

Intangible Assets Accounting System for Enterprises in Vietnam

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Abstract

After over 40 years of unification of the country (1975-2017) and over 30 years of “*Doi Moi*” (1986-2017), Vietnam has gained significant successes (*Nguyen T.T.T., 2017*). Particularly, during period 1986-2016, Gross Domestic Product (GDP) of Vietnam went up statistically from 26,337 billion USD to 202,616 billion USD with average growth rate 6.43%; Gross National Income (GNI) per capital increased from 220 USD in 1989 to 2,050 USD in 2016 (*Worldbank Database, 2017*). Especially, starting from the poverty country in 1980s, Vietnam became one of the top countries of exported rice since 2000s. In parallel with the process of economic development, the Vietnamese accounting system in general and the accounting regime for fixed assets especially intangible assets have been continually improved to convergence with International Accounting Standards. In fact, the Vietnamese Accounting Standard No.4 – Intangible asset (VAS04) is enacted based on the first version of International Accounting Standard No.38 – Intangible asset (IAS38), however until now, the VAS04 has been not yet amended. Meanwhile IAS38 has been adjusted regularly and upgraded to IFRSs. Hence, the current VAS04 is not yet symmetrical system for the purpose of integration. This issue is showed detailly in the Vietnamese accounting regime for intangible assets and the picture of intangible assets in Vietnamese enterprises. In order to expand this, the study is designed to evaluate the accounting regulations for intangible assets of enterprises in Vietnam as compare to international accounting standard.

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Keywords

Intangible asset, VAS04, IAS38, accounting standards, Vietnam

1. Introduction

Before 1986, Vietnam established centrally planned economy based on the Soviet Union's economy model (Huynh T.D. *et. al.*, 2012). In the centrally planned economy State, all economic activities are controlled, and there are only State ownership and collective ownership. Hence, no market existed in this economy. In that time, Vietnamese accounting system was set up to serve for centralised economy.

In 1986, a milestone for Vietnamese economy was marked. Vietnamese economy transformed to market economy with socialist orientation and integrated with the area economy and global economy. It was called “*Doi Moi*” process.

After 1986, the Vietnamese economy grew rapidly with increase of foreign investment and rapid growth of the private economic sector (Huynh T.D. *et. al.*, 2012). Through 30 years of “*Doi Moi*”, Vietnam has gained significant achievement (Nguyen T.T.T., 2017). Particularly, during period 1986-2016, Gross Domestic Product (GDP) of Vietnam went up statistically from 26,337 billion USD to 202,616 billion USD with average growth rate 6.43%; Gross National Income (GNI) per capital increased from 220 USD in 1989 to 2,050 USD in 2016 (Worldbank Database, 2017).

Therefore, Vietnamese accounting system also transformed significantly toward to harmonize with international accounting. Following this trend, Vietnamese National Assembly promulgated accounting laws in 2003 and 2015; Ministry of Finance issued 26 Vietnamese accounting standards (VASs) based on International Accounting standards (IASs) system during period 2001-2005. This VAS system is totally suitable with Vietnamese economy at that time. However, there is a significant gap between VAS and IAS/IFRS today (Huynh T.D. *et. al.*, 2012). Since Vietnam used selective model when applying IASs into Vietnamese accounting system and, to date, has not yet updated new changes.

However, currently, globalization of capital markets has a requirement of the international convergence of accounting standards. According to Nguyen A.T. *et.*

al. (2012), recently, there have been significant efforts to achieve convergence in international accounting by decreasing cross-country differences in accounting practices. Vietnamese accounting system has been implementing the process of transform and gradually improved to integrate into the world. Hence, intangible asset accounting standard and intangible asset accounting regime are a matter of concern to complete in Vietnam.

In order to strengthen activities of managing, utilizing and amortizing intangible assets in enterprises, Ministry of Finance issued Vietnamese Accounting Standards No.04 - Intangible assets (VAS04) based on the Decision No.149/2001/QD-BTC dated December 31st 2001 and Circular No.45/2013/TT-BTC dated April 25th 2013 with instructions on the regime of managing, utilizing and depreciation fixed assets. While International Accounting Standards Board (IASB) promulgated International Accounting Standard No.38 – Intangible assets (IAS38) to give guiding practises on intangible assets accounting.

This study recapitulates the basic contents of Vietnamese Accounting Standard No.04 and International Accounting Standard No.38 in section 2 and section 3, respectively. Section 4 describes the picture of intangible assets in Vietnamese enterprises. Section 5 presents concerning the accounting regulations for intangible assets in Vietnam, and compare International Accounting Standard No.38 to Vietnamese Accounting Standard No.04 to find the different points. The last section is showed as the conclusion of study.

