

Perceptions Towards International Financial Reporting Standards (IFRS): The Case of Vietnam

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The perception of Vietnamese accountants regarding the advantages, disadvantages, potential costs and challenges of IFRS adoption in Vietnam will play a major role in its adaptation. 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 adopt fully IFRS, converge or keep VAS as they are. This study examines the perceptions, concerns fears and expectations of the Vietnamese accounting community and, in turn, assists the Vietnamese accounting standard setters in making favourable accounting decisions affecting accounting practices. An aggregate of 3,000 questionnaires was sent to 3,000 Certified Public Accountants, Chief Financial Officers/Chief Accountants and accounting academics in Vietnam internally in 2012. The study reveals that the Vietnamese accounting professionals are optimistic about potential benefits from IFRS adoption, indicate expected costs and challenges in implementing IFRS and suggest strong support for a gradual switch from VAS to IFRS, though the level of support varies amongst the three different groups of accountants.

JEL Codes: M40, M41, M48, G38

Key words: IFRS, Vietnam, perceptions, accounting

1. Introduction

International Financial Reporting Standards (IFRS) are the most widely used of accounting standards throughout the world and are 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 of 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. Very few studies have attempted to hypothesise and measure the drivers of the IFRS decision for transition and emerging economies and even less is known about Vietnam. By way of example, recent studies by the Vietnam Association of Certified Public Accountants (VACPA) and the Confederation of Asian and Pacific Accountants (CAPA) call for more research in this area and specifically for Vietnam (VACPA & CAPA 2012). Lack of data is often the reason for a research gap (Meek & Thomas 2004) and the authors seek to address this gap through its survey of Vietnamese professional accountants and reporting their perceptions on the matters of IFRS adoption in Vietnam.

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Phan, Mascitelli & Barut

Vietnam represents an important research case of IFRS acceptance by emerging and transitional economies. In comparing Vietnam with other developing countries, one can see a widening economic gap. Vietnam 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 per cent in the first decade of the 21st century Vietnam has made substantial progress in adopting market-orientated reforms (World Bank 2010).

Research into the perception of different groups of accounting professionals towards IFRS is timely and important to today's Vietnamese industry, government and accounting profession as well as to the academic accounting community. By narrowing the differences between Vietnamese Accounting Standards (VAS) and IFRS, Vietnamese businesses can present mandatory VAS (and thus IFRS) compliant 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, professional associations and large accounting firms have begun to integrate IFRS into their publications, certification and testing programs. Universities in Vietnam are now including limited coverage of IFRS in their curricula and accounting textbooks. Thus, this research project will contribute to 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 to switching from VAS to IFRS by taking into consideration the views of three different 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 to assist 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 and public accounting firms in their efforts to promote the world-wide adoption of international standards.

This paper is related to the papers authored by Pandaram (2002) and Rezaee, Smith and Szendi (2010). Both examined the perceptions of academics and practitioners in well established capital markets (Australia and the United States of America). This study adds to the existing literature in the following ways. Firstly, this study is one of a few, if not the first, comprehensive studies to examine the perceptions of Vietnamese accountants on IFRS adoption. Secondly, the survey statements used in this research are different to those examined in the previous studies to suit the context of emerging transitional economies.

The authors address the following research questions.

RQ1: What are the perceptions of Vietnamese accountants regarding IFRS adoption?

RQ2: Do different accountant groups have different perspectives regarding IFRS adoption?

Overall, the authors examine the benefits, costs and challenges of IFRS implementation in a developing country like Vietnam. The analysis of the survey responses suggests that the Vietnamese accounting professionals are optimistic about potential benefits of IFRS although they anticipate significant costs and challenges during the transition period. The perceived advantages of IFRS found in this study are consistent with the literature in this area (Jermakowicz 2004; Joshi et al. 2008). Moreover, the survey findings suggest strong support in switching from VAS to IFRS gradually, though the level of support is different in each of the three different accountant groups. This finding lends support to the results in Pandaram (2002) and contradicts the results in Rezaee et al. (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 of this paper.

