



Improve the quality of information in financial reports of companies listed on Vietnam stock market

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Abstract

Vietnam stock market is one of the new stock markets, officially coming into operation on July 20, 2000 until now with the operations of Ho Chi Minh City Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX). Information on a company's financial situation provided in financial reports is an important basis for investors and stakeholders to make optimal decisions. Therefore, the quality of information in financial reports plays an extremely important role for users when making decisions. Providing high quality financial reports positively affects capital providers and parties in investing and allocating resources. The article uses secondary data to study the current status of information quality in financial reports of companies listed on the Vietnam stock market. Based on the current situation, the author proposes some recommendations to improve the quality of information in financial reports.

Keywords: information in financial reports, the quality of information, the quality of information in financial reports; listed companies

1. Introduction

In Vietnam, there are many companies listed on the Vietnamese stock market that announce financial reports with very positive financial indicators but in reality are unable to pay and have negative profit targets such as Bach Tuyet Cotton Joint Stock Company (stock code BBT Securities), Import-Export and Construction Joint Stock Company, Union Shipping Agents Joint Stock Company are evidence... the difference between pre-audit and post-audit data of listed companies makes investors lack confidence trust in information quality in financial reports provided by listed companies with concerns about non-transparency in information disclosure. Information in the financial reports of listed companies before and after the audit has discrepancies such as the financial reports of Vietnam Gas Corporation in 2018, the post-audit data reduced profits by more than 648 billion VND or Hung Vuong Joint Stock Company's financial reports after The audit reduced profit from 19 billion VND to 1.5 billion VND and many companies changed their financial reports from profit to loss or deeper losses after audit, some companies from loss to profit. Reality shows that most of these deviations often occur in companies operating in the non-financial sector. The cause of this difference is due to errors and mistakes in the process of recording and presenting items in the financial reports or due to the intervention of managers to adjust the information in the financial reports in a favorable direction for yourself, especially the "profit adjustment" activity. That has caused investors' confidence in information quality in financial reports to seriously decline, significantly affecting the operations of the stock market in general. Therefore, based on secondary data, the article studies the current status of information quality in financial reports of companies listed on the Vietnam stock market. Based on the assessment of the current status of information quality in financial reports, the author proposes a number of recommendations to improve information quality in financial reports of companies listed in the stock market.

2. Theoretical basis for information quality in financial reports

Financial reports

According to IASB (2012), financial statements are a product of financial accounting, the output of the economic information system, reflecting in a strict structure the financial situation and financial results of enterprises. Financial statements provide information about the financial situation and cash flows of enterprises, meeting the requirements of the majority of users in making economic decisions. At the same time, the information on financial statements shows management results of the board of directors for the resources entrusted to them. The financial reports system includes: Financial balance sheet; Reporting business results; Reporting changes in equity; Cash flow report; Financial reports notes on major economic policies and other notes.

According to Vietnamese Economic Standards (VAS No. 21), financial reports reflect in a strict structure the financial situation and business results of an enterprise. The purpose of financial reports is to provide information about the financial situation, business situation and cash flows of an enterprise, meeting the useful needs of the majority of users in making economic decisions. To achieve this purpose, financial statements must provide information of an enterprise about: Assets; Liabilities; Equity; Revenue, other income, expenses, profit and loss; cash flows. The financial reporting system according to VAS 21 includes: Balance sheet, business performance report and cash flow report, financial reports notes, these reports are prepared according to prescribed forms determined in accordance with the documents guiding the implementation of this standard.

Thus, the purpose of financial reports according to VAS 21 standards is similar to IASB. But the financial statement system according to VAS 21 does not have a report on changes in equity like IAS 1 but is presented in the notes to the financial reports. Regarding the presentation of financial reports according to VAS 21, it follows a uniform format, while IAS 1 is more flexible than VAS 21 in applying standards. The basic principles in preparing and presenting financial reports of VAS and IAS are the same with the assumption of continuous operation; residual basis; consistent; materiality and gathering; compensate; can be compared.

Basic principles when preparing and publishing financial reports:

The First: Complete reports, appendices, and explanations according to current regulations on enterprise economics law.

The Second: If there is a subsidiary with legal entity status, it must disclose: Financial reports of the parent company and consolidated financial reports.

The Third: If there is a dependent unit without legal status, it must disclose: Office financial statements and general financial reports.

The Fourth: If the auditor does not fully accept the semi-annual or annual audited financial reports, a written explanation must be published.

The quality of information in financial reports

Information management on financial statements are reports that are suitable for the purpose of use and satisfy the requirements of managers, investors, and other subjects interested in the company's financial situation.

