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Doctoral Dissertation

TRAN THI THUONG

A Study on Accounting for Intangible Assets: Focusing on Standards and Method of Accounting in Vietnam

Major: Financial Accounting

Supervisor:
Professor YUJI ISHIKAWA

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LIST OF ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
AEC	ASEAN Economic Community
AFA	ASEAN Federation of Accountants
AFTA	ASEAN Free Trade Area
APEC	Asia-Pacific Economic Cooperation
ASA	Association of Southeast Asian Nations
ASEAN	Association of South East-Asian Nations
ASBE	Accounting System for Business Enterprises
ASSBE	Accounting Standards for Small Business Enterprises
ASBJ	Accounting Standard Board of Japan
ASSE	Accounting Standards for Small Enterprises
AVA	ASEAN Valuers Association
BADC	Business Accounting Deliberation Council
BSC	Balance Scorecard Method
CGU	Cash generating units
CICM	Comprehensive Intellectual Capital Management
CICPA	Chinese Institute of Certified Public Accountants
CPA	Certified Public Accountant
DCF	Discounted Cash Flow
EU	European Union
FIEA	Financial Instruments and Exchange Act
FVLCOD	Fair value less costs of disposal
GAAP	Generally Accepted Accounting Principles
GAS	German Accounting Standards
GASB	German Accounting Standards Board
GASC	German Accounting Standards Committee
GoB	German Principles of Proper Accounting or Grundsätze ordnungsmäßiger Buchführung
HGB	German Commerical Code
IAM	Intangible Assets Monitor
IAS	International Accounting Standard

IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standard
IRR	Internal Rate Of Return
ISA	International Standards on Auditing
ISO	International Organization for Standardization
IVS	International Valuation Standard
IVSC	International Valuation Standards Council
J-GAAP	Japanese Generally Accepted Accounting Principles
JICPA	Japanese Institute of Certified Public Accountants
MAG	Management Accounting Guideline
MOF	Ministry of Finance
MRAs	Mutual Recognition Agreements
MFRSs	Myanmar Financial Reporting Standards
NPV	Net Present Value
OECD	Organization for Economic Cooperation and Development
PFRSs	Philippine Financial Reporting Standards
SFRSs	Singapore Financial Reporting Standards
SMEs	Small and medium enterprises
SOEs	Vietnamese State-Owned enterprises
TASs	Thai Accounting Standards
TPP	Trans-Pacific Partnership Agreement
VAA	Vietnam Accounting Association
VACPA	Vietnam Association of Certified Public Accountants
VAS	Vietnamese Accounting Standard
VASB	Vietnamese Accounting Standard Board
VFS	Vietnam Feature Film Studio One Member Company Limited
VIU	Value in use
VSA	Vietnamese Standards on Auditing
WPK	Chamber of Public Accountants or Wirtschaftsprüferkammer
WTO	World Trade Organization

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ABSTRACT

Since 1986, Vietnamese economy has changed significantly from centrally planned economy to market economy. Thus, Vietnamese accounting system also has innovated strongly. Specifically, the accounting system consists of four levels, namely, (1) accounting law, (2) decree, (3) decision and accounting standard and (4) circular. Especially, the innovation was marked by the apprearance of two accounting laws 26 VASs. From this time, Vietnam positively took part in many international organizations (such as ASEAN, APEC, AEC, AFTA, WTO, CPTPP etc), especially, currently Vietnam has been faced to the tensions of international integration. To date, this issue has become more urgent when the globalization is worldwide tendency. However, under the limited condition of a developing country and traditional characteristics, Vietnam cannot adopt immediately all international standards for national development. This is why the findings solutions for integration successful of Vietnam become great theme of not only government but also every enterprises.

Focusing on intangible assets accounting, this study was conducted with the aim of providing the current situation of intangible assets accounting in Vietnam through document analysis and practical analysis. Based on looking the actual obstacles and difficulties for intangible assets accounting in Vietnamese enterprises, this study contributed into issuing the appropriate solutions for improving this situation.