2. Vietnamese Accounting Standard No.04 – Intangible Asset (VAS04)

Vietnamese Accounting Standards is based on international accounting standards (IAS/IFRS) in accordance with the principle of selective use of international practice in accordance with the characteristics of economy and level management of Vietnamese enterprises at the promulgated time of standards.

In 2001, Vietnam released the first package of VASs with 4 standards (*Decision 149/2001/QĐ-BTC, dated December 31st 2001*). In which the package, the Ministry of Finance mentioned about the accounting standard for intangible asset – it is called Vietnamese Accounting Standard No. 04 - Intangible asset (*VAS 04*).

In VAS 04, there are some focal contents, namely, terms used in the standard, criteria of recognizing intangible assets, defining initial value, defining value after initial recording, classified the intangible assets, amortisation period and amortisation methods and presenting financial statements.

In paragraph 06 – VAS 04 explained some terms used in the standard:

Intangible assets mean assets which have no physical form but the value of which can be determined and which are held and used by the enterprises in their production, business, service provision or leased to other subjects in conformity with the recognition criteria of intangible assets.

Historical cost means all costs incurred by the enterprises to acquire intangible assets as of the time of putting these assets into use as expected.

Amortisation means the systematic allocation of the depreciable value of intangible asset throughout their useful life.

Amortized value means the historical cost of an intangible asset recorded in the financial statement minus the estimated liquidation value of the intangible asset.

Useful life means the duration in which intangible fixed assets promote their effects on production and business, calculated by:

- The time for which the enterprise expects to use the intangible asset; or
- The quantity of products, or similar calculating units which the enterprise expects to obtain from the use of the assets.

Liquidation value means the value estimated to be acquired upon the expiry of the useful life of an asset, after subtracting (-) the estimated liquidation cost.

Residual value means the historical value of an intangible asset after subtracting (-) the accumulated amortisation of the asset.

Reasonable value means the value of assets which may be exchanged between the knowledgeable parties in the par value exchange.

Paragraph 16 of VAS 04 stipulated detailly that the assets to be recognized as intangible assets must simultaneously satisfy all the five criteria: (1) The definition of an intangible asset; (2) Being sure to acquire future economic benefits from the use of such assets; (3) The initial value of the assets must be determined on a reliable basis; (4) The useful life is estimated to be over one year; and (5) Being qualified in terms of value under the current regulations.

Intangible assets must have their initial value determined according to their historical cost (Paragraph 18 – VAS 04).

The paragraph 53 of VAS 04 indicated that after initial recognition, in their use process, intangible assets shall be determined according to their historical price (it will be defined at initial value), accumulated amortisation and residual value.

Following the paragraph 71 of VAS 04, based on the same nature and use purposes in the enterprises' operations, intangible assets are classified into 8 kinds, including:

- The right to use land for a definite term;
- Brand names;
- Distribution rights;
- Computer software;
- Licenses and right concession permits;
- Copyright, patents;
- Preparation formulas and methods, models, designs and prototypes;
- Intangible assets being developed.

Amortisation period and amortisation methods for intangible assets which have finite useful life (Paragraphs 54 and 61 – VAS04):

- Amortisation period: The value to be amortized of an intangible asset must be systematically allocated throughout its estimated reasonable

useful life. The amortisation period of an intangible asset shall not exceed 20 years. Amortisation shall start from the time the intangible asset using. In some cases, the useful life of intangible assets may exceed 20 years, however, enterprises must be show reliable specified evidences in the financial statements.

- Amortisation methods: There are three amortisation methods for intangible assets, including: straight-line method, the diminishing balance method and the units of production method.

For intangible assets with an indefinite useful life will not be amortised.

In financial statements, the enterprises must present the following information on each type of intangible assets created from within the enterprises and each type of intangible assets formed from other sources (Paragraph 70 – VAS04):

- Method of determining the historical cost of the intangible asset;
- Amortisation method; the useful life or amortisation rate;
- The historical cost; accumulated amortisation and residual value at the beginning of the year and at the end of the period;

- In the Notes to Financial Statements (the part of intangible assets)

3. International Accounting Standard No.38 – Intangible Asset (IAS 38)

Due to the differences in economic systems and trade conditions, there are differences in accounting models and methods among countries (*Dang.T.P., 2010*). These differences have created the special characteristics of the accounting system in each country, however, they also has a negative impact on the efficiency of the world economic market and can reduce the ability to cooperate, compete and develop of countries. In the integration trend of international economic, the necessary existence of the international accounting standard system as a common language to bridge the economy in countries (*Dang.T.P., 2010*). Following this trend, in July 1978, IAS 9 - Accounting for Research and Development Activities, with effective from January 1st 1980. IAS 9 (1978) was called as the original foundation of IAS 38 – Intangible Asset (2014). The key points of improvement process of international accounting standard on intangible asset will be described in this table:

