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**THE DIFFERENCES AND
CONVERGENCE OF INTERNATIONAL
FINANCIAL REPORTING STANDARDS
IN VIETNAM**

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Sitä ei voi kiistää, että talouden ja kirjanpidon on aina ollut tärkeä osa tahansa organisaatiolle. Koska ilmeinen seuraus kansainvälistymisen lisäksi taloudellinen ja viisas ympäristö, kirjanpito on myös vaikuttanut kanssa perusta kansainvälisten tilinpäätösstandardien (IFRSs).

Tämä asiakirjan tarkoituksena on löytää eroja kansainvälinen standardi tilinpäätöstietojn julkaisuun (IFRSs) ja Vietnam tilinpäätösstandardien (VASs) ja lähentyminen IFRS Vietnamissa. Sen lisäksi, että opinnäytetyö myös etsii vastaamalla seuraaviin tutkimuskysymyksiin lukien tekijät estävät maata toteuttamasta IAS / IFRS-standardien; edut ja haasteet muutoksen IAS / IFRS-standardeja ja lopuksi mahdollisuutta kirjanpidon lähentymistä.

Jotta voitaisiin vastata näihin tutkimuksen kysymyksiin, vertailuja Vietnamilainen ja Suomalainen yritykset tilinpäätös on laadittu, seuraavan laadullisin tutkimusmenetelmä jossa haastateltiin Vietnam ammattilaisia.

Koska vertailun tulos, Vass osoitti valtava kuilu IAS / IFRS-standardeja taloudellisen raportoinnin prosessi monia kansainvälisiä standardeja ei ole vastaavia VAS standardeja. Myös Vass ovat yksinkertaisempia kuin IAS / IFRS-standardien kanssa vähemmän vaatimuksia mukana. Tällaiset aukot varmasti johtaa lopulta useita haasteita Vietnamissa ja sen yritysten hyväksymään ja toteuttamaan IAS / IFRS-standardien kirjanpitojärjestelmään. Kuitenkin lisäksi eroja, jotka havaittiin, yhtäläisyyksiä havaittiin näiden kahden standardeja.

Vaikka vastaajien mielipiteitä haasteita, kuten ylimääräisiä kustannuksia teknisen neuvonnan tai henkilöstön koulutukseen, optimistinen näkemykseen IAS / IFRS-standardien Vietnam kirjanpitojärjestelmässä havaittiin. Tämä johtuu siitä, mistä näkökulmista osallistujien edut IAS / IFRS-standardien kuten korkeampi kirjanpidon tietojen laatua tai parempi vertailukelpoisuus voi suuremmat mainittujen haasteiden.

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ABSTRACT

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It shall not be denied that finance and accounting have always played an important part of any organization. As an obvious consequence of internationalization, in addition to economic and politic environment, accounting has also been affected by the foundation of the International Financial Reporting Standards (IFRSs).

This thesis aimed at discovering the differences between International Financial Reporting Standards (IFRSs) and Vietnamese Accounting Standards (VASs) and the convergence of IFRSs in Vietnam. Besides that the thesis also sought to answer the following research questions: the factors inhibiting the country from implementing IAS/IFRSs; advantages and challenges of the transformation to IAS/IFRSs and, lastly, the possibility of the accounting transformation.

In order to answer these research questions, comparisons between the financial statements of Vietnamese and Finnish organizations were made, followed by qualitative research where interviews were conducted with Vietnamese professionals.

As a result of the comparison, VASs showed an enormous gap with IAS/IFRSs in the financial reporting process with many international standards do not have equivalent VAS standards. Also, VASs are simpler than IAS/IFRSs with fewer requirements and principles to be embraced. Such gaps ultimately lead to several challenges for Vietnam and its enterprises to adopt and to implement IAS/IFRSs in the accounting system. However, in addition to the differences found, similarities were observed between these two sets of standards.

Despite the respondents' opinions of the challenges, such as extra costs for technical advice or staff training, an optimistic view regarding the adoption of IAS/IFRSs in Vietnamese accounting system was observed. This is because, from the points of views of the participants, the advantages of IAS/IFRSs such as higher accounting data quality or better comparability can outweigh the mentioned challenges.

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LIST OF ABBREVIATIONS

ADB – Asian Development Bank

AFTA – ASEAN Free Trade Area

APEC – Asia-Pacific Economic Cooperation

ASEAN – Association of Southeast Asian Nations

BIDV JSC – Joint Stock Commercial Bank for Investment and Development of Vietnam

EVN – Vietnam Electricity

EU – European Union

EUR - Euro

FIFO – First In First Out

GAAP – Generally Accepted Accounting Principle

HOSE – Ho Chi Minh Stock Exchange

IAS – International Accounting Standards

IASB – International Accounting Standards Boards

IASC – International Accounting Standards Committee

IASCF – International Accounting Standards Committee Foundation

IFAC – International Federation of Accountants

IFRIC Interpretations – International Financial Reporting Interpretations Committee

IFRS – International Financial Reporting Standards

IMF – International Monetary Fund

IPO – Initial Public Offering

LIFO – Last In First Out

MoF – Ministry of Finance

PPE – Property, Plant and Equipment

PVGas JSC – PetroVietnam Gas Joint Stock Company

SIC Interpretation – Standards Interpretations Committee

VAS – Vietnamese Accounting Standards

Vietcombank JSC – Joint Stock Commercial Bank for Foreign Trade of Vietnam

VND – Vietnam Dong

WTO – World Trade Organization

1 INTRODUCTION

Accounting has always been an important part of business, especially for multinational corporations. Nobes and Parker (2012, 5) have defined accounting as a “technology” which deals within political, economic and social contexts. On the other hand, Weetman (2013, 6) defined in his book this term as a process of “identifying, measuring and communicating” financial information of a business or organization, allowing the information users to make useful judgments and decisions. As it plays an important part within an organization, there have been various researches and studies concerning accounting topic.

Since accounting covers several topics such as financial accounting, management accounting, auditing, tax accounting or fund accounting, the main aim of this paper is to focus on the financial aspects of accounting. Financial accounting can be explained shortly as a process of reporting a company’s financial position, adaptability and performance over a period of time (Weetman 2013, 53). The main element in financial accounting is the reporting and preparing of financial statements including balance sheet, income statement and statement of cash flow (Weetman 2013).

The accounting department of an organization concentrates and looks closely at all the transactions of the business covering taxes, payroll and analyses and records those transactions. The financial reporting is certainly an essential element in the communication process between an organization and its stakeholders. The participants of this communication process can range from the accountants who prepare the financial statements to the end users who may or may not have an accounting background and knowledge such as investors, bankers or employees. As the business grows larger, financial reports and statements become even more crucial and complicated as the business transactions are more complex. Therefore, the process of reporting financial information and data requires a careful procedure in order to maintain the important information while keeping the key features visible to the involved participants (Weetman 2013).

Furthermore, as the users of the financial statements might not have access to the day-to-day activities of the entity, they rely strongly on the high quality and honesty of information provided in the financial statements. In that case, in order to ensure that the information provided by the business is honest, thorough and reliable, it is necessary to have regulation and principles guiding what types of financial information and data and how they should be reported (Weetman 2013, 85). The financial reporting, hence, must be prepared in accordance with these legislation and principles in order to be meaningful and comparable to those of other companies in similar industries. The most commonly used principles nowadays are the national Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRSs) which is the main focus in this thesis.

As mentioned, due to the reason that countries are more integrated with each other and businesses are becoming more globalized with the capital markets operating more freely across borders, accounting, besides societies, cultures and politics, is also being affected. Accounting has gone through many changes as a consequence of internationalization with the first evidence being the foundation of International Accounting Committee (IAC) in 1973 and International Accounting Standards (IASs) which later on became known as International Financial Reporting Standards (IFRSs) (Nguyen & Tran 2012; Lin, Su & Phan 2014). The convergence of International Accounting Standards/ International Financial Reporting Standards (hereafter IAS/IFRSs) in 2005 included many countries such as European Union (EU) member countries, Australia, New Zealand and South Africa, following by the adaption in other nations such as China, Mexico or Russia. IAS/IFRSs are nowadays widely implemented by governments, local authority and public sector accounting (Weetman 2013).

In effect of globalization, many countries around the world, especially in the Western world have been implementing the IASs in their accounting systems, for example all listed companies in the EU are required to apply IAS/IFRSs in their financial reports, followed by the national accounting law. Yet, not all countries and nations around the globe are ready for or are in the stage of applying

IAS/IFRSs. This includes many countries such as Indonesia, Cuba, or Vietnam. As I am from Vietnam, the country is chosen as the main object of the paper. Since Vietnam is not applying IAS/IFRSs in its accounting system, but instead Vietnamese Accounting Standards (here forth VASs) are required, it would be interesting to compare the differences between the two sets of standards, as well as the similarities, where visible.

1.1 Research objectives and problems

Accounting has been obviously affected by globalization during the last few decades. Even though countries and businesses are becoming more integrated with each other, the accounting system and standards in each country still show distinctions due to the differences in cultures and legal systems. Vietnam is now more integrated with the developed countries and it is attracting more foreign investments. This leads to the fact that there are more foreign companies investing and doing businesses in Vietnam. These foreign organizations need to understand the differences in the accounting system in Vietnam, thus, understanding the divergences in the financial reporting process by using the national accounting standards is crucial. This has led to the main research objectives of the paper which is to compare and to identify the differences between the Vietnamese accounting standards with the international standards.

Vietnam is today more integrated and more open to foreign markets, and the need for Vietnam to converge its current accounting system with IAS/IFRSs should be taken into consideration. As mentioned, Vietnam at the moment is not implementing IAS/IFRSs in its accounting process, and this leads to the second main research objective of the paper which concerns the convergence and transformation of IAS/IFRSs in the country's accounting system.

Even though there have been many researches on IAS/IFRSs as well as its advantages and disadvantages, research on the Vietnamese accounting system together with VASs is still limited. This is another reason why I decided to conduct a research on the differences in the accounting standards that are used in

Vietnam with the international standards. Besides that, the thesis also aims at discovering and answering the following research questions:

1. Level of awareness of Vietnamese employees about IAS/IFRSs
2. Factors preventing Vietnam from adopting IAS/IFRSs
3. Advantages and challenges that Vietnam will face in case of adoption
4. The time length taken for Vietnam to adopt IAS/IFRSs

In order to answer the research objectives and the mentioned questions, a literature review on advantages as well as challenges and barriers facing Vietnam if adopting IAS/IFRSs, will be conducted. Also, the research will explore the opinions of the professionals and accountants in Vietnam concerning the implementation of IAS/IFRSs.

1.2 Research methodology and limitations

The main research method used in this study is qualitative research with interviews conducted with Vietnamese accountants and professionals to explore their opinions and thoughts. The qualitative research allows getting in-depth and insightful knowledge of the respondents' views and feelings. Not only that but comparisons between Vietnamese and Finnish organizations' financial statements are also prepared in order to emphasize further the gaps between VASs and IAS/IFRSs in the financial reporting process. The research methodology will be explained in more detail in Chapter 3 – Empirical findings.

Although the research has been prepared carefully, limitations and inadequacies are inevitable. Firstly, there was no possibility to have face-to-face interviews with the profession accountants in Vietnam. For this reason, in-depth opinions might not be completely understood. Secondly, the research sample is not large enough to represent the majority of Vietnamese accountants and organizations.

Additionally, even though the questionnaires were designed in both languages, English and Vietnamese, the majority of the responses are in Vietnamese. This creates a restriction when the results are translated into English for the main purpose of the paper. The aim is to preserve the core information and idea of the

results, yet the translation might not carry the exact meaning due to specialized terminology.

1.3 Structure of the study

This thesis is divided into four main chapters. After the introduction, the first section consists of literature reviews of previous researches and information about International Financial Accounting Standards and Vietnamese Accounting Standards. The second section, which is empirical findings, will provide information of the research methodology used in the paper together with the results found in the research. Finally, the work concludes with some suggestions to the government and organizations concerning the adoption process of IAS/IFRSs in Vietnam and my recommendations for future research. In the next chapter, literature review of previous studies concerning IAS/IFRSs and VASs will be demonstrated.

2 THEORETICAL FRAMEWORK

The theoretical foundations of International Financial Reporting Standards and Vietnamese Accounting Standards will be introduced in this chapter. Background information as well as the development process of these standards will also be presented. This chapter is divided into three main sections in which the first section will focus on IAS/IFRSs and the later intends to emphasize VASs. Moreover, the last section of the chapter summarizes and highlights the factors that affect and prevent Vietnam from implementing IAS/IFRSs.

2.1 International Financial Reporting Standards (IAS/IFRSs)

This section is divided into four sub-chapters. The first part describes the background information of IAS/IFRSs together with its development in a nutshell. Next, five accounting standards, including their interpretations, will be explained. These five accounting standards are Presentation of Financial Statements (IAS 1); Inventory (IAS 2); Property, Plant and Equipment (IAS 16); Intangible Assets (IAS 38) and Consolidated Financial Statements (IFRS 10). After that, the main qualitative characteristics under IAS/IFRSs will be presented in sub-chapter 2.1.3. Lastly, a literature review from previous research and studies on the benefits of IAS/IFRSs will be highlighted.

2.1.1 Background information of International Financial Reporting Standards (IAS/IFRSs)

Due to globalization and internationalization, which are becoming more and more extensive, major changes have recently taken place in financial reporting. Out of those changes, the most important is the “convergence” (coming together) to International Financial Reporting Standards around the world (PwC 2008). International Financial Reporting Standards (IFRSs) are a set of financial reporting standards developed by International Accounting Standard Boards (IASB) in 2001 (IASB 2004) and it is the world standards for high quality financial reporting. Currently, there are over 120 countries implementing IAS/IFRSs as either voluntary or mandatory standards for their financial reporting

process (IFRS 2014). In many countries such as Australia and HongKong, IAS/IFRSs are mandatory to be used for all domestic listed companies. Besides that, for the EU member states, all domestic listed companies have been required to prepare their group financial statements in conformity with IAS/IFRSs since 1st January 2005 (Article 4, 1606/2002/EC). In other countries, it is non-compulsory, such as Laos, Turkey and Switzerland, while there are several countries where the use of IFRSs is not yet permitted. Also, it is notable that the adoption of IFRSs is rising within developing and emerging countries, specifically in Asian area such as Korea or Cambodia.

The IASB was first known as International Accounting Standards Committee (IASC) that was formed in 1973 in London between several countries, namely Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, United Kingdom, Ireland and America (IASPlus 2015). During the period 1973 – 2000, the International Accounting Standards (IASs) were issued by the IASC aiming to establishing a fixed global accounting framework for better financial understanding of all companies (Latifah, Asfadillah & Sukmana 2012). In 1982, the members of IASC comprised all of the professional accountancy bodies to be members of International Federation of Accountants (IFAC). Later on, in 1997, the IASC saw a need to change its structure in order to merge national and global accounting standards. In 2000, IASB replaced the IASC, operating under International Accounting Standards Committee Foundation (IASCF) (IASPlus 2015). The IASB was committed to developing a single set of globally high quality accounting standards, and in order to do so, the Boards cooperated with national accounting standards-setters to achieve convergence around the globe (IASB 2004). On April 1, 2001 IASB built new international accounting standards and named them as IFRSs including IFRSs, IFRIC Interpretations, IASs and SIC Interpretations (Latifah et al. 2012). Figure 1 provides an overview of the history of IAS/IFRSs in a nutshell:

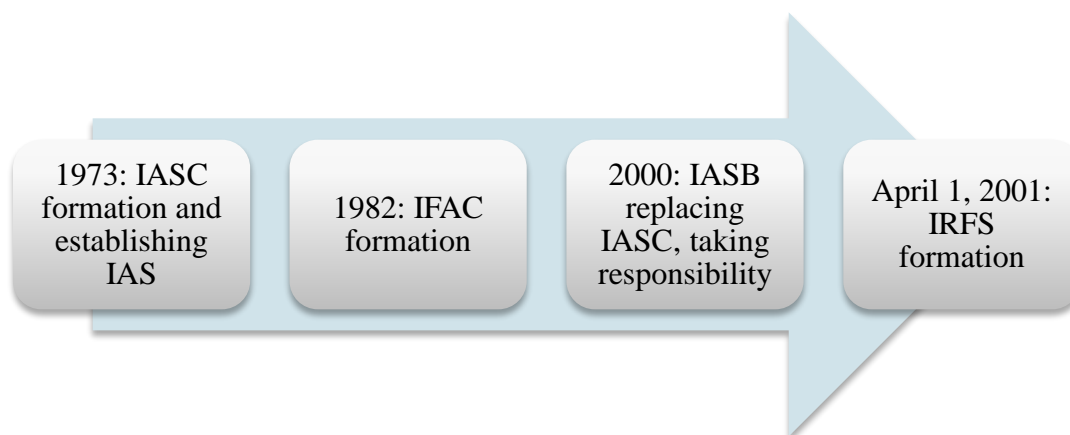


Figure 1: Overview of IAS/IFRSs

With the world economy becoming increasingly globalized, there is a high demand by the users of financial statements for the reporting to be transparent and comparative in order to make better economic decisions (BBP 2012, 6). The aim of the establishment of IFRSs is to replace the International Accounting Standards (IASs) in order to meet rapid changes of economy around the world as well as to reduce the gap in financial reporting between countries. Secondly, the aim is also to ensure that the financial reports of an entity over a given period of time contain information that is transparent to users and be comparable over all period presented. Moreover, the introducing of IFRSs also ensures that information presented in the financial reports can be generated at a cost that does not exceed the benefits of the users (IASB 2004, 53). The objective of IFRSs is not only to enhance the transparency and consistency of financial reports but also to protect the interest of parties involved (Pham 2014).

The application of IFRSs is essential nowadays for companies, especially for multinational corporations, as it does bring many benefits to the users. The advantages of IAS/IFRSs will be explained further in sub-chapter 2.1.4. There are numerous and various standards embraced and established under the IFRSs in order to enhance fundamental purposes and qualities of the financial report. Therefore, for the purposes of the paper, five standards were selected to be presented and the next sub-chapter will demonstrate and interpret these standards in more detail.

2.1.2 Accounting standards and interpretations under International Financial Reporting Standards (IFRSs)

Currently, there are 69 accounting standards in total under IAS/IFRSs (Appendix 1). This section will briefly describe the content of some standards which are later to be the basis for comparison with Vietnamese Accounting Standards, including IAS 1, IAS 2, IAS 16, IFRS 10 and IAS 38.

IAS 1 – Presentation of Financial Statements

According to IAS 1 – Presentation of Financial Statements (PwC 2008, 15; IASB 2004), all general financial statements shall be prepared and presented in accordance with IFRSs. This standard represents the overall requirements for the presentation of financial statements, their structure and content. Under IAS 1, financial statements represent the financial position and financial performance of an entity (IASB 2004, 563) and it is used to provide useful information for users for economic decision-making. IAS 1's crucial elements in a financial statement are listed below:

1. Assets
2. Liabilities
3. Equity
4. Income and expenses
5. Other changes in equity
6. Cash flow.

Furthermore, a complete set of financial statement under IAS/IFRSs shall include the following components (IASB 2004, 570-585):

- 1) Statement of Financial Position: This is, in another word, balance sheets, reporting on assets, liabilities, both current and non-current and equity of entities at a specific point of time.
- 2) Statement of Profit or Loss: This statement reports the business's sales, costs and expenses over a period of time.

- 3) Statement of Changes in Equity: This report shows the activities of owners', partner's as well as shareholder's equity during a period of time.
- 4) Statement of Cash Flows: Such statement provides users all information of cash-related transactions, including cash inflows and outflows over a period of time. It provides a deep overview of the entity's financial activities as well as the ability of the entity to generate cash.
- 5) Notes: These shall provide statement of compliance with IFRSs, summary of accounting policies to be applied in the reports, additional information that are absent from the financial statements and other relevant disclosures.

Also, one of the most important pieces of information that IAS 1 embraces is the six features of financial statements as Figure 2 indicates:

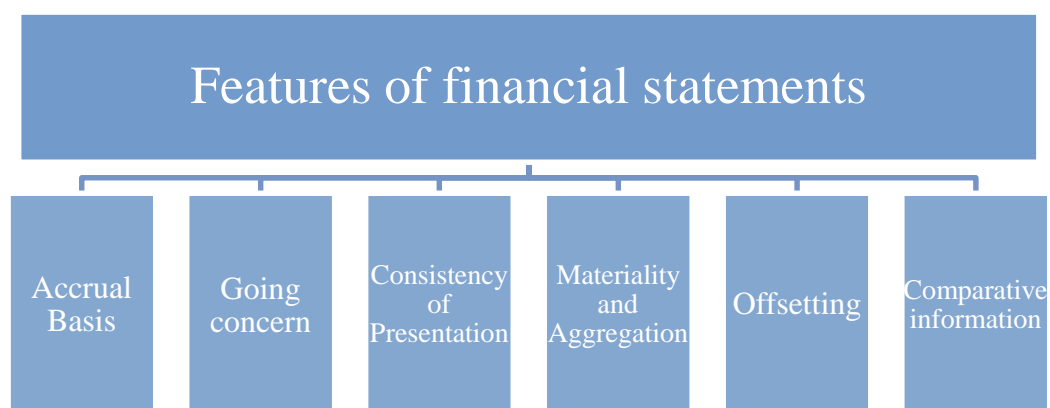


Figure 2: Six feature of financial statements (IASB 2004, 565-570)

The first feature is *accrual basis* meaning that financial statements are prepared on accrual accounting basis. This means that the effects of transactions are only recognized when they are incurred or earned, therefore such transactions are only recorded and reported in the period when they occurred. Accrual accounting statements provide useful information for users to make decision as it provides information about past and future transactions. The second feature is *going concern* which assumes that the business will continue operating in the future without a need to liquidate for its operations. However, if such need exists, relevant disclosures are required. Also, information in a financial statement must be presented in a *consistent* manner. Here, it is significant that the same

accounting policies shall be applied over a period and if there is any change in the presentation of the financial statements, a note about such change shall be disclosed. The feature *materiality* and *aggregation* emphasizes that each material class of similar items or items of dissimilar nature or function must be presented separately. Moreover, assets and liabilities, incomes and expenses shall not be *offset* unless required or permitted and shall be reported separately. The last feature that IAS 1 highlights is *comparative information*. This means that comparative information should be disclosed in respect of the previous period for all amounts reported in financial statements. When the presentation of items is changed, the different amount should be reclassified and in case reclassification is impracticable, the entity must disclose reason for not reclassifying the amount.

