Respondents

| Items                   |              | Respondents from FDI | Respondents from audit firms | Mean difference | Sig. (2 tailed) |
|-------------------------|--------------|----------------------|------------------------------|-----------------|-----------------|
| Inventory               | Recognition  | K1                   | K2                           | -1.370          | .000            |
|                         | Measurement  | K1                   | K2                           | -1.517          | .000            |
|                         | Presentation | K1                   | K2                           | -1.281          | .000            |
| Corporate income tax    | Recognition  | K1                   | K2                           | -.666           | .000            |
|                         | Measurement  | K1                   | K2                           | -.577           | .000            |
|                         | Presentation | K1                   | K2                           | -.683           | .000            |
| Tangible asset          | Recognition  | K1                   | K2                           | -.838           | .000            |
|                         | Measurement  | K1                   | K2                           | -.840           | .000            |
|                         | Presentation | K1                   | K2                           | -.645           | .000            |
| Intangible fixed assets | Recognition  | K1                   | K2                           | -.754           | .000            |
|                         | Measurement  | K1                   | K2                           | -.788           | .000            |
|                         | Presentation | K1                   | K2                           | -.797           | .000            |
| Leasing assets          | Recognition  | K1                   | K2                           | -.923           | .000            |
|                         | Measurement  | K1                   | K2                           | -1.123          | .000            |
|                         | Presentation | K1                   | K2                           | -1.039          | .000            |
| Revenue                 | Recognition  | K1                   | K2                           | -.634           | .000            |
|                         | Measurement  | K1                   | K2                           | -.319           | .004            |
|                         | Presentation | K1                   | K2                           | -.447           | .000            |

| Items                             |              | Respondents from FDI | Respondents from audit firms | Mean difference | Sig. (2 tailed) |
|-----------------------------------|--------------|----------------------|------------------------------|-----------------|-----------------|
| Borrowing costs                   | Recognition  | K1                   | K2                           | -.636           | .000            |
|                                   | Measurement  | K1                   | K2                           | -.364           | .005            |
|                                   | Presentation | K1                   | K2                           | -.321           | .014            |
| Contingent assets and liabilities | Recognition  | K1                   | K2                           | -1.220          | .000            |
|                                   | Measurement  | K1                   | K2                           | -.922           | .000            |
|                                   | Presentation | K1                   | K2                           | -.810           | .000            |

From these data analysis, we can affirm that there are a number of differences between Vietnamese accounting and international accounting in FDI firms in Vietnamese context as:

(i) The convergence between Vietnamese accounting and IAS/ IFRS is negligible. Tran (2016) stated that Vietnam Accounting Law issued in 2015 is not comprehensive and suitable enough. Vietnamese accounting system for enterprises was designed, issued and implemented before reissuing Vietnamese accounting standards. That is why a number of items are not guided and consistent with Accounting law issued in 2015. Besides, 26 Vietnamese accounting standards issued in the period from 2001 to 2005 was out of date and needs to be revised under the orientation of international accounting. Nguyen (2017) concluded that although there are several changes in concepts of Vietnamese accounting, it basically has four aspects of documents, chart of accounts, bookkeeping and financial statements.

Pham (2016) states that Accounting law has a number of drawbacks. Vietnamese accounting has mentioned to financial statements but sparingly and not enough to prepare consolidated financial statements. Accounting law has not stipulated the contents related to the conversion of financial statements from foreign subsidiary firms in financial year, which provide information for consolidated financial statements before publish the reports. Accounting law has not adequately addressed to derivatives, not provided for the content of environmental accounting, societies and sustainable development. Accounting law has just dealt only with a low level of accounting under computer condition. Accounting law should stipulate the contents related to the internal control of the business decentralization, the exchange of electronic data, vouchers and electronic accounting documents. The accounting law has not been sanctioned in a complete and detailed manner, and therefore it will be unlikely to deter any accounting errors. Accounting law should clearly stipulate penalties for accountants and business managers in specific penalties to enhance deterrence. Accounting rules do not clearly define the functions and responsibilities of relevant agencies in the issuance and application of the law into practice. The government, Ministry of Finance, corporations and training organizations should take responsibility for related principles. Accounting law lacks connection with other laws such as Enterprise law, Law of natural resources and environment, Auditing law, Tax law and others.

