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Perceptions of Accounting Professionals towards International Financial Reporting Standards (IFRS) in Developing Country: Evidence from Vietnam

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The current paper reports on an exploratory study of the perceptions of three different sub-groups of accountants (i.e. public auditors, corporate accountants and accounting academics) about issues relevant to adopting and implementing International Financial Reporting Standards (IFRS) in Vietnam. Vietnam represents an interesting research case of IFRS acceptance by emerging and transition economies. Recently, the Ministry of Finance of Vietnam (MoF) announced its intention to revise the existing Vietnamese accounting standards (VAS) to align with the current IFRS. The MoF has not yet determined whether to fully adopt IFRS, converge or keep VAS as they are. Therefore, this study is timely and important to provide important insights from the Vietnamese accounting community and in turn, assist the Vietnamese accounting standard setters in making favorable accounting decision affecting accounting practices. The preliminary survey results suggest that the Vietnamese accounting professionals are optimistic about potential benefits from IFRS adoption. These findings also indicate expected costs and challenges in implementing IFRS and suggest strong support in a gradual switch from VAS to IFRS, though the level of support varies amongst the three different sub-groups of accountants.

JEL Codes: M40, M41, M48, G38

1. Introduction

International Financial Reporting Standards (IFRS) are the most widely used of accounting standards issued by the International Accounting Standard Board (IASB), an independent organisation. Approximately 120 nations permit or require IFRS for domestic listed companies, including key economies such as Australia, Canada and member nations of the European Union (IASB 2013). In light with this development, the body of literature focusing on the harmonisation and convergence with IFRS towards a single set of global accounting standards has accelerated over the last two decades. To date, few studies have attempted to hypothesis and measure the drivers of IFRS transition decisions by emerging economies (Baker & Barbu 2007) and no research has included Vietnam exclusively (Nguyen 2011).

Lack of data is often a reason of a research gap (Meek & Thomas 2004) and this study seeks to address this gap by offering an insight into the views regarding IFRS by Vietnamese professional accountants.

Vietnam represents an interesting research case of IFRS acceptance by emerging and

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transition economies. In comparing Vietnam with other developing countries, one can see a widening economic gap. The country had lost several decades of development and lagged behind its neighbors as a result of the Vietnam War (1945-1975). Recently, Vietnam has sought to be an increasingly active and successful participant in the global economy. With a respectable average annual GDP growth of 7.2% in the first decade of the 21st century Vietnam has made substantial progress in adopting market-oriented reforms (World Bank 2010).

Research into the perception of different groups of accounting professionals towards IFRS is timely and important to Vietnamese industry, government and accounting professions as well as the accounting academic community in Vietnam. By narrowing differences between Vietnamese Accounting Standards (VAS) and IFRS, Vietnamese businesses can present mandatory VAS (and thus IFRS)-complied financial statements with potential investors on the same basis as their foreign competitors. This will enable improved levels of comparison and enhance investors’ confidence.

By converging to IFRS, Vietnam’s international reputation could be enhanced by its compliance with international rules and its emergence as a credible global trading partner. The movement from VAS towards IFRS could potentially see the Vietnamese accounting profession and academic community benefitting as well. With the growth of IFRS acceptance in Vietnam, the Vietnamese professional associations and large accounting firms have begun to integrate IFRS into their publications, certification and testing programs. Accounting universities in Vietnam are now including limited coverage of IFRS in their curricula and accounting textbooks. Thus, this research project will contribute in raising awareness of the advantages, disadvantages and challenges of IFRS application for the accounting community in Vietnam.

This study will also evaluate the reasons given in support of and opposition of switching from VAS to IFRS by taking into consideration the views of three different sub-groups of accountants in Vietnam. The findings of the project are anticipated to provide useful and timely information to the newly formed Vietnamese Accounting Standards Board and in assisting them in making decisions affecting accounting practices, which in turn, will support social and economic development in Vietnam.

The evidence provided by this study is likely to be of interest to other countries or firms considering IFRS adoption. It is also likely to be beneficial to the International Accounting Standards Board (IASB), regulators, professional accounting associations, public accounting firms; in their efforts to promote the worldwide adoption of international standards.

This paper is most closely related to Pandaram (2002) and Rezaee, Smith and Szendi (2010). Both concluded that practitioners and academicians had different perspectives on the matter of IFRS convergence. This paper extends this line of research by examining the perspectives of practitioners and academics from a developing country, Vietnam. This study is also related to numerous recent studies discussing IFRS adoption from the perspective of accounting preparers (Joshi, Bremser & Al-Ajmi 2008; Naoum, Sykianakis & Tzovas 2011; Pawsey 2010).

The remainder of the paper is organised as follows. Section 2 provides a concise overview of the Vietnamese accounting model and its journey towards IFRS, followed by a comparison between Vietnamese accounting standards and IFRS. The literature review is provided in Section 3 and Section 4 describes the research methods employed in this study. In Section 5, the findings are presented and discussed. The limitations and implications for future research are found in the conclusion to the paper.

