



Evaluate the Providing Information in the Financial Statement of Vietnamese Enterprises

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Abstract

Globalization trend has raised demand for establishing a consistent legal framework internationally. Vietnam has been established gradually a consistent legal framework according to countries in the world for improving information in financial statement of enterprises. Timely, Ministry of Finance has made a great effort to publish the draft to correct and adjust accounting law, accounting standard, accounting system to improve and enhance the quality of accounting information. However, based on the result of experiment survey including auditors, chief accountants, investors, the information in the financial statement provided by Vietnamese enterprises has some shortcomings. The information provided by organisations has not satisfied the demand of users to make useful decisions. Ideally, Vietnam needs to have certain improvements in overall by State, enterprises and occupation organizations to provide information with high quality and accuracy. This in turn will be crucial for Vietnam in international accounting intergration progress.

Key word: *accounting information, information quality, financial statement, Vietnamese accounting, Vietnamese enterprises.*

Introduction

The quality of information in the financial statements is important because the users make business decisions through assessment and analysing the information provided in the financial reports. Nowadays, not only providing numbers, accounting information also ensures the quality to satisfy the demand of users in the financial market. In recent years, Vietnam has improved the quality of information when preparing financial reports; however, in reality, there are shortcomings in providing financial information by Vietnamese enterprises. The information provided by organisations has not satisfied the demand of users to make useful decisions. Ideally, Vietnam needs to have certain improvements in overall by State, enterprises and occupation organizations to provide information with high quality and accuracy. It is crucial and important for Vietnam toward the integration international accounting as well as the conformity with rules of countries in over the world.

Aim of study

From the view of State, companies and occupation organisations, assessing the supplying information in the financial reports of Vietnamese enterprises to have effective solutions for improving the quality and increasing the usefulness of information to support users.

Method of investigation

Quantitative research methods that use statistical methods described (Descriptive Statistics), combined analysis of variance factor (One-way ANOVA), as well as methods for standard deviation smallest difference (Least Significant Difference – LSD) in testing the Post Hoc between the survey groups.





The previous study and hypothesis development

In the trend of global economic integration, the accounting information of enterprises has important implications in attracting economic resources abroad and inside the country. Therefore, the disclosure of information on the financial statements of companies is receiving the attention of many investors from different countries, occupational organizations as well as professional researchers. Mensah (2013) surveyed 35 listed companies to evaluate the quality of information disclosed in the financial statements based on the standard of international financial reporting (IFRS) of Ghana, and as a result, the quality of information has increased to 87.09% in 2009, compared to 76.8% in 2006. Milos & Milos (2014) also conducted a survey of 200 objects including analysts, creditors and enterprises to consider presenting in the financial reports of Romania's businesses. According to the evaluation, the surveyed objects were perceived that the provision of business's information need to be improved both quality and quantity. Recently, Bassemir & Farkas (2015) studied 273 German companies in the period from 1998 to 2010 to assess the quality of information and practical information on financial statements published by the enterprises. Besides, the evaluation of the quality of corporate financial statements is receiving the attention of the professional organizations such as PwC (2013), KPMG (2014). It involves assessing the quality of information provided in the financial statements of the enterprises, the studies of Bonner (2008), Alagoa (2015) focuses on the evaluation from the third parties (shareholders, directors, managers, investment analysts ..). This shows the objectivity and independence of the recognized problem in many perspectives. The typical pioneering studies consider to Klaassen & Schreuder (1981), Vergoossen (1993), who tested the use of information and comments on different divisions of the financial statements between the groups using the information in the financial statements. The studies including Al-Mubarak, Fuad (1997), Al-Gareh (2001), Al-Fayyumi (2003), Abuzarour (2005), Abdelkarim & Shahin (2007), Abdelkarim (2009) focuses on the investors' assessment information provided by the business. Johansen & Plenborg (2013), evaluated the level of priority in the publication of information on the financial statements of the companies in Denmark. Similarly, the annual professional organizations have surveys to assess the quality of information in the financial statements of the enterprises as International Federation of Accountants - IFAC (2013), European Commission (2014) ... In Vietnam, researches related to the presentation and providing accounting information on the financial statements of companies have been also receiving some attentions from researchers. Micheline & Nguyen (2007) evaluated the quality of accounting information on the basis of assessment of the various objects after Vietnam issued some accounting standards. Result from the survey showed that information was presented in the financial statements met the needs of comparison, however, the reliability of information was not high. Pham (2009), Le (2010) evaluated the situation in the provision of information in the financial statements of listed companies and propose a completed solutions as well as enhance the usefulness of information. Pham (2010) assess the level of harmonization in the measurement was 81.2% and the disclosure of information is 57%. Tran (2014) assess the quality of information provided in the financial statements of the enterprise Vietnam now generally ensure certain requirements, but has not satisfied the expectations of users.