IAS 2 - Inventories

According to IAS 2, inventories are defined as assets which are held for sale in the ordinary course of business; in process of production for sales or in the form of its nature materials to be consumed in the production process for sales (IASB 2004, 616). IAS 2 also describes various methods of calculating the cost of inventories such as: standard costs, retail cost, specific identification and first in – first out (FIFO) methods. Standard costs take into consideration a normal level of materials and supplies, labor, efficiency and capacity utilization and they are costs that are estimated by the entity (IASB 2004, 619). Retail cost method is normally used in the retail industry for a large number of items with similar margins. This helps the entity to save time in evaluating their inventories (IASB 2004, 619). Another cost-calculating method mentioned under IAS 2 is specific identification, which means that specific costs are attributed to particular items of inventory and this method is often used for a specific project. Yet, it is considered inappropriate when there are large numbers of inventory which are “ordinarily interchangeable” (IASB 2004, 619). Finally, the last costing methods mentioned under IAS 2 are FIFO and weighted average cost. FIFO means that the first items of inventory purchased or produced are the first ones to be sold. Weighted-average cost can be calculated as follow:

$$\text{Weighted-average cost} = \frac{\text{Cost of goods available for sale}}{\text{Units available for sale}}$$

IAS 16 – Property, Plant and Equipment

IAS 16 defines the term “property, plant and equipment” (PPE) as tangible assets which are used for production or sale of goods or services or other administrative purposes. Such assets are expected to be used for more than one period. PPE are first recorded at its historical cost and over a period of time, such cost will be revaluated by any accumulated depreciation or impairment losses (IASB 2004, 832).

Regarding the revaluation model, one of the most important features that IAS 16 mentions is the fair value of such an asset. Fair value is the current value of an item at the date of revaluation for which the item can be exchanged between parties (IASB 2004, 827). It should also be noted here that fair value is based on market participants’ determination. IAS 16 requires an entity to measure an item of PPE which is exchanged for non-monetary assets or monetary, at fair value unless one of the following two conditions is applied (PwC 2008, 18):

1. The exchange transaction lacks commercial substance
2. Both fair value of the asset received and given up could not be reliably measured.

Depreciation, one of revaluation methods, is the allocation of the historical value of the asset over its useful lifetime. The depreciation method used for a tangible fixed asset shall reflect the way its economic benefits are to be used by the business in the future (IASB 2004, 837).

Another important term that is highlighted under IAS 16 is the impairment test. An impairment test is made to ensure that the carrying amount of an asset does not exceed or overvalue its recoverable value (IASPlus 2014).

IAS 38 – Intangible Assets

Regarding Intangible Assets, IAS 38 defines such assets as “non-monetary”, “without physical substance” and “identifiable” (IASB 2004, 1566). An intangible asset is identifiable when it can be divided or separated from the entity, or arises from contractual or other legal rights (IASB 2004, 1566). An intangible asset shall be measured initially at its historical cost, followed by a revaluation model or amortization over their useful lifetime. With respect to the useful life of an intangible asset item, it can be classified into two different groups which are indefinite life and finite life (IASB 2004, 1587). Indefinite life means that the period over which “the asset is expected to generate net cash inflows for the entity” cannot be foreseen or limited (IASB 2004, 1587). On the contrary, the useful life of an intangible asset is classified as finite when there is a limited period of benefit to the entity. It is noteworthy that an intangible asset with a finite lifetime shall be amortized while indefinite-life item shall not be amortized but may be impaired, in which case, assets such as goodwill or brand shall not be amortized but instead impairment test shall be prepared (IASB 2004, 1590).

IFRS 10 – Consolidated Financial Statements

IFRS 10, which was issued in 2011 and was separated from IAS 27 (Consolidated and Separate Financial Statements), prescribes the requirements for the presentation and preparation of consolidated financial statements. Under IFRS 10 it is demanded for the parent company to combine and to present financial statements of both the parent and its subsidiaries as a single economic entity (IASPlus 2015). It also should be emphasized that the financial statements of the parents and its subsidiaries shall be prepared as on the same reporting date and using the same accounting policies. Firstly, it is important to define what a subsidiary means. Simply, it is an entity controlled by another entity, in another word by the parent. Secondly, IFRS 10 outlines the conditions for which a parent does not need to present consolidated financial statements as follows:

1. If the parent is a wholly - or partially – owned subsidiary of another entity
2. If the parent does not trade its debts or equity instruments in the public market

3. If the parent does not file or intend to issue its financial statements in the public markets
4. If the ultimate parent produces the consolidated financial statements in accordance with IFRS 10
5. Investment entities are prohibited from consolidating specific subsidiaries
6. If the parents are eligible for IAS 19 – Employee Benefits

In this section, the five accounting standards were described and interpreted. Next, it is essential and important to understand how the financial information and data shall be presented in one entity's financial statements. The following sub-chapter will illustrate the set of qualitative characteristics that are stated under IAS/IFRSs regarding the recording and reporting of accounting information.

2.1.3 Qualitative Characteristics under International Financial Reporting Standards (IAS/IFRSs)

One of the most important parts of the IAS/IFRSs is the set of qualitative characteristics which are used to make the information represented in the financial statements useful for users to make decision. There are two different types of characteristics which are fundamental and enhancing qualitative characteristics. Figure 3 briefly summarizes the six main qualitative characteristics that are emphasized under IAS/IFRSs. However, it is notable that the characteristics mentioned in this section were collected from the 2004 version and there have been small changes made over time:

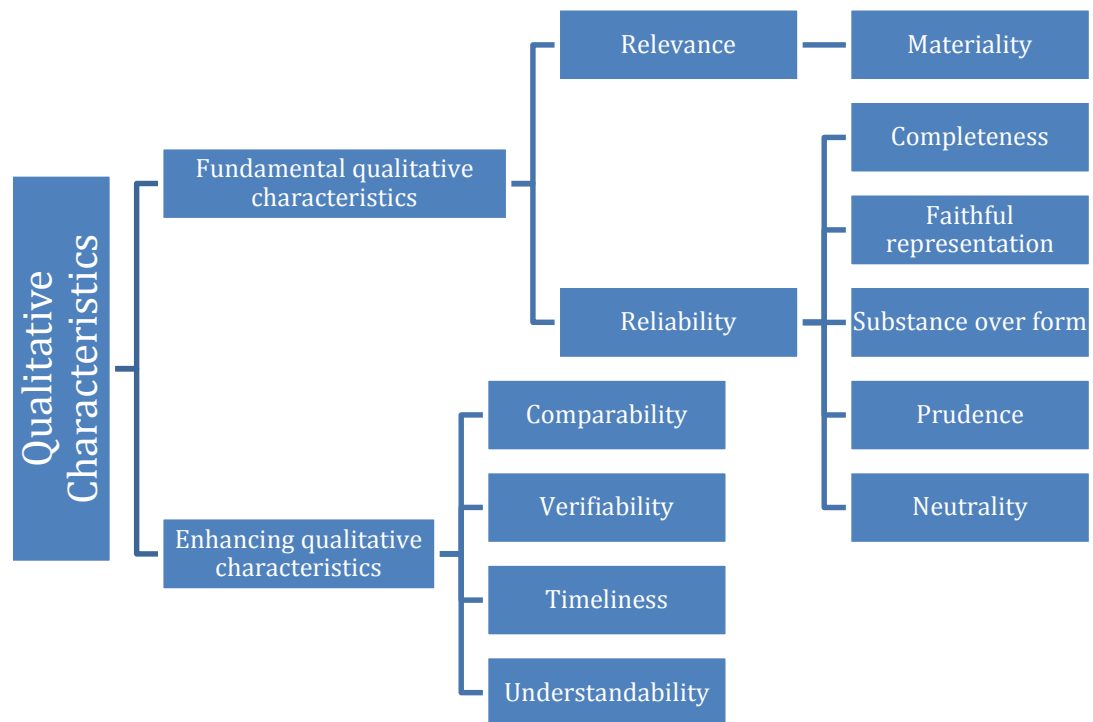


Figure 3: Qualitative Characteristics under IFRSs (IASB 2004, 28-32)

Regarding fundamental qualitative characteristics, it is required that any useful information that is related to or influences users' decision-making must be included in the financial statements. This is in accordance with the first characteristic, *relevance*. Any information that makes it possible to predict future values or that provides valuable feedback about previous predictions is interrelated. Also, the nature and *materiality* of information affect the relevance of such information. This means that any item which, if being omitted or misstated could have effect on the economic decision of users, must be included in the reports (IASB 2004, 28). Tightly connected with relevance is the characteristic *reliability*, although it is not specifically mentioned in IFRS 2014 as being a part of *faithful representation*, originally this is one important element of the fundamental characteristics. This means that for information to be useful, it must be reliable and must represent the transaction in a faithful manner. Information included in financial statements must be neutral and free from bias. Moreover, the preparations of financial statements must deal with uncertainties that are unavoidable such as collectability of doubtful receivables (IASB 2004, 29). Also, information in financial statements must be completed, free from errors and shall

not be omitted. However, *prudence* has been deleted from the set of qualitative characteristics for being inconsistent with *neutrality* (Nobes & Stadler 2014).

In relation to enhancing qualitative characteristics, which are to enhance the usefulness of information, it is required that information must reveal the differences as well as similarities of the business's financial position and performance. This will allow users to compare an entity from time to time and with other entities. In addition to that, financial statements shall be prepared in the same manner over different periods for comparison and if any changes exist in the presentation of reports, attached notes are required to inform users such changes. Information in financial statements is also required to be *verifiable*. Information is considered to be verifiable when it is free from errors and no misunderstanding is present. This means that independent observations could reach similar conclusion (IASB 2004, 29). IASB (2004, 29) stated, regarding the characteristics *timeliness*:

“If there is undue delay in the reporting of information it may lose its relevance.”

This means that information must be recorded and reported punctually and up-to-date when it occurs. Last but not the least *understandability* is a very important aspect in accounting characteristics. Financial reports should include and cover all concise information and this information must be presented in such a manner that all users can understand it (IASB 2004, 30). Users here are assumed to be people with knowledge and skill of accounting. Also, it is important that information about complex matters shall not be excluded from reports because of its relevance to decision making (IASB 2004, 30).

Undeniably, IAS/IFRSs embrace a great number of standards and guidelines within its framework concerning accounting reports. The next question that should be taken into consideration is that with such numerous standards, what benefits enterprises and a nation will earn by implementing it in their accounting system. Sub-chapter 2.1.4 will present the main advantages of IAS/IFRSs that have been highlighted in previous studies.

2.1.4 Benefits of International Financial Reporting Standards (IAS/IFRSs)

Firstly, the issuance of IAS/IFRSs have helped uniform the standards of financial reporting worldwide. The uniform standards have led to the biggest benefit of IAS/IFRSs which is the common reporting language all over the world (Lin et al., 2014). With over 120 countries adopting and applying IAS/IFRSs in their financial reporting practices, the common reporting language has made it easier for investors, as well as other users, to compare an entity's performance with different entities from different countries in the same way (Tweedie, 2006 cited by Lin et al. 2014) together with reducing misunderstanding to minimum (Lin et al. 2014).

Secondly, IAS/IFRSs reflect the company's financial position more accurately and consistently, helping the foreign managers and investors to make better decision (Cuijpers & Buijink 2005; Corvig, Defond & Hung 2007; Tran 2013; Lin et al 2014). Gyasi (2010, cited by Lin et al. 2014) asserted that IAS/IFRSs helped provide easier access to foreign markets and attract more investors.

Moreover, with the adoption of IAS/IFRSs in the accounting system, the accounting quality, regarding accounting information and data, will be improved. This is because IAS/IFRSs were initially designed based on the demands of developed markets; therefore, higher measurements are also required. Yet, this can also lead to challenges for countries to adopt the standards, such challenges will be discussed in a later section.

Recognizing the benefits of IAS/IFRSs, many countries in the ASEAN have applied and implemented the use of IAS/IFRSs with more or less modifications made in order to meet the country's conditions. For instance, the Philippines and Singapore have applied almost all of IAS/IFRSs while Malaysia applies IAS/IFRSs to companies with foreign investment. Vietnam is also an ASEAN country which has not yet allowed IAS/IFRSs to be applied in the financial reporting, but rather the country's accounting standards are selectively based on

IAS 2001. The next section will look closely and explain in more detail the Vietnamese accounting standards and system.

After all, IAS/IFRSs are a set of global accounting standards which were introduced and established by International Accounting Standards Boards in 2001. Throughout its development, IAS/IFRSs are nowadays implemented in many countries, either voluntarily or mandatorily. In this chapter, five accounting standards have been interpreted based on which the next section will interpret equivalent standards under VASs in order to discover the differences between VASs and IAS/IFRSs. These five standards including Presentation of Financial Statements; Inventory; Property, Plant and Equipment; Intangible Assets and Consolidated Financial Statements; will also be used as the basis for empirical findings of the paper. Furthermore, it has been shown clearly in sub-chapter 2.1.4 (page 25) that implementing IAS/IFRSs will bring many advantages and benefits to a country and organizations, yet, there are countries, namely Vietnam, who have not yet adopted IAS/IFRSs in their accounting policy. This, hence, leads to the research question of what factors prevent the country from implementing IAS/IFRSs. The next section and chapter 3, empirical findings, will explain this in more detail.

2.2 Vietnam and the country's current accounting system

This section highlights and focuses on the Vietnamese accounting system. This section is divided into four sub-chapters. First of all, brief background information of Vietnam and the country's accounting history will be presented in order to provide an overview of the country. Then, background information of Vietnamese Accounting Standards (VASs) and its development since establishment will be described, followed by interpretations of five standards under VASs in sub-chapter 2.2.3. These five standards are respectively comparable to those presented in the previous section (see sub-chapter 2.1.2, page 17) which are Presentation of Financial Statements; Inventory; Tangible Fixed Assets; Intangible Assets and Consolidated Financial Statements. Lastly, the main qualitative characteristics under VASs will be explained in order to compare with those under IAS/IFRSs.

2.2.1 Background information and history of Vietnamese accounting system

Firstly, before describing the country's national accounting system, VASs, it is vital that the country and its accounting system history are described. Vietnam is a "homogeneous society" (McDaniel, Schermerhorn & Huynh 1999, 81) in South East Asia which is strongly influenced by the developed countries such as France, United States of America and the former Soviet Union as well as by the neighbor country, China. The country has undergone many changes in its economy, from a closed economy to an emerging one. Prior to the 1990s, Vietnam was much isolated from the world economy; it was not until the 1990s that Vietnamese economy started a transition to integrating with the world market. The fast change in the economy requires the country to update and to make changes in its financing and accounting system (Huynh, Doan & Gong 2012).

Before 1945, Vietnam was evacuated by French Empire and at that time, the Vietnamese economy was mainly agricultural and the country's accounting system was much limited and affected by the French system. The French "Commercial Code 1807" was introduced and was forced to be adopted. From 1945 to 1954, after President Ho Chi Minh declared the independence of Vietnam from France, the French accounting practice was also replaced by General Accounting of Democratic Republic of Vietnam and Revenue and Spending's Regulation (Vo 2011). It is remarkable that there were two separate accounting systems in Vietnam at that moment due to the fact that the country was divided into two regions which were Democratic Republic of Vietnam (in the North) and Republic of Vietnam (in the South).

During the period 1954-1975, because of two political and economic regions, there were two different accounting systems in use. In the North, a socialist accounting system was established with impact from China and the former Soviet Union, meanwhile in the South, a capitalist accounting system was established which was based on the French system. After liberation on 30th April 1975, also known as pre-Doi Moi period, with the reunion of two political regions, a

Vietnamese accounting system was reformed but it was mainly based on the Soviet Union model (Vo 2011).

In 1986, Vietnam, with the “Open Door” policy, which was so-called “Doi Moi”, was integrated into the world market. This has witnessed the reformation of Vietnamese economy from a central economy to a “socialist market economy” (Nguyen & Tran 2012, 436; Jenkins 2004). The “Open Door” policy had led to a transformation in the accounting system of the country from the Soviet style to the one that was more harmonized with the international standards (Nguyen & Tran 2012, 432). Since 1995, Vietnam has joined several both regional and global agreements. For example, the country became a member of ASEAN and the ASEAN Free Trade Area (AFTA) in 1995, joined Asia-Pacific Economic Cooperation (APEC) in 1998 and became a member of the World Trade Organization (WTO) in 2006 (Huynh et. al 2012; Nguyen & Tran 2012). With such a rapid change in economy, Vietnam is gradually opening up to foreign market and changing to become familiar with Western countries’ new concepts and methods (Phan 2015).

The rapid change in economy has created an increasing pressure from foreign investors and international financial institutions such as the Asian Development Bank (ADB) or International Monetary Fund (IMF) (Nguyen & Gong 2012, 27). Such pressure requires new economic policies to be applied cautiously and the accounting system to be reformed, leading to the establishment of Vietnamese Accounting Standards (VASs), which is presented in the next part.

2.2.2 Vietnamese Accounting Standards and its development

As mentioned, at the moment, there are over 100 countries using IAS/IFRSs as their accounting standards, however, there are still a number of countries with slower convergence to IAS/IFRSs, one of them being Vietnam. Vietnam did not have official accounting standards until 2001 when the Ministry of Finance (MoF) introduced for the first time the national accounting standard called Vietnamese Accounting Standards, in short commonly known as VASs. The aim of introducing VASs was to establish a set of accounting standards which were

suitable and effective in the context of the Vietnamese economy, this means in accordance with “market economy” and yet “under socialist orientation” (Dang 2001; Narayan & Godden 2000, cited by Nguyen & Tran 2012, 442).

Some companies have been making efforts to adopt IAS/IFRSs in preparing and reporting their financial statements, yet listed domestic companies are not permitted to use IAS/IFRSs (Borker 2013). A number of companies in Vietnam prepare financial statements based on IAS/IFRSs for the purpose of reporting to foreign investors. However, such statements are only supplementary documents that are published in addition to the financial statements prepared based on VASs. For financial reporting procedure, VAS financial statements are statutory and primary for all companies (IFRS 2014). Although Vietnamese MoF does not allow or implement IAS/IFRSs in reporting financial statements, the country’s national standards were based on IAS 2001 with many differences and modifications compared to IASs, especially IFRSs later on. The modifications were made to reflect the domestic regulation and local environment. Ibarra and Suez-Sales (2011) mentioned in their research that, according to VASs, accounting reports were required to include the use of Vietnamese language, of Vietnamese dong (VND) as the accounting currency and the use of Vietnam chart of accounts. Additionally, many reports are required to be presented on a monthly basis which is specified by legislation.

In recent years, Vietnam’s economy has become more and more integrated with the increased level of foreign investment together with financial and capital markets are in the development stage. For that reason, the implementation and convergence with IAS/IFRSs has become increasingly important for the country. The way that Vietnam approaches IAS/IFRSs is cautious and gradual, based on the needs and possibilities of application of the country (Phan 2015). Therefore, the government decided to selectively apply IAS 2001 with an aim of creating a national accounting standards system that is more suitable to the conditions of the economy, politics and society of the country as mentioned above.

As shown above, VASs was based on International Accounting Standards 2001, so many changes in IAS/IFRSs have not yet been updated in VASs. This leads to a gap between the country's national standards and the international standards. The next section will look closely at the five main standards under VASs which are equivalent to those under IAS/IFRSs in sub-chapter 2.1.2 (page 17) in order to discover the differences between VASs and IAS/IFRSs.

2.2.3 Accounting standards and interpretations under Vietnamese Accounting Standards (VASs)

Currently there are twenty-six issued standards under VASs (Appendix 2). This section will prescribe the five standards including VAS 2, VAS 3, VAS 4, VAS 21 and VAS 25 which are in accordance with the IAS/IFRS standards that have been explained above.

VAS 21 – Presentation of Financial Statements

VAS 21 was based on the IAS 1 which was revised in 2003. Similar to IAS 1, VAS 21 provides guidelines and requirements on the preparation and presentation of financial statements in order to reflect the financial position and activities of an enterprise. Under VAS 21, the financial statements shall provide the following information of an entity (Russellbedford 2015):

1. Assets
2. Liabilities
3. Equity
4. Revenue, other income, expenses
5. Cash flows

Obviously, under VAS 21, there is no guideline or information regarding owners' changes in equity as under IAS 1. As there is no requirement regarding owner's contribution and distribution, a complete set of financial statements, under VAS 21, does not require for a Statement of Changes in Equity but only the following (Russellbedford 2015):

1. Balance Sheet
2. Income Statement
3. Cash Flow Statement
4. Notes to the financial statements

On top of that, under VAS 21, the six features in preparing and presenting financial statements are similar to IAS 1, including: continuous operation (going concern), accrual basis, materiality and aggregation, matching (offsetting), comparative information and consistency of presentation (Russellbedford 2015). As there is no significant difference between these features, these features will not be explained in detail.