2. Background

2.1 The Vietnamese Accounting Model and the Journey toward IFRS in Vietnam

The Vietnamese accounting model is generally classified as a Continental European style (Narayan & Godden 2000). This accounting model is strictly regulated by the government and state authorities. The highest hierarchical level is the *Accounting Law* by the National Assembly and the lowest hierarchical level is the circulars issued by the Ministry of Finance of Vietnam (MoF). The Vietnamese accounting system seems to follow a “rules-based” concept with strict regulation and less flexibility than the accounting practice’s “principle-based” approach (such as IFRS). For example, the chart of accounts and all items in the balance sheet, and income statement are mandatory and predefined in the relevant accounting regulation. In contrast, IFRS does not have such specific guidance, thus, they are more flexible and allow space for professional judgments.

To facilitate an ‘open door’ policy and its transition from a centrally-planned economy to a market-oriented one, Vietnam has been implementing significant reforms to its accounting practices since 1986 (Bui 2011). In the last decade, there has been much activity in Vietnamese accounting legislative systems with efforts from the Vietnamese government to reform the national accounting jurisdiction and thus boost the nation’s economic development in the hope of attracting foreign investment (Phuong & Richard 2011). In the context of international accounting convergence towards IFRS, Vietnamese accounting reform progressed to a new stage:

- In 2001 the MoF published the first four Vietnamese Accounting Standards (VAS);

- In 2002 six more standards followed;

- In 2003, the *Accounting Law* was introduced which establishes the legal framework for Vietnamese Accounting Standards for public and private sectors;

- In 2003, the MoF also committed to the International Federation of Accountants (IFAC) (joining member since 1998), to achieve 90% convergence with international accounting standards in 2005 (VNexpress 2003);

- In 2011, the MoF announced its intention to revise the existing Vietnamese accounting standards to align with the current IFRS. The Vietnamese

Accounting Standards Board (VASB) and a project team of 44 members had also been formed (Ministry of Finance 2011). As yet, the MoF has not yet determined whether to fully adopt IFRS, converge or keep VAS as they are (Nguyen, Hooper & Sinclair 2012).

As of the time of writing this paper, IFRS are only required in Vietnam for state-owned banks and permitted for commercial banks. All other Vietnamese companies, listed or non-listed, must report under VAS. Subsidiaries of foreign companies subjects to the same rules as all domestic companies (i.e. VAS compliance as mandatory).

2.2 Key Differences between VAS and IAS/IFRS

There are significant differences between the current Vietnamese Accounting Standards (VAS) and the international standards issued by the IASB (PWC 2008). These international standards include the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS). Generally, the current VAS have been based on the IAS that were issued prior to 2003 (Phan 2010). Thus none of the IASB's amendments to IAS and nor the new IFRS post 2003 (except IFRS 4) has been adopted in the current VAS.

According to Pham, Tower and Scully (2011), the overall level of convergence by accounting regulations (*de-jure* convergence) between VAS and the IASB standards is about 66 per cent in which the measurement convergence is at higher rate (75.8 per cent) and disclosure convergence is at lower rate (61.9 per cent). These findings are consistent with the report of General Department of Taxation of Vietnam in the 41st SGATAR Meeting (Malaysia, November 2011) that VAS is 70 per cent based on IFRS. Furthermore, Pham et al (2011) explained the reason for low convergence between VAS and the IASB standards is the time lag. All twenty-six VAS were issued in the period of 2001 to 2005 and generally based on the equivalent IAS issued prior 2003. Therefore, all subsequent revision of IAS and new IFRS issued after 2003 did not reflect in any VAS, with exception of VAS 19 which was issued in 2005 and was based on IFRS 4 issued in 2004. Furthermore, the Vietnamese Accounting System does not have accounting interpretations equivalent to any of the Standing Interpretations Committee’s Interpretations or the International Financial Reporting Interpretations Committee’s Interpretations (Yang & Nguyen 2003).

There are also significant differences in the specific accounting treatments and disclosure requirements between the current Vietnamese accounting practices and the equivalent IASB standards (PWC 2008). The main differences are within measure elements of financial statements (Pham et al 2011). For example, the IASB standards allow four measurement bases, e.g. historical cost, current cost, realisable value and present values, to different degrees and in varying combinations in financial statements (PWC 2011). In contrast, historical cost is still the sole dominant rule required by VAS in measuring assets including property, plant and equipment, intangible assets, and investments for preparing separate financial statements (S&S 2008).

3. Literature Review

Over the last two decades a considerable amount of literature has been published on the topic of IFRS harmonisation, convergence and a feasibility of a single set of globally-accepted accounting standards. For the purpose of this paper, we draw our literature review on more recent literature that addresses both desirable and non-desirable characteristics of IFRS convergence as well as the potential challenges of a smooth IFRS convergence process.

Advantages and Benefits of IFRS

Proponents of IFRS claim that IFRS possess many advantages over the domestic accounting standards of individual countries. Several studies report improvements in accounting quality following voluntary IFRS adoption (Barth, Landsman & Lang 2008) as well as mandatory IFRS adoption (Daske et al. 2008). For example, Barth et al. (2008) provided evidence from 21 countries, showing that firms applying international accounting standards generally had less earnings management, more timely loss recognition, and more value relevance of accounting amounts than others.

