

International Financial Reporting Standards and Orientation of Vietnam: “Roadmap & International Experience”

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Abstract

Currently, the Ministry of Finance is implementing Decision 480/QĐ-TTĐ dated 03/18/2013 of The Prime Minister on approving the Strategy Accounting - Audit 2020, Vision 2030 and implementing the Resolution 35/NQ-CP of the Government dated 16.05.2016 related to the support and development of enterprises by 2020. Accordingly, the development and improvement the legal framework of Financial Reporting standards in Vietnam is one of the key tasks and urgent needs to be developed to meet the requirements of the economy in the period of integration. The system of International Accounting Standards, including the International Accounting Standards (IAS) and the standards of international financial reporting (IFRS) was issued, adjusted, updated and replaced by The International Accounting Standards Board. International Accounting Standards is an important condition to ensure that companies and organizations around the world can apply uniform accounting principles in the work of preparing and presenting financial statements. Currently, many countries around the world such as USA, Japan and European countries, Asia Pacific are approaching IFRS convergence trend. In the trend of globalization of accounting, Vietnam will not be outside the process of integration with the system of International Financial Reporting Standards. This article will review the process of formation and development of IFRS, the IFRS trends and the advantages and disadvantages of applying IFRS in Vietnam.

Keywords: financial statements, integration, opportunity, challenge

1. Introduction

The globalization trend of the world economy requires countries to use a common accounting language to ensure that information can be compared on an international scale. It is also the international integration process that is currently happening together with the development of the IFRS (International Financial Reporting Standards) system to replace the IAS (International Accounting Standards). The integration trend of accounting is occurring especially strong after the commencement of the Norwalk agreement between the Board of International Accounting Standards and the Board of Accounting Standards of America, showing significant changes in the International Financial Reporting Standards lately.

This is a global issue that affects the interests of many countries, so it has drawn the attention of many researchers. According to the survey of Baker & Barbu (2007), during the period from the 1960s to 2004, there were 214 articles from 66 journals mentioning the integration process of international accounting. These articles focused on fundamental aspects, including the debate upon consistency in accounting, features that affect the accounting environment, comparing accounting standards among different countries and with International Accounting Standards, as well as the integration process of international accounting... Specifically, researches about the integration of accounting began to be developed from 1973, after the establishment of the Committee of International Accounting Standards. However, it was not until the 20th century that the researches about the application of international standards in certain nations were published in large quantity, although the main focus was still countries that are concerned like Germany, China, Japan...

In Vietnam, to accommodate the local and international integration trend, Vietnam has been establishing the legal framework for accounting, auditing according to the practices of other countries in an attempt to finalize and improve the quality of financial reporting information, with an essential part being the accounting standards system

of Vietnam. During the period from 2001 to 2006, Vietnam has enacted 26 Vietnamese accounting standards based on International Accounting Standards and the actual condition of Vietnam. However, there still exist gaps in the Vietnamese accounting system, especially in the financial service sector, as well as problems with evaluations and demonstration (World Bank, 2006). Besides, the co-existence of accounting standards and accounting regime has posed obstacles to the accounting converging process (Nguyen Cong Phuong & Tran Dinh Khoi Nguyen, 2012). Apart from that, the procedure for drafting and publishing accounting standards has not been professional (Adam and Do Thuy Linh, 2005).

Theoretically, the result of the integration project between IASB and FASB regarding the construction of a theoretical framework for creating and demonstrating financial reporting are products of a problem that has been argued positively, from identifying how to approach, purpose, quality characteristics, to the rules affecting the preparation and presentation of financial reporting.

Practically, International Financial Reporting Standards are in the innovating process to head towards becoming a high-quality set of International Accounting Standards to accommodate the needs of the market in the economic integration condition. Also, IFRS is currently being widely used all over the world by the USA, Malaysia, Australia, China, Japan and can be applied like a national standard, providing directions for preparing national standards or applying for companies listed on the stock market. Benefits of the global accounting integration include enabling information on financial reporting to be compared across borders, and reducing the cost pressure related to financial documents in companies belonging to different financial markets by applying a common accounting system, as well as assisting investors to invest and set up foreign business establishments. The number of countries applying IFRS is constantly increasing.

In Vietnam, after more than 35 years since reunification, the system of accounting and business financial reporting is currently being suitable to the direction to approach international practices based on the actual background of Vietnam, as a result, it is being quite innovative, complete and systematic. However, in the period where the international integration process regarding the economy and accounting is going strong as current, the usefulness of accounting information is not limited to the national scale, but the quality standards and publishing information of financial reporting have to be approached according to international practices; the current financial reporting system has revealed unresolved instances, from particular issues like measuring, recording, to solidifying scientific arguments to create a solid and stable background for the enactment of accounting standards and the evaluation of financial reporting quality. The assessment basis, and the quality characteristics of financial reporting are not fully regulated, inconsistent, not matching the International Accounting Standards and practices; the financial reporting system is stiff, inflexible; some parts or sections in the reporting system are incomplete, or not yet suiting the International Accounting Standards and practices, not mentioning or providing rules for the recording and reporting the intellectual resources, corporate social responsibility...

Therefore, the application of IFRS is considered an accounting revolution all over the world, and has officially taken effect from 1/1/2005. The benefits of applying IFRS are abundant, but utilizing it is actually a challenge for businesses nowadays. Thus, Vietnam needs to provide a suitable roadmap to gradually move towards full application of IFRS. Apart from that, the consultation and experience accumulation from nations as well as the support from IASB along with experts from international and occupational organization are also needed.