Notably, this study also indicated some main findings and gave several appropriate recommendations to improve intangible assets accounting information. First of all, gradually harmonization with IAS/IFRS system is the only selection. Therefore, the idea of renewing VAS 04 based on the latest version of IAS 38 and the conditions of Vietnamese economy at this time should be considered. In addition, promulgation accounting standard for impairment of assets in accordance with IAS 36 and the conditions of Vietnamese economy at this time should be selected to apply. Secondly, the role of MOF is still limited in the accounting market and in taking integration with IAS/IFRS system. Hence, it is necessary to improve the role of independent association of professional accountancy in issuing accounting regulations below accounting law. Additionally, MOF should strengthen in training about new IAS/IFRS and updating VAS in accordance with IAS/IFRS. Especially, MOF should enhance the role of university, academy and institutes in the transmission contents of accounting standards. Thirdly, current limitation in percentage of intangible assets and kind of intangible assets were also discovered. Forthly, legal framework is one limited factor which affects the quality of intangible assets accounting. Thus, cost model is the most suitable model for intangible assets accounting in Vietnam. And then, drawing a roadmap for promulgation and implementation of accounting standard for impairment of intangible assets is also considered. Fifthly, limited knowledge of manager and accounting staffs are the most

disadvantages to practice intangible assets accounting. Sixthly, business characteristics and internal regulation are weak points. The last point, the low and not yet exact technical of brand valuation in equitization process. Therefore, updating new methods of brand valuation in equitization process following on IVS and ISO is very necessary. As such, the further findings is that this dissertation is one of references about Vietnamese accounting in English.

Chapter 1

INTRODUCTION

1.1. RESEARCH PROBLEMS

1.1.1. Vietnamese economy conditions and government's strategy of accounting convergence

According to Huynh et al. (2012) the accounting system of Vietnam was established after Vietnam achieved independence in 1945. Before 1986, Vietnam established centrally planned economy based on the Soviet Union's economy model (Huynh et al., 2012). In the centrally planned economy, State controlled all economic activities, only State ownership and collective ownership, hence, no market existed in this economy. In this time, Vietnamese accounting system was set up to serve for centralized economy. In 1986 marked a milestone for Vietnamese economy which 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 et al., 2012). Therefore, Vietnam has integrated positively with the world economy. Particularly, Vietnam signed some agreements, namely, Textile Agreement with European Union (EU) (1992), Association of South East-Asian Nations (ASEAN) Free Trade Agreement (1993), Framework Agreement with EU (1995), Started the negotiation to joint WTO (1995), ASEAN membership (1995), the Asia-Pacific Economic Cooperation (APEC) membership (1998) and Bilateral Trade Agreement with US (2001) (Phi, 2017). Simultaneously, in period 2003-2015, Vietnam continued to participate in other agreements such as Agreement von Marketing Opening with EU (2004), Free Trade Agreement China - ASEAN (2005), WTO membership (2007), AFTA - Korean (2007), AFTA - Vietnam - Japan (2008), AFTA - Australia - New Zealand (2009), AFTA - India (2009), Vietnam - EU (2010), Vietnam - Chile Free Trade Agreement (2010) (Phi, 2017) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) membership (2017). As such, through 30 years of "Doi Moi", Vietnam has gained significant achievement (Nguyen, 2017). During from 1986 to 2015, Gross Domestic Product of Vietnam went up statistically from 26.337 billion USD to 193.599 billion USD with average growth rate is 6.43%; Gross National Income per capital increased from 220 USD in 1989 to 1,990 USD in 2015 (Worldbank, 2017).

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

Concernlly, the Vietnamese government declared the national intention to re-enact the existing of VAS system to align with IAS/IFRS system. Specially, in March 18th 2013, the Prime Minister approved the "Vietnam accounting and auditing strategy to 2020, vision 2030" (Decision No. 480/QD-TTg, dated March 18th 2013). The object of the strategy is development and promulgation VASs which will be suitable with international practices and Vietnamese conditions. Particularly, in the period 2012-2015, the published accounting standards amended, and in the period 2016-2020, the other accounting standards will develop and issue. However, currently, the results of new revision of VAS system have not yet come.