It is possible that the studies focus on the information in the financial statements of the enterprises, a field exists many comments from variance audiences. This is the basis for overall assessing to have the proposal, the effective solution. From previous studies, the research issue is:



Assessments of the auditors, investors and board of directors, chief/ vice accountants about providing practical information on the financial statements of companies in Vietnam?

Design of Study

Research using Likert scale from 1 to 5.

Research using SPSS software (version 16.0) to create data tables as the basis for analysis and evaluation.

The survey consists of three basic contents relate to the satisfaction of the amount as well as quality of information and usefulness of the information currently provided by the businesses.

377 subjects selected that used directly or indirectly related to accounting standards, namely the establishment (now) with 129 enterprises (34%); users (investors) with 136 subjects (36%) and auditors with 112 subjects (30%). The subjects participated in the survey carried out in 2014 were focused mainly in Ho Chi Minh City.

Data Analysis

Information provided in the financial statements for the users to show the quantity and quality of information as well as the usefulness of information in order to make the decision. This is the "product" and as a "output" of the enterprises in processing information. The results of questions about the information practically provided in the financial statements are presented in the following below table:

Table 1: Descriptives

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum	
					Lower Bound	Upper Bound			
KS1	N1	112	2.91	.679	.064	2.78	3.04	1	4
	N2	136	2.94	.777	.067	2.81	3.07	1	4
	N3	129	3.18	.551	.049	3.08	3.27	2	4
	Total	377	3.01	.686	.035	2.94	3.08	1	4
KS2	N1	112	2.75	.753	.071	2.61	2.89	1	4
	N2	136	2.78	.841	.072	2.64	2.92	1	5
	N3	129	2.73	.737	.065	2.60	2.86	1	5
	Total	377	2.75	.779	.040	2.67	2.83	1	5
KS3	N1	112	2.92	.725	.068	2.78	3.06	1	4
	N2	136	2.81	.812	.070	2.67	2.95	1	5
	N3	129	2.65	.767	.068	2.52	2.78	1	4
	Total	377	2.79	.777	.040	2.71	2.87	1	5





Table 2: ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
KS1	Between Groups	5.398	2	2.699	5.885	.003
	Within Groups	171.536	374	.459		
	Total	176.934	376			
KS2	Between Groups	.172	2	.086	.141	.868
	Within Groups	227.886	374	.609		
	Total	228.058	376			
KS3	Between Groups	4.415	2	2.208	3.709	.025
	Within Groups	222.609	374	.595		
	Total	227.024	376			

Table 3: Multiple Comparisons

LSD

Dependent Variable	(I) DTKS	(J) DTKS	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
KS1	N1	N2	-.030	.086	.725	-.20	.14
		N3	-.268*	.087	.002	-.44	-.10
	N2	N1	.030	.086	.725	-.14	.20
		N3	-.237*	.083	.005	-.40	-.07
	N3	N1	.268*	.087	.002	.10	.44
		N2	.237*	.083	.005	.07	.40
KS2	N1	N2	-.029	.100	.768	-.23	.17
		N3	.021	.101	.833	-.18	.22
	N2	N1	.029	.100	.768	-.17	.23
		N3	.051	.096	.597	-.14	.24
	N3	N1	-.021	.101	.833	-.22	.18
		N2	-.051	.096	.597	-.24	.14
KS3	N1	N2	.111	.098	.261	-.08	.30
		N3	.268*	.100	.007	.07	.46
	N2	N1	-.111	.098	.261	-.30	.08
		N3	.158	.095	.097	-.03	.34
	N3	N1	-.268*	.100	.007	-.46	-.07
		N2	-.158	.095	.097	-.34	.03

*The mean difference is significant at the 0.05 level.

N 1: auditors, N 2: investors, N 3: enterprises





Level of satisfaction in term of the amount of information provided in the financial statements for decision making (KS1)

The question is how the satisfaction of the subjects on the amount of information provided in the financial statements and how the data assessment of the target groups differ?

H0: There is no difference between the groups in levels of satisfaction related to the amount of information provided.

H1: There is a difference between the groups in levels of satisfaction related to the amount of information provided.

The results showed that the respondents acknowledged the amount of information provided to decision making with an average rating of 3.01. With this assessment shows that the amount of information provided today is acceptable, not really satisfied.

In the analysis of variance showed that subjects with different assumptions about the amount of information provided (significance level 0.09).

