THE HARMONIZATION BETWEEN VIETNAMESE GAAP AND IFRS FOR PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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Abstract

In the progress of establishing and issuing accounting and auditing standards which are suitable for international GAAP and conditions of Vietnam, on the 20 of December, 2014, the Circular 202/2014/TT-BTC, which is effective for annual periods beginning on or after 1 January 2015, was promulgated.In comparison withthe Circular 161/2007/TT-BTC, guiding the implementation of Vietnamese Accounting Standard (VAS)No. 25"Consolidated Financial Statement (CFS) and accounting for investment in subsidiaries", there are significant changes in the accounting principles for reporting and presenting CFS in the new Circular.

This article objectively evaluates the changes in the harmonization between VietnameseGAAP and IFRS for reporting and presenting CFS before and after the new Circular mentioned above came into effect. Theresearch progress mainly based on quantitative methods, in which the observing and statistical methods are most used. The results proves that the harmonization degree changes with the effects of the new Circular.

Keywords*:Consolidated Financial Statements; harmonization of accounting standards; Vietnamese Accounting Standards; Vietnamese GAAP*

INTRODUCTION

In Vietnam,during preparation and presentation ofCFS, beside common accounting rules applied for a CFS, accounting is mainly ragulated by the following legal documents(Table 1):

Table 1.Vietnamese legal documents guiding the preparation and presentation of CFSs

Periods beginning before 1 January 2015	Periods beginning on or after 1 January 2015
VAS No. 01 "General Standard"(VAS 01)	
VAS No. 07 "Accounting for invstments in associates"(VAS 07)	
VAS No. 08 "Financial Reporting of interest in joint ventures"(VAS 08)	
VAS No. 11 "Business Combination"(VAS 11)	
VAS No. 21 "Presentation of Financial Statements"(VAS 21)	
VAS No. 25 "CFS and accounting for investment in subsidiaries" (VAS 25)	
▪ Circular No. 161/2007/TT - BTC dated 31/12/2007(Circular 161)	▪ Circular No. 202/2014/TT – BTC dated 20/12/2014(Circular 202)

Table 2. IAS/IFRS guiding the preparation and presentation of CFSs

IAS/IFRS	Issued/ Amended	Effective for annual period beginning on or after
IFRS Framework	2010	28 September 2010
IAS 1	2012	1 January 2013
	2014	1 January 2016
IAS 28	2011	1 January 2013

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IAS/IFRS	Issued/ Amended	Effective for annual period beginning on or after
	2014	1 January 2016
IFRS 12	2012	1 January 2014
	2014	1 January 2016
IFRS 10	2012	1 January 2014
	2014	1 January 2016
IFRS 3	2013	1 July 2014

When compared between Vietnamese GAAP which are defined in legal documents and the relative IAS/IFRS on the methods and annual accounting periods (Table 2), the rules and methods for preparing CFSs can be summarized and classified as follows (Table 3):

Table3.The principles and methods of preparing and presenting the CFSs.

Content	VAS/Circular - IAS/IFRS
A. PRESENTING THE CFSs	
AA. A complete set of CFS	
AA1 Consolidated Balance Sheet (CBS), Consolidated Income Statement (CIS), Consolidated Cash Flow Statement (CCFS) and Notes to the Consolidated Financial Statements (NCFS)	VAS 21, Circular 161, Circular 202
AA2 Similarly AA1, add: Consolidated Statement of Comprehensive income	IAS 1 (2012, 2014), IFRS 10 (2012, 2014)
AB. Elements of CFS	
AB1 Assets, liabilities and owners' equity; revenues/other incomes, costs.	VAS 01, Circular 161, Circular 202; IFRS Framework, IFRS 10 (2012, 2014)
AC. Requirements in preparation and presentation of CFS	
AC1 Going concerns, Accrual basis of accounting, Consistency of presentation, Materiality and aggregation, Offsetting, Comparative Information,	VAS 21, Circular 161, Circular 202 IAS 1 (2012, 2014)
AD. Presenting non-controlling interests in the CBS	
AD1 Separately from liabilities and the parent shareholders' equity	VAS 25, Circular 161
AD2 Within equity, separately from the equity of the owners of the parent	Circular 202; IFRS 10 (2012, 2014)
AE.Presenting non-controlling interests in the CIS	
AE1 Adjusted against the income of the group in order to arrive at the net income attributable to the owners of the parent	VAS 25, Circular 161, Circular 202; IFRS 10 (2012, 2014)
AF.Presenting Investments in Associates/Joint Ventures companies in CBS	
AF1 Be classified as long-term assets and disclosed as a separate item in the consolidated balance sheet.	VAS 07, VAS 08, Circular 161, Circular 202; IAS 28 (2011, 2014)
AG. Presenting Investments in Associates/Joint Ventures companies in CIS	
AG1 The investor's share of the profits or losses of such investments should be disclosed as a separate item in the investor's profit or loss	VAS 07, VAS 08, Circular 161, Circular 202; IFRS 10 (2012, 2014)
AH. Presenting goodwill acquired in CBS	
AH1	VAS 11, Circular 161,