Michailescu (2010) believes that information quality can be

evaluated with three criteria: Relevance, reliability, clarity and understandability. Relevance is understood as information quality on financial statements always aiming at information users to provide the most appropriate information. Reliability means that the financial reports information provided is objective and not adjusted according to the intention of the information provider. Thus, information quality in financial reports are reports that are suitable for the purpose of use and satisfy the requirements of managers, investors, lenders, employees, governments, tax authorities and other important subjects. Pay attention to the company's financial situation to ensure the properties of information in the financial reports.

According to the IASB (2001) model, information quality characteristics in financial sports include four characteristics: Understandable, appropriate, reliable, and comparable. In addition, the IASB also points out that there needs to be a balance between timely requirements and reliability of information or a balance between the benefits from information and the costs of providing information (IASB, 2001). Along with the development of capital markets in the world with the trend of integration and globalization, capital flows between markets and countries are open and easy to compare, ensuring market transparency. There is a need for harmony in common standards in the field of accounting and auditing, so the harmony project between FASB and IASB was signed in 2002. By 2006, FASB and IASB introduced a common template for information quality standards in financial reports. In 2010, this template was officially issued with the name "2010 Financial reports Concepts Template" which sets out information quality standards on financial statements including: Basic characteristics are Appropriate, Honest presentation and Attributes that increase information quality in financial reports include Comparability, Verification, Timeliness and Understandability.

3. Current status of information quality in financial reports of companies listed in the stock market

After two decades of establishment and development, Vietnam's stock market has affirmed its role as an important capital mobilization channel for the economy, helping the capital market become gradually more balanced in supplementing medium and long-term capital sources for the economy as well as listed and registered businesses. Participating in the stock market when listing shares and registering for trading on the centralized stock market has brought many benefits to businesses such as: mobilizing capital, expanding the scale of operations, improving reputation, trademark...

In addition, the stock market has been receiving great support, thanks to the gradually stabilizing macroeconomy, creating more room for growth in the future, along with the continuous direction and close support of the Government in the securities sector in recent years.

Thanks to that, Vietnam's stock market has achieved many outstanding results: Total stock market capitalization of the three stock exchanges HOSE, HNX and UPCoM by May 31, 2024 reached approximately 10 million billion VND, equivalent to 97.35% of GDP 2023. (GDP at current prices). The market also recorded up to 42 businesses with capitalization of more than 1 billion USD. The number of securities accounts also witnessed a strong increase, from 2,771,409 at the end of 2020 to 7,938,060 on May 31, 2024, equivalent to a compound growth of 54.57% per year.

According to data from the State Securities Commission, the number of securities on the three exchanges HOSE, HNX and UPCoM by the end of June 2024 is 1,603 enterprises HOSE (411 enterprises), HNX (314 enterprises) and UPCoM (878 enterprises) enterprise). This number in recent years has not had any major changes, and even witnessed a slight decrease when the total number of businesses on the 3 exchanges at the end of 2019, 2020, and 2021 was recorded at a low level respectively. 1,617, 1,655 and 1,641. Also according to data from the State Securities Commission, by the first quarter of 2024, there were 1,008 listed companies submitting reports. Information quality in the financial reports of these listed companies has been clearly improved. The number and types of violations of information disclosure by listed companies on the Vietnam stock market have decreased. The proportion of violations of information transparency decreases from 86.7% in 2018 to 60.7% in 2023.

However, information quality in the financial reports of listed companies on the Vietnam stock market still has many problems:

The First, the state of administrative violations regarding information disclosure is still high. According to statistics from the State Securities Commission, in the period 2010 - 2016, there were more than 1,000 decisions to handle administrative violations on the stock market. In 2017, there were 214 sanctioning decisions against 80 individuals and 134 organizations. In 2018, there were 397 cases of violation by 129 organizations and 268 individuals. In 2018, nine people were punished for manipulating and creating fake supply and demand, and forced to correct information in three cases of inaccurate reporting or publishing false information. The number of violations of information quality in financial reports always accounts for over 50% of the total number of violations sanctioned.

The Second, The data before and after auditing the financial

reports of many listed companies still have large differences. According to Vietstock statistics, as of April 2, 2019, there were 451 listed companies out of 733 listed audited financial statements that recorded differences in self-made and post-audited financial reports. According to data from listed companies before and after being audited, there are 60 businesses (accounting for 17% of the total number of listed companies that have published reports) that have after-tax profits in their 2018 financial statements due to the differences between the companies themselves. over 10% of profit after tax in audited 2018 financial reports, and 29 companies have a difference of over 50%. In particular, 08 NY companies recorded profits in 2018 in their self-made financial reports, but in their audited financial reports, they recorded losses.

