Perceptions towards the prospect of implementing fair value according to IASB in Vietnamese accounting system: A quantitative study of accounting professionals in Vietnam

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While the historical cost has shown many shortfalls in recording value of assets and liabilities in various cases of accounting these days, fair value in contrast has emerged to be the so-far-best alternative to cover the drawbacks of historical cost. It has been backed by the International Accounting Standards Board (IASB) and used by more than 100 jurisdictions around the world as the consequences of the adoption to International Financial Reporting Standards (IFRS). However, in Vietnam historical cost is still the dominant principle of accounting whereas fair value plays a very trivial part in the Vietnamese Accounting Standards (VAS).

This thesis is a quantitative research that attempts to offer an insight view into the perceptions of the Vietnamese accounting professionals towards potential of applying fair value in VAS. In addition, the study also investigates the challenges that Vietnamese responsible authority and enterprises might have to face on the way to develop and implement fair value in its accounting system. The thesis is divided into three main parts: theoretical framework, empirical research and research findings. A literature review provides the secondary data mainly for the theoretical framework. The research utilizes an Internet-mediated questionnaire to collect data via a Webropol online survey platform, and Microsoft Excel together with Webropol analysis tools to aid the data analysis process.

The findings reveal that majority the Vietnamese accounting professionals are aware of the fair value itself and the fair value requirement in VAS. However, they are quite confused about fair value concept due to a lack of information regarding the issue. Generally, the accounting community is optimistic about the future of fair value in Vietnam, especially for the reason of a better chance to access to the global market. However, some still doubt about the future of fair value in Vietnam any time soon because of the imperfection and immaturity of the legal and economical systems together with the communist political regime.

**Keywords**
Fair value, historical cost, IFRS, VAS, perceptions, challenges, valuation
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**Abbreviation**

VACPA: Vietnam Association of Certified Public Accountants
VAA: Vietnam Association of Accountants and Auditors
ACCA: The Association of Chartered Certified Accountants
CPA: Certified Public Accountants
HCA: Historical Cost Accounting
HC: Historical Cost
FVA: Fair Value Accounting
FV: Fair Value
IFRS: International Financial Reporting Standards
IASB: International Accounting Standards Board
IAS: International Accounting Standard
GAAP: Generally Accepted Accounting Principles
SEC: Securities Exchange Commission
NASDAQ: National Association of Securities Dealer Automated Quotations
FASB: Financial Accounting Standard Board
1 Introduction

Some of the serious financial downturns since the beginning of 21st century up to now has brought the topic about fair value exposed to public for constant heated debates between its proponents and dissidents about whether fair value is responsible for these economic crises. Apart from that, fair value has appeared and developed for many decades and proved its virtues in aiding accounting to record value of assets and liabilities in a much more accurate and up-to-date manner according to economical changes. Therefore, the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) have been strongly supporting fair value and making a lot of efforts and investments in the attempt to create a more perfect and converged fair value measurement guidelines and to minimize some of its flaws. The result of the five-year joint-work project between these two accounting standard setters had finally completed in 2011 and brought the standard IFRS 13: Fair value measurement into effect officially since January 2013. Consequently, 129 jurisdictions around the world who adopt IFRS are required to apply fair value in valuation of assets and liabilities in their accounting processes.

Looking around some neighboring countries close to Vietnam, a few are using IFRS completely such as Singapore or in the transition to applying IFRS since 2012 such as Malaysia, Philippines, Thailand, Cambodia or Indonesia. Yet in Vietnam, IFRS is only compulsory to state banks and optional for commercial banks. Although the Ministry of Finance of Vietnam (MoF) expressed their consideration to adopt IFRS since 2011, no further actions or decisions has been taken to confirm that possibility. Vietnamese general accepted accounting principles, so called Vietnamese accounting standards (VAS), use historical cost as the principle of accounting and are employed nationwide in every business units. Twenty six Vietnamese accounting standards were created between the period from 2001-2005 based on International Accounting Standards (IAS) previous to 2003 with some amendments to Vietnamese social and economical situations at that time. However, they have shown to be outdated and insufficient to support the fast-growing market economy in the 2010s. It also includes the fact that fair value requirements in the current VAS are insignificant, inadequate and being predom-
inated by historical cost. Therefore, the financial statements and balance sheets prepared according to VAS don't reflect truthfully the value of assets and liabilities (especially financial investments) of enterprises. In the context that Vietnam has now member of APEC (Asia-Pacific Economic Cooperation), ASEAN (Association of South East Asia Nations) and WTO (World Trade Organization), the needs for having a transparent, reliable and converged accounting system are crucial, including using fair value. Because by joining to the international accounting standards and using fair value, Vietnam will prove to the world its endeavor to integrate into the world economy, attract more foreign direct investment and prove to be a credible global trading partner.

Nevertheless, there has been few studies attempting to hypothesize and investigate this matter regarding fair value application in Vietnam so far. Meek and Thomas (2004, in Phan, Mascitelli & Barut 2013) explained that “lack of data is often a reason of a research gap.” As for that, this thesis research strives to somehow partially fulfill this gap by offering a structured empirical study about the perceptions of Vietnamese accounting professionals (including accountants and academics community) towards the potential of implementing fair value in Vietnamese accounting system. It is timely and important to carry out the research at this stage when the Vietnamese government is on the transition and planning new accounting standards to promulgate in the near future. The outcome of this study is reckoned to be beneficial for many parties including professional accountants, accounting educators, accounting associations, accounting or auditing firms and responsible authority in Vietnam to use as a reference and basis for further development and researches about fair value.

1.1 Research questions and research objectives

The main purpose of this research is to provide answers to two questions “What are challenges for Vietnamese authority and enterprises to introduce and apply fair value into the current accounting system?” and “What are perceptions of Vietnamese accounting professionals towards fair value?”. Primary data from the survey with participation of selected Vietnamese accounting professionals and secondary data from literature review of previous studies; press media will be collected and analysed hand in hand to strengthen the results.
A set of research objectives are to be written as “evidence of the researcher’s clear sense of purpose and direction” to answer the research questions (Saunders, Lewis & Thornhill 2009, 34). Maylor and Blackmon (2005, in Saunders et al. 2009, 35-36) suggested the objectives ought to satisfy the SMART test which stands for “Specific-Measurable – Achievable – Realistic - Timely”. Table 1 reveals the research questions together with research objectives of this thesis research:

Table 1. Phrasing research questions as research objectives

<table>
<thead>
<tr>
<th>Research questions</th>
<th>Research objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What is fair value? Is fair value fair? What are benefits of fair value?</td>
<td>1a. To understand the background, nature and characteristics of fair value</td>
</tr>
<tr>
<td></td>
<td>1b. To discuss the advantages and disadvantages of fair value in accounting</td>
</tr>
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<td></td>
<td>1c. To outline the use of fair value in international accounting standards</td>
</tr>
<tr>
<td>2. Why do Vietnam need to open up for the future prospect of using fair value?</td>
<td>2a. To summarize the history and the current situation of Vietnamese accounting systems and to discuss disadvantages of historical cost</td>
</tr>
<tr>
<td></td>
<td>2b. To explain the limitation of fair value usage in Vietnamese accounting standards</td>
</tr>
<tr>
<td></td>
<td>2c. To illustrate the needs for Vietnam to develop and promulgate fair value</td>
</tr>
<tr>
<td>3. What are perceptions and attitude of accounting professionals towards the potential of applying fair value in Vietnamese accounting system?</td>
<td>3. To discuss how the Vietnamese accounting professionals respond to the application of fair value in Vietnamese accounting standards</td>
</tr>
<tr>
<td>4. What challenges would Vietnamese authority and enterprises have to face in the process of introducing and implementing fair value into the current accounting system?</td>
<td>4. To discuss the challenges of introducing and applying fair value in Vietnam from the accounting professionals’ point of view</td>
</tr>
</tbody>
</table>
1.2 Demarcation

The thesis primarily concerns the perceptions of Vietnamese professional accountants towards potentials and challenges of implementing fair value in the Vietnamese accounting system and expectantly serves to initiate the employment of fair value in the future.

The “accounting professionals” in the context of this thesis include people who are major in accounting and practice it in their daily professional jobs (i.e. accountants, bookkeepers, auditors, accounting lecturers/professors at universities, financial consultants). This target group is divided into two subgroups including: professional accountants and educators at higher-education specializing in accounting-related subjects. More details about selection of the sample study will be explained further in chapter 5 about research methodology.

In the progress of reforming the Vietnamese accounting system, the Vietnamese government and MoF has revealed its intention to adopt IFRS in 2011. Hence, the research will study fair value requirement according to IASB (including IFRS and IAS) and Vietnamese accounting standards (VAS). It will not discuss or compare with the fair value under Financial Accounting Standards Board (FASB) in the United States.

Furthermore, this study will be applicable for entities required to prepare financial statements in compliance with Vietnamese accounting standards and Decision 15/2006 (promulgation of business accounting regime) by the Ministry of Finance of Vietnam (MoF). These are normal enterprises which operate in every industry but financial institutions (including banks, insurance companies and securities corporations). Because the accounting requirements for financial institutions are mainly governed by the State Bank of Vietnam whereas the MoF only holds a partial responsibility (see figure 2 in section 2.2 below).

In addition, although there exist some other value measurements (i.e current cost, net realizable value, current purchasing power), the paper will solely focuses on comparing
historical cost versus fair value from the perspectives of their advantages and disadvantages, nature and applications.

1.3 Key concepts

**Historical cost accounting** is a traditional accounting method where the income statement is based on “the actual costs of business transactions, i.e. the costs incurred in the currency and at the price levels pertaining at the time of the transactions.” (Elliot, B. & Elliot, J. 2009, 43.) Accordingly, the price reflected on the balance sheet is either at the purchase price or at a value reduced by obsolescence, depreciation or depletion (Nobes 1997, in Jaijairam 2013, 2). In the case of financial assets, the prices remain unchanged on the balance sheet until the security is liquidated.

After identifying an entity’s assets, the accountants must assign a monetary amount to it. This act is called **valuation**. (Antle & Garstka 2002, 28.) A value is the result of a valuation. It is very important to understand the relation between market value and book value. “Market value is the value assigned to an item by a market”, whereas “book value is the value assigned to an item by an accountant.” (Antle & Garstka 2002, 28.)

**Fair value** is “the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction (not a forced sale) between market participants (market-based view) at the measurement date (current price).” (IFRS 13 2011.)

**Exit price** is the price that would be received to sell an asset or paid to transfer a liability (IFRS 13 Appendix A).

**Entry price** is the price that would be paid to acquire an asset or received to assume a liability (Lefebvre, Simonova & Scarlat, 2009).

**Arm’s length transaction** means that the parties to the transaction are acting in their own interest. It means that the parties act independently and have no relationship with each other (Readyratios.com).
**Fair value accounting** refers to the practice of periodically reporting changes in the fair value of the positions companies currently hold, referred to as unrealized gains and losses on their income statement. “Unrealized gains and losses result in the arrival of new information about future cash flow and from changes in risk-adjusted discount rates during periods.” (Ryan 2008, 3)

**Mark-to-market** “is the most basic form of fair value accounting, which involves assigning a value to an asset based on the publicly quoted price for the same asset trading on an exchange under the conditions of a liquid market.” (Greenberg, Helland, Clancy & Dertouzos, 2013.)

**Mark-to-model** is applied when mark-to-market isn’t possible because reference exchange prices for an asset in a liquid market are unavailable. Fair value in this case is determined by using model-derived calculations, based on specified financial assumptions. (Greenberg et al., 2013.)

**Highest and best use** refers to the use of non-financial asset by market participants that would maximise the value of the asset of the group of assets and liabilities (e.g. a business) within which the asset would be used (IFRS 13, 2011.)

**Procyclicality** in finance is “generally understood as amplification of otherwise normal cyclical business fluctuations, both in booms and in bursts, creating preconditions for increasing instability and vulnerability of the financial systems.” (Lefebvre et al. 2009, 14.) It basically refers to the fluctuation of financial variables around the trend during the economic cycle.