2. IFRS Compliance in Vietnam: An Overview

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* drawn up by the National Assembly and the lowest hierarchical levels are the circulars issued by the Ministry of Finance (MoF). The Vietnamese accounting system follows a “rules-based” concept with strict regulations and less flexibility than the accounting “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-orientated 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 has progressed to a new stage.

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

Phan, Mascitelli & Barut

- 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 itself to the International Federation of Accountants (IFAC) (having joined in 1998), to achieve 90 per cent 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 determined whether to adopt fully IFRS, converge or keep VAS (Nguyen, Hooper & Sinclair 2012).
- In 2013, the MoF proposed six new accounting standards for capital markets and amendments for eight existing accounting standards

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 are subject to the same rules as all domestic companies (i.e., VAS compliance is mandatory).

3. Literature Review

Over the last two decades a considerable amount of literature has been published on the topic of IFRS harmonisation, convergence and the feasibility of a single set of globally accepted accounting standards. For the purpose of this paper, we highlight the 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.

3.1 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) provide evidence from 21 countries showing that firms applying international accounting standards generally had less earnings, more timely loss recognition and more value relevance of accounting amounts than others.

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

- they were originally designed for developed capital markets and, therefore, more relevant to investors (Ball 2006),

Phan, Mascitelli & Barut

- they reduce the alternative accounting methods, leading to lower earnings 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 the comparability of firms across markets and countries (DeFond et al. 2010), thus, facilitating cross-border investment (Lee & Fargher 2010) and integration of capital markets (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 levels of internationalization such as trading or raising funds 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 markets (Soderstrom & Sun 2007), charge a 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, previous 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 levels of higher divergence between domestic GAAP and IFRS (Ding et al. 2007).

3.2 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 earnings management (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).

Furthermore, capital market effects of IFRS are more pronounced in countries with stricter enforcement regimes and, therefore, better IFRS implementation (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, some scholars suggest that the introduction of IFRS reporting can improve stock market liquidity (Narayan & Zheng 2010) and reduce cost of capital (Li 2010) although some others argued that this may not always be the case (Armstrong et al. 2010; Hail & Leuz 2009; Lambert, Leuz & Verrecchia 2008).

In addition to the potential disadvantages, some scholars also expressed concerns regarding the costs of transitioning to IFRS. Smith (2009) indicated 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;

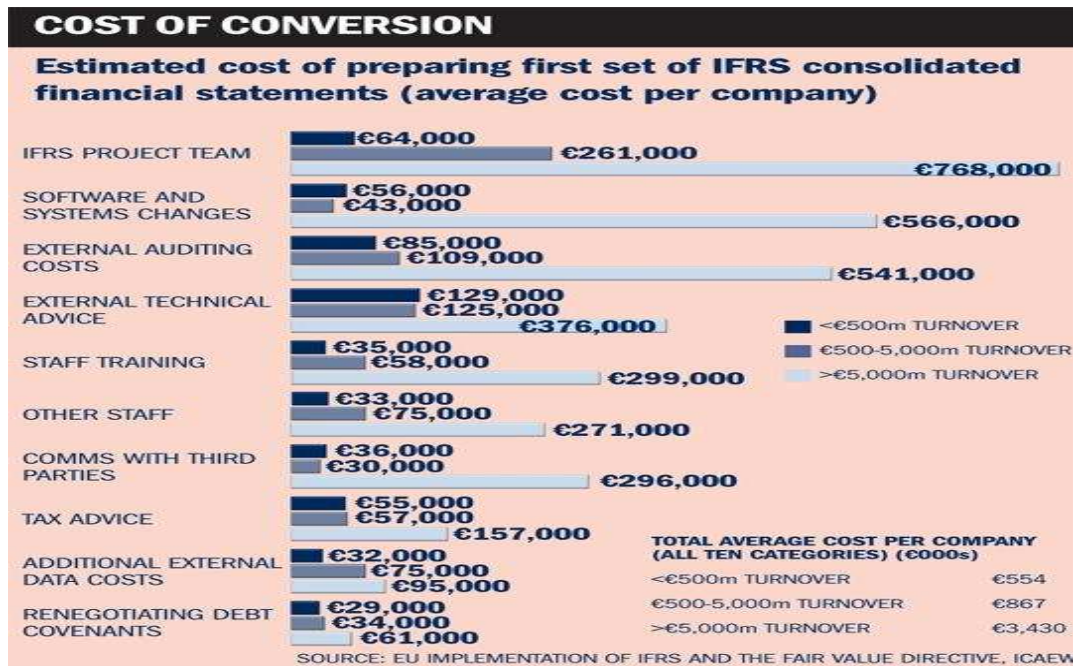
- (1) IFRS project team,
- (2) software and systems changes,
- (3) additional external audit costs,
- (4) external technical advice,
- (5) training of staff,
- (6) training other staff (such as IT staff, internal audit and management),
- (7) communications with third parties,
- (8) tax advice,
- (9) additional external data costs,
- (10) costs arising from changes such as renegotiating debt covenants.