Issued Time	Issued Standard /AmendedContent	Note
July 1978	IAS 9 Accounting for Research and Development Activities	Effective from January 1st 1980
December 1993	IAS 9 Research and Development Costs	Effective from January 1st 1995
September 1998	IAS 38 Intangible Assets	Effective from July 1st 1998
31 March 2004	IAS 38 Intangible Assets	Applies to intangible assets acquired in business combinations occurring or otherwise to other intangible assets for annual periods from March 31st 2004
22 May 2008	Amended content: advertising and promotional activities, units of production method of amortisation in IAS 38	Effective from January 1st 2009
16 April 2009	Amended content: measurement of intangible assets in business combinations in IAS 38	Effective from July 1st 2009
12 December 2013	Amended content: proportionate restatement of accumulated Amortisation under the revaluation method in IAS 38	Effective from July 1st 2014
12 May 2014	Amended by Clarification of Acceptable Methods of Amortisation in IAS 38	Effective from January 1st 2016

(Source: Deloitte - Available at: <https://www.iasplus.com/en/standards/ias/ias38>. Accessed on May 23rd 2017)

To date, the latest version of international accounting standard for intangible asset is IAS 38 (version May 12nd 2014), effective from January 1st 2016. This version is the basic guideline for modern accounting of intangible asset in countries. In IAS 38, there are some focal contents, namely, definition, criteria of recognition intangible assets, defining initial value, defining value after initial recording, classified the intangible assets and amortisation period and amortisation methods.

IAS 38 (paragraph 8) defines an intangible asset is an identifiable non-monetary asset without physical substance. An asset is a resource that is controlled by the entity as a result of past events and from which future economic benefits are expected. There are three criteria for recognition intangible assets, namely, identifiability, control, and future economic benefits.

Intangible assets are initially measured at cost (paragraph 24 – IAS38). The cost of a separately acquired intangible asset comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any directly attributable cost of preparing the asset for its intended use.

According to paragraph 72 – IAS 38, entities must choose the cost model or the revaluation model for measurement subsequent to acquisition of intangible assets. For cost model: After initial recognition, an intangible asset will be carried at its cost less any accumulated amortisation and any accumulated impairment losses. For revaluation model: After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. The purpose of evaluation model, fair value shall be measured by reference to an active market. Revaluations shall be made with such regularity that at the end of the reporting period the carrying amount of the asset

does not differ materially from its fair value.

Useful life is the period which an asset is expected to be available for utilization by an entity; or the number of production or similar units expected to be obtained from the asset by an entity. In IAS 38 (paragraph 88), based on useful life, intangible assets are classified two groups as:

- Indefinite life: no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. This intangible assets group should not be amortised (IAS 38-paragraph 107).
- Finite life: a limited period of benefit to the entity. For this intangible assets group, the depreciable amount will be allocated on a systematic basis over its useful life. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Amortisation will start when the asset is available for utilization. In paragraph 98 – IAS38, there are four amortisation methods, namely, the straight-line method, the diminishing balance method, the units of production method, and revenue-based method. However, IAS38 said the revenue-based method may only be used in very limited circumstances to amortise intangible assets. These circumstances consist of (1) revenue is highly correlated with the consumption of the economic benefits embodied in an intangible assets, or (2) an intangible assets (the right) is expressed as a total amount of revenue to be generated. Because amortisation expenses is an estimate of the economic benefits of the intangible asset consumed in the period, while revenue reflects the output of the asset and it also measures the impact of other factors that do not affect amortisation. If that pattern cannot be determined reliably, the straight-line method shall be used (IAS 38-paragraph 98).

The internally generated goodwill is not recorded as an intangible assets (paragraph 48-IAS38).

Following paragraph 52 – IAS38, an internally generated intangible assets meet the criteria for recognition when an entity must separate the generation of the assets into two stages which include the research stage and the development stage.

4. The Picture of Intangible Assets in Vietnamese Enterprises

Allee V. (2003) wrote in her book “*The future of Knowledge: Increasing prosperity through value networks*”, “*A company increases and uses its intangible assets by creating, sharing and leveraging knowledge to create economic value and enhance economic performance*”(p.158).

There was transformation of the international economy from industrial-based to knowledge-based with increase of the services sector. Hence, intangible assets are becoming more and more important to enterprises and their owners (*Liselotth A. and Carolina M., 2006*). In many OECD countries, investment in intangible assets is growing rapidly, and this investment exceeds the traditional capital investment such as machinery, equipment and buildings (*OECD, 2011*). *Hall (2000)* showed total value of intangible capital made up 66.7% the total market value of publicly traded corporations. In the United Kingdom, intangible assets investment was increased more than doubled from 1970 to 2004 (*OECD, 2011*). *Goldfinger (1997)* also indicated that, the development of the economy comes from not only the production of material goods but also the manipulation of intangible assets. The World Bank also asserted that, the preponderant form of the worldwide development is intangible capital, and a key of business outcomes can be linked to intangible assets investment.

