Vol-05 Issues 06, June-2021 ISSN: 2456-9348
Impact Factor: 5.004

iJETRM
International Journal of Engineering Technology Research & Management

EXPERIENCE IN APPLYING INTERNATIONAL FINANCIAL REPORTING STANDARDS IN SOME COUNTRIES AND LESSONS FOR VIETNAM

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Abstract
IFRS (International Financial Reporting Standards) is an accounting standard issued by the International Accounting Standards Board (IASB) to ensure that corporate financial statements are transparent, consistent and globally comparable. IFRS is very important for companies with locations in many different countries. This article will review the main information of IFRS, experience in applying International Financial Reporting Standards in some countries and lessons for Vietnam.

Keywords*: International Financial Reporting Standards (IFRS), experience, Vietnam.*

Overview of International Financial Reporting Standards (IFRS)
IFRS is an acronym for International Financial Reporting Standards. This is the name of a system of accounting standards issued by the International Accounting Standards Board (IASB), an agency of the IFRS Foundation (IFRS Foundation) with the aim of creating a global "language" about accounting, helping the financial statements to be presented consistently, transparently, reliably and easily, regardless of sectors, countries or regions.
With the explosion of the global economy after World War II and the growth of multinational corporations, there was a need for a universal accounting language. This led to the creation of the International Accounting Standards Committee (IASC), a consortium of nine original member countries including Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and the United States. A major turning point for the IASC was the recognition by the International Organization of Securities Commissions (IOSCO) in 2000 that it issued a recommendation to member stock exchanges to allow or require listed companies to follow the 10 basic International Accounting Standards (IAS) at the time. This leads to IAS becoming one of the mandatory requirements for listing on the world's major stock exchanges.
In terms of operational organization, the IASC is merely an alliance instead of operating as a "committee" in the true sense of the word. After nearly 25 years of operation, in 1997, IASC realized that in order to continue to perform its role effectively, it had to find ways to bring about consolidation between accounting standards and practices across countries with global accounting standards. To do that, IASC needs to reorganize its operations. As a result, on April 1, 2001, the new International Accounting Standards Board (IASB) was born to replace the old IASC. In its first meeting, the IASB adopted the old International Accounting Standards (IAS) issued by the IASC and the Guidelines from the Accounting Standards Interpretation Committee (SIC). The IASB has since continued to develop new Standards and named them International Financial Reporting Standards (IFRS).
After the recognition of IOSCO in 2000, another important step for IFRS was the mandatory application of IFRS in Europe under EC Directive 1606 which was approved by the European Parliament in July 2002. By regulation of this Directive, all members of the European Union and members of the European Economic Area (EEA) are required to apply IFRS on the financial statements of listed enterprises starting from for the year ended December 31, 2005. Currently, IFRS has grown worldwide and according to the data published by the IASB, there are now 131/143 countries and territories (accounting for 93% of the countries surveyed by the IASB) have declared this allowing the application of IFRS in different forms. In many countries, IFRS has replaced all National Accounting Standards to facilitate the attraction of global investors.
The IFRS Foundation is the organization behind the development and development of the IFRS Standards. This Foundation operates as a not-for-profit and public interest organization, incorporated under the laws of the State of Delaware, USA but registered as an offshore company in England and Wales with its head office located in London, UK.

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IFRSs are issued according to a process set forth in the Due Process Handbook, which is responsible for the IASB. This process ensures correctness, transparency and participation of many parties. The Standards issue, or Due Process, consists of the following steps: Agenda Consultation Every five years, the Commission conducts a comprehensive review to determine priorities for Standardization. Various topics will be included on the Agenda including issues discovered during the Post-implementation Reviews, issues raised by IFRIC. Research program The IASB Research program covers the analysis of issues that may affect the Financial Statements from the collection of evidence, the nature and extent of the effect to the identification of deficiencies. This phase involved both national and regional Standard drafting bodies, businesses, academia and other interested persons, and was carried out in a variety of ways including the Standards Advisory Forum. At this stage, the IASB may issue discussions, questionnaires for research papers to gather input from interested people so that the IASB can decide whether to include the issue in the Design Program. Standard-setting program In the event that the IASB decides to amend a Standard or to issue a new Standard, the Committee will review the documents in the Research Program, especially based on comments on discussion posts.
Proposals to amend the old Standard or the new Standard are made publicly available in the form of an Exposure Draft. The Committee will carefully consider the feedback and make amendments prior to the final publication of the Standard. Maintenance program immediately after the Standard has been published; the Committee will continue to support work to put the Standard into practice. When problems arise, IFRIC may issue Guidelines or make Minor Amendments to the Standard. Amendments to the Standard are subject to the Standards issuance process mentioned above. Several years after the publication of the Standard, the Committee will conduct a Post-implementation review to assess whether the Standard has achieved its original objective, and whether revisions are needed. What. Following the conclusion of the Post-implementation Review, the Commission may initiate a new Research Program.
IFRS includes: Financial Reporting Framework (Conceptual Framework) covers the most basic principles for Financial Reporting to be consistent with IFRS. The framework itself is not a stand-alone Standard but it is used as the basis for the development of Standards. International Accounting Standards (IAS) previously issued by IASC (before 2001) is still valid. International Financial Reporting Standards (IFRS) are issued by the IASB. Supplementary Guidelines to IAS Standards (SIC Interpretation) issued by the Standards Interpretation Committee (SIC) prior to 2001. Supplementary Guidelines to IFRS Standards (IFRIC Interpretation) issued by the Standards Interpretation Committee IFRS (IFRIC) ink.