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Content	VAS/Circular - IAS/IFRS
Goodwill is an asset that are separately recognised in the Consolidated Statement of Financial Position	Circular 202; IFRS 3 (2013)
AI. Disclosure of subsidiary companies	
AI1 - a listing of significant subsidiaries including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held; - in CFSs, where applicable: the reasons for not consolidating a subsidiary.	VAS 25, Circular 161, Circular 202
AI2 An entity shall disclose information that enables users of its CFSs (a) to understand: (i) the composition of the group; and (ii) the interest that non-controlling interests have in the group's activities and cash flows; and (b) to evaluate: (i) the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group; (ii) the nature of, and changes in, the risks associated with its interests in consolidated structured entities; (iii) the consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control; and (iv) the consequences of losing control of a subsidiary during the reporting period.	IFRS 12 (2012, 2014)
AJ. Disclosure of Associates/Joint Ventures companies	
AJ1 - an appropriate listing and description of significant associates/ joint ventures including the proportion of ownership interest and, if different, the proportion of voting power held; and - the methods used to account for such investments.	VAS 07, VAS 08, Circular 161, Circular 202
AJ2 - the nature, extent and financial effects of its interests in joint arrangements and associates, including the nature and effects of its contractual relationship with the other investors with joint control of, or significant influence over, joint arrangements and associates; - the nature of, and changes in, the risks associated with its interests in joint ventures and associates.	IFRS 12 (2012, 2014)
B. PREPARATION THE CFSs	
BA. Identification of subsidiaries	
BA1 A subsidiary is an enterprise that is controlled by anotherenterprise (known as the parent). Control is the power to governthe financial and operating policies of an enterprise so as toobtain benefits from its activities	VAS 25, Circular 161, Circular 202
BA2 An investor, shall determine whether it is a parent by assessingwhether it controls the investee. An investor controls an investeewhen it is exposed, or has rights, to variable returns from itsinvolvement with the investee and has the ability to affect thosereturns through its power over the investee.	IFRS 10 (2012, 2014)
BB. Companies which must prepare CFSs	
BB1 Any parent, other than a parentthat is a wholly owned subsidiary, or is virtually wholly owned, need not present CFSs provided, in the case of one that is virtually wholly owned, the parent obtains the approval of the owners of the minority interest.	VAS 25, Circular 161
BB2 Any parent, other than a parent that meets all the following conditions: (i) it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting CFSs; (ii) its debt or equity instruments are not traded in a public market	IFRS 10 (2012, 2014)

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Content	VAS/Circular - IAS/IFRS
(adomestic or foreign stock exchange or an over-the-counter market, including local and regional markets); (iii) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory; (iv) its ultimate or any intermediate parent producesCFSs that are available for public use and comply with IFRSs	
BB3 Any parent, other than a parent that meets all the following conditions : - Similarly BB2, except (iii) its parent produces CFSs that are available for public use and comply with VAS - Add: (v) it is not a unit with the public interest; (vi) it is not the corporations owned or controlled by the government	Circular 202
BC. Scope of CFSs	
BC1 A parent which issues CFSs should consolidate all subsidiaries, foreign and domestic. A subsidiary should be excluded from consolidation when: (a) control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future (normally under twelve months); or (b) it operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent. A subsidiary is not excluded from consolidation because its business activities are dissimilar from those of the other enterprises within the group.	VAS 25, Circular 161
BC2 Similarly BC1, add: a subsidiary is not excluded from consolidation simply because the investor is a venture capital organisation, mutual fund, unit trust or similar entity.	Circular 202
BC3 A parent shall consolidate all entities that it controls, unless the parent itself is an investment entity	IFRS 10 (2012, 2014)
BD. Method to account for the subsidiaries excluded from consolidation	
BD1 Cost method	VAS 25, Circular 161, Circular 202
BD2 Fair value	IFRS 10 (2012, 2014)
BE. Method to account for investments in Associates/Joint Ventures	
BE1 Equity method	VAS 07, VAS 08, Circular 161, Circular 202; IAS 28 (2011, 2014)
BF. Associates/Joint Ventures is exempted from applying the equity method	
BF1 (a) The investment is acquired and held exclusively with a view to its disposal in the near future (under 12 months), or; (b) The associate operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor.	VAS 07, VAS 08, Circular 161, Circular 202
BF2 (a) The investor itself is an investment entity (b) When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure investments in those associates and joint ventures at fair value	IAS 28 (2011, 2014)
BG. Method to account for the Associates/ Joint Ventures excluded from applying the equity method	
BG1 Cost method	VAS 07, VAS 08, Circualr 161, Circular