1.1.2. The increasing role of intangible assets in the world economy

The international economy has transformed from an industrial base to a knowledge base with an increase in the service sector. Hence, intangible assets have become more important to enterprises and their owners (Liselotth and Carolina, 2006). In many Organization for Economic Cooperation and Development (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). The total value of intangible capital accounted for 66.7% of the market value of publicly traded corporations (Hall, 2000). In the United Kingdom, intangible assets investment was increased more than doubled from 1970 to 2004 (OECD, 2011). Moreover, economic development comes from not only production of material goods but also manipulation of intangible assets (Goldfinger, 1997). The World Bank asserted that the preponderant form of worldwide development is intangible capital. Thus, the key to business outcomes can be linked to intangible-asset investment. In accordance with 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.

According to Andonova et al. (2016), intangible assets play an important role of building competitive advantage for companies. In accordance with Barney (1991), mentioned that a resource has to satisfy four main criteria to become competitive advantage of enterprises, including (1) the resource must add positive value to the company, (2) the resource must be unique or rare among current and potential competitors, (3) the resource must be inimitable and (4) the resource must be non-substitutable. Hence, it is easily realized that intangible assets satisfy these four qualities. Volkov et al. (2007) also said that the value of goods, services and enterprises is created not only by tangible assets but mostly by assets based on all kinds of intangible assets in the knowledge economy. For long time ago, competitive advantage of a company depends on the possession of rare and valuable resources that are hard to imitate and substitute (Barney, 1991). However, Prahalad and Hamel (1990) emphasized that this kind of competitive advantage often exists in short-lived because it is challenged by imitation and substitution threats unless the company is capable of making company specific capabilities and core competencies. Hence, in this case, to build and maintain the compatitive advantage, the appearance of intangible resources plays a key role (Hoskisson et al., 2000). Therefore, intangible assets accounting has become an important issue for discussion.

1.1.3. Accounting regulations for intangible assets and tendency of previous studies

To date, in order to strengthen activities of managing, utilizing and amortizing intangible assets in enterprises, MOF issued Vietnamese Accounting Standard No. 04 (VAS 04) for intangible assets based on 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. According to VAS 04, after initial recognition, enterprises only adopt cost model to record finite intangible assets (MOF, 2001c). However, cost model in VAS 04 has not yet consisted of accumulated impairment of intangible assets (MOF, 2001c). Particularly, during the useful period of intangible assets, the book value of these assets are amortized to cost of enterprises through amortization method. The value of intangible assets on balance sheet is equal to initial value of the asset minus accumulated amortization. Therefore, the value of intangible assets on balance sheet is only dependent on the initial value and the amortization value during useful period (MOF, 2013). In addition, indefinite intangible assets are not amortized and are not impaired annually.

According to the latest version of International Accounting Standard No. 38 (IAS 38) for intangible assets, after initial recognition, enterprises can choose between cost model and revaluation model to record finite intangible assets (IASB, 2014b). In cost model, an intangible asset will be carried at its cost less any accumulated amortization and any accumulated impairment losses (IASB, 2014b). In revaluation model, an intangible asset will be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses (IASB, 2014b). While indefinite intangible assets are not amortized and are impaired annually. In addition, International Accounting Standard No. 36 (IAS 36) for impairment of assets in June 1998 explained clearly about accumulated impairment in cost model and revaluation model. IAS 36 has amended in January 2014, and was applied in some countries, namely, China, the USA etc. IAS 36 requires recognition of intangible assets following on impairment loss method. IAS 36 indicated the book value of asset does not exceed the recoverable value. This standard also specifies when an entity should reverse an impairment loss and prescribes disclosures. Impairment loss of intangible asset will affect the residual value of intangible assets, amortization value of intangible assets, total asset and so on. Hence, there has difference between VAS 04 and IAS 38 in the recording and monitoring the intangible assets.

In fact, enterprises of Vietnam invested in intangible assets with great value, but does not promote the use value. Through time, these assets become obsolete and awaiting liquidation because of scientific and technological advancement. Recoverable value of this asset is very small compared to the book value of asset (Pham, 2016). It means that, sometimes the amortization method has not yet reflected exactly the real value of intangible assets. In addition, amortization of intangible assets in Vietnamese enterprises does not yet satisfy the conservatism and materiality principles (Pham, 2016). The conservatism principle required that, the accountant does not evaluate higher than the value of asset and only recognizes as an expense when has evidence. While materiality information is understood in case of absence of information or lack of accuracy information will lead significantly distortion on financial statements and affect the economic decisions of financial statement users (Doan et al., 2009). Therefore, applying amortization method for intangible assets sometimes does not have transparency and affects on trust of accounting information users.