Experience in applying International Financial Reporting Standards in some countries
Currently, countries around the world apply IFRS according to one of the following four models:
(1) Apply 100% of IAS/IFRS, without modification and supplementation, if there is a standard that cannot be applied, the country will develop its own standard (South Africa, Switzerland, Mongolia,...);
(2) Apply 100% of IAS/IFRS, but there may be an appendix to be able to add or remove some relevant parts to each standard that you want to amend (Singapore, Malaysia...);
(3) Selectively applying the contents of the economic standard, with some amendments and supplements to suit the characteristics of the national economy, and at the same time promulgating the national accounting standards system (France, Germany, Belgium, England, ...);
(4) Do not apply international technical standards (Thailand, China, Bolivia ...).
The World Bank's view is that countries should give priority to adopting IFRS over developing accounting practices that are tailored to their individual conditions, because these standards are internationally accepted and have flexibility in integrating the best practices in the world. Over the years, the World Bank has also accepted IFRS as the basis for the presentation of the financial statements submitted by customers using the Bank's loans and credits.

Switzerland
Switzerland was one of the first countries to permit the use of International Accounting Standards. Swiss companies have a choice between IFRS, US GAAP and Swiss GAAP, and almost all companies listed on the SIX Main Standard choose to report using IFRS. This is not surprising when you consider that international investors own around 60 percent of the shares in companies listed on the SIX Main Standard. International investors are entirely familiar with IFRS, but less so with Swiss GAAP.
However, there have been some recent examples of Swiss companies moving from IFRS and US GAAP to Swiss GAAP. Most of those companies were SMEs listed on the domestic segment of the stock markets. Some, however, are bigger and one is even listed on the Swiss Market Index. The main motivation seems to be concerns

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about complexity and disclosure overload. Indeed, some companies switching from IFRS to Swiss GAAP have been able to reduce their disclosures significantly.

Singapore

Singapore also requires businesses to comply with Singapore's national accounting standards (SFRS) except in two cases: First, listed companies are allowed to use IFRS for their consolidated financial statements with the approval of the Regulatory Authority. Accounting Regulatory and Regulatory Authority of Singapore (ACRA); Second, Singapore companies listed on the Singapore Stock Exchange or overseas are required to prepare consolidated financial statements under IFRS if required by the Foreign Exchange. Companies listed on the Singapore Stock Exchange (SGX) announced that they will apply a new financial reporting framework similar to IFRS starting from 2018. SFRS is mainly converted from IFRS but with some modifications, such as: (1) IFRS 10 and IAS 28 are adjusted to waive the presentation of the consolidated financial statements and apply the equity method to investments in associates and joint ventures; (2) Issue additional guidance documents for SFRS equivalent to IFRS 15 to guide a particular type of accounting in Singapore.

Malaysia

All Malaysian public companies, including financial institutions and listed companies, with the exception of certain companies in the agricultural and real estate sectors. From the accounting period starting January 1, 2012, it is mandatory to apply the Malaysian Financial Reporting Standards Framework (MFRS), which is compatible with IFRS. Selected agricultural and real estate companies that fully comply with the MFRS or continue to use the old Malaysian standard until the end of the 2016 financial year from 2017 are required to comply with the MFRS. The reason is, the new agricultural and biological property standards completed by the IASB in 2013, Malaysia has also included the national standard as part of the MFRS. Audit reports for businesses in Malaysia are reviewed in accordance with the framework of MFRS, not bound by IFRS.

Belgium

In Belgium, the official standard-setting body for Belgian legislation on accounting and financial reporting is the Belgian Auditing Board (CNC-CBN). In European countries, national accounting regulations often follow the IAS regulation adopted by the EU in 2002, for example in Poland, accounting regulations require enterprises to apply IFRS when preparing and presenting consolidated financial statements and separate financial statements of companies listed on designated stock exchanges, such as the Warsaw Stock Exchange, Bondspot. Companies incorporated in non-EU countries with securities listed in one of the above markets of Poland are also required to have their financial statements prepared in accordance with IFRS.

China

In China, enterprises apply the National Accounting Standards for Enterprises (ASBE) and do not adjust to IFRS. ASBE has had significant convergence with IFRS. About 250 Chinese companies have securities traded on the Hong Kong Stock Exchange, preparing financial statements according to IFRS for issuance in Hong Kong. However, the financial statements of these companies have all been prepared under ABSE, when issued in Mainland China.

