

CREATING VIETNAM ACCOUNTING STANDARDS FOR SMALL AND MEDIUM ENTERPRISES BASED ON INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR SMALL AND MEDIUM-SIZED ENTITIES

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Abstract: *International economic integration has been taking place more and more deeply in many aspects, including the integration of accounting. The integration of accounting has created much useful information for investors as well as managers, which has been widely recognized in many countries in the world. Nowadays, Vietnam is in the process of international economic integration and is reforming their economic structure; therefore, the government's direction is to apply International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB). However, many factors affect to implement IFRS for SMEs in Vietnam successfully; hence, the Vietnamese government wants to have a set of Vietnam Accounting Standards for Small and Medium Enterprises (VAS for SMEs) before IFRS for SMEs standards is applied wholly in the near future.*

This article focuses on discussing some issues related to VAS for SMEs created based on IFRS for SMEs then proposing some recommendations to step by step implement IFRS for SMEs in Vietnam. The article uses the Archival Research method to conduct research.

Keywords: *IFRS for SMEs, VAS for SMEs, Vietnam.*

1. INTRODUCTION

International economic integration is taking place more and more deeply in many aspects, including accounting integration. Integration of accounting in the direction of international accounting convergence will create a lot of useful and valuable information which is widely recognized globally. Creating useful information is a crucial issue of enterprises, including small and medium enterprises (SMEs).

In Vietnam, SMEs account for more than 95% of the total number of enterprises operating in the economy; therefore, studies of international accounting integration and convergence processes for SMEs is an urgent requirement for both academic and application side. Based on this situation and the actual accounting activity of SMEs in recent years, this article focuses on discussing some issues related to VAS for SMEs formed based on IFRS for SMEs, then proposing some recommendations to step by step implement IFRS for SMEs in Vietnam.

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2. METHODOLOGY OF THE RESEARCH

The article uses the Archival Research method to conduct research. Research data includes studies on IFRS in emerging and developed countries, studies and opinions of IFRS experts in Vietnam as well as other countries.

3. LITERATURE REVIEW

Since the International Financial Reporting Standards for small and medium-sized entities (IFRS for SMEs) were issued in 2009, there have been many researchers interested in these standards. Many studies show that IFRS for SMEs is expected to bring many benefits to businesses and accounting information users. IFRS for SMEs has helped to restore and build trust for those who use accounting information, to improve comparability and transparency of financial reports (Fazeena Fazneen Hussain et al., 2012), to reduce costs as well as auditing time, to make accounting information more transparent and to protect the rights of accounting information users (LJ Stainbank, 2010; Grosu Veronica & Bostan Ionel, 2010; Hana Bohusova, 2011). Moreover, the application of IFRS for SMEs also contributes to the development of accounting profession, improves the business environment, attracts investment capital and improves competitiveness (Adela Deaconu et al., 2012; Kaya, D., & Koch, M., 2015). Thanks to these benefits, after two years IFRS for SMEs was officially issued, nearly 80 countries implemented or had a road map to apply IFRS for SMEs (Pacter, 2011).

However, the application of IFRS for SMEs in many countries also faces many challenges. Some requirements of IFRS for SMEs are challenging to apply to developing countries, and the inadequate application guidelines are still complicated for enterprises (Fazeena Fazneen Hussain et al., 2012). Besides, there are still many incompatibilities in terms of standards and practical application in many countries, so implementing IFRS for SMEs in countries is not an easy matter (Călin Nicolae Albu et al., 2010). Therefore, many researchers warn that it is necessary to be careful in deciding to apply IFRS for SMEs in developing countries.

On the current forums, two contradictory views are emerging: One view is that the issuance of IFRS for SMEs is a right direction and countries should apply it (Ha Van Wyk & J. Rossouw, 2009; Asuman Atik, 2010; CE Anton & A. Trifan, 2011); A contradictory view is that IFRS for SMEs must still be shortened, further simplified to fit the characteristics of SMEs (Ha Van Wyk & J Rossouw, 2009; Stefan Bunea et al., 2012; Gregory Kenneth Laing, 2012).

In Vietnam, studies related to the implementing of IFRS for SMEs are also mentioned by some researchers. In general, studies have suggested that it is necessary to issue a new set of accounting standards for SMEs in which those standards should be tailored based on IFRS for SMEs (Chuc Anh Tu, 2010; Mai Ngoc Anh, 2011; Luu Duc Tuyen, 2012; Mai Ngoc Anh & Tran Thi Phuong Thao, 2013). However, these studies only make judgments that do not have strong arguments, so these statements are not highly convincing. Besides, there are some studies that also provide some orientations on the preparation and presentation of financial reports at various levels of business scale, but those orientations are not based on the foundation of accounting standards; it is mainly based on the relationship between benefits and costs (Tran Dinh Khoi Nguyen, 2011; Vo Van Nhi & Nguyen Huu Phu, 2012). The main reason why research in Vietnam is still limited is that the Vietnamese accounting system is still under the influence of many macro-level factors which are currently barriers to implementing IFRS for SMEs. These barriers are determined to be very difficult to overcome at this time.