Prior researchers provided many reasons for a higher accounting quality in the financial statements under IFRS:

- they were originally designed for developed capital markets and therefore, more relevant to investors (Ball 2006),
- they reduce the alternative accounting methods, leading to lower earning management (Jeanjean & Stolowy 2008),
- they require higher quality measurement and recognition rules (De Franco, Kothari & Verdi 2010) that better reflect a firm's underlying economic position, hence more transparent than local GAAP (Ding et al. 2007),
- they require higher disclosure levels, thereby mitigating information asymmetries between firms and their shareholders (Healy & Palepu 2001)

Besides the higher financial reporting quality argument, advocates of IFRS also claim that IFRS reporting increases comparability of firms across markets and countries (DeFond et al. 2010), thus, facilitating cross-border investment (Lee & Fargher 2010) and integration of capital market (Saudagaran 2008). In light of the IFRS effects on the capital market, the promoters of IFRS often argue that companies could access the international capital market more easily (Christensen, Hail & Leuz 2011), especially the ones with high level of internationalization such as trading or raising fund in overseas markets (Daske et al. 2009) .

In addition, there are also the intangible advantages that adopting firms might be able to benefit from, when they implement additional disclosure policy under IFRS (Florou & Pope 2012). For example, the firm may more easily access capital market (Soderstrom & Sun 2007), charge higher price for products (Ray 2010), and attract more experienced staff (Naoum, Sykianakis & Tzovas 2011) thanks to the reputation of more transparency than their competitors (Fox et al. 2013).

In the same line of argument, prior researchers reported that 'serious' IFRS adopters experienced significant declines in their cost of capital and substantial improvements in their market liquidity compared to 'label' adopters (Daske et al. 2009) . Accordingly, it is predicted that the IFRS related effects for first-time adopters are likely to be greater in countries with higher quality institutions and countries with higher divergence between domestic GAAP and IFRS (Ding et al. 2007).

Disadvantages and Costs of IFRS

There are several reasons why the expected benefits of IFRS may not be achieved.

- Reducing accounting alternatives may result in a less true and faithful representation of the firms' underlying economics (Barth, Landsman & Lang 2008).
- As a result of the principle-based nature of IFRS (Hong 2008), professional judgment may create the opportunities for earning management (Chand, Patel & Patel 2005; Jeanjean & Stolowy 2008).
- Weak enforcement mechanisms of adopting nations can reduce financial reporting quality, even when high quality accounting standards are implemented (Brown & Tarca 2007; Chen & Cheng 2007)

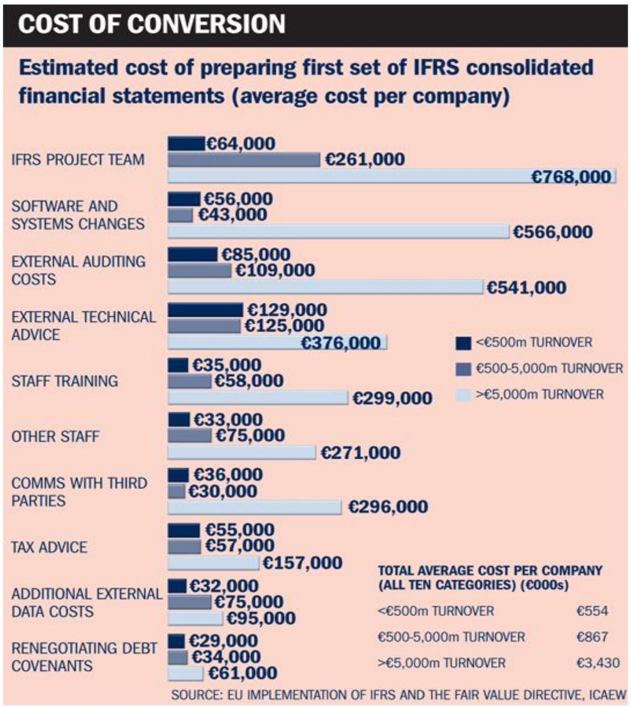
Furthermore, capital market effects of IFRS are more pronounced in countries with stricter enforcement regimes and therefore better IFRS implementation (Chen & Cheng 2007; Hail & Leuz 2006). Wang & Yu (2009) and Leuz (2006) showed that capital market effects were also apparent when stronger reporting incentives and thus higher quality financial reporting were evident. A higher divergence between IFRS and local GAAP and therefore larger change of domestic accounting rules (Byard, Li & Yu 2011; Daske et al. 2008) are also relevant factors.

Regarding the capital market effects, prior authors suggested that the introduction of IFRS reporting can improve stock market liquidity (Narayan & Zheng 2010) and reduce cost of capital (Ahmed, Neel & Wang 2010; Li 2010) although many other authors argued that this may not always be the case (Armstrong et al. 2010; Daske 2006; Hail & Leuz 2009; Karamanou & Nishiotis 2009; Lambert, Leuz & Verrecchia 2008).