Currently, globalization of capital markets has a requirement of the international convergence of accounting standards. According to Nguyen 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 assets accounting standard and intangible asset accounting regime are concerns to complete in Vietnam.

In addition, in the worldwide research (both national and international levels), very few studies have attempted to research intangible assets accounting in Vietnam, even the less is known about the side of practical enterprise. Recently, the studies on intangible assets accounting have been developed, however, they often focused on special case of one enterprise. Typically, up the time of this study, there still have been few researches (even no researches) to directly consider problem of accounting for intangible assets: Focusing on standards and method of accounting in Vietnam.

1.2. RESEARCH OBJECTIVES

In order to contribute into researching of accounting for intangible assets: Focusing on standards and method of accounting in Vietnam, this study was designed. Moreover, this study aims to suggest the appropriate solutions for the progress of international integration of Vietnamese accounting system and intangible assets accounting. Follows that the objectives and questions of this research were defined as below:

General objective

Describe clearly accounting standard and accounting regulations for intangible assets in Vietnam and give the respective recommendations for improving intangible assets accounting in Vietnam.

Specific objectives

The purpose of this study focuses on intangible assets accounting in Vietnam. The specific objectives are as followed:

1. Examine the harmonization of Vietnamese legal framework on accounting for intangible assets with international accounting system; focus on accounting standard level;
2. Explore the current situation of intangible assets accounting in Vietnamese enterprises;
3. Analyze equitization process of Vietnamese State-Owned enterprises (SOEs) and brand valuation of Vietnamese SOEs;

4. Give appropriate suggestions which will become the way of innovation for intangible assets accounting in Vietnam.

Research questions and hypothesis

1. Why have many Vietnamese enterprises supplied intangible assets accounting information with lack of trust from users?

Hypothesis 1: Intangible assets accounting which are practiced in accordance with current accounting principles, standards and methods are still lack of trust from users.

2. What are the causes of negative situation or obstacles in intangible assets accounting of Vietnamese enterprises?

Hypothesis 2: Skills and knowledge of Vietnamese accountants for intangible assets accounting depend on too much guidelines of Circulars.

Hypothesis 3: The current system of accounting regulations for intangible assets have not yet integrated with international accounting regulations.

3. How do Vietnamese enterprises comply with VAS 04 and legal framework for intangible assets accounting?

Hypothesis 4: Almost of Vietnamese enterprises practice intangible assets accounting by themselves based on guidelines of VAS 04 and current legal accounting framework.

4. What are the causes of negative situation in brand valuation of Vietnamese SOEs in equitization process?

Hypothesis 5: Brand valuation has implemented in accordance with current legal regulations but these legal regulations are still limited convergence with International Valuation Standard (IVS) and International Organization for Standardization (ISO).