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Content	**VAS/Circular - IAS/IFRS**
	202
BG2 Fair value	IAS 28 (2011, 2014)
BH. Accounting for business combination	
BH1 Purchase method/acquisition method	VAS 11, Circular 161, Circular 202, IFRS 3 (2013)
BI. Cost of a business combination	
BI1 - The aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree plus (+) any costs directly attributable to the business combination. - In a business combination achived in stages, each exchange transaction shall be treated separately by the acquirer, using the cost of the transaction and fair value information at the date of each exchange transaction.	VAS 11, Circular 161
BI2 Similarly BG1, except: - In a business combination achieved in stages, the acquirer shall remeasure its previously cost of business combinations at its acquisition-date fair value.	Circular 202
BI3 - The aggregate of (i) the value of the consideration transferred (generally at fair value), (ii) the amount of any non-controlling interest, and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree. The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received.	IFRS 3 (2013)
BJ. Initially measure goodwill acquired in a business combination	
BJ1 Excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities	VAS 11, Circular 161
BJ2 The difference between: (a) Cost of business combination (b) and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.	Circular 202, IFRS 3 (2013)
BK. Initially measure gain from a bargain purchase	
BK1 Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	VAS 11, Circular 161
BK2 Similary BH2, but being as the excess of (b) over (a)	Circular 202, IFRS 3 (2013)
BL. Recognising a gain on a bargain purchase	
BL1 (a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and (b) recognise immediately in profit or loss any excess remaining after that reassessment.	VAS 11, Circular 161, Circular 202
BL2 The acquirer shall then review the procedures used to measure the amounts this IFRS requires (Similarly BG3) to be recognised at the acquisition date. If that excess remains after reassesss, the acquirer shall recognise the resulting gain in profit or loss on the acquisition date. The gain shall be attributed to the	IFRS 3 (2013)

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Content	VAS/Circular - IAS/IFRS
acquirer	
BM. Recognising goodwill acquired in a business combination	
BM1 Goodwill is recognised as an asset and amortised in a uniform manner during its estimated useful life.	VAS 11, Circular 161, Circular 202
BM2 Goodwill is recognised as an asset and tested for impairment in accordance with IAS 36	IFRS 3 (2013)
BN. Consolidation procedures	
BN1 i. The financial statements of the parent and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, income and expenses. Eliminate the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary ii. Intra-group balances in the balance sheet and intra-group transactions and resulting unrealised profits should be eliminated in full. Unrealised losses resulting from intra-group transactions should also be eliminated unless cost cannot be recovered iii. Intra-group balances in the balance sheet and intra-group transactions, including sales, expenses and dividends, are eliminated in full. Unrealised profits resulting from intra-group transactions that are included in the carrying amount of assets, such as inventory and fixed assets are eliminated in full. Unrealised losses resulting from intra-group transactions that are deducted in arriving at the carrying amount of assets are also eliminated unless cost cannot be recovered.	VAS 25, Circular 161, Circular 202
BN2 Similarly BN1, add: - Paragraph (i): Combine cash flows of the parent with those of its subsidiaries. - Paragraph (iii): IAS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.	IFRS 10 (2012, 2014)
BO. Accounting when a parent loses control of a subsidiary	
BO1 The carrying amount of the investment at the date that it ceases to be a subsidiary is carried using the cost method	VAS 25, Circular 161
BO2 If a parent loses control of a subsidiary, it shall: (a) derecognise: (i) the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost; and (ii) the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them). (b) recognise: (i) the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control; (ii) if the transaction, event or circumstances that resulted in the loss of control involves a distribution of shares of the subsidiary to owners in their capacity as owners, that distribution; and (iii) any investment retained in the former subsidiary at its fair value at the date when control is lost.	Circular 202, IFRS 10 (2012, 2014)