In addition to the potential disadvantages, previous authors also expressed some concerns regarding the costs of transitioning to IFRS. Smith (2009) expressed that transition costs may vary from firm to firm and some may be common to all firms across many countries. For example, according to the report "EU implementation of IFRS and the Fair Value Directive" (ICAEW 2007), the ten common costs of conversion (as shown in Figure 1) to IFRS include

(1) IFRS project team,
(2) Software and systems changes,
(3) Additional external audit costs,
(4) External technical advice,
(5) Training of staff,
(6) training other staff (such as IT staff, internal audit and management),
(7) Communications with third parties,
(8) Tax advice,
(9) Additional external data costs,
(10) Costs arising from changes such as renegotiating debt covenants

Figure 1: Estimated Cost of Preparing First Set of IFRS Consolidated Financial Statements by the European Companies



Source: Accountancy Age Online (www.accountancyage.com)

Surveys of accounting firms (Larson & Street 2004; PWC 2011) unveiled that most companies hire extra staff or use subcontractors for IFRS project team, therefore, the real costs of resources could be higher than the reported figures. The survey results in ICAEW (2007) also observed that, depending on the size of the company, the ranking of cost of preparing the first set of IFRS financial statements and recurring costs varies depending on the size of the firm, and these costs can represent up to 24 per cent of turnover. (Other less tangible costs also become apparent when disclosures which create a concern in the investors about the abilities or reputation of the reporting firms and disclosed information supply other firms with a competitive advantages are present (Fox et al. (2013)

Despite some costs of IFRS implementation are obvious such as those discussed in ICAEW (2007); Fox et al. (2013) argued that other costs are less tangible. They provided examples of these intangible costs occurring when:

- disclosures which create a concern in the investors about the abilities or reputation of the reporting firms.
- disclosed information supply other firms with a competitive advantages

In summary, the key arguments in favor of IFRS adoption focus on the effects on capital and investors; and the less favorable arguments give emphasis to the costs occurring during and after the transition period. Though the evidence of economic consequences of IFRS implementation in the literature is mixed and inconclusive, there is a growing demand for IFRS and potentially a single set of global accounting standards.

Challenges of IFRS Implementation

The move to a new reporting system (like IFRS) brings many challenges for different stakeholders involving in the process such as regulators, preparers, auditors and users. In particular, the challenge for regulators is to identify to what extent national GAAP will be similar or distant from IFRS (Heidhues & Patel 2008). This, in turn, requires the practitioners to develop or obtain an in-depth analysis what changes in hardware, software, reporting processes are required; what transitional workload adding to the normal day-to-day activities (AICPA 2011). Managing public perceptions around the changes in financial statements are another challenge for the management of adopting firms (PWC 2011). From the perspective of auditors, they need to well plan so that their professional staff have the necessary skills at the time their clients begin the process of conversion, but not so early that the knowledge is out of date or forgotten from lack of use (Deloitte 2008).

Furthermore, Jermakowicz (2004) listed some key challenges in the process of adopting IFRS including:

- the complicated nature of some standards of IFRS (e.g. impairment test in IAS 36)
- the lack of guidance of first time IFRS reporting (e.g. IFRS 1)
- the underdevelopment of capital market
- the weak enforcement of law and regulations

Tokar (2005) added that for the country that has a different official language other than English, timely IFRS translation into the national language is another obstacle during the transition period. The task of implementing IFRS is further complicated by the fact that IFRS are continually evolving, and not yet finalised (Fox et al. 2013). This challenge makes it more difficult for a smooth transition to a status of full compliance under IFRS (Joshi et al. 2008).

Several authors have also expressed their concerns about how IFRS will be taught to students and how professionals will keep up to date with new standards (Heidhues & Patel 2008; Wong 2004). Education for both professional and non-professional resources also then becomes an important barrier for making IFRS convergence with national accounting standards happening.

4. Methodology

4.1 Survey Instrument

The survey instrument was developed after review from recent literature (Joshi et al. 2008; Naoum et al. 2011; Foo 2008; Jermakowicz 2004) The questionnaire was pre-tested, 30 targeting audiences (10 from each accountant sub-group). The questionnaires are in bilingual languages (English and Vietnamese). This study has adopted both back-translation and additional rewrite processes. The process involves a group of professional translators, accounting practitioners and academics. Back-translation provides the optimal translation results and has been found to be one of the most popular translation methods in conducting cross-cultural research (Harkness et al. 2010).

A questionnaire survey was conducted during the period April – June 2012. The mailing questionnaire was designed as a bilingual booklet in English and Vietnamese languages. The questionnaire booklets were addressed to 3,000 target participants of all three accountant sub-groups (1,000 participants for each group). Reminder letters were sent to all the participants one month and one week before the closing date. Respondents were asked to answer the survey in the language of their choices (English or Vietnamese) and return the completed survey booklets in the prepaid envelope attached. In addition, in the survey booklet and both reminder letters, the link of an online survey and the email address of the researcher were provided as the alternative options to participate online or return the completed questionnaire electronically. The respondents were anonymous. The sample size and responses per accountant-sub group are illustrated in Table 1.