VAS 2 - Inventories

VAS 2 provides guidelines and principles regarding inventories accounting covering methods of calculating inventory value as well as the recording and reporting in financial statements. Similar to IAS 2, VAS 2 defines inventories as assets which are held for sale; in the process of production; or raw materials and materials which are used in the production process or provision of services (Russellbedford 2015). As highlighted earlier, cost calculation is one of the key points in reporting inventories. Under VAS 2, there are four methods to calculate the value of inventories: specific identification, weighted average, First-in First-out (FIFO) and Last-in First-out (LIFO). In contrast with FIFO method, LIFO method assumes that the last goods or items purchased in shall be the first ones to be sold (Russellbedford 2015).

VAS 3 – Tangible Fixed Assets

Regarding Tangible Fixed Assets, an asset is recognized as tangible assets if the following criteria are simultaneously fulfilled (Russellbedford 2015): future economic benefits to be obtained, reliable historical cost, more than one year of useful life, other current regulations regarding value criteria. In determining the cost of a tangible fixed asset, in the same fashion with IAS 16, VAS 3 includes within its scope that tangible fixed assets are to be valued firstly according to their

historical cost, following by any depreciation expenses. Also, any costs incurred after initial recognition shall be recorded only if they are related to the procurement and shall be calculated to the historical costs (Russellbedford 2015). In terms of tangible assets which are in exchange form, the value of the acquired assets shall be calculated at fair value of either the assets given up or received which is adjusted by cash received or paid. However, if the two assets are similar or have similar fair values, the carrying amount of the asset given up should be used as the cost for the new assets, no matter how reliable the fair value could be determined (PwC 2008, 18).

VAS 4 – Intangible Fixed Assets

In terms of intangible fixed assets, the standard VAS 4 defines such items as assets without physical form and which are used by an enterprise for their production, business or service provision (Russellbedford 2015). An asset can be recognized as an intangible fixed asset where the following factors must be satisfied simultaneously: Identifiability, controllability and certainty of future economic benefits. Concerning the value of such asset, historical cost and any cost incurred that helps generating its future economic benefits shall be included. Other incurred cost shall be recorded as business expense (Russellbedford 2015).

After initial recognition, depreciation is determined. Under VAS 4, intangible assets must be depreciated and the depreciation period is restricted to no longer than 20 years (PwC 2008, 24) unless providing reliable evidence. It is also important to note that intangible fixed assets must be identifiable and controllable, in which case goodwill is not considered as an intangible asset under VAS 4 (Russellbedford 2015).

VAS 25 – Consolidated Financial Statements and Accounting for Investments in Subsidiaries

According to VAS 25, similar to IFRS 10, a parent shall present consolidated financial statements of itself as well as those of its subsidiaries as one single

enterprise. A parent may need not present consolidated financial statements if it meets one of these conditions (Russellbedford 2015):

1. The parent is wholly owned by another enterprise; or
2. The parent is virtually wholly owned in which it has more than 90% of voting power.

Besides that, VAS 25 highlights within its scope that a subsidiary may be excluded from consolidation if the subsidiary is temporarily controlled or operates under “severe long-term restrictions” which limits its ability for fund transfers (Russellbedford 2015).

In short, by interpreting the above five standards, it should be admitted that there are several differences between VASs and IAS/IFRSs. First of all, under VAS 21, Statement of Changes in Equity is not required as an element of a complete set of financial statements. Secondly, LIFO is not mentioned under IAS 2 as one of the inventory cost calculation methods. In regard to tangible fixed assets, or in another word Property, Plant and Equipment (PPE), it is shown clearly that the term “fair value” still plays a dominant role in Vietnamese accounting system with historical cost to be the main concern. Conversely, IAS 16 strongly emphasizes the fair value of such assets within its framework. Also, impairment test is not mentioned under VASs as a part of tangible assets value like IAS 16 does. Furthermore, another great difference between VASs and IAS/IFRSs lines in intangible fixed assets. VAS 4 does not recognize items such as goodwill or leadership talent as intangible assets as they are not identifiable and controllable. Last but not the least, it is clearly shown that IFRS 10 includes more criterion for exemption of consolidation of financial statement while VAS 25 shows much simpler guidelines.

Besides the differences between the five standards focused in the paper other differences can also be pointed out. Undoubtedly, compared to the over-sixty-standards IAS/IFRSs, VASs with only 26 standards are less complex and covers fewer areas than IAS/IFRSs. On top of that, many standards under IAS/IFRSs do not have an existing VAS equivalent to them. Such standards include, for

example, Employee Benefits (IAS 19), Financial Instruments Disclosures (IFRS 7) or Financial Reporting in Hyperinflationary Economy (IAS 29) and so forth.

Notwithstanding, such differences do not mean and overshadow the fact that there are similarities between the two sets of standards. As an illustration, the inventory calculation methods under both standards are basically similar with the mention of weighted-average cost, FIFO or identification cost. Moreover, the six features under VAS 21 are analogous to those under IAS 1. In the same way as IAS/IFRSs, VASs also include a set of qualitative characteristics that need to be satisfied in financial reporting. The next section will focus on the qualitative characteristics under VASs in order to draw a comparison with those highlighted under IAS/IFRSs.

2.2.4 Qualitative Characteristics under Vietnamese Accounting Standards (VASs)

Similar to IAS/IFRSs, VASs comprise several qualitative characteristics, yet, they are not exactly identical. Under VAS 1 – Framework, there are six basic requirements for accounting and financing or in another word, qualitative characteristics, as summarized in Figure 4.

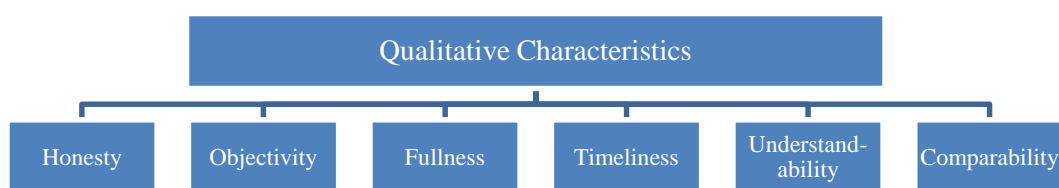


Figure 4: Qualitative Characteristics under VAS 1 (Russelbedford 2015)

Even though, they are similar to a certain degree, there are small distinctions between the two sets of qualitative characteristics. In accordance with VAS 1, all accounting information and data must be recorded and reported in an adequate and trustful manner which reflects the true situation and economic operations. Also, information and data must be in accordance to reality and shall not be

falsified. Regarding the characteristic *fullness*, all economics and financial operations and activities must be included in the reports and shall not be omitted and they must be recorded and reported on time according to scheduled time without any delay. Similar to IAS/IFRSs, under VASs accounting information and data are required to be presented in an easy-to-understand manner for users. Information about a complicated matter shall include an explanation. Finally, *comparability* is another important requirement that the MoF of Vietnam emphasizes in VAS 1. With regard to this characteristic, accounting information and data shall be calculated and presented in a uniform way for them to be comparable between different accounting periods or different enterprises. In case of lack of uniformity, it is required to provide explanation for proper comparison. In addition, it is very important that these six requirements are satisfied simultaneously (Russellbedford 2015).

Overall, there are two main differences between the qualitative characteristics under VASs and those of IAS/IFRSs that should be mentioned. Firstly, it is obvious that qualitative characteristics under VASs are less complex than of IAS/IFRSs as they are not separated into two different categories: fundamental and enhancing characteristics like under IAS/IFRSs. Secondly, the greatest difference shown is that the characteristic *relevance* is not appeared or mentioned under VAS 1. Regardless of that, similarities between them shall not be neglected. Under both standards, faithful representation to reflect the true financial position and situation of the organization must be fulfilled. Also, comparability and understandability are both vital under VASs and IAS/IFRSs. Financial information and data shall be presented in a uniform way that enables comparison between different reporting periods and that allows all users to understand such information.

As mentioned previously, by implementing IAS/IFRSs, organizations as well as one nation can gain many benefits such as higher accounting data quality or better comparability. Yet, Vietnam has not fully converged the international standards but rather, the country selectively based its accounting standards on various standards that were under IAS 2001. This is shown in sub-chapter 2.2.3 (page 30-

33). This leads to the discovering and seeking for the reasons and factors that inhibit IAS/IFRSs implementation in Vietnam. The next section will focus on these factors in which a literature review from several older studies is presented.

2.3 Factors preventing Vietnam from fully adopting International Financial Reporting Standards (IAS/IFRSs)

A given group of accountants who come from different countries certainly will not provide identical financial statements for the exactly same set of transactions (Nobes & Parker 2012). This might be due to the fact that the principles that are used in different countries are still slightly different because of the different culture and policies. There have been many researches previously which have highlighted the factors that could affect and have an impact on the financial reporting process of a business. Troberg (2013, 13) pointed out the four main factors that would have an impact on the financial reporting including legal systems, providers of finance, taxation system and accountancy profession. In addition to these factors, Nobes & Parker (2012) have asserted that there were three main and common reasons for a country to not adopt the international standards: (1) unwilling to lose control of rule-making of government; (2) cultural opposition to IFRSs and (3) the complexity of IFRSs was not suitable for the country. On the other hand, according to Shima's and Yang's research (2012), factors which might have an impact on the adoption of IAS/IFRSs could be named as political and social ties with other countries; growth rate of the economy and legal systems.

Besides that, there have been few studies researching on the reasons and factors to explain why Vietnam, despite the rapid integration with the world market, has not yet applied all of IAS/IFRSs. In this paper, such factors are separated into four different categories, or they can be expressed as themes that have been emphasized in most studies and which are: (1) social factors, (2) staff factors, (3) political factors and (4) economic factors. While social factors refer to culture, beliefs and value of one nation, political factors take into consideration the legal systems, policy, taxation as well as government aspects of the country. Staff

factors concern the knowledge, experience and awareness of the financing and accounting bodies within a business. Finally, economic factors deal with the current and past economy situations of the country.

Social factors

First of all, regarding social factor, the financial statements which are designed based on IAS/IFRSs use accounting estimations such as fair value in which the uncertainty is very high. In contrast to that, Vietnamese culture tends to avoid risks and uncertainties. This can be seen as one of the main reasons for the limited use of fair value in the Vietnamese accounting system. Instead, historical value is still the prior in calculating the value of assets and liabilities, creating a gap between VASs and IAS/IFRSs. This is shown clearly under VAS 3 (see sub-chapter 2.2.3, page 31).

Furthermore, according to Geert Hofstede's model, Vietnam is a country with high score in Power Distance, hence, the Vietnamese accounting system tends to be stricter (Nguyen & Gong 2012). Also, one of the biggest challenges for Vietnam to adopt IFRSs is the use of English in IAS/IFRSs and there is a mass difference between English and Vietnamese. The difference in language can create and can lead to misunderstandings and misinterpretations of the financial reports (Tran 2013; Lin et al. 2014; Tokar 2005, 687).

Staff factors

Besides social factor, staff is another main reason preventing Vietnam from converging with IAS/IFRSs. Studies by Dang (2011) and Albu et al (2010, cited by Tran 2015) have asserted that the limitation on understanding and lack of knowledge and experience of the majority of Vietnamese accountants were the main reasons for Vietnam to not implement IAS/IFRSs. According to research by Lin et al. (2014), the number of people in Vietnam who had knowledge or experience with IAS/IFRSs was still not high. Mostly, they were young people or those with doctors and master's degree who had known of IAS/IFRSs but the

number of Vietnamese accountants who did not know or had not heard about the international standards was at a high level (20% of respondents).

Additionally, Nguyen & Gong (2012) also pointed out that the degree of development of the accountancy bodies in Vietnam was not adequate enough to understand and to apply the complex IFRSs. IAS/IFRSs are considered to be complicated even for the developed countries. This is an important factor leading to the selective application of IAS 2001 in the accounting and financing policy of Vietnam on the basis of needs and capability. It is also important to note that Vietnamese culture tends to be conservative and most people cannot adapt to changes quickly. The majority of experienced current accountants were trained and educated in accordance with the former accounting system. For this reason, training these staff to adapt to IAS/IFRSs can be time-and-money consuming.

Political factors

Besides that government and regulation setters also play a key factor. Firstly, it is essential to emphasize that the government intervenes strongly in accounting standards setting. Hence, the accounting data is primarily for the government, unlike under IAS/IFRSs, where investors are priority. Secondly, the law system used in Vietnam is code law. According to Y. Ding et al (2007, cited by Nguyen & Gong 2012, 34), in code law system, “shareholder protection” and “transparency requirements” of the financial information were lower than under common law system. Most of Western countries, especially the EU countries, are using common law. As mentioned earlier, the Vietnamese accounting system tends to be stricter, this is not only because of the culture of the country but it is also impacted by the legal system of the country. Vietnamese accounting standards are constructed in accordance with the legal requirement of code law system. The difference in legal system also restricts the development of accounting practices (BBP 2012).

On top of that, research by Phan, Mascitelli and Barut (2014) highlighted that governance and standard setters played a major key for the resistance in

IAS/IFRSs adoption. The research showed that Vietnamese regulator and other regulatory authorities appeared to lack of support for the adoption of IFRSs.

Economic factors

Nevertheless, it should be remembered that the starting point for Vietnam's economy was a poor and backward agricultural country therefore, IAS/IFRSs may not be completely appropriate for such a developing country like Vietnam. Also, IFRSs are very complex while transactions in Vietnam are not yet that complicated as the level of economic development in the country is much lower compared to developed Western countries (Lin et al. 2014). With the complexity of IAS/IFRSs, for Vietnam to adopt IAS/IFRSs it will cost to train and to hire qualified accountants including the cost to upgrade needed technologies (Tran 2013). Moreover, Vietnamese economy is much impacted and influenced by the old system and the socialist market economy is only at the first stage of development where it is not yet perfect (Nguyen & Gong 2012). More than that, the financial reports users in Vietnam have less urgent needs for using IFRSs as the current condition of Vietnam is "undeveloped capital market" (Tran 2015). Therefore, they pay less attention to these standards (Lin et al. 2014).

In short, this chapter provides an overview of both IAS/IFRSs and VASs with their developments during the last few years. Besides that, interpretations of the five standards together with the qualitative characteristics under IAS/IFRSs and VASs were also presented (see sub-chapter 2.1.2, page 17 and 2.2.3, page 30). These five standards, namely Presentation of Financial Statements; Inventory; Property, Plant and Equipment (Tangible Fixed Assets under VAS); Intangible Fixed Assets and Consolidated Financial Statements will be used as the basis for comparison in the empirical framework. It must be admitted that even though the Vietnamese Accounting Standards are based on the IAS 2001, enormous gaps can be observed between these two systems due to different factors such as social, legal, staff and economic factors as mentioned above. Not only can the differences be found between the presented standards, they are also demonstrated clearly in the qualitative characteristics which were highlighted above (see sub-chapter

2.2.4, page 34). The research will be based on the factors mentioned in section 2.3 (page 35) to seek for opinions of the respondents from different points of views based on their position, or in another word their careers. This will be explained in more detail in the next chapter.

3 EMPIRICAL FINDINGS

This chapter represents the results and data that have been collected from the research. There are four main sections presented in this chapter. The first sub-chapter describes the research design and methodology used in this paper. In this section, the research process will be explained in detail. In the next sub-chapter, background information of the five case companies whose financial statements will be used for comparison will be described shortly. The aim is to provide an overview of the case companies and explaining the reasons they are chosen for comparison. The following section will present the empirical findings, in other words the research results of the paper, including the comparisons between companies' financial statements and information collected from the interviews with the Vietnamese professionals. Finally, the main finding and results found from the research will be emphasized in the discussion.

3.1 Research design and methodology

Research can be seen as one of the most important features in emphasizing the theoretical information of one study. It is a general term for a process or activity which involves finding out and seeking to things not yet known (Walliman 2011, 7). Research aims at acquiring knowledge and at developing understanding, collecting facts, followed by interpreting this information to build up a big picture of the problem (Walliman 2011, 15). Figure 5 displays briefly a methodology or a research process:

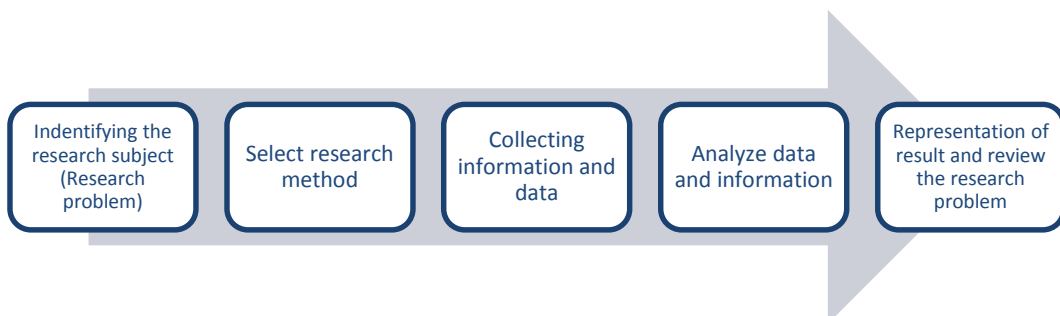


Figure 5: Researching process (Walliman 2011, 28-30)

This section is divided into four sub-chapters illustrating the five steps of the researching process of this study accordingly to figure 5 above.

3.1.1 Identifying the research subject

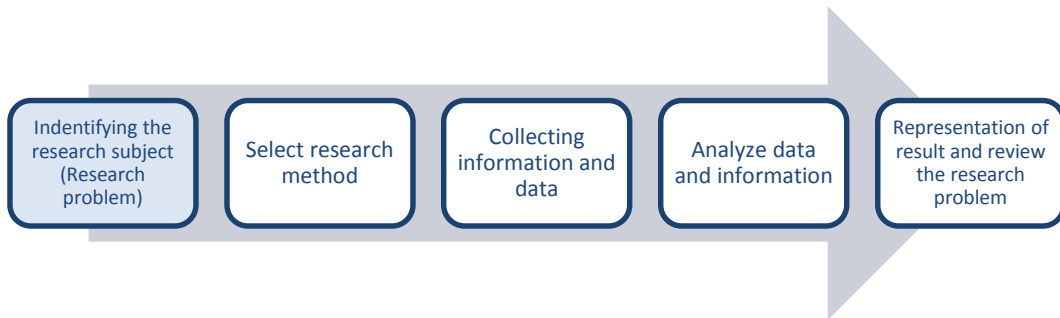


Figure 6: Step 1 – Identifying the research subject

The first step in a researching process is to define a research problem. Identifying the research subject or problem can be seen as the foundation for selecting the research method and ultimately the quality of the results. As mentioned in the introduction, the main objective of the paper is to discover the differences between VASs and IAS/IFRSs. Also, the purpose is to seek for possibilities of the convergence and implementation of IAS/IFRSs in the Vietnamese accounting system. Besides that, the study intends to answer four hypotheses which are presented in sub-chapter 3.1.3. After the research problem is defined, it is crucial and important to select proper research method(s). The next subsequent chapter will demonstrate the research method used in this paper further.

3.1.2 Selecting the research method

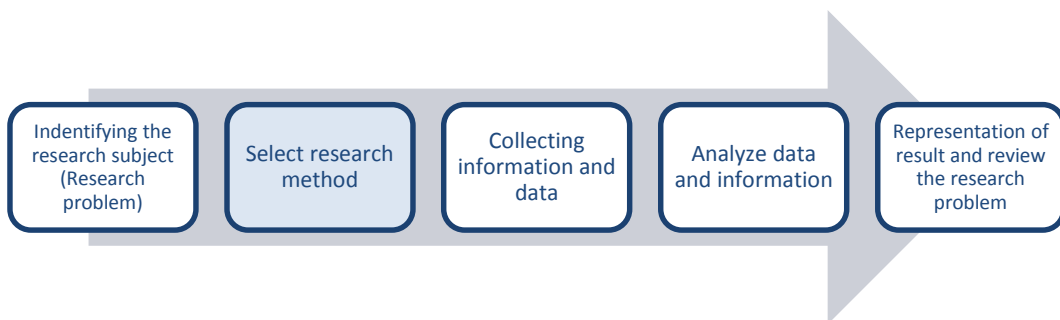


Figure 7: Step 2 – Selecting the research method

First of all, it should be highlighted that there are two different types of data, based on their characteristics, which are quantitative data and qualitative data, respectively corresponding with two main research methods: quantitative and qualitative methods. Regarding quantitative data, such data is dealt with and can be collected in the form of numbers and they require the use of mathematical activity to analyze and “investigate” their properties (Walliman 2011, 113). Most quantitative researches aim at proving that there is a “common reality” that people agree on (Jha 2008, 6). On the other hands, qualitative data are those that are expressed in the form of words to describe, for example descriptions, opinions and feelings of one (Walliman 2011, 130). Such data cannot be accurately measured and counted, yet they can be reorganized into different segments. Miles, Huberman and Saldana (2014, 9) has described qualitative research as an:

“... intense and/ or prolonged contact with participants in a naturalistic setting to investigate the everyday and/ or exceptional lives of individuals, groups, societies, and organizations.”

Jha (2008, 6) mentioned that qualitative research often reflected “individual phenomenological perspective”. According to Miles & Huberman (1994, 16), one main feature of qualitative research is “richness and holism”. This means that this research method provides strong potential to reveal matter of complexity as well as strong and vivid evidence and description of the issue. For the aim and objectives of this study, qualitative research was chosen as the main research methodology since this method provides in-depth knowledge and information regarding the research problem with opinions and knowledge of the respondents can be clearly described.