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LITERATURE REVIEW

In the most general aspect, "accounting harmonization" (briefly called "harmonization"), "accounting standardization" ("standardization", in short) and "accounting convergence" ("convergence", instead) are defined by many scholars as follows:

+ Harmonisation is a coordination, a tuning of two or more objects (Van der Tas, 1988, p. 157).

+ Harmonization (a process) is a movement away from total diversity of practice. Harmony (a state) is therefore indicated by a 'clustering' of companies around one or a few of the available methods. Standardization (a process) is a movement towards uniformity (a state). It includes the clustering associated with harmony, and reduction in the number of available methods. (As it is difficult to measure a process, the six studies have tried to measure harmony or uniformity at different points in time.) Harmony and uniformity are therefore not dichotomous. The former is any point on the continuum between the two states of total diversity and uniformity, excluding these extreme states (Tay & Parker, 1990, p.73)

+ Harmonization could be considered as the first stage of the standard-setting process. Harmonization aims to reduce the variety of accounting practices to make them more comparable. Standardization leads to total uniformity, because it brings to the adoption of a single accounting rule, with a universal application (Barbu, 2004, pp. 4 - 5)

+ Convergence is the act of converging and especially moving toward union or uniformity. IASB's new objectives of developing and promoting a single set of accounting standards in 2001 means that accounting standards has moved from international harmonization towards global convergence. We conceive this convergence a standardization process. The degree of harmonization and convergence reveals progresses made in accounting internationalization process (Qu & Zhang, 2008, p.5).

From the above concepts, the nature of accounting harmonization is the process of eliminating the total difference between two or more accounting objects (the objects includes the rules and regulations by law, the rules and regulations in accounting standards and in other similar documents of different nations; the rules defined in IAS/IFRS and the rules applied practically in enterprises. Harmony is recognized through the concentration in one or some methods that is the objects studied. Harmonization, convergence/standardization are the different stages of the process of accounting harmonization. The state of harmony among these objects studied can be any point lying between total difference and uniformity.

Accounting harmonization are classified into formal harmonization and materialharmonization. The former refers to harmony or uniformity of accounting regulations (which may be contained in the law and/or professional accounting standards). The latter refers to the actual practices of companies (Tay & Parker, 1990, p.73). Formal harmonization is not only an end in itself but also a means of accomplishing material harmonization by coordinating the national standards (Van der Tas, 1988, p.158).

On the point that formal harmonization will lead to material harmonization, many organizations have joined and contribute to the process of formal harmonization in the scope of nations, area and internationally.Together with this process, up till now, IAS/IFRS issued by IASB have been applied in many nations in the world. In some other countries, though IAS/IFRS are not compulsory for Financial statements, they are mandatory for CFSs.

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Meanwhile, in the nations which have communism market – oriented economy as Vietnam or China, the harmonization level between their national GAAP and IAS/IFRS in preparing and presenting CFSs is lower than the general harmonization level of the whole accounting standards system (Qu & Zang, 2008; Pham et al, 2011).

For the necessity of managing a market – oriented economy which are being developed and improved, as well as the need of economic integration, the Ministry of Finance announced the Decision to form a Committee to study, establish, promulgate and announce VAS. The promulgation of Circular 202, which replaced Circular 161, can be considered a big step to increase the harmonization level between Vietnamese GAAP and IAS/IFRS according to the planned schedule of Vietnam to approach international accounting.

METHODOLOGY

To evaluate the changes in harmonization level between Vietnamese GAAP and IAS/IFRS on preparing and presenting CFSs, there are 2 steps in this study:
Step 1: Measuring the harmonization between Vietnamese GAAP and IAS/IFRS before and after the time when Circular 202 came into effect by using Modified Jaccard's Coefficient (JAAC) and Absence Index (ABSE). These indices were developed by Yu & Qu (2009) based on Jaccard's Coefficient and Spearman's correlation coefficients with some adjustments so that they were suitable for comparing Chinese Accounting Standards and IAS/IFRS. These adjustments are also suitable when comparing Vietnamese GAAP and IAS/IFRS.
Step 2: Using Wilcoxon Signed Ranks Test to evaluate the change in harmonization between Vietnamese GAAP and IAS/IFRS in preparing and presenting CFSs before and after the time when the Circular 202 took effect.