Surveys of accounting firms (Larson & Street 2004; PWC 2011) unveiled that most companies hire extra staff or use sub-contractors for IFRS project teams, 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 the 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.

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

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

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



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

In summary, the key arguments in favour 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.

3.3 Challenges of IFRS Implementation

The move to a new reporting system (like IFRS) brings many challenges for different stakeholders involved in the process such as regulators, preparers, auditors and users. In particular, the challenge for regulators is to identify to what extent the 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 of what changes in hardware, software and reporting processes are required; and what transitional work-load additions 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 plan well 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 due to 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),

Phan, Mascitelli & Barut

- the under-development of capital markets,
- the weak enforcement of law and regulations.

Tokar (2005) added that for a 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 (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 happen.

3.4 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 groups regarding the benefits, costs and challenges of IFRS implementation in Vietnam. Drawing from the principal research objective and the research questions, the corresponding hypotheses are presented in Table 1.

Table 1 – 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 groups have different perspectives regarding IFRS?	H3: Practitioners and academicians have different perspectives regarding IFRS.

4. Methodology

The survey instrument was developed after reviewing recent literature on the relevant field (Joshi et al. 2008; Naoum et al. 2011; Foo 2008; Jermakowicz 2004). The questionnaire was pre-tested in both English and Vietnamese with 30 targeting audiences (10 from each accountant group). This study has adopted both back-translation and additional rewrite processes. The process involved 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).

Phan, Mascitelli & Barut

The sample included 3,000 Vietnamese accounting professionals who were knowledgeable or well acquainted with accounting standards. The sample was categorised into three different groups (1,000 participants for each group). The first group, auditors, was selected because they apply accounting standards extensively to provide the assurance and consulting services to their clients. The second group, accountants, was selected because they are the heads of the accounting departments, being responsible to review or prepare the financial statements of the firms or companies for which they work. The accounting academics were selected as the last group of survey participants because they are knowledgeable and well aware of the importance and significance of the study. A questionnaire survey was conducted during the period April – June 2012. The sample size and responses per accountant group are illustrated in Table 2.

Table 2: Sample Size and Response Rate per Accountant Group

<i>Accountant group</i>	<i>Questionnaires</i>				<i>Rates</i>	
	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%

A few questionnaires were received outside the cut-off date. The early responses were compared with the late responses of the same accountant groups for each question of the questionnaire at 5 per cent level of statistical significance using Statistical Package for the Social Sciences (SPSS). The differences between these responses were not-significant. As a result, it is reasonable 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 a 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.

5. The Findings

The analyses of collected data and findings of this research are presented in the following two 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 reports two non-parametric statistical tests on the data set, the Kruskal Wallis H (KW) test and the Mann Whitney U (MW) test.

5.1 Descriptive Analysis

Demographic profiles of the respondents are 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 per cent of respondents were in the 31-50 age groups, indicating that they are likely to be actively involved and well aware of the current developments in accounting (see Table 3).