2. Overview of International Financial Reporting Standards (IFRS)

The trend of economic globalization requires quality information that can be compared in an international scope, a business language needs to be set up by the construction of the system of high-quality global standards to meet the international capital market. This integration process has obtained significant achievements, including the approval to apply the international standards of the European Union since 2005. However, this process also caused much debate and thus the study has been expanded to many countries by comparing between countries or focusing on one country through various timelines to assess the level as well as integration methods of countries. Countries of the European Union, or emerging markets such as China, India ... continue to be meticulously observed by the research in this period (Peng et al., 2008; Verriest et al, 2011; Ramanna, 2011). Besides, many other Asian countries are also considered regarding the extent and the technique of integration such as Malaysia (Laili, 2008), Indonesia (Lasmin, 2011a), Singapore (Carlin et al, 2010)

International Accounting Standards (IAS) were established and developed from the early 1970s until 2000 by International Accounting Standards Committee (IASC). In 2001, International Accounting Standards Board (IASB) was established based on the platform of the International Accounting Standards Committee (IASC) but with a tighter and more independent organizational structure. The goal of the IASB is forming a system of accounting

standards that is easy to understand and can be applied all over the world to serve a common benefit toward financial reporting quality; and requesting information on financial reports to be clear and comparable in order to help participants and various capital markets around the world as well as the people using the information to make economic decisions. With that goal, IASB has built International Financial Reporting Standards (IFRS) with the aim to gradually replace IAS to accommodate new changes, and to keep up with new situations when the financial economic environment as well as the operation of businesses appear to transform and new activities arise. New standards were gradually improved until 2005 when the European Union Parliament specified IFRS as the accounting standards for limited joint stock enterprises in countries of the European Union and have been accepted all over the world. By the end of 2016, 43 IAS and 16 IFRS have been released.

In the world, financial reporting systems received attention of both researchers and accounting practitioners. There have been many studies related to financial reporting systems such as:

Jones and Belkaoui (2010) states that the use of IAS/IFRS can help improve the comparability of financial reporting information and thus reduce the costs and risks of using information from investors.

Francis et al (2012) believe that the harmony in accounting facilitates buying, selling and merging activities in countries, especially after the process of applying IAS/IFRS in the European Union since 2005

Research of Prather Kinsey (2006) indicates that the IAS/IFRS were basically built according to the model of Anglo-America, so they may not suit developing countries whose cultures and financial environments differ greatly from those of developed countries.

The research of financial reporting systems in Vietnamese business is one of the issues received the attention of policy makers, professionals, scientists, accounting practitioners and researchers as well as enterprises concerning about research and products that have been announced in journals, or many researches with different levels, ranging from PhD dissertation to MBA's thesis.

Each study refers to one or a number of different approaching aspects but often only focus on the preparation and presentation of information in financial reporting; and pay less attention to the development of reflecting indicators on the financial reporting system. There have been many studies in the country related to the financial reporting system such as:

The experimental study initially evaluated Vietnamese accounting system as well as the degree of integration of the accounting standards of Vietnam. R. Micheline & Cong Phuong Nguyen (2007) and Lisa Nguyen et al (2012) conducted research on the statements of different subjects regarding Vietnamese accounting system after a number of accounting standards of Vietnam were published. Pham Hoai Huong (2010), Hoai Huong Pham et al (2011) measured the level of harmonization of Vietnam accounting standards againsts international standards.

Other studies focus on reviewing the relationship between the process of economic reform in Vietnam and the innovation of Vietnam's accounting to determine the results achieved as well as obstacles to the process of accounting integration (Nguyen Cong Khoi Nguyen Dinh Phuong and Tran, 2012, Nguyen Cong Phuong & Jacques Richard, 2011). Some studies considered the situation and offered solutions to the process of integration/convergence of Vietnamese accounting (Vu Huu Duc & Trinh Quoc Viet, 2008; Dao Xuan Tien, 2008; Dang Thai Hung, 2008). Besides, a number of studies in the dissertation, thesis also mentioned the solutions and some proposals to direct Vietnam toward convergence.

Research by Nguyen Phuc Sinh (2008) has approached the ideas of the financial reporting system of corporates of IASB, FASB to provide solutions to improve the usefulness of the financial reporting system of Vietnamese corporates.

Research by Nguyen Thi Kim Cuc (2009) has identified the legal framework for the preparation and presentation of financial statements of enterprises, which is compatible with the size and organizational structure of different enterprise demonstrations

Nguyen Dinh Hung (2010) mentioned the transparent control of financial information published by listed companies in Vietnam

These studies have assessed the situation and proposed the issue as well as measures to enhance the usefulness of the financial reporting system of corporates in Vietnam, on the basis of using and integrating with international accounting standards. However, those studies have not clarified limitations regarding scientific arguments and experience for the publication of accounting standards, accounting regulations, policies in terms of content and quality evaluation of financial reporting based on the application of accounting standards and international practices

3. Overview of International Financial Reporting Standards (IFRS)

The International Financial Reporting Standards issued by the IASB consists of three main parts:

- Theoretical framework for Financial Reporting
- International Financial Reporting Standards
- Instructions for the explanation of standards

The conceptual Framework was approved by the IASB and released in 9/2010, replacing the Framework in 2001. Conceptual Framework stated basic concepts for the preparation and presentation of financial statements for external users. The main purpose of the conceptual Framework is to support the IASB, in the development of international financial reporting standards in the future and considering the existing standards, promoting the harmonization of standards, guidelines and procedures related to the preparation and presentation of financial statements

Instructions to explain standards (IFRIC/SIC) were built by the International Financial Reporting Guidelines Committee, which were then carried out for public opinions and feedback and afterward were sent by IFRIC to IASB for assessment and standardization to become the official guidelines and explanation.

4. Roadmap - Experience of Applying IFRS in Some Countries in the World

4.1 Overview of the Application Situation of IFRS in Some Countries around the World

Currently, 131/143 (93%) Countries and territories have had official statements on the application of IFRS with different forms. Out of which, there were 119/143 (83.2%) countries and territories having mandatory requirements and use of standards from IFRS for all or most of the public interest units in the country. In Europe, 31 countries and five territories have applied complete use of IFRS

Those who support the view of harmony in international accounting policies state that a set of common accounting standards will ensure that the transaction is treated the same and the information in the financial statement can be compared on a global scale. However, the consistent application of general standards of accounting on a global scale is a massive challenge as the operation of enterprises in the economic environment, politics, the culture has many gaps. Because of this, IFRS can be applied in different ways. Currently, the countries in the world use IFRS as one of the four following models:

- (1) Apply 100% of the IAS / IFRS, not amended and supplemented, if standards are not applicable, the country will develop its own standards (South Africa, Switzerland, Mongolia, ...);
- (2) Apply 100% of the IAS / IFRS, but may have an appendix that can add or subtract to each standard some considerations for modification (Singapore, Malaysia, ...);
- (3) Applying selective content of the qualification, with amendments and supplements to a number of points to match the characteristics of the national economy and at the same time issuing national VAS (France, Germany, Belgium, Britain, ...);
- (4) Not applying international accounting standards (Thailand, China, Bolivia, ...).