Following *Brand Finance (2016)*, the balance between intangible assets and tangible assets has changed significantly in the last 50 years. Because the more increasingly contributing of ideas, information, professionalism and service on

business performance rather than tangible products. According to *Glaum et. al. (2007)*; and *Ernst & Young (2009)*, during proceeding business combinations, enterprises have recorded large amounts of intangible assets other than goodwill. As a result, a large proportion of companies’ non-current assets consists of intangible assets. In Vietnam, fixed assets are separated into three categories: tangible fixed assets, finance lease, and intangible assets. All kind of intangible assets will be also recognized as long-term assets (*see Balance sheet form*). This study focuses on descriptive analyses; the net book value of various classes of intangible assets captured from the sample Vietnamese enterprises’ financial statements. This sheds light on the significance and prevalence of intangible assets in enterprises of Vietnam.

In the Balance sheet form, goodwill is presented in other long-term assets item, different place to intangible assets. The cause of this is shown in VAS 04 (paragraph 9), intangible assets must be separately identifiable so that they can be clearly distinguished from goodwill. Goodwill arising from the enterprise merger of re-purchase character is shown with a payment made by the asset purchaser in order so as to possibly obtain future economic benefits.

According to Vietnamese General Statistics Office, currently, Vietnam's economy is divided into three main sectors: agriculture, industry and services. There are three industry groups in the industry sector of Vietnam. The first group is mining industry which consists of four sectors, like coal mining, crude oil mining etc. The next group is processing industry group, which includes 23 sectors, namely, production of textile products, food, beverage etc. The third group is manufacturing, distribution of electricity, gas and water industry group. Hence, the study was selected random sample of 59 industrial and service enterprises which have at least one type of intangible assets recognised in their financial statement 2016. The sample consists of 47 industrial

BALANCE SHEET FORM			
(As of....., 20.....)			
Unit: VND or million VND			
ASSETS	AMOUNT	CAPITALS	AMOUNT
A. CURRENT ASSETS	XXX	C. LIABILITIES	XXX
I. Cash and cash equivalents	xxx	I. Current liabilities	xxx
II. Short-term investment	xxx	II. Non-current liabilities	xxx
III. Current accounts receivable	xxx		xxx
IV. Inventories	xxx		
V. Other current assets	xxx		
B. NON-CURRENT ASSETS	XXX	D. OWNERS' EQUITY	XXX
I. Non-current accounts receivable	xxx	I. Capital	
II. Fixed assets	xxx	II. Other funds	xxx
1. Tangible fixed assets	xxx		xxx
- <i>Initial value</i>	<i>xxx</i>		
- <i>Accumulated amortisation</i>	<i>xxx</i>		
2. Finance lease	xxx		
- <i>Initial value</i>	<i>xxx</i>		
- <i>Accumulated amortisation</i>	<i>xxx</i>		
3. Intangible assets	xxx		
- <i>Initial value</i>	<i>xxx</i>		
- <i>Accumulated amortisation</i>	<i>xxx</i>		
III. Investment properties	xxx		
IV. Long-term assets in progress	xxx		
V. Long-term investments	xxx		
VI. Other long-term assets	xxx		
1. Long-term prepaid expenses, etc	xxx		
2. Deferred tax assets	xxx		
3. Long-term tools, supplies and spare parts	xxx		
4. Goodwill	xxx		
5. Other long-term assets	xxx		
TOTAL ASSETS	XXX	TOTAL CAPITALS	XXX

(Source: Circular No.200/2014/TT-BTC, dated December 22nd 2014)

enterprises (8 enterprises in the first group, 31 enterprises in the second group, and 8 enterprises in the third groups) and 12 service enterprises.

Of the sample of 59 enterprises, the mean value of total intangible assets (the other than goodwill) is 359,243.77 million VND with the standard deviation is 847,359.22 million VND. While the mean value of goodwill is 319,878.24 million VND, the standard deviation is 1,332,803.43 million VND. The total value of intangible assets (the other than goodwill) and goodwill made up average respectively 23.14%, 6.24% total assets of enterprises. It means that, to date, Vietnamese enterprises often have invested capital on intangible assets the other than goodwill.

Mean value of goodwill of service enterprises is three times higher than that of industrial enterprises. In industry sector, mean value of goodwill is nearly equal to mean value of the other intangible assets, while in service sector mean value of goodwill is nearly three times higher than that of the other intangible assets. However, generally, enterprises in industry sector still have higher average percentage of the other intangible assets and goodwill in total assets than enterprises in service sector. Remarkably, mining industrial enterprises invested large capital on the other intangible assets with six times higher rate.