Table 1: Sample Size and Response Rate per Accountant Sub-Group

Accountant sub-group	***Questionnaires***				***Rates***	
	Sent	**Returned**	**Unusable**	**Usable**	**Response rate**	**Usable rate**
Group 1: Auditors	1,000	274	130	144	27%	14%
Group 2: Accountants	1,000	372	102	270	37%	27%
Group 3: Academics	1,000	247	106	141	25%	14%
Total	**3,000**	**893**	**338**	**555**	**30%**	**19%**

Source: Phan et al. (2013)

Table 1 indicates that 274 responses were received from the Group 1, 130 of which were not usable because they were incomplete, thus providing 144 usable responses (representing a usable response rate of 26 per cent). Out of 372 responses received from Group 2, 270 responses were usable, representing a usable response rate of 27 per cent (the highest rate among three groups). In Group 3, 247 responses were received, 106 of which were not usable because they were incomplete, thus providing 141 usable responses (representing a usable response rate of 14 per cent, same response rate as Group 1). The overall usable response rate of all three groups is 19 per cent.

There were a few numbers of questionnaires that were received outside the cut-off date. The early responses were compared with the late responses of the same accountant subgroups for each question of the questionnaire at 5% level of statistical significance using SPSS. The differences between these responses were non-significant. As a result, it is reasonably to conclude that the error due to non-response bias was negligible or insignificant.

Given the length of the survey (7 pages) and scope of the research project (152 questions in 8 sections), the overall usable response rate 19 per cent compared favourably to the response rates of other similar academic surveys. For example, Graham et al (2005) suggested that a common response rate of such long questionnaires would range from 8 to 10 per cent. This suggestion is consistent with the results of Foo (2008).

The questions were designed using five point Likert scales, so that the individuals' knowledge and perceptions of IFRS could easily be determined. The questionnaire was self-administered, as this design was considered preferable for a large number of responses, allowing conclusions to be drawn with greater confidence and allow for comparison across groups. Creswell & Clark (2011) concluded that the self-administered questionnaire was an appropriate method for analysing a large volume of data or number of people.

Data used for the purpose of this paper consists of the responses received to selected items included in the survey questionnaire which explored the benefits, costs and challenges of IFRS in the context of Vietnam. Respondents were required to rate the extent to which they agreed or disagreed with these statements based on the five-point rating scale. Open-ended questions were also provided to allow any other opinions that the respondents may have concerning the questioning variables.

4.2 Research Hypothesis

The principal objective of this study is to identify the perceptions of IFRS by the accountant professionals in developing countries by examining the perceptions of the three Vietnamese accountant sub-groups regarding the benefits, costs and challenges of IFRS implementation in Vietnam. Drawing from the principal research objective, the research questions and their hypotheses are presented in Table 2.

Table 2: Research Questions and Hypotheses

Research Questions	Hypotheses
RQ1: What are the perceptions of Vietnamese accountants regarding IFRS?	H1: Vietnamese accountants are optimistic about the potential benefits from IFRS adoption. H2: Vietnamese accountants anticipate significant costs and challenges during the IFRS transition process.
RQ2: Do different accountant subgroups have different perspectives regarding IFRS?	H3: Practitioners and academicians have different perspective regarding IFRS.

Source: Phan et al. (2013)

5. The Findings

The analyses of collected data and findings of this research are presented in the two following sections. Section 5.1 introduces descriptive analysis to illustrate the demographic profiles of the respondents and how they responded to the statements in the questionnaire. Section 5.2 conducts two non-parametric statistical tests on the data set, the Kruskal Wallis *H* (KW) test and Mann Whitney *U* (MW) test.

5.1 Descriptive Analysis

Demographic profiles of the respondents were shown in Table 3. The educational background, professional qualifications, working experience and current position indicate that the respondents would have a collective perspective on issues relating to adopting and implementing IFRS in Vietnam. The majority of the respondents (60 per cent) were professionals with at least 10 years of working experience. In addition, 64% of respondents were in the 31-50 age groups, indicating they are likely to be actively involved and well aware of the current developments in accounting (see Table 3).

Table 3: Demographic Profiles (N=555)

Characteristics of the respondents	Frequency	Per cent
Age		
21-30	118	21.3
31-40	252	45.4
41-50	103	18.6
51-60	63	11.4
Over 60	19	3.4
Qualification		
TAFE	1	.2
Bachelor	238	42.9
Master	269	48.5
Doctorate	47	8.5
Professional membership		
None	184	33.2
VACPA	95	17.1
VAA	127	22.9
ACCA	24	4.3
CPA AUS	18	3.2
Other	11	2.0
Two or more	96	17.3
Role		
Auditor	144	25.9
Accountant	270	48.6
Academic	141	25.4
Position		
Junior	21	3.8
Senior	185	33.3
Team Leader	51	9.2
Manager	180	32.4
CEO	74	13.3
Other	44	7.9