According to World Bank, countries should give priority to accept IFRS rather than build the accounting practices in accordance with the conditions of each country, because these standards are internationally accepted and have the flexibility towards the consolidation of the best practices in the world. Over the years, the World Bank also accept IFRS as the basis for the presentation of the financial statements submitted by customers using loans and bank credit.

Table 1. Summary of information from a number of countries in the world

Country	Japan	China	Korea	Malaysia	America
Form of application	Voluntarily	Completely agreed	In accordance with the translation	Applied with limited changes	Voluntarily (Foreign publishers)
Date of application	2009	2007	2011 (+ early application)	2012	2008
Scope	Mostly listed companies	Listed companies, controlled units	Listed companies, financial organizations	All, apart from private business units	Foreign publishers
The number of companies that are applicable subjects	200	Data - not yet available	2.000	Data - not yet available	500
IFRS modification	Assigned IFRS	Modified	Unmodified	Unmodified	Unmodified

(Source: Data are processed by authors)

4.2 Roadmap – Experience on the Application of IFRS in Some Countries in the World

The roadmap for the application of IFRS (or equivalent standards) differs greatly in each country, depending on the practical condition of countries, and plans must be made cautiously before applying.

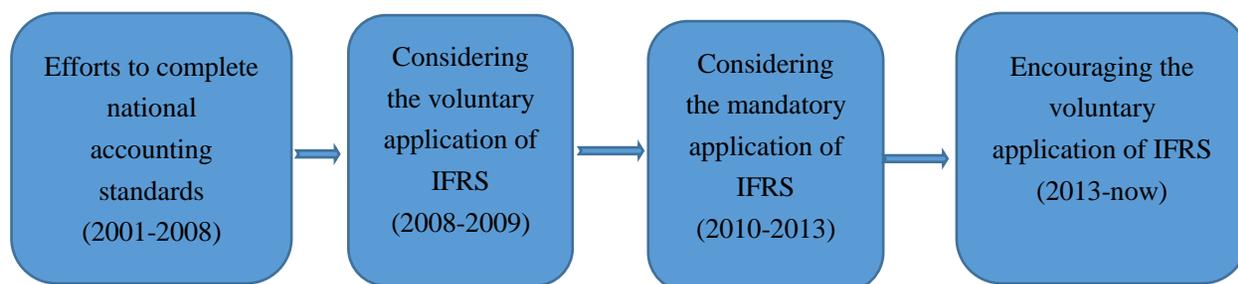
* **Japan**

In Japan, each different type of company shall be dominated by different types of legal framework, which are specified as follows:

- For the public company is the dominant of Securities Code and Financial Instruments. The system provides financial reporting in order to offer the relevant information for investors to make decisions
- For all the company is the corporate law. The system provides financial reporting in order to offer the relevant information to the owner to perform the explanation responsibility of management. At the same time, the system offers relevant information for creditors to assess the feasibility of contractual relations (including the ability to pay the debt of a business)

Therefore, the roadmap for the application of IFRS of Japan was built through the following 4 stages:

Table 2. History of accounting standards and the applicable IFRS roadmap of Japan



Stage 1 (2001 - 2008): Japan is increasingly putting efforts into completing National accounting standards.

Since 1997, Japanese government made the decision on the basic policy of Japanese Financial Big Bang, trying to sweep away the lack of transparency that has been said to characterize the Tokyo market and to improve the globalization by a constant devotion to global standards instead of a focus on domestic logic. In the following ten years, Japan has conducted extensive reforms in its accounting system and commercial code towards the International standards, which is well known as “Accounting Big Bang”. By these reforms, Japanese accounting becomes quite

similar to the IAS / IFRS. Notwithstanding, there are still some difference left in specific accounting standards. However, since there was a lack of a clear strategy about the structuring of the accounting system, the regulator's opinion about IAS/IFRS adoption kept changing.

In July/2001, ASBJ was established under FASF as a facility meant for setting up accounting standards for enterprises under the private sector with a view to contributing to the construction of effective financial reporting system in Japan and developing the stock market through:

- Conducting research and developing accounting standards
- Conducting research on other information announcing systems
- Contributing to the development of international accounting standards

Since established, ASBJ has been working as an instrument that develops Japanese accounting standards and contributes to the development of international accounting standards through the launch of a collaborative project with IASB to promote the unity of accounting standards on an international scale.

In 2002 and 2003, Japanese Financial Services Agency, the Ministry of Justice and Nippon Keidanren¹ expressed negative opinion towards the adoption of IAS. In contrast, there appeared an international trend of convergence with IFRS during that time and this trend spread since then. On 29 October 2002, the International Accounting Standards Board and the US Financial Accounting Standards Board jointly issued a memorandum of understanding formalizing their commitment to the convergence of US and international accounting standards. Moreover, in the following year 2005 which might be seen as the beginning of a new era for financial reporting, International Accounting Standards (IAS)/ International Financial Reporting Standards(IFRS) were required to be applied in EU countries. Then in this trend, in Japan on March 2005, a joint project on the convergence of Japanese GAAP and IFRS was established to analyze and discuss the equivalent of Japanese GAAP and IFRS (Koga and Rimmel 2006). Nippon Keidanren changed its opinion in favor of convergence with IAS in 2006, 3 years after they expressed negative opinion towards adoption. But there was still no real progress. In 2007, the publication of SEC's *Concept Release on Allowing U.S Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards (the Concept Release)* and its proposal, *Acceptance from Foreign Private Issuers of Financial Statements prepared in accordance with International Financial Reporting Standards without Reconciliation to US GAAP*, made Japan find itself dropping out in the global trend. Therefore, generally speaking, after the Big Bang, Japan seems lagged behind compared with its European and US counterparts in converging with IAS / IFRS. The changing opinion of the regulators seems to be caused by external influences of international trend and the lack of strategy based on comprehensive understanding of the state of Japanese company, its accounting environment

Stage 2 (2008 - 2009): Japan considered applying IFRS.

In this stage, FSA demanded BAC (Business Accounting Committee – a consulting organization for FSA commissioners) to consider whether the use of IFRS needed to be permitted or became mandatory for listed companies of Japan or not and what would happen if the answer were yes.