Phan, Mascitelli & Barut

Table 3 – Demographic Profiles (N=555)

Characteristics of the respondents	Frequency	Per cent	Characteristics of the respondents' workplace	Frequency	Per cent
Age			Working experience		
21-30	118	21.3	Less than 1 year	5	.9
31-40	252	45.4	1-5yrs	94	16.9
41-50	103	18.6	6-10yrs	126	22.7
51-60	63	11.4	11-15yrs	143	25.8
Over 60	19	3.4	16-20yrs	91	16.4
Qualification			Over 20yrs	96	17.3
TAFE	1	.2	Industry		
Bachelor	238	42.9	Manufacturing	76	13.7
Master	269	48.5	Commercial	51	9.2
Doctorate	47	8.5	Service	210	37.8
Professional membership			University	111	20.0
None	184	33.2	Government	21	3.8
VACPA	95	17.1	Other	40	7.2
VAA	127	22.9	Many sectors	46	8.3
ACCA	24	4.3	Ownership		
CPA AUS	18	3.2	100%	78	14.1
Other	11	2.0	JV	39	7.0
Two or more	96	17.3	PLC	97	17.5
Role			SOE	108	19.5
Auditor	144	25.9	Private	198	35.7
Accountant	270	48.6	Other	35	6.3
Academic	141	25.4	Employees		
Position			Under 20	24	4.3
Junior	21	3.8	20-50	40	7.2
Senior	185	33.3	51-100	131	23.6
Team Leader	51	9.2	101-200	78	14.1
Manager	180	32.4	201-300	77	13.9
CEO	74	13.3	Over 300	205	36.9
Other	44	7.9			

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

Tables 5 to 7 illustrate the perception of the respondents of the advantages, disadvantages and 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 per cent) agreed that IFRS possesses many advantages including reliability, improving investors’ confidence, comparability across firms and nations, relevant to public users and makes access to global markets 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 hypothesis H1.

Table 5 - Perception on the Advantages of IFRS in Vietnam

Survey items	Respondents agreeing	
	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%

There is, however, less agreement on the perception of the disadvantages than advantages. The majority of respondents (around 70 per cent) 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%

Despite the diversity of views regarding the disadvantages of IFRS, the respondents have a general consensus about the challenges that they likely to face if IFRS conversion occurs as seen in Table 7. The majority of the concerns (over 80 per cent) 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%

A majority of the respondents (94 per cent) does 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 per cent) of the 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

Phan, Mascitelli & Barut

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%

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.

As the majority of companies operating in Vietnam are small to medium size 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 companies. This would put IFRS reporting costs at 8 per cent of net annual turnover, which is more than twice net annual profit before tax, 17 per cent of the values of fixed assets and long-term investments or 7 per cent of capital (see Table 10). This result agreed with the findings from prior studies (ICAEW 2007). Thus, hypothesis H2 was confirmed.

Table 10 – The Estimated Cost of IFRS versus Other Financial Indicators

Items (Average Per Enterprise)	31.12.2008 VND million (**)	31.12.2008 AUD equivalent (***)	IFRS cost ratio
Net annual turnover	25,840	2,116,818	8%
Net annual profit Before Tax	1,030	84,200	213%
Fixed Asset and Long-term Investments	12,540	1,027,296	17%
Working Capital	30,800	2,523,175	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.			

Since the respondents' perceptions regarding the benefits and costs of IFRS are diverse, the questionnaire contained questions to gain insights of views on the overall cost-benefit of IFRS adoption and the intention voluntarily to adopt 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 per cent of the respondents perceived that costs outweigh benefits and up to 42 per cent disagree (see Table 11). This indicates that Vietnamese accountants are optimistic that the up-front cost could be recovered and that net benefits will be experienced 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%)

From this perception of long-term benefit, a majority of the respondents (60 per cent) 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%)

The survey participants also provided their opinions 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 the general impact of IFRS upon the organisations. The majority of the respondents (57 per cent) also believed that IFRS would leave either positive or an 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 impact (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%)

5.2 Non-parametric tests

Prior to conducting KW or MW tests, the mean values of four variables (Advantages, Disadvantages, Challenges and Costs) of each accounting group 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