Characteristics of the respondents' workplace	Frequency	Per cent
Working experience		
Less than 1 year	5	.9
1-5yrs	94	16.9
6-10yrs	126	22.7
11-15yrs	143	25.8
16-20yrs	91	16.4
Over 20yrs	96	17.3
Industry		
Manufacturing	76	13.7
Commercial	51	9.2
Service	210	37.8
University	111	20.0
Government	21	3.8
Other	40	7.2
Many sectors	46	8.3
Ownership		
100%	78	14.1
JV	39	7.0
PLC	97	17.5
SOE	108	19.5
Private	198	35.7
Other	35	6.3
Employees		
Under 20	24	4.3
20-50	40	7.2
51-100	131	23.6
101-200	78	14.1
201-300	77	13.9
Over 300	205	36.9

A test for internal reliability is presented in Table 4. The scores of Cronbach's alpha between 0.801 and 0.908 for each and all items indicate a high level of internal consistency for our scale (Pallant 2011).

Table 4: Reliability Statistics (Cronbach's alpha test)

Items	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Advantages	.862	.865	10
Disadvantages	.806	.801	14
Challenges	.907	.908	10
Cost	.815	.815	4
ALL	.809	.823	38

Source: Phan et al. (2013)

Tables 5 to 7 illustrate the perception of the respondents upon advantages, disadvantages, challenges of IFRS in the context of Vietnam. The score "Respondents agreeing" was computed from the rating 4 (agree) and rating 5 (strongly agree) of the Likert 5 point scale in the questionnaire. A majority of the respondents (over 80%) agreed that IFRS possess many advantages including reliability, improving investors' confidence, comparability across firms and nations, relevant to public users, and make access to global market easier than the current national accounting standards (the top five items in Table 5). This result is consistent with the literature in this area (Jermakowicz 2004; Joshi et al. 2008). Thus, it confirms the hypothesis H1.

Table 5: Perception on the Advantages of IFRS in Vietnam

	Respondents agreeing	
Survey items	Frequency	Per cent
q101 Reliable	474	85.4%
q110 Investor confidence	464	83.6%
q104 Comparable	456	82.2%
q102 Relevant	454	81.8%
q107 Access global market	450	81.1%
q106 Creditability	428	77.1%
q108 External financing	384	69.2%
q105 Higher quality than VAS	324	58.4%
q109 Creditor relationship	304	54.8%
q103 Understandable	292	52.6%

Source: Phan et al. (2013)

There is however less agreement on the perception of disadvantages than advantages. The majority of respondents (around 70%) agreed that both IFRS and IFRS for SME were overly complicated for Vietnamese companies (see the top two items of Table 6).

Table 6: Perception on the Disadvantages of IFRS in Vietnam

Survey items	Respondents agreeing	
	Frequency	**Per cent**
q208 Too complicated for SME	394	71.0%
q201 Complicated	388	69.9%
q203 Time consuming	327	58.9%
q205 Hard to understand	297	53.5%
q210 Impossible global standards	292	52.6%
q207 Not yet globally accepted	253	45.6%
q202 Subjective	135	24.3%
q206 Political intervention	119	21.4%
q212 Vietnam has no voice	113	20.4%
q204 Lack details	84	15.1%
q209 Fraud risk	82	14.8%
q213 Compromise national pride	72	13.0%
q211 Vietnam doesn't need	22	4.0%

Source: Phan et al. (2013)

Despite the diversity of views regarding the disadvantages of IFRS, the respondents have general consensus about the challenges that they likely to face if IFRS conversion occurs as seen in Table 7. The majority of concerns (over 80%) were focused on the training/education fields and guidance material (see the top 5 items in Table 7). Concerns over the transition procedures and the availability of timely translation of IFRS into Vietnamese language were also significant at over 70 per cent (see the last 5 items of Table 7).

Table 7: Perception on the IFRS Implementation Challenges in Vietnam

Survey items	Respondents agreeing	
	Frequency	**Per cent**
q307 Educate financial staff	461	83.1%
q302 Update accounting process	454	81.8%
q310 Limited coverage in University	450	81.1%
q304 Manage public perception	449	80.9%
q306 Educate non-financial staff	449	80.9%
q301 Update IT system	444	80.0%
q305 Manage transition workloads	437	78.7%
q308 Insufficient guidance	437	78.7%
q303 Update auditing process	422	76.0%
q309 Not timely translated	414	74.6%

Source: Phan et al. (2013)

A majority of the respondents (94%) do not know how much it would cost their organisations to change from their current reporting systems to new systems and fully comply with IFRS (see Table 8). Additionally, only 35 out of 555 (6%) respondents could provide a draft estimate of the IFRS reporting costs. Descriptive statistics relating to IFRS reporting costs in Vietnamese currency (Vietnam Dong) and their equivalent in Australian dollars estimated by respondents are provided in Table 9. Estimated cost varied widely (from zero to 1 million dollars). Except for one respondent who answered with a zero cost (as their company already had the process in place to comply with IFRS under its overseas head office's requirements), the estimated costs of IFRS conversion were significantly positively correlated with the firm size.