**Observable inputs** are quoted market prices in an active market (IFRS 13.77). **Unobservable inputs** are referred to when observable inputs are not available in an inactive market. In this case, the best information available including the entity’s own data and market participant assumptions will be utilized to develop unobservable inputs (IFRS 13.87-89).
2 Vietnamese Accounting Standards and the role of historical cost

2.1 Overview of Vietnamese accounting reform

Since the war ended in 1975, Vietnam had constantly faced serious economic and social problems such as external debts, trade deficits, severe food & consumer products scarcity and unbalanced macrconomy that threatened the country on its very first step to develop. In order to resolve these difficulties, in the sixth Congress of the Communist Party of Vietnam, Vietnamese government proposed a political and economic renewal campaign named “Doi moi” (“Renovation” in English) to shift Vietnam from a centrally planning economy to a market economy with socialist orientation (Nguyen & Gong 2012, 26). To facilitate for the “open door” policy and its transition, Vietnam has been implementing a great deal of remarkable reforms to its accounting practices. (Bui 2011, in Phan et al. 2013)

The historical period from 1986-1995 had witnessed some of the momentous changes and amendments in the accounting system of Vietnam. Emphases were strongly placed on the growing manufacturing & agricultural industry as well as recognizing the significant role of private business sector in the national economic scale along side with state-owned enterprises. Tens of thousands of private businesses were formed during that time, which generated the urge for the Ministry of Finance to issue accounting regulations in order to regulate the accounting activities of private sector from the very first and simple known as the Decision 278/QD/CDKT (10/3/1981) “Accounting Policy for Industrial and commercial Business Private Enterprises” to the introduction of the by-far highest legal document on accounting “Ordinance on Accounting Statistics” in 1988. (Nguyen & Gong 2012, 26-27.) The flourishing development of “market socialism” economy had driven the Vietnamese accounting system to rapidly reform and catch up with it. As a result, Vietnam Association for Accountants and Auditors (VAA) was created in 1994 and following by the decision 1141-TC/QD/CDKT by MoF and also unified charts of accounts was created. (Nguyen & Gong 2012, 27.) Fig-
Figure 1 below illustrates in details some major events in the development of Vietnamese accounting from 1998-2010 (Bui, 2011, 298):
The four-year project called EURO-TapViet (European Commission’s Technical Assistance Program for Transition to Market Economy in Vietnam) had provided Vietnam’s leaders with knowledge of international accounting practices and auditing in market economy (Nguyen & Gong 2012, 27). Table 2 below was compiled from published Decisions about the promulgations of twenty six Vietnamese accounting standards by MoF since 2001. These standards were drafted and commented by standard setting groups and finally issued in consequent decisions by MoF Vietnam.

Table 2. Promulgation of twenty six Vietnamese accounting standards by MoF

<table>
<thead>
<tr>
<th>Phase</th>
<th>Date</th>
<th>Decision</th>
<th>Accounting standards</th>
</tr>
</thead>
</table>
| 1     | 12/01| No. 149/2001/QD-BTC | 1. VAS 02: Inventories  
2. VAS 03: Tangible fixed assets  
3. VAS 04: Intangible fixed assets  
4. VAS 14: Revenue & Other income |
| 2     | 12/02| No. 165/2002/QD-BTC | 5. VAS 01: General framework  
6. VAS 05: Leases  
7. VAS 10: The effects of changes in foreign exchange rates  
8. VAS 15: Construction contracts  
9. VAS 24: Cash flow statements  
10. VAS 16: Borrowing costs |
| 3     | 12/03| No. 234/2003/QD-BTC | 11. VAS 05: Investment Property  
12. VAS 07: Accounting for investments by associates  
13. VAS 08: Financial reporting of interest joint-venture  
14. VAS 21: Presentation of financial statement  
15. VAS 25: Consolidated financial statement & Accounting for investment in subsidiaries  
16. VAS 26: Related parties disclosures |
| 4     | 02/05| No.12/2005/QD-  | 17. VAS 17: Income tax |

Up to the moment, “domestic companies, listed and unlisted, are currently required to use Vietnamese accounting standards.” (IAS Plus, 2014.) Applying IFRS in preparing financial statements is compulsory only for state-owned banks (i.e. VietinBank, Bank for Investment and Development of Vietnam) and is optional for commercial banks (VAPAP Ho Chi Minh 2012). The Vietnamese accounting standards is 70% based on IFRS and IAS prior to 2003 with adjustment to the conditions of economy, finance and accounting in Vietnam according to a report by General Taxation Department of Vietnam in the 41st SGATAR Meeting in Malaysia (2011). Also in this report and other formal publications, the Ministry of Finance of Vietnam (MoF) expressed the possibility of slowly converging Vietnamese accounting standards to International Accounting Standards & International Financial Reporting Standards. However, so far none of the amendments by IASB to IASs or new IFRSs has been adopted by Vietnam since 2003 despite some small modifications. Besides, in a report about similarities and differences between IFRS and Vietnamese GAAP by PwC (2008b), the differences in the specific accounting treatments and disclosure requirements between the current Vietnamese accounting practices and the equivalent IASB standards were illustrated clearly and comprehensively. Pham et al. (2011) stated that the main differences are within measure elements of financial statements (in Phan et al. 2013).
2.2 Vietnamese accounting models

“The Vietnamese accounting model is generally classified as a Continental European style.” (Narayan & Goddon 2000, in Phan et al. 2013.) The Vietnamese judicial system is based on socialist legal theory and French civil law. Consequently, “the VAS are constructed in accordance with the legal system and the requirements of code law country.” (Nguyen & Gong 2012, 34) Therefore it tends to follow a “rule-based” concept with strict regulations and less flexibility than the accounting practices’s “principle-based” approach such as IFRS (Phan et al. 2013). The highest hierarchical level is Accounting Law issued by Vietnam National Assembly and then following by decrees, decisions, to circulars as the lowest hierarchical level issued by Ministry of Finance Vietnam. Figure 1 puts in a nutshell the three sources of financial, accounting law and regulations in Vietnam, subsequent to the issuance of Constitution 1992:

![Diagram of Vietnamese Communist Party, National Assembly, Government, Ministry of Finance, State Bank of Vietnam, National Council for Accountancy, Department of Accounting Policy and Auditing, Advisory body to Minister of Finance, Releases accounting regulations and Vietnamese Accounting Standards (VAS) and VAS interpretations as well as other accounting directives for state and corporate sectors.

Figure 2: Three sources of financial and accounting law and regulations in Vietnam (Adams & Do 2005, in Bui 2011, 229)
2.3 Arguments for and against historical cost

“Historical cost is the sole dominant rule required by VAS in measuring assets including property, plant and equipment, intangible assets, and investments for preparing separate financial statements.” (S&S 2008, in Phan et al. 2013.) The following two subsections will dig in to analyse the benefits and drawbacks of historical cost accounting in the current economic context.

2.3.1 Arguments for historical cost

Historical cost accounting has survived through the test of time and proved as a standard of accounting with strong virtues thanks to some of its distinctive characteristics (objectivity, factual and profit or income concept for instance) (Abu Bakar & Said 2007, 21).

First of all, historical cost method provides relevant information for managers in decision making process (Ijiri 1975, in Abu Bakar & Said 2007, 29). In this sense, managers look back to the outcome of past practices to evaluate their performance and forecast future plans and commitments accordingly. Because historical cost is verifiable and is, without exception, supported by independent documentary evidence (i.e. invoice, receipt, statement) during actual transaction, it records the original cost reliably and directly related to past decisions. Therefore, it also reduces the risk of manipulation better than other basis for recording transactions (Elliot, B. & Elliot, J. 2009, 43).

Secondly, historical cost is easy to understand, simple and requires less administrative cost. Under the matching concept of historical cost accounting, “revenue is recorded when it is realized and earned and expenses are matched in the same reporting period as revenue.” (Shaffer 2011, 4.) Therefore, it is a straightforward process of recording transactions and allocating financial results across reporting periods.
2.3.2 Critics against historical cost accounting

Unfortunately, historical cost is not without its defects, and the list of shortfalls seems to stretch relatively longer.

The first critic is that historical cost convention recognizes the historical acquisition cost of assets and does not acknowledge the effect of changes in assets’ value in the current economic situation. The reason is because historical cost tends to solely focus on the cost allocation but not the value of asset. Although it tells the acquisition costs of assets and depreciations over the following years; it only looks back one way to the history of transactions and ignore the likelihood of fluctuation in the assets’ value in accordance with the market value. Therefore, balance sheets may show out of date values and convey incorrect information to the audiences and investors for their decision-making process.

The second is the insensitivity of the historical cost method towards changes in purchasing power of currency in which transactions are recorded, most commonly in times of inflation or hyperinflation (Lefebvre et al. 2009, 17). It overstates the profit in period of rising price and understates the value of capital assets (i.e. lands and buildings) in times of falling price while their value are still maintained. “Financial reports become confusing at best, misleading at worst because revenue is mismatched with differing historical cost levels as the monetary units become unstable.” (Elliot, B. & Elliot, J. 2009, 59.) As a result, the relevance of historical cost for decision making in this situation is highly questionable. For that being the case, historical cost accounting is inefficacious in economics exhibiting high or constant inflation such as Vietnam.

Third of all, despite the predominant objective nature of historical cost method, it does, as well, present aspects of subjectivity. In the case of inventory valuation, allocation of indirect & joint costs, assessing possible bad debts, warranty liabilities or accruing expenses, estimation is involved. Therefore, not all aspects of historical cost are resulted from independently verifiable business transactions. Besides, the choice of defining cost using FIFO, LIFO or standard cost will also affects revenue. Conse-
quently, profit figure is not every time unique and can be subjected to manipulation and earning management. (Elliot, B. & Elliot, J. 2009, 44.)

Last but not least, historical cost has obviously shown its weakness in accounting for financial instruments. It does not faithfully reflect the economic value of financial assets and liabilities as their market prices are unpredictable and fluctuate constantly.
3 The evolution of fair value in international accounting

3.1 Development of fair value concept

Long before the fair value concept was established, companies had already recorded their assets using “current value” or “appraised value” in as early as 1925. In the US, the number one economy in the world which holds giant shares of the global market capitalization, fair value was for the first time introduced and has played an important role in the US GAAP for more than 50 years since 1960. (Stanisic, Avric, Mizdrakovic & Djeni 2012.) Supporting the use, in 1998, IASB revised IAS 32: Financial Instruments: “Presentation & Description” and IAS 39: Financial Instruments: “Approval & Evaluation” to employ fair value as a valuation basis. In September 2006, Financial Accounting Standard Board issued statement of Financial Accounting Standards No. 157: Fair Value Measurement (FAS 157) to provide guidance in respect of how to measure fair values for financial reporting purposes.

In the content of FASB Accounting Standards Codification Topic 820 (ASC 820), fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. Meaningly, a firm should base this price at which market participants would transact and it should use exit price, unadjusted for transaction costs, but not entry price. On the other hand, IASB had worded fair value quite differently as “the amount for which an asset could be exchanged, or a liability settled, between knowledgable, willing parties in an arm’s length transaction”. However, due to many weaknesses in this definition and following the agreement known as Norwalk Agreement (Financial Accounting Standards Board, 2002) between IASB & FASB in the effort to harmonize and converge the two accountancy models, IASB has modified its old version of fair value definition in the latest IFRS 13: Fair Value Measurement. IFRS 13 consolidates fair value measurement guidance from across IFRSs into a single standard and be effective from 1st January 2013. The new concept of fair value is identical with the fair value definition of FAS No. 157 as follow: “Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction...
(not a forced sale) between market participants (market-based view) at the measurement date (current price).” (IFRS 13.9.)

The previous definition of fair value is viewed as “too limiting” because fair value is not well defined in imperfect of incomplete market by Barth and Landsman (1995, in Emerson, Karim & Rutledge 2010, 82). Unlike the old concept of fair value as an entry (buying) price, this new definition explicitly identifies fair value as an exit (selling) price which decides the future economic benefits linked with assets, liabilities or equity from the perspectives of market participants rather than just the entity itself. Details about the improvement of fair value concept by IFRS can be looked closely in figure 3 below:
3.2 Hypothetical transaction assumption

Essentially, the definition of fair value is really the creation of a hypothetical scenario within which a price (fair value) would be determined between market participants. Figure 4 illustrates briefly the hypothetical transaction price for fair value:
In the guidance of IFRS 13.A, BC 181, an **orderly transaction** assumes exposure to the market for a reasonable amount of time to allow for marketing activities that are customary for transactions of such assets and liabilities, and it is not a forced sale (fire sale) (KPMG 2011, 6). The market in which this hypothetical transaction is deemed to occur is the **principal market** which presents itself with the greatest volume and level of activity for the asset or liability and in which the entity normally transacts unless evidence suggests otherwise. In case of difficulty in indentifying the principal market, the entity should determine the **most advantageous market**, meaning that the market should “maximise the amount that would be received to sell the asset or minimise the amount that would be paid to transfer the liability.” (IFRS 13.18.) Also the entity should have access to the market and take into consideration the related transaction and transport costs associated with each of the available market.

**Transaction costs** are defined in IFRS 13 Appendix as the costs to sell an asset or transfer a liability in the principle (or most advantageous) market for the asset or liability that are directly attributable to the disposal of an asset or the transfer of a liability.