Phan, Mascitelli & Barut

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

Table 15 - Kruskal Wallis *H*-test

Items	Auditor		Accountant		Academics		Kruskal Wallis <i>H</i> -test (for all 3 groups)	
	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 per cent level

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

- 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 (***) demonstrate that this particular value is statistically significant since $p < 0.017$. The significant value of the MW test is adjusted by Bonferroni adjustment (diving 5 per cent 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	VWV	p value	Mean diff [1]-[3]	MW	VWV	p value	Mean diff [2]-[3]	MW	VWV	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	***

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. Thus, hypothesis H3 is accepted. This finding lends support to the results in Pandaram (2002) and contradicts the results in Rezaee et al. (2010).

6. Summary and Conclusions

The study reveals the perceptions of Vietnamese accountants regarding the advantages and disadvantages of IFRS adoption, the potential costs and challenges of IFRS implementation in Vietnam. The respondents perceived that IFRS adoption would increase the comparability as well as the transparency for companies across countries. This would provide opportunities for Vietnamese businesses to gain access to international capital markets and to improve their reputation at both national and organisational levels. However, not every Vietnamese business is perceived to gain benefits from IFRS adoption. Some disadvantages of IFRS were explored, including over-complexity and irrelevance, not to mention the lack of IFRS expertise. The cost aspect of the adoption was perceived as significant in both timing and monetary terms. The respondents viewed re-training the financial staff from the rule-based approach under Vietnamese accounting standards to the principles-based approach under IFRS as one of the greatest challenges. Although IFRS reporting was viewed as being costly, time-consuming and challenging, surprisingly, the respondents were optimistic on the long-term benefits. Avoiding the cost of dual reporting was perceived as the greatest cost saving advantages. Despite several concerns of significant challenges resulting from IFRS implementation, the majority of the respondents showed their willingness to adopt IFRS to gain positive effects from IFRS reporting. Notably, the comparison across three accountant groups found that the perception of IFRS matters was significantly different between the practitioners and the academics. The findings support the results in Pandaram (2002) and contradict the results in Rezaee et al. (2010).

The paper adds to the existing literature in several ways. Firstly, this study is one of a few, if not the first, comprehensive study to examine the perception of Vietnamese accountants on the advantages, disadvantages, costs and challenges of IFRS adoption in Vietnam. Recent trends in international accounting research seem to indicate that researchers focus on effects of IFRS adoption within the key economies such as members of the European Union, Australia, Canada, the United States and China. There are fewer studies about emerging economies and developing countries than in developed ones. Vietnam missed out or received very limited scholarly coverage in studies on South-east Asian regions in particular or on Asia in general.

From a global perspective, the findings of this study may add to the debate of why developing countries should adopt IFRS. The study findings imply that IFRS benefits to developing countries are different to the benefits enjoyed by the developed countries. Moreover, the findings of this research regarding the complexity of the standards as most disadvantages of IFRS also highlight the high priority for the IASB to resolve their efforts in making IFRS globally accepted. The IASB are certainly aware that the objective “a single global high quality set of financial reporting standards” cannot be achievable if developing countries like Vietnam do not fully adopt IFRS. The challenges facing Vietnam in coping with IFRS conversion and transition issues are compounded by the pace and degree of revising and issuing new standards initiated by the IASB. It is equally important for the IASB to be aware that a balance between the need for improving IFRS from the comments of well-established economies and the practical difficulties faced by less developed economies like Vietnam in implementing IFRS is essential. The case of Vietnam, as a representative of developing countries, may be useful for the IASB in the process of improving global convergence of national accounting standards and IFRS. Perhaps the IASB should also place a strong focus on

a separate group of developing countries if the IFRS is truly to achieve its aims of global convergence with IFRS.

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 although a non-response bias test was conducted. Finally, the results should be interpreted with care because of the relatively small sample size. Future research should examine the perceptions from other groups of report users (e.g., financial analysts, stock-brokers, investors, government officials).

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