LEVEL OF HARMONIZATION OF VIETNAM ACCOUNTING STANDARDS WITH IAS/IFRS ON PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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ABSTRACT

The objective of the paper is to assess the harmonization between Vietnam Accounting Standards and IAS/IFRS in the preparation and presentation of Consolidated Financial Statements, focusing on: structure of consolidated financial statements (CFS); the order and method of making CFS; Business incorporation accounts form the parent-subsidiary relationship; accounting of division, separation, equitization of a part of the company into subsidiaries; accounting method of investing in associates and joint ventures on CFS; accounting of converting the financial statements of subsidiaries, associates, joint ventures overseas prior to incorporation into CFS. The research process mainly uses quantitative methods to measure adjusted Jaccard coefficients, the Absence Index, the Divergence Index and the Average Distance. The results of the study show that VAS on the preparation and presentation of CFS has a low level of harmonization with the IAS issued both before and after 2004; in addition this level also decreases over time.

Keywords: Accounting Standards Consolidated Financial Statement, Harmonization, VAS, IAS, IFRS.

INTRODUCTION

From the last decades of the twentieth century to the present, under the influence of globalization, the process of accounting harmonization and convergence in countries around the world has taken place more and more strongly. Also following this trend, in 1999, Vietnam started to study and prepare accounting standards based on two fundermental principles: (i) based on international accounting standards and (ii) suitable for the development conditions of the Vietnamese economy, Vietnam's legal system, qualifications and experiences in accounting and auditing. By the end of 2005, 26 VASes (Vietnamese Accouting Standard) were issued. However, since being formally adopted so far, although the content has had certain backwardnesses compared to IFRS (International Financial Reporting Standard), the VAS has not been amended and supplemented yet. Especially, the accounting standards related to business harmonization and financial statement preparation are guided by accounting standards and the following guiding circulars: the Circular No. 161/2007/TT-BTC dated 31 December, 2007, including the Guidelines for Implementation of Accounting Standard No. 11-Business harmonization and Accounting Standard No. 25-Consolidated Financial Statement and Accounting for Investments in Subsidiaries. Recently, December 22, 2014, the Ministry of

Finance of Vietnam has issued the Circular No. 202 promulgating the accounting regime related to the business harmonization accounting and consolidated financial statement preparation.

It could be seen that the Vietnamese enterprises nowadays still prepare and present the financial statements (FS) in general and consolidated financial statements (CFS) in particular in accordance with the VASes not amended and supplemented yet. The amendment and supplementation of VAS by approaching the IAS/IFRS according to the roadmap that the Ministry of Finance is implementing might cause problems and loss of time and effort for both companies and relevant state agencies. Based on the viewpoint that the tendency of accounting convergence with IAS/IFRS is inevitable, studying the level of harmonization of Vietnamese accounting, firstly, in terms of CFS, would help clarify the gap between Vietnamese accounting and international accounting in two aspects: accounting standard and accounting practice; since, the solutions ensuring the process of convergence with the international accounting and also compatible with the reality at Vietnam could be proposed, which is urgent as the initial viewpoint on building the VAS system declared.

LITERATURE REVIEWS

CFS is Prepared and Presented in a Variety of Forms Based on Different Integration Theories

In the viewpoint of many researchers, the principles of preparation and presenation of CFS in the countries' accounting standards and and IAS/IFRS are often based on the basis of three fundermental harmonization theories: owner benefit theory, parent company theory and entity theory. The basic content of these theories could be summarized as follows:

Owner Benefit Theory (Proportional Harmonization Theory)

The owner benefit theory concentrates on the part belonging to the parent company in the subsidiary. This theory illustrates that the parent company only purchases a portion of the subsidiary; and only this portion needs to be reflected in the CFS (Shortridge & Smith, 2007). In other words, only the assets, liabilities, revenues and expenses of the subsidiary belonging to shareholders of the parent company are presented in the CFS; not the interest belonging to the non-controlling shareholder (Pacter, 1992).

Parent Company Theory

CFS, according to the parent company theory, is also known as full harmonization. When the harmonization is implemented, all assets, liabilities, revenues and expenses of the subsidiary, regardless of whether they belong to parent company or non-controlling shareholders, are reflected in the CFS (Davis & Largay III, 2006). However, parent company theory assumes that CFS users are current and potential shareholders of the parent company. The CFS is considered an extension of the parent company's separate financial statement, in which the investments and subsidiaries are replaced with the separate assets and liabilities of the subsidiaries and the subsidiaries are considered almost as the branches of the parent company. When the parent company does not own 100% of the subsidiary, the FS harmonization cycle would separate the interests belonging to the minority shareholders (Rathore, 2009). In this case, the interests belonging to the non-controlling shareholders (also called minority shareholders) are considered to belong to the external objects, unrelated to the shareholders of the parent company (Davis &

Largay III, 2006). The assets of the subsidiary that belong to non-controlling shareholders are considered liabilities (Rathore, 2009). The net income belonging to the minority shareholders is subtracted when calculating the net income (Pacter, 1992).