3.1.3 Collecting information and data

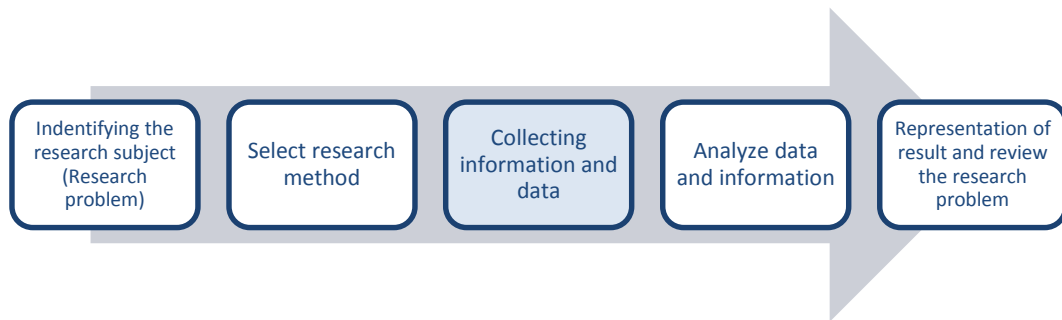


Figure 8: Step 3 - Collecting information and data

After a research method has been selected, information and data will be collected through activities such as observations, interviews, documents or artifacts (Miles et. al 2014, 11). The mentioned activities are research methods which provide primary data. Again, research data can be divided into two different categories based on their sources: primary and secondary data.

Firstly, secondary data are written sources in which primary data has been previously interpreted or recorded. This type of data can be collected from written materials such as interim reports, annual reports or journals; non-written materials such as interview, radio and televisions; and survey data (Walliman 2011, 79-80). This data tends to be less reliable for a study as they have been recorded in the past and may not be valid at study moment, yet they are still useful in providing information for a study (Walliman 2011, 69). In this paper, in order to ensure the validity and reliability of research data, secondary data is collected mainly from published journals, interim and annual financial reports as well as legal documentations.

The second type of research data is primary data. Walliman (2011, 175) has defined in his book primary data as:

“...sources from which researchers can gain data by direct, detached observation or measurement of phenomena in the real world, undisturbed by any intermediary interpreter...”

In brief, primary data are data that have been observed, experienced or recorded. Such data are closest to the truth (Walliman 2011, 69). There are several techniques to collect primary data and for the aims of this paper, only the methods that are used in the study are described and explained. The first method is to ask questions, in other words conducting interviews or surveys. This method allows the researcher to collect both quantitative and qualitative information with closed and open format questions. The closed format questions allow respondents to choose from a set of given answers, meanwhile with open format questions, respondents are allowed to freely answer the question in their own style and to express themselves in their own words (Walliman 2011, 97-98; Foddy 1993, 129).

From the point of view of this paper, it was decided to choose open format questions to have an in-depth understanding and knowledge of the respondents' opinions and feelings about the IAS/IFRSs and VASs. The open questions will be applied in the form of an interview which, according to Walliman (2011, 99) this is proper for questions that require examining to obtain adequate information. Foddy (1993, 11) asserted that verbal data could be so powerful in gathering information of people's attitudes, beliefs and opinions. Thus, with the use of open questions which do not suggest answers to the respondents, they will be able to express their own feelings and their level of knowledge about the main topic of this study which is concerning IFRSs and VASs. Yet, closed format questions are also utilized to support the interview and research. However, such questions play a relatively small role in this study.

Although the benefit of choosing research method in the form of an interview is essential, the drawbacks of this method shall not be ignored. Foddy (1994) pointed out that there were a number of weaknesses and inevitable limitations of this method which could lead to possible failure of the research. First, it is common that respondents fail to understand the questions as intended or misinterpret the question. As shown from a study by Briggs (1986, cited by Foddy 1994), this can be resulted from the difference in cultural background of the respondents and the cultural context of the question. Second, he highlighted the uncertainty of the respondents' effort, interest and willingness to admit certain

attitudes or behaviors. Furthermore, small changes in wording can lead to major changes in the distribution of responses. For instance, the way the respondents answer to the question “What kind of work do you do?” tends to be different from similar question but asked in a different way: “What is your career?” Lastly, Foddy (1994) asserted that respondents often answered questions even when they either did not know or knew very little about the topic. This would lead to invalid and wrong data which, at the end, will affect the research analysis.

In addition to that, it is crucial to have an appropriate sample in order to conduct a good research. The research sample was selected carefully. The interviews were conducted with eleven respondents who have strong accounting backgrounds and are currently working in the accounting - and financing – related department. The respondents were selected on the basis of their career which is related to financing and accounting as well as their educational background. The majority of the respondents are accountants as well as bankers and stock expert.

Next, in terms of the comparison sample, the intention is to select four different Vietnamese companies which were initially listed as below:

1. JSC Bank for Foreign Trade of Vietnam (Vietcombank JSC)
2. JSC Bank for Investment and Development of Vietnam (BIDV JSC)
3. Petrovietnam Gas Joint Stock Corporation (PVGas)
4. Vietnam Electricity (EVN)

However, unfortunately, EVN’s financial reports could not be found published on their main webpages, therefore the company had to be removed from the list for comparison.

Afterwards, comparison between the companies’ latest financial statements which are published and selected from their websites will be conducted against two Finnish international organizations, namely Pohjola Bank Plc and Fortum Group (Fortum Oyj). The reason why it was decided to choose these two companies is mainly because of the fact that they operate in the same field and industry with the three Vietnamese companies. Hence, this will allow the comparison to be more

valid and rational. Comparison in their accounting reports will be based mainly on the standards that have been explained in the theoretical framework, i.e. Presentation of Financial Statements; Inventory; Tangible Fixed Assets; Intangible Fixed Assets and Consolidated Financial Statements. Furthermore, in order to minimize translation errors, the aim is to use the English versions of their financial reports and statements where possible. The comparisons act as evidence to prove and highlight the gaps between IAS/IFRSs and VASs that have been described in the theory.

Concerning the questionnaires, it is significant to determine the relevant and necessary information related to the research objectives. In order to achieve the main purpose of the study, the interview is designed to answer the following main hypotheses (Appendices 3 & 4):

1. The level of knowledge and awareness of respondents about IAS/IFRSs
2. The reasons for Vietnam to not implement IAS/IFRSs
3. Respondents' opinions about challenges and benefits if the country is to adopt and implement IAS/IFRSs in their accounting system.
4. If Vietnam is going to adopt IFRSs, what will be the best time length for the transformation?

The questionnaires are designed in such a manner that ensures the respondents to understand and be able to answer. The questionnaires are prepared for participants in both languages: Vietnamese and English due to the fact that English has become a significant tool for communication in the professional working environment in Vietnam. However, the respondents of the researched questions are Vietnamese, and there is often a barrier of understanding and translating word by word between any two languages (Appendices 3 & 4). In order to avoid any biases or misleading information in the interview, the questionnaires were tested and several wording errors were discovered and changes were required and made. The questionnaires were tested with four respondents who were chosen based on their accounting background and knowledge. Two out of the tested participants have financing-related certificates whereas the rest are assumed to have weaker

accounting knowledge. The intention is to ensure that the actual respondents of the interviews are capable to understand the questions and to complete the interview. Afterwards, the final interview questionnaire was sent to respondents through email due to a time difference and inability to hold face-to-face interviews. After the result is collected and observed, the next steps in the researching process are the analysis and representation of the collected information and data.

3.1.4 Analysis and representation of the result

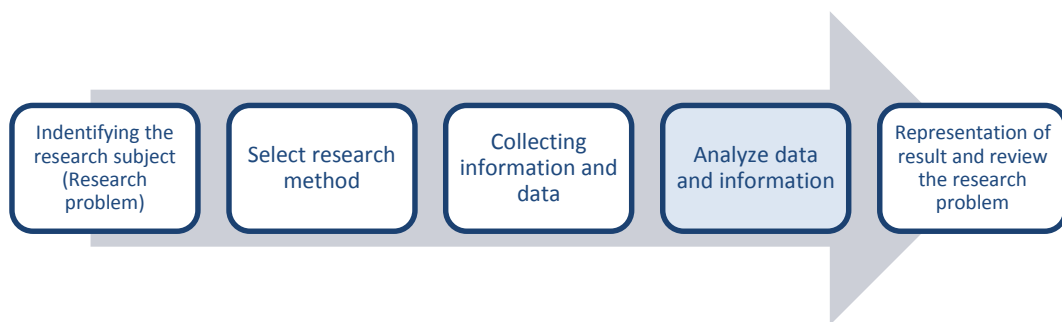


Figure 9: Step 4 - Data and Information analysis

It depends on the type of the research method that the result will be analyzed in different ways. To be more precise, as quantitative research deals with data in form of numbers, mathematic software and programs might be involved in order to analyze these data. In contrast, if qualitative research is to be conducted, in-depth explanations and interpretation will be required to analyze the results. As qualitative research is the main methodology in this study, a program such as SPSS is not required in analyzing the result. Rather, interpretation and analysis of the results will be presented in chapter 3.3 – Results and findings.

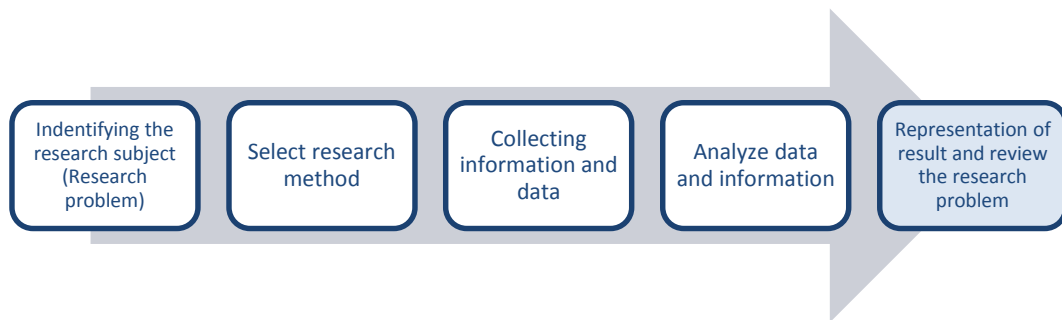


Figure 10: Step 5 - Representation of result

Lastly, when the research results have been analyzed, it is essential to represent the results in a logical form which reflects the research problem that has been identified at the beginning.

To summarize, the use of qualitative research method was chosen, namely interviews, as the main research method as it allows as much openness and rich-and-insightful information as possible. With this method, the hope is to understand and to capture the opinions and experience of the respondents on the current accounting system in Vietnam as well as IAS/IFRSs related issues. Nevertheless, drawbacks of qualitative research should not be neglected. As qualitative method requires and deals with in-depth expression, opinions, beliefs and values, it requires more time to collect and analyze data, compared to quantitative research. Also, researcher's bias might influence the results by using leading questions. Therefore, to limit and minimize bias in the study, the questionnaires were tested before sending out to participants as mentioned above.

Furthermore, in order to support the finding from the interviews, quantitative research method is also used in the study. It helps in identifying the rates of the respondents not knowing about IAS/IFRSs which has an impact on their answers on the following questions of the interviews. Yet, it must be highlighted that the use of quantitative research method is not the focus of this paper but it plays as a supporting element for the study. Next, an overview with their background information of the five case companies which financial statements are to be analyzed will be described briefly in the following sub-chapter.

3.2 Background information of case companies

First of all, it is worth understanding and having knowledge of the five case organizations presented in this paper, especially the three Vietnamese companies before comparison between their financial statements are analyzed. This section will provide compact information of the companies to be analyzed.

Firstly, Joint Stock Commercial Bank for Foreign Trade of Vietnam was established on April 1, 1963 from the Foreign Exchange Bureau which belonged to State Bank of Vietnam. The company was the first state commercial bank that was chosen for privatization by the Government. The company came into operation officially under the name Joint Stock Commercial Bank for Foreign Trade of Vietnam on June 2, 2008 after successfully implementing the equitization plan through Initial Public Offering (IPO) (Vietcombank 2015). Vietcombank JSC was listed on the Ho Chi Minh Stock Exchange (HOSE) which is the largest stock exchange in Vietnam, on June 30, 2009.

Besides Vietcombank JSC, another large state-owned bank organization was chosen for comparison. It is Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV JSC) which was recorded as Vietnam's fourth largest enterprise, according to the United Nations Development Programme's (UNDP) report on the top 200 Vietnamese's largest firms in 2007 (Cheshier & Penrose 2007, 45). BIDV JSC was founded on April 26, 1957 and is the oldest commercial bank in Vietnam. The company was formerly known as Bank for Construction of Vietnam since its establishment until June 24, 1981 when it changed its name to Bank for Investment and Construction of Vietnam. The company's current name was adopted on November 14, 1990. Similar to Vietcombank JSC, BIDV JSC operates in many different fields such as banking, insurance, stock and financial investments (BIDV 2012).

As mentioned, two large Finnish international organizations were chosen for the comparison and analysis, namely Pohjola Bank Plc and Fortum Group. The financial statements of Pohjola Bank Plc will be compared against those of Vietcombank JSC and BIDV JSC. Pohjola Bank Plc is a Finnish financial services

group operating in three different business segments, including Banking, Non-life Insurance and Wealth Management. Pohjola Bank Plc is part of OP-Pohjola Group (OP Financial Group). Pohjola Bank was listed in Helsinki Stock Exchange in 1922, making it one of the first companies to be listed in Helsinki.

In order to make the research more valid and reliable, a second comparison is conducted between PetroVietnam Gas Joint Stock Corporation and Fortum Group. PetroVietnam Gas Joint Stock Corporation is a Vietnamese organization operating in the energy and gas industry and is also known as PV Gas. The company was established on 20 September, 1990 with a former name of “Gas Company”. The main operations of the company are to gather, import, transport, store, process, distribute and trade gas and its products. The company was equitized in May 2011, followed by changing its name to the current one “PetroVietnam Gas Corporation Joint Stock Company” (PV Gas 2015).

Operating in a similar field with PV Gas, Fortum Group (Fortum Oyj) is an energy company, founded in 1998 by merging Imatran Voima and Neste Oy. Despite being a young organization, Fortum Group is listed on the NASDAQ OMX Helsinki stock exchange. The main operations of the group are power and technology; heat, electricity sales and solutions as well as other energy related services and products. At the moment, the Group is operating in ten countries, focusing on the Nordic and the Baltics countries as well as Russia. After giving brief background information on the case companies, the next section of this chapter will reveal the main finding and results of the research, including a comparison in the financial statements of the five companies and interviews with Vietnamese professionals.

3.3 Results and finding

In this chapter, research results and findings will be presented. This section is divided into two sub-chapters. The first sub-chapter will present a comparison of financial statements between the stated companies. After that, results from interviews with Vietnamese accountants and professionals will be illustrated and focused on in sub-chapter 3.3.2.

3.3.1 A comparison between Vietnamese Accounting Standards (VASs) and International Financial Reporting Standards (IFRSs) in terms of accounting standards

In order to highlight the differences between VASs and IAS/IFRSs, the comparison between the companies' financial statements will be separated and divided into two sub-chapters, based on the operating field of the organizations. The first part will present the comparison between the three banks' financial statements including Vietcombank JSC, BIDV JSC and Pohjola Bank Plc. After that, the results from comparison between PetroVietnam Gas and Fortum Group will be introduced.

3.3.1.1 A comparison between Vietcombank JSC's, BIDV JSC's and Pohjola Bank's financial statements

As stated at the beginning of the annual reports by the Board of Management of Vietcombank JSC and BIDV JSC, their consolidated financial statements were prepared and were presented in accordance with Vietnamese Accounting Standards as well as all regimes and requirements specified by the State Bank of Vietnam. In contrast, consolidated financial statements of Pohjola Bank were prepared in accordance with IAS/IFRSs, SIC and IFRIC interpretations as well as the legal requirements of Finnish accounting legislation.

With regard to the presentation of financial statements, all three companies indicated disclosures concerning any changes in their accounting policies. Both BIDV and Pohjola Bank indicate disclosures of "critical accounting estimates and judgements" which may impact the accounting information such as the amount of assets and liabilities; income and expenses. This was mentioned under Note 1 – Pohjola Bank Plc's Accounting Policies (Pohjola Bank Plc 2014, 39) and under Note 4 – Summary of Significant Accounting Policies for BIDV (BIDV 2014, 16). Meanwhile, such disclosures were not shown clearly in Vietcombank's financial statements. Besides that, under IAS/IFRSs Pohjola Bank presented their financial statements and disclosures in currency EUR (euro) (Appendices 5 – 7),

while both BIDV and Vietcombank prepared their financial statements in VND (Vietnam Dong) accordingly to VAS (Appendices 8 – 10).

In respect of inventory, all three companies did not mention about inventory in their financial statements, this might be due to the nature of their business operations which do not require inventory on hand. Consequently, no comparison can be drawn regarding the standard Inventory.

Concerning tangible fixed assets, such assets were calculated and stated at historical costs less accumulated depreciation for both BIDV and Vietcombank. It was stated under Note 4 and Note 2 (j) of their financial statements that:

“The cost of a tangible fixed asset comprises its purchase price plus any directly attributable costs of bringing the asset to the working condition for its intended use.” (BIDV 2014, 23)

In addition, any expenditure such as repairs and maintenance, once incurred, would be charged to the consolidated income statement. Such expenditure would only be capitalized if it resulted in improvements or renewals (Vietcombank 2014, 22). Figure 11 and 12 below show the reporting of tangible fixed assets under VAS 3 in more detail:

16.1 Tangible fixed assets

Movements in tangible fixed assets for the year ended 31 December 2014 were as follows:

	Buildings, structures	Machinery, equipment	Motor vehicles	Others	Total
	VND million	VND million	VND million	VND million	VND million
Cost					
Balance as at 01 January 2014	2,580,481	1,988,358	691,188	78,061	5,338,088
New purchases for the year	72,900	269,320	182,201	51,832	576,253
Transfer from Construction in progress	264,440	-	-	-	264,440
Other increases	49,683	6,419	4,068	754	60,924
Disposals	(7,730)	(19,247)	(8,833)	(2,030)	(37,840)
Other decreases	(651)	(2,808)	(1,278)	-	(4,737)
Balance as at 31 December 2014	<u>2,959,123</u>	<u>2,242,042</u>	<u>867,346</u>	<u>128,617</u>	<u>6,197,128</u>
Accumulated depreciation					
Balance as at 01 January 2014	557,244	1,374,476	447,534	35,509	2,414,763
Depreciation for the year	107,022	154,017	67,308	21,369	349,716
Other increases	844	6,140	2,345	1,822	11,151
Disposals	(6,005)	(19,103)	(8,020)	(1,875)	(35,003)
Other decreases	(143)	(1,375)	(375)	(11)	(1,904)
Balance as at 31 December 2014	<u>658,962</u>	<u>1,514,155</u>	<u>508,792</u>	<u>56,814</u>	<u>2,738,723</u>
Net book value					
Balance as at 01 January 2014	<u>2,023,237</u>	<u>613,882</u>	<u>243,654</u>	<u>42,552</u>	<u>2,923,325</u>
Balance as at 31 December 2014	<u>2,300,161</u>	<u>727,887</u>	<u>358,554</u>	<u>71,803</u>	<u>3,458,405</u>

Figure 11: Tangible Fixed Asset – BIDV JSC (BIDV 2014, 48)

12. Tangible fixed assets

	Premises VND million	Office furniture, fittings and equipment VND million	Motor Vehicles VND million	Others VND million	Total VND million
Cost					
Opening balance	2,085,960	2,775,011	504,345	404,436	5,769,752
Increases	295,759	330,437	71,366	145,599	843,161
- Purchases	295,759	326,968	71,366	106,187	800,280
- Others	-	3,469	-	39,412	42,881
Decreases	(30,073)	(27,953)	(7,352)	(10,197)	(75,575)
- Disposal	(4,470)	(25,498)	(7,352)	(10,197)	(47,517)
- Others	(25,603)	(2,455)	-	-	(28,058)
Closing balance	2,351,646	3,077,495	568,359	539,838	6,537,338
Accumulated depreciation					
Opening balance	418,000	2,278,450	305,973	211,282	3,213,705
Increases	95,663	307,392	66,044	91,455	560,554
- Charges for the year	95,663	307,392	66,044	89,584	558,683
- Others	-	-	-	1,871	1,871
Decreases	(5,530)	(26,838)	(6,395)	(10,127)	(48,890)
- Disposal	(3,264)	(25,470)	(6,395)	(10,127)	(45,256)
- Others	(2,266)	(1,368)	-	-	(3,634)
Closing balance	508,133	2,559,004	365,622	292,610	3,725,369
Net book value					
Opening balance	1,667,960	496,561	198,372	193,154	2,556,047
Closing balance	1,843,513	518,491	202,737	247,228	2,811,969

Figure 12: Tangible Fixed Assets – Vietcombank JSC (Vietcombank 2014, 45)

On the other hand, under IAS 16 Property, Plant and Equipment (PPE) were stated at cost less accumulated depreciation and any write-downs (Pohjola Bank Plc 2014, 48). Such write-downs included accumulated depreciation or amortization and impairment losses. Additionally, impairment tests for PPE were also mentioned in Pohjola's statements as shown in Figure 13 while such test was not mentioned and presented in the statements of BIDV and Vietcombank.

Note 26. Property, plant and equipment

EUR million	31 Dec. 2014	31 Dec. 2013*
Property in own use		
Land and water areas	6	6
Buildings	43	42
Total	49	48
Machinery and equipment	3	4
Other tangible assets	3	3
Leased-out assets	17	27
Total property, plant and equipment	72	82
of which construction in progress	0	0

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Changes in property, plant and equipment (PPE), EUR million	Property in own use	Machinery and equipment	Other tangible assets	Leased- out assets	Total PPE
Acquisition cost 1 Jan. 2014	58	39	3	51	151
Increases	3	0	1	2	6
Decreases	-1	-1	-1	-17	-19
Transfers to assets distributed to owners		-1			
Transfers between items	0				0
Acquisition cost 31 Dec. 2014	60	37	3	36	137
Accumulated depreciation and impairments 1 Jan. 2014	-10	-35	0	-24	-69
Depreciation during the financial year	-1	-1	0	-8	-10
Impairments for the financial year	0				0
Reversals of impairments for the financial year	0				0
Decreases	0	0	0	12	13
Depreciation on assets distributed to owners		1			
Other changes	0	0			0
Accumulated depreciation and impairments 31 Dec. 2014	-10	-34	0	-20	-66
Carrying amount 31 Dec. 2014	49	3	3	17	72

Figure 13: Property, Plant and Equipment - Pohjola Bank Plc (Pohjola Bank Plc 2014, 112-113)

Regarding intangible assets, Figure 14 shows clearly that such assets are stated at historical cost less any accumulated amortisation and impairments under IAS/IFRSs.

