Factors Affecting The Application Of Accounting Standards Of Small And Medium Enterprises In Vietnam

Hoang Dinh Huong[1*] , Ngo Thi Kieu Trang[2] , Nguyen Duc Duong[3]

[1,2,3] Hanoi University of Natural Resources and Environment, Hanoi, Vietnam.

Abstract

The authors investigated the factors influencing the use of accounting standards in Vietnamese firms in this study. The study was performed on 395 organizations, with the survey subjects being CEOs and chief accountants of manufacturing-related businesses. To aid with data analysis, Smart PLS 3.0 software was employed. Firm size, independent audit, competency of accountants, enterprise managers, and taxes are the five impacting factors discovered by the study. As a result, the research provides several ideas to assist small and medium-sized businesses in implementing the standard. accountants in Vietnam

Keyword: Accounting standards, SMEs, Vietnam

1. Introduction

Accounting standards are a set of principles and basic requirements to guide accountants to perceive, record and reflect arising economic transactions. Accounting standards create a unified system of attitudes for all accountants to behave before events subject to accounting. The trend of globalization of the world economy requires countries to use a common accounting language, in order to ensure that information is internationally comparable. This is an international issue and affects the interests of many countries around the world.

Increasing the application of accounting standards in Vietnam is an issue that is being discussed a lot. The study identifies the influencing factors and measures the level of impact of each factor on the application of Vietnamese accounting standards by small and medium-sized enterprises in Vietnam. The results of this study are the basis for the author to propose recommendations to strengthen the application of Vietnamese accounting standards in this business sector.

2. Literature review

2.1. Accounting Standards

Accounting standards are issued by a competent organization to ensure the quality of financial information provided to financial investors and other related subjects. By the end of the 20th century, most countries had established an accounting system for enterprises. According to Article 7, the Law on Accounting, accounting standards include basic accounting regulations and methods for preparing financial statements. Thus, accounting standards are understood as regulations and guidelines on the most basic and most basic accounting principles, contents, methods and procedures from which to base the measurement, recognition and presentation. disclose information in the financial statements to obtain a true and fair assessment.

According to international accounting point of view (IASB), accounting standards are regulations and guidelines that should be respected in accounting work and when providing information in financial statements, the transparency of information must be ensured. information provided.

From the author's point of view, accounting standards are basic, unambiguous principles that establish a framework of rules and guidelines on which to base the recording and preparation of financial statements to achieve reliability. high trust. Accounting standards include basic principles and procedures related to the recognition, measurement, and presentation of financial reporting information, and they provide flexibility in accounting practices but must be followed. content specified in the standard.

2.2 Firm size

Enterprise size can be understood as the division of enterprises into types of enterprises such as large enterprises, SMEs, which are expressed through the structure of enterprises, and at the same time reflect the distribution of powers and responsibilities throughout the enterprise (Hall, 2011). Enterprise size has long been recognized as one of the factors affecting the level of IT establishment in enterprises (Ismail & King, 2007).

According to the analysis of Louadi (1998), the size of the enterprise can also affect the organizational information requirements. In general, large enterprises are more able to adapt and adapt to information technology better (Winston & Dologite, 1999). In small-scale enterprises, the implementation of computerization is less likely to succeed than in larger enterprises, because of limited resources and lack of IS structure (Thong, 2001).

2.3. Independent audit

Bedard & Johnstone, (2004); Cohen, Krishnamoorthy & Wright (2004) studied the influence of independent audit quality on compliance with accounting standards. The authors believe that there is an inseparable relationship between audit quality and compliance with accounting standards.

Audit quality is the first and most effective monitoring mechanism for regulatory compliance with accounting policies, in the issue of financial statements.

Along with the above research results, the research of Ahmed Ebrahim & Tarek Abdel Fattah (2015) shows that there is a positive relationship between the quality of independent audit and

compliance with accounting regulations with International Accounting Standards. on corporate income tax (IAS 12) and Egyptian Income Tax Accounting Standard (EAS 24). The study was conducted in listed companies in Egypt, an emerging economy, with the results that large companies are more likely to conduct a high-quality independent audit.

2.4 Competency of accountants

The capacity of accounting staff is reflected in the skills and qualifications of the staff that enable them to fulfill their accounting responsibilities (Hongjiang Xu, 2003). In order to properly comply with regulations on the application of accounting policies, especially the successful application of IAS, accountants need to be fully educated with knowledge and practical experience on this standard, because this is an important factor. important to comply with accounting regulations in the application of IAS (Daniel Zeghal & Mhedhbi, 2006).