RESULTS

Table 3 shows that the accounting methods on preparing and presenting CFSs in IAS/IFRS applying for annual accounting periods starting before or after January 1st, 2015 are unchanged, so from now, we call those "IAS/IFRS", without the date of promulgation or admendment. To measure the hamornization level between Vietnamese GAAP and IAS/IFRS, the JAAC, ABSE indices are defined for each accounting method in (i) VASs and Circular 161 with IAS/IFRS in Table 4.1 and (ii) Circular 202 with IAS/IFRS in Table 4.2.

Table4.1.Harmonization Level between VASs/Circular 161 and IAS/IFRS

Content	*a*	*b*	*c*	*d*	*e*	*$JACC_1$*	*$ABSE_1$*
A	**6**	**4**	**4**	**0**	**8**	**0,43**	**0,57**
AA	0	1	1	0	2	0,00	1,00
AB	1	0	0	0	0	1,00	0,00
AC	1	0	0	0	0	1,00	0,00
AD.	0	1	1	0	2	0,00	1,00
AE	1	0	0	0	0	1,00	0,00
AF	1	0	0	0	0	1,00	0,00
AG	1	0	0	0	0	1,00	0,00
AH	1	0	0	0	0	1,00	0,00

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Content	*a*	*b*	*c*	*d*	*e*	*$JACC_1$*	*$ABSE_1$*
AI	0	1	1	0	2	0,00	1,00
AJ	0	1	1	0	2	0,00	1,00
B	**2**	**13**	**13**	**0**	**26**	**0,07**	**0,93**
BA	0	1	1	0	2	0,00	1,00
BB	0	1	1	0	2	0,00	1,00
BC	0	1	1	0	2	0,00	1,00
BD	0	1	1	0	2	0,00	1,00
BE	1	0	0	0	0	1,00	0,00
BF	0	1	1	0	2	0,00	1,00
BG	0	1	1	0	2	0,00	1,00
BH	1	0	0	0	0	1,00	0,00
BI	0	1	1	0	2	0,00	1,00
BJ	0	1	1	0	2	0,00	1,00
BK	0	1	1	0	2	0,00	1,00
BL	0	1	1	0	2	0,00	1,00
BM	0	1	1	0	2	0,00	1,00
BN	0	1	1	0	2	0,00	1,00
BO	0	1	1	0	2	0,00	1,00
General harmonization level	**8**	**17**	**17**	**0**	**34**	**0,19**	**0,81**

Table 4.2.Harmonization Level between Circular 202 and IAS/IFRS

Content	*a*	*B*	*c*	*d*	*e*	*$JACC_2$*	*$ABSE_2$*
A	**7**	**3**	**3**	**0**	**6**	**0,54**	**0,46**
AA.	0	1	1	0	2	0,00	1,00
AB.	1	0	0	0	0	1,00	0,00
AC.	1	0	0	0	0	1,00	0,00
AD.	1	0	0	0	0	1,00	0,00
AE.	1	0	0	0	0	1,00	0,00
AF.	1	0	0	0	0	1,00	0,00
AG.	1	0	0	0	0	1,00	0,00
AH.	1	0	0	0	0	1,00	0,00
AI	0	1	1	0	2	0,00	1,00
AJ	0	1	1	0	2	0,00	1,00
B	**5**	**10**	**10**	**0**	**20**	**0,20**	**0,80**
BA.	0	1	1	0	2	0,00	1,00
BB.	0	1	1	0	2	0,00	1,00
BC	0	1	1	0	2	0,00	1,00
BD	0	1	1	0	2	0,00	1,00
BE	1	0	0	0	0	1,00	0,00
BF	0	1	1	0	2	0,00	1,00
BG.	0	1	1	0	2	0,00	1,00
BH.	1	0	0	0	0	1,00	0,00
BI.	0	1	1	0	2	0,00	1,00
BJ.	1	0	0	0	0	1,00	0,00
BK	1	0	0	0	0	1,00	0,00
BL	0	1	1	0	2	0,00	1,00

