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The Current Situation of Financial Statements of Vietnamese Enterprises Based on Likert Measurement

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Abstract:

This article is based on surveys on three groups including information providers – founders (enterprises), information users and auditors. Likert measurement and quantitative studies have been employed for analyzing the evaluations of those groups on the reality of provided information on financial statements of Vietnamese enterprises. The result shows that there is homogeneity in the evaluations of respondents that information quality provided by enterprises is unqualified to make decision. The quantity of information generally is assessed to be higher (the range of average value is 2.87 – 3.21) than usefulness (average level is from 2.59 to 2.87). However, in every content related to the quantity or the usefulness, confidence is inclined to auditors or companies rather than investors who are information users. Based on those findings, some basic solutions are proposed in order to ensure the quality and enhance the usefulness of information given on financial statements.

Keywords: Financial statements, Vietnamese enterprises, investors, auditors

1. Introduction

Industrial revolution 4.0 implies immense changes, and continues to mark an era governed by information. Than ever before, information is a key factor in determining the success or failure of organizations and individuals in the context of today's globalized economy. Accounting information is one of financial information that plays a main role in making investment and business decisions of managers. Therefore, theoretically, the accounting information must be ensured both in terms of quality and quantity so that it can meet practical needs as well as requirements of users in the capital market. Over the years, Vietnam has made improvements in the quality of information on financial statements. However, in reality, the providing of information on the financial statements of Vietnamese enterprises still has many problems that have not satisfied users. In terms of quantity, information about the Company is inadequate, the difficulties and challenges faced by the Company are also avoided mentioning the presentation is widespread but lacking profound analysis. Particularly, in terms of quality, the requirements to strictly comply with the provisions of the Accounting Law may not be given adequate attention, revealing that the provider of information in the financial statements have not studied seriously how to prepare and present, especially the application of international financial statements standards. (IFRS 10, IAS 27).

Therefore, the reliability and transparency on the information in the financial statements is a top concern in the decision making of the manager as well as helping Vietnam integrate with international accounting and be accordant with the practice of the countries in the world. This article is based on surveys on three groups including information providers – founders (enterprises), information users and auditors. Besides, Likert measurement and quantitative studies have been employed for analyzing the evaluations of those groups on the reality of provided information on financial statements of Vietnamese enterprises. Finally, several basic solutions are proposed in order to ensure the quality and enhance the usefulness of information given on financial statements.

2. Literature Review

Studying information on financial statements of companies in the world has received the attention of many scholars. Ben & Deajeon (2013) from Ghana conducted surveys on 35 quoted companies to assess the quality of information in financial investments. The results revealed that there was an increase in information quality from 76.8% in 2006 to 87.1% in 2009. In Romania, Milos (2014) with a survey of 200 subjects including analysts, creditors and enterprises showed that the provision of information on financial statements of enterprises has not met both quality and quantity. Céline Michailenco (2010) also sampled over 100 quoted companies in France with the result indicating that there are two important factors affecting the quality of the information on financial statements including the factor of quotation in the domestic stock market and the factor of quotation in many stock markets.

In Vietnam, several scholars also pay attention to the study on the issue of information on financial statements. Pham Quoc Thuan, La Xuan Dao (2016) employ a case study method to focus on studying external factors affecting the quality of information on financial statements. Huynh Thi Phuong Anh (2015) proposed a model of factors affecting the

quality of financial statements of public universities and colleges, environmental factors such as culture, vocational education, law, politics, economic and international factor. Diep Tien (2016) identified specific factors affecting the quality of financial statements of public service providers in Ho Chi Minh city, including legal environment element, accounting and administrative software element, element of professional qualifications of accountants, working environment element, element of facilities, equipment, and information technology applications; element of the training – remuneration regime; information technology level element. Micheline & Nguyen (2007) assessed the quality of accounting information based on the evaluation of various entities after Vietnam issued some accounting standards. The results showed that the information presented in the financial statements has met the need for comparison; however, the reliability of the information is not high. Pham Duc Tan (2009), Le Thi Thanh Xuan (2010) assessed the situation in providing information in the financial statements of quoted companies and proposed completion solutions as well as improving the usefulness of the information. Pham Hoai Huong (2010) assessed the harmonization of the information provided in the financial statements with the result of being 81.2% for measured information and 57% for announced one. Tran Quoc Thinh (2014) assumed that the quality of information in the financial statements of businesses generally meets certain requirements, but does not meet users' expectations.