Note 25. Intangible assets

Changes in Intangible assets, EUR million	Goodwill	Brands	Customer relationships related to insurance contracts and policy acquisition costs	Other Intangible assets	Total
Acquisition cost 1 Jan. 2014	519	179	301	259	1,258
Increases				24	24
Decreases				-1	-1
Transfers to assets distributed to owners	-97			-39	-136
Transfers between items				0	0
Acquisition cost 31 Dec. 2014	422	179	301	243	1,146
Accumulated amortisation and impairments 1 Jan. 2014		-7	-194	-148	-349
Amortisation during the financial year			-24	-22	-46
Decreases				0	0
Depreciation on assets distributed to owners				33	33
Other changes				0	0
Accumulated amortisation and impairments 31 Dec. 2014		-7	-218	-136	-360
Carrying amount 31 Dec. 2014	422	172	84	107	786

Figure 14: Intangible Assets - Pohjola Bank Plc (Pohjola Bank Plc 2014, 108)

As stated under Note 1.8 – Intangible Assets (Pohjola Bank Plc 2014, 47), amortizations of goodwill and brands were not allowed but instead, impairment tests are done for these assets annually. This is in accordance with guideline under IAS 38 where intangible assets with indefinite lifetime such as goodwill shall not be amortised but to be impaired. Impairment tests of Goodwill is shown in Figure 15.

Goodwill impairment test

Goodwill, EUR million	2014	2013
Non-life Insurance	410	410
Pohjola Asset Management Ltd*		97
Leasing and Factoring Services	13	13
Total	422	519

Figure 15: Impairment Test for Goodwill - Pohjola Bank Plc (Pohjola Bank Plc 2014, 110)

On the contrary, under Note 2 (k) – Intangible Fixed Assets (Vietcombank 2014, 23) and Note 4 – Goodwill (BIDV 2014, 17), it was stated that amortization for copyrights, patents and other intangible fixed assets as well as goodwill were allowed and were done on a straight-line basis over four years for Vietcombank.

Figure 16 and 17 show in more detail the reporting of these assets for BIDV and Vietcombank. However, it should be highlighted that goodwill is not reported under Intangible Assets in both BIDV's and Vietcombank's financial statement, accordingly to VAS 4.

16.2 Intangible assets

Movements in intangible assets during the year ended 31 December 2014 were as follows:

	<u>Land use rights</u> VND million	<u>Computer software</u> VND million	<u>Total</u> VND million
Cost			
Balance as at 01 January 2014	2,155,018	541,727	2,696,745
New purchases for the year	935,489	72,882	1,008,371
Other increases	10,868	2,916	13,784
Balance as at 31 December 2014	<u>3,101,375</u>	<u>617,525</u>	<u>3,718,900</u>
Accumulated amortization			
Balance as at 01 January 2014	93,648	325,325	418,973
Amortization for the year	27,303	50,533	77,836
Other increases	921	7,535	8,456
Balance as at 31 December 2014	<u>121,872</u>	<u>383,393</u>	<u>505,265</u>
Net book value			
Balance as at 01 January 2014	<u>2,061,370</u>	<u>216,402</u>	<u>2,277,772</u>
Balance as at 31 December 2014	<u>2,979,503</u>	<u>234,132</u>	<u>3,213,635</u>

Figure 16: Intangible Assets – BIDV JSC (BIDV 2014, 50)

13. Intangible fixed assets

	Land use rights VND million	Copyrights & patents VND million	Others VND million	Total VND million
Cost				
Opening balance	1,414,186	454,538	79,312	1,948,036
Increases	167,363	20,694	-	188,057
- <i>Purchases</i>	167,363	19,529	-	186,892
- <i>Others</i>	-	1,165	-	1,165
Decreases	-	(59)	(26)	(85)
Closing balance	1,581,549	475,173	79,286	2,136,008
Accumulated amortization				
Opening balance	24,267	330,205	63,925	418,397
Increases	5,989	77,976	87	84,052
- <i>Charges for the year</i>	5,989	76,811	87	82,887
- <i>Others</i>	-	1,165	-	1,165
Decreases	-	(59)	(26)	(85)
Closing balance	30,256	408,122	63,986	502,364
Net book value				
Opening balance	1,389,919	124,333	15,387	1,529,639
Closing balance	1,551,293	67,051	15,300	1,633,644

Figure 17: Intangible Fixed Assets – Vietcombank JSC (Vietcombank 2014, 46)

As shown in Figure 16 and 17, the reporting of intangible assets is similar to that of tangible fixed assets where they are stated at historical costs less accumulated amortization.

In terms of consolidated financial statements, Pohjola Bank must include the parent company in their consolidated financial statements and to apply IFRS 10. Under IFRS 10, control determines whether the parent company consolidates an entity and as the Bank did not meet any criteria for exemption from consolidation, the parent company was included in the consolidated financial statements (Appendices 11 – 13). In contrast, both BIDV and Vietcombank did not disclose information to indicate whether the parent should be excluded or be included in the consolidation. However, neither did the companies include and present the financial statements of the parent company nor subsidiaries.

In order to support the evidence described in this part, the following subsequent chapter will focus on and present the results from comparison between financial statements of PetroVietnam Gas and Fortum Group.

3.3.1.2 A comparison between PetroVietnam Gas's and Fortum Group's financial statements

Regarding presentation and preparation of the financial statements, PetroVietnam Gas Joint Stock Corporation prepared its financial statements based on Vietnamese Accounting Standards (VASs) as well as in accordance with national accounting regime and legal legislations. Under VAS 21, the consolidated financial statements are required to be presented in VND as shown in, for example, their Consolidated Cash Flow Statement (Appendix 14). Meanwhile, the Fortum Group's consolidated financial statements were prepared in accordance with IFRSs and IFRIC Interpretations as required by the European Union (Fortum 2014, 65). Financial information and data reported in the financial statements were presented in EUR as shown in their Consolidated Cash Flow Statement (Appendix 15).

In terms of inventories, both companies mentioned the use of FIFO in their financial statements. In addition to that, weighted average method was also utilized and used in calculating cost of inventories for PV Gas (PV Gas 2014, 11; Fortum 2014, 75). Inventories were stated in both statements at the lower of cost and net realisable value less any applicable selling expenses and production costs. Figures 18 and 19 will show the reporting of inventories for the two companies in more detail.

23 Inventories

EUR million	2014	2013
Nuclear fuel	105	109
Coal	77	66
Oil	12	15
Biofuels	1	2
Other inventories	61	71
Total	256	264

No write downs have been booked related to inventories during 2014 or 2013.

Figure 18: Inventories - Fortum Group (Fortum 2014, 137)

7. INVENTORIES

	30/6/2014 VND	31/12/2013 VND
Goods in transit	22,050,927,002	75,266,818,644
Raw materials	757,497,650,864	537,768,189,494
Tools and supplies	67,870,938,253	61,045,044,314
Work in progress	75,675,763,621	47,169,471,714
Finished goods	67,221,047,004	89,974,375,039
Merchandise	665,449,025,255	1,739,953,337,079
Goods on consignment	1,590,147,857	56,763,758
	1,657,355,499,856	2,551,234,000,042
Provision for devaluation of inventories	(52,861,146,921)	(89,786,109,976)
Net realisable value of inventories	1,604,494,352,935	2,461,447,890,066

Figure 19: Inventories - PV Gas (PV Gas 2014, 16)

Concerning tangible fixed assets, according to VAS 3, such assets were stated at historical cost less accumulated depreciation. The initial costs of the assets included their purchasing prices and any directly attributable costs of bringing the assets into use (PV Gas 2014, 11). Impairment test was not mentioned or involved in the accounting of such assets as shown in figure 20 below:

10. TANGIBLE FIXED ASSETS

	Buildings, structures VND	Machinery, equipment VND	Motor vehicles VND	Office equipment VND	Other fixed assets VND	Total VND
COST						
As at 01/01/2014	5,485,654,590,753	3,757,527,919,631	521,357,519,376	131,635,698,722	23,483,760,637,243	33,379,936,365,725
Purchases for the period	2,579,795,945	5,900,372,354	561,043,834	8,394,619,287	2,228,204,993	19,664,036,413
Transfer from construction in progress	51,081,998,496	52,912,820,933	6,639,062,878	513,316,000	1,266,402,678,611	1,377,549,876,918
Adjustment as per final accounts	9,827,215,212	-	-	-	(17,418,638,660)	(7,591,423,448)
Other increases	-	-	-	-	8,552,493,182	8,552,493,182
Disposals	-	(1,280,979,844)	-	(320,900,000)	(5,197,571,555)	(6,799,451,399)
Other decreases	(211,098,672)	(389,097,804)	-	-	-	(600,196,476)
Other reclassification	(1,427,361,031)	999,411,127	869,631,545	(408,380,877)	(33,300,764)	-
As at 30/6/2014	5,547,505,140,703	3,815,670,446,397	529,427,257,633	139,814,353,132	24,738,294,503,050	34,770,711,700,915
ACCUMULATED DEPRECIATION						
As at 01/01/2014	1,388,478,149,317	1,134,260,661,984	358,775,370,888	87,232,949,567	13,844,245,796,714	16,812,992,928,470
Charge for the period	239,432,377,892	184,151,226,124	34,589,768,320	9,766,726,404	1,188,612,392,890	1,656,552,491,630
Other increases	-	-	-	-	154,659,977	154,659,977
Disposals	-	(1,280,979,844)	-	(320,900,000)	(5,176,276,355)	(6,778,156,199)
As at 30/6/2014	1,627,910,527,209	1,317,130,908,264	393,365,139,208	96,678,775,971	15,027,836,573,226	18,462,921,923,878
NET BOOK VALUE						
As at 30/6/2014	3,919,594,613,494	2,498,539,538,133	136,062,118,425	43,135,577,161	9,710,457,929,824	16,307,789,777,037
As at 01/01/2014	4,097,176,441,436	2,623,267,257,647	162,582,148,488	44,402,749,155	9,639,514,840,529	16,566,943,437,255

Figure 20: Tangible Fixed Assets - PV Gas (PV Gas 2014, 18)

In contrast, under Note 1.15 – Property, Plant and Equipment (Fortum 2014, 74), PPE was stated at historical cost less accumulated depreciation and accumulated impairment losses.

EUR million	Land, waterfall, rights and tunnels	Buildings, plants and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Cost 1 January 2014	2,974	3,424	11,120	144	1,161	18,824
Translation differences and other adjustments	-164	-426	-1,176	-4	-274	-2,043
Capital expenditure	2	22	28	0	700	752
Nuclear asset retirement cost	0	0	-3	0	0	-3
Disposals	-1	-5	-259	0	-1	-266
Sale of subsidiary companies	-1	-88	-443	-1	-16	-549
Reclassifications	0	182	461	-4	-666	-27
Cost 31 December 2014	2,810	3,110	9,728	136	904	16,687
Accumulated depreciation 1 January 2014	0	1,321	4,542	111	0	5,974
Translation differences and other adjustments	0	-67	-330	-3	0	-400
Disposals	0	-1	-258	0	0	-259
Sale of subsidiary companies	0	-31	-287	-1	0	-319
Depreciation for the period	0	111	387	3	0	502
Reclassifications	0	-5	-1	0	0	-5
Accumulated depreciation 31 December 2014	0	1,328	4,054	111	0	5,492
Carrying amount 31 December 2014	2,810	1,782	5,674	25	904	11,195

Figure 21: Property, Plant and Equipment - Fortum Group (Fortum 2014, 125)

Regarding intangible assets, PV Gas reported such assets at historical cost less accumulated amortization. This type of assets included land use rights, computer

software, copyrights, trademarks, lease rights and other intangible assets. Figure 22 shows the reporting of intangible assets for PV Gas.

12. INTANGIBLE ASSETS

	Land use rights VND	Computer software VND	Trademarks VND	Lease rights VND	Others VND	Total VND
COST						
As at 01/01/2014	330,966,401,892	38,574,125,260	1,464,370,376	4,288,007,246	68,800,000	375,361,704,774
Purchases for the period	-	2,040,300,000	-	-	-	2,040,300,000
As at 30/6/2014	330,966,401,892	40,614,425,260	1,464,370,376	4,288,007,246	68,800,000	377,402,004,774
ACCUMULATED AMORTIZATION						
As at 01/01/2014	3,587,419,347	26,105,529,076	336,237,837	-	63,066,668	30,092,252,928
Charge for the period	422,782,152	4,351,869,304	81,353,910	-	5,733,332	4,861,738,698
As at 30/6/2014	4,010,201,499	30,457,398,380	417,591,747	-	68,800,000	34,953,991,626
NET BOOK VALUE						
As at 30/6/2014	326,956,200,393	10,157,026,880	1,046,778,629	4,288,007,246	-	342,448,013,148
As at 01/01/2014	327,378,982,545	12,468,596,184	1,128,132,539	4,288,007,246	5,733,332	345,269,451,846

Figure 22: Intangible Assets - PV Gas (PV Gas 2014, 19)

It is noteworthy that Goodwill was not recognized as intangible asset in PV Gas's consolidated balance sheet, but instead it was recognized and reported separately as shown in Figure 23.

B. NON-CURRENT ASSETS	200		19,824,164,353,128	21,540,672,785,751
(200=220+250+260)				
I. Fixed assets	220		18,490,906,034,179	19,832,971,680,375
1. Tangible fixed assets	221	10	16,307,789,777,037	16,566,943,437,255
- Cost	222		34,770,711,700,915	33,379,936,365,725
- Accumulated depreciation	223		(18,462,921,923,878)	(16,812,992,928,470)
2. Finance lease assets	224	11	119,599,059,346	117,401,685,038
- Cost	225		265,367,073,913	234,189,964,033
- Accumulated depreciation	226		(145,768,014,567)	(116,788,278,995)
3. Intangible assets	227	12	342,448,013,148	345,269,451,846
- Cost	228		377,402,004,774	375,361,704,774
- Accumulated amortisation	229		(34,953,991,626)	(30,092,252,928)
4. Construction in progress	230	13	1,721,069,184,648	2,803,357,106,236
II. Long-term financial investments	250		442,927,190,482	445,219,192,283
1. Investments in associates	252	15	76,326,906,702	78,618,908,503
2. Other long-term investments	258	17	441,600,283,780	441,600,283,780
3. Provision for impairment of long-term financial investments	259		(75,000,000,000)	(75,000,000,000)
III. Other long-term assets	260		890,331,128,467	1,262,481,913,093
1. Long-term prepayments	261	18	845,086,857,014	1,231,778,636,667
2. Deferred tax assets	262		19,207,616,654	5,499,218,456
3. Other long-term assets	268		26,036,654,799	25,204,057,970
C. GOODWILL	269	19	518,666,966,315	531,262,467,013
TOTAL ASSETS (270=100+200+269)	270		49,376,259,275,628	50,378,935,378,565

Figure 23: Goodwill - PV Gas (PV Gas 2014, 4)

On the other hand, in its financial statements, Fortum Group presented various types of such assets including computer software, trademarks and licenses, contractual customer relationships and goodwill. These assets, except for goodwill, were stated at their historical cost less accumulated amortization or depreciation and impairment losses. In terms of goodwill, it was reported at historical cost less accumulated impairment losses in accordance with IAS 38. This type of assets was not amortized, and therefore an impairment test shall be carried out annually. Figure 24 shows in more detail how Fortum Group reported intangible assets.

18 Intangible assets

EUR million	Goodwill		Other intangible assets		Total	
	2014	2013	2014	2013	2014	2013
Cost 1 January	275	309	368	424	644	733
Translation differences and other adjustments	-101	-34	-12	-1	-113	-35
Capital expenditure	0	0	22	46	22	46
Change in emission rights	0	0	-1	7	-1	7
Disposals	0	0	-1	-20	-1	-20
Sale of subsidiary companies	-4	0	-24	-3	-28	-3
Reclassifications	0	0	27	5	27	5
Moved to Assets held for sale	0	0	0	-89	0	-89
Cost 31 December	170	275	379	368	549	644
Accumulated depreciation 1 January	0	0	260	306	260	306
Translation differences and other adjustments	0	0	-11	-1	-11	-1
Disposals	0	0	-2	-20	-2	-20
Sale of subsidiary companies	0	0	-5	0	-5	0
Reclassifications	0	0	5	3	5	3
Depreciation for the period	0	0	25	26	25	26
Moved to Assets held for sale	0	0	0	-54	0	-54
Accumulated depreciation 31 December	0	0	273	260	273	260
Carrying amount 31 December	170	275	106	109	276	384

Figure 24: Intangible Assets - Fortum Group (Fortum 2014, 124)

In respect with Fortum's consolidated financial statements, as it did not fulfil the criteria for exemptions from consolidation, therefore, financial statements of the parent company were also included (Appendices 16 - 18). Whereas PV Gas did not disclose any information to determine that the parent company should be included in consolidation and there was no disclosure of the parent company's and subsidiaries' financial statements in the company's consolidated financial statements, similarly to Vietcombank JSC and BIDV JSC.

After having compared and recognized the differences between specified standards under VASs and IAS/IFRSs, as well as similarities, it is crucial to look at the convergence of VASs to IAS/IFRSs and the possibilities of such transformation. The next section focuses on and deals with information found from the interview with the group of Vietnamese professionals and accountants regarding the adoption of IAS/IFRSs in Vietnam, which is one of the main research objectives of the study.

3.3.2 An interview with professionals in Vietnam toward adoption of International Financial Reporting Standards (IFRSs)

This section aims at presenting the results from interviews with Vietnamese accounting experts and professionals concerning their opinions and thoughts of the implementation of IAS/IFRSs. This section is, therefore, divided into four sub-chapters corresponding to the four research questions listed in chapter 3.1 (see page 46 for further information). The first part will present the level of knowledge as well as awareness of participants about the international standards. After that, the respondents' opinions about the reasons and factors that interfere with the adoption of IAS/IFRSs in Vietnam will be presented. The following part will highlight the advantages and challenges that Vietnam will earn and need to face in case of adopting IAS/IFRSs. Finally, their views on whether or not IAS/IFRSs should be adopted and implemented in Vietnamese accounting system will be explored.

3.3.2.1 Level of knowledge and awareness of respondents about International Financial Reporting Standards (IAS/IFRSs)

It was a surprising result that many respondents in the interview did not know or have knowledge of IAS/IFRSs, leading to incomplete interviews with those respondents. Therefore, there was a need to extend the sample to a larger group. The questionnaires were sent to eleven accountants and experts in Vietnam and five out of eleven were unable to complete the questionnaires due to the lack of knowledge about IAS/IFRSs. These respondents are mainly accountants who have long-working history in the state-owned companies. Answering question 3 of the interview (Appendix 3) which concerns their knowledge of IAS/IFRSs, these five respondents all selected "*I don't know*". This highlights the fact that the level of knowledge and awareness of the staff members in organizations regarding the international standards is still not high. This has supported the result of study found by Lin et al (2014) that there are still limitations concerning human resources within the companies in Vietnam. The next hypotheses including respondents' opinions on factors preventing the adoption, advantages and challenges of the implementation and time length for the transformation (see page

46) will be analyzed based on the answers of the other six professionals who have knowledge or have experience with IAS/IFRSs. The next section will focus on the respondents' opinions and thought on the reasons why Vietnam has not yet fully enforced IAS/IFRSs, in another words, factors that prevent Vietnam from adopting IAS/IFRSs.

3.3.2.2 Factors inhibiting Vietnam from convergence to international standards

Economic factors

It was also surprising that social factors such as lifestyle, culture, beliefs or values were not considered by participants as the most important factors in preventing IAS/IFRSs adoption. The factor that most of the respondents agreed on which has the greatest impact on the prevention of IAS/IFRSs adoption is the economic factor. This includes the current economic situation of Vietnam as well as of organizations.

According to Ms Le H.T, Vice Manager of Financial Accounting Department of PV Power Coal, transactions in Vietnam are still much less complex compared to developed countries such as America or European countries for which IAS/IFRSs was initially established and designed. This is partially due to the fact that the Vietnamese economy is only at the first stage of development and agriculture is still the main and the most important segment of the country's economy. Additionally, Le also asserts that the market economy in Vietnam is relatively young and the country has only developed and transformed to a market economy from the late of the 20th century. This is also emphasized by Ms Nguyen T.H who is Chief Accountant of EVN Hanoi Grid Company. She mentioned that there is not yet a need for complex financial principles such as IAS/IFRSs for economic transactions which are not yet existed or are fairly new in Vietnam.

For instance, mergers and equitization have only appeared in Vietnam recently or the concepts of financial instruments and goodwill are completely new and complex (Nguyen 2015). This will require a sufficient time for the accounting

standards promulgation and accountants to understand and to apply them in the simplest way in order to facilitate and be proper with the business environment in Vietnam. Therefore, fully applying IAS/IFRSs can lead to higher costs and misunderstandings (Le 2015). As there have been many changes from IAS 2001 to IFRS 2015, misunderstandings of the new standards or those that have been updated are inevitable.