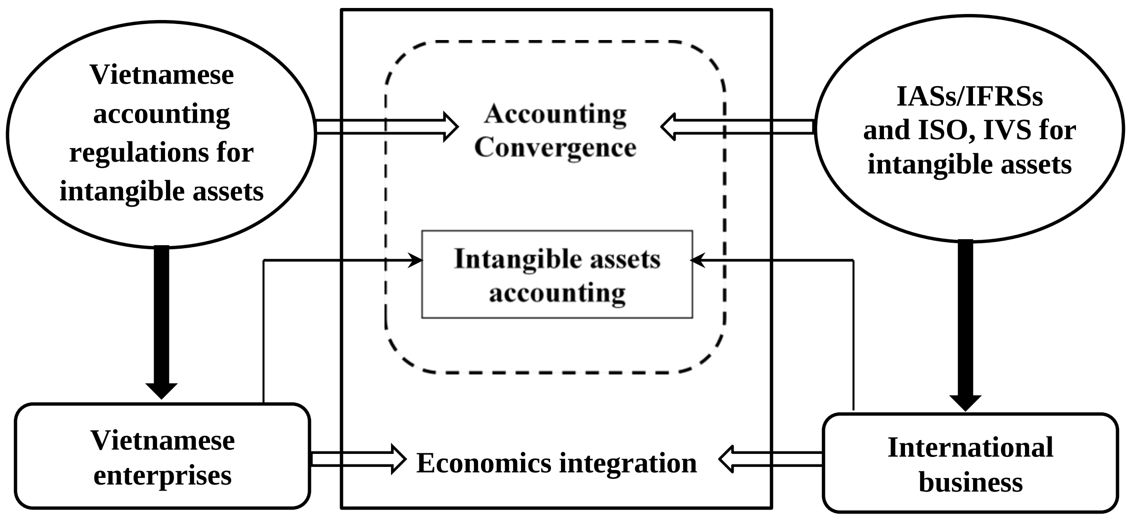
1.3. SCOPE OF RESEARCH

1.3.1. Research area

Following on the purpose of international accounting integration of Vietnam and consideration about the setting one legal system for whole economy, this study focuses on intangible assets accounting of Vietnamese enterprises. It is notable that this study emphasizes on intangible assets which are only contained within physical objects like compact discs and legal documents. Because there are different original sources between goodwill and other intangible assets. Therefore, other intangible assets must be separately identifiable so that they can be clearly distinguished from goodwill. It means that goodwill is not included in the research area of this study.

According to Rienas (2009), accounting regulation system developed independent in every country and one big factor that made different between countries was the national environment. Specifically, the important factors which have made these differences among accounting system of countries are (1) provision of finance, (2) the existing legal system, (3) the link between accounting and taxation and (4) the cultural differences between societies (Alexander et al., 2009). Therefore, in Vietnam, the system of accounting regulation has been also set up with specific characteristics. In accordance with Phi (2017), the Vietnamese accounting regulation system has been tweaked following on mitigation of conflicts in three laws, namely, enterprise law, tax law and sercurities law.

In fact, in the case of developing international integration, accounting is an important tool to integrate economies. In other words, economics integration leads to the tendency of closing accounting regulation between national area and international area. Same with the rotation of integration, intangible assets accounting in Vietnam also needs to converge with international accounting. However, Vietnam is a developing country, hence, it is difficult for directly applying all the existing international accounting regulation. Thus, the research area of this study focuses on discussion to creat the appropriate system of accounting regulations for Vietnam under the international harmonzation.



(Source: Own contribution, 2018)

Note: Impact relation, Moving for integration, Accounting practice

Figure 1.1. Research area - Intangible assets accounting

1.3.2. Survey limitation

In accordance with the specific conditions of research time, region and objectives, this study is limited on the side of Vietnamese enterprises. The Vietnamese enterprises for this study are any Vietnamese enterprises which have intangible assets. They consist of the perspectives of accounting practitioners who are working or did work directly to intangible assets accounting including both inside and outside of Vietnamese enterprises.

Particularly, the accounting practitioners inside of enterprises include accountants, managers or any staff who work at accounting in enterprises. This group is called enterprise group. Meanwhile, the accounting practitioners outside of Vietnamese enterprises is called professional accounting group. This group consists of auditors, researchers, consultants, policy makers and so on who have good knowledge (at least basic level) about intangible assets accounting.

In addition, this study findings are subject to the limitations of any survey study. Firstly, the small size of sample (59 enterprises and 44 interviewees of professional accounting group) was gathered randomly. Secondly, only descriptive statistics method is applied to analyze data, no econometric model is tested.

1.3.3. Research assumption

All Vietnamese enterprises in the sample have intangible assets and all interviewees in both group (enterprises group and professional accounting group) have practiced intangible assets accounting or have known about intangible assets accounting regulations.

1.4. EXPECTED RESULTS

The significant expectation of this study is identification of obstacles/weakness in intangible assets accounting in Vietnam and shows appropriate ways to improve them. This contribute helps the business managers to make decisions with more effective for their enterprises. In addition, the results of this study also could be a guideline for policy makers to improve the legal framework for intangible assets accounting in the future.