Until 6/2009, BAC published the report that proposed the following issues:

- Permitting the voluntary use of IFRS for consolidated financial statements of listed companies that met both of the following requirements:
 - + Ensuring a system and thorough guidance to report in accordance with IFRS
 - + Participating in financial activities or international business
- Considering the mandatory use of IFRS for consolidated financial statements of listed companies around 2012
- Urging ASBJ to put increasing efforts to promote the unity of accounting standards on a national scale

At the same time, BAC pointed out the following issues as reasons why a roadmap to the application of IFRS is necessary:

- Improving the ability to compare financial information in integrating capital markets
- Chances for a capital cost reduction for companies
- The usefulness of managing the enterprise compared to foreign branches
- The same language to foreign companies regarding the relationship with auditors

However, documents by BAC also recorded the challenges in widening the application of IFRS, including the quality of IFRS translation as well as legal formalities in the development of IFRS, and the training and lecturing about IFRS for related parties (investors, financial reporters, auditors, managing facilities, educational organizations, stock exchange) to reduce converting costs.

Stage 3 (2010 - 2013): Japan considered the mandatory application of IFRS.

After FSA has permitted the application of IFRS for listed companies within the nation, the number of enterprises willing to apply voluntarily increased. However, after careful considerations, SEC of the USA has withdrawn the document drafting the roadmap to the application of IFRS for companies in the USA. Given these circumstances, BAC has organized several meetings to consider whether to require Japan's listed companies to apply IFRS or not, and how would the requirements be if the answer were yes. After careful considerations, BAC found it difficult to reach consensus regarding mandatory application, for the following reasons:

Vague benefits of mandatory application of IFRS; possible negative effects on business deals; quality of IFRS; difficulties in changing related systems (including taxation systems) to match IFRS

Therefore, 6/2013, BAC proposed the implementation of solutions to promote the voluntary application of IFRS instead of being mandatory. At the same time, a set of standards was developed according to a stricter screening process by maintaining the original IFRS for voluntary use, while simplifying non-consolidated financial statements.

Stage 4 (2013 - Now): Japan promotes the voluntary application of IFRS.

According to the proposal of BAC in 6/2015, ASBJ has developed the initial JMIS with characteristics including following a stricter set of national legal formalities; and was developed under the policy to minimize the difference compared to IFRS.

However, because of the difference in the ideas between accounting standards J-GAAP and IFRS, JMIS was adjusted according to IFRS in terms of the aspects of requiring the reuse of absolute income that was differently accumulated; requiring the distribution of financial benefits. Nevertheless, JMIS has not been used by any company after being built by ASBJ.

Hence, according to the FSA's report, following were cited as major reasons for decision to voluntary application of IFRSs, include: Facilitate more effective group management by measuring performance using the same benchmark; Better communication with investors by increased comparability of financial information of competitors

* **China**

In 6/2005, China has agreed with IASB regarding an action plan to achieve a high-quality system of accounting standards. In 11/2005, China Accounting Standards Committee (CASC) and IASB have successfully organized a meeting with regards to the convergence of accounting standards.

In 2/2006, China has published the Business accounting standards, often known as the new GAAP of China (New PRC GAAP). The new GAAP of China basically unifies with IFRS but not directly applies (China has used the method "uniformly" instead of the "application" method). However, China has considered practical financial environments, legal and cultural systems, the observation and ability of accountants and people using financial statements in China.

The new GAAP of China has become a mandatory application for listed companies, insurance companies, stock companies, public enterprises with a large scale, financial organizations in the field of banking and fund management companies.

In the period before 2008, China had a policy that required financial organizations to create financial statements according to IFRS to supplement financial statements in accordance with CASC. Since 2008, this requirement has been cancelled, instead, companies in China had to publish financial statements according to IFRS if listed on both Chinese stock markets that published the "B" type of shares (these shares are dealt in USD and are purchased by foreign investors); there were 110 belonging to this category, meanwhile, there were 1.100 companies publishing the "A" type of shares (shares that are sold by Yuan and are purchased by Chinese investors) that applied CAS (*Pacter, 2005*).

In 4/2010, China Ministry of Finance has published the roadmap to continue converging ASBE with IFRS. In fact, ASBE in general has not yet reached the quality of IFRS.

On 18/11/2015, The IFRS Foundation and China Ministry of Finance announced the establishment of a collaborative group to identify solutions and stages to promote the application of IFRS in China.

The Ministry of Finance, the organization that published CAS, is continuing to adjust CASC towards the compatibility with IFRS. However, this organization has not informed of any plans to apply IFRS directly in China. Therefore, in China, the application of IFRS is conducted through the process of publishing and combining into the national system of accounting standards. China has yet to permit the direct application of IFRS to create financial statements.

Table 3. The history of the formation of accounting standards and the roadmap to apply IFRS of China

Year	Main event
2005	CASC and IASB generally announced the confirmation of unified results
2006	The Ministry of Finance published the new GAAP of China, including basic standards and 38 specific standards
2007	The new GAAP of China was applied from 1/1/2007, with a gradually widening scope of application (The government has determined that enterprises have a year to conduct application research)
2010	The Ministry of Finance has published a continuously unified roadmap between the new GAAP of China and IFRS, in which specifies: - China will catch up with the development and adjustments of IFRS and the plan to modify the new GAAP of China will be ensured to be compatible with the roadmap of IASB
2015	The Ministry of Finance and the IFRS fund have generally announced to reaffirm objectives to completely unify

(Source: Data are processed by authors)

In China, companies operating in the mainland must apply the national accounting standards of China (ASBE) so there is not a specific subject that has to apply IFRS and IFRS standards for the creation of consolidated financial statements or individual financial statements. ASBE is basically built based on the convergence with IFRS.

Companies in China that have stock deals at the Stock Exchange of HongKong can choose IFRS, financial reporting standards of HongKong-HKFRS or ASBE to assist HongKong investors. Aside from these financial statements, financial statements that are created according to ASBE are published in mainland China.

During the application of the new GAAP, China has met various practical challenges when transforming. To resolve challenges and obstacles, China has implemented the following steps to handle practical challenges:

- Set up the working group of the Chinese Accounting Standards Committee to discuss practical issues encountered
- Conducted on-site investigation and research on issues identified in the analysis of annual reports of listed companies
- Organized trainings on New PRC GAAP to accounting staff
- Strengthened the coordination and cooperation between the MOF and other authorities and regulators for securities, banking, insurance, auditing and state-owned assets

* South Korea

In 3/2007, South Korea Financial Supervisory Committee and Korea Accounting Institute have announced a roadmap for the inclusion of IFRS into the template system of national financial reporting (often known as Korea IFRS or K-IFRS). K-IFRS was translated from IFRS, although it was translated to ensure utmost legibility in the language contexts of South Korea instead of precise translations from IASB. The translation chooses commonly or even daily used words and phrases in South Korean as much as possible and avoids foreign languages or foreign infused language. At the same time, the translation process with maximizing the use of active sentences and minimizing passive sentences, avoiding double negative sentences. Unless the IFRS translation does not express accurately the content, the word-by-word method is applied.