According to the explanations of these businesses, the cause of the difference is due to the increase in the cost of provisions for devaluation of inventory, the reversal of inventory provisions, the adjustment of additional provisions, and the under-accounting of costs. In the first half of 2019, data shows that this problem is still happening with no asymptotic change between the data before and after the audit of the financial reports of listed companies, according to the business results data of enterprises in the financial reports. In the semi-annual review of 2019, there were 62 businesses whose after-tax profits in the first six months of 2019 differed by more than 10% compared to the data in the 2nd quarter 2019 financial reports prepared by the businesses themselves. In particular, there are four enterprises whose business results after review changed from profit to loss, namely LO5, BII, VC9, VE1, and one enterprise, ATS, whose business results changed from loss to profit. List of some businesses with information discrepancies after audit reports that were sanctioned in the first quarter of 2024:

Table 1: List of some companies with NPAT difference decreasing over 5% after the 2023 audit report

Companies	Difference after audit report
CIC39 Corporation	Up 10%
Hatinh Minerals and Trading Joint Stock Corporation	Up 10%
Cencon Vietnam JSC	Up 10%
Pomina steel Corporation	Up 5%
Saigon – Quynhon Mining Corporation	Up 5%
Taicera Enterprise Company	Up 5%
Minh Huu Lien JSC	Up 5%

Source: State Securities Commission

The Third, the quality of financial reports in some listed companies is still limited, the publication of financial reports is still slow, and an extension must be applied for. Some listed companies have not been proactive in disclosing information about their operations, capital usage, corporate governance, and data in their financial reports still have errors. To explain the slow release of financial reports information, many listed companies often give objective reasons such as accounting and auditing work taking a long time.

The Fourth, the quality of corporate governance is still low compared to the average level of other countries in the region. In fact, companies listed on the Vietnamese stock market only stop at complying with regulations and have not really proactively aimed at improving the quality of corporate governance to enhance their operations businesses, including large-scale listed companies, to ensure the rights of shareholders. But basically the quality of information in

financial reports of companies listed on the Vietnamese stock market in recent years has basically met the requirements of information users.

From the above situation, it shows that the quality of information in the financial reports of companies listed on the Vietnamese stock market is timely, honest, and reasonable, but there are still businesses that are violated and have many limitations.

5. Conclusion and recommendations

With the current development of the stock market, creating borderless capital flows, creating confidence for domestic and foreign investors, improving information quality in the financial reports of listed companies is necessary.

The author bases his research on the current status of information quality in the financial reports of listed companies on the Vietnam stock market. From the research

results and discussion of the research results, some recommendations have been proposed to improve information quality in the financial reports of listed companies on the Vietnam stock market.

Firstly, Improve the capacity and professional ethics of accounting staff

Each accountant needs to understand and be aware of the important responsibility of information quality in the financial reports they provide to subjects, so it is necessary to improve professional qualifications, specialized knowledge, English, and information technology right from the start sitting in school, especially in the era of the 4.0 industrial revolution and economic integration like today. At the same time, comply with basic professional principles, always remember your professional ethical principles in all cases: Integrity, prudence, objectivity, confidentiality. Accountants need to avoid the risks of violating professional ethics and constantly improve professional ethics.

Secondly, build an internal control system. Pay attention to building an internal control environment. The company's internal control system always needs to be monitored by administrators to evaluate the quality of the internal control system, determine whether the system is operating as designed or not, and in the process need to be adjusted and adjusted. Continuously improve to suit the company's situation and social context conditions.

Thirdly, Strengthen the application of international financial reporting standards. According to the roadmap issued by the Ministry of Finance, listed companies by 2023 - 2025 will fully apply IFRS. The results of this study show that this factor increases the reliability of information quality in financial reports, calculating comparison, transparency, completeness, financial reports more accurately reflect the company's value, and the accountability of listed companies is higher. That once again confirms that the Ministry of Finance's roadmap to apply IFRS to listed companies is appropriate, however, in order for this process to be carried out according to plan and achieve its goals, the author recommends a number of solutions. Synchronously enhance the application of IFRS standards.

Fourth, Strengthen the regulatory role of the State Securities Commission. Strengthen administrative sanctions for violations of information quality in financial reports of listed companies on the Vietnam stock market. It is necessary to promptly issue early warning recommendations to companies showing signs of violation, or violating information quality in financial reports to reduce losses for those who use financial reports information to make economic decisions.

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