Later testing showed that the average difference between the groups in which the lowest is auditors and highest is enterprises, while investors underestimated the average rate. The role of auditors demands more to verify information while enterprises, especially state-owned enterprises seem happy with the amount of information provided. It is worth noting that investors who directly use financial statements are expecting more of the amount of information provided in the financial statements.

Level of satisfaction in terms of quality of the information provided in the financial statements for decision making (KS2)

The question is that how the degree of satisfaction of the audience is about the quality of information provided in the financial statements for decision-making and affordable significant differences in the assessment of the target group?

H0: There is no difference between the groups on the level of satisfaction concerning the quality of information provided.

H1: There is a difference between the groups on the level of satisfaction concerning the quality of information provided.

According to the survey, compared with the amount of information provided, the quality of information provided on the financial statements for making decision be assessed by the respondents are at the lowest level of practically supplying information on the financial statements for each group of subjects with the average (2.75). This indicates that the objects are still disturbed with quality information at present.

According to the result of analysis of variance, the mean observed in terms of quality is 0.868, greater than 0.05 (95% confidence). Thus, the objects consent on this issue.

The level of general usefulness of information on financial reports for decision making (KS3)

The question is that how the objects assess helpful information on financial reports for decision making and whether there are differences between the groups on the level of consistency of Vietnamese accounting standards or not ?

H0: There is no difference between the groups concerning the usefulness of the information provided.

H1: There is a difference between the groups concerning the usefulness of the information provided.





According to the evaluation, the level of usefulness of information on the financial statements for the decision making not meet the requirements and is rated the lowest level is 2.79 by subjects. Similar to identify of objects on the quality of information, the level of usefulness of information do not guarantee against the requirements.

In the analysis of variance showed that subjects have different assumptions about the extent provided useful information (level of significance 0.025). Later Testing showed that the average difference between the groups and the result was opposite to the level of assessment of satisfaction on the amount of information. This can be explained that the auditors with deep expertise in the profession should be able to recognize and evaluate the usefulness of the information provided rather than the organisations. In general, investors are the direct users of financial statements and their expectations are high in the level of usefulness of information in the financial statements.

Results

With the result of the analysis on the practical information provided in financial statements, there is a consensus in the comments of the surveyed subjects that the quality of information provided by businesses do not meet the requirements for decision making, the quality and usefulness of the information are limited. This was also noted by Micheline & Nguyen (2007), Pham Hoai Huong (2010), Tran Quoc Think (2014). For the amount of information provided in general evaluation is higher (average values from 2.91 to 3.18) than the usefulness (the average level from 2.66 to 2.92), but in each content related to the amount of information or usefulness, the optimistic bias toward corporate organisations or auditors, rather than investors who use the information.

Solutions

From the results above, to provide information on the financial statements of businesses, and ensure the quality as well as enhance the usefulness of information, some basic measures should be implemented synchronously and uniformly as :

From the State

Ministry of Finance needs to enhance the role of the State Securities Commission to have the sanctions for public companies; in particular, listed companies, to contribute to improvement of the quality and usefulness of information and satisfy the needs of investors. At the same time, the state agency should propagate to raise awareness of the enterprise management, especially joint-stock companies to fully implement the obligations and responsibilities in providing information to users.

In the long term, to improve the management and control, the Ministry of Finance generally needs to establish organisations with authorities to supervise the disclosure of information of businesses. This helps to improve the soundness and transparency of information for businesses and ensure benefits for investors in particular and other users in general for making business decisions.

Enterprises

Managers need to be aware of the importance of complying with the provisions relating to the presentation and disclosure of information.

Businesses need to improve the obligation and responsibility to provide information to ensure transparency and honesty to users



Occupation Organization

The organisations need to train accountants to improve their professional skills; besides, regularly training for accountants how to implement the presentation and provide information with the current regulations.

In addition, professional associations need to update the regulations, new accounting regime, particularly relating to the presentation and disclosure of information to timely support businesses.

Conclusion

In the economic development trend of regional and international integration, demand for providing information of businesses means significant and practical to make information transparent and fair on the financial statements. In thinking, Vietnam, a developing country, should have consistent orientation combination of synchronous solutions to improve the quality of information. Accordingly, the need for coordination of state, enterprises and the professional organisations, that they must create a legal framework to bring uniformity and consistency on the basis of the principles, general accounting rules comply with the international standards and practices of the countries in the world as well as establishing monitoring organisations to supervise for providing information on the financial statements of the business, especially for public companies, improving infrastructure for training accountants; increasing the awareness of businesses about obligations and responsibilities in providing information to users. This is one of the key issues which contributes to improvement of the quality of information in order to attract foreign investments, increase value of financial market to satisfy the strategy of domestic economic development with the trend of economic integration regionally and internationally.

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