In 2009, South Korea permitted listed companies to apply IFRS, except financial organizations.

From 2011 until now, all listed companies, financial organizations, public enterprises and other units having public interests are subjects of mandatory application of IFRS.

Table 4. The history of the formation of accounting standards and the roadmap to apply IFRS of South Korea

Year	Main event
2007	Publication of IFRS roadmap, completion of K-IFRS
2008	K-IFRS operational organization was established, and the translation explaining IFRS was completed
2009	Law and related policies were adjusted to ensure the implementation of K-IFRS. Initial consolidated financial statements in accordance with K-IFRS were published by early applicators. The set of accounting standards applied for private businesses was published.
2010	Consolidated financial statements in accordance with K-IFRS were published by early applicators.
2011	The application of K-IFRS became mandatory for all listed companies. A set of accounting standards for private businesses was enacted.
2012	Related regulations were adjusted based on experience
2013	Mid-term consolidated financial statements based on K-IFRS were published

(Source: Data are processed by authors)

All other non-listed companies do not have to apply GAAP of South Korea if voluntarily apply IFRS.

Foreign companies listed in Korean market can choose either IFRS, K-IFRS or US GAAP.

Subjects to apply K-IFRS are required both consolidated and individual financial statements. Subjects applying IFRS for listing purposes like foreign companies listed in South Korea are only required consolidated financial statements.

The application of K-IFRS in Korea has to face challenges in practice with the following specific subjects:

To people using financial statements: When applying K-IFRS, there is a lack in comparing financial information in financial statements when converting. Therefore, KASB has documented guidelines for the presentation of information

To people creating financial statements: Having to increase information presentation content. At the same time, the creation of financial statements needs to be based on reasonable value measurements

To auditors: The quantity and expertise of auditors that meet the requirements of K-IFRS are still limited. Apart from that, there is a lack in experts in measuring rational values for financial tools

* Malaysia

In 2008, Malaysia Accounting Standards Boards (MASB) officially stated the approval of IFRS, estimating that the plan will be completed by (Hanefah, 2012). Since then, MASB and Malaysia Institute of Accounting (MIA) have done many steps to prepare for the implementation process of IFRS like training the force of accountants and auditors with knowledge of IFRS to ensure a successful process of applying IFRS. On 19/11/2011, MASB published the third frame of accounting standards in accordance with IFRS but several adjustments have been made to suit Malaysia's distinctive characteristics and it was named Malaysia Financial Reporting Standards (MFRS), beginning to be applied from 01/01/2012. The publication of MFRS has indicated Malaysia's commitment in the process of accepting IFRS and MFRS became reliable standards in instructing listed companies to create financial statements in accordance with IFRS.

Companies in Malaysia operate based on a set of 3 accounting frameworks.

The first is the old framework of Financial Reporting Standards (FRS), published based on IAS,

The second is the framework of reporting for private entity (Private Entity Reporting Standards framework – PERS)

And lastly is the Malaysia Financial Reporting Standards (MFRS). These frameworks were published by MASB and applied by organizations in Malaysia depending on each type of organization.

PERS is only applied by private companies, except for transforming companies, which are private companies in the fields of agriculture, real estate belonging to the modifying scope of MFRS 141, which is equivalent to IAS 41 and IC Interpretation 15 equivalent to IFRIC 15. Private companies according to the definition of the Malaysia Committee of accounting standards are businesses operating in accordance with the Company Law 1965, not having to prepare and publish financial statements according to Laws by Malaysia Securities Commission or the Bank of Negara Malaysia. Private companies are not subsidiaries, joint venture companies controlled by other companies must prepare and publish financial statements according to Laws by Malaysia Securities Commission or the Bank of Negara Malaysia.

However, from 01/01/2013 onward, these transforming companies are forced to change into MFRS. Malaysia does not require IFRS for SMEs as there were not enough resources for implementation. MFRS are applied for all types of companies, except private ones.

MASB along with the assistant of Asia- Oceanic Standards Setters Group -AOSSG made it easier for the roadmap of accepting IFRS after organizing many workshops and sharing experience of groups of countries “not following IFRS” and “following IFRS” like the application experience of Australia in 2005, of New Zealand in 2007 and of Korea in 2011, becoming the basis for the development of MFRS. Although the application process of IFRS of Malaysia is slower and steadier than those of countries applying IFRS quickly like Australia or Hongkong, Malaysia’s accounting standards completely adhere to IFRS.

During the process of accepting IFRS, Malaysia met many challenges like the collection, preparation, presentation of information, making more costs arising than benefits. Malaysia has been and is performing slow steps and following the right direction on the road to apply IFRS, when inheriting and building policies for strong national accounting, and at the same time improving education, training the workforce in the accounting field, promoting the development of business as well as accounting associations, becoming an essential key to the process of complete acceptance of IFRS

Table 5. The history of the formation of accounting standards and the roadmap to apply IFRS of Malaysia

Year	Main event
1997	Parliamentary Law established MASB (Malaysia Accounting Standards Board), and simultaneously gave MASB the function to make adjustments to all companies, The regulations of standards were built based on the standards of IASB along with supplementary instructions
2005-2007	Standards of MASB were renamed as FRS and these standards were adjusted to become almost exactly like standards of IASB
2008	Agreed plans with IFRS were announced prior to 1/1/2012. At the same time, MASB published new standards, modifications and explanation so that standards of Malaysia become suitable or minimize the gap with IFRS
2009	MASB established the collaborative group of uniforming standards
2010	IAS 39 was applied like FRS 139. MASB published the guideline demonstrating the information about changing into IFRS
2012	Completely agreed with IFRS, except for transforming and private units. The application of IFRS was not a big challenge because accounting standards of Malaysia were almost identical to those of IFRS so they did not face difficulties

(Source: Data are processed by authors)

* The USA

The USA is a country with a strong economy and having a significant impact on global economy, therefore, the USA wants to establish high-quality international accounting standards, hence the ability for information to be compared on financial statements between countries and the USA. Since 2002, the Norway agreement was signed between IASB and the Financial Accounting Standards Board of America (FASB), aiming to collaboratively build international accounting standards for countries to apply. In the USA, companies create financial statements in accordance with accounting standards of the USA (US GAAP), published by FASB. Besides, listed companies have to provide information required by Securities Commission of America (SEC). At the moment, the USA has not had policies requiring financial statements to be created in accordance with IFRS for domestic companies, and foreign private companies are permitted to apply IFRS to create financial statements.