Based on collected data, in this case, goodwill

Table 1. Mean value and average percentage of intangible assets (other than goodwill) and goodwill to total assets, per industry

ITEM	INDUSTRY SECTOR						
	Mining	Processing	Manufacturing, distribution of electricity, gas and water	Average Industry Sector	SERVICE SECTOR	BOTH SECTORS	
Mean value (Million VND)	Other intangible assets	925,868.08	333,971.16	46,138.54	385,726.79	277,969.72	359,243.77
	Goodwill	144,941.34	295,656.01	38,148.71	226,171.42	749,341.75	319,878.24
Average percentage to total assets (%)	Other intangible assets	19.76	30.16	3.64	23.92	15.21	23.14
	Goodwill	0.78	9.36	0.91	6.5	4.94	6.24

(Source: Own Contribution, 2017)

(Exchange rate 22,745 VND/USD <https://www.vietcombank.com.vn/exchangerates/> Accessed on June 2nd 2017)

of these enterprises arising from business combination is initially recognized at historical cost. After that, goodwill is measured at historical cost less accumulated amortization. Historical cost of goodwill is the difference between the cost of business combination and the fair value of the asset, liability, and the latent debts of the acquiree company. If the difference is less than 0, it will be recognized in the consolidated income statement. Goodwill is amortized on a straight-line basis during useful period but not exceed 10 years. If there is an evidence that the goodwill can not be fully retrieved, the carrying amount of goodwill will be reduced equal to the recoverable value.

The data also showed that the other intangible assets which were appeared on enterprises' financial statements consist of the right to use land for a finite term and indefinite term, software, copy right, patents, internal brands, licenses and right concession permits, customer relationships, distribution rights, ecommerce websites, brand names and others. All kinds of these intangible assets were amortised following on the straight-line method, excepted the right to use land for a indefinite term. The right of use land for a indefinite term is not amortised. Time of amortisation period depends on each type of intangible assets but within the allowable time limit of Circular No.45/2013/

TT-BTC. The most frequent types of intangible assets are software (44 times) and the right to use land for a finite term (38 times). However, the kinds of intangible assets like licenses, customers relationships, brand names have only one time appearance. It means that, in Vietnam, software and the right to use land for a definite term are popular intangible assets in enterprises. In terms of investment value, software and the right to use land for a definite term are also kinds of intangible assets which made up biggest proportion in total assets of enterprises.

The right to use land for a finite term includes two types. Firstly, the land use right is allocated by the State with payment of land use fees or received from a legal transfer. Secondly, leased land use rights exist before effective date of Land Law 2003, the enterprise has the land use right certificate issued by the competent authority and paid fee of rental land the whole lease term or for many years, of which the rest of lease term at least five years. Period amortisation of this asset is from 19 years to 50 years. Similarly, natural resources (oil fields, coal mines, gas fields, mineral water resources, etc) are recognised as the list of other intangible assets in Vietnam. Period amortisation time of these assets is from 10 years to 37 years. Particularly, only in Vietnam, the right to use land and natural resources

Table 2. Frequency of type of intangible assets and average percentage of intangible assets to total assets of enterprises

ITEM	FREQUENCY (TIMES)	AVERAGE PERCENTAGE OF INTANGIBLE ASSETS TO TOTAL ASSETS (%)
Software (accounting or management)	44	24.08
The right to use land for a finite term	38	50.68
The right to use land for a indefinite term	12	0.19
Other intangible assets	11	0.14
Copyright, patents	8	1.50
Internal brands	4	3.99
Licenses and right concession permits	2	1.50
Customer relationships	2	0.01
Distribution rights	1	0.06
Ecommerce website	1	0.42
Brand names	1	0.02

(Source: Own Contribution, 2017)

is recorded as an intangible assets. This is a special point in Vietnamese accounting system as compare to some countries like the United State, France, etc. The cause is the law of Vietnam that land and natural resources belong to the possession of the state and enterprises only have the rights to use or exploit (Pham D. B, 2014).