4. THE ACCOUNTING STATUS OF SMES IN VIETNAM

Currently, in Vietnam, there is no official accounting standard to apply for SMEs. The Ministry of Finance has limited some contents in Vietnamese accounting standards applied for all sizes of businesses to use for SMEs and considers it as one of the essential legal foundations. In fact, enterprises in Vietnam are mostly small or super small businesses; therefore, managers and accountants do not pay attention to accounting standards. They only focus on making financial reports so that the authorities accept those reports. In some cases, these reports do not comply with accounting standards or Vietnamese accounting systems. It is not to mention that accounting training institutions in Vietnam only focus on Vietnamese accounting law as well as guiding accounting practices and they do not properly mention accounting standards. Therefore, many accounting learners do not learn and apply accounting standards in their work in the future. It is understandable when most SMEs only apply accounting laws to perform accounting work, but do not pay adequate attention to accounting standards. This fact shows that there are many challenges when Vietnam wants to implement IFRS for SMEs in the future. Some challenges such as changing traditional practices, not paying attention to accounting standards or non-compliance with accounting standards will need much time to adjust. Therefore, the study to build VAS for SMEs that is based on IFRS for SMEs is becoming a big challenge for state authorities as well as for researchers at this time.

In Vietnam, SMEs have many levels of scales and diverse business activities. Ownership structure is mainly Vietnamese. The main users of accounting information are credit agencies and tax authorities. The requirement for auditing for SMEs is usually not considered so it could be not appropriate to apply IFRS for SMEs. The main reason is that this application could cause many obstacles for managers and accountants and it is not needed for users of accounting information. This situation will continue for many years in Vietnam. However, Vietnam is deeply integrating with all areas including accounting. The implementing IFRS for SMEs is necessary and will be implemented in the near future. Adopting IFRS for SMEs will help Vietnam SMEs to strengthen their competitiveness and integration ability to develop their business. Due to this situation, Vietnam needs a reasonable solution for enterprises to practice accounting in accordance with VAS for SMEs, but in the long term, these enterprises will implement IFRS for SMEs entirely.

5. SOLUTIONS AND RECOMMENDATIONS

Solutions for Vietnamese accounting

In order to gradually implement IFRS for SMEs in Vietnam in the coming time, the authors offer some orientation solutions as follows:

- In the short term, Vietnam should choose some standards from IFRS for SMEs to lay the foundation for building VAS for SMEs. These selected standards need to be consistent with the actual conditions in Vietnam as well as the standards being implemented for SMEs today.
- It is necessary to issue an SME management mechanism in which accounting information is an essential basis to assess the quality and performance of enterprises. Thanks to the SME management mechanism, managers and accountants could voluntarily use accounting standards to create and present financial reports, which meet the requirements of accounting information users.
- In parallel with the issuance of a new VAS for SMEs as well as a new management mechanism for enterprises, Vietnam should transform the traditional accounting sys-

tem into an integrated accounting system which can be applied to all types of businesses. Besides, it is necessary to issue specific guidelines on the scope and extent of application for SMEs.

- The Ministry of Finance and the Ministry of Education and Training should work together to develop an integrated accounting training strategy in which training for accountants in SMEs plays a crucial role. To successfully implement this strategy, the universities, training institutions, and professional organizations should launch training courses to foster knowledge about VAS for SMEs as well as IFRS for SMEs for accountants and accounting students.
- Ministry of Finance should officially translate IFRS for SMEs. It is a useful document for the researching, learning, and issuance of VAS for SMEs in the near future. At the same time, Vietnam should regularly organize international conferences that relate to the experience of implementing IFRS for SMEs.

Recommendations for Vietnamese accounting

If Vietnamese government wants SMEs accounting step by step approach and apply IFRS entirely for SMEs in the future, they should have close cooperation between many state agencies, organizations and training institutions in issuing legal documents, VAS for SMEs as well as accounting education.

- The Ministry of Finance needs to summarize and assess the accounting situation in SMEs on a national scale in order to make an accounting training strategy, convert the traditional accounting system into integrated accounting system and issue a new VAS for SMEs.
- Professional organizations should provide advice, suggestions to the Ministry of Finance in issuing VAS for SMEs and planning for implementing IFRS for SMEs. Besides, these professional organizations should support SMEs in the practice of new accounting standards.
- Training institutions and universities should have IFRS courses in the training program. Besides, those institutions and universities are responsible for IFRS for SMEs research to assist the Ministry of Finance in issuing VAS for SMEs as well as implementing IFRS for SMEs.
- Government agencies and professional organizations should have activities to raise awareness of business managers and accountants about VAS for SMEs and IFRS for SMEs. The main reason is that they play a crucial role in applying standards to produce quality accounting information.

6. CONCLUSION

Developing VAS for SMEs then implementing all IFRS for SMEs is a practical requirement and consistent with the trend of integration and convergence of international accounting in the current period. Besides, the study to build an integrated accounting regime for all types of businesses in the Vietnamese economy is also an urgent requirement to meet the requirements of training and accounting practice in Vietnam in the short term as well as in the long term. In order to accomplish the above tasks, Vietnam needs to have close coordination between state agencies, professional organizations, training institutions and businesses in developing and implementing strategies.

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