In 11/2008, SEC published the document drafting the roadmap to merge IFRS. Until 2/2010, SEC reaffirmed the commitment toward a system of global accounting standards and provided action plans, which identified 6 aspects needing considerations so that SEC can combine IFRS into financial statements of the USA to fully develop IFRS to apply for domestic reporting system; the independence of the organization publishing standards for the benefits of investors; the perception of investors about IFRS; regulatory environment; influences of organizations publishing regulations; and human resources. However, by 7/2012, SEC still has not made decisions about merging IFRS into the system of financial reporting of the USA (SEC, 2008), (SEC, 2010). Recently, SEC has published the document drafting strategies for the period of 2014 - 2018 which states the objective of achieving higher quality accounting

standards that could be applied globally with many suggestions carried out to obtain that objective but SEC did not specifically mention the application of IFRS (SEC, 2012), (SEC, 2014).

The plan to merge accounting standards between IASB and FASB has resulted in new IFRS being published and the change in the policies of FASB, which most recently is the instruction to record revenue combining IFRS15 that was published in 5/2014 and enacted from 1/1/2017. However, after the announcement of IFRS 15, the plan to merge the standard of financial tools, renting property and some other contents have been ceased. The slow application of IFRS in the USA could be attributed to many reasons like the lack of harmony between IASB and FASB, as SEC focused on publishing more necessary laws, as well as the fact that the instant application of IFRS would not suit other policies regarding the creation of financial statements in other capital markets.

Although IASB and FASB showed goodwill of merging US GAAP and IFRS, not having a clear roadmap and the USA has not confirmed to merge with IFRS made the working plans between IASB and FASB become ceased after certain results have been obtained, showing several problems need solving for the merge of accounting standards of the USA and IFRS.

Table 6. The history of the formation of accounting standards and the roadmap to apply IFRS of the USA

Year	Main event
2002	“Norwalk Agreement” was signed between FASB and IASB with a view to building a set of high-quality accounting standards that could be widely accepted on a global scale
2006	Roadmap and Memorandum of understanding between FASB and IASB were published
2007	SEC announced the end of the process of unifying GAAP of America for foreign private publishers
2008	SEC began to conduct research on whether to require or permit the application of IFRS for domestic publishers
2011	HR records of SEC named “Plan to consider merging IFRS into the system of financial reporting applied for American publishers”, which studies possible merging methods was published
2012	HR records of SEC named “Final HR reports about the plan to consider merging IFRS with the system of financial reporting applied for publishers of the USA” was published

(Source: Data are processed by authors)

Through researching the aforementioned countries, the process of applying IFRS in countries occurred quite strongly. This process happens according to one of the following main models:

Model 1: Full application of IFRS, insignificant changes. The representative for this model is Malaysia. In this country, IFRS was minimally adjusted when the national system of financial reporting standards was established

Model 2: Countries moving from a centrally-planned economy to a market economy like China have used IFRS as the main basis to build their own system of financial reporting standards. The influence of IFRS is similar like countries following the first model, however, these countries do not fully but partially apply and make modifications or adjustments to suit their country

Model 3: Applied in countries where the system of accounting standards was established before the setup of IAS, so they only need to change to merge with IFRS. This is the situation of developed countries, with a long-standing economy

The application process of IFRS in countries indicates that: Integrating IFRS is an indispensable objective trend. Full application of IFRS for a country is not an easy problem. It is not simply using IFRS as a whole, but the problem is whether they apply in practical conditions. Depending on the circumstances in each country, merging IFRS requires a certain roadmap.

5. Orientation and Roadmap for the Application of IFRS of Vietnam

Vietnam is a developing country, in which the market economy is still relatively young. Vietnam's financial markets in recent years have changed, especially the fact that the stock market has made certain progress, but the level of development and the scale is relatively limited. Vietnam's legal system is based on law dictionary. Therefore, the government plays a decisive role in the National Accounting System. Taxes and fiscal policy still has certain influence on accounting. In terms of culture, Vietnam was greatly influenced by the Asian culture, to a certain extent, prudence, complying to regulations are enhanced, limiting judgment-related issues,

From the characteristics of models, the experience of nations as researched above, as well as characteristics of environmental factors, the authors found Vietnam should choose model 2 in determining the methods and integration roadmap with IFRS. When applying this model, Vietnam should identify objectives, direction and specific itinerary as follows:

5.1 Objectives and Perspectives Oriented

Based on the roadmap and the experience from applying IFRS of some countries in the world, Vietnam has the overall objective to overcome the shortcomings and limitations of the Vietnam Accounting Standards (VAS), to complete the legal framework of accounting. At the same time, to enhance the transparency of useful financial information, as well as the accountability of enterprises, to meet the needs of Vietnam enterprises to gain access to capital and to be listed on the international market, from which Vietnam is recognized as a full market economy.

Apart from general objectives, Vietnam should have the following specific objectives:

To construct plans, roadmaps, as well as methods to apply accounting standards for specific target groups in Vietnam

Building a system of Vietnamese financial reporting standards (VFRS) in accordance with IFRS. At the same time, updating Vietnam's current system of accounting standards and issuing a number of new accounting standards that Vietnam's system has not had yet according to IFRS/IAS while taking into considerations specific conditions of Vietnam

Identify the differences between IFRS and VAS, the differences between the accounting standards for financial mechanisms and tax policies of Vietnam to clarify the limited scope of application of accounting standards, the financial mechanism and tax policies

Vietnam's system of financial reporting standards (VFRS): VFRS is almost the prototype of IFRS, applying as a mandatory for listed companies, unlisted units operating on a wide scope with great public benefits, public enterprises and other entities wishing to voluntarily apply

The system of Vietnam Accounting Standards (VAS or Viet GAAP): Applying to businesses not subjected to mandatory or voluntary application of VFRS. It is a standardized system built towards matching VFRS but simpler, more customized content to suit the characteristics and capabilities of businesses.

5.2 Roadmap and Plans to Apply VFRS

* Subjects and scope of application

Mandatory subjects: listed companies, unlisted units operating on a wide scope with great public benefits as prescribed by law (such as banks, insurance companies, security firms and other financial institutions) and public enterprises.