**Market participants** are the hypothetical counterparties the entity would encounter in the defined market to conclude the orderly transaction. The assumed characteristics of market participants according to IFRS 13 Appendix are as followed:

- Independent of each other
- Knowledgable: have a reasonable understanding of the asset or liability using all available information including information would be obtained through a due diligence efforts that are usual and customary
- Able to transact in all perspective legally and financially
- Willing to transact as if not under duress

Under IFRS 13, fair value is based on exit price, not entry price or transaction price. IFRS 13 prohibits adjustment of fair value for transaction cost but not for **transport cost** (the costs to transport an asset from its current location to its exit market) (IFRS 13.25).
In general, the requirement of IFRS 13 apply equally to all assets and liabilities that may be measured at fair value. Having said that, some types of non-financial assets (such as real estate, biological assets) involves additional considerations for their “highest and best use” when measuring fair value. The concept “highest and best use” states that fair value for such assets or a group of assets and liabilities should be based on a consideration that implies the highest and best use of the asset by market participants (but not by individual entity) irrespective of its current use or intended use. To ensure that the highest & best use is not open to interpretation that is too wide, the following contraints of the use must be observed:

- Physically possible
- Legally permissible
- Financially feasible
  (IFRS13.28)

As an application of highest and best use concept above, two valuation premises for non-financial assets when measuring the fair value of the assets are as follow:

- In-combination valuation premise is used when the non-financial asset provide maximum value through its use in combination with other assets and liabilities as a group (e.g contractual customer relationship and technology assets) (KPMG 2011, 12).
- Stand-alone valuation premise is used when the non-financial asset provides maximum value through its use (e.g an investment property, equity security, an intangible asset) (KPMG 2011, 12).

3.3 Valuation techniques

Three classes of valuation techniques are as below:

**Market approach**, as defined in IFRS 13, is “a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or group of assets and liabilities such as business”. Examples are market multiples derived from comparabl transactions (EBITDA or revenue multiples) and matrix pricing (Ernst & Young 2012, 116).
IFRS 13 defines **income approach** as “valuation techniques that convert future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.” Examples are multiple-period excess earnings method, relief from royalty method and with-and-without method (PwC 2011, 16).

IFRS 13 defines **cost approach** as “a valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).” This technique is commonly used to measure fair value of tangible assets, such as plant or equipment.

The nature of the characteristics of the asset or liability being measured and the availability of observable market prices provides the rationale for choosing single or multiple valuation technique for fair value. For instance, market approach is preferred to measure financial asset or liability based on quoted price in active market such as London Stock Exchange or NASDAQ. On the other hand, multiple valuation techniques are deemed appropriate, like in the case of estimating fair value of a business (using a combination of income approach and market approach) or measuring fair value for impairment of asset. It should be noted that the use of multiple valuation techniques would result in a range of possible value, which the entity should reasonably evaluate and choose a most representative point within the range for fair value in the circumstances.

In some potential occasions, IFRS 13.65 requires the valuation technique to be changed. These events might be:

- New markets develop,
- New information becomes available,
- Information previously used is no longer available,
- Valuation techniques improve, or
- Market conditions change
3.4 Fair value hierarchy

IFRS 13 emphasizes that valuation techniques used to measure fair value shall maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Meaning that it prioritizes the inputs used in the application of these techniques rather than valuation techniques themselves, unlike earlier separate existing IFRSs. The standard establishes a fair value hierarchy that categorizes the inputs used to measure fair value into three levels with Level 1 as the highest priority (most reliable) and Level 3 is given the lowest priority (least reliable).

**Level 1** are quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 1 is most commonly used to determine fair value for financial instruments. For example, the price for the financial asset or liability for the identical asset that is traded in active markets such as New York Stock Exchange. The standard stresses that there should exist the principal (or most advantageous) market which the transacting entity is able to access at the measurement date under the quoted price without any adjustment. However, some limited exceptions are also taken into consideration in case adjustment is more appropriate to execute. For instance, alternative method such as matrix pricing (that does not rely solely on quoted prices) can be applied for the entity’s own interest if the entity holds a large number of similar assets or liabilities that are measured at fair value and a quoted price is available in active market but not readily accessible for each of these assets or liabilities individually. Considering these limited circumstances, it is very important to keep in mind the standard’s notes that ”any adjustment to the quoted prices will result in the fair value measurement being classified into a lower level (2 or 3) of the fair value hierarchy as explained further below.” (KPMG 2011, 29.)

**Level 2** are inputs rather than quoted prices included in level 1 that are observable for the asset or liability, either directly (mark-to-market) or indirectly (mark-to-model). Specifically, example of level 2 inputs, “received-fixed, pay-variable interest rate swap based on the London Interbank Offered Rate (LIBOR) swap rate. A Level 2 input would be the LIBOR swap rate if that rate is observable at commonly quoted intervals for substantially the full term of the swap.” (IFRS 13.B35.) May the adjustments to
level 2 take place, condition and location of the asset or liability on the measurement date and the volume and level of activity of the markets should be included. Besides, an adjustment that is significant to the fair value measurement may place the measurement in Level 3 in the fair value hierarchy.

**Level 3** are unobservable inputs for asset and liability. Examples are projected cash flows used in a discounted cash flow calculation or financial forecast. IFRS 13.B36 illustrates examples for Level 3 including one below:

“Three-year option on exchange-traded shares. A Level 3 input would be historical volatility, i.e., the volatility for the shares derived from the shares’ historical prices. Historical volatility typically does not represent current market participants’ expectations about future volatility, even if it is the only information available to.”

Best available information including the reporting entity’s own data shall be used to develop Level 3 inputs. In this sense, mark-to-model value is used which bases largely on the company’s own assumptions about pricing that market participants would expect to credit to asset or liability. Therefore, uncertainty regarding the subjectivity and biasness within Level 3 valuation is inevitable. However, as a matter of fact, Level 3 instruments comprise a very insignificant weight in total assets and liabilities measured at fair value as being shown in figure 6 below. Therefore, disclosure concern for Level 3 valuation can be alleviated remarkably.
Figure 6: Aggregation of fair value hierarchy—combines assets and liabilities in US and European financial institutions (Fitch Ratings 2008, 5)

To summarize the two sub chapters 3.3 and 3.4, figure 7 displays in a nutshell the selection of valuation techniques and fair value hierarchy according to IFRS.
3.5 Disclosures

The purpose of requirement for disclosures by IFRS 13 is to make public information about valuation techniques and inputs used to measure fair value and about the effects on profit, loss or other comprehensive income of recurring Level 3 fair value measurements.

A report by Bloomberg (2011, 3) summarized the requirement for the disclosure of additional valuation in details as follows:

- Fair value at the end of the reporting period
- Assets divided into cohorts
- Assets cohorts sub-categorized by fair value hierarchy
- Valuation technique used, changes to valuation techniques and the reasons
- Movement between different levels by asset cohort and the reasons (non-public entities don't have to report movements between level 1 and level 2)
- Level 2 observable input disclosure
- Level 3 unobservable input disclosure
• Level 3 narrative disclosure or tabular disclosure of other possible values of unobservable inputs
• Level 3 roll-forward analysis
• Liquidity disclosure
• Interest rate risk disclosure

As can be noticed from above, IFRS 13 requires entities to disclose the fair value hierarchy level in which each fair value measurement is categorized into classes of assets and liabilities. In order to group assets and liabilities into classes, entities are instructed to base on:

• The nature, characteristics and risks of the asset or liability, and
• The level of the fair value hierarchy within which the fair value measurement is categorized.

(IFRS 13.94)

From there, minimum disclosures are required for fair value measurements that are recognized in the statement of financial position after initial recognition. These disclosures are very extensive and distinctive between recurring fair value measurements (at the end of each reporting period) and non-recurring fair value measurements (only in some particular circumstances). (Ernst & Young 2012, 147-152.)

For financial instruments categorized at Level 3 in fair value hierarchy, quantitative sensitivity information is required to be disclosed. The sensitivity analysis requires the quantification of the effect, if significant, of changing on or more of the unobservable inputs. (Bloomberg 2011, 5.)

3.6 Arguments for and against Fair Value

The International Accounting Standards Board in 2011 noted that there were two dominant questions as to whether investors should be the primary audience for financial reporting and whether accounting standards should include a goal of financial stability (Shaffer 2011, 3). These two questions are linked directly to the current heating debates about fair value between the extreme polarity of supporters who encourage the implementation of fair value due to its relevance and reliability and dissidents who
blame on fair value for the recent financial crunch and strongly seek to restrict its use due to pro-cyclicality.

3.6.1 Arguments for fair value

At the never-ending trade-off between relevance and reliability of accounting information, a considerable amount of economists opines that fair value is the most preferred choice to pick up. Unlike historical cost accounting, which likely to demonstrate out-of-date information and doesn’t reflect the current market situation, fair value accounting is developed to portray the underlying economic position throughout some real time fluctuation of business cycle without outdated or “wishful-thinking” valuations.

Considering from the conceptual level to the mechanism and nature of fair value, it is claimed as the most useful market characteristics as far as measurement in financial reporting concerns in studies by Beatty, Chamberlain and Magliolo (1996, in Procházka 2011, 72). Referring back to the above paragraphs about fair value measurement, fair value is the market-based value, so it doesn’t need transaction to occur in order to recognize the change in value of assets or liabilities. As a result, fair value would generate a high level of relevancy and up-to-date information in the financial statements, which reflects the entity’s well being. Thus investors will be able to make informed decisions.

In addition, if applying fair value accounting, information between across different entities at different periods of time becomes comparable at ease rather than historical cost accounting method (Lefebvre et al. 2009, 18). Moreover, transparency is another added advantage to fair value. In the case of liquid market, observable inputs in trading market allow fair value to be evaluated accurately. Also both the rise and fall during the business cycle of an entity will be disclosed periodically for shareholders instead of being covered up, especially in bad time.

Fair value is claimed and accepted largely for as a valuable and practical accounting method for financial instruments so far. A very early study by Jones (1988, in Enahoro & Jayeoba 2013, 2-3) about the issues related to historical cost versus fair value in ac-
counting for financial instruments had reached some constructive conclusions. It stated that valuation issues have emerged critically following the strong growth in the diversity of financial instruments. Nevertheless, historical cost convention had fallen behind and no longer truly reflected the economic realities of complex instruments.

Emerson et al. (2010, 19) stated that fair value accounting could eliminate some of the motivations of managers towards earning management.

Regarding the melt down of financial system in 2008, the proponents of fair value insisted that financial reporting based on fair value is just a messenger that communicated the effects of bad decisions such as on granting subprime mortgages, credit default swaps, excessive debts, market speculation or sweeping the problems under the carpets that really triggered the crisis (Koonce, 2009). It is true that fair value is being applied more significantly in financial industry for banks, credit institutions, brokers rather than non-financial ones. Therefore, it doesn’t seem logical to accuse fair value of causing systematic risk in the market or the economic crisis as a whole. An empirical study by Khan (2010, in Procházka 2011, 83 ) proved that “the magnitude of stock price reactions to the relaxation of fair value accounting and impairment rules was positively related to (i) banks being less than ‘well-capitalized’; (ii) banks with more illiquid assets; and (iii) banks’ likelihood of being subject to other-than-temporary impairments related to the 2008-09 financial meltdown”. Meaning, in the case market prices slash, fair value just presents truthfully the negative reality of those entities who involve in speculation or harmful transactions and don’t hold for themselves healthy financial conditions. On the other hand, those survivors of the financial turmoil are the ones who manage their books appropriately and implement properly valuation measures and disclosures.

3.6.2 Critics against fair value

The first and foremost objection that the dissidents hold against fair value is procyclicality. The mechanism in which procyclicality most likely occurs and how it works are being explained by Procházka (2011, 80) in an economic review. Firstly, the credit financing business run by banks was frozen, customers’ confidence dropped, and private consumption tumbled led to market prices of financial instruments fall. As a consequence, banks and other financial institutions were required to impair the “infected”
assets and were forced to sell their assets in order to meet minimum capital requirements, which caused further impairments down to unrealistically low prices. Fair value model in forced sale thus deepened and amplified the “real” economic crisis. Since the financial downturn ignited in 2008, banks and financial institutions turn to fair value as the one to blame for their losses and underperformance (Lauz & Leuz 2010, 1). To stir up the procyclical problem of fair value with further arguments, Wallison (2008, in Procházka 2011, 73) strongly believed that fair value accounting has been the principal cause of an unprecedented decline in asset values; an unprecedented rise in instability among financial institution and it had to be banned or at least notably modified to ensure that it would report truly the stability of the entity.

Another argument against fair value points out that fair value concept is just theoretical because practically, there is no such efficient market with perfect information, risk aversion and liquidity. Fair value is highly reliable in the case of liquid market, however, it seems to raise some scepticism regarding its objectivity in the situation of non-liquid market. The reason is when there exists only unobservable inputs in the market conditions that are hard to measure (i.e. Level 3 in fair value hierarchy), the entity ought to rely on internal methods of calculations for value of assets or liabilities using internal data. Thus fair value under this circumstance is based on subjective assumptions, which may become a black-box tool for discretionary earnings management and manipulation (Ryan 2008, in Procházka 2011, 72).

3.7 Practical application of fair value in the International accounting standards

Fair value is being widely used in more than one hundred jurisdictions in the world, as a result of their adoptions to IFRS (IFRS Foundation, 2014). This subchapter will give an outline of the use of fair value in international accounting standards according to IASB after studying the content regarding IASs and IFRSs on IASPlus webpage by Deloitte.