Table 8: Awareness of Costs of IFRS Transition

Awareness of IFRS cost	Frequency	Per cent
No	521	93.9%
Yes	34	6.1%

Source: Phan et al. (2013)

Table 9: Cost of IFRS Conversion

Cost of IFRS conversion	N	Min	Max	Mean	Std. Deviation
VND million	34	10	20,000	3,917	6,863
Equivalent AUD (*)	34	458.36	$916,726.83	$179,536.90	$314,559.26

(*): convert rate as at 31 Dec 2012: 1 AUD = 21816.75 dong (source: vietcombank.com.vn) because the estimated costs provided by the respondent in 2012.
Source: Phan et al. (2013)

As the majority of companies operating in Vietnam are small to medium sizes with the average net turnover estimated to be approximately A$2.12 million (see Table 10), the estimated average IFRS reporting cost of over A$179,000 (see Table 9) is likely to be a financial burden to most of companies. This would put IFRS reporting costs at 8% of net annual turnover, which is more than two times net annual profit before tax, 17% of the values of fixed assets and long-term investments or 7% of capital (see Table 10). This result agreed with the findings from prior studies (ICAEW 2007). Thus, the hypothesis H2 was confirmed.

Table 10: Comparing the Estimated Cost of IFRS to Other Financial Indicators

Items	31.12.2008 VND billion (**)	31.12.2008 AUD equivalent (***)	IFRS cost ratio
ALL ENTERPRISES			
Net annual turnover	5,315,444	435,406,261,954	
Net annual profit Before Tax	211,432	17,319,120,807	
Fixed Assets and Long-term Investments	2,579,595	211,303,480,256	
Working Capital	6,335,827	518,989,335,690	
Number of employees	8,154,850	8,154,850	
Number of enterprises	205,689	205,689	
Average Per Enterprise			
Net annual turnover	25.84	2,116,818.41	8%
Net annual profit Before Tax	1.03	84,200.52	213%
Fixed Asset and Long-term Investments	12.54	1,027,295.97	17%
Working Capital	30.80	2,523,174.97	7%
(**): Section B06 - Some main indicators of enterprises (General Statistics Office of Vietnam 2010, p96) (***): Conversion rate as at 31 Dec 2008: 1 AUD = 12,208 dong (source: vietcombank.com.vn). More recent data about Vietnamese enterprises was not available. The latest available data on the Vietnamese enterprises are for the financial year end 31.12.2008.			

Source: Phan et al. (2013)

Since the respondents' perceptions regarding the benefits and costs of IFRS are diverse, the questionnaire contained the questions to gain insights of views on the overall cost-benefit of IFRS adoption and the intention to voluntarily adopting IFRS. Although the estimated IFRS reporting cost is significant, the respondents are optimistic about the net economic consequences of an IFRS switch. In particular, only 23% of the respondents perceive that costs outweigh benefits and up to 42% disagree (see Table 11). This indicates that the Vietnamese accountants are optimistic on the view that the upfront cost could be recovered and net benefit will incur in the future.

Table 11: More Costly than Beneficial for IFRS Adoption?

Opinion	Auditor	Accountant	Academic	All groups
Agree	24 (17%)	39 (14%)	62 (44%)	125 (23%)
Disagree	61 (42%)	124 (46%)	46 (33%)	231 (42%)
No opinion	59 (41%)	107 (40%)	33 (23%)	199 (36%)

Source: Phan et al. (2013)

From this perception of long-term benefit, a majority of the respondents (60%) said yes to voluntary IFRS adopting if the Vietnamese accounting jurisdiction allows (see Table 12). This finding confirms hypothesis H1.

Table 12: Willingness to Voluntary Adopt IFRS?

Opinion	Auditor	Accountant	Academic	All groups
Yes	93 (65%)	153 (41%)	87 (62%)	333 (60%)
No	44 (31%)	101 (27%)	47 (33%)	192 (35%)
Not sure	7 (4%)	16 (32%)	7 (5%)	30 (5%)

Source: Phan et al. (2013)

The survey participants also provided their opinion on the general impact of IFRS upon the operation of their organisations (see Table 13). The results are consistent with the above findings from the earlier question regarding a general impact of IFRS upon the organisations. The majority of the respondents (57%) also believed that IFRS would leave either positive or extremely positive impact on the operation of their companies (rating 4 and 5 in Table 13). Only 3 respondents (less than 1 per cent) were concerned about the negative impacts (rating 1 and 2 in Table 13).

Table 13: Impact of IFRS to the Organisation

Opinion	Auditor	Accountant	Academic	All groups
0 Don't know	15 (10%)	14 (5%)	53 (38%)	82 (15%)
1 Extremely negative	-	-	-	-
2 Negative	-	2 (1%)	1 (1%)	3 (1%)
3 No effect	56 (39%)	81 (30%)	18 (13%)	155 (28%)
4 Positive	60 (42%)	128 (47%)	44 (31%)	232 (42%)
5 Extremely positive	13 (9%)	45 (17%)	25 (18%)	83 (15%)

Source: Phan et al. (2013)

5.2 Non-Parametric Tests

Two non-parametric tests i.e. the Kruskal-Wallis *H* (KW) and the Mann Whitney *U* test (MW) were conducted (see Tables 15 and 16). The KW test enables an investigation of possible differences of perceptions amongst the three groups of accountants. Upon the results of the KW test, the MW was conducted to determine whether there were significant differences in the response ratings between each of the pair groups. The MW test is used only for those sets of hypotheses that were statistically significant in the KW test at 0.05 level of significance. To protect for *Type I Error*, the significance level in the MW tests was adjusted by dividing 0.05 by the number of groups (*Bonferroni adjustment*). Hence, the significance level of MW test was 0.05/3 or 0.017. This has been done to "reduce the likelihood of identifying a difference by chance" (Morgan & Griego 1998, p.186 cited in Pandaram 2002).

