

THE IRRELEVANCE BETWEEN IAS AND VAS IN PRESENTATING NET PROFIT AFFECTS INFORMATION ABOUT THE FINANCIAL SITUATION OF ENTERPRISES

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SUMMARY

Nowadays, there are many ways to apply international accounting standards for building up accounting standards of each country. Generally stating, that Vietnam has selectively applying IAS/IFRS (International Accounting Standards/International Financial Report Standards) models as the major basis for building its system of accounting standards systems. It is a reasonable choice. However, reality shows that Vietnam accounting standards (VAS) are not yet in harmony with international accounting standards (IAS). The article aims to point out the irrelevance between VAS and IAS in profit presentation from business activities, by analyzing business results report of a specific enterprise. The result shows that the business statement set up with VAS leads to incorrect recognition of investors about business activities and financial position of the business. Because of that, creating a clear investment environment, providing accurate financial information so that investors could always have the best conditions to come out with correct financial decisions, are extremely urgent. That depends on whether VAS can catch up and be in harmony with IAS.

Keywords: *IAS/IFRS; VAS; business statement; financial incomes; financial expenses*

INTERNATIONAL ACCOUNTING STANDARDS (IAS/IFRS)

International Accounting Standard Committee (IASC) was established in June 1973 as a result of the agreement by the accounting bodies in Australia, Canada, France, Germany, Japan, Mexico, Netherlands, England and Ireland and the United States, and these countries were IASC Board at that time.

A series of accounting standards, known as the International Accounting Standards, were released by the IASC between 1973 and 2000, and were ordered numerically. The series started with IAS 1, and concluded with the IAS 41, in December 2000. The ISAC lasted 27 years until the year 2001, when it was restructured to become the International Accounting Standards Board (IASB). At the time when the IASB was established, they agreed to adopt the set of standards that were issued by the IASC, i.e. the IAS 1 to 41, but any standards to be published after that would have the new name as the International Financial Reporting Standards (IFRS). IAS

(or the new name is IFRS) focused on giving these instructions, requirement in preparation and presentation of International financial statements. It does not mention the technical records Debit, Credit or accounting books, accounting vouchers.

Today, in the trend of globalization of financial markets many countries have improved their taxation system to conform with the IAS/IFRS. All the companies listed in the member states of the European Union have to use IAS/IFRS in the consolidated financial statements from 2005. Besides, many countries use international accounting system such as Singapore, Hong Kong, Australia, New Zealand, UK.

VIETNAM ACCOUNTING STANDARDS (VAS)

Up to now, VAS includes 26 standards issued by the Ministry of Finance through 5 stages including 5 Decisions and 6 Circulars. The VAS is basically the same as the IAS for the majority it is translated from the IAS. Then it was drafted, amended, supplemented, clipped to "fit" with the real situation of Vietnam. However, this makes the consistency of VAS system becoming limited. Some guidelines of

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standards and current accounting regulations also contradict with some IAS. In the next section, the author will analyze about the presentation item profit from operating activities in the financial statements affect information about the financial situation of the enterprises.

VIEWPOINT OF IAS ABOUT OPERATING PROFIT

According to IAS, operating profit is the profit from the principal business activities of an enterprise, which does not include financial incomes and financial expenses.

Operating profit often is the most important and stable profit source of the enterprises. Therefore, it must be separated from financial incomes and financial expenses for comparison and prediction purposes about profits and losses of the business in the future. When a company has many businesses, which operate in the main area, corporate managers need to know the operating profit of the company and the department to compare and evaluate the implementation of these companies and these parts. If the financial incomes and financial expenses are in the operating profit and operating loss, the managers are not comparable operating profit between companies (because the companies have financial incomes and financial expenses are not the same) and also very difficult to estimate the ability to have high profit in the next years. Therefore, according to the standards and international accounting practices, operating profit does not include financial incomes and financial expenses. The financial incomes and financial expenses are shown separately on the surface of the business statement.