Nowadays, fair value concept has been being applied in several accounting rules by IASB and IFRSs as follows:
• **IFRS 3 Business Combinations**: All assets acquired and liabilities assumed in a business combination are measured at acquisition-date fair value (IFRS 3.18). Regarding acquired intangible assets, fair value is used to recognize and measure in valuation assessment in accordance with the principles if it is separable or arises from other contractual rights. Non-controlling interest is measured either at fair value including goodwill, or at its proportionate share of the fair value of the acquiree’s identifiable net assets, exclusive of goodwill.

• **IAS 2 Inventories**: According to the standard, inventory is carried at the lower of cost or net realizable value. However, within its scope, IAS 2 does not apply to measurement of inventories held by producers of agricultural and forest products, minerals and mineral products (which are measured at net realizable value); and commodity brokers and dealers (whose inventories are measured at fair value less costs to sell). (IAS2.3)

• **IAS 16 Property, Plant and Equipment**: An item of property, plant and equipment should be initially recorded at cost. If an asset is acquired in exchange for another asset regardless of differences in nature, the cost will be measured at fair value (IAS 16.24). The standard permit the revaluation accounting model for assets at fair value, provided that fair value can be measured reliably (IAS 16.31).

• **IAS 18 Revenue**: Revenue arising from the ordinary operating activities of an entity (such as sales of goods, sales of services, interests, royalties and dividends) should be measured at the fair value of the consideration received or receivable. (IAS 18.9.)

• **IAS 40 Investment property**: Capitalized operating leases must be accounted for using fair value model. “Where a property has previously been measured at fair value, it should continue to be measured at fair value until disposal, even if comparable market transactions become less frequent or market prices become readily available.” (IFRS 40.55.)
• IAS 36 Impairment of assets: The standard applies to long-lived assets (i.e. land, building, machine & equipment) and intangible assets (i.e. good will, assets carried at revalued amounts under IAS 16 & IAS 38). The recoverable amount of the assets is determined based on fair value less costs of disposal or value in use.

• IAS 38 Intangible assets: Other than cost model, an entity can choose revaluation model where intangible assets may be carried at revalued amount (based on fair value) less any subsequent amortization and impairment losses (only if fair value can be determined by reference to an active market) (IAS 38.75). Intangible assets are also measured at fair value in the case of business combinations (IAS 38.35)

• IAS 17 Leases: For lessees, at commencement of the lease term, finance leases should be recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments (IAS 17.20). In sale and leaseback transactions that result in operating lease, fair value should be used to recognize the profit or loss of transactions.

• IAS 21 The effects of changes in foreign exchange rates: A foreign currency transaction should be recorded initially at the rate of exchange at the date of the transaction (IAS 21.21) Non-monetary items carried at fair value should be reported at the rate that existed when the fair values were determined.

• IAS 28 (2011) Investments in Associates and Joint-Ventures: The standard sets out guidelines about equity accounting methods for entities’ investments in associates or joint-ventures. If an entity meet the conditions for exemption from using basic principle of equity method, it can use fair value to measure the investments in accordance with IFRS 9 (IAS 28 (2011).18). For example, when an investment in an associate or a joint venture is held by, or is held directly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds.
• IAS 41 Agriculture: biological assets should be measured at fair value less costs to sell (unless fair value cannot be reliably measured) and agricultural produce should be measured at fair value less estimated costs to sell at the point of harvest. (IAS 41.12-13.) Fair value measurement stops at harvest.

• IAS 19 Employee Benefits: The standard applies to i.e. wages, salaries, termination benefits, medical & life insurance during employment. In that, benefit plans that are post-employment plans oblige the entity to provide agreed benefits to current and past employees and effectively places actuarial and investment risk on the entity. The fair value of any plan assets is deducted from the present value of the defined benefit obligation in determining the net deficit or surplus for the entity. (IAS 19 (2011).113.)

• IFRS 9 Financial instruments: IFRS 9 is a ‘work in process’ and will eventually replace IAS 39. According to the standard, all financial instruments are initially measured at fair value plus or minus, in the case of financial asset or financial liability not at fair value through profit or loss, transaction costs (IFRS 9, 5.1.1). Like US.GAAP, IFRS 9 also divides all financial assets into two classifications-those measured at amortized cost and those measured at fair value. All debt instruments must be measured at fair value through profit or loss except debt instrument following business model text and cash flow characteristics test.
4 The formation and development of fair value in Vietnam

4.1 Appearance and conceptualization of fair value in Vietnamese accounting system

The initiation of fair value in Vietnamese accounting system is not as early as in other parts of the world (i.e. fair value was introduced for the first time in the world in US GAAP in 1960). Nevertheless, considering that fair value already appeared in the first decision by the MoF for four official Vietnamese Accounting standards in 2001, it was quite a timely attempt. Specifically, in Decision No. 149/2001/QD-BTC of December 31, 2001: Promulgating and publicizing four Vietnamese accounting standards (phase 1), fair value was defined as “the value for which an asset can be exchanged or the value of a liability which may be settled voluntarily between knowledgeable parties in the par value exchange”. A year later, the MoF publicized the Decision No. 165/2002/QD-BTC (2002) promulgating another six accounting standards also repeated identically the above-mentioned definition of fair value. However, not referring to it as “fair value”, the Vietnamese authority interpretes the term into something rather similar called “reasonable value” in all of its official publications, and utilizes ”reasonable value” consistently in every applicable Vietnamese accounting standards instead. Having said that, “fair value” is still being preferred in majority of translated versions for documents, press media, journals and articles related to VAS nationwide. Thus, in order to avoid confusion and ensure the consistency of the report, the term “fair value” will be used for quoting and discussing about fair value under VAS and guidances of MoF for the rest of this report.

In the further amendment written in the Circular No. 105/2003 TT-BTC (2003), the definition of fair value was slightly changed to be “the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm’s length transaction”. Nevertheless, this concept stays unadjusted ever since even MoF just issued the latest guidance Circular No. 210/2009/TT-BTC about presentation and disclosure of financial instruements in 2009.
This version is identical to the previous definition that is no longer used by IASB for fair value. The rationale for IASB to change is given by the weaknesses of this definition (also discussed in section 3.1 about fair value definition):

- The definition doesn’t specify whether an entity is buying or selling the asset because it’s consistent with either entry value (buying price) or exit value (selling price).
- It is ambiguous about whether it’s market-based measurement, what the market place is and whether the price is adjusted accordingly with the current market price
- It does not clarify the relationship of the parties participating in the transaction, whether they are related or not.
- It doesn’t explicitly express when the exchange or settlement happens.

Although the fair value definition has been updated and applied by IASB for several years now, the old version of it is still valid in Vietnam and yet there is no signs of revising it any time soon.

The establishment of fair value was further mentioned in Circular No. 23/2005/TT-BTC, Circular No. 89/2002/TT-BTC and Decision No.234/2003/QD-BTC. Nevertheless, fair value has been only specified in decisions and circulars for accounting standards from 2001 up to 2005. It has yet neither stated in accounting law nor been supplemented with any additional features, usage, and measurements.

4.2 How to determine fair value according to Vietnamese accounting standards?

Up to present, there is no written guidance regarding how to measure fair value in the Vietnamese Accounting System. However, paragraph 24 of VAS 04 Intangible fixed assets referring to assets formed from the process of enterprise merger of re-purchase character stated, fair value might be:

- The price posted up on the operating market;
- The price of the operation of trading in similar intangible fixed assets.
In case the operating market for assets is not available, the value of intangible fixed assets shall be equal to the amounts the enterprise should have paid on the date of purchase, provided that the operation is carried out objectively and reliably (VAS 04. 25)

4.3 **Fair value in specific Vietnamese Accounting Standards**

This subchapter will give a gist of the current application of fair value in some specific Vietnamese accounting standards. The information presented here is based on five Decisions of promulgating twenty six Vietnamese accounting standards by MoF Vietnam and Vietnamese-to-English translated version of some Vietnamese accounting standards on Webketoan library that are not provided by MoF.

a) VAS 03 Tangible fixed assets

Initial recognition: Tangible fixed assets must have their initial value determined according to their historical cost. Fair value is used to determine historical costs of tangible fixed assets in the cases:

- Tangible fixed assets purchased in the form of exchange
- Tangible fixed assets donated or presented

After initial recognition: After initial recognition, during their use process, tangible fixed assets shall be determined according to their historical costs, accumulated depreciation and residual values.

b) VAS 04 Intangible fixed assets

Initial recognition: Intangible fixed assets must have their initial value determined according to their historical cost. Historical cost is determined according to fair value in the following cases:

- When purchasing separate intangible assets, if an intangible fixed asset is formed from the exchange involving payment accompanied with vouchers related to the capital ownership of the establishment
• When purchasing intangible fixed asset through enterprise merger of re-purchase character

• When intangible fixed asset is allocated by the stated, donated or presented

• When purchasing inform of exchange for dissimilar intangible or another asset

After initial recognition: in their use process, the intangible fixed assets shall be determined according to their historical cost, accumulated depreciation and residual value.

c) VAS 14 Revenue and other incomes

Turnover is determined according to the fair value of received or receivable amounts in the following cases:

• In transaction between the enterprise and the asset user, turnover is determined as fair value of received or receivable amounts minus trade discount, payment discount, reductions in the price of goods sold and value of returns of goods sold if stated under the agreement

• In exchange of goods or services for goods or services of dissimilar nature and value, turnover shall be determined as fair value of the received goods or services after adjusting cash amounts or cash equivalents additionally paid or received. If not possible, turnover shall be determined as equal to the fair value of the exchanged goods or services, after adjusting cash amounts or cash equivalents additionally paid or received.

d) VAS 06 Leases

Where the lease contract contains the provision on the lessees right to purchase the leased asset at a price lower than the fair value on the date of purchase, the minimum lease payments (for both lessor and lessee) shall include the minimum payment inscribed in the contract for the lease term and the payment required for the purchase of such asset.

At the commencement of a financial lease, the lessee will recognize the financial asset as an asset or liability with the same value equal to the fair value of the leased asset,
provided that the price of the leased asset is lower than the fair value

Fair value is used in recognition of operating leases in sale and leaseback transactions

e) VAS 10 Effects of changes in foreign exchange rates

Initial recognition: A foreign currency transaction must be accounted and initially recognized in the accounting currency by applying the exchange rate between the accounting currency and the foreign currency on the date of the transaction. The exchange rate on the date of the transaction will be regarded as spot exchange rate.

Reporting on balance sheet date: Non-monetary items determined according to the fair value in foreign currencies must be reported at the exchange rate on the date of determination of the fair value.

Each item in the financial statements of overseas activities will be converted like transactions of overseas activities conducted by the reporting enterprises. The historical costs and depreciation of fixed assets will be converted at the exchange rate on the date the assets are purchased. If the assets are calculated according to their fair values, such fair values are determined will be used.

f) VAS 11 Business combinations

In case of difficulty in identifying an acquirer, fair value might be used as indication in the sense that between the two combining entities; the one who owns remarkably greater fair value is likely to be the acquirer.

The acquirer shall measure the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed. The published price at the date of exchange of a quoted equity instrument provides the best evidence of the instrument’s fair value and shall be used, except in rare circumstances.

Good will acquired in business combinations shall be initially recognized at its cost, and is amortised over its estimated useful life of no more than 10 years after the date of acquisition. Good will is not subject to impairment review.
4.4 Comparison of fair value between IAS and VAS

After studying the application of fair value in International accounting standards and Vietnamese accounting standards, table 3 below is created to compare the scope of fair value usage between the two accounting systems.