Notably, in some Vietnamese enterprises recognised an internal brands as an intangible asset in their original balance sheet. These internal brands were also amortisation as same other intangible assets. According to the opinion of these enterprises, internal brands are suitable with the definition of intangible asset, particularly, the brands are controlled by the management of enterprise, they bring future economic benefits to enterprise, and they can be valued hence they can be sold, transfer or license. Thus, it is essential to recognize the value of internal brands on the balance sheet. However, according to IAS38, VAS04 and Official Letter No.12414 issued by the Ministry of Finance on October 3rd 2005, the internal brands were created from the inside of an enterprise but were not recognized as intangible assets, because (1) they are not identifiable resources; (2) they can not be reliably measured; and (3) they are uncontrollable. This means that an intangible asset must have

arisen at the historical cost and not on the basis of self-assessment (or an independent valuation company). Moreover, when recognizing the value of brands will make total assets increase, so to maintain the balance of financial report (total assets equals to total liabilities and equities), which kind of asset will be decreased or which kind of equity will be increased? The enterprises cannot record equity increasedly because noone contributes new capital or decrease any other assets. To date, the recognizing the value of brands on the Financial Report is impossible. That is why, in these cases, in an auditing report, independent auditors generally mentioned clearly that the value of internal brands in the financial statements was not sufficient basis to recognize as an intangible asset in accordance with current accounting regulations. This recognition will lead false financial situation of enterprise, make inaccuracy of the accounting information and affect on decisions of infomation users.

In conclusion, in Vietnam, the type of intangible assets often contained within or on physical objects like legal documents or discs. To date, the capital investment of enterprises on intangible assets is still modest, hence, the proportion of the other intangible assets to total assets is nearly 23.14%. According to *Brand Finance (2016)*, at the end of

Issued Time	Issued financial regulation	Initial Minimum Value of Intangible Asset (VND)	Exchange Rate (VND/USD)
July 22 nd 1986	Decision No.507/-TC/DTXD	10,000	3,000
October 2 nd 1990	Decision No.215/1990/ QD-BTC	500,000	5,000
December 30 th 1999	Decision No.166/1999/QD-BTC	5,000,000	13,921
December 12 nd 2003	Decision No.206/2003/QD-BTC	10,000,000	15,463
October 20 th 2009	Circular No.203/2009/TT-BTC	10,000,000	17,852
April 25 th 2013	Circular No.45/2013/TT-BTC	30,000,000	20,960

(Exchange rate from Vietcombank website: <https://www.vietcombank.com.vn/exchangerates/>)

2015, total value of intangible assets in Vietnamese enterprises achieved 21 billion USD. However, this figure significantly lower than that of global average (53%). The study also shows the popular kinds of intangible assets in Vietnamese enterprises are software and the right to use land for a definite term.

5. Research Results

5.1. Concerning the accounting regulations for Intangible Assets in Vietnam

To date, in Vietnam, accounting practices on intangible asset were adjusted by Vietnamese Accounting Standard No.04 (VAS04) – Intangible asset, Circular No.45/2013/TT-BTC dated April 25th 2013 (guiding regulation on management, use and depreciation of fixed assets) and Circular No.200/2014/TT-BTC dated December 22nd 2014 (Accounting regime of Enterprises).

Following VAS 04 (paragraph 06), intangible assets mean assets which have no physical form but the value of which can be determined and which are held and used by the enterprises in their production, business, service provision or leased to other subjects in conformity with the recognition criteria of intangible assets. This standard also stipulated detailly the assets to be recognized as intangible assets must simultaneously satisfy all the five criteria: (1) The definition of an intangible asset; (2) Being sure to acquire future economic benefits from the use of such assets; (3) The initial value of the assets must be determined on a reliable basis; (4) The useful life is estimated to be over one year; and (5) Being qualified in terms of value under the

current regulations (Paragraph 16). However, the minimum of initial value of intangible asset also has been adjusted by some other financial regulations in each period.

Relative to the criteria of intangible asset, VAS04 indicates that intangible assets are held and used by enterprises in their production, business, service provision or leased to other subjects. In fact, resources controlled by the enterprise are different from the resources just held by the enterprise. The financial lease asset is evidence of this case (*Pham D. B., 2014*). In this case, enterprises does not have to provide capital for purchasing at time of using, but is entitled to manage and utilize in their production and business. Following Circular No.200/2014/TT-BTC (dated December 22nd 2014), this asset is still considered as assets of the enterprise and reflected in enterprises' balance sheet. Hence, the word "held" is not yet reflected exactly the criteria of intangible asset.

Notably, in the definition of intangible asset, VAS04 only focuses on the assets which can be utilized in production, business, service provision or leased. It means that, this idea has not yet reflected full the using purpose of intangible assets. Because intangible assets sometimes can be used in welfare field of enterprises (*Phan T.A.D., 2016*) which is one kind of enterprises' future economic benefits.

Following VAS 04 (paragraph 71), the right to use land for a definite term falls within the category of intangible assets, because it is prescribed by the law of Vietnam that land falls within the possession of the state; entities have the rights to use or exploit only (*Pham D.B., 2014*).