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Content	*a*	*B*	*c*	*d*	*e*	*$JACC_2$*	*$ABSE_2$*
BM	0	1	1	0	2	0,00	1,00
BN	0	1	1	0	2	0,00	1,00
BO	1	0	0	0	0	1,00	0,00
General harmonization level	**12**	**13**	**13**	**0**	**26**	**0,32**	**0,68**

Where:

- ✓ *a:is the number of comparison items (provisions) which are permitted in both VAS/Circular 161, 202 and IAS/IFRS*
- ✓ *b: is number of comparison items which are permitted in VAS/Circular 161, 202 but not regulated in IAS/IFRS*
- ✓ *c: is number of comparison items which are permitted in IAS/IFRS but not regulated in VAS/Circular 161, 202*
- ✓ *d: is number of comparison items which are not permitted in both VAS/Circular 161, 202 and IAS/IFRS*
- ✓ *e: is the number of comparison items which are not regulatedin either VAS/Circular 161, 202 or IAS/IFRS (but not in both)*
- ✓ *〖JACC〗_ =(a+d)/(a+b+c+d)*
- ✓ *〖ABSE〗_ =e/(a+b+c+d)*

The results from Table 4.1 and 4.2 proves that there are significant increase inthe harmonization level between Vietnamese GAAP and IAS/IFRS on the accounting methods surveyed (General harmonization level: $JACC_2$ (0,32) increased from $JACC_1$ (0,19): the harmonization level increased by 68%; $ABSE_2$ (0,68) decreased from $ABSE_1$(0,81): the difference level went down by 16%.

Using SPSS 18 to process the JACC, ABSE indices, through Table 4.1 and Table 4.2, the harmonization level between Vietnamese GAAP and IAS/IFRS before and after the date of validity of Circular 202 changes as follows (Table 5).

Table5.Wilcoxon Testfor JACC, ABSE for Vietnamese GAAP and IAS/IFRSbefore and after Circular 202.

Ranks

		N	Mean Rank	Sum of Ranks
$JACC_2$ - $JACC_1$	Negative Ranks	0^a	.00	.00
	Positive Ranks	7^b	4.00	28.00
	Ties	21^c		
	Total	28		
$ABSE_2$ - $ABSE_1$	Negative Ranks	7^d	4.00	28.00
	Positive Ranks	0^e	.00	.00
	Ties	21^f		
	Total	28		

a. $JACC_2 < JACC_1$
b. $JACC_2 > JACC_1$
c. $JACC_2 = JACC_1$
d. $ABSE_2 < ABSE_1$
e. $ABSE_2 > ABSE_1$
f. $ABSE_2 = ABSE_1$

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Test Statistics[c]

	$JACC_2$ - $JACC_1$	$ABSE_2$ - $ABSE_1$
Z	-2.414[a]	-2.414[b]
Asymp. Sig. (2-tailed)	.016	.016

a. Based on negative ranks.
b. Based on positive ranks.
c. Wilcoxon Signed Ranks Test

The results in Table 5 shows:

- The harmonization level increases in 7 accounting methods($JACC_2$>$JACC_1$; $ABSE_2$< $ABSE_1$)
- The harmonization level are unchanged in 21 accounting methods($JACC_2$ = $JACC_1$; $ABSE_2$ =$ABSE_1$)
- No method is proved to be decreased in harmonization.
- With reliability of 95%, the general harmonization level between GAAP and IAS/IFRS in the surveyed methods before and after Circular 202 has significant changes.

CONCLUSION

To evaluate the changes in harmonization level between Vietnamese GAAP and IAS/IFRS in preparing and presenting CFSs, in this survey, we have (i) quantitatively measured the harmonization level between Vietnamese GAAP and IAS/IFRS before and after Circular 202 and (ii) evaluate the changes in this harmonization level when Circular 202 came into effect.

The results shows that the accounting methods defined in Circular 202 has higher level of harmonization than those of VAS/ Circular 161. However, when compared to the IAS/IFRS Approaching Schedule that Ministry of Finance of Vietnam has planned, the harmonization level after validation of Circular 202 still has big gaps to fill.

To increase the harmonization with IAS/IFRS in preparing and presenting CFSs as well as Financial Statements in general, the Ministry of Finance need to issue and apply the Accounting Standards (which are now in draft form) and Guide to Accounting Standards which have been established based on IAS/IFRS.

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