Table 3. Comparison of fair value between IAS and VAS

<table>
<thead>
<tr>
<th>Standard</th>
<th>IAS</th>
<th>VAS</th>
</tr>
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<tbody>
<tr>
<td><strong>Tangible fixed assets</strong></td>
<td>- Initial recognition at cost (except when an asset is acquired in exchange for another asset, fair value is recorded)</td>
<td></td>
</tr>
<tr>
<td>VAS 03 vs. IAS 16</td>
<td>- Assets can be re-valued and measured at fair value</td>
<td>- Initial recognition at cost (except when asset is donated, presented or purchased in the form of exchange, fair value is used)</td>
</tr>
<tr>
<td></td>
<td>- After initial recognition: assets are carried at cost less accumulated depreciation or at fair value</td>
<td>- Assets cannot be re-valued</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- After initial recognition: measured at cost less accumulated depreciation</td>
</tr>
<tr>
<td><strong>Intangible fixed assets</strong></td>
<td>- Initial recognition at cost (except when assets are acquired in business combinations, fair value is used)</td>
<td>- Revaluation or write down for impairment is not allowed</td>
</tr>
<tr>
<td>VAS 04 vs. IAS 38</td>
<td>- Assets can be re-valued at fair value</td>
<td>- After initial recognition: assets are measured at cost less accumulated amortisation and impairment losses or fair value</td>
</tr>
<tr>
<td></td>
<td>- After initial recognition: assets are carried at cost less accumulated amortisation and impairment losses or fair value</td>
<td></td>
</tr>
<tr>
<td><strong>Revenue and other incomes</strong></td>
<td>- Revenue arising from the ordinary operating activity is measured at fair value</td>
<td>- Revenue is recorded at fair value of receivable amounts minus trade discount, payment discount if stated under the trade agreement</td>
</tr>
<tr>
<td>VAS 14 vs. IAS 18</td>
<td></td>
<td>- Turnover is recorded at fair value in exchange of goods or services of dissimilar nature or value</td>
</tr>
<tr>
<td>Business Combinations</td>
<td>VAS 11 vs. IFRS 3</td>
<td></td>
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<tr>
<td>-----------------------</td>
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<td></td>
</tr>
</tbody>
</table>
| - All assets acquired and liabilities assumed in a business combination are measured at acquisition-date fair value.  
- Non-controlling interests (i.e. good will) are measured according to fair value |
| - Assets given and liabilities assumed are measured at acquisition-date fair value  
- Good will is initially recognized at its cost, and is amortized over its estimated useful life of no more than 10 years after the date of acquisition |

<table>
<thead>
<tr>
<th>Effects of changes in foreign exchange rates</th>
<th>VAS 10 vs. IAS 21</th>
</tr>
</thead>
</table>
| - Initial recognition: at the rate of exchange at the date of the transaction  
- Non-monetary items carried at fair value should be reported at the rate on the date of determination of the fair value |
| - Fair value is used in recognition of operating leases in sale and leaseback transactions |

Up to date, there are no existing VAS equivalent to IAS 36, IAS 41, IAS 19, IFRS 9, IFRS 13, so fair value cannot be compared in this case. VAS 05 Investment property is quite similar to IAS 40 except the fact that fair value measurement is prohibited and investment property can only be carried at cost minus accumulated depreciation. (PwC 2008b, 24.) Under VAS 07 Investment in associates and joint ventures, investment is accounted for at historical cost on the separate financial statements of the investors (PwC 2008b, 22), whereas, in many exceptional cases, investment is measured at fair value in accordance with IFRS 9.

In a nutshell, it can be inferred that fair value is not considered and treated as an independent value in Vietnamese accounting system. Meaning that when applicable, fair value is utilized to determine the historical cost in some particular cases because it is used to record value in initial recognition but not after initial recognition. So basically, the goal of recording and presenting the value of assets/liabilities according to market changes in balance sheet or financial statement at the end of fiscal year is not yet achieved. (Le, T. 2005, 36.) Furthermore, requirements for the usage of fair value is unsystematically and scatterly referred to in different standards (Le, T. 2005, 37). This has further strengthened the dominant rule of historical cost across Vietnamese accounting standards following the general framework: “Assets must be recognized according to their historical cost.” (VAS 01 General framework.) This historical cost of
an asset shall be calculated according to the cash amount or cash equivalent already paid or to be paid, or according to the reasonable value of the asset at the time the asset is recognized (VAS 01 General framework). The assets’ historical costs must not be modified except otherwise prescribed in specific accounting standards.
5 Research methodology

5.1 Research design

Saunders et al. (2009, 139-140) classify research studies into three types depending on the purposes, scope and nature of the researches as follows: exploratory, descriptive and explanatory studies. Exploratory research is carried out to find out “what is happening; to seek new insights; to ask questions and to assess phenomena in a new light” (Robson 2002, 59, in Saunders et al. 2009, 139) and the research problem is unstructured. The key characteristic of this approach is that it is flexible and adaptable to change as the conduct of the research comes along (Saunders et al. 2009, 140). Descriptive research on the other hand focuses on describing the characteristics of a population, a phenomenon, events or situations without digging deep to figure out why and how it might happen. Characteristics of descriptive research are structured, precise rules and procedures (Ghauri & Gronhaug 2005, 59). Description in management and business research is viewed as a precursor to explanation, thus named as “descripto-explanatory studies” (Saunders et al. 2009, 140). This thesis research will take the form of “descripto-explanatory studies”. Finally, explanatory (casual) research deals with “cause-and-effect” problems and explain the relationship between variables.

5.2 Research method

Saunders et al. (2009, 151) mentioned two common-used research methods in business and management research are quantitative and qualitative method. Quantitative method gives the researcher the opportunity to confirm his hypotheses on a large scale of population by utilizing highly structured data collection techniques (i.e. questionnaire, structured observation) and quantifying the variation into numerical data format (i.e. statistics, graphs). In contrast, qualitative method studies smaller population in order to explore the phenomena, describe and explain the relationship between variations. It uses semi-structured method of collecting and analysing textual data (obtained from audiotapes, field notes) through in-depth focus-groups interviews, participant observations.
Saunders et al. (2009, 151-155) have based on the research choice to group research methods into two including mono method and **multiple methods** (including multi-method and mixed-methods) depending on whether the researcher uses only one or more than one data collection technique and analysis procedures. Advocates for employing multiple methods in research include Tashakkori and Teddlie (2003, in Saunders et al. 2009, 153). They argue that this approach will help the researcher to better answer the research questions and at the same time benchmark the findings so that the results can be trusted and valid.

Therefore, after many thoughts, mixed-methods approach, which uses both quantitative and qualitative data collection techniques and analysis procedures, is applied in this thesis research. However, quantitative method is the one that predominates and accounts for majority of the ultimate results of this thesis research. The survey research will help to find the frequency and relationships between psychological and sociological variables (i.e. those that related to attitudes, opinions, preferences) (Salkind 2014, 270). Qualitative method in this case is the analysis of the answers that the respondents give for a very important open-ended questionnaire in the surveys. Thanks to this, the researcher will have a real insight look into the issue and explore the qualitative side of the two final research questions: “What are the attitude of Vietnamese accounting professionals towards fair value?” and “What challenges would Vietnamese authority have to face in the process of introducing and implementing fair value into the current accounting systems?” Figure 8 below illustrates the research methodology and tools to conduct this thesis:
According to Ghauri and Gronhaug (2005, 52), the aim of **literature review** is to help the researcher to access to rich database and gain an insight into previous related studies. This research goes in the direction of deductive approach in which theoretical framework is developed before being tested using data collection. Literature sources used within this thesis comprise of primary and secondary sources. Primary literature sources are the first occurrence of a piece of work. Conference proceedings, Vietnamese government planning papers, thesis and reports are collected in this thesis. Secondary literature sources are subsequent publications of primary literature (Saunders et al. 2009, 69). In this case, academic and professional journals, books, newspapers and Vietnamese government publications are utilized.

Due to the fact that this is a descripto-explanatory research and geographical challenge, online questionnaires are to be used to identify and describe the variability (i.e. attitude, opinions) in different phenomena. Internet-mediated questionnaires are accordingly designed and created on Webropol survey platform for respondents to complete.

This research undertakes the descripto-explanatory research approach to describe the attitudes of the Vietnamese accounting professionals towards the potentials and challenges of applying fair value in the current accounting system. The subject of the re-
search is the Vietnamese accounting professionals including representatives of accountants, auditors, consultants and academic professors.

5.3 The survey

This sub chapter is dedicated to demonstrate the structure of the quantitative data collection method in details. The population of interest for this particular research is Vietnamese accounting professionals. To clarify this term, the study aims at people practicing accounting or accounting-related in their daily job and higher-education educator who teach accounting-related subjects. Explicitly they are accountants, auditors, controllers, financial analyst, tax specialist, financial/accounting consultants, professors, and lecturers.

A cover letter with a link to the survey in Vietnamese version is sent out to personal email of every participant (questionnaire and cover letter can be referred from attachment 2). Witmer et al. (1999) explained that this will offer great control and confidence that right person responses to the survey because most people read and respond to their own mail at their personal computer (in Saunders et al. 2009, 363). The cover letter explains the nature of the research, who is eligible to answer and invites the participants to join the survey. The flow of questions is carefully taken into considerations so that it will be interacting and logical enough to encourage the respondents to complete the survey. The survey uses different kinds of questions (i.e. open questions, list questions, category questions, rating and ranking questions) and it takes on average 10-15 minutes to response. Key questions are set as mandatory to ensure the consistency and accuracy of answers given. The questionnaire comprises of total 19 questions, which can be divided into three parts.

The first part covers questions from 1 to 13. The intention is to identify demographic profile of the respondents and their organizational structure (industry, size, ownership) and to evaluate the familiarity of the respondents with fair value. The “catch-all” feature of “other” is provided in some questions to allow respondent to add their own choices. The rationale for having quite many background questions is to verify the eligibility of the respondents and to support for the further explanation of the link be-
tween their background and qualification and the perception and acceptance towards fair value.

The second part includes two ranking questions 14 and 15. This is to test how fair value’s benefits and drawbacks in the context of Vietnamese accounting system are perceived by the respondents. Responses gathered from these questions will be used as a main basis to answer research question number 3, which is raised in section 1.2.

The last part comprising of questions 16-19 is to discover the challenges that Vietnamese authority and enterprises would encounter in the process of developing fair value under the viewpoint of accounting professionals. Responses through ranking, rating questions and written answers for open-ended question are quantified and qualitised analytically to provide answers for the final research question number 4 mentioned in section 1.2.

The choices of each question in the questionnaire were generated after diligently studying the literature review. The language of the questionnaire, as earlier mentioned, is Vietnamese in order to make sure the respondents understand the content and accounting terminology in Vietnamese correctly. However, an English version of the questionnaire will be translated with care for the purpose of the thesis report. Webro-pol platform is used as a survey platform to design the questionnaire, spread out the surveys to participants. It also possesses a handful of practical functions to administrate the survey such as monitoring the answering process of respondents, scheduling follow-ups, reminders, forming basic reports with graphics and statistics. Subsequently, the survey was sent out to some college friends and people with accounting specialization for pilot testing. The purpose is for the researcher to refine the questionnaire so that the respondents won’t have any problem in answering the questions and therefore to be able to avoid problems in recording data (Saunders et al. 2009, 394). After receiving feedbacks, the questions were altered accordingly and ready to publish.

The link to the survey was generated and enclosed in an email to every potential participant. The sample size of the population investigated is 270 and is divided into two subgroups including 170 professional accountants/auditors and 100 educators (profes-
sors/lecturer teaching accounting-related subjects at universities). The mailing list of 90 professional accountants/auditors is captured from the list of members of Vietnamese Association of Public Accounting Practice (VAPAP). VAPAP was formed in 11th December 2012 as part of Vietnam Association of Accountants and Auditors (VAA). Individual members of VAPAP have to be in high position of their accounting profession and possess Accounting Proactising Certificate (APC) or Auditor Certificate (KTV) awarded by the Ministry of Finance and are working for accounting and auditing firms operating in Vietnam such as Ernst and Young, Mazars Vietnam, KSC Ltd Vietnam, Mirai Accounting Ltd Vietnam. Other 80 professional accountants/auditors selected are members of ACC Accounting Association (Ha Dong, Hanoi) and Association of Accountants in Da Nang. They are local associations for accountants who are practicing their profession in the area of Ha Dong, Hanoi capital city and Da Nang city. The list of 100 accounting educators is gathered from official lists of professors and lecturers in accounting teaching department of four universities across Vietnam including Ho Chi Minh University of Economics, Banking Academy Hanoi, Hoa Sen University and Ton Duc Thang University. The time period reserved for answering the questionnaire is one and a half month (from February to March 2014). Within this time, reminders were sent two times for respondents who have not participated in the survey within the first month and last reminders were sent one week before closing the survey. The respondents are anonymous. The netiquette is cautiously taken into account in this case to respect the respondents’ privacy.

5.4 Data analysis

Analysis for primary data collected from the survey is done with the help of statistical analysis tools of Microsoft Excel and Webropol. After the survey is closed, the reporting function in Webropol is utilized to generate a basic report responses to each question by the survey participants with charts, numbers and words. In addition, it gives a statistical overview about information such as the mean, average, confidence interval, standard deviation and correlation. The Webropol Insight tools are used to examine the correlation between the target question and each questions, compare how the defined groups answered to questions and predict how various questions relate to the target question that the researcher wants to study. The results are transferred to Mi-
crosoft Excel and handled further until the final findings are reached. Explanations and illustration of the findings in the empirical study will be presented in chapter 6.
6 Results

Following the research methodology above, this chapter will continue the empirical part of the research by presenting the results of the data collection process. It starts off by summarizing the survey response and introducing the demographic profiles of the respondents. After that, main findings will be talked through in details.

