

News release

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Conversion of VAS financial statements to IFRS

To support Vietnamese companies in how to best convert financial statements from Vietnamese Accounting Standards (“VAS”) into International Financial Reporting Standards (“IFRS”) for compliance with the planned roadmap of the Ministry of Finance (“MoF”), PwC Vietnam organised a workshop on the topic: “Conversion of VAS financial statements to IFRS and new key points of IFRS in 2018/2019” in Ho Chi Minh City on 6 November 2018 and in Hanoi on 9 November 2018.

The workshop attracted more than 250 Finance Directors, Heads of Finance and Accounting Departments, Chief Accountants, and finance and accounting experts currently operating in Vietnam. At the workshop, PwC's experts and a speaker from the MoF's Department of Accounting and Auditing Regulations shared their knowledge and offered practical experiences to cope with the challenges of converting VAS to IFRS, as well as gave updates on new key points of IFRS in 2018/2019.

Why do Vietnamese companies need to adopt IFRS?

While IFRS is not yet mandatory in Vietnam, many companies have converted their financial statements from VAS into IFRS. The adoption of IFRS is expected to become more common in the Vietnamese business community, not only to align with the IFRS roadmap in Vietnam but also for Vietnamese companies to attract foreign investors who may expect the international accounting standards.

By actively preparing in advance of the Vietnam IFRS roadmap, Vietnamese companies would have sufficient time to analyse and prepare for relevant processes. Early preparation would enable companies to assess challenges properly, at the same time better control costs, thus ensuring a smooth transition plan. Conversion experience in Europe, Asia, and Australia shows that conversion projects often take more time and resources than anticipated. If not well prepared, some companies will be rushed when the conversion deadlines are close, leading to increased costs for compliance actions and inability to manage negative impacts (if any).

At the same time, conversion brings a one-time opportunity to comprehensively reassess financial reporting and take “a clean sheet of paper” approach to financial policies and processes. Such an approach recognises that major accounting and reporting changes may have a ripple effect impacting many aspects of a company’s organisation.

Adopting IFRS will likely impact key performance metrics, requiring thoughtful communications roadmap plans for the Board of Directors, shareholders and other key stakeholders, especially impacts that could cause negative financial effects. Internally, IFRS could have a broad impact on a company’s infrastructure, including underlying processes, systems, controls, and even customer contracts and interactions.

The companies will face many challenges they cannot avoid when adopting IFRS so the early adoption of IFRS will help companies have more understanding about the changes and choose the most appropriate solution for the company.

Besides the benefits of conversion to IFRS financial statements, companies have encountered a number of difficulties and challenges in converting financial statements, largely due to the significant differences between VAS and IFRS and the requirement to have timely decisions from the Board of Management to control the impacts.

Mr. Tran Hong Kien – Deputy General Director of PwC Vietnam said: “*In the era of globalisation, by adopting IFRS, Vietnamese economy and Vietnamese companies would gain from deeper integration into the region in terms of capital and investment cooperation opportunities.*”

“More importantly, when Vietnamese companies are allowed to adopt IFRS, it would give a wider impact on improving corporate governance, financial data transparency, and a healthy development of Vietnam’s capital market. With strong resources and experience in Vietnam and in the region, PwC Vietnam is actively cooperating with the Ministry of Finance and professional organisations on the Vietnam IFRS roadmap proposal. At the same time, we are supporting companies in designing their own IFRS roadmap.”

Comprehensive solution for adopting IFRS

“As the pioneer in advising IFRS adoption in the region and in Vietnam, the IFRS experts of PwC Vietnam, together with experts from other PwC offices in South East Asia and our global network, have provided advice and support to companies on IFRS complexities, and have successfully implemented VAS to IFRS conversion cases in Vietnam”, said Ms. Luong Thi Anh Tuyet – Director of Assurance and Accounting Services at PwC Vietnam.

Ms. Tuyet also stressed the importance of having a dedicated roadmap for IFRS from the beginning. The first step is to train employees about IFRS. The second step is to practice and apply IFRS in operations, including analysing differences between VAS and IFRS and determining the adjustments needed for preparation of IFRS financial statement. The final step is to embed the IFRS financial information into systems.

Note to editors:

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