Furthermore, Ms Bui T.K.Y, the Deputy Manager of Financial Accounting Department of EVN Hanoi, emphasized that financial reporting following both VASs and IAS/IFRSs would cost organizations double costs as well as labor. The costs that were mentioned and highlighted in the interviews are both time and money. As mentioned, sufficient time would be required in order for the legislation setters and accounting staffs to fully understand the new and complicated standards of IAS/IFRSs, especially when there are many international standards which do not have equivalent VAS standards. Not only that, labor cost should also be considered as there may be a need to hire qualified accountants or to train the existing staffs to understand IAS/IFRSs. Other cost consists of updating the IT system and accounting software that are currently being in use. In spite of the increasing use of technology in the accounting process within entity, technology industry is still a young sector in Vietnamese economy and is less developed compared to Western countries, there will be a need for the accounting software to be upgraded in order to be appropriate with IAS/IFRSs. This means that the benefits earned are much lower than the costs paid (Le 2015).

Bui highlighted further that, at the moment, only foreign businesses or organizations with foreign investments have the need for reporting their financial statements in conformity to IAS/IFRSs. Both respondents agreed that due to the fact that the economy of the country was not yet fully developed, or as developed as in Western countries, there were still many obstacles regarding financial information system. As an illustration, evaluating fair value of assets and liabilities or government's and organization's guidelines about fair value was yet limited.

Political factors

The second factor that plays a key role in inhibiting Vietnam from adopting IAS/IFRSs is political factors such as legislation, taxation and government policy. This factor is chosen by three out of the six participants. Manager of Finance Department of EVN Hoan Kiem, Nguyen T.N, asserted that the Vietnamese accounting system had always been highly controlled by the government as all financial information was required to be submitted to MoF. She emphasized the huge difference between VASs and IAS/IFRSs in terms of the main target of the financial statements and reports. Under VASs, government is prioritized in terms of accounting information and data while under IAS/IFRSs, investors are the main targets of this accounting mechanism. At the same time, Bui pointed out that only if there was one single regulation which would be obligatory for organizations, the application of IAS/IFRSs would be uniformed and businesses would be conscious and be aware of applying these international standards in preparing their financial reports.

Staff factors

The next factor, staff factor, was also considered by the respondent to be one important element. Staff factor means, for example, the knowledge of accountants regarding IAS/IFRSs and their awareness of the implementation, or their experience with the system. Bui highlighted that accountants and employees in Vietnamese firms and organizations nowadays did not have enough and adequate knowledge about this set of international standards. This is proved in sub-chapter 3.3.2.1(page 65), where half of the participants responded that they did not know or had not heard about IAS/IFRSs.

The reason behind the inadequate knowledge of the accountancy bodies may lie heavily on the institutions and universities in Vietnam. As the staffs are trained differently from IAS/IFRSs, there seems to be a lack of education in the institutional system in Vietnam. This leads to the fact that the majority of accounting staffs either do not know or know very little of IAS/IFRSs which

lastly leads to a lack of experience with the international standards. Furthermore, Nguyen (2015) pointed out that:

“...Management accounting development is still very limited in Vietnam and is not much appreciated by the majority of businesses. In the past few years, the main objective of the accounting operation was tax liability calculation...” and *“...the use of financial statement analysis as well as high quality accounting data and information only plays a limited role in the decision-making process of Vietnamese investors...”*

This has led to the lack of training for the staff, not only at institutional level but also at organizational level. Even though this factor might impact at a lower level, compared to the other two factors, economic and political, it is certain that the appliance of IAS/IFRSs in financial reporting was limited partially because of the inadequate knowledge of the staff members.

It is vital that Nguyen M. H, Stock Expert of JSC Bank for Foreign Trade of Vietnam, proposed that all of these four factors impacted and prevented the adoption at a certain level and they altogether created the so-called “systematic problem”. This means that in Vietnam, it will take long time before changes can be applied and accepted (social factor). Nguyen explained that:

“... For example, before we can change to IFRS, there needs to be legal guidance (decision, decree, circular etc.); after that companies will have to train their staff, update their accounting system, or even the CORE.”

She also highlighted that most importantly above all of these factors was the willingness of the government to adopt IAS/IFRSs, meaning political and legal factors. In case the government is willing to adopt the international standards, there will be many advantages as well as challenges for the country and organizations to face. This leads to the next section, where the respondents’ opinions and thoughts on benefits and costs that the enforcement of IAS/IFRSs can bring, will be presented.

3.3.2.3 The respondents' opinions about challenges and benefits that the convergence will bring

Advantages and disadvantages of the current accounting system

Before analyzing the respondents' thoughts on challenges and benefits brought by IAS/IFRSs convergence, it is worth seeking the disadvantages and advantages that they are facing in their current working process. Regarding advantages, all the respondents agree that financial statements and the reporting systems that are being applied in their working places are appropriate with the economy of Vietnam as well as the operating model in Vietnam. As being noted above, VASs were introduced based on IAS 2001 with modifications in order to meet the economic and legal environment in Vietnam.

According to Nguyen (2015), in order to complete financial statements, an accountant needs to follow specific standards at all stages, from bookkeeping, recording to taxation reporting and completing financial reports. This has led to one of the greatest and the very first disadvantages that she thinks the accounting body in general in Vietnam is facing, which is lack of flexibility. The finding has supported a study by Nguyen & Gong (2012, 35) where they asserted there is a lack in "professional judgment ability". This means that there is a huge dependence in the standards and guidelines and Vietnamese accountants are much under control by the business leaders. Indeed, this is connected to the political factors explained in chapter 3.3.2.2 (page 66) where the strong control of the government over the accounting systems is highly emphasized.

Secondly, the respondents also stressed that financial statements lacked reliability. Le pointed out that VASs had not yet had guidelines regarding value of assets and liabilities at the date of reporting statements (fair value), which consequently reduced the truthfulness of the statements. She also mentioned that in the case of her company, the report of income/sales and expense/costs were not yet entirely rational and reasonable. Market shares are not the main operating activity of the company, thus, the reporting of profit or loss from such activity as the main

operation of the company is not complying with the international standards. In addition, it is highlighted that:

“...the information in the financial statements does not reflect completely and truly the actual financial position of the business.” (Nguyen T.H. 2015)

This is mainly because accountants are under large impact and control from business leaders, therefore sometimes there are differences between Corporate Financial Statements and Corporate Governance Report.

Advantages and challenges of implementing IAS/IFRSs

After discovering the advantages and disadvantages that the respondents are facing currently, their thoughts and beliefs on the benefits and challenges that IAS/IFRSs will bring to Vietnamese accounting system will be analyzed. First of all, in terms of the advantages, all participants responded and emphasized higher accounting quality as the greatest benefit that applying international standards would bring. Bui believed that financial position of entities in the market would be better reflected due to the appliance of fair value in the financial statements. Nguyen asserted that since under IAS/IFRSs there were more disclosures, “falsify records will be eliminated” and avoided.

Secondly, comparability is another benefit that organizations in Vietnam will earn if applying IAS/IFRSs. Nguyen highlighted that comparison with foreign competitors would be easier; especially nowadays many Asian countries had started using and adopting IAS/IFRSs in their accounting procedure. This would eventually help organizations to enter foreign market and to attract more foreign investments, as Le emphasized.

Nonetheless, these advantages and benefits that IAS/IFRSs might bring do not shadow the fact that there are many challenges and costs that need to be overcome before the country transforms its current accounting system and implements IAS/IFRSs. In general, most respondents thought that since the old accounting system had been in used for a long time, changing to a new system would be

difficult to accept. Tran T. T, Director of Centre Department BIDV, asserted that to change business leaders' awareness could be seen as one of the first challenges that Vietnam would face.

Additionally, as company staff does not have adequate knowledge about the international standards, organizations will be required to pay extra cost for staff training and in providing them adequate guidance. Furthermore, extra costs for changes such as technical advice, auditing system, recording and presenting accounting data should also be taken into consideration. Besides that, Le also pointed out that IAS/IFRSs were built based on the needs and capability of developed countries such as the United Kingdom, European countries or America. Therefore even though it can be more accurate and can increase accounting data quality, it might not be appropriate for developing countries such as Vietnam because of the large difference in culture as well as economy between the developed and the developing countries. This leads to the final question whether or not Vietnam should adopt IAS/IFRSs.

3.3.2.4 Should the convergence of IAS/IFRSs be adapted to Vietnamese accounting system?

All the five respondents thought that with all of the benefits that IAS/IFRSs could bring to organization and the country, Vietnam should consider implementing IAS/IFRSs in their accounting system. Le mentioned that the adoption would help the country's integration with the international markets as well as accounting integration in general. On top of that, Nguyen believed that the adoption could bring more advantages in comparison with challenges. The average time-length that the respondents estimated Vietnam to be ready and to adopt IAS/IFRSs completely, was between ten to twenty years as Vietnamese economy was still behind its countries in the Asian area (Tran 2015). At the same time, Nguyen emphasized that:

“It is not about “should” or “should not” but I think it is a “have to”. What I meant by that is sooner or later, Vietnam must comply with the

international standards in order to be able to follow up with other countries...”

When being asked about her thoughts on when Vietnam will be able to fully transform its accounting system to IAS/IFRSs, she highlighted that if the government would be willing to put the international standards into effect, it could take from few months up to a half of a year for legal documentation such as Decision, Circular and Decree to be introduced and to become effective. However, the issue that would prolong the time could be that the introduction of IAS/IFRSs might impact significantly on the core as well as accounting software of organizations. She underlined further that this would be the most time-consuming step in the convergence to IAS/IFRSs. Also she suggested that the government, hence, should introduce legal documentations, for example, accounting standards transformation plan and a clear roadmap for the implementation for a few years. This means that the adoption can take from few years up to ten years at least.

3.4 Discussion

This section presents and summarizes the findings and discusses the empirical results in relation to the research hypothesis (page 46).

3.4.1 Difference between Vietnamese Accounting Standards (VAS) and International Financial Reporting Standards (IAS/IFRSs)

Regarding the first research objective, which is the difference between VASs and IAS/IFRSs concerning several specified standards, it is shown clearly that there are certain distinctions in the reporting of financial statements between these two sets of standards. First of all, in terms of the presentations of the financial statements, one obvious difference is associated with the currency used in the report. Under VASs, the Vietnamese organizations are required to report their financial information and data in Vietnam Dong (VND), no other currencies were to be used. Meanwhile, both Pohjola Bank Plc and Fortum Group report their financial statements in Euro (EUR) accordingly to Finnish Accounting Law.

Furthermore, under IAS/IFRSs, firm's financial statements must provide information of an entity including assets, liabilities, equity, income and expenses, changes in equity and cash flow. On the contrary, under VAS 21, Statement of Changes in Equity is not required to be included in financial statements of organizations. Regarding the features of financial statements, these features are similar between IAS/IFRSs and VASs.

The second standard that is used for comparison in the study is inventory. As shown in the empirical findings of the study, both the Finnish and Vietnamese organizations, namely Fortum Group and PV Gas, used FIFO method (First-In First-Out) in calculating their inventory costs. Besides that, weighted average method and specific identification methods can also be used for inventory calculation under both VAS 2 and IAS 2.

Regarding plant, property and equipment and tangible assets, these types of assets were calculated at historical cost less accumulated depreciation or amortizations for Vietnamese companies. Whereas, for the Finnish entities, under IAS/IFRSs, an impairment test was taken into consideration and PPEs were stated at historical costs less accumulated depreciation or amortization and impairment charges. This is shown clearly in Fortum Group's and Pohjola Bank Plc's financial statements.

The next standard that was mentioned and highlighted in the study is intangible fixed assets. Similar to tangible fixed assets, under VAS 4, such assets were stated at historical costs less accumulated depreciations and under IAS/IFRSs, impairment losses are taken into account. Moreover, it is necessary to highlight that goodwill was not considered as intangible assets but reported separately as other assets as shown in PV Gas's consolidated balance sheet while such asset was reported and recognized as intangible assets in the Finnish organizations' financial statements. In addition, IAS 38 does not allow amortization for goodwill but rather, an impairment test is to be done annually and on the other hand, under VASs, amortization is allowed for goodwill.

Finally, consolidated financial statements are emphasized in the study. From the empirical findings, it is shown that Vietnamese organizations did not include the

parents or subsidiaries' consolidated financial statements and neither did they disclose information to explain whether the parent company should be included in or excluded from consolidation. Meanwhile, both Finnish companies presented the parent companies' consolidated financial statements.

However, it is also noteworthy that as VASs were established on the basis of IAS 2001, there are also some similarities between these two sets of standards. For example, as being shown in the financial statements of the compared companies, regarding intangible and tangible fixed assets, these types of assets were both calculated at historical cost under both VASs and IAS/IFRSs. Furthermore, the six features in preparing and presenting financial statements of VAS (VAS 21), in general, are similar to those stated under IAS 1. In summary, there are not only differences between VASs and IAS/IFRSs but also similarities. This is partially due to the fact that VASs were introduced based on the old accounting standards IAS 2001.

Recognizing the differences and similarities between IAS/IFRSs and VASs, possibility of the convergence to IAS/IFRSs in the Vietnamese accounting system which is the second objective of the study should be covered. Yet, before that it is necessary to seek for the level of knowledge and experience of the accounting staffs in Vietnam in respect of IAS/IFRSs.

3.4.2 Level of knowledge and awareness of Vietnamese employees about International Financial Reporting Standards

The first research question that this paper aims at answering to is related to the awareness, knowledge together with experience of the accountants in Vietnamese entities. As mentioned in the empirical findings of the thesis, almost half of the participants did not know about IAS/IFRSs. This has proved that there is a lack of knowledge of the international standards at the staff level in organizations. To put it differently, there is a limitation in human resources within the entities.

3.4.3 Factors preventing the implementation of international standards

The second research question that is highlighted in the study is to discover the factors that interfere with the adoption of IAS/IFRSs in the Vietnamese accounting system. The result does support the literature review presented in chapter 2.3 (page 35) to certain extent. It is shown that the main reasons why Vietnam is not yet ready to fully adapt the international standards include economic, staff and political factors.

Concerning economic factors, respondents highlighted that since Vietnamese financial transactions are not as complicated as those of Western countries and the country's economy is only at the first stage of development, there is not a strong need for complex financial standards. Additionally, legal and political factors are also underlined in the interview. According to the interviewees, the strong intervene and control of the government over the financial information is one of the main keys hindering the implementation of IAS/IFRSs. Also, the lack of support from the government in terms of educating and training at institutions and universities has led to inadequate knowledge in the staff members. This is the third factor (staff factors) that was stressed by the respondents. Next, it is crucial to summarize the interviewees' opinions of the (dis)advantages of transforming from the current accounting system, VASs, to an international level, IAS/IFRSs.

3.4.4 Advantages and disadvantages/ challenges of International Financial Reporting Standards convergence

The next research question is to seek for the benefits together with challenges that the implementation of IAS/IFRSs will bring to Vietnam as well as the country's accounting system. Based on the empirical findings there are several advantages that were highlighted by the respondents such as higher accounting quality, better reflection of the business's financial situation, better and easier comparability leading to foreign investment attraction. This is supported by the literature review of the benefits of IAS/IFRSs mentioned in sub-chapter 2.1.4 (page 25).

Nonetheless, challenges and costs that the convergence can bring to Vietnam shall not be ignored and neglected. Since VASs have been in used for a long time in the Vietnamese accounting system, therefore, to change business leaders' awareness of IAS/IFRSs is one of the greatest challenges that the country will face. Besides that, as can be seen from the empirical findings of the thesis, the accounting staffs have deficient knowledge and awareness of IAS/IFRSs. As a result, extra cost for training and providing them adequate guidance would be mandatory for businesses if the government would be willing to adopt IAS/IFRSs. Other costs that were mentioned and highlighted in the empirical findings are, for instance, costs for technical advice, auditing system, and recording accounting data. Last but not the least important, the interviewees' point of views regarding the possibility as well as estimated time-length of the convergence to IAS/IFRSs shall be covered.

3.4.5 Possibility of the adoption of the international standards in the Vietnamese accounting system

Concerning the possibility of the accounting transformation, all six respondents believe that all benefits and advantages of IAS/IFRSs can outweigh the challenges and disadvantages that were mentioned above. From their points of views, IAS/IFRSs should be implemented in Vietnam. The average time-length that the participants estimated Vietnam would need to transform from VASs to IAS/IFRSs is between ten and twenty years.

It shall not be denied that the transformation process from VASs to IAS/IFRSs will be gradual and time-consuming and might take a few years until Vietnam is ready and can fully adopt IFRSs. This is partially because of all the extra costs and processes that organizations have to take into consideration. However, the government's willingness is considered to be the most important factor. This appears to support a study by Phan et. al (2014) that was mentioned in chapter 2.3 (page 35) where it was asserted that the government's willingness and their support to adopt IAS/IFRSs were a major key to the success of the convergence.

Yet, it is obvious that the result shows the optimistic opinions of respondents regarding the adoption of IAS/IFRSs in the future.

In summary, from comparing VASs and IAS/IFRSs, even though based on IAS 2001, VASs still show remarkable differences from IAS/IFRSs in terms of accounting standards and characteristics as mentioned in chapter 2 and sub-chapter 3.3. This has led to various challenges that Vietnam will have to face if the country is to transform its current accounting system to the international standards. Despite that it was strongly recommended that regardless of such challenges, Vietnam should adopt and enforce IAS/IFRSs in its accounting system in order to be able to follow up with its neighbor countries. The next chapter will conclude the paper with suggestions and recommendations for the convergence of IAS/IFRSs together with consideration for some limitations of the study.

4 CONCLUSIONS

Obviously, globalization and economic integration have had great impact on organizations at all stages including financing and accounting. Accounting does not only deal with the financial aspects of an organization but also with the political and social elements. As a consequence of the rapid change and integration around the globe, accounting has also gone through many changes during the last few decades with the establishment of an international set of accounting standards, known as International Financial Reporting Standards (IFRSs), based on International Accounting Standards (IAS). Besides many countries that are currently implementing IFRSs as their official accounting standards, there are several countries which have not yet converged to these international standards in their accounting system, including Vietnam, where the country is using its own national Vietnamese Accounting Standards (VASs).

The main objective of the study is set to discover the differences between VASs and IAS/IFRSs as well as the possibility of convergence with IFRSs in the country's accounting system. In order to support and to highlight the gaps mentioned in the literature review, comparisons between five case companies' financial statements were conducted, based on the five accounting standards presented in the literature review. Furthermore, interviews with eleven professionals and accountants in Vietnam were also carried out to seek for their opinions regarding the adoption of IAS/IFRSs in the country. The paper is divided into four main chapters covering introduction, literature review of IAS/IFRSs and VASs, empirical findings and a conclusion. This chapter also includes my suggestions for the Vietnamese government and organizations in terms of the implementation of IAS/IFRSs together with recommendations for future research.

After the introduction of the paper, chapter 2 briefly describes IAS/IFRSs and VASs including their background information, history and development process as well as interpretations of the five standards. From chapter 2 the differences between VASs and IAS/IFRSs are shown clearly. Several specific standards were selected for comparing the two sets of accounting standards, namely: Presentation

of Financial Statements, Inventory, Intangible Assets, Tangible Fixed Assets and Consolidated Financial Statements. Additionally, benefits of IAS/IFRSs were also explored in sub-chapter 2.1.4 (page 25) and factors that prevent Vietnam from transforming to IAS/IFRSs were presented in sub-chapter 2.3 (page 35).

Next, chapter 3 represents the empirical findings of the research as well as the research design of the paper. Firstly, comparisons of financial statements were made between Vietnamese and Finnish organizations where Finnish companies prepared their statements in conformity with IAS/IFRSs and Vietnamese companies applied VASs. The results from the comparison have strongly supported and emphasized the differences between the two sets of standards presented in chapter 2 – literature review. Secondly, the interviews with eleven Vietnamese professionals and accountants were conducted through email in order to seek for their thoughts on the adoption of IAS/IFRSs in Vietnam. This is because there was no possibility to organize face-to-face interviews with the participants due to time difference between Finland and Vietnam. It is essential to note that only three out of four factors which were mentioned in literature review were considered by the respondents to play a key role in preventing the country from adopting IAS/IFRSs, including: economic, political and staff factors. The last factor, social factor was not highly regarded as the main element for the inhibition of IAS/IFRSs convergence in Vietnam. The results of the interview were illustrated in chapter 3 which concluded with a discussion summarizing the empirical results.

To sum up, the thesis represents the main differences between IAS/IFRSs and VASs in terms of five accounting standards. From the comparison, Vietnamese Accounting Standards, despite being based on IAS 2001, still show many divergences to IAS/IFRSs as many standards under IAS/IFRSs do not have equivalent VAS standards. Also, it is undoubted that VASs are much less complex than IFRSs and the Vietnamese accounting standards and systems are less flexible with new problems and changes in IAS 2001 have not yet been involved or updated.

However, apart from the differences, it is noteworthy to underline that similarities are also shown and highlighted throughout the results. Such similarities can be found under, for example, the calculation methods of cost for inventory, the six features of financial statements or the qualitative characteristics. Moreover, significant benefits and challenges that Vietnam will face in the future in case of IAS/IFRSs convergence are also emphasized. Such benefits include better accounting quality, better comparability or foreign investment attraction, while challenges can be extra costs for staff training, technical advice and business leader's awareness. Also, it is essential to emphasize that the interviewed respondents showed optimistic thought on the adoption of IAS/IFRSs and despite the drawbacks and challenges; the transformation is estimated to take averagely from 10 to 20 years.

Finally, without any doubts the adoption of IFRSs is a challenge at the level of economic development, qualification and the competence of auditors as well as accountancy bodies of organizations. On top of that, the transformation of preparing the financial statements from VASs to being in conformity with IAS/IFRSs obviously demands a great effort from organizations, business leaders, financial and accounting staffs and most importantly support from the government. Nevertheless, it is believed that if Vietnamese government has a clear roadmap and is aware of the benefits that IAS/IFRSs can bring to the country as well as organizations, the adoption can be successful. In the next two sub-chapters, my suggestions regarding actions to be taken for the Vietnamese government and organizations to successfully implement the international standards will be presented.