The application of IFRS in Vietnam

On March 16, 2020, the Minister of Finance issued Decision No. 345/QD-BTC approving the scheme on application of international financial reporting standards in Vietnam. This application process consists of 3 phases:

- Preparation period: from 2020 to the end of 2021
- Voluntary application period: from 2022 to the end of 2025: Apply at the level of consolidated financial statements for a number of specific enterprises such as the parent company of a state economic group, the parent company listed companies, large-scale public companies are unlisted parent companies; and other large-scale parent company
- Compulsory application period: from after 2025: Apply at the level of consolidated financial statements for enterprises in the above voluntary application group.

According to Decision No. 345/QD-BTC, the Preparation Phase will take place from 2020 to the end of 2021, then the Voluntary Application Phase from 2022 to the end of 2025.

Understandably, the Preparation Phase is the time for the Ministry of Finance to prepare and issue IFRS guidelines in Vietnamese, and does not include time for businesses to learn about IFRS, recruit and train personnel on IFRS. In our experience, it takes at least 2-3 years for businesses to apply IFRS for the first time to train and prepare data for their first IFRS financial statements.

Lessons for the application of IFRS in Vietnam

In the context of Vietnam, under the eyes of many subjects including accountants, auditors, investors, etc., the application of IFRS in Vietnam is very necessary, in order to improve comparability and transparency of the information disclosed, not only that it needs to be applied right before the world goes too far. In the eyes of policy makers and professional associations, it is necessary to issue a full legal framework on accounting in accordance with popular international practices; IFRS can be applied intact in Vietnam or modified to suit Vietnam's conditions. When applying IFRS in Vietnam, the following effects will be achieved:

– When applying IFRS, Vietnamese enterprises have financial statements created based on standards of global scope and reliability, creating a breakthrough in information transparency, improving information accountability and uniformity. Information period is highly comparable, demonstrating the responsibility of managers in honestly reflecting the financial status of enterprises;

– Applying the preparation and publication of financial statements according to IFRS, Vietnamese enterprises have seen benefits from international economic integration, specifically in terms of capital mobilization, maintaining competitiveness and sustainable development. ;

– IFRS is a common language for numbers on financial statements of all enterprises operating in the global economic market. Therefore, Vietnamese enterprises will also become a participating member in this system when recognized by international investors, and at the same time, a favorable way to access international capital.

However, the immediate application of IFRS is not really easy for all enterprises. Some limitations for Vietnamese enterprises are: The policies for the application of IFRS in Vietnam are incomplete; The information connection system and accounting software of enterprises are not modern enough to be able to update information quickly and promptly; The professional qualifications and language skills of accountants of many enterprises and tax authorities are not yet able to meet the requirements for immediate application of IFRS; IFRS training has not been formally implemented in vocational training institutions; Vietnamese investors are also not fully prepared with IFRS knowledge to read and understand financial statements prepared in accordance with these standards.

Solutions to apply IFRS in Vietnam

With the current restrictions in Vietnam, the application of IFRS can follow the roadmap of partial application with transition, but not yet fully applied. This is to meet the preparation and step-by-step change in qualifications, professional capacity, and language ability of accountants, auditors as well as domestic investors. Gradual approach to financial statements prepared in accordance with IFRS. First of all, it may be mandatory to apply to listed companies, public companies, groups of organizations in the finance, credit, insurance, corporations and large corporations of the State;

The agency that promulgates policies and regulations related to accounting and auditing should urgently issue a system of policies to guide the preparation of financial statements according to IFRS;

Enhance the role of professional associations of accounting and auditing in training, teaching, training, disseminating IFRS knowledge for human resources in the industry, providing technical support for enterprises to apply. Agencies such as the Ministry of Finance, professional associations, and international organizations support and advise businesses when applying IFRS;

IFRS needs to be included in the curriculum at the system of vocational training institutions, at least in the universities specializing in accounting and auditing. For this work, it is necessary to prepare methodically from the stages of writing curricula, learning materials, reference materials, and subjects taught in specialized training programs. In addition, organizing professional seminars to exchange knowledge and improve IFRS teaching experience for lecturers to ensure high quality IFRS training. The preparation from these training institutions, in order to prepare the next human resources with in-depth specialized knowledge of IFRS, to join the business in the future, in the context of integration.

Enterprises need to plan the transition to IFRS as soon as there is a decision to convert so that they can make plans for changes in business processes, personnel recruitment and financial resources for IFRS transformation instead of wait until the year in which the first IFRS financial statements are prepared;

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It is necessary to set up a project team to convert to IFRS in which the project leader must be one of the members of the business leadership, and involve key departments in the business, such as accounting, business, legal, information technology…

Organize and train a team of accountants with IFRS knowledge in both the parent company and key subsidiaries in the group; Working with auditing and consulting firms with extensive experience in auditing completed financial statements under IFRS to get timely support on material technical issues when preparing financial statements according to IFRS.

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