In Vietnam, to date, the intangible assets have been mentioned that they are only contained within physical objects like compact discs and legal documents. Hence, VAS04 (paragraph 9) cited that intangible asset must be separately identifiable so that they can be clearly distinguished from goodwill. Goodwill arising from the enterprise merger of re-purchase character is shown with a payment made by the asset purchaser in order so as to possibly obtain future economic benefits. Hence, at present, goodwill is presented in item (other long-term asset) of balance sheet. Goodwill arises from the acquisition of a business as a long-term prepayment (Circular 55/2002/TT-BTC dated June 26th 2002). Goodwill is gradually allocated and recorded as management cost of enterprises for a maximum period 10 years (Circular 21/2006/TT-BTC dated March 20th 2006).

Goodwill generated within the enterprises internally will not be recognized as an intangible asset, because they are not identifiable resource (paragraph 33-VAS04). Additionally, internally generated intangible assets within enterprises only consist of assets which enterprises can divide the asset-forming process into the research stage and the development stage (paragraph 36-VAS04).

After initial recognition, the intangible assets shall be determined according to their historical cost, accumulated amortisation and residual value (VAS 04 – Paragraph 53).

Residual Value in Accounting Books of Intangible Asset =

$$\text{Historical Cost (Initial Value)} - \text{Accumulated Amortisation}$$

Notably, VAS04 does not mention about recording impairment of intangible asset after initial recognition. Therefore, sometimes, there are differences between the residual value and fair value of intangible assets.

In VAS 04 (Paragraphs 60&61) and Circular No.45/2013/TT-BTC (Article 13) cited that the depreciable amount of an intangible asset with a finite useful life will be allocated on a

systematic basis over its useful life. Amortisation will begin when the asset is available for utilize. The amortisation cost for each period must be recognized as a production cost and business expense. A diversity of amortisation methods can be utilized to allocate the depreciable value of an intangible asset, which include the straight-line method, the diminishing balance method and the units of production method. Monthly average rate of amortisation equal to the yearly amortisation divided by 12 months.

By the straight-line amortisation method, the annual depreciated amount is kept unchanged throughout the intangible asset's useful life. Annual average rate of amortisation for intangible assets will be calculated by fomular, as followed:

$$\text{Annual average rate of amortisation for intangible assets} = \frac{\text{Initial value of intangible assets}}{\text{Time of amortisation}}$$

Where:

Initial value of intangible assets is the total costs that enterprises have to bear to have the intangible asset until the time to bring assets on state of readiness for utilization.

Time of amortisation is the time necessary for enterprises to amortise intangible assets to receive the capital investment before. Normally, for intangible assets, time of amortisation equals to time of useful life.

For the diminishing balance amortisation method, the annual depreciated amount gradually declines throughout the intangible asset's useful life. The annual rate of amortisation of intangible assets will be computed as below formula:

$$\text{Annual rate of amortisation of intangible assets} = \text{Residual value of intangible assets} \times \text{Accelerated amortisation rate}$$

$$\text{Accelerated amortisation rate} = \text{Rate of amortisation by straightline method} \times \text{Adjustment coefficient}$$

$$\text{Rate of amortisation by straightline method} = \frac{1}{\text{Time of amortisation of intangible assets}} \times 100$$

Adjustment coefficient is decided by the time of amortisation of intangible assets, as following table:

Time of amortisation of intangible assets	Adjustment coefficient (times)
Up to 4 years	1,5
Over 4 to 6 years	2
Over 6 years	2,5

The last amortisation method (the units of production) is based on the estimated total quantity of products which the asset will create. Hence, monthly rate of amortisation method (the units of production) is based on the estimated total quantity of products which the intangible assets will be equaled:

$$\text{Monthly rate of amortisation of intangible assets} = \frac{\text{Amount of products monthly made}}{\text{Average rate of amortisation for a unit of product}} \times 100$$

$$\text{Average rate of amortisation for a unit of product} = \frac{\text{Initial value of intangible assets}}{\text{Output by design capacity}} \times 100$$

$$\text{Annual rate of amortisation of intangible assets} = \frac{\text{Amount of products yearly made}}{\text{Average rate of amortisation for a unit of product}} \times 100$$

VAS 04 (paragraphs 53,55,76) and Circular No.45/2013/TT-BTC (Article 11) also mentioned about amortisation time of intangible assets. The enterprises shall decide the time of amortisation of intangible assets by themselves but not exceeding 20 years. In some cases, the useful life of intangible assets may exceed 20 years, however, enterprises must be show reliable specified evidences in the financial statements. Particularly, for land use right with term or the leased land use right, the amortisation time is the permitted time of land use right of enterprises. For copyright and patents,

the amortisation time is the protected duration which is indicated on the certificate of protection (excluding the extended duration of protection). For computer software and other intangible assets which become technically obsolete rapidly, their useful life is often shorter. Notably, the period and amortisation methods of intangible assets must be reconsidered at least at the end of every fiscal year. The amortisation methods of intangible assets may be changed when enterprises emerge a significant change in the way of estimating the economic benefits recoverable for the enterprises.