4.1 Suggestions to Vietnamese government and standards setters

In terms of government as well as policy-setters, the following suggestions might be taken into consideration. First of all, as mentioned previously, there is currently no clear guideline under VASs regarding reporting the fair value of assets and liabilities while historical cost is still considered as the primary basis for calculation. This might ensure reliability but lowers the level of relevance of the

information in the financial statements. Therefore, the government might need to consider and start to implement the fair value principle in reporting assets and liabilities in the near future.

Secondly, as many changes in IAS 2001 have not yet been updated in VASs, this leads to an urgent need for government to evaluate, amend and update the 26 issued standards to suit the changes of IAS/IFRSs. Thirdly and most importantly, the government as well as policy setters need to gradually improve the country's economic and accounting environments together with legislation in order to be in line with the requirements and complexity of IAS/IFRSs. Implementing the fair value principle can be seen as an example for improving the accounting environment. Last but not the least, as can be seen from the empirical findings, there is a limitation in human resources in terms of knowledge, awareness as well as qualified accountants. It is suggested that the government shall promote and support more the teaching of international standards besides the national standards at financial institutions and universities in Vietnam. This will ultimately enhance the awareness of the future-to-be accountants about IAS/IFRSs.

Not only the Vietnamese government but the business leaders also should be more aware and be willing to transform and apply IAS/IFRSs if organizations want to be able to follow up with foreign competitors in the international market. The next sub-chapter will demonstrate my suggestions for enterprises and organizations in Vietnam.

4.2 Suggestions for Vietnamese enterprises

Concerning business leaders, the following recommendations might be considered. In the first place, organizations need to start training their accountancy bodies to increase their awareness as well as knowledge regarding IAS/IFRSs. In order to achieve that, entities might consider organizing training courses once in a year for the staff members about the international standards. Also, it is advisable that possibility can be given to accountants for real experience with IFRSs where actual practices can be carried out during the training. By doing these, the

accountancy bodies will pay more attention to the international standards, ultimately, increasing their awareness and knowledge.

Furthermore, business leaders should be able to follow up any changes; updates or plans in the accounting system announced by the government. Finally, organizations and entities need to have the will to pay extra cost at the beginning if IAS/IFRSs are to be implemented. For instance, such extra cost might cover the cost to have staff members be ready for the transformation by organizing training courses as suggested above. It could be the cost to update the IT system and software to be proper and to meet the requirements of IAS/IFRSs. Other cost might also consist of hiring qualified accountant at the first stage for financial reporting and training purposes. Besides that, limitations and weaknesses shall not be ignored in a research. The next section will illustrate some limitations in the study and my recommendations for future research.

4.3 Recommendations for future research

First of all, the comparison only embraces the financial reports and statements of three Vietnamese companies and two Finnish companies. Also, the comparison is only based on a small number (five) of accounting standards out of 69 standards for IAS/IFRSs and 26 standards for VASs. Therefore, if only a larger research sample could have been collected and analyzed and more accounting standards would have been covered in the comparison, the finding might have been different and might have supported the research objectives better. In addition, as there is no possibility for face-to-face interviews with the respondents, in-depth information might not be completely successfully achieved as the interviewees' expressions could not be captured and observed. Hence, in order to achieve better results from interviews, it is recommended for face-to-face interview to be carried out in future study.

Regardless of the limitations, validity and reliability of the research are still ensured due to the fact that the latest financial statements of the case companies were collected from their main websites for the comparison. More than that, the interview was conducted with Vietnamese professionals and accountants who

have adequate knowledge of IAS/IFRSs as well as strong accounting background. This ensures that the empirical findings are reliable and valid. Nonetheless, not only are the validity and reliability of the primary data to be ensured, secondary data was obtained mainly from journals, published government documentations and reliable online resources.

In conclusion, today when many neighbor countries in the ASEAN in particular and around the globe in general are using or have started transforming into applying IAS/IFRSs, it is vital for Vietnam and the government to start thinking and planning a clear roadmap for a transformation in the Vietnamese accounting system.

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6 APPENDIX

Appendix 1: International Financial Reporting Standards (IFRS 2015)

Unaccompanied Standards as of 1 January 2015

IFRS	IAS	IFRIC	SIC
Preface	IAS 1 <i>Presentation of Financial Statements</i>	IFRIC 1 <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	SIC 7 <i>Introduction of the Euro</i>
Framework	IAS 2 <i>Inventories</i>	IFRIC 2 <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	SIC 10 <i>Government Assistance - No Specific Relation to Operating Activities</i>
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	IAS 7 <i>Statement of Cash Flow</i>	IFRIC 4 <i>Determining whether an Arrangement contains a Lease</i>	SIC 15 <i>Operating Leases - Incentives</i>
IFRS 2 <i>Share-based Payment</i>	IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	IFRIC 6 <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	SIC 25 <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>
IFRS 3 <i>Business Combinations</i>	IAS 10 <i>Events after the Reporting Period</i>	IFRIC 8 <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	SIC 27 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>
IFRS 4 <i>Insurance Contracts</i>	IAS 12 <i>Income Taxes</i>	IFRIC 7 <i>Applying the Restatement Approach under IAS 29</i>	SIC 29 <i>Disclosure - Service Concession Arrangements</i>
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	IAS 16 <i>Property, Plant and Equipment</i>	IFRIC 10 <i>Interim Financial Reporting and Impairment</i>	SIC 32 <i>Intangible Assets - Website Costs</i>
IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>	IAS 17 <i>Leases</i>	IFRIC 12 <i>Service Concession Arrangements</i>	
IFRS 7 <i>Financial Instruments: Disclosures</i>	IAS 19 <i>Employee Benefits</i>	IFRIC 14 <i>IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	

IFRS - Access the unaccompanied Standards

IFRS 8 <i>Operating Segments</i>	IAS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	IFRIC 18 <i>Hedges of a Net Investment in a Foreign Operation</i>	
IFRS 9 <i>Financial Instruments</i>	IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>	IFRIC 17 <i>Distributions of Non-cash Assets to Owners</i>	
IFRS 10 <i>Consolidated Financial Statements</i>	IAS 23 <i>Borrowing Costs</i>	IFRIC 18 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	
IFRS 11 <i>Joint Arrangements</i>	IAS 24 <i>Related Party Disclosure</i>	IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	
IFRS 12 <i>Disclosure of Interest in Other Entities</i>	IAS 28 <i>Accounting and Reporting by Retirement Benefit Plans</i>	IFRIC 21 <i>Leases</i>	
IFRS 13 <i>Fair Value Measurement</i>	IAS 27 <i>Separate Financial Statements</i>		
IFRS 14 <i>Regulatory Deferral Accounts</i>	IAS 28 <i>Investments in Associates and Joint Ventures</i>		
IFRS 16 <i>Revenue from Contracts with Customers</i>	IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>		
	IAS 32 <i>Financial Instruments: Presentation</i>		
	IAS 33 <i>Earnings per Share</i>		
	IAS 34 <i>Interim Financial Reporting</i>		
	IAS 36 <i>Impairment of Assets</i>		
	IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>		
	IAS 38 <i>Intangible Assets</i>		
	IAS 38 <i>Financial Instruments: Recognition and Measurement</i>		
	IAS 40 <i>Investment Property</i>		
	IAS 41 <i>Agriculture</i>		

Appendix 2: Vietnamese Accounting Standards

1. VAS 1: Framework
2. VAS 2: Inventories
3. VAS 3: Tangible Assets
4. VAS 4: Intangible Assets
5. VAS 5: Investment Property
6. VAS 6: Leases
7. VAS 7: Accounting for Investments in Associates
8. VAS 8: Financial Reporting of Interests in Joint Ventures
9. VAS 10: The Effects of Changes in Foreign Exchange Rates
10. VAS 11: Business Combination
11. VAS 14: Revenues and other Incomes
12. VAS 15: Construction Contracts
13. VAS 16: Borrowing Costs
14. VAS 17: Income Taxes
15. VAS 18: Provision, Contingent assets, Contingent Liabilities
16. VAS 19: Insurance Contract
17. VAS 21: Presentation of Financial Statements
18. VAS 22: Disclosures in the Financial Statements of Banks and Similar Financial Institutions
19. VAS 23: Events After the Balance Sheet Date
20. VAS 24: Cash Flow Statements
21. VAS 25: Consolidated financial statements and accounting for investments in subsidiaries
22. VAS 26: Related Parties Disclosures
23. VAS 27: Interim Financial Reporting
24. VAS 28: Segment Reporting
25. VAS 29: Changes in Accounting Policies, Accounting Estimates and Errors
26. VAS 30: Earning per share

Appendix 3: Interview Questions (English version)

1. What is the level of IT being used in your company? And what program does the company use for financial reporting?
2. In your opinion, what are the advantages and disadvantages you are facing within the current financial reporting process?
3. Have you ever heard about IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards) and at what level do you know about it?
 - a) I have heard about it
 - b) I have learnt about it
 - c) I have experience it
 - d) I don't know
4. In your opinion, out of the following 4 factors which plays the key role in preventing Vietnam from adopting IAS/IFRS? And how does that factor impact on the accounting system of Vietnam?
 - a) Social factor
 - b) Economic factor
 - c) Political factor
 - d) Staff factor
5. From your point of view, how advantageous can the IAS/IFRS adoption bring to Vietnamese accounting system?
6. What kind of disadvantage or costs will Vietnam face when adopting IAS/IFRS?
7. Should Vietnam adopt fully IFRSs? If yes, how long do you think it will take for Vietnam to adopt fully IFRSs?

Appendix 4: Interview Questions (Vietnamese version)

1. Xin anh/ chị cho biết mức độ công nghệ thông tin đang được sử dụng trong công ty của anh/ chị? Công ty anh/ chị có đang sử dụng phần mềm nào cho báo cáo tài chính không?
2. Theo ý kiến anh/ chị, những lợi ích và bất cập mà anh/ chị đang phải đối mặt trong quá trình báo cáo tài chính hiện nay là gì?
3. Anh/ chị có biết hoặc đã từng nghe qua những chuẩn mực kế toán/ báo cáo tài chính quốc tế (IAS/ IFRS)?
 - a) Đã từng nghe qua
 - b) Đã từng học qua
 - c) Đã từng có kinh nghiệm
 - d) Tôi không biết
4. Theo anh/ chị, yếu tố nào trong số 4 yếu tố nêu sau có vai trò quan trọng trong việc hạn chế Việt Nam áp dụng IAS/ IFRS? Và yếu tố đó có tác động như thế nào đến hệ thống kế toán của Việt Nam?
 - a) Yếu tố xã hội
 - b) Yếu tố kinh tế
 - c) Yếu tố chính trị
 - d) Yếu tố nhân viên
5. Từ quan điểm của anh/ chị, Việt Nam sẽ có được những lợi ích gì khi chuyển đổi từ chuẩn mực kế toán Việt Nam (VAS) sang chuẩn mực kế toán/ báo cáo tài chính quốc tế (IAS/IFRS)?
6. Việt Nam sẽ gặp phải những khó khăn và bất cập gì khi chuyển đổi sang chuẩn mực kế toán/ báo cáo tài chính quốc tế?
7. Theo anh/ chị, Việt Nam có nên chuyển đổi sang áp dụng những chuẩn mực kế toán/ báo cáo tài chính quốc tế? Nếu có, anh/ chị nghĩ sẽ mất bao lâu để Việt Nam có thể chuyển đổi hoàn toàn?

Appendix 5: Consolidated Income Statement - Pohjola Bank Plc (2014, 25)

Consolidated financial statements, IFRS

Financial statements

Consolidated income statement

EUR million	Note	2014	2013 Restated*
Continuing operations			
Net interest income	4	257	230
Impairment of receivables	5	25	37
Net interest income after impairments		231	193
Net income from Non-life insurance	6	597	528
Net commissions and fees	7	114	111
Net trading income	8	77	93
Net investment income	9	64	46
Other operating income	10	32	36
Total income		1,116	1,008
Personnel costs	11	163	170
ICT costs		94	87
Depreciation/amortisation	12	52	52
Other expenses	13	258	241
Total expenses		567	550
Share of associates' profits/losses accounted for using the equity method		0	0
Earnings before tax		548	458
Income tax expense	14	107	43
Results of continuing operations		441	415
Discontinued operations			
Results of discontinued operations	15	29	15
Profit for the period		470	430
Attributable to:			
Attributable to owners of the Parent		461	426
Attributable to non-controlling interest		9	4
Profit for the period		470	430

*Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements

Appendix 6: Consolidated Balance Sheet - Pohjola Bank Plc (2014, 27)

Consolidated balance sheet

		31 Dec. 2014	31 Dec. 2013	1 Jan. 2013
EUR million	Note		Restated*	Restated*
Liquid assets	16	3,774	2,046	5,643
Receivables from financial institutions	17	10,257	9,899	8,816
Financial assets at fair value through profit or loss	18			
Financial assets held for trading		360	435	246
Financial assets at fair value through profit or loss at inception		0	9	9
Derivative contracts	19	5,946	3,444	4,462
Receivables from customers	20	15,513	14,510	13,834
Non-life Insurance assets	21	3,854	3,502	3,500
Investment assets	22	8,112	7,574	5,548
Investment accounted for using the equity method	24	2	29	26
Intangible assets	25	786	910	922
Property, plant and equipment (PPE)	26	72	82	67
Other assets	27	1,789	1,369	1,598
Tax assets	28	34	15	37
Total		50,498	43,824	44,710
Assets classified as held for distribution to owners	15	205		
Total assets		50,703	43,824	44,710
		31 Dec. 2014	31 Dec. 2013	1 Jan. 2013
EUR million	Note		Restated*	Restated*
Liabilities to financial institutions	29	5,241	4,789	5,840
Financial liabilities at fair value through profit or loss	30			
Financial liabilities held for trading		4	4	3
Derivative contracts	31	5,869	3,420	4,557
Liabilities to customers	32	11,442	10,183	10,767
Non-life Insurance liabilities	33	2,972	2,746	2,599
Debt securities issued to the public	34	17,567	16,097	13,769
Provisions and other liabilities	35	2,479	2,076	2,572
Tax liabilities	36	391	378	467
Subordinated liabilities	37	1,084	984	1,275
Total		47,090	40,675	41,869
Liabilities associated with assets classified held as distribution to owners	15	205		
Total liabilities		47,295	40,675	41,869
Shareholders' equity	38			
Capital and reserves attributable to owners of the Parent				
Share capital		428	428	428
Reserves		1,324	1,261	1,264
Retained earnings		1,564	1,358	1,080
Non-controlling interest		92	103	69
Total shareholders' equity		3,408	3,150	2,841
Total liabilities and shareholder's equity		50,703	43,824	44,710

Appendix 7: Consolidated Cash Flow Statement - Pohjola Bank Plc (2014, 29-30)

**Consolidated cash flow statement
incl. discontinued operations**

EUR million	2014	2013
		Restated*
Cash flow from operating activities		
Profit for the period	461	426
Adjustments to profit for the period	97	159
Increase (-) or decrease (+) in operating assets	-2,133	-4,135
Receivables from financial institutions	-494	-986
Financial asset at fair value through profit or loss	405	-338
Derivative contracts	63	28
Receivables from customers	-1,008	-736
Non-life Insurance assets	-232	-62
Investment assets	-281	-2,285
Other assets	-584	244
Increase (+) or decrease (-) in operating liabilities	2,323	-2,058
Liabilities to financial institutions	447	-1,031
Financial liabilities at fair value through profit or loss	0	1
Derivative contracts	70	-10
Liabilities to customers	1,259	-584
Non-life Insurance liabilities	149	48
Provisions and other liabilities	396	-482
Income tax paid	-92	-126
Dividends received	63	55
A. Net cash from operating activities	719	-5,680
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-10	
Decreases in held-to-maturity financial assets	69	129
Acquisition of subsidiaries and associates, net of cash acquired	0	-4
Purchase of PPE and intangible assets	-28	-45
Proceeds from sale of PPE and intangible assets	3	3
B. Net cash used in investing activities	34	83
Cash flow from financing activities		
Increases in subordinated liabilities		
Decreases in subordinated liabilities		-271
Increases in debt securities issued to the public	34,709	24,340
Decreases in debt securities issued to the public	-33,616	-21,833
Dividends paid	-212	-145
Other monetary decreases in equity items		0
C. Net cash provided by (used in) financing activities	881	2,052
Net increase/decrease in cash and cash equivalents (A+B+C)	1,634	-3,506
Cash and cash equivalents at year-start	2,672	6,177
Cash and cash equivalents at year-end	4,306	2,672
Interest received	2,000	1,790
Interest paid	-1,722	-1,582

(continued...)

EUR million		
Adjustments to profit for the financial year		
Non-cash items and other adjustments		
Impairment losses on receivables	26	40
Unrealised net earnings in Non-life insurance	50	108
Change in fair value for trading	160	-199
Unrealised net gains on foreign exchange operations	79	2
Change in fair value for investment assets	2	-3
Planned amortisation/depreciation	55	55
Share of associates' profits	0	1
Other	-275	156
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities		-1
Total adjustments	97	159
Cash and cash equivalents		
Liquid assets**	3,815	2,051
Receivables from financial institutions payable on demand	491	621
Total	4,306	2,672

Appendix 8: Consolidated Income Statement – BIDV JSC (BIDV 2014, 8)

CONSOLIDATED INCOME STATEMENT			FORM B 03/TCTD-HN	
<i>For the year ended 31 December 2014</i>			<i>Unit: Million VND</i>	
NO.	ITEMS	Notes	2014	2013
1.	Interest and similar income	26	43,984,255	43,824,717
2.	Interest and similar expenses	27	(27,139,993)	(28,980,070)
I	Net interest income		16,844,262	14,844,647
3.	Income from services		2,981,200	2,419,761
4.	Expenses on services		(1,178,465)	(852,810)
II	Net profit from services	28	1,802,735	1,566,951
III	Net gain from trading gold and foreign currencies	29	265,189	162,278
IV	Net gain from trading securities	30.1	210,369	465,641
V	Net gain from trading investment securities	30.2	818,551	924,319
	Net gain from securities		1,028,920	1,389,960
5.	Income from other activities		2,440,970	1,779,541
6.	Expenses on other activities		(847,030)	(916,711)
VI	Net profit from other activities	31	1,593,940	862,830
VII	Income from capital contribution, equity investments	32	371,578	337,194
	Total operating income		21,906,624	19,163,860
7.	Staff costs		(4,919,584)	(4,026,930)
8.	Depreciation and amortisation expenses		(427,552)	(454,074)
9.	Other operating expenses	33	(3,276,759)	(2,910,038)
VIII	Total operating expenses		(8,623,895)	(7,391,042)
IX	Net profit from operating activities before provision for credit losses		13,282,729	11,772,818
X	Provision for credit losses		(6,985,696)	(6,482,862)
XI	Profit before tax		6,297,033	5,289,956
10.	Current corporate income tax expense	34.1	(1,310,876)	(1,239,367)
11.	Deferred tax (expense)/income	34.2	(490)	419
XII	Corporate income tax expense		(1,311,366)	(1,238,948)
XIII	Profit after tax		4,985,667	4,051,008
	Non - controlling interests		(37,780)	(20,299)
	NET PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS		4,947,887	4,030,709
	Basic earnings per share (VND/share)	35	1,387	1,200

Appendix 9: Consolidated Balance Sheet - BIDV JSC (BIDV 2014, 5 - 7)

CONSOLIDATED BALANCE SHEET		FORM B 02/TCTD-HN		
<i>As at 31 December 2014</i>		<i>Unit: Million VND</i>		
NO.	ITEMS	Notes	31/12/2014	31/12/2013
A. ASSETS				
I.	Cash, gold and gemstones	6	5,393,484	3,862,664
II.	Balances with the State Bank of Vietnam ("SBV")	7	23,097,743	12,834,854
III.	Placements with and loans to other credit institutions	8	50,062,372	47,656,262
1.	Placements with other credit institutions		36,339,130	34,009,902
2.	Loans to other credit institutions		13,780,539	13,811,125
3.	Provision for credit losses of placements with and loans to other credit institutions	9	(57,297)	(164,765)
IV.	Trading securities	10	8,430,766	1,557,984
1.	Trading securities		8,461,171	1,590,268
2.	Provision for credit losses of trading securities		(30,405)	(32,284)
V.	Derivatives and other financial assets	11	-	239,872
VI.	Loans to customers		439,070,127	384,889,836
1.	Loans to customers	12	445,693,100	391,035,051
2.	Provision for credit losses of loans to customers	13	(6,622,973)	(6,145,215)
VII.	Investment securities	14	91,816,995	68,072,438
1.	Available-for-sale investment securities		73,993,126	56,842,103
2.	Held-to-maturity investment securities		19,528,127	11,565,434
3.	Provision for credit losses of investment securities		(1,704,258)	(335,099)
VIII.	Long-term investments	15	4,782,587	4,392,749
1.	Investments in joint-ventures	15.1	3,783,631	3,285,985
2.	Investments in associates	15.2	516,381	516,012
3.	Other long-term investments		621,835	919,192
4.	Provision for impairment of long-term investments		(139,260)	(328,440)
IX.	Fixed assets	16	6,672,040	5,201,097
1.	Tangible fixed assets	16.1	3,458,405	2,923,325
a.	Cost		6,197,128	5,338,088
b.	Accumulated depreciation		(2,738,723)	(2,414,763)
2.	Intangible assets	16.2	3,213,635	2,277,772
a.	Cost		3,718,900	2,696,745
b.	Accumulated amortisation		(505,265)	(418,973)
X.	Other assets	17	21,014,259	19,678,327
1.	Other receivables		10,437,365	11,343,977
2.	Interest and fee receivables		8,306,487	6,954,242
3.	Deferred corporate income tax assets		-	419
4.	Other assets		2,373,045	1,482,834
5.	Provisions for impairment of other assets		(102,638)	(103,145)
TOTAL ASSETS			650,340,373	548,386,083

(continued...)