Voluntary subjects: All remaining entities not belonging to the list of mandatory subjects, if necessarily and voluntarily apply VFRS is adopted for the preparation and presentation of financial statements of independent enterprises, both individual financial statements and the consolidated financial statements with the parent company

* Methods and roadmap for application

Currently, according to the Department of Accounting and Auditing Regime – Ministry of Finance is beginning the Accounting-Auditing project until 2020, visioning 2030. Therefore, the development and completion of the scope of law about Financial Reporting standards in Vietnam is one of the major and urgent missions that need to be started early to meet the requirements of the business in the new stage. In order to do this, the Ministry of Finance is establishing a project to bring IFRS to Vietnam and update and publish VFRS. Accordingly, the roadmap for the application of VFRS is as follow:

Table 7. Stages of application



Period between 2018 – 2020:

- Choosing several IFRS (around 10-20 IFRS) that are simple and suitable with Vietnam's practical conditions and establishing compliance, application for all units with public benefits from 2020. Several units will be chosen as pioneers to apply in 2019.

- Establishing guidelines for the application of IFRS.

- Continuing to promote and train VFRS for enterprises, auditing companies, universities.

Period between 2020 – 2023:

- Continuing to announce, comply with additional VFRS (predicting to increase the number of VFRS complied to 30).

- Encouraging units without public benefits but are qualified and willing to create and present financial statements according to VFRS.

- Continuing to build guidelines for the application of VFRS.

- Continuing to support enterprises in beginning to apply, universities in training VFRS.

Period between 2023 – 2025:

- Declaring full compliance to VFRS.

- Continuing to support enterprises and universities, finishing the construction of guidelines for the application of IFRS and make changes, additions and annual updates according to international changes.

Based on the above roadmap for the application of VFRS of the Ministry of Finance, it is predicted to be a long way, with many preparations to make, various challenges and obstacles to overcome with the government, the enterprises community and accountants and auditors, but the advantages to the economy are significant. Therefore, individual workers, enterprise owners and authorities need to support and cooperate to establish the system of creating and presenting international financial statements effectively in accordance with the roadmap

VFRS will be applied uniformly for all accounting standards at the same time. At the latest, VFRS should be applied for financial reporting by 01.01.2025. The Ministry of Finance should consider actual situations to determine the time for each specific target group to apply VFRS mandatorily. The Finance Department should issue standards and guidelines for application no later than 31/12/2022 to ensure subjects applying VFRS have at least 24 months to prepare

Businesses with the ability and the need to apply VFRS can register with the Ministry of Finance for pilot application before officially applying VFRS for other units. Given the circumstance, the unit has to establish only one set of financial reports according to VFRS.

6. Conclusions

Applying IFRS in Vietnam is truly a challenge for enterprises and policy makers. According to Mr. Ged Allen, a senior consultant of PWC said: "The fact that Vietnam has carried out a roadmap for the application of IFRS indicated that Vietnam had effectively integrated and was having an appropriate direction regarding in particular the markets in South East Asia and the international market in general. However, that also creates challenges and many issues to handle to fully benefit from IFRS". Specifically, due to many reasons, the application of IFRS in Vietnam suffered from various difficulties and certain challenges.

Firstly, the application of IFRS requires managers, accountants and users to experience training and have suitable level of expertise. IFRS are considered very complicated and are even sophisticated to experts in the field of Finance and Accounting and the auditing team. Additionally, to most of the people using financial statements, it is not simple and easy to understand thoroughly the accounting information and policies on financial statements created and presented with IFRS. As a whole, the practical situation of knowledge and experience of most people working in the accounting field in Vietnam are still limited. This fact can be attributed to the reason that the training system in Vietnam is still outdated and not able to catch up with the levels of countries in the world. Besides, in Vietnam, there still exists a generation of accountants and senior management team that were trained in the centralized bureaucracy. They are too used to the old system of accounting and are greatly influenced by principles and guidelines that are too cautious, conservative and limiting the element of activeness in coming up with related decisions. Therefore, they will face many difficulties when familiarizing and practicing with new methods of accounting in the market economy. Apart from that, when applying IFRS, the uncertainty is very high because it uses many accounting estimations and requires flexibility as well as necessary professional judgments.

Some examples would be concepts about reasonable values and financial tools, while Vietnamese accountants are affected by the rigid frame and always limiting risks and uncertainty. This led to the professional ability of Vietnamese, including the accounting profession, is much lower compared to those of developed countries.

Secondly, International Financial Reporting Standards – the ultimate trend of enterprises, public companies when Vietnamese enterprises are integrating financially

In the past 10 years, the application of IFRS has rapidly progressed and commonly applied all around the world.

Through the consideration of IASB, 131/140 countries surveyed have required listed companies to apply IFRS. Most of the remaining countries have allowed the application of IFRS. All countries or organizations having significant impact on the world's economy like G20, World Bank, IMF, FSB and IOSCO encourage and support the global application of IFRS.

As for Vietnam currently, financial statements of enterprises are in accordance with Vietnam Accounting Standards (VAS) published by the Ministry of Finance in 5 periods from 2001 to 2005 with 26 standards. VAS were built based on IAS/IFRS according to the principles of selective application for international policies, suitable to the characteristics of the economy and the level of management of enterprises in Vietnam at the publication time of the standards.

Basically, it is impossible to deny positive effects of VAS in the previous period. However, with the change in economic institutions in the country as well as changes in the system of IFRS in the current period, VAS has exposed many problems, especially those trading economy new markets arising but have not been adequately addressed by VAS, such as the recognition and evaluation of assets and liabilities according to fair value, recorded losses of assets and the accounting of financial instruments derivatives for commercial purposes business and risk prevention ... no specific guidance.

In the context of the economy is in the process of integrating more deeply with the region and the world, to improve the business environment, sustainable development, support the stock market, protect investors and attract foreign investment, the Government has requested to enhance the transparency of financial information. On the other hand, to have access to capital flows on international markets, listed on overseas markets, the requirement to create financial statements under IFRS is becoming increasing demands urgent and inevitable trend of corporations as well as public companies.