Simultaneously, the results of this study is to enrich the existing literature in several ways. First of all, it is one of a few, if not the first, comprehensive study to evaluate the intangible assets accounting in Vietnam. Additionally, the survey statements utilized in this study are different to those found in the previous studies related to intangible assets accounting in Vietnam. From the finding of this study, the confident evidences of the gap among different levels of accounting system and accounting practices were indicated. With this findings, this study will be an invaluable reference for next researches of intangible assets accounting in Vietnam.

The outputs of this study

1. Description of the current picture of intangible assets accounting in Vietnam in academic field and practical field;
2. The main reasons of low accounting integration and obstacles in intangible assets accounting in Vietnam;
3. The appropriate recommendations are proposed to improve the current intangible assets accounting in Vietnam;
4. At least two articles related to the topic of this study are published;
5. This study play a role to improve intangible assets accounting in Vietnam through the interviewers and readers.

1.5. STRUCTURE OF THIS DISSERTATION

This study is organized into eleven chapters including an introduction and conclusions (as Figure 1.2). Especially, there is close relationship among these chapters. In which:

Chapter 2 provides a review of research methodological framework. It focuses on the reason of how the researcher has adopted and utilized the mainstream methodology for this research. The content of chapter 2 is the basic approach for implementing the content of the next chapters.

Chapter 3 aims at emerging the context of history and development of Vietnamese accounting system, focuses on accounting law and accounting standard. Simultaneously, this chapter analyzes the role of each components (consists of accounting law, decree, decision, accounting law and circular) in Vietnamese accounting system and the application of accounting model in Vietnamese accounting system.

Chapter 4 reviews conceptual framework about intangible assets. Particularly, this chapter summarizes characteristics of knowledge economy which are basic conditions for the appearance of intangible assets. In addition, this chapter also describes concept of intangible assets, the role of intangible assets in business operation and how to manage intangible assets in enterprises. It is notable that the contents of chapters 3 and 4 will be basic background to research the other chapters.

Chapter 5 deals with theoritical background of intangible assets accounting. It is described following the views of VAS 04 and IAS 38. Specially, this chapter compared contents of VAS 04 and IAS 38 to find different points.

Chapter 6 explores directly the characteristics of fair value based on International Financial Reporting Standard No.13 (IFRS 13) - Fair value measurement and impairment for intangible assets in accordance with IAS 36 - Impairment of assets. This chapter aims to explain clearly contents of IAS 38 in chapter 5. Particularly, the contents of chapter 5 and chapter 6 are important theoritical background to develop contents of four chapters, namely, chapter 6 (Theoritical background of fair value and impairment of assets), chapter 7 (Current situation of intangible assets accounting in Vietnam), chapter 8 (Auditing procedure for intangible assets in Vietnam), chapter 9 (Intangible assets accounting experience from other countries) and chapter 10 (Equitization Vietnamese SOEs and brand valuation standards).