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2014

FORM B 02/TCTD-HN

Unit: Million VND

NO.	ITEMS	Notes	31/12/2014	31/12/2013
B.	LIABILITIES AND OWNERS' EQUITY			
I.	Borrowings from the Government and the SBV	18	20,120,993	16,495,829
II.	Deposits and borrowings from other credit institutions	19	86,186,209	47,798,567
1.	Deposits from other credit institutions		18,288,358	10,835,151
2.	Borrowings from other credit institutions		67,897,851	36,963,416
III.	Deposits from customers	20	440,471,589	338,902,132
IV.	Grants, trusted funds and borrowings at risk of the credit institution	21	35,445,267	67,245,421
V.	Valuable papers issued	22	20,077,031	33,254,353
VI.	Derivatives and other financial liabilities	11	74,760	-
VII.	Other liabilities	23	14,358,325	12,397,216
1.	Interest and fee payables		7,260,649	6,551,704
2.	Other payables and liabilities		7,097,605	4,897,486
3.	Deferred corporate income tax liabilities		71	-
4.	Other provisions (Provisions for contingent liabilities and off-balance sheet commitments)		-	948,026
	TOTAL LIABILITIES		616,734,174	516,093,518
VIII.	Capital and reserves			
1.	The Bank's capital	25	28,142,332	28,142,022
a	Charter capital		28,112,026	28,112,026
b	Share premium		30,306	29,996
2.	The Bank's reserves	25	1,656,813	379,675
3.	Foreign exchange reserve	25	(44,885)	(57,413)
4.	Retained earnings	25	3,517,007	3,575,699
	TOTAL OWNERS' EQUITY		33,271,267	32,039,983
	NON- CONTROLLING INTERESTS		334,932	252,582
	TOTAL LIABILITIES, OWNERS' EQUITY AND NON - CONTROLLING INTERESTS		650,340,373	548,386,083

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2014

FORM B 02/TCTD-HN

Unit: Million VND

OFF-BALANCE-SHEET ITEMS

NO.	ITEM	31/12/2014	31/12/2013
1.	Credit guarantees	1,000,860	524,975
2.	Letters of credit	29,066,777	21,852,436
3.	Other guarantees	66,994,864	53,472,563
4.	Other commitments	21,583,099	8,826,053

Appendix 10: Consolidated Cash Flow Statement - BIDV JSC (BIDV 2014, 9 - 10)

CONSOLIDATED CASH FLOW STATEMENT		
<i>For the year ended 31 December 2014</i>		
	FORM B 04/TCTD-HN	
	<i>Unit: Million VND</i>	
Note	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
Interest and similar income received	42,632,010	41,860,096
Interest and similar expenses paid	(26,431,048)	(28,604,214)
Income received from services	1,802,735	1,566,952
Net cash from dealing in foreign currencies, gold and trading securities	1,626,903	1,358,971
Other (expenses)	(170,778)	(467,075)
Cash recovered from bad debts written off or compensated by provision for credit losses	31 1,766,224	1,326,671
Payments to employees and for operating management	(7,955,314)	(6,535,235)
Corporate income tax paid for the year	34.1 (1,511,292)	(1,089,103)
Net cash flow from operating activities before changes in assets and working capital	11,759,440	9,417,063
Changes in operating assets		
(Increase)/Decrease in placements with and loans to other credit institutions	(7,466,790)	15,490,854
(Increase) in trading securities	(30,038,012)	(18,325,664)
Decrease/(Increase) in derivatives and other financial assets/liabilities	314,632	(256,191)
(Increase) in loans to customers	(54,658,049)	(51,111,383)
(Decrease) in provision for bad debts	13, 9 (6,037,085)	(6,213,036)
(Decrease) in provision for debts sold to VAMC	13 (462,343)	(374,588)
(Increase) in other operating assets	(479,092)	(1,930,314)
Changes in operating liabilities		
(Decrease)/Increase in borrowings from the Government and the SBV	(258,179)	2,462,393
Increase in deposits and borrowings from other credit institutions	38,387,642	8,248,388
Increase in deposits from customers (including the State Treasury)	105,452,800	38,446,094
(Decrease)/Increase in valuable papers (excluding valuable papers charged into financial activities)	(13,177,322)	5,198,532
(Decrease)/Increase in grants, trusted funds and borrowings at risk of the credit institution	(31,800,154)	1,911,357
Increase in other liabilities	655,856	314,092
Cash outflow from funds of the credit institution	25 (682)	(531)
Net cash from operating activities	12,192,662	3,277,066

(continued...)

CONSOLIDATED CASH FLOW STATEMENT (Continued)*For the year ended 31 December 2014***FORM B 04/TCTD-HN**
Unit: Million VND

	Note	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of fixed assets		(1,383,674)	(1,467,290)
Proceeds from sales, disposal of fixed assets		1,671	4,079
Expenses on sales, disposal of fixed assets		(3,177)	(844)
Cash recovered from investments in other entities		303,139	170,232
Cash paid to invest in other entities		(400,000)	(527,867)
Dividends and profit received from long-term investments and capital contribution	32	248,867	152,530
Net cash (used in) investing activities		<u>(1,233,174)</u>	<u>(1,669,160)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in share capital from capital contribution and/or share issue	25	-	2,670,562
Dividends paid to shareholders, profits distributed	25	(2,389,521)	(532,902)
Net cash (used in)/ from financing activities		<u>(2,389,521)</u>	<u>2,137,660</u>
Net increase in cash for the year		8,569,967	3,745,566
Cash and cash equivalents at the beginning of the year		<u>41,632,741</u>	<u>37,887,175</u>
Cash and cash equivalents at the end of the year	36	<u>50,202,708</u>	<u>41,632,741</u>

Appendix 11: Parent Company Financial Statement - Income Statement - Pohjola Bank Plc (2014, 197)

Parent Company Financial Statements, FAS

Financial Statements

Income statement

EUR million	2014	2013
Interest income	1 903	1 740
Net lease income	27	27
Interest expenses	-1 680	-1 545
Net interest income	249	222
Income from equity investments	237	184
From subsidiaries	195	158
From affiliates	3	3
From other companies	38	23
Commissions and fees	152	133
Commission expenses	-46	-43
Net income from securities and foreign exchange trading	83	102
Net income from securities trading	47	76
Net income from foreign exchange trading	36	26
Net income from available-for-sale financial assets	13	15
Net income from hedge accounting	-2	-1
Net income from investment property	-1	0
Other operating income	21	21
Administrative expenses	-137	-128
Personnel costs	-62	-62
Wages and salaries	-51	-51
Social expenses	-11	-11
Pension costs	-8	-8
Other social expenses	-3	-2
Other administrative expenses	-75	-66
Depreciation/amortisation and write-downs on tangible and intangible assets	-11	-11
Other operating expenses	-46	-40
Impairment losses on loans and other commitments	-25	-38
Operating profit	486	417
Appropriations	-3	-86
Income taxes	-58	-52
Taxes for the financial year	-41	-38
Taxes for previous financial years	-23	0
Change in deferred taxes	6	-14
Profit from operations after taxes	425	279
Profit for the financial year	425	279

Appendix 12: Parent Company Financial Statement - Balance Sheet - Pohjola Bank Plc (2014, 198 - 199)

Balance sheet

Assets

EUR million	31 Dec. 2014	31 Dec. 2013
Cash and cash equivalents	3 774	2 046
Notes and bonds eligible for refinancing with central banks	7 825	7 368
Treasury bills		
Other	7 825	7 368
Receivables from credit institutions	10 066	9 676
Repayable on demand	481	620
Other	9 584	9 056
Receivables from the public and public sector entities	14 393	13 398
Repayable on demand		
Other	14 393	13 398
Lease assets	1 152	1 153
Notes and bonds	714	695
From public sector entities	29	4
From other	685	691
Shares and participations	63	62
Shares and participations in affiliates	32	32
Shares and participations in subsidiaries	1 250	1 249
Derivative contracts	5 395	3 332
Intangible assets	51	49
Tangible assets	15	17
Investment property and shares and participations in investment property	9	10
Other property and shares and participations in property companies	3	3
Other tangible assets	3	3
Other assets	1 879	847
Deferred income and advances paid	659	722
Deferred tax assets	8	8
Total assets	47 274	40 675

(continued...)

EUR million	31 Dec. 2014	31 Dec. 2013
Liabilities		
Liabilities		
Liabilities to credit institutions	5 241	4 789
Central banks	250	
Credit institutions	4 991	4 716
Repayable on demand	898	725
Other	4 094	3 992
Liabilities to the public and public sector entities	11 668	10 343
Deposits	9 406	7 660
Repayable on demand	7 726	5 995
Other	1 680	1 665
Other liabilities	2 262	2 683
Repayable on demand	8	10
Other	2 254	2 674
Debt securities issued to the public	17 980	16 255
Bonds	10 941	9 384
Other	7 040	6 870
Derivative contracts and other liabilities held for trading	5 268	3 256
Other liabilities	2 317	1 452
Other liabilities	2 317	1 452
Statutory provisions	0	0
Deferred expenses and advances received	727	762
Subordinated liabilities	948	934
Subordinated loans	265	253
Other	683	681
Total liabilities	44 150	38 940
Appropriations		
Depreciation difference	141	138
Voluntary provisions	891	891
Shareholders' equity		
Share capital or cooperative capital	428	428
Share capital	428	428
Share premium account	524	524
Other restricted reserves	225	200
Reserve fund	164	164
Fair value reserve	61	36
Cash flow hedging	17	12
Fair value measurement	44	24
Non-restricted reserves	331	331
Reserve for invested non-restricted equity	308	308
Other reserves	23	23
Retained earnings	159	93
Profit for the financial year	425	279
Total shareholders' equity	2 092	1 855
Total liabilities and shareholders' equity	47 274	40 675
Off-balance-sheet commitments		
Commitments given to a third party on behalf of customers	7 379	7 725
Guarantees and pledges	2 749	2 727
Other	2 451	2 479
Other	297	247
Irrevocable commitments given on behalf of customers	4 630	4 999
Securities repurchase commitments	7	9
Other	4 622	4 989

Appendix 13: Parent Company Financial Statements - Cash flow statement - Pohjola Bank Plc (2014, 200 - 201)

Cash flow statement

EUR million	31 Dec. 2014	31 Dec. 2013
Cash flow from operating activities		
Profit for the financial year	425	279
Adjustments to profit for the financial year	-222	1
Increase (-) or decrease (+) in operating assets	-1 685	-4 047
Notes and bonds eligible for refinancing with central banks	-200	-2 255
Receivables from financial institutions	-528	-1 092
Receivables from the public and public sector entities	-1 000	-641
Lease assets	6	-78
Notes and bonds	399	-260
Shares and participations	6	4
Derivative contracts	31	28
Investment property		0
Other assets	-398	249
Increase (+) or decrease (-) in operating liabilities	2 136	-2 004
Liabilities to credit institutions and central banks	447	-1 031
Liabilities to the public and public sector entities	1 325	-496
Derivative contracts and other liabilities held for trading	32	-22
Other liabilities	332	-454
Income tax paid	-54	-28
Dividends received	107	99
A. Net cash from operating activities	708	-5 700
Cash flow from investing activities		
Increases in held-to-maturity financial assets		
Decreases in held-to-maturity financial assets	69	129
Acquisition of subsidiaries and associates	0	-4
Disposal of subsidiaries and associates		
Purchase of tangible and intangible assets	-12	-16
Proceeds from sale of tangible and intangible assets	0	0
B. Net cash used in investing activities	47	109
Cash flow from financing activities		
Increases in subordinated liabilities		
Decreases in subordinated liabilities	0	-271
Increases in debt securities issued to the public	34 663	24 340
Decreases in debt securities issued to the public	-33 616	-21 833
Dividends paid	-212	-145
Other monetary decreases in equity items	0	0
C. Net cash used in financing activities	835	2 092
Cash and cash equivalents transferred due to combination	1 589	-3 499
Cash and cash equivalents at year-start	2 666	6 165
Cash and cash equivalents at year-end	4 255	2 666
Interest received	1 974	1 758
Interest paid	-1 726	-1 585

(continued...)

Adjustments to profit for the financial year		
Non-cash items		
Change in fair value for trading	169	-166
Unrealised net gains on foreign exchange operations	79	2
Change in fair value of investment assets	-454	85
Depreciation/amortisation, change in depreciation/amortisation difference and voluntary provisions	9	90
Impairment losses on receivables	26	41
Other	-50	-52
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	0	0
Capital losses, share of cash flow from investing activities		0
Gains/losses on merger, portion of cash flow from investing activities	0	
Total adjustments	-222	1
Cash and cash equivalents		
Liquid assets	3 774	2 046
Receivables from credit institutions payable on demand	481	620
Total	4 255	2 666

Appendix 14: Consolidated Cash Flow Statement - PV Gas (PV Gas 2014, 7)

CONSOLIDATED CASH FLOW STATEMENT			
<i>For the period from 01 January 2014 to 30 June 2014</i>			
			FORM B 03-DN/HN
			Unit: VND
ITEMS	Codes	From 01/01/2014 to 30/6/2014	From 01/01/2013 to 30/6/2013
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	8,091,139,299,720	9,083,098,249,148
2. Adjustments for:			
Depreciation and amortisation	02	1,690,393,965,900	1,623,098,513,562
Provisions	03	(17,385,091,098)	18,944,728,162
Unrealized foreign exchange loss	04	30,012,068,879	72,032,465,184
(Gain) from investing activities	05	(590,080,433,425)	(552,536,230,405)
Interest expense	06	204,732,577,390	209,755,353,313
3. Operating profit before movements in working capital	08	9,408,812,387,366	10,454,393,078,964
Changes in receivables	09	365,970,361,366	(485,169,789,385)
Changes in inventories	10	893,878,500,186	(25,541,837,478)
Changes in accounts payable (not including accrued interest and corporate income tax payable)	11	(2,715,134,011,692)	(267,873,819,467)
Changes in prepaid expenses and other assets	12	726,536,812,049	640,277,958,649
Interest paid	13	(210,841,012,117)	(247,557,281,740)
Corporate income tax paid	14	(1,368,626,507,389)	(1,591,224,766,930)
Other cash inflows	15	-	27,014,880,807
Other cash outflows	16	(169,069,641,429)	(356,242,435,351)
Net cash from operating activities	20	6,931,526,888,340	8,148,075,988,069
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets	21	(652,036,321,296)	(846,453,902,010)
2. Proceeds from sales, disposal of fixed assets	22	4,956,364	-
3. Cash outflow for lending, buying debt instruments of other entities	23	(311,230,416,667)	(355,637,836)
4. Cash recovered from lending, selling debt instruments of other entities	24	68,000,000,000	48,350,000,000
5. Interest earned, dividends and profits received	27	575,980,396,427	571,827,493,544
Net cash (used in) investing activities	30	(319,281,385,172)	(226,632,046,302)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	2,645,300,442,392	1,064,571,836,283
2. Repayment of borrowings	34	(3,042,512,974,811)	(2,022,733,824,423)
3. Repayment of obligations under finance lease	35	(18,942,957,334)	(20,551,255,356)
4. Dividends and profits paid	36	(4,168,882,560,000)	(1,914,318,474,270)
Net cash (used in) financing activities	40	(4,585,038,049,753)	(2,893,031,717,766)
Net increase in cash	50	2,027,200,473,415	5,028,412,224,001
Cash and cash equivalents at the beginning of the period	60	18,753,084,518,890	12,753,084,518,890
Effects of changes in foreign exchange rates	61	(290,303,915)	(290,303,915)
Cash and cash equivalents at the end of the period	70	20,770,284,045,305	17,781,206,438,976



Appendix 15: Consolidated Cash Flow Statement - Fortum Group (Fortum 2014, 62)

Consolidated cash flow statement

EUR million	Note	2014	2013
Cash flow from operating activities			
Net profit for the period		3,161	1,212
Adjustments:			
Income tax expenses		199	186
Finance costs - net		217	289
Share of profit of associates and joint ventures		-149	-178
Depreciation, amortisation and impairment charges		526	620
Operating profit before depreciations (EBITDA)		3,954	2,129
Non-cash flow items and divesting activities			
Interest received		99	62
Interest paid		-330	-371
Dividends received		58	74
Realised foreign exchange gains and losses and other financial items		349	47
Taxes		-211	-210
Funds from operations		1,808	1,469
Change in working capital		-46	79
Total net cash from operating activities		1,762	1,548
Cash flow from investing activities			
Capital expenditures	5, 18, 19	-768	-1,004
Acquisitions of shares		-69	-15
Proceeds from sales of fixed assets		26	66
Divestments of shares		3,062	122
Proceeds from interest-bearing receivables relating to divestments		131	22
Shareholder loans to associated companies		425	-136
Change in other interest-bearing receivables		8	2
Total net cash used in investing activities		2,816	-944
Cash flow before financing activities		4,578	604
Cash flow from financing activities			
Proceeds from long-term liabilities		50	781
Payments of long-term liabilities		-1,499	-636
Change in short-term liabilities		-580	438
Dividends paid to the owners of the parent	15	-977	-888
Other financing items		-1	22
Total net cash used in financing activities		-3,007	-284
Total net increase(+)/decrease(-) in liquid funds		1,571	320
Liquid funds at the beginning of the year		1,265	961
Foreign exchange differences in liquid funds		-70	-17
Liquid funds at the end of the period ¹⁾	25	2,766	1,265

1) Including cash balances of EUR 15 million relating to assets held for sale as of 31 December 2013.

Appendix 16: Parent Company Income Statement - Fortum Group (Fortum 2014, 161)

Parent company financial statements

Income statement

EUR million	Note	2014	2013
Sales	2	76	84
Other income	2	1,959	7
Employee costs	4	-35	-33
Depreciation, amortisation and write-downs	2	-9	-9
Other expenses		-72	-60
Operating profit		1,919	-11
Financial income and expenses	5	-129	-16
Profit after financial items		1,790	-27
Group contributions ¹⁾		565	608
Profit before income tax		2,355	581
Income tax expense	6	-90	-104
Profit for the period		2,265	477

1) Taxable profits transferred from Finnish subsidiaries.

Appendix 17: Parent Company Balance Sheet - Fortum Group (Fortum 2014, 162)

Balance sheet

EUR million	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets	Z	18	15
Property, plant and equipment	Z	4	13
Investments in group companies	Z	16,057	16,215
Investments in associated companies	Z	6	0
Interest-bearing receivables from group companies	Z	1,368	2,382
Interest-bearing receivables from associated companies	Z	211	1
Other non-current assets	Z	2	5
Deferred tax assets		2	4
Total non-current assets		17,668	18,635
Current assets			
Other current receivables from group companies	A	586	630
Other current receivables from associated companies	A	1	0
Other current receivables	A	170	11
Bank deposits	Q	505	0
Cash and cash equivalents	Q	1,813	1,059
Liquid funds		2,318	1,059
Total current assets		3,075	1,700
Total assets		20,743	20,335
EQUITY			
Shareholders' equity			
Share capital	10	3,046	3,046
Share premium		2,822	2,822
Retained earnings		3,174	3,674
Profit for the period		2,265	477
Total shareholders' equity		11,307	10,019
Provisions for liabilities and charges		0	0
LIABILITIES			
Non-current liabilities			
External interest-bearing liabilities	11	5,269	6,351
Interest-bearing liabilities to group companies	11	2,648	1,470
Interest-bearing liabilities to associated companies	11	261	247
Other non-current liabilities		3	2
Total non-current liabilities		8,181	8,070
Current liabilities			
External interest-bearing liabilities	11	1,083	2,025
Trade and other payables to group companies	12	31	25
Trade and other payables to associated companies	12	3	2
Trade and other payables	12	138	194
Total current liabilities		1,255	2,246
Total liabilities		9,436	10,316
Total equity and liabilities		20,743	20,335

Appendix 18: Parent Company Cash Flow Statement - Fortum Group (Fortum 2014, 163)

Cash flow statement

EUR million	2014	2013
Cash flow from operating activities		
Profit for the period	2,265	477
Adjustments:		
Income tax expense	90	104
Group contributions	-565	-608
Finance costs - net	129	16
Depreciations, amortisation and write-downs	9	9
Operating profit before depreciations	1,928	-2
Non-cash flow items and divesting activities	-1,940	1
Interest and other financial income	45	60
Interest and other financial expenses paid	-168	-229
Dividend income	0	210
Group contribution received	609	574
Realised foreign exchange gains and losses	-283	-149
Taxes	-127	-87
Funds from operations	64	378
Other short-term receivables increase(-)/decrease(+)	-6	-5
Other short-term payables increase(+)/decrease(-)	-9	-40
Change in working capital	-15	-45
Net cash from operating activities	49	333
Cash flow from investing activities		
Capital expenditures	-5	-9
Acquisition of shares and capital contributions in subsidiaries	0	-19
Acquisition of shares in associated companies	-3	0
Capital returns from subsidiaries	0	210
Acquisition of other shares	-2	-2
Proceeds from sales of fixed assets	0	0
Proceeds from sales of shares in subsidiaries	2,093	0
Change in interest-bearing receivables and other non-current assets	793	-836
Net cash used in investing activities	2,876	-656
Cash flow before financing activities	2,925	-323
Cash flow from financing activities		
Proceeds from long-term liabilities	46	759
Payment of long-term liabilities	-1,340	-526
Change in cashpool liabilities	1,178	917
Change in short-term liabilities	-573	406
Dividends paid	-977	-888
Net cash used in financing activities	-1,666	668
Net increase(+)/decrease(-) in liquid funds	1,259	345
Liquid funds at the beginning of the period	1,059	714
Liquid funds at the end of the period	2,318	1,059