Implementing the guidelines of the Government and to meet actual requirements, 2014, the Ministry of Finance has issued accounting regime now under Circular No. 200/2014 / TT-BTC (replacing Decision No 15 / 2006 dated 20/03/2006) and Circular No. 202/2014 / TT-BTC guiding the financial statements consolidated. The new circular has contributed to improving the quality of financial statements, provides information reliable service making economic decisions and narrow the gap between accounting regime now Vietnam with IAS / IFRS.

In May 2/2016, in Vietnam Report 2035 "Towards Prosperity, Creativity, Justice and Democracy", the Ministry of Planning and Investment and the World Bank proposes that the VAS should be consistent with IFRS, to development of capital markets in depth and attract more foreign investors.

Accordingly, the adoption of IFRS will help Vietnam in the right direction with a view of Vietnam in 2035, the policies of ASEAN as well as keep pace with the development of the economic success in the region and around the world, particularly particularly in the current period when Vietnam integrates extensive economic in the context of the market "flat" global participation Partnership Agreement trans-Pacific (TPP), the economic Community ASEAN (AEC)...

Thirdly, enterprises must prepare to deploy multiple application. Through the application of IFRS, Vietnam enterprises will be able to benefit from economic integration, such as access to capital, to maintain the competitiveness and development in a sustainable way. However, challenges and difficulties when applying IFRS is not small. Although there are many benefits in adopting IFRS, but to apply IFRS, the Vietnam enterprises have to prepare a lot of things from human to material resources, namely:

- Not all enterprises have meet highly qualified personnel to understand and apply IFRS immediately.
- System information connected internally and accounting software of the business is not strong enough to be able to update the financial information timely and complete.
- Mechanisms and policies for adopting IFRS in Vietnam is not yet complete, so some special techniques of IFRS has no legal basis to implement, such as the recognition of asset losses, the accounting of derivative instruments for hedging purposes, the recognition of the fair value of certain financial assets, real estate investment or biological assets ... are unguided. On the other hand, techniques to make some assessment is relatively complicated as

determining loss of goodwill, assess the recoverable value of assets, the intrinsic value, the interest rate in effect ... various difficulties exist.

In addition, the training institutions (universities, VACPA and units of training in the country) in Vietnam does not have training programs on IFRS in a generation system. There have only been a number of professional organizations internationally as the Association Accountants UK (ACCA), Association of Certified Professional Accountants of Australia (CPA Australia), the Institute of Chartered Accountants in England and Wales (ICAEW) has chapters IFRS training for a few students.

Some audit firms as companies among the Big 4 are only offering IFRS training for employees primarily in the company. However, the majority of accountants in businesses Vietnam who live up financial statements have not been training and access to IFRS. Most universities have not implemented IFRS training for students led to a situation when the school students did not know about IFRS.

In addition, the tax authorities themselves as well as tax officials also not clear on the IFRS standards should follow IFRS when the difference between taxable income and accounting profit will become increasingly different. Therefore, it is still going on the dispute between the tax authorities and businesses when these agencies receive the financial statements under IFRS from businesses.

Apart from the difficulties mentioned above, there are difficulties from market parameters. When assessing the fair value of the market, they must be appropriate to evaluate. For example, when you want to assess the fair value of a product type A, we must have the market to determine the value of the product whereas in fact, we still do not have enough market to determine value. In addition, the credit rating system, ratings of Vietnam now also not reliable because the application of IFRS must determine factors such as interest rate effect.

Wanting to determine the interest rate effect will depend on factors that determine the risk management system as well as business ratings to determine the interest rate in effect for each business. As for the capital market, as enterprise scale Vietnam is still a small market so convertible bonds are undeveloped and lead to equity and debt instruments if desired per international standards was difficult because not full enough to our markets measurement and valuation.

Therefore, The implementation of IFRS as a revolution in the accounting and financial reporting requires great effort by all the parties concerned to overcome the challenges and obstacles. According to experts, the logical model for the implementation of IFRS in Vietnam is to selectively apply IFRS in the first period. In the future, for IFRS to be applied more commonly and to meet the requirements of international economic integration and accounting, Vietnam should conduct more solutions that are not only urgent but also long-term, including a direct solution for the system of accounting standards and solutions in terms of environmental economics and law. Basic measures in the coming period to promote the application of IFRS as early as possible consist of:

Firstly, providing more vigorous training programs and simulations, updating knowledge on international standards in many forms through international organizations (ACCA, ICAEW, ...), national professional associations (VACPA, VAA), the Vietnam Chamber of Commerce and Industry (VCCI), consulting firms, accounting-audit services, as well as training facilities like Universities, colleges with accounting-auditing programs.

Secondly, Organizing for International Standards to be translated into Vietnamese while ensuring that the translated version is almost identical to the original one and at the same time focusing on training young professional accounting labor with expertise, professional ethics and proficiency in foreign languages to actively participate in the vibrant local market of accounting-audit and to timely grasp the opportunity when integrating with the global market.

Thirdly, to raise awareness for business managers about the role of the international accounting standards in the integration process as well as the requirements of international accounting standards with respect to the change in governance in accordance with international standards

In addition to the implementation of the above short-term measures, in the long run, the drafting, constructing and publishing function of accounting-audit standards should be transferred to professional organizations (VAA, VACPA) or establishing and assigning to the Board of standardized accounting-audit (independent with the National Management Agency) as most other countries to ensure the independence of expertise, timely updates on the requirements of the market in the accounting-audit standards; to promote the process of integration with the IFRS/IAS to occur more rapidly to catch up with the process of international economic integration that is increasingly wide and deep of Vietnam.

The requirements in the process of globalization, the perks of using IFRS, along with the efforts of the IASB has boosted the process of reconciliation and integration with IFRS of many countries in the world. Until now, there have been over 130 countries in the world to perform the act of requiring (mandatory) or allowing (optional) the companies listed on the stock market to apply IFRS when creating and presenting financial reports. Depending on conditions, countries choose either full or partial application of IFRS, and often have a certain route. Vietnam is not an exception to this flow of integration. However, during the IFRS implementation process, Vietnam should study the experience of other countries to build solid implementation roadmap, so that the application of IFRS is convenient, fast and achieving good results. A number of valuable and relevant experience can be applied in Vietnam when applying IFRS is the need for the application roadmap, from encouragement to gradual requirement; choosing some types of company as a listed foreign capital company or a listed public company to begin implementation; choosing some standards from IFRS in accordance with Vietnam's conditions to apply first; using the advice of experts from countries already applied IFRS; issuing to add some new standards that are suitable for IFRS; enhancing the status of professional associations; improving the quality of the implementation team ...

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