(ii) Using adjustment profession: IAS/IFRS allows accountant flexibility in making judgment such as choosing estimations of provisions, uncertain future events and others. Meanwhile, Vietnamese accounting requires to apply system of accounts. The Vietnamese accounting limits to apply judgment and policies and others. These differences show Vietnamese accounting is unsuitable, or incomplete, not meet the factual needs of Vietnamese economy nowadays, unsuitable to international accounting. Although, Vietnamese accounting standards had many adjustments about accounting regulation and law of accounting, but they have not been updated and revised.

## 6. Conclusion and Suggestions

This study is conducted for looking into the differences of items in the financial statements of FDI firms under Vietnamese accounting and international accounting. The results show that differences of items in the financial statements under Vietnamese accounting and international accounting are existed and the gap is rather big. There are many reasons given for explaining for this big gap between two accounting frameworks. Whatever reasons given, the fact is that the gap is very big. So in order to narrow the big gap, some suggestions have been given basing on the results of interviewing experts in the field of accounting and auditing in Vietnam as:

### On the side of the State

First, develop accounting policies and laws such as the Vietnamese accounting and financial accounting system that are required by the law on international accounting to help Vietnamese accountants integrate international accounting.

Second, Ministry of Finance develops a Vietnamese accounting system that is not heavy in terms of detailed accounting but should develop legal accounting policies in accordance with the principles that allow Vietnamese accountants to actively think in line with the real situation. Each type of enterprise is not contrary to the general principles of the Industrial Code.

Third, Ministry of Finance has gradually put international accounting standards (IAS/IFRS) into the Vietnamese accounting system for enterprises to choose (not compulsory for all enterprises to apply but many enterprises have to apply This is in line with global rules.

Fourth, Ministry of Finance and the Ministry of Education and Training should coordinate to rebuild the curricula and syllabus for accounting training at universities and colleges to ensure that graduates can do the job. Well, avoid the current situation, the graduates even quite good, good cannot do the accounting work of a small company to say nothing to large enterprises.

#### **On the side of Universities**

First, it is necessary to change the syllabus and curriculum in order to teach the results of the school, learners and society in need.

Second, renew the research methods and teaching methods of teaching lecturers on accounting at universities and colleges, to train graduated accounting cadres who are accountants in enterprises and agencies, get jobs and develop their careers.

Third, train and retrain the system of lecturers of universities and colleges in professional and professional fields in association with the requirements of the society, avoiding the situation of students completing the jobless schools, overflowing unemployment while the business sector still lacks the bachelor accountant to recruit them.

#### **On the side of FDI firms**

First, provide financial support for the training and retraining of accounting staff to work according to the characteristics of the enterprise.

Second, facilitate advanced study accounting in the country and even abroad to gain a deeper knowledge of business in Vietnam's international integration process.

Third, regularly examine and assess knowledge of law and accounting, dealing with practical experience of transactions arising in the enterprise from time to time to ensure that enterprise accountants must always have strong professional work efficiency to avoid material misstatements.

#### **On the part of practitioners**

First, accountants must have good orientation in accounting profession when they are in university or college seats to be aware of this profession and to train professionally when graduating.

Second, accountants must thoroughly understand accounting policies and laws (both domestic accounting standards and international accounting standards) for accounting and presentation of high-performance financial statements.

Third, accountants who are good at this job also have to firmly grasp tax policies and laws; the specialized law related to finance, accounting and tax so that the accounting, financial settlement and tax finalization can meet the requirements of the state inspection agencies to avoid being wrong and sanctioned many times today.

Fourth, accountants, apart from having extensive knowledge, are indispensable part of communication skills, working skills and overcoming difficulties skills of this profession. New and successful in practice and be able to demonstrate the professionalism of Vietnamese accounting.

Last, in the process of international integration, accountants must master foreign languages not only in English but also in other languages such as Japanese, Korean, Chinese and others to study and apply in transactions inside and outside the business with their expertise. Accountants can work at international corporations located in Vietnam or export to foreign countries to work with high income and opportunities.

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