It is clear that those studies focused on assessing the quality of information in the financial statements of businesses as well as the influencing factors. However, this is an area with many observations from a wide range of groups. This study will investigate the evaluation of related groups to have a basis for an overall assessment. Then, effective solutions are proposed to ensure the quality and improve the usefulness of the information provided in the financial statements.

3. Methodology and Sources of Data

In the framework of the paper, the author uses a Likert scale with a scale of 1-5 to conduct the surveys. SPSS 16.0 statistical software is used to create data tables as the basis for analysis.

Besides, the study also incorporates quantitative methods such as Descriptive Statistics, One-Way ANOVA, and Least Significant Difference in the "post" test (Post Hoc) between survey groups.

The survey table consists of three basic contents related to the level of satisfaction in the quantity and quality of information and the usefulness of information on financial statements currently provided by enterprises.

Being conducted during 2018, the sample selected for the survey contained 426 subjects namely: the founder (enterprise) with 140 objects (accounting for 33%), the user (investor) with 159 subjects (accounting for 37%) and auditors with 127 subjects (accounting for 30%).

4. Empirical Results

Information provided in the financial statements to users represents both the quantity as well as the usefulness of the information for decision making. This is the "product" and the "output" of businesses in the information processing chain.

In the model, the variables are denoted as follows:

- SU1: Survey satisfaction on quantity,
- SU2: Survey satisfaction on quality,
- SU3: Survey satisfaction of usefulness;
- AU: Auditor;
- IN: Investor;
- NS: Non-state enterprises;
- SE: State enterprises.

4.1. The Level of Satisfaction with the Amount of Information Provided In the Financial Statements to Make a Decision

The question is how the satisfaction of the survey respondents about the amount of information provided in the financial statements is and whether there is a difference in the assessment among the groups?

Two hypotheses are made:

Hypothesis H0: There is no difference between the groups in the level of satisfaction regarding the amount of provided information.

Hypothesis H1: There are differences between the groups in terms of satisfaction with the amount of provided information.

The result shows that the survey respondents admitted the amount of provided information for decision making with an average rating of 3.06 (table 1). With this rating, the amount of provided information is only temporarily accepted and not really satisfied.

The variance analysis (table 2) indicates that the subjects have different assessments about the amount of provided information (significance level is 9%).

The following test reveals an average difference between groups (table 3) with the lowest level being auditor and the highest level being enterprises. Whereas, investors underestimate than the average. Auditors with the role of checking information require a higher level while enterprises, especially State-owned enterprises, seem to be satisfied with the amount of provided information. It is worth noting that investors who directly use the financial statements are expecting more about the amount of information provided in the financial statements.

		Number of Surveys	The Average Value	Standard Deviation	Error	Average index with 95% Confidence		Lowest	Highest
						Low	High		
SU1	AU	127	2.87	.679	.064	2.78	3.04	1	4
	IN	159	2.98	.777	.067	2.81	3.07	1	4
	NS	100	3.21	.551	.055	3.06	3.28	2	4
	SE	40	3.19	.559	.104	2.99	3.42	2	4
	Tổng	426	3.06	.686	.035	2.94	3.08	1	4
SU2	AU	127	2.69	.753	.071	2.61	2.89	1	4
	IN	159	2.81	.841	.072	2.64	2.92	1	5
	NS	100	2.73	.701	.070	2.57	2.85	1	5
	SE	40	2.75	.861	.160	2.47	3.12	2	4
	Tổng	426	2.75	.779	.040	2.67	2.83	1	5
SU3	AU	127	2.87	.725	.068	2.78	3.06	1	4
	IN	159	2.85	.812	.070	2.67	2.95	1	5
	NS	100	2.59	.725	.072	2.46	2.74	1	4
	SE	40	2.80	.889	.165	2.49	3.17	2	4
	Tổng	426	2.78	.777	.040	2.71	2.87	1	5

Table1: Descriptive statistics

		Sum of Squares	Degrees of Freedom	Mean square	Distribution Table F	Level of Significance
SU1	Between groups	5.429	3	1.810	3.935	.009
	With groups	171.505	373	.460		
	Sum	176.934	376			
SU2	Between groups	.327	3	.109	.179	.911
	With groups	227.731	373	.611		
	Sum	228.058	376			
SU3	Between groups	5.580	3	1.860	3.133	.026
	With groups	221.444	373	.594		
	Sum	227.024	376			

Table 2: One-way ANOVA

Independent variables	(I) Respondents	(J) Respondents	(I) Respondents	(J) Respondents	Level of significance	Average index with 95% confidence	
						Low	High
SU1	AU	IN	-0.30	.087	.725	-.20	.14
		NS	-.259(*)	.093	.006	-.44	-.08
		SE	-.296(*)	.141	.037	-.57	-.02
	IN	AU	.030	.087	.725	-.14	.20
		NS	-.229(*)	.089	.011	-.40	-.05
		SE	-.266	.139	.056	-.54	.01
	NS	AU	.259(*)	.093	.006	.08	.44
		IN	.229(*)	.089	.011	.05	.40
		SE	-.037	.143	.797	-.32	.24
	SE	AU	.296(*)	.141	.037	.02	.57
		IN	.266	.139	.056	.00	.54
		NS	.037	.143	.797	-.24	.32
SU2	AU	IN	-.029	.100	.768	-.23	.17
		NS	.040	.108	.710	-.17	.25
		SE	-.043	.163	.791	-.36	.28
	IN	AU	.029	.100	.768	-.17	.23
		NS	.069	.103	.501	-.13	.27
		SE	-.014	.160	.932	-.33	.30
	NS	AU	-.040	.108	.710	-.25	.17
		IN	-.069	.103	.501	-.27	.13
		SE	-.083	.165	.614	-.41	.24
	SE	AU	.043	.163	.791	-.28	.36
		IN	.014	.160	.932	-.30	.33
		NS	.083	.165	.614	-.24	.41

Independent variables	(I) Respondents	(J) Respondents	(I) Respondents	(J) Respondents	Level of significance	Average index with 95% confidence	
SU3	AU	IN	.111	.098	.260	-.08	.30
		NS	.320(*)	.106	.003	.11	.53
		SE	.092	.161	.567	-.22	.41
	IN	AU	-.111	.098	.260	-.30	.08
		NS	.209(*)	.101	.040	.01	.41
		SE	-.019	.158	.905	-.33	.29
	NS	AU	-.320(*)	.106	.003	-.53	-.11
		IN	-.209(*)	.101	.040	-.41	.00
		SE	-.228	.163	.162	-.55	.09
	SE	AU	-.092	.161	.567	-.41	.22
		IN	.019	.158	.905	-.29	.33
		NS	.228	.163	.162	-.09	.55

Table 3: Compares Multiple Groups

Note: (*) Level of Significance 5%

4.2. The Level of Satisfaction in the Quality of Information Provided in the Financial Statements for Decision Making

The question is how the satisfaction of the respondents about the quality of information provided in the financial statements is and whether there is a difference in the assessment among the groups?

Two hypotheses are made:

- Hypothesis H0: There is no difference between the groups in the level of satisfaction regarding the quality of provided information.
- Hypothesis H1: There are differences between the groups in terms of satisfaction with the quality of provided information.

According to the survey, compared with the amount of provided information, the quality of information presented on the financial statements for decision making of the respondents is at the lowest level in the practice of information provided on the financial statements for each group of subjects with an average of 2.75 (table 1). This implies that the subjects are still disturbed with the current quality of information.

According to the analysis of variance, the observed significance level in terms of quality is 0.911 greater than 0.05 (95% confidence level). Thus, subjects quite agree on this issue.

4.3. The General Level of Usefulness of Information Provided in the Financial Statements for Making A Decision

The question is whether the subjects have assessed the usefulness of information on the financial statements for decision making and whether there are differences among the groups in terms of consistency of Vietnamese accounting standards?

Two hypotheses are made:

- Giả thiết H0: Hypothesis H0: There is no difference between the groups regarding the usefulness of provided information.
- Giả thiết H1: There are differences between the groups in terms of the usefulness of provided information.

According to the assessment, the level of usefulness of information in the financial statements for decision making is not satisfactory and is assessed by the subjects with an average of 2.78 (table 1). Similar to the subjects' assessments on the quality of information, the usefulness of the information is not guaranteed compared to the requirements.

The variance analysis indicates that the subjects have different judgments about the usefulness of provided information (significance level is 0.026). The latter test shows an average difference between the groups and this result is in contrast to the assessment on the level of satisfaction with the amount of information. This can be explained by the fact that auditors with more professional knowledge than enterprises can recognize and evaluate the usefulness of provided information. Investors who directly utilize the financial statements generally are expecting more about the usefulness provided on the financial statements.

The analysis results on the reality of information provided on the financial statements show that there is a consistency in the judgment of the survey subjects that the quality of information provided by the enterprises has not met the requirements in making decisions. And the qualities as well as the usefulness of information are limited. The amount of information provided by the overall assessment (the average value is from 2.87 to 3.21) is higher than the usefulness (the average value is from 2.59 to 2.87), however, in each content related to the amount of information or usefulness, optimism is more inclined to auditors or businesses than investors who are users of information.

5. Conclusion and Discussion

Nowadays, financial statements of Vietnamese enterprises are becoming more and more honest and transparent due to increasingly clear regulations of State and gradually approaching international standards and practices. Particularly, after the financial statements of enterprises have been audited, the risks have been partially restricted through the review process of auditing firms. Even though, it cannot be said that the financial statements of Vietnamese

businesses are perfect without any problems, the deliberate “distortion” of financial statements is still complicated with both the trend of fake profit – real loss and fake loss – real profit, depending on the purpose of business leaders. In the trend of developing regional and international economic integration, enterprises need to provide important and practical information to create transparency and rationality on financial statements. Vietnam which is a developing country, needs unified orientations and combined solutions to improve the quality of information. Thus, there should be comprehensive coordination from the State, businesses to professional organizations. In particular, it is necessary to create a consistent and nhat quan legal corridor based on the accounting principles and regulations in accordance with international standards and practices of countries all over. Also, a supervisory organization should be set up to ensure of providing information on financial statements of businesses as well as public companies. In addition, the government should improve accounting infrastructure in training and retraining practitioners as well as raise awareness of businesses about their obligations and responsibilities in providing information to users. Those are essential issues that contribute to improving the quality of information in order to create a healthy environment in attracting foreign investment and enhancing financial markets to meet the national economic development strategy in an era of integration and globalization.

The results indicate that in order for information provided on the financial statements of businesses to ensure both quantity and quality as well as improve the usefulness, some of the following basic solutions should be synchronously and consistently implemented. As follows:

5.1. As for State

The Ministry of Finance should enhance the role of the State Securities Commission to have sanctions for public companies, particularly quoted companies for their responsibility for the truthfulness and transparency of provided information, which contributes to the enhancement of the quality and usefulness of information to meet the need of investors.

Meanwhile, the state management agencies should propagate to raise the awareness of business managers, especially joint stock companies, to fulfill their obligations and responsibilities in providing information to users. In the long term, in order to improve the management and control, the Ministry of Finance needs to set up an oversight agency (cơ quan giám sát) to enforce the disclosure of information of enterprises in general. This contributes to improving the rationality and transparency of information for business, ensuring benefits for investors in particular and users in general in making business decisions.

Besides, the National Assembly needs to further strengthen its controlling role, from controlling the promulgation of policy documents to controlling the compliance with policies and laws of public units in general, public education service organizations in particular. The role of the State audit staff, appraisers need to be improved. Also, professional qualifications as well as professional ethics should be improved. The system of accounting standards and professional ethical standards of accounting and auditing must continue to be improved in order to comply with international practices. The National Assembly should conduct research to amend and supplement legal regulations related to the completion of the Financial Statements applicable to the public sector in general and to private sector in particular to make them be suitable to the users. In addition, the National Assembly should increase control and evaluate information. Furthermore, regulatory agencies must provide detailed guidance on the provisions of professional ethical standards of accounting and auditing, and must ensure the consistency between the government's decree and professional ethical standards.

5.2. As For Enterprises

To improve the quality of financial statements, the key lies in the awareness of the business. Only when an enterprise desires to present the financial statements honestly and transparently, not serving its own purposes but for sustainable development, financial safety and capital preservation, will the financial statement quality be substantially improved. Therefore, regulators should be made aware of the importance of complying with regulations regarding the presentation and disclosure of information. Businesses need to improve their obligations and responsibilities so that provided information ensures transparency and honesty for users.

5.3. As For Professional Organizations

The accounting training institutions need to continue to promote the work of improving the quality of human resources. More attention needs to be paid to teaching intensive learners in the field of public accounting, especially must help learners access to real environment. The accounting – auditing program at universities and colleges should be actively updated in accordance with the changes of recognized international accounting standards. Moreover, universities should find a way to train students with analytical skills, transactional judgments, applying accounting principles, applying information technology to process and present information flexibly, ensuring relevance, reliability and comparability.

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