6.1 Survey responses

As described above in sub chapter 5.3, the questionnaire is Internet-mediated and sent out to 170 professional accountants and 100 accounting-related educators in total. The responses are all, fortunately, usable and in good quality (meaning that majority of the participants answer to most of the close and open questions with details). Some of the respondents even sent personal email to provide further information, discuss and request for the final thesis report once it’s done for their future researches and references. Table 4 shows the sample size and response rate of the survey. Specifically, 14.7% are professional accountants and 18% are lecturers or professors at university. On average, it makes up a total of 16% response rate for this survey. This is considered a good response rate according to Saunders et al. (2009, 364) because the likely response rate for Internet-mediated questionnaires is usually 11% or lower.

Table 4. Sample size and response rate

<table>
<thead>
<tr>
<th>Accountant sub-group</th>
<th>Questionnaires</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sent</td>
<td>Returned</td>
</tr>
<tr>
<td>Group 1: Accountants/Auditors</td>
<td>170</td>
<td>25</td>
</tr>
<tr>
<td>Group 2: Academics</td>
<td>100</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>270</td>
<td>43</td>
</tr>
</tbody>
</table>

6.2 Demographic profiles of respondents

This sub chapter will concentrate on presenting the descriptive statistics about the demographic profiles of participants in the survey. Questions were asked to acquire information to describe characteristics of respondents (i.e. age, qualification, professional
membership, role, position) and characteristics of the respondents’ working environment (i.e. work experience, industry, ownership and employees).

Generally speaking, the survey was able to capture the interest of people at all different age groups. As can be seen from Table 5 below, majority of the people taking the survey is relatively young with 40% of them at the age ranging from 21-30 and 35% are between 31-40 years old. The level of concern about this topic tends to decrease gradually as the aging level increases. Three remaining groups of participants, whose age are over 40 years old, make up 25% of survey respondents.

Table 5. Demographic profiles of the respondents (n=43)

<table>
<thead>
<tr>
<th>Characteristics of respondents</th>
<th>Frequency</th>
<th>Percent</th>
<th>Characteristics of respondents' workplace</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ages</td>
<td></td>
<td></td>
<td>Working experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21-30</td>
<td>17</td>
<td>39.5</td>
<td>Less than 1 year</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>31-40</td>
<td>15</td>
<td>34.9</td>
<td>1-5 years</td>
<td>12</td>
<td>28</td>
</tr>
<tr>
<td>41-50</td>
<td>6</td>
<td>13.9</td>
<td>6-10 years</td>
<td>9</td>
<td>20.9</td>
</tr>
<tr>
<td>51-60</td>
<td>3</td>
<td>7</td>
<td>11-15 years</td>
<td>10</td>
<td>23.2</td>
</tr>
<tr>
<td>Over 60</td>
<td>2</td>
<td>4.7</td>
<td>16-20 years</td>
<td>4</td>
<td>9.3</td>
</tr>
<tr>
<td>Qualification</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vocational tertiary education</td>
<td>1</td>
<td>2.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelor degree</td>
<td>19</td>
<td>44.2</td>
<td>Finance</td>
<td>16</td>
<td>37.2</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
<td>Manufacturing</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Master degree</td>
<td>17</td>
<td>39.5</td>
<td>Services</td>
<td>5</td>
<td>11.6</td>
</tr>
<tr>
<td>Doctoral degree</td>
<td>3</td>
<td>7</td>
<td>Retail</td>
<td>1</td>
<td>2.3</td>
</tr>
<tr>
<td>ACCA or CPA</td>
<td>3</td>
<td>7</td>
<td>Education</td>
<td>14</td>
<td>32.6</td>
</tr>
<tr>
<td>Professional membership (n=42)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VACPA</td>
<td>4</td>
<td>9.5</td>
<td>Government</td>
<td>1</td>
<td>2.3</td>
</tr>
<tr>
<td>VAA</td>
<td>13</td>
<td>31</td>
<td>Healthcare</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>ACCA</td>
<td>1</td>
<td>2.4</td>
<td>Telecommunication</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>CPA</td>
<td>2</td>
<td>4.7</td>
<td>Other (please specify)</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>VAPAP</td>
<td>3</td>
<td>7</td>
<td>100% state-owned enterprise</td>
<td>7</td>
<td>16.2</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>16.3</td>
<td>Limited liability company</td>
<td>9</td>
<td>20.9</td>
</tr>
<tr>
<td>None</td>
<td>19</td>
<td>45.2</td>
<td>Partnership</td>
<td>8</td>
<td>18.6</td>
</tr>
<tr>
<td>Role</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditor</td>
<td>6</td>
<td>13.9</td>
<td>Private enterprise</td>
<td>2</td>
<td>4.7</td>
</tr>
<tr>
<td>Accountant</td>
<td>13</td>
<td>30.2</td>
<td>Joint-venture</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>4.7</td>
<td>100% foreign-owned enterprise</td>
<td>2</td>
<td>4.7</td>
</tr>
<tr>
<td>Other</td>
<td>12</td>
<td>28</td>
<td>Other (please specify)</td>
<td>12</td>
<td>28</td>
</tr>
<tr>
<td>Academics</td>
<td>18</td>
<td>41.9</td>
<td>Employees (n=42)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultant</td>
<td>4</td>
<td>9.3</td>
<td>Less than 20</td>
<td>7</td>
<td>16.3</td>
</tr>
<tr>
<td>Position</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Junior</td>
<td>20</td>
<td>46.5</td>
<td>20-50</td>
<td>9</td>
<td>20.9</td>
</tr>
<tr>
<td>Senior</td>
<td>5</td>
<td>11.6</td>
<td>51-100</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Team leader</td>
<td>0</td>
<td>0</td>
<td>101-200</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Manager</td>
<td>7</td>
<td>16.2</td>
<td>201-500</td>
<td>4</td>
<td>9.3</td>
</tr>
<tr>
<td>CEO</td>
<td>5</td>
<td>11.6</td>
<td>Over 500</td>
<td>16</td>
<td>37.2</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>6</td>
<td>13.9</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Regarding qualification, except only one person with vocational education, all of the respondents are well-qualified for their jobs with 44% at undergraduate level, 40% at graduate level and 7% each have doctoral degree, ACCA or CPA (see attachment 3).

More than half of the accounting professionals in this survey are members of one or more accounting associations authorized by MoF Vietnam or international level such as ACCA and CPA. Some of them subscribe to other local associations for accountants such as ACC Ha Dong and Da Nang Association of Accountants. Precisely 45% of the rest of the respondents are not active in any professional accounting body (see attachment 4).

As being said, the research focuses on studying two sub-groups of (1) professional accountants and (2) academics (as shown in figure 9 below). Sub-group 1 accounts for 68% of the participants, they are accountants, auditors, consultants, treasurers, bank employees and assistant controller. The remaining 42% is sub group 2 of academics (lecturer or professors) in department of accounting and auditing at universities.

![Job titles of the respondents](image)

Figure 9: Job titles of the respondents (n=43)

The large number of the participants hold a junior position in the company, following by managers, CEO, senior and other (associate, partners, contractor) respectively (see attachment 5). This has a positive correlation coefficient with the working experience.
The result indicates that the people working in a variety of industry, coming from all types of sizes and ownership of businesses (see attachment 6). However, finance and education are dominant in industry part. Also majority is working for joint-stock company, Limited liability company, 100% state-owned enterprises and partnership. Minority are working in securities corporations, wholly foreign-owned enterprises (WFOE) and joint-ventures.

6.3 Familiarity of the respondents with fair value

After nine questions to help defining the characteristics of the respondents, the next four questions are brought up to test the familiarity of the respondents with fair value and to get a gist of the current situation of the accounting systems in the company or organization that they are working for.

First off, it was without a surprise that out of 40 people answering to question number 10 regarding adoption of IFRS, 90% reported that their companies are not using IFRS in financial report making process. Two only companies who are applying IFRS are a joint-venture and a WFOE company.

Question number 12 asks whether the participants are aware of the fair value requirement in some standards of Vietnamese accounting system or not. The response is relatively positive when 80% said that they know about it. However, close to 20% (8 people) are oblivious about fair value in VAS (displayed in figure 10 below). A comparison was made between different age group, qualification, role and experience to find out who they are. Six out of those eight people are accountants/auditors/associate, at the age between 21-30, in junior position and acquire highest qualification of bachelor degree and vocational tertiary education. One participant who doesn't know about fair value in VAS is a senior accountant with more than 20 years of experience, over 60 years old and work in a small limited liability company. The last one is the only one in the academic sub group that doesn’t know about the existence of fair value in VAS. He is surely well-informed of fair value according to IFRS (as explained in question 19), is equipped with a master degree and has been lecturing at university for more than 6 years, but stated unaware of fair value in VAS. Generally speaking, fair value in VAS is
well acknowledged among the accounting community, especially the academic sub group. However, some still doesn't recognize it in VAS for some reasons, probably because of education or working experience for instance.

![Figure 10: Awareness of professional accountants about fair value in VAS (n=43)](image)

Following, question 13 discovers how familiar the respondents are with the concept of fair value. As expected, the result illustrated in figure 11 shows that there is obviously a confusion between fair value as market value or current cost by both accountants and academics groups. A total of 65% of respondents, equally in both sub groups, understand correctly that fair value is basically market price. This leaves almost 19% of others mistaken it with current price and the other 16% assume that fair value is either net realizable value or present cost (some didn't give detailed answers for their choices) despite the facts that many among them know about fair value in VAS. Hence, it can be presumed that the weakness of the outdated fair value concept by VAS and lack of instructions how to measure fair value might be the reasons behind this misinterpretation by some participants.

![According to you, fair value is?](image)
Open question number 11, regarding some possible hindrances posed by the current accounting system in recording the true value of assets or liabilities according to changes in economic market, receives 20 replies. Half of those believe that the current accounting system does its job and having no problems in recognizing value of assets or liabilities. One senior professor at a state university, also VAA member noted that the value for assets and liabilities doesn’t change and provisions for credit risks and other assessment are imposed by regulation from higher authority. Some other opinions expressed that the problems are trivial, but the important thing is the perceptions and awareness of the authority towards these issues. On the other hand, well over a third of the respondents pointed out that the accounting system dominantly based on historical cost has its disadvantages of (i) not reflecting the real assets’ value along with the changes of market conditions and (ii) creating issues related to earning management (but some refused to reveal further). Furthermore, a senior accountant from a large finance company expressed that principally speaking, accounting to revalue the assets or liabilities align with market changes is not relevant and applicable to normal enterprises (those do not belong to securities and credit institutions). More or less, it depends on the volunteer of enterprises to do so.

6.4 Main findings

The main findings for this research are derived from answers for the last five questions of the survey. Questions 14, 15 and 16 ask about the viewpoint of the participants towards the benefits, drawbacks and challenges of fair value in the case of Vietnam. They offer ranked answers with numerical scale, so accordingly the same scale is used as code when analysing these primary data. The answerers are allowed to choose a number for their answers’ choice (it can be more than once if they find necessary to do so). For example, reliability and comparability can be ranked at level 5 at the same time.
6.4.1 Perceptions of Vietnamese professional accountants about advantages of applying fair value

The scatter chart expressed in figure 12 illustrates the pattern of how the answerers rank the advantages of fair value if it is to be applied in VAS. As can be seen, gaining better access to global market stands out as the most beneficial point of fair value in the case of Vietnam according to 17 out of 43 respondents, and it is also highly appreciated overall with relatively high ranking. Followings, roughly 10 people each vote for comparability nature, better quality than historical cost and increasing investor's confidence as the strongest point of fair value. Transparency and increasing relationship with creditors feature share the same pattern and lie in the middle range of ranking. On the other hand, reliability and understandability are the least appreciated advantages of fair value among all.

![Figure 12: Perceptions of professional accountants about advantages of applying fair value in VAS (n=43)](image)

6.4.2 Perceptions of Vietnamese professional accountants about disadvantages of applying fair value

With respect to perceptions of the disadvantages of applying fair value in VAS, the distribution of preference in choices is rather distinctive in every level (see figure 13 below). From the most disadvantageous level (level 8) perspective, majority (38 out of 56 votes) agree on four factors evenly that it might be too complicated to implement (especially for SMEs), too hard for majority of the current financial users to under-
stand, or it might pose pro-cyclicality risks, or it could be intervened strongly by the government. However, the strongest emphasis is placed on the risks of pro-cyclicality and earning management. The middle ranking from 4 to 6 level is dominated by support for the ideas that applying fair value could be time-consuming, lack of objectivity, hard to understand or be challenged by the government intervention. The least disadvantageous level from 1 to 3 clearly goes for the options saying that Vietnam doesn't need fair value at the moment and fair value is not yet accepted and converged globally. From this result, it can be assumed that the Vietnamese accountant community feels the needs of having fair value in the national accounting system and support for its use.

Figure 13: Perceptions of professional accountants about disadvantages of applying fair value in VAS

### 6.4.3 Perceptions of Vietnamese professional accountants about challenges of applying fair value

Question 16 concerns the respondents' thoughts of challenges that Vietnamese government and enterprises might face on the way to develop and implement fair value in the national accounting system. From figure 14, it can be seen that the accountants are aware of the difficulties and tend to rank them in a high level. Cost of training and educating staffs is considered as the most formidable challenges, following closely by the attitude of accountants, investors and companies towards changes; and the requirement to update IFRS standard. The academics sub group largely agree on the fact that
there is very limited coverage of fair value topic in university. Lastly, the reluctant reception from public and updating IT system are seen as least challenging to overcome.

![Graph showing the ranking of challenges of applying fair value in VAS](image)

Figure 14: Perceptions of professional accountants about challenges of applying fair value in VAS

### 6.4.4 Opinions of professional accountants about future of fair value in Vietnam

Question 17 and 18 were asked to get the opinions of the accounting professionals about the chances of applying fair value and possible impact of fair value in their organization. Figure 15 is the pie chart that displays the proportion of answers for question 17. Well over 40% of the participants are positive about their companies' willingness to put fair value into effect. Whereas 30% say no to this possibility and nearly other 30% are unsure, which doesn't make it seem optimistic.
Despite of that, 66% believe if being implemented, fair value would bring a positive effect for the organizations. Very little as 10% think it might be adverse and 24% expect no changes or impact on their companies with the contribution of fair value (see figure 16 below).

The open-ended question number 19 concerning the stance of the Vietnamese accountant community on the future of fair value in the Vietnamese accounting system receives 32 written responses in total. These answers also help to further strengthen
the researcher’s interpretation and understanding of the responses in earlier questions. The answers are, first, looked at closely, coded and then referred to results of the previous questions before being analyzed (see figure 17 below).

![Figure 17: Viewpoints of Vietnamese professional accountants on the future of fair value in Vietnam (n=32)](image)

A significance of 62% (20 responses) said "Yes" to the question. Out of this, 14 people base on the same rationale for their viewpoints. Specifically, they said that in order to unite with the world economy and to attract foreign investment, Vietnam has to gradually converge its own accounting standards closer to international standards and to follow the trend of utilizing fair value in accounting practices. This further confirms the result for question 14. Some other people bases their choice on the multi-advantages of fair value that will improve the current Vietnamese accounting system. A VACPA and ACCA member made known that in 2015, Vietnam will promulgate and apply new accounting standards with more detailed use of fair value. Therefore, enterprises are required to adopt to these standards accordingly.

In contrast, a very small amount of 13% of people is rather pessimistic and against the future of applying fair value in Vietnam. However, according to their explanation, it is not due to the disadvantages of fair value, but because of the challenges mentioned in sub section 6.4.3 above. Additionally, they also expressed that the current political, le-
gal and economical situations are not well-founded and transparent enough to support the development and fair value in accounting system. One said "No. Because it is Vietnam. We have been deeply regulated and imposed by the communist political regime for decades. Plus, state-owned enterprises are backbones and inevitable to the Vietnamese economy. It cannot be changed".

The rest of 25% don't believe in the application of fair value in the near future among Vietnamese enterprises with the same reason as the group above. Additionally, some said fair value is unlikely to happen in the near future because the accountants need to get more trainings, knowledge and there's a lack of organization and individuals to audit and evaluate fair value. Because the market economy and capital market is still immature and inexperienced, market data is not observable, available or reliable enough to determine fair value. Therefore, if fair value is applied according international standards in the current situation of Vietnam, the reliability of measurement would be questionable and illegitimate. Also, one auditor said that time to update and implement IFRS could be extremely lengthy in Vietnam. Or it might not be popular because the attitude towards changes by accountants, authority, audiences is rather low. However, they have a strong confidence in the long-term future of fair value in Vietnam with the same explanations as the first 20 respondents.
7 Discussions

This final chapter will first summarize main results of this thesis research and discuss about in short the opinions about fair value in some public releases by professional studies and responsible authority in Vietnam before giving recommendations and suggestions for further researches. In addition, reliability and validity are also evaluated in order to ensure the consistency and authenticity of the research. Finally the chapter ends with the reflection on some limitation of the study and own professional learning.

7.1 Main results

The research is expected to generate answers for the four research questions as mentioned earlier:

1. What is fair value? Is fair value fair? What are benefits of fair value?
2. Why do Vietnam have to open up to the future prospect of using fair value?
3. What are the perceptions and attitude of the accounting professionals towards the potential of applying fair value in Vietnamese accounting system?
4. What challenges would Vietnamese authority and enterprises have to face in the process of introducing and implementing fair value in the current accounting system?

The first two research questions are mostly answered by the theoretical framework. All in all, fair value satisfies the reliability, relevancy and comparability in accounting and has gained popularity and support from international accounting setters and more than one hundred of jurisdictions who are implementing it in their accounting system. Although fair value still carries some weaknesses in case of illiquid markets or lack of information when it comes to Level 3 in the fair value hierarchy, it generally proves to be the best alternative to historical cost and other measurement method in valuation of assets and liabilities in accounting so far.

The theory suggests that historical cost is still dominant in Vietnamese accounting perhaps because it is not costly, easy to administrate and provides related information for decision makers. Vietnam is a developing country and on its transition in the economy
to catch up with other fast growing economies within South East Asia region and the globe. In the context that Vietnam has joined several international organizations to develop economy and attract foreign investment, the Vietnamese government should contemplate about the long term future and prove its willingness to adopt to international standards and apply fair value. In addition, the current Vietnamese accounting standards is relatively out-dated and lack of many updated standards and instructions, which poses challenges for enterprises to do their accounting in the thriving economy with changes and expansion nowadays. It also creates difficulties and complications for foreign investors in translating and understanding the financial statements of Vietnamese domestic companies. In order to achieve the internationalization target, adopting IFRS and fair value is very essential and crucial. This conclusion is also supported by majority of the professional accountants in the empirical research.

Generally speaking, the Vietnamese accounting community in Vietnam are well-aware of the fair value requirement in VAS as well as IAS and IFRS. Nevertheless, many of them are still unclear about the fair value concept itself because the lack of guidance by the MoF regarding fair value as discussed in the theory about VAS. They are highly positive about the advantages of fair value and the possibility of implementing fair value in the national accounting system in the long term future in the belief that fair value accounting would help Vietnam to access to the global capital market better than historical cost. However, they are as well concerned about the disadvantages of applying fair value such as it might be too complicated to implement (especially for SMEs), procyclicality risks and earning management risk, hard to understand and government intervention.

The most challenging factors that would pose difficulties for the Vietnamese authority and enterprises in implementing fair value found in the empirical research are training costs and reluctant attitude of accountants and investors to accept fair value and reluctance of the government to develop fair value. The academics group tend to rank the limited coverage at university as the most challenging factor. Despite of this, if being taken into effect, fair value is expected to generate positive effects on the enterprises applying it according to the respondents.
7.2 Discussions on the views of fair value in press releases and government publications in Vietnam

For the last few years, there have been a few discussions about the possibility of developing and applying fair value in a larger scale by some professors, professional accounting journals and official releases by the MoF.

As early as 2005, Le, T. conducted a master thesis translated as “Orientation about the use of fair value in the accounting system of Vietnamese enterprises”. In the content, the author indicated some reasons that cause the limited use of the current fair value requirement in Vietnamese accounting systems as follows:

- The traditional views of the accountants and managers for accounting as a practice to support the purpose of preparing tax reports. Therefore, enterprises don’t want to risk the chance to use fair value because it will be time-consuming for auditing and might not be accepted by tax authority.

- There is no decisions or circulars to give details guidelines about fair value measurement so far. Companies are only allowed to report their financial statements according to official guidelines by the government and they actually focus on these specific instructions rather than accounting standards itself. Thus, the use of fair value is more limited.

- There are considerable unfitting points between accounting standards and circulars guidelines that cause the recognition of asset value inconsistent (this short fall is further admitted by MoF in its evaluation report on implementing of Accounting law 2003, 2013)

- Fair value doesn’t appear often in accounting requirements. But when it does, recording according to historical cost is much better presented, therefore, companies are prone to use historical cost in their accounting books.

When discussed about challenges in applying fair value in Vietnam, Le, T. (2005, 43) also mentioned some of the details in sub section 6.4.3 of this report. He also added
that the unbalanced of the economic development among different industries and regions is also a challenge in the effort of applying fair value on a large scale.

Nguyen, H. (2011) wrote an article on the State audit office of Vietnam to discuss in depth about fair value accounting in reflecting and recognizing value of financial investments by enterprises. Within it, he illustrated many examples and pointed out the deficiencies and weakness of historical cost in recording assets of financial instruments. Nguyen, H. (2011) also mentioned the Circular No. 210/2009/TT-BTC (2009) on the guidelines about applying international accounting standards (IAS 32 and IFRS 07) presentation and disclosures of financial instruments and pointed out that it is just a small step because fair value measurement and disclosures should be introduced further and should be developed to support for normal enterprises, not only for financial institutions.

In a official document on summary and evaluation of implementing Accounting law 2003 by MoF in 2013, the MoF evaluated some shortcomings of the current Accounting law and standards. It admitted that more investment and efforts should be placed on research and development of fair value in order to support the flourishing market economy of Vietnam. Moreover, it also emphasizes that it is crucial to unify the accounting regime in Vietnam. Even though accounting law and decisions on accounting standards are established and promulgated by MoF, in reality, banks and financial institutions still apply separate accounting regime and regulations required by Governor State Bank of Vietnam. Regarding the orientation for future, MoF stated that historical cost is soon out-dated and unreliable in the thriving market economy of Vietnam and especially the capital market. Despite that fact, MoF doesn’t see fair value as a solution either because of some imperfection in the national legal, political and economical systems. Therefore, it suggest to establish a new standard for assets with their value fluctuate frequently according to the market changes and can be determined reliably so that business units can recognize according to fair value.

7.3 Recommendations

Reflecting on every chapter from the beginning of this report until this point, the au-
Author agrees with the MoF of Vietnam that fair value might not be able to offer its whole package to resolve issues in the accounting systems and capital market of Vietnam at present. Nevertheless, fair value can be adjusted and customized in a seriously considerate manner to fit the distinctive characteristics of Vietnamese economy in different phases and scenarios. Based on the empirical research, literature review and the discussion above in section 7.1 and 7.2, I suggest the itinerary of fair value journey to Vietnam should be divided and implemented through two stages: short term (3-5 years) and long term.

In short term, firstly, the accounting authority should revise the accounting law and accounting standards to complement and update the contents of regulations and standards related to fair value. Secondly, the definition of fair value shall be rectified according to the latest version by IFRS 13 and detailed guidelines to explain fair value hierarchy and valuation techniques. At the same time, fair value should be required to record value of assets or liabilities that tend to fluctuate along with market movement such as financial instruments and real estate investment (this is also in the current plan of MoF). Thirdly, conferences should be held by the accounting authority more often to promote and introduce fair value to the accountant communities, companies and financial statements’ users in general. Through these conferences and training sessions, consensus for the use of fair value can be obtained as well.

In long term, the MoF and Governor of State Bank of Vietnam should unify and work together to establish and promulgate standard: Fair value measurement that aligns with IFRS 13. Accordingly, the Vietnamese National Assembly and MoF should modify the accounting law and standards so that fair value is the main valuation measurement for assets and liabilities. In addition, MoF should re-evaluate the current conditions and future of the market economy, look into the missing standards in comparison with that of IAS and IFRSs and fulfil it with new accounting standards that is tailored to the Vietnamese conditions. In order to execute all that successfully, Vietnamese government should restructure its legal system as well as create a transparent and reliable business environment to support businesses and foreign investors.
7.4 Limitations of study

One of the shortcomings of this thesis research lies in the lack of responses from the survey recipients. Reasons behind this might be the nature of the topic itself or the questionnaire is rather long that discourages the recipients to participate. With respect to the nature of the topic, fair value is still a fairly new and foreign concept in Vietnam. Thus there are certainly chances that recipients are not familiar with the topic, don’t consider it important, don’t believe of its future application in Vietnam or simply refuse to reply. Bearing in mind that the questionnaire is fairly long, it on the other hand help to secure the reliability of the research and cover all possible issues within fair value.

Moreover, the researcher didn’t succeed in the attempt to conduct interviews for the empirical research to compare the answers with quantitative data from the survey. At the beginning, two personal interviews via telephone and Skype were conducted with a credit manager at VietinBank and senior manager of accounting department at Vietnam Cooperative Alliance. However, it was realized that because they are both working for 100% state owned enterprises, in the same generation (41-50 years old) and qualification, their opinions can be biased and not representative enough to compare with the survey results. Besides, due to the geographical challenges, the researcher couldn’t afford to reach more interviewers. Therefore, the empirical research results are solely based on answers from questionnaire.

7.5 Reliability and validity

The credibility of research findings with respect to reliability and validity is very important. Salkind (2014, 165) simply defines that ”reliability occurs when a test measures the same thing more than once and results in the same outcomes”. In other words, reliability concerns with the consistency, predictability and stability of the research findings. Whereas validity refers to accuracy, authenticity and genuiness of the findings. Or as Salkind (2014, 173) also said ”validity is all about that the test or instrument your are using actually measures what you need to have measured”.
In order to answer questions regarding the reliability of the findings, I will explain how the research was designed and conducted so that it can avoid threats to reliability. First of all, the recipients of the survey are chosen from official association for accountants VAPAP authorized by MoF, local associations and different economic specialized universities. Furthermore, the questionnaire included up to nine questions about the respondents’ demographic. This ensures the fact that participants are legitimate to answer the survey and come from different regions, a variety of backgrounds and possess certain knowledge. Thus, the chance of participant error and participant bias are minimized as possibly can. Moreover, in the research methodology section, the research design and tools are explained in comprehensive details for this certain research. Therefore, if following these, other potential researchers can be easily reproduce other similar researches with adjustment to factors such as locations or target groups. Thus this thesis research is reckoned to be reliable and consistent.

Regarding validity of the research findings, there are some explanation to be made for the responses of question 12 and 13. The results from the two questions reveal that there is a small amount of accountants in Vietnam that is still unaware of fair value in VAS or confuse about the fair value definition. After analysing their further answers for open-questions, and looking closely at their background, it can be explained that they are new-commers to the accounting profession and the accounting in their workplace is relatively basic and regulated to follow histocial cost principally. Nonetheless, they are aware of fair value accounting according to international accounting standards. For that reasons, their further answers for next questions are kept valid to analyse. One more thing, the secondary data are obtained from reliable sources such as official accounting-standard setters body (i.e. IASB, FASB and MoF), prestigious consulting corporations, accounting association body, financial accounting books and business journals. Primary data obtained from answers to structured questionnaire and open-questions is carefully categorized, coded and analysed. The only survey platform is daily monitored to ensure replies come from the right persons. Thus, the validity of the research findings is guaranteed its truthfulness and accuracy.
7.6 Further research and development

This thesis together with a few others earlier researches lay out the foundations for further studies on how to develop and publicize fair value universally in Vietnamese accounting system.

During the data collection process, it was learned that other than a couple of recent theoretical researches in-depth about the possibility or reality of application of fair value or IFRS in Vietnamese accounting, the rest of the available information regarding fair value is considerably limited, even official news from the responsible authorities. They tend to simply introduce fair value measurement under IFRS, discuss its benefits and drawbacks and leave the conclusion open or predict that fair value might not be popular any time soon in Vietnam due to some challenges. Additionally, in some email exchanging with an accountant in a securities corporation and few other lecturers, researchers at universities, they expressed the deficiency of information and materials regarding fair value and international accounting standards in Vietnam (it is partly because Vietnamese government monitor, regulate the Internet search tools strictly and there’s very limited updated professional materials from outside of the countries). Thus, they asked for a copy of this thesis to consult from regarding this matter. For these being the case, it becomes clear that there definitely the needs to conduct further empirical research about fair value matter in Vietnam to improve the current accounting system.

Moreover, there’s a need for the government and responsible authorities to carry out in depth research in this topic in order to overcome all the shortfalls and challenges that were aware of by themselves. The topic help to drive the motivation of the authorities and enterprise to learn more, try harder and continue reforming the current economic system in order to integrate into the world economy in the foreseeable future.

7.7 Own professional development and learning

Overall, I’m very grateful to have the opportunity to conduct this thesis research as it has contributed a lot in my professional development and learning process after a continuous five-month-duration of the researching process.
Referring to difficulties and challenges, I had encountered various issues on the way that sometimes it felt like deadlock. Before coming up with this topic, I was so attached to some previous ideas, which were not at all feasible to conduct research on, that I really felt negative about the whole thesis idea. However, thankfully, due to the help of my thesis advisor throughout the advising sessions, I opened my eyes and was able to move on to search for new topics. As a consequence, I was caught up with the fair value concept and was determined to conduct my bachelor thesis around it. Admittedly, it took me a long time to narrow down the scope and target for the research in order to maximize the chance of data collection and make the thesis practical and useful. Despite of that, I kept diligently consulting and studying different materials, previous studies about fair value internationally and a few articles regarding this topic in Vietnam. As it paid off, I finally knew exactly what research questions this thesis should resolve and what target group to focus on.

Throughout the data collection process, challenges are getting harder. After the questionnaire was ready to publish to collect answers, plenty of emails were first sent out to different companies in accounting and auditing services and some accounting association body to ask for cooperation in this thesis research. Unfortunately, it was without success when too little responses were sent back after a couple of weeks. Even for all that, I became more determined to continue searching for list of accountant members in some association if it’s available. The result was rewarding when I found the list of 100 VAPAP members on their official websites, list of accountants in ACC association and Association of accountant in Da Nang. Then, I came up with the idea to include the academics community who are specializing in teaching accounting topics at university in this research. The search for academic subgroup is relatively easy because it’s available in the webpage of the universities. After that, I was able to collect 43 replies from credible participants and receive feedback and ideas to supplement for the research.

In addition, there was a difficulty in finding books focusing solely on fair value measurement and this matters in the library and database. Therefore, the research mostly utilized former researches and studies about fair value from other authors and organi-
zations. Moreover, the search for Decisions, promulgation of 26 Vietnamese accounting standards and other Circulars by MoF met some problems because some of the documents are not available in English or were cut short in translation. Also the accounting terminology between English and Vietnamese are different in many cases, so it was quite time-consuming to understand the contents.

Despite of all those above-mentioned obstacles, I found a lot of joyment and interest in the whole process of conducting this thesis. First off, it taught me the ability to carry out a project independently. Since being aware of the fact that I am the one who takes responsibility of every steps taken and consequences, therefore, I was very driven and encouraged to accomplish the task successfully. Secondly, I become more experienced and highly appreciated time-management skills after this thesis than before. As the time was limited, I learn to set up a time frame to finish each chapter and task on time in order to meet the finishing date.

Lastly but also most importantly, I felt very fortunate to carry out this research topic related to the case of Vietnam because it help me tremendously learn and understand the Vietnamese accounting system and regime as a whole. Earlier, I didn’t have any knowledgement about the Vietnamese accounting history, system and standards or even the Vietnamese terminology in accounting fields. However, after the study, I have gained a good vocabulary sources in Vietnamese accounting and become more familiar with VAS. Therefore, I was able to compare differences in fair value according to VAS and IAS and IFRSs.
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Attachments

Attachment 1. The Fair value measurement framework (Ernst & Young 2012)
Perceptions of accounting professional towards Fair Value in accounting in Vietnam

Thank you for taking the time to complete this survey!

My name is Ngan Nguyen, a senior student majoring in accounting and finance at HAA-GA-HELIA University of Applied Sciences, Finland. In the process of completing my International Business degree, I’m conducting a research thesis on the perceptions of accounting professionals towards the potentials of apply fair value under IFRS (International Financial Reporting Standards) in Vietnam.

This survey should take only about 10 minutes of your time. Your answers will be completely anonymous.
Any question marked with an asterisk (*) requires an answer in order to progress through the survey.
Your cooperation is extremely meaningful and important for the outcome of this research.
If you have any questions about the survey, please contact me via email: ngan.nguyen@myy.haaga-helia.fi

1. How old are you? * (0 Points)

○ 21-30
○ 31-40
○ 41-50
○ 51-60
○ Over 60
2. Which highest qualification have you acquired? (0 Points)

- Vocational tertiary education
- Bachelor Degree
- Other

- Master Degree
- Doctoral Degree
- ACCA or CPA

3. Are you a member of any accounting professional body/association mentioned below? (0 Points)

- VACPA (Vietnam Association of Certified Public Accountants)
- VAA (Vietnam Association of Accountants and Auditors)
- ACCA (the Association of Chartered Certified Accountants)
- CPA (Australia, Singapore, Vietnam…) (Certified Public Accountants)
- VAPAP (Vietnamese Association of Public Accounting Practice)
- Other (please specify)

- None

4. What is your profession? * (0 Points)

- Auditor
- Accountant
  - Other (please specify)
- Academics (professor, lecturer, trainer)
- Consultant
5. What is your position in the organization? (0 Points)

- Junior
- Senior
- Team leader
- Manager
- CEO
- Other

6. How long have you been practicing accounting? (0 Points)

- Less than 1 year
- 1-5 year
- 6-10 year
- 11-15 year
- 16-20 year
- Over 20 year

7. Which industry sector are your company/organization operating in? (0 Points)

☐ Financial
☐ Manufacturing
☐ Retailing
☐ Services
☐ Education
☐ Government
☐ Healthcare
☐ Telecommunication
☐ Other
8. What is the ownership of your company? * (0 Points)

- 100% State-owned Enterprise
- Limited Liability Company
- Joint-Stock Company
- Private enterprise
- Joint-Venture
- 100% Foreign-owned Enterprise
- Other

9. How many employees are there in your company? (0 Points)

- Less than 20
- 20-50
- 51-100
- 101-200
- 201-500
- Over 500

10. Is your company/organization currently using IFRS (International Financial Reporting Standards)? (0 Points)

- Yes
- No
- Considering
- I don't know

11. Does the accounting method your company using currently show any drawbacks in recording the real value of assets/liabilities according the changes in market? If yes, please specify: (0 Points)
12. Have you acknowledged the requirement of fair value in Vietnamese accounting standards? * (0 Points)

○ Yes
○ No

13. According to your understanding, Fair value is: * (0 Points)

○ Market price
○ Historical cost
○ Current cost
○ I don’t know
○ Other (please specify)

14. In your own opinion, please rate the advantages of applying fair value under IFRS in Vietnam on the scale from 1 to 8 (8 is the most advantageous) from the options below: * (0 Points)

<table>
<thead>
<tr>
<th>Advantage</th>
<th>Rating</th>
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<tbody>
<tr>
<td>Comparability</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
</tr>
<tr>
<td>Transparency</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
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<tr>
<td>Reliability</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
</tr>
<tr>
<td>Access to global market</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
</tr>
<tr>
<td>Higher quality than historical cost</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
</tr>
</tbody>
</table>
Increasing the relationship with creditors 〇〇〇〇〇〇〇〇
Understandability 〇〇〇〇〇〇〇〇
Increasing investors’ confidence 〇〇〇〇〇〇〇〇

15. In your own opinion, please rate the disadvantages of applying fair value under IFRS in Vietnam on the scale from 1 to 8 (8 is the most disadvantageous) from the options below: * (0 Points)

1 2 3 4 5 6 7 8
Too complicated to implement (especially for SMEs) 〇〇〇〇〇〇〇〇
Time-consuming 〇〇〇〇〇〇〇〇
Lack of objectivity 〇〇〇〇〇〇〇〇
Pro-cyclicality & earning management risk 〇〇〇〇〇〇〇〇
Vietnam doesn’t need at the moment 〇〇〇〇〇〇〇〇
Not yet globally accepted & converged 〇〇〇〇〇〇〇〇
Political intervention 〇〇〇〇〇〇〇〇
Hard to understand for current financial reports’ users 〇〇〇〇〇〇〇〇

16. What is the most challenges that Vietnamese government and enterprises would face in the process of applying fair value under IFRS in accounting according to your opinion? Please rate on the scale from 1 to 6 (6 is the most challenging) from the options below: * (0 Points)

1 2 3 4 5 6
Cost of training and educating accounting staffs 〇〇〇〇〇〇
Update IAS and IFRS standards 〇〇〇〇〇〇
Limited coverage in university 〇〇〇〇〇〇
17. According to you, would your company/organization be willing to apply fair value in accounting into their current accounting system? * (0 Points)

- Yes
- No
- I'm not sure

18. How would fair value in accounting system make an impact on your company in your own thought? (0 Points)

- Extremely negative
- Negative
- Doesn't have any impact
- Positive
- Extremely positive

19. Would you like to see fair value in common use in the future by Vietnamese enterprises and financial institutions? Why? (0 Points)

______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
Attachment 3: Qualification of the respondents

Educational qualifications of the respondents

- Vocational tertiary education: 2%
- Bachelor degree: 44%
- Master degree: 7%
- Doctoral: 7%
- ACCA or CPA: 40%
Attachment 4. Professional membership of the respondents

Professional membership of the respondents

- None
- Other
- VAPAP (Vietnamese Association of
- CPA (Certified Public Accountants )
- ACCA Vietnam (the Association of
- VAA (Vietnam Association of
- VACPA (Vietnam Association of

0  2  4  6  8  10  12  14  16  18  20
Attachment 5. Positions of the respondents in the organizations

**Positions of the respondents in the organizations**

- Junior: 46%
- Senior: 12%
- Team leader: 16%
- Manager: 12%
- CEO: 14%
- Other (please specify): 0%
Attachment 6. Ownership of the companies

Ownership of the companies

- 100% state-owned enterprise: 28%
- Limited liability company: 16%
- Joint-stock company: 21%
- Private enterprise: 7%
- Joint-venture: 5%
- 100% foreign-owned enterprise: 18%
- Other (please specify)