Agreeing with the above authors, Ahmed Ebrahim & Tarek Abdel Fattah (2015) also emphasizes the importance of training and professional development of accountants and auditors in developing countries, which will benefit in the future. compliance with IFRS, in order to achieve goals and efficiency in the process of converging international accounting standards.

2.5 Qualifications and awareness of enterprise managers

Collis & Jarvis (2000) said that business owners are often more interested in tax declaration than in compliance with accounting regulations in the application of accounting standards, which affects the quality of information. provided in the financial statements. Compliance with tax regulations always takes precedence over compliance with accounting regulations, so the quality of information provided in the financial statements is often poor, because compliance with the principles in the standards is not implemented. Therefore, the level and awareness of managers have a great influence on whether enterprises comply with their accounting regulations or not.

2.6 Pressure from taxes

Fear has been used by tax authorities as a means, forcing taxpayers to comply with tax law rather than accounting. According to research by Alm & McKee (1998), businesses are often afraid of the possibility of being arrested and fined or affecting their reputation, forcing them to comply with tax policy rather than comply with corporate accounting policy.

Research on the relationship between tax inspection and compliance with tax policies of enterprises (Fischer, Wartick & Mark, 1992). Witte & Woodbury (1985) argue that owners have a stronger influence on tax compliance than accounting compliance. Therefore, tax inspection aims to specifically require taxpayers to pay the correct and sufficient tax amount to the State and force them to pay more attention to compliance with tax policies of enterprises rather than accounting policies.

2.7. Hypothesis

From the research results of the qualitative method combined with previous studies and the background theory, the author makes the following hypotheses:
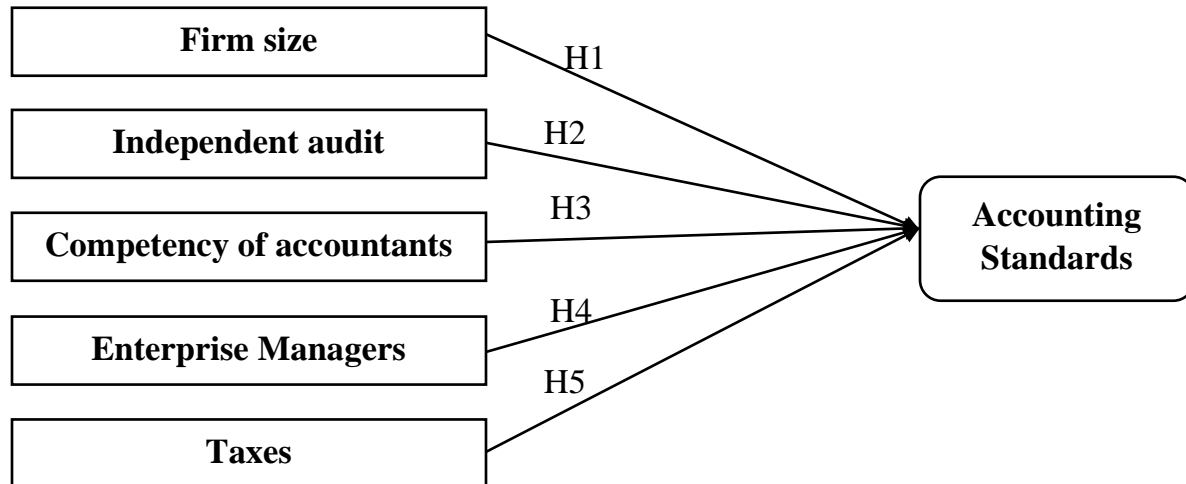
Fig 1. Research model

Hypothesis 1 (H1): Firm size has a positive impact on compliance with accounting standards.

Hypothesis 2 (H2): Independent audit has a positive impact on compliance with accounting standards.

Hypothesis 3 (H3): Competency of accountants has a positive impact on compliance with accounting standards.

Hypothesis 4 (H4): Enterprise Managers has a positive impact on compliance with accounting standards.

Hypothesis 5 (H5): Taxes have a positive impact on compliance with accounting standards.

3. Methodology

In this study, the authors use non-probability sampling method, convenient sampling method and focus on enterprises in the northern provinces of Vietnam. The study conducted interviews with experts including executives, chief financial officers and chief accountants in enterprises, to build a questionnaire and conduct a pilot survey with 10 enterprises. The results of the pilot survey showed a consensus, there were no problems. After that, the authors continued to conduct an official survey on a large scale.

The approach to the formal survey was the same as that of a pilot survey, some samples were directly surveyed and collected through seminars and professional training in accounting and taxation, some samples of respondents submitted with Google forms.

With 257 survey questionnaires sent to survey the area. The survey results recovered 221 votes, suitable for data analysis. Next, proceed to code the variables in the research model for analysis. To serve the data analysis of the study, Smart PLS 3.0 software was used to support.

4. Results

4.1. Reliability and Internal Consistency

The factor loading value, composite reliability (CR), and average variance extracted (AVE) from each component are used to verify convergence validity. Convergent validity was confirmed because the factor loading value, CR, and AVE were all more than 0.6, 0.7, and 0.5, respectively. The square root of AVE and the correlation coefficients are used to assess discriminant validity. The discriminant validity was also confirmed because the square root of AVE was larger than the correlation coefficients.

Table 1. Reliability and Internal Consistency

| Variables	Factor Loading	AVE	CR	Cronbach's alpha
Firm size	0.362	0.636	0.874	0.808
	0.329			
	0.266			
	0.289			
Independent audit	0.375	0.635	0.874	0.809
	0.261			
	0.313			
	0.304			
Competency of accountants	0.279	0.717	0.910	0.868
	0.322			
	0.272			
	0.308			
Enterprise Managers	0.287	0.734	0.917	0.879
	0.273			
	0.314			
	0.292			
Taxes	0.451	0.632	0.837	0.710
	0.331			
	0.466			
Accounting Standards	0.288	0.718	0.910	0.868
	0.297			
	0.310			
	0.286			

Table 2. Correlation and Discriminant Validity

	Accounting Standards	Competency of accountants	Enterprise Managers	Firm size	Independent audit	Taxes
Accounting Standards	0.847					
Competency of accountants	0.757	0.847				
Enterprise Managers	0.800	0.770	0.857			
Firm size	0.686	0.652	0.681	0.798		
Independent audit	0.734	0.807	0.729	0.688	0.797	
Taxes	0.648	0.625	0.642	0.684	0.644	0.795

4.2. Verification of Research Model

Table 3. Hypothesis test results

	Hypothesis Path	p- value	Decision
H1	Firm size → Accounting standards	0.005	Accept
H2	Independent audit → Accounting standards	0.021	Accept
H3	Competency of accountants → Accounting standards	0.003	Accept
H4	Enterprise Managers → Accounting standards	0.000	Accept
H5	Taxes → Accounting standards	0.047	Accept
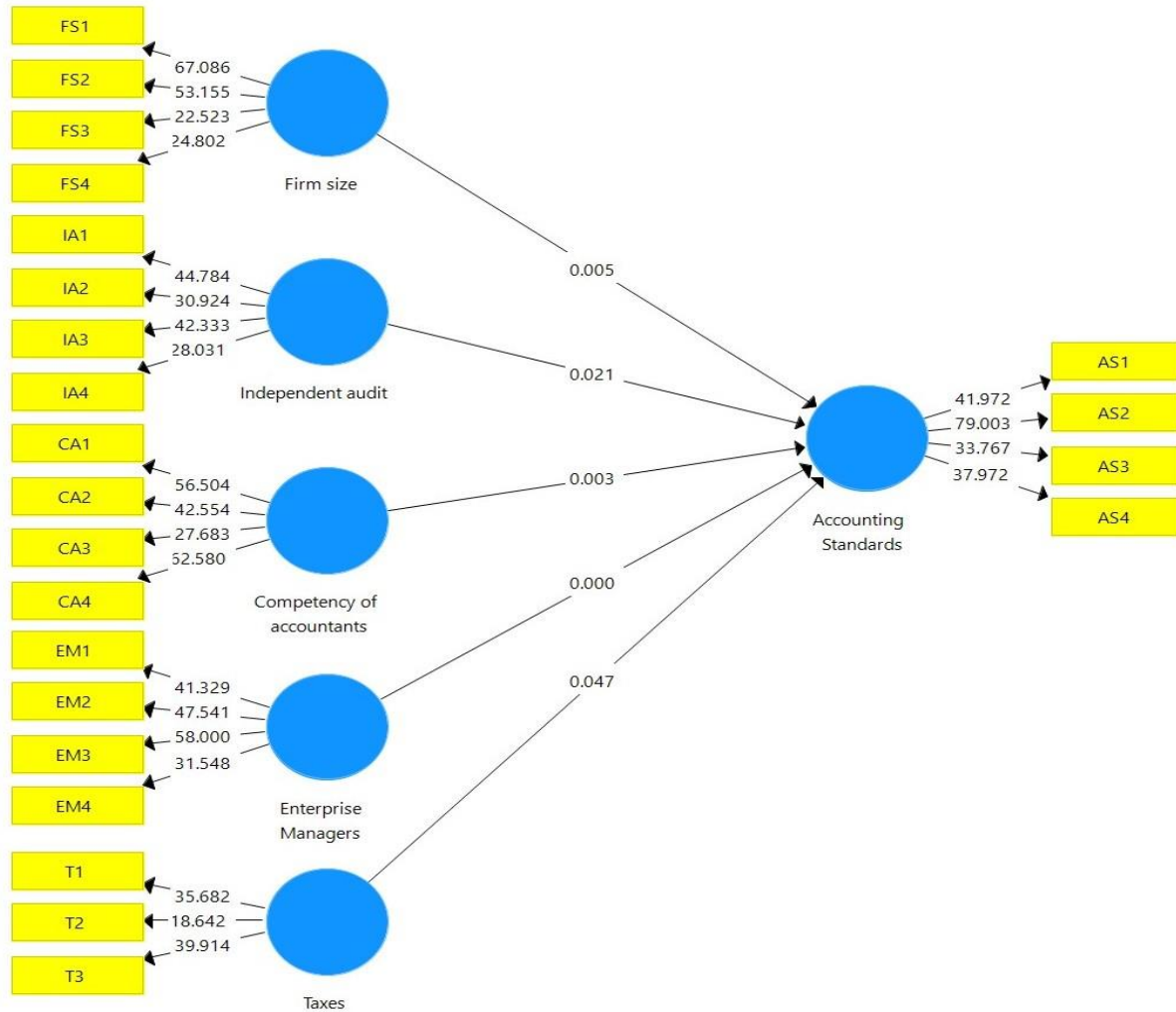
Fig 2. Verification of research model

5. Conclusion

From the research results, the author proposes some recommendations to improve the application of accounting standards of small and medium enterprises in Vietnam. As follows

Firstly, improve the qualifications and experience of accountants.

To improve their own accounting skills, in addition to understanding the basic knowledge, accountants need to be aware of their roles and responsibilities in complying with accounting systems. Accountants need to improve themselves through short-term training programs to continuously update their knowledge and understand the needs of users of accounting information. Enterprises need to have reasonable remuneration to retain and attract highly qualified and experienced accountants. In addition, enterprises should cooperate with training institutions to develop training programs suitable to market needs.

Secondly, improve the understanding and interest of managers.

Managers need to have a certain understanding in the field of accounting, self-improvement, learn and foster knowledge through consulting from professional consulting organizations to be able to understand more about accounting policies. as well as capture information about changes in accounting policies. At the same time, managers should also care about employees, encourage accounting staff to attend refresher courses to be able to promptly adapt to changes in policies.

Thirdly, develop the accounting infrastructure.

Today's accounting work has gradually changed from presenting spreadsheets to ordinary bookkeeping with supporting accounting software to make information more transparent and accurate. Therefore, businesses need to invest appropriately with accounting software to easily apply accounting standards. The State needs to regularly verify accounting software circulating on the market to help businesses choose the right accounting software according to standards.

Fourthly, improve the compulsion to comply with technical regulations

Enterprises need to strictly implement specific legal documents, raise their sense of responsibility for compliance with accounting standards. To be able to do this, each individual in an enterprise must clearly understand the importance of accounting standards and their responsibilities for the application of accounting standards.

References

1. A.Hall, J. (2007). Accounting information systems: Mason, OH. Thomson South Western.

2. Ahmed Ebrahim &Tarek Abdel Fattah, 2015. Taxation Corporate governance and initial compliance with IFR Sin emerging markets: The case of income tax accounting in Egypt. Journal of International Accounting, Auditing and Taxation, P46-60 .

3. Bedard, J., & Johnstone, K., 2004. Earnings manipulation risk, corporate governance risk, and auditors' planning and pricing decisions. The Accounting Review, 79(2), 277–304.

4. Daniel Zegha & Mhedhbi, 2006. An analysis of the factors affecting the adoption of international accounting standards by developing countries. The International Journal of Accounting, 41(4), 373–386. http://doi.org/10.1016/j.intacc.2006.09.009.

5. Ho Xuan Thuy, 2016. Relevancy of International Financial Reporting Standards for SMEs in Vietnam. Doctoral Thesis in Economics, University of Economics Ho Chi Minh City.

6. Ismail, N. A., & King, M. (2005). Firm performance and AIS alignment in Malaysian SMEs. International Journal of Accounting Information Systems, 6(4), 241-259.

7. Ismail, N. A., & King, M. (2007). Factors influencing the alignment of accounting information systems in small and medium sized Malaysian manufacturing firms. Journal of Information Systems and Small Business, 1(1-2), 1-20.