Entity Theory

Entity theory-based harmonization is also known as full harmonization (Davis & Largay III, 2006). However, in contrast to the parent company theory, the entity theory shows that the CFS is the financial statement of a business entity consisting of two groups of equity capital: the equity capital belonging to the majority shareholder or the controlling shareholders and the one belonging to the minority shareholders. The CFS is not considered an extension of the parent company's separate financial statement, but an appropriate financial statement to reflect the financial position and performance of a separate consolidated entity including the related companies under common control of the controlling shareholders.

In the period before 2001, the harmonization of accounting standards (AS) for the preparation and presentation of CFS between countries was low (Brunovs & Kirsch, 1991). So far, the level of harmonization of accounting standards for the preparation and presentation of consolidated financial statements has been increasingly evolving at the national, regional and international level. In some developed economies, such as the United States, although IAS/IFRS does not allow/enforce, the national accounting standards for the preparation and presentation of consolidated financial statements has a high degree of convergence with IAS/IFRS (Baluch et al., 2010) and is still pursuing further convergence projects with IAS/IFRS (Victor, Reka & Ionel, 2010). Meanwhile, in countries with a socialist-oriented market economy such as Vietnam or China, the level of harmonization between the national accounting standards and IAS/IFRS for the preparation and presentation of consolidated financial statements is lower than that of the overall accounting standards system (Pham, 2012; Qu & Zhang, 2008).

In Vietnam, Pham's (2012) thesis aims to determine the level of harmonization among 25 Vietnam Accounting Standards (VAS) and 02 International Accounting Standards (IAS/IFRS): (i) old IAS/IFRS (the latest versions at the issuance dates of VASs); (ii) current IAS/IFRS (version 2010). The research results show that "the overall de jure convergence of 25 VAS with their equivalent old IAS/IFRS is 84%; however, the overall de jure convergence with current IAS/IFRS is as expected, far lower, 62%". The level of harmonization of VASs directly related to the preparation and presentation of consolidated financial statements is lower than the overall level and also decreases over time. In our paper, the authors continue to examine this result, but from another point of view: it is not divided into accounting standards, but by groups of contents governed by consolidated theory.

In addition, unlike Pham Hoai Huong's thesis, in this article, the phrase "Vietnam's Accounting Standards" refers to all accounting legal documents, including: VAS, accounting regimes, Circular instructions. Thus, in order to measure the level of harmonization between Vietnam and International Accounting Standards over time, Vietnam's Accounting Standards also includes Circular 161/2007 and documents guiding the implementation of other accounting standards, accounting regimes and guiding documents on the division, separation and equitization of state-owned enterprises.

In Vietnam, in order to establish a VAS on a specific IAS/IFRS basis, a certain amount of time is required. VAS related to the preparation and presentation of the consolidated financial statements were issued in the period from 2002 to 2005 respectively. As such, the basis for the construction of these VASs should be IAS/IFRS issued prior to that time. Since 2004, the

IAS/IFRS has been amended and supplemented many times to accommodate changes and developments in the economy but the VAS has never been amended and added. The documents guiding the implementation of VAS, the accounting regimes and other relevant accounting guiding documents, although amended and supplemented many times, basically the contents related to the preparation and presentation of the consolidated financial statements have been guided in more detail and have not changed in principle.

Taking 2004 as a benchmark, the following hypothesis of harmonization between the Vietnam accounting standards and IAS/IFRS in the preparation and presentation of consolidated financial statements is examined:

"Vietnam Accounting Standards for Preparation and Presentation of Consolidated Financial Statements that were issued prior to 2004 have a lower level of harmonization in comparíon with IAS/IFRS that was issued after 2004."

TESTING THE HYPOTHESIS

Objective and Methodology

Objective

Vietnam Accounting Standards and IAS/IFRS relating to the preparation and presentation of consolidated financial statements. In particular, the phrase "Vietnam Accounting Standards" refers to all accounting legal documents, including: VAS, accounting regime and guiding circulars.

Methodology

VASs/IASs/IFRSs Were Investigated

The degree of harmonization in the preparation and presentation of the consolidated financial statements as set out in the Vietnam Accounting Standards and IAS/IFRS are examined in two respects: harmonization of presentation of financial statements and harmonization in terms of measurement, with specific contents as follows (Table 1):

Table 1
VIETNAM ACCOUNTING STANDARDS AND IAS/IFRS

Abbreviation	Contents
A	**Harmonization on presentation of financial statements**
AA	System of Consolidated Financial Statements
AB	Elements of Consolidated Financial Statements
AC	General Principles for Preparation and Presentation
AD	Method of Preparing the Consolidated Cash Flow Statement
AE	Presentation of Minority Interests in the Consolidated Balance Sheet
AF	Presentation of Minority Interests in the Consolidated Income Statement
AG	Presentation of Investments in Joint Ventures and Associates in the Consolidated Financial Statements
AH	Presentation of Investments in Joint Ventures and Associates in the Consolidated Income Statements
AI	Presentation of Goodwill from Acquisition of Subsidiaries on the Consolidated Balance Sheet
AK	Presentation of Goodwill from Equitization of Subsidiaries on the Consolidated Balance Sheet
AL	Disclosure of Information on Subsidiaries in the Notes to Consolidated Financial Statements

Table 1 VIETNAM ACCOUNTING STANDARDS AND IAS/IFRS	
AM	Declaration information on joint ventures, associates on the notes to the consolidated financial statements
AN	Declaration of information on business combination arising in the period
AP	Presentation of goodwill arising on acquisition of a joint venture or associate
B	**Harmonization in terms of measurement**
BA	Basis of recognition of parent – subsidiary companies
BB	The scope of companies that must prepare the consolidated financial statements
BC	Subsidiaries are not required to incorporate the financial statements into the consolidated financial statements
BD	Recognition of an investment in a subsidiary that does not fall within the scope of consolidation of the financial statements into the consolidated financial statements
BE	Methods of accounting for investments in associates and joint ventures in the consolidated financial statements
BF	Associates and joint ventures do not have to apply the equity method / consolidation method on the consolidated financial statements.
BG	Recognition of investments in associates and joint ventures not subject to equity method / consolidation method in the consolidated financial statements
BH	Determining the value of minority shareholders at the acquisition date - where control is achieved through a single transaction
BI	Determination of the value of minority shareholders at the date of purchase the case where control is achieved after multiple acquisition transactions
BK	Consolidated Business Accounting
BL	Determine the initial recognition of goodwill from business combination by acquisition method
BM	Determination of the commercial disadvantage arising from business combination by purchase method
BN	Recognition of trade disadvantage arising from business combination by purchase method
BP	Recognition of goodwill arising from business combination by acquisition method to create a subsidiary
BQ	Accounting for goodwill arising from business combination by acquisition method to create associate company
BR	Accounting division, separation of a part of the enterprise to form the parent-subsidiary relationship
BS	Accounting for equitization of a part of the enterprise to form a parent-subsidiary relationship
BT	Determine the goodwill when partially equitized
BV	Handle internal transactions
BY	Accountants convert financial statements of affiliates abroad
BZ	Accounting treatment when the parent company no longer holds control

The Vietnam accounting standards be examined include: VAS 7, VAS 8, VAS 10, VAS 11, VAS 25, Circular 161/2007 and other guiding documents on accounting standards, accounting regimes and guiding documents on the division, separation and equitization of state-owned enterprises. The IAS/IFRS has been surveyed included:

1. IAS (2003): includes IAS 1 (2003), IAS 21 (1993), IAS 22 (1998), IAS 27 (2003), IAS 28 (2003), IAS 31 (2003), IAS 39 (1998)
2. IFRS (2008): includes IAS 1 (2007), IAS 21 (2008), IAS 27 (2008), IAS 28 (2008), IAS 31 (2008), IFRS 3 (2004), IFRS 9 (2009)
3. IFRS (2011): includes IAS 1 (2007), IAS 21 (2008), IAS 27 (2011), IAS 28 (2011), IFRS 3 (2008), IFRS 9 (2009), IFRS 10 (2011), IFRS 11 (2011), IFRS 12 (2011)

Methods

To test the hypothesis, the article uses the harmonic indexes: Modified Jaccard's Coefficient, Absence Index, Divergence Index, Average Distance. These coefficients/indexes have been developed by Yu & Qu (2009) on the basis of Jaccard coefficients and Spearman correlation coefficients with some modifications to suit the case of comparison between China Accounting Standards and IAS/IFRS. These modifications are also appropriate when comparing VAS with IAS/IFRS.

Testing Results

On the basis of the accounting principles and methods of preparing and presenting the CFS stipulated in VAS and IAS/IFRS through the periods, such as: adjusted Jaccard coefficient (JACC), Absence Index (ABSE), Divergence Index (DIV) and the Average Distance (AD) between VAS and IAS are respectively as follows:

Table 2
THE LEVEL OF HARMONIZATION BETWEEN VAS AND IAS/IFRS AT DIFFERENT PERIODS

The level of harmonization between VAS and IAS/IFRS	Number of accounting contents	Common value (*)	Mean	Median	Skewness	Kurtosis
1. Adjusted Jaccard coefficient (%)						
IAS (2003)						
A. Harmonization on presentation of FS	14	55.00	64.29	100	-0.66	-1.56
B. Harmonization on measurement	21	41.94	52.38	50	-0.10	-2.08
Common consolidated level	35	47.06	57.14	100	-0.300	-1.87
IFRS (2008)						
A. Harmonization on presentation of FS	14	42.86	53.57	75	-0.16	-2.22
B. Harmonization on measurement	21	16.67	23.81	0	1.33	-0.28
Common consolidated level	35	26.32	35.71	0	0.62	-1.67
IFRS (2011)						
A. Harmonization on presentation of FS	14	42.86	57.14	100	-0.33	-2.24
B. Harmonization on measurement	21	16.67	23.81	0	1.327	-0.28
Common consolidated level	35	26.32	37.14	0	0.56	-1.80
2. Absence Index (%)						
IAS (2003)						
A. Harmonization on presentation of FS	14	45	35.71	0	0.67	-1.56
B. Harmonization on measurement	21	58.06	47.62	0	0.10	-2.08
Common consolidated level	35	52.94	42.85	0	0.30	-1.87
IFRS (2008)						
A. Harmonization on presentation of FS	14	57.14	46.43	25	0.16	-2.22
B. Harmonization on measurement	21	83.33	76.19	100	-1.33	-0.28
Common consolidated level	35	73.68	64.29	100	-0.62	-1.673
IFRS (2011)						
A. Harmonization on presentation of FS	14	57.14	42.86	0	0.33	-2.24

Table 2
THE LEVEL OF HARMONIZATION BETWEEN VAS AND IAS/IFRS AT DIFFERENT PERIODS

B. Harmonization on measurement	21	83.33	76.19	100	-1.38	-0.28
Common consolidated level	35	73.68	62.86	100	-0.56	-1.80
3. Divergence Index(%)						
IAS (2003)						
A. Harmonization on presentation of FS	14	0	0	0	0	0
B. Harmonization on measurement	21	0	0	0	0	0
Common consolidated level	35	0	0	0	0	0
IFRS (2008)						
A. Harmonization on presentation of FS	14	0	0	0	0	0
B. Harmonization on measurement	21	0	0	0	0	0
Common consolidated level	35	0	0	0	0	0
IFRS (2011)						
A. Harmonization on presentation of FS	14	0	0	0	0	0
B. Harmonization on measurement	21	0	0	0	0	0
Common consolidated level	35	0	0	0	0	0
4. Average Distance (%)						
IAS (2003)						
A. Harmonization on presentation of FS	14	0.90	0.71	0	0.66	-1.55
B. Harmonization on measurement	21	1.16	0.95	1.0	0.10	-2.07
Common consolidated level	35	1.06	0.86	0	0.30	-1.87
IFRS (2008)						
A. Harmonization on presentation of FS	14	1.14	0.93	0.5	0.16	-2.22
B. Harmonization on measurement	21	1.67	1.52	2.0	-1.33	-0.28
Common consolidated level	35	1.47	1.29	2.0	-0.62	-1.67
IFRS (2011)						
A. Harmonization on presentation of FS	14	1.05	0.86	0	0.32	-2.24
B. Harmonization on measurement	21	1.67	1.52	2.0	-1.33	-0.28
Common consolidated level	35	1.44	1.26	2.0	-0.56	-1.80

Where: (*): The value is calculated for: (i) Harmonization on FS, (ii) Harmonization on measurement; (iii) Common harmonization, regardless of accounting content

Datas in the Common value, Mean and Median columns illustrate that VAS on preparation and presentation of the CFS has the highest level of harmonization with IAS (2003) (Adjusted Jaccard coefficient compared to IAS (2003) reached the highest value, including: JACC on presentation of financial statement, JACC on measurement and common JACC). Through the Absence Index and Divergence Index between VAS and IAS/IFRS, on preliminary, it can be seen that the adjusted Jaccard coefficient decreases when moving from IAS (2003) to IFRS (2008), IFRS (2011) because after IAS (2003), the difference between the two accounting standards (allowed/required in this accounting standard, but not in the other accounting standards and vice versa - expressed through the Absence Index) has changed. The calculated value of the Average Distance also shows the same result as the Jaccard coefficient. The values from the Skewness and Kurtosis columns of Table 2 illustrate that the adjusted Jaccard coefficient and the Average Distance between VAS and IAS/IFRS do not belong to the standard distribution (Skewness ≠ 0, Kurtosis ≠ 0); hence, the article uses the Wilcoxon Test to revalue the changes in the level of harmonization between VAS and IAS/IFRS that are valid at different periods of time. The WilcoxonTest is employed to revalue the changes in the level of harmonization.

Table 3a
WILCOXON TEST ON PRESENTATION OF FINANCIAL STATEMENT

		N	Mean Rank	Sum of Ranks
JACC2011-JACC2003	Negative Ranks	2[a]	3.50	7.00
	Positive Ranks	2[b]	1.50	3.00
	Ties	10[c]		
	Total	14		
ABSE2011-ABSE2003	Negative Ranks	2[d]	1.50	3.00
	Positive Ranks	2[e]	3.50	7.00
	Ties	10[f]		
	Total	14		
DIV2011-DIV2003	Negative Ranks	0[g]	0.00	.00
	Positive Ranks	0[h]	0.00	.00
	Ties	14[i]		
	Total	14		
AD2011-AD2003	Negative Ranks	2[j]	1.50	3.00
	Positive Ranks	2[k]	3.50	7.00
	Ties	10[l]		
	Total	14		

a. JACC2011<JACC2003; b. JACC2011>JACC2003; c. JACC2011=JACC2003
d. ABSE2011<ABSE2003; e. ABSE2011>ABSE2003; f. ABSE2011=ABSE2003
g. DIV2011<DIV2003; h. DIV2011>DIV2003; i. DIV2011=DIV2003
j. AD2011<AD2003; k. AD2011>AD2003; l. AD2011=AD2003

Table 3b
TEST STATISTICS[d]

	JACC2011-JACC2003	ABSE2011-ABSE2003	DIV2011-DIV2003	AD2011-AD2003
Z	-0.743[a]	-0.743[b]	0.000[c]	-0.743[b]
Asymp. Sig. (2-tailed)	0.458	0.458	1.000	0.458

a. Based on positive ranks
b. Based on negative ranks
c. The sum of negative ranks equals the sum of positive ranks
d. Wilcoxon Signed Ranks Test

Table 4a
ADJUSTED JACCARD COEFFICIENT

		N	Mean Rank	Sum of Ranks
JACC2011-JACC2003	Negative Ranks	8[a]	5.44	43.50
	Positive Ranks	1[b]	1.50	1.50
	Ties	12[c]		
	Total	21		
ABSE2011-ABSE2003	Negative Ranks	1[d]	1.50	1.50
	Positive Ranks	8[e]	5.44	43.50
	Ties	12[f]		
	Total	21		
DIV2011-DIV2003	Negative Ranks	0[g]	0.00	0.00
	Positive Ranks	0[h]	0.00	0.00

Table 4a
ADJUSTED JACCARD COEFFICIENT

	Ties	21[i]		
	Total	21		
AD2011-AD2003	Negative Ranks	1[j]	1.50	1.50
	Positive Ranks	8[k]	5.44	43.50
	Ties	12[l]		
	Total	21		

a. JACC2011<JACC2003; b. JACC2011>JACC2003; c. JACC2011=JACC2003
d. ABSE2011<ABSE2003; e. ABSE2011>ABSE2003; f. ABSE2011=ABSE2003
g. DIV2011<DIV2003; h. DIV2011>DIV2003; i. DIV2011=DIV2003
j. AD2011<AD2003; k. AD2011>AD2003; l. AD2011=AD2003

Table 4b
TEST STATISTICS[d]

	JACC2011-JACC2003	ABSE2011-ABSE2003	DIV2011-DIV2003	AD2011-AD2003
Z	-2.622[a]	-2.622[b]	0.000[c]	-2.622[b]
Asymp. Sig. (2-tailed)	0.009	0.009	1.000	0.009

a. Based on positive ranks
b. Based on negative ranks
c. The sum of negative ranks equals the sum of positive ranks
d. Wilcoxon Signed Ranks Test

Table 5a
JACC ON PRESENTATION OF FINANCIAL STATEMENT

		N	Mean Rank	Sum of Ranks
JACC2011-JACC2003	Negative Ranks	10[a]	8.35	83.50
	Positive Ranks	3[b]	2.50	7.50
	Ties	22[c]		
	Total	35		
ABSE2011-ABSE2003	Negative Ranks	3[d]	2.50	7.50
	Positive Ranks	10[e]	8.35	83.50
	Ties	22[f]		
	Total	35		
DIV2011-DIV2003	Negative Ranks	0[g]	0.00	0.00
	Positive Ranks	0[h]	0.00	0.00
	Ties	35[i]		
	Total	35		
AD2011-AD2003	Negative Ranks	3[j]	2.50	7.50
	Positive Ranks	10[k]	8.35	83.50
	Ties	22[l]		
	Total	35		

a. JACC2011<JACC2003; b. JACC2011>JACC2003; c. JACC2011=JACC2003
d. ABSE2011<ABSE2003; e. ABSE2011>ABSE2003; f. ABSE2011=ABSE2003
g. DIV2011<DIV2003; h. DIV2011>DIV2003; i. DIV2011=DIV2003
j. AD2011<AD2003; k. AD2011>AD2003; l. AD2011=AD2003

Table 5b
TEST STATISTIC[d]

	JACC2011-JACC2003	ABSE2011-ABSE2003	DIV2011-DIV2003	AD2011-AD2003
Z	-2.768[a]	-2.768[b]	0.000[c]	-2.768[b]
Asymp. Sig. (2-tailed)	0.006	0.006	1.000	0.006

a. Based on positive ranks
b. Based on negative ranks
c. The sum of negative ranks equals the sum of positive ranks
d. Wilcoxon Signed Ranks Test

The above Tables 3-6 shows, with 95% of confidence level, the common levels of harmonization between VAS and IAS (2003) and IFRS (2011) are significantly different, but this difference is greatly influenced due to the change in the level of harmonization on measurement; especially, no significant change in the level of harmonization on presentation is found.

Table 6
ANALYZING THE REASONS RESULTING IN THE HIGH/LOW LEVEL OF HARMONIZATION BETWEEN VAS AND IAS (2003) and IFRS (2011)

Reasons	Accounting content	The number of accounting content having influence on		
		Harmonization on presentation of FS	Harmonization on measurement	Common harmonization
A. The contents not changing the level of harmonization				
I. Low level of harmonization				
1. The relevant VAS does not apply any fundamental harmonization theory. IAS (2003) and IFRS (2011) apply entity theory.	AE	1	1	1
2. The accounting contents related to forms of business organization in Vietnam (division, separation, equitization), are not specified in the international accounting standards	AK BR, BS, BT	1	3	4
3. The scope of the subsidiary information that must be published is extended in the IAS/IFRS through the periods	AL	1		1
4. The scope that the parent company does not have to prepare the CFS is narrowed in IAS/IFRS through the periods	BB		1	1
5. The scope that the subsidiary does not have to consolidate financial statement into the CFS is narrowed in IAS/IFRS through the periods	BC		1	1
6. The scope that the associated companies and joint ventures do not have to apply the equity method/proportional harmonization method to the CFS is changed from IAS (2003)	BF		1	1
7. The VAS (VAS 07, VAS 08) built on the basis of amended IAS differs from the regulations in IAS (2003) and also in IFRS (2011)	AM	1		1
8. VAS selects different accounting methods from those of IAS (2003) and IFRS (2011)	BG		1	1
9. VAS is not integrated (VAS 25 refers to VAS on Financial Instruments, but this	BD		1	1

Table 6
ANALYZING THE REASONS RESULTING IN THE HIGH/LOW LEVEL OF HARMONIZATION BETWEEN VAS AND IAS (2003) and IFRS (2011)

accounting standard has not been issued yet)				
II. High level of harmonization				
10. The methods related to accounting content in VAS are based on IAS; these methods are not changed in IAS/IFRS through the periods.	AB, AC, AD, AF, AI, AP, BY	6	1	7
11. VAS selects the accounting methods being similar to those of IAS (2003) and IAS/IFRS (2011).	BH, BK, BN	0	2	2
B. The contents having increased level of harmonization				
12. VAS is updated in accordance with the amendments of IAS (2003), which were subsequently amended in IFRS (2008) and IFRS (2011) (only one of the previous authorized methods is selected).	AG,AH, BE	2	2	4
C. The contents having decreased level of harmonization				
13. VAS and IAS (2003) have not included the aggregate profit report yet. IFRS (2008) and IFRS (2011) supplement the aggregate profit report in the full set of financial statement.	AA	1		1
14. The scope of information on business harmonization that must be published is expanded in IAS / IFRS through the periods	AN	1		1
15. The regulations on consolidating the financial statements in VAS are similar to those in IAS (2003), applying parent company theory, entity theory or not employing any theory of harmonization for different accounting contents. IFRS (2011) applies the entity theory to all accounting contents	BI, BL, BM, BQ, BZ, BV		6	6
16. Basis of recognizing the parent company and subsidiary is changed in IFRS (2011) (more stringent)	BA		1	1
17. Goodwill accounting method defined in VAS 11 is based on IAS 22 (1989). This content is amended from IFRS 3 (2004)	BP		1	1
TOTAL		**14**	**21**	**35**

CONCLUSION ON HYPOTHESIS

The test and analysis results presented above show that:

There is no evidence to conclude that Vietnam's accounting standards on the preparation and presentation of consolidated financial statements which have high harmonization level with IAS issued prior to 2004 (The overall level of harmonization - measured by the JACC index only reaches 50.00%). This level of harmonization is also lower than the result of 84% according to the research of Pham (2012). The difference between the article and Pham (2012) comes from two basic reasons:

The article compares the entire Vietnamese accounting standard system (including VAS and accounting instruction writings involving in making and presenting consolidated financial statements) with IAS/IFRS, Pham (2012) only collates VAS with IAS/IFRS;

In the article, each comparative content, accounting methods are subdivided to measure. Through the analysis table, the underlying causes of low levels of harmonization between Vietnam's accounting standards and the IAS / IFRS promulgated before 2004 can be summarized as follows:

1. Some of the accounting contents are only stipulated in Vietnamese Accounting Standard, not mentioned in IAS/IFRS: Accounting in case of business's division, separation and equitization.
2. The harmonization theory applied to the accounting content examined in VAS and in IAS (2003) has the difference.
3. VAS selects only one of the IAS (2003) accounting methods allowed.
4. The scope of information to be disclosed in accordance with the stipulation of Vietnamese accounting standard is narrower than that stipulated in IAS (2003)
5. Vietnamese accounting standard system is not synchronous and lack VAS of financial instruments. Accounting legal documents provide guidelines that differ from stipulations of the IAS (2003). There is evidence to conclude that the Vietnamese accounting standard for the preparation and presentation of consolidated financial statements have a low level of harmonization compared to IAS/IFRS issued after 2004.

The overall level of harmonization was only 26.32%, significantly lower than the level of harmonization (compared to IFRS (2010)) according to the research of Pham (2012) of 62%.

The above analysis also shows that significant differences in the level of harmonization between Vietnamese accounting standard and IAS (2003) and with IFRS (2011) stemming from the fact that besides the causes leading to the low level of harmonization as with IAS (2003), compared to IFRS (2011), the level of harmonization continued to decrease as from IAS (2003) to IFRS (2011), theories, methods selected by the IASB when developing IAS/IFRS have been significantly changed:

1. IASB provides the basis for identifying the parent company - subsidiary company in the direction of expansion and more specific; IASB continues to narrow the scope of parent company, do not have to prepare consolidated financial statements, subsidiary company do not have to consolidate financial statements into consolidated financial statements, the associates/joint venture companies do not have to apply equity method;
2. IFRS is transferred to the application of harmonization theory in all relevant accounting contents;
3. Goodwill from business harmonization under the method of purchase is not depreciated gradually but changed to periodic loss assessment;
4. The scope of information has to be disclosed to subsidiary, associates and joint ventures continues to expand.

Implications For Harmonization of Vietnam's Accounting Standards With International Accounting Standards in Preparing and Presenting The Consolidated Financial Statements

Proposal for VAS No.25 "Consolidated Financial Statements and Accounting Investment in the Subsidiary Company"

Amendment or Supplement of Guidelines on the Basis for Determining Control

Currently, in Vietnam, the ability to use SPE in enterprises can appear. In the future, when accounting standards on financial instruments are issued, if the rational value principle is applied to recognize the long-term financial investments available for sale, the ability to use SPE at enterprises will increase. In order to ensure the benefit of information users provided by financial statement, especially the investors, the Ministry of Finance should soon issue a Circular guiding the harmonization of the SPE into the Consolidated Financial Statements or amendment of paragraphs 09 of the VAS 25 to an approach similar to that of paragraphs 7 of IFRS 10 (2011).

Change of Harmonization Theory Applied to Consolidated Financial Statement

Currently, VAS 25 has applied both theories: parent company theory and entity theory, has not yet shifted to the application of only theory of entity such as IAS 27 (2008) and IFRS 10 (2011). Advantages and disadvantages of this application can be seen as follows:

1. Advantages: The use of both harmonization theory helps to reduce disadvantages and promote the advantages of each theory.
2. Disadvantages: (i) The perception on minority shareholders' interests is not united among consolidated financial statements; (ii) "Interest belonging to minority shareholders" is separated into a separate item in the capital paragraphs of the consolidated balance sheet, not part of Liabilities, nor belongs to Equity, thus becoming a factor in the financial statements that is not mentioned in the General Standards. According to current general trend, IAS/IFRS and Accounting Standard of countries in the world are turning to applying the theory of entity. The change from the simultaneous application of parent company theory and entity theory to the only application of entity theory ensuring consistent perspectives of minority shareholders' interests among consolidated financial statements, at the same time, the service fee for the preparation of consolidated financial statements has not increased significantly, sometimes decreasing due to:

   a. Application according to the current parent company theory when trading business harmonization consisting of many individual exchanges, each transaction must re-evaluate the assets and liabilities at reasonable value to record the corresponding increase of goodwill, if applied according to the theory of the entity, at the time of control also revalue the reasonable price.
   b. Not have to revaluate assets, liabilities and goodwill when the parent company changes its ownership interest in a subsidiary company but only treats as treasury shares. In keeping with the general trend, Vietnamese Accounting Standard should apply consistently according to consolidated theory which is entity theory. To do this, the contents of VAS 25 may change according to stipulated contents in IFRS 10 (2011).

Proposal for VAS No. 11 "Business Harmonization"

The basic contents of accounting in the case of business harmonization among enterprises under common control which need to consider and supplement include:

“Specific additions to business harmonization cases which are classed as business harmonization among others enterprises under a control.”

According to paragraphs 10 of VAS 11:

"Business harmonization relates to enterprises or business activities under common control which is business harmonization, in which all enterprises or business activities participating in the harmonization are subject to long-term control by the same or more parties including before or after the business harmonization and lontrol is in the long term.".

However, VAS 11 does not specifically specify any business harmonization cases considered as business harmonization among enterprises under a control. To facilitate enterprises, accountants distinguish between business harmonization by buying method and business harmonization among enterprises under the same control, specific cases of business harmonization among enterprises under the same control need adding to VAS 11. Specific cases for this type of business harmonization can be listed as:

a. An enterprise franchises for a newly established enterprise and then transfer some or all of its net assets to the new franchised enterprise. A parent company receives a transfer of the entire net assets of a wholly owned subsidiary to the parent company and dissolves that subsidiary.
b. A parent company transfers the control of some subsidiaries (partial ownership) to a new subsidiary (wholly owned)
c. A parent company transfers the equity or the net assets of the parent company in the wholly owned subsidiary in exchange for the additional shares issued by the subsidiary company which is not wholly owned by the parent company to increase the ownership proportion of the parent company in the subsidiary is not wholly owned but retained shares belonging to minority shareholders in circulation.
d. A subsidiary company which is not wholly owned issuing shares in exchange for the shares of another subsidiary company that previously owned by the same parent company and the number of shares held by minority shareholders has not changed. A limited liability company is established by merging entities under common control.

"Addition of regulations on initial recognition and reflection of business harmonization among enterprises under common control."

The above survey results show that this type of business harmonization is still popular in Vietnam. In fact, when business harmonization are generated under a common control, enterprises often apply capital adding method. In our view, until now, there is no method that is more suitable than the capital adding method in this particular case. Therefore, in order to be suitable with the reality of business environment in Vietnam, the Ministry of Finance should supplement the regulations on capital adding method applied to business harmonization among enterprises under the same control.

Modify the Accounting of Goodwill Arising from Business Harmonization According to the Purchase Method

Modify the Principle of Determining the Initial Recognition Value

At present, the principle of determining the initial recognition value of goodwill arising when business harmonization according to purchase method of VAS 11 has not been amended in accordance with IFRS 3 (2008). The fundamental difference between VAS 11 and IFRS 3 (2008) is that IFRS 3 (2008) uses entity theory while VAS 11 is based on parent company theory.

IFRS 3 takes minority shareholder value into the calculation formula of goodwill while VAS 11 does not include this formula. IFRS 3 (2008) requires fair value at the date of purchase of the 34 shares in the purchased enterprise belonging to the previous purchaser (in the case of business harmonization undergoes multiple periods) into the calculation formula of goodwill while VAS 11 does not refer to this factor. According to VAS 11:

"*If business harmonization is related to many exchanges, each exchange transaction will be handled separately by the buyer using the transaction price and fair value information at the date of each exchange transaction to determine the value of goodwill related to each transaction.*"

In principle, the method of determining the initial value of goodwill according to IFRS 3 (2008) for goodwill information is more reliable, but whether or not to apply to Vietnam depends on two factors. Factors: Costs that enterprises have to spend to determine the fair value of the shares in the purchases enterprise belonging to the previous purchase enterprise. The usefulness of information on goodwill increases to determine the fair value of this number of shares. However, with the development of the stock market and human resources, in order to contribute to the attraction of investment resources, the standard issuing bodies should study and modify VAS 11 for greater harmonization with IFRS.

"Modify accounting for goodwill arising from business harmonization under the method of initial recognitive post-purchase."

At present, after initial recognition, goodwill is gradually allocated to the cost over a maximum period of 10 years. However, when analyzing the financial statements of the listed companies surveyed in Chapter 3, the author found that there are many cases where companies have registered for goodwill when business harmonization according to the purchase method still continued to maintain the profit margin higher than the sector average or in other words, goodwill has been maintained and developed. With this fact, keeping the method of gradually allocating the value of goodwill to the cost is not appropriate. The author suggests that there should be a process to replace this method with annual loss assessment such as IFRS 3 (2008).

Proposal for VAS No.7 "Accounting for Investments in Associates" and VAS No.8 "Financial Information on Joint Venture contributed capital".

Formally, according to VAS 07 and VAS 08, investments in associates and investments in joint ventures are reflected according to equity on the consolidated financial statement, in other words, the method of recording transactions between the investor and the investee must be the same regardless of whether the investee is classified as an associate or joint venture. However, if detailed analysis of content VAS 07 and VAS 08, it will be found that: VAS 08 contains provisions on how to deal with transactions between joint venture capital supply and joint ventures (Sec. 31, 32, 33) while VAS 07 is not mentioned at all. Content specified in paragraphs 31, 32, 33 of VAS 08 may lead to the following interpretations: (1) Although VAS 07 lacks the provisions of paragraphs s 31, 32 and 33, both investments in associates and joint ventures are applied equity method, therefore, the transactions between the capital contributing asscociate and the capital reciever shall be treated in the same stipulations as the paragraphs 31, 32, 33. (2) VAS 07 lacks the content specified in paragraphs 31, 32 and 33, so even though both investments in associates and joint ventures are applied for using equity method 147 but it can be understood that the equity method applied to the associate is different from the equity method applied to the joint venture. In fact, if there is a transaction between the capital contributing party and the capital receiver, it shall not be treated as in the case between the capital contributing joint venture and the joint venture. Based on the survey in Chapter 3, the author finds that the description of harmonization financial statements of the companies present an description of how the transactions between the company (associate capital contributor) and the associates are performed and this is in line with the provisions in VAS 08. Meanwile, the description of harmonization financial statements of other companies do not mention it at all. This is proof that the two possibilities as described above have actually arisen in reality. In order to create conditions for enterprises to comply with accounting standards, the author proposes some recommendations as follows:

a. If the view of the Ministry of Finance is in the first interpretation: VAS 07 should be added the contents specified in paragraphs 31, 32, 33 of VAS 08. In this case, the accounting standards for investment in associates and joint ventures is the same, VAS 07 and VAS 08 can be grouped into a single accouning standard, called "Investment in associate and joint venture capital contribution".
b. If the view of the Ministry of Finance is in the second interpretation: need to name two different names for the equity method applied to the associate and the investment in the joint venture stipulated in VAS 08.

CONCLUSION

Along with the harmonization process, international accounting convergence, accounting principles and methods applied in the preparation and presentation of consolidated financial statements are becoming more and more highly homologous globally. Wishing to contribute to improving the consolidated financial statements of Vietnamese enterprises, meeting the requirements of providing information for enterprise management system and more importantly, requesting transparent and reliable information for investors and state management agencies, partly meeting the requirements of integration in accounting work in the context of the increasingly economic development and economic integration, in this paper, the author reflects the level of harmonization between Vietnamese and international accounting in the preparation and presentation of consolidated financial statements, from standard to practice. The paper illustrates the low level of harmonization between Vietnamese and International accounting in the preparation and presentation of Consolidated Financial Statements, as well as provides the assessment of the appropriateness of consolidated financial statements provided by the enterprises, thereby making some recommendations to improve the level of harmonization between Vietnamese and international accounting to shorten the gap between International accounting standard and Vietnamese accounting standard.

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