ACCORDING TO VAS 21 - "PRESENTATION OF FINANCIAL STATEMENTS"

The item "Net profit from business activities" includes both financial incomes and financial expenses (including both interest expense and rate of exchange).

In the next part, the author will analyze the business statement in Q1 2015 of Ho Chi Minh City Infrastructure Investment Joint Stock Company to show more about this issue.

INTRODUCTION TO HO CHI MINH CITY INFRASTRUCTURE INVESTMENT JOINT STOCK COMPANY (CII)

CII established in 2002 has conducted as a financial investment organization having aim to socialize in the investment sector, development of urban infrastructure of the Ho Chi Minh City. At first, CII implements in traffic charges in Hanoi Highway and Kinh Duong Vuong roads, invests to Thu Duc Water BOO project, Phu My Bridge, ... In addition, CII also joins in financial investment in enterprises and other projects: Ho Chi Minh City Housing Development Bank, Ho Chi Minh City Securities Incorporation...

The main areas of operations of the company are as follows: Investing in construction, mining, trading about urban infrastructure in the form of build - operate - transfer (BOT), build - transfer (BT); Getting the land use right for the construction of houses for sale or rent, investing in infrastructure construction in planning, building houses for transfer of land use rights; Production and sale of specialized equipment used in the field of transport charges and construction; Sales of houses; Investment consulting, financial consulting;

ANALYZING THE BUSINESS STATEMENT OF CII SET UP FOLLOWING VAS AND IAS

The following is the business statement in Q1 2015 of Ho Chi Minh City infrastructure Investment Joint Stock Company.

THE BUSINESS STATEMENT
For the period from 01/01/2015 to 31/03/2015

(Unit: Billion VND)

ITEMS	CODE	ACCORDING TO VAS	ACCORDING TO IAS
1. Revenues from sales of goods and service provider	1	88,6	88,6
2. Deductions	2	3,3	3,3
3. Net revenues from sales of goods and service providers	10	85,3	85,3
4. Cost price	11	0	0
5. Gross profit from sales of goods and service providers (20=10-11)	20	85,3	85,3
6. Financial incomes	21	378,2	0
7. Financial expenses	22	6,5	6
8. Cost of sales	24	56,7	56,7
9. Cost of enterprise management	25	26,7	26,7
10. Net profit from business activities (30=20+(21-22)-(24+25))	30	373,4	3
11. Other incomes	31	0	0
12. Other expenses	32	0	0
13. Other profits (40=31-32)	40	0	0
14. Total pre-tax profit (50=30+40)	50	373,4	3
15. Current corporate income tax (20%)	51	77,59	0,6
16. Postpone corporate income tax expense	52	0	0
17. Profit after corporate income tax (60=50-51-52)	60	295,8	2,4

According to the business statement of CII set up to VAS, Q1 2015, this company has Revenues from sales of goods and service providers is 88,6 billion VND, Gross profit from sales of goods and service providers is 85,3 billion VND, Cost of sales is 56,7 billion VND and Cost of enterprise management is 26,7 billion VND. In Q1 2015, CII has financial expense is 6,5 billion VND and financial income is 378,2 billion VND, which is income from the sale 10 million shares of LGC (Bridges and Roads Joint Stock Company - subsidiary company of CII) for Philippines partner named Metro Pacific Tollways (MPTC). The amount from the shares transfers to the company MPTC help CII to have more capital to invest into new projects and contribute greatly to production results Q1 2015.

According to VAS 21 - "Presentation of Financial Statements", the item "Net profit from business activities" includes both finance incomes and finance expenses. Like this, financial income from the sale of shares to MPTC is considered as profits from business activities, this makes high profit from business activities, 373,4 billion VND, and profit after corporate income tax is 295,8

billion. According to this presentation, investors will easily be confused that profit from ordinary operations of the company after paying corporate income tax CII is 295,8 billion VND, in next years, if there is no special things, profit still is high like that. However, the profit of 378,2 billion VND is just the special profit in Q1 2015, which comes from the shares transfer of a subsidiary company to the partner, it does not reappear in the next years.

But according to IFRS/IAS, operating profit is the profit from the principal business activities of enterprises, which does not include financial incomes and financial expenses. Thus, net profit from business activities of CII is only 3 billion VND, this is the result of the normal business activities of the company that has not included profit from shares trading and interest expenses. Therefore, the profit after tax of CII that is calculated to IFRS/IAS is 2,4 billion. Because profit from operations has not included profit from the extraordinary activities such as financial investment, it allows investors to predict, in the coming years, if nothing changes, profit after tax of the company will be 2,4 billion VND, plus a certain growth

rate. This is not high profit, may be it will even show some disadvantages about the financial position of CII to the investors. But it's real profit and it allow investors to have the right viewpoint about production and business situation of enterprises, after that investors may come out with correct investing decisions.

CONCLUSION

Net profit from business activities is an important item in business statement of the enterprises. Investors often look at this item to know whether businesses activity is going well, based on which they may make the correct decisions. But if the business statement has been set up according to VAS as now, it will provide inaccurate information about the financial status of the business for investors. We know that applying IAS/IFRS is not entirely easy for businesses in every the country. Even for developed countries, IAS/IFRS is also considered quite complex. To apply IAS/IFRS, the companies must spend considerable initial costs, such as the cost of rebuilding the system to collect,

process and presenting of financial information.

However, the IAS/IFRS application will open up a new period that makes the change of the way recognition, measurement and presentation about elements of financial statements. It is also a condition to ensure businesses and organizations around the world that can apply of accounting principles consistently in preparing and presenting the financial statements.

With all that said, creating a clear investment environment, providing accurate financial information so investors could always have the best conditions to come out with correct financial decisions, are extremely necessary. That depends on whether VAS can catch up and be in harmony with IAS.

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TÓM TẮT

SỰ KHÁC NHAU GIỮA VAS VÀ IAS TRONG VIỆC TRÌNH BÀY CHỈ TIÊU LỢI NHUẬN ẢNH HƯỞNG ĐẾN THÔNG TIN VỀ TÌNH HÌNH TÀI CHÍNH CỦA DOANH NGHIỆP

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Hiện nay, có nhiều cách áp dụng chuẩn mực kế toán quốc tế để xây dựng các chuẩn mực kế toán của mỗi quốc gia. Nhìn chung, việc Việt Nam sử dụng mô hình áp dụng IAS/IFRS (Chuẩn mực kế toán quốc tế/Chuẩn mực Báo cáo Tài chính Quốc tế) có chọn lọc làm cơ sở cho việc xây dựng hệ thống chuẩn mực kế toán của mình là một sự lựa chọn hợp lý. Tuy nhiên, thực tế cho thấy rằng các chuẩn mực kế toán Việt Nam (VAS) vẫn chưa hòa hợp được với các chuẩn mực kế toán quốc tế (IAS). Bài báo chỉ ra sự khác nhau giữa VAS và IAS trong sự trình bày chỉ tiêu lợi nhuận từ hoạt động kinh doanh trong báo cáo tài chính, bằng cách phân tích báo cáo kết quả kinh doanh của một doanh nghiệp cụ thể. Kết quả cho thấy, báo cáo kết quả kinh doanh được lập theo VAS như hiện nay dẫn đến sự đánh giá không chính xác của các nhà đầu tư về hoạt động kinh doanh và tình hình tài chính của doanh nghiệp. Do đó, việc tạo ra một môi trường đầu tư minh bạch, cung cấp những thông tin tài chính chính xác để các nhà đầu tư có những điều kiện tốt nhất để đưa ra các quyết định tài chính đúng đắn là cực kỳ cấp bách. Điều đó phụ thuộc vào việc VAS có thể bắt kịp và hài hòa với IAS được hay không.

Từ khóa: IAS/IFRS; VAS; báo cáo kết quả hoạt động kinh doanh; thu nhập tài chính; chi phí tài chính

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