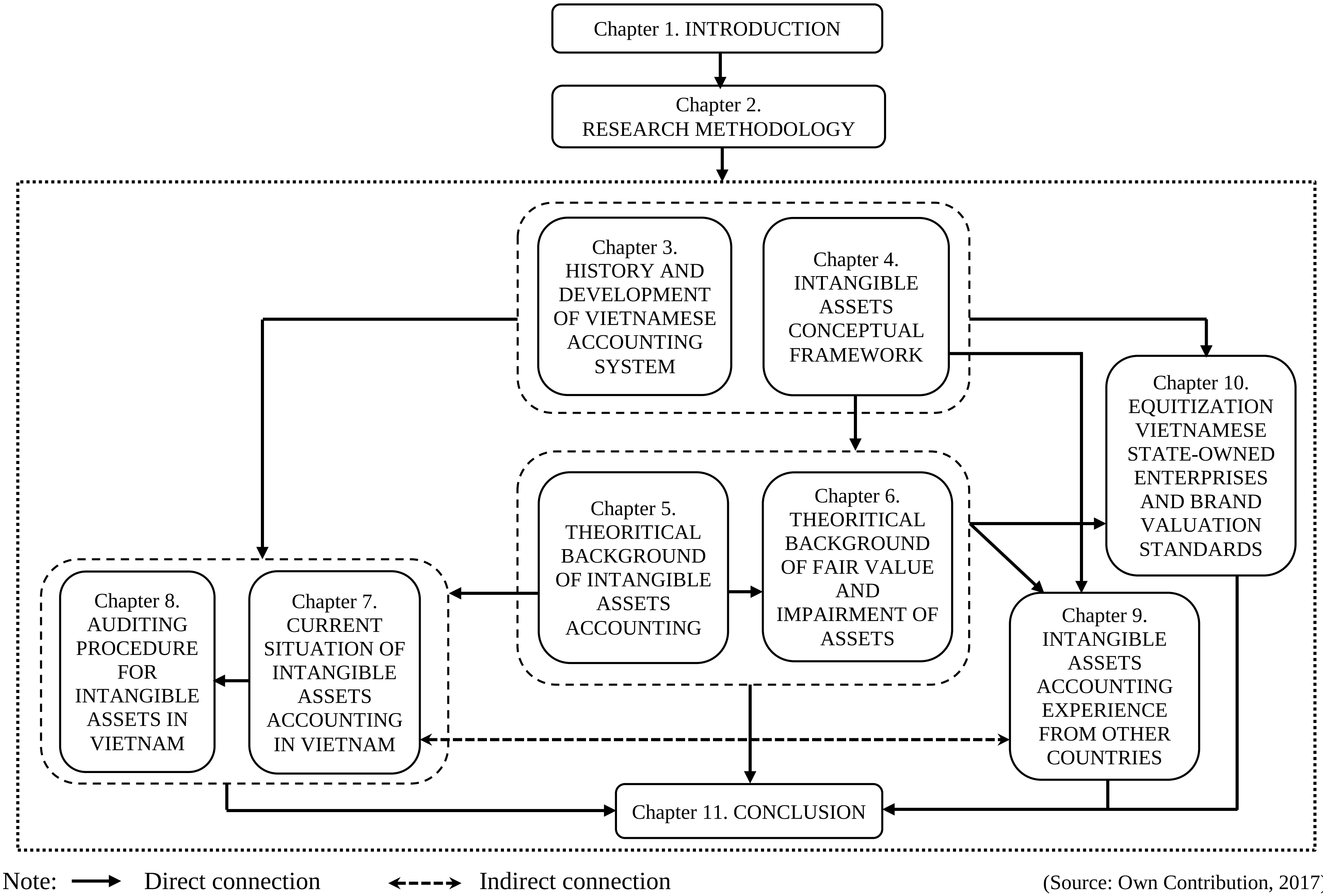
Chapter 7 deals with overall picture of intangible asset accounting in Vietnam through secondary data and primary data of survey. It is described following the perspectives of enterprises group and professional accounting group. The main information has been gathered consisting both general and specific in accounting adoption for intangible assets accounting, namely, business size, number of employees, accounting regulations and so on. Notably, this chapter assesses ability to apply impairment for intangible assets in Vietnam through views of interviewees in the survey. Notably, the content of chapter 7 will be basic knowledge to continue research chapter 8 (Auditing procedure for intangible assets in Vietnam). Simultaneously, there is indirect connection between this chapter and chapter 9 (Intangible assets accounting experience from other countries).

Chapter 8 focuses on emerging the auditing procedure for intangible assets in Vietnam. Firstly, this chapter overviews history and development of Vietnamese independent auditing law, Vietnamese Standards on Auditing (VSAs) for independent auditing and the Vietnamese sample auditing program. Based on the overall picture of intangible assets in Vietnamese enterprises, this chapter shows the Vietnamese sample auditing program for intangible assets.

Chapter 9 aims to review intangible assets accounting experience from other countries like Japan, Germany, China and the ASEAN Economic Community (AEC). Based on the literature review, this chapter highlights the process of accounting harmonization between Vietnamese accounting system and international accounting system (IAS/IFRS). Especially, there is indirect connection between chapter 9 and chapter 7 (Current situation of intangible assets accounting in Vietnam). In addition, the content of chapter 9 is supