

THE READINESS OF ACCOUNTANTS FOR ADOPTION OF VIETNAMESE PUBLIC SECTOR ACCOUNTING STANDARDS

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Abstract: *The public sector plays an important role in the development of a country. These organizations hold a large source of funding to perform functions and tasks assigned by the state. To ensure that financial accounting information is transparent and accountable, the accounting apparatus must comply with current regulations and standards. However, implementing accounting work according to the guidance of standards is one of the difficulties that accountants encounter. By using experimental methods and applying the SEM model, the research results show that accountants in public units can be ready to integrate with standards but must be trained, fostered as well as have solidarity in the collective. Future studies can go into each specific field in a country, each locality as well as each influencing factor identified in this study.*

• Keywords: accountant, accounting standard, public sector, readiness.

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1. Introduction

The public sector has always been regarded as a crucial component, holding a regulatory position overall economic activities of a nation. This sector has two primary functions: first, ensuring social order through state management activities, and second, producing and providing public goods and services to meet essential social needs, which are undertaken by public service units. Therefore, the public sector plays a vital role, not only serving as a tool for state intervention to ensure a conducive development environment but also regulating and guiding development by directly supplying goods and services, managing, and investing in key sectors linked to national security. The scope of public sector activities is extensive, ranging from exercising state management authority to providing goods and services that cater to the consumption needs of citizens and organizations within society. However, it is challenging to precisely delineate the areas of society that fall within the public sector. Depending on each nation's perspective and development orientation, the scope of the public sector is defined differently. Even within a single country, its scope varies across different periods. Additionally, with changes in the socio-economic environment and the growing demand for improved living standards and operational efficiency, the public sector is required to undergo reforms, and financial-accounting information must become increasingly reliable.

In other words, public sector reform entails systematic and deliberate changes by the state to enhance the effectiveness and efficiency of public

sector operations, meeting societal demands for essential services. Furthermore, public sector reform aims to improve management efficiency within the state apparatus and the provision of public services, especially in countries transitioning from a centrally planned economy to a socialist-oriented market economy like Vietnam. This reform process directly affects the structure and operational mechanisms of the state apparatus, as well as relationships, workforce quantity and quality in general, and accounting and auditing personnel in particular within the public sector. It also influences the balance between employment and compensation, along with the critical values that these positions bring to organizations.

During the operation of public organizations, stakeholders expect the public sector to facilitate integration, enhance transparency, and ensure the international recognition of key financial information while improving the accountability of units within this field. To achieve these objectives, the public accounting system must adhere to common standards, best practices, and the national prevailing regulations. Accordingly, international integration requires countries to provide standardized, comparable, and internationally recognized financial information. In this regard, the reform and modernization of public sector accounting legislation have been a key focus of the Vietnamese Ministry of Finance, aiming to improve financial resource management efficiency, enhance transparency, and align with international practices. In practice, public sector accounting plays a crucial role in fulfilling its functions of providing

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information and overseeing economic and financial activities of the state.

The development and publication of a public sector accounting standards system that aligns with both international practices and national realities serve two key purposes. Public sector accounting standards form an essential legal framework, serving as a basis for timely and truthful financial reporting, enhancing operational efficiency, financial management, and transparency in the utilization of public sector resources. However, challenges remain due to differences in the administrative divisions of each country, the varying expertise levels of public sector accountants, and the sheer number of public accounting units, whose scale and operational conditions differ across sectors. The pressing issue now is the feasibility of implementing public sector accounting standards and the readiness of accounting personnel in this field.

2. Literature review

2.1. Publications related to the adoption of accounting standards

A case study on the perception of the benefits of IFRS adoption for enterprises by Phan and Mascitelli (2014) surveyed 555 respondents working in accounting and academia. The study found strong optimism regarding IFRS adoption, as respondents believed that applying IFRS would offer advantages such as improving comparability between enterprises across countries, enhancing the reliability of financial statements, enabling external investors to use financial information more effectively, and accelerating access to international markets compared to Vietnam's current accounting system. Similarly, the study by Le Hoang Phuc (2014) highlighted that IFRS adoption brings significant benefits, as transactions are assessed based on the principle of "substance over form," thereby increasing corporate responsibility in financial reporting. Furthermore, internal financial information within enterprises becomes more consistent with external reporting.

Phan et al. (2014) examined perceptions of accounting standards adoption in Vietnam, focusing on accountants' awareness, challenges, and expectations to support policymakers in designing an appropriate accounting framework. The study strongly advocated transitioning from the current accounting system to accounting standards. Similarly, Nguyen Ngoc Hiep's (2017) study on the challenges of transitioning from VAS to IFRS in certain Vietnamese enterprises identified four key obstacles: (1) high costs of system transition and staff training, (2) accountants' IFRS proficiency, including foreign language skills, (3) fundamental differences between IFRS and VAS, with VAS having limited international alignment, and (4)

enterprises' capacity to manage the accounting system transition. A more recent study by Chuc et al. (2019) on standards adoption in Vietnamese enterprises surveyed 119 experts and 104 entities. The study proposed a five-level Likert scale to measure IFRS adoption challenges, including: (1) high initial implementation costs, (2) inconsistencies between Vietnam's legal framework and international accounting regulations, (3) difficulties faced by small and medium-sized enterprises (SMEs) in technology and resource allocation, (4) language barriers, (5) the complexity of IFRS with stringent disclosure requirements, (6) difficulties in recruiting qualified accountants, (7) subjectivity in financial reporting, and (8) pressure from international consulting enterprises operating in Vietnam.

2.2. Publications on factors affecting IFRS adoption

Research on the factors influencing IFRS adoption has been conducted by numerous scholars. For instance, Le Tran Hanh Phuong (2019) studied macro- and micro-level factors affecting IFRS adoption in Vietnam. The study utilized data from 2016, collected from audited financial statements of 500 large-scale enterprises in Vietnam. It applied descriptive statistical techniques, regression analysis, and a logit model to test hypotheses. The results indicated that micro-level factors including foreign participation, foreign investment, and audit quality significantly impacted IFRS adoption among large enterprises in Vietnam. A similar study by Tran et al. (2019) examined the factors influencing standards adoption among Vietnamese listed firms using logistic regression analysis. Data were gathered from 154 audited financial statements in 2018. The findings revealed that ROE had a significant impact on IFRS adoption among enterprises. The study ultimately recommended that for Vietnamese listed firms to adopt accounting standards effectively, the Ministry of Finance should introduce mandatory IFRS adoption regulations for large enterprises with high ROE, enhance audit firm effectiveness, and develop audit programs based on IFRS standards.

However, another research direction focused on assessing enterprises' perceptions of the factors influencing adoption for small and medium-sized enterprises (SMEs) in Vietnam. Nguyen Thi Anh Linh (2019) conducted a study using data collected over two years (2018–2019) from a sample of 448 SMEs. Additionally, the study analyzed two control variables: (1) Cultural differences were found to have no significant impact on its adoption. (2) Political differences were found to have a significant impact on IFRS adoption (Nguyen Thi Anh Linh, 2019). Among these, enterprise characteristics and accounting personnel competence were the two most influential factors. The study further confirmed that governance

capabilities and socio-economic-cultural conditions had an indeterminate impact on accounting standards adoption. However, there were no significant differences in the perceptions of IPSAS usability between corporate managers and auditors.

3. Theoretical background and hypothesis development

3.1. Institutional theory

Institutional theory has been widely recognized as a powerful and popular explanatory tool for analyzing organizational change and behavior. The core premise is that organizational actors pursue their interests within specific institutional constraints (Thornton & Ocasio, 2008). Organizations are considered deeply embedded in their social environment, suggesting that organizational procedures and structures often reflect environmental expectations. Institutional theory thus assumes that organizations strive to respond to the demands of their institutional environment to achieve legitimacy (Meyer & Rowan, 1977). Thus, institutional isomorphism can be viewed as a theoretical approach that describes how organizational systems become increasingly similar (Rhoades & Sporn, 2002). DiMaggio and Powell (1983) concluded that organizational change is increasingly less driven by competition or the need for efficiency. Instead, they identified three primary mechanisms leading to institutional convergence: (1) Coercive isomorphism; (2) Mimetic isomorphism; (3) Normative isomorphism

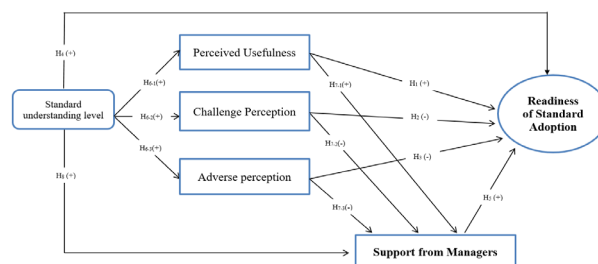
3.2. Agency theory

Jensen and Meckling (1976) argue that if managers are not the owners of an organization, agency costs become a necessary expense. Agency costs refer to the costs incurred to develop a better principal-agent relationship, including: (i) Monitoring costs, which are expenses related to overseeing the actions of agents. (ii) Bonding costs, which involve designing and implementing mechanisms to limit inappropriate managerial actions. (iii) Opportunity costs, which arise when owners impose constraints on agents to prevent misuse of delegated authority for personal gain. Agency theory, developed by Jensen and Meckling (1976), explains the relationship between agents and principals, highlighting that the interests of agents differ from those of managers. As a result, conflicts arise due to agency costs, and monitoring costs are incurred to align different interests (Jensen & Meckling, 1976). These monitoring costs arise from the need to oversee managerial actions, prompting managers to select different accounting methods to reduce agency costs. If an organization adopts IFRS, it may be required to adhere to stricter financial reporting regulations and disclose more information to shareholders and competitors (Bananuka et al., 2019).

Furthermore, agency theory suggests that managerial actions are influenced by what managers expect from the organization (Jensen & Meckling, 1976). Therefore, managers will make decisions that optimize their benefits, and their role is crucial in determining whether an organization adopts IFRS. This decision depends on their perception of the benefits of IFRS adoption for the organization, as well as their knowledge of IFRS. Based on the agency theory approach, this dissertation enhances the explanatory power of agency theory by integrating it with institutional isomorphism theory to explain managerial support and organizational readiness. Additionally, the dissertation combines agency theory with institutional isomorphism theory to analyze the impact of knowledge level, perceived benefits, perceived challenges, and perceived disadvantages on managerial support and organizational readiness.

The above hypotheses are shown through the proposed research model according to the following Figure 1.

Figure 1: Proposed research model



Source: Proposed by the author

4. Research methodology

The research process was conducted in two specific stages with two main steps as follows: Stage 1 for Preliminary Research Process and Stage 2 for Official Research Process. In particular:

4.1. Qualitative preliminary research

This phase is conducted based on the second draft scale, in which the dissertation carries out a pilot survey with a sample size of 77 using a convenience sampling method. The preliminary research is utilized to analyze Cronbach's Alpha reliability coefficient and Exploratory Factor Analysis (EFA). The outcome of this stage is the refinement of the measurement scale, which serves as the foundation for the official research phase.

4.2. Official Research Process

The official research is based on direct surveys of the research subjects. The primary objective of the survey method is to collect data to evaluate the suitability of the research model using the PLS-SEM method. To assess the model, study conducts tests on composite reliability, convergent validity, and discriminant

validity, as well as evaluating the structural model using bootstrapping estimation with a sample size of 5,000 ($N = 5,000$). Subsequently, assessing the coefficient of determination (via the R^2 coefficient the predictive level of the model (via the Q^2 coefficient) and the impact level (via the f^2 coefficient).

5. Research results and discussion

5.1. Reliability and convergent validity

According to the research process, each measurement scale applied in the dissertation is inherited from original scales with different spatial and temporal characteristics. The qualitative research results have adjusted and supplemented the measurement scales to better suit the organizational characteristics in Vietnam. Therefore, the scales mentioned in the preliminary quantitative research were used to assess scale reliability and conduct Exploratory Factor Analysis (EFA) with a sample size of 77 observations. The detailed characteristics of the preliminary research sample are presented in Table 4.8. After data processing and computations using statistical software, out of the 325 organizations directly surveyed, 238 valid responses remained after eliminating incomplete or invalid questionnaires. Consequently, the dissertation utilized these 238 valid survey responses for the official research phase. The first crucial step in the research process is to examine reliability and convergent validity. According to Hair et al. (2014), to assess the reliability of a measurement scale, the study employs the Composite Reliability (CR) coefficient, which must be greater than 0.7 to be considered reliable. Additionally, the Average Variance Extracted (AVE) must exceed 0.5 to confirm both reliability and convergent validity (Fornell & Larcker, 1981).

Table 1: Reliability and convergent validity test results

Scale	Cronbach's Alpha	rho_A	Composite Reliability (CR)	Average Variance Extracted (AVE)
HOTRO	0.884	0.884	0.920	0.742
MDHB	0.886	0.897	0.929	0.814
MDSS	0.876	0.879	0.923	0.801
NTBL	0.897	0.951	0.920	0.697
NTLI	0.890	0.890	0.925	0.755
NTTT	0.784	0.809	0.874	0.698

Source: Author's Data Processing Results

The test results in Table 4.20 show that all Composite Reliability (CR) coefficients exceed 0.9, and the Average Variance Extracted (AVE) values are all greater than 0.5. The lowest AVE is 0.697 for the "Perceived Disadvantages" scale. Therefore, the author has sufficient grounds to conclude that the measurement scales for all concepts meet the criteria for reliability and convergent validity.

5.2. Model fit assessment

According to Hu & Bentler (1999), the SRMR index is used to evaluate the goodness of fit of a model,

where an SRMR value below 0.08 indicates a good fit. However, Henseler et al. (2015) argue that SRMR serves as the Goodness-of-Fit index for PLS-SEM models and is used to assess parameter discrepancies within the research model.

Table 2: Model fit test results for PLS-SEM

Criteria	Saturated Model	Estimated Model
SRMR	0.067	0.104
d_ULS	1.137	2.755
d_G	0.733	0.782
Chi-Square	1007.517	1050.406
NFI	0.734	0.723

Source: Author's Data Processing Results

Table 2 reports a Chi-square statistic of 1007.517 with a p-value of 0.000, which is less than 1%, along with an SRMR value of 0.067, which is below 0.08. These results confirm that the model is well-fitted for the research context and empirical data.

5.3. Fornell-Larcker discriminant validity test

Table 3 indicated that all diagonal correlation coefficients in the matrix are higher than those within the same column, indicating that the measurement scales satisfy the requirement for discriminant validity (Hair et al., 2014).

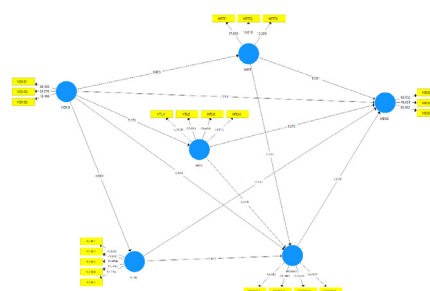
Table 3: Fornell-larcker discriminant validity test results

Measurement scale	HOTRO	MDHB	MDSS	NTBL	NTLI	NTTT
HOTRO	0.861					
MDHB	0.194	0.902				
MDSS	0.537	0.099	0.895			
NTBL	-0.148	-0.012	-0.265	0.835		
NTLI	0.152	0.465	0.325	-0.385	0.869	
NTTT	-0.136	0.061	-0.320	-0.158	0.040	0.836

Source: Author's Data Processing Results

The study assesses the structural model using the Bootstrapping test. According to Schumacher & Lomax (2004), in order to generalize research findings to the population, the dissertation needs to reassess reliability through the bootstrapping technique. The dissertation performs a resampling analysis with 5,000 observations, corresponding to $n = 5,000$, while the initial sample size was 238. The Bootstrapping results, as presented in Table 4.23, are evaluated by the author as follows:

Figure 2: PLS-SEM estimation results



Source: Results from SmartPLS 3.0 software

Hair et al. (2017b) suggest that a R2 value within an acceptable range starts from 20%, where R2 values of 25%, 50%, and 75% correspond to the independent variable's predictive ability over the dependent variable at weak, moderate, and strong levels, respectively. The estimation results in Table 4.23 indicate that the adjusted R2 for the readiness to adopt standards are 44.8%, which falls within the 25% to 50% range, suggesting a moderate predictive power of the independent variables over the dependent variable.

5.4. Research discussion

The research findings emphasize the challenges organizations face when adopting accounting standards, including Higher employee training costs, increased financial investment in technology infrastructure to prepare reports based on accounting standards, Implementation costs potentially outweighing the benefits of applying these standards. This is explained by the profit-driven nature of most organizations—any cost increase directly reduces profits. Consequently, accountants require extensive knowledge, skills, and language training to adopt VPSAS effectively. Notably, many accountants lack VPSAS awareness, as they have never received formal training, leading to negative perceptions of VPSAS adoption. Moreover, the findings highlight the crucial role of managerial support in increasing organizational readiness.

6. Conclusion and managerial implications

6.1. Closing remarks

Public accounting must comply with policies, regulations, and implementation requirements established by accounting standards. Accounting standards serve as the foundation for public sector units to carry out accounting tasks, prepare financial statements, and provide useful information for management, monitoring, and supervision of state resources. In particular, they contribute to the centralized and standardized data management of public sector accounting units, align accounting regulations with international practices, facilitate economic integration, attract external resources, and enhance the quality and efficiency of public sector accounting operations. Each country develops a strategy for government financial system development based on specific phases. This process requires a team of accountants with adequate expertise, knowledge, and readiness to apply accounting standards in practical settings.

A well-trained and competent workforce of accountants and accounting experts who are prepared to implement standards is considered a crucial resource. Over time, they must be systematically trained to acquire specialized knowledge and professional experience, meeting technical competency requirements, maintaining professional ethics, complying with accounting laws, economic regulations, and adapting

to technological advancements in line with the current level of technological development, particularly in the era of Industry 5.0.

6.2. Managerial involvement

It must be emphasized that the application of accounting standards in public sector units significantly contributes to enhancing financial management and governance at both macro and micro levels. Public sector leaders rely on financial and accounting information provided by the accounting department to generate relevant data, ensure comparability, and establish a highly reliable basis for assessing public financial performance, improving decision-making processes, and strengthening accountability. Accountants who are ready to apply and accept new regulations play a key role in human resource reform, aimed at enhancing the effectiveness and efficiency of public administration, optimizing public sector resources, and attracting social resources for the provision of public goods and services. These reforms lead to transformations in management structures, relationships between units, and interactions between the public and private sectors. From a micro and macro governance perspective, leaders of public sector units that adopt accounting standards will ensure data standardization and centralization across public accounting units, align accounting regulations with international practices, and fully implement accrual-based accounting in public sector units. This, in turn, will facilitate economic integration, attract external resources, and improve the quality and efficiency of public sector accounting operations.

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