Additionally, there is heterogeneity in definition of amortized value of intangible asset between VAS 04 (paragraph 6) and Circular No.45/2013/TT-BTC. VAS04 showed that amortized value means the historical cost of an intangible asset recorded in the financial statement minus the estimated liquidation value of the intangible asset. While Circular No.45/2013/TT-BTC indicated that amortized value is initial value of intangible assets.

5.2. Comparison between International accounting standard No.38 and Vietnamese Accounting Standard No. 04 on Intangible Assets

Vietnamese accounting standard system has been built based on the international accounting standards and the specific characteristics of Vietnam’s economy. Hence, the system of accounting standards of Vietnam has a very high homogeneity with the system of international accounting standards (Pham D. B., 2014). Though, some differences can be detected between two accounting standard system, particularly, between VAS 04 – Intangible asset and IAS 38 – Intangible asset. Hence, in this study will be compared VAS04 to IAS 38 to find different keys.

Why does the differences exist between VAS04 and IAS38? According to Nguyen A.T.et. al. (2012), there are four elements, namely, economic environment, legal environment, cultural environment and accountants’ professional quality

Item	VAS 04	IAS38
Definition of Intangible Asset	Intangible assets have no physical form but the value of asset which can be determined and which are held and used by the enterprises in their production, business, service provision or leased to other subjects in conformity with the recognition criteria of intangible assets	Asset is a resource: (a) controlled by an entity as a result of past events; and (b) from which future economic benefits are expected to flow to the entity. This definition does not mention about the using purpose of intangible assets
Critical Identifiability of Intangible Assets	Identifiability: when the enterprises may lease, sell or exchange it or acquire concrete future economic benefits therefrom. Those assets which can only generate future economic benefits when combined with other assets shall be still seen as separately identifiable if the enterprises can determine with certainty future economic benefits to be brought about by such assets.	Identifiability: an intangible asset is identifiable when it: <ul style="list-style-type: none"> • is separable (capable of being separated and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract) or • arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.
Initial Value of Intangible Assets	The minimum of initial value of intangible asset is 30,000,000VND (effective from April 25th 2013)	Not mentioned
Measurement after recognition	After initial recognition, in their use process, the intangible assets will be determined according to their historical cost, accumulated depreciation and residual value. This model is as the same cost model (if excepts accumulated impairment losses)	An entity shall choose either the cost model or the revaluation model as its accounting policy. <ul style="list-style-type: none"> • Cost model: After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses. Revaluation model: After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses.
Impairment loss of intangible assets	Not yet mentioned about revaluation or write down for impairment.	Mentioned about impairment loss of intangible assets in both recognition models
Amortisation period of intangible assets	The amortisation period of intangible assets shall not exceed 20 years. In rare case, intangible assets has amortisation period may exceed 20 years, the enterprises must show reliable evidences.	Not mentioned about the maximum of amortisation period for intangible assets
Amortisation method	Not yet mention about revenue-based amortisation method	Mention revenue-based amortisation method for intangible assets. However, the method only be used in very limited circumstances to amortise intangible assets

which influence the convergence of VASs and IASs. The author also indicated that market economic system and business legal system of Vietnam are not yet perfect, and the law did not keep up with the business transactions. Moreover, Vietnamese government intervenes considerably in setting VASs.

Moreover, as the important reason, VAS04 was promulgated based on IAS38 (version 1998), but after that, VAS04 has not yet amended and supplemented based on new version of IAS38.

6. Conclusion

This study has systematized some of the basic contents of Vietnamese Accounting Standard No.04 (VAS04) and International Accounting Standard No.38 (IAS38) about intangible assets, and indicated the different points between VAS04 and IAS38. VAS04 was issued based on the first version of IAS38, to date, has not yet updated new changes of IAS38. Simultaneously, the study described the picture of intangible assets of Vietnamese enterprises. In Vietnam, the type of intangible assets often contained within or on physical objects like legal documents and discs etc. The capital investment of Vietnamese enterprises on intangible assets is still modest, hence, the proportion of other intangible assets in total assets accounts nearly 23.14%. The study also shows the popular kind of intangible assets in Vietnamese enterprises, namely, software and the right to use land for a definite term. Particularly, the study has described the intangible asset accounting regime in Vietnam through summary VAS 04, Circular No.45/2013/TT-BTC and Circular No.200/2014/TT-BTC. However, to improve intangible assets accounting system for Vietnamese enterprises, and to converge with international accounting standards, Ministry of Finance should require listed enterprises to apply pure IASs/IFRSs system, meanwhile, small and medium enterprises still apply VASs system. It means that, the listed enterprises will apply pure IAS38, whereas, small and medium enterprises will conduct VAS04 for intangible assets accounting.

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