Prior to conducting KW or MW tests, the mean values of four variables (Advantages, Disadvantages, Challenges and Costs) of each accounting subgroup were computed and the results are shown in Table 14. The KW and MW tests were conducted on these mean values.

Table 14: Computed Variables

Items	Mean	Std. Error	Std. Deviation	Variance	Skewness	Kurtosis
Advantages	3.8452	.02458	.57905	.335	-.098	.088
Disadvantages	3.0090	.02313	.54494	.297	-.171	-.491
Challenges	4.0180	.02772	.65304	.426	-.616	.243
Costs	3.1305	.02597	.61191	.374	-.034	-.043

Source: Phan et al. (2013)

Table 15 displays the summary from the SPSS Output of the differences in the perceptions of the respondents amongst the three accountant subgroups.

Table 15: Kruskal Wallis *H*-test

	Auditor		Accountant		Academics		Kruskal Wallis *H*-test (for all 3 groups)	
Items	**Mean of response**	**Mean Rank**	**Mean of response**	**Mean Rank**	**Mean of response**	**Mean Rank**	**Chi-square**	**p value**
Advantages	3.7278	253.07	3.9007	291.34	3.8589	277.92	5.378	.068
Disadvantages	3.0139	280.44	2.9644	265.48	3.0895	299.49	4.226	.121
Challenges	4.0194	273.72	3.9193	252.76	4.2057	273.72	22.133	**.000***
Cost	3.1069	278.17	3.1563	287.20	3.1050	260.22	2.654	.265

** mean statistically significant at 5% level*
Source: Phan et al. (2013)

The results of the KW test (Table 15) indicate except the challenges item, the accountants of all three subgroups agreed on the significance of advantages, disadvantages and costs of IFRS. Opinion regarding the potential challenges of IFRS implementation are diverse between the respondents (since $p<0.05$). However, the KW test results do not tell which pairs of means of the accountant subgroups were different on the views of challenges variable. Therefore, the MW tests (post hoc KW test, pairwise comparisons amongst three groups) were performed. The MW tests were conducted for the following pairs of accountant subgroups:

Group [1,2] = Auditors vs. Accountants
Group [1,3] = Auditors vs. Academics
Group [2,3] = Accountants vs. Academics

The results from the MW test are displayed in Table 16. The entries marked by asterisks (***) demonstrated that this particular value is statistically significant since $p<0.017$. As previously mentioned, the significant value of the MW test is adjusted by Bonferroni adjustment (diving 5% by 3 as 0.017).

Table 16: Mann-Whitney *U* test

Attributes	Mean of responses			Group [1,2]				Group [1 ,3]				Group [2,3]			
	1	2	3	Mean diff [1]-[2]	MW	WW	p value	Mean diff [1]-[3]	MW	WM	p value	Mean diff [2]-[3]	MW	WW	p value
Challenges	4.0194	3.9193	4.2057	0.1002	17635.5	54220.5	0.119	- 0.1862	7730.5	18170.5	***	- 0.2864	14025	50609.5	***

Source: Phan et al. (2013)

From Table 16, we observe that there is no statistically significant difference of opinions between the Auditors and Accountants (Group 1,2) since p>0.017. Therefore, the statistically significant differences in Group (1,3) and Group (2,3) with p <0.001 solely cause by the different perceptions between the academics (Group 3) and the practitioners (Groups 1 & 2) as shown in Table 16. This agreed with the finding of prior studies (Pandaram 2002; Rezaee et al. 2010). Thus, our hypothesis H3 is accepted.

7. Conclusions

The research findings are subject to the limitations of any survey study. First, there is a possibility that some respondents might have a bias toward providing average or non-committal answers to the questions in the questionnaire. Second, the non-response bias may be present in the results though non-response bias test was conducted. Finally, the results should be interpreted with care because of the relative small sample size. Future research should examine the perceptions from other group of reporting users (e.g. financial analysts, stock-brokers, investors, government officials).

In summary, this study examined the benefits, costs and challenges of IFRS implementation. The analysis of the responses suggests that the Vietnamese accounting professionals are optimistic about potential benefits of IFRS although they anticipated significant costs and challenges during the transition period. Moreover, the survey findings suggest a strong support in switching from VAS to IFRS gradually, though the level of support is different from the lens of three different accountant sub-groups. The results provided by this study are likely to be of interest to other countries or firms considering future IFRS switch and to the IASB and/or others involved in the development of IFRS as they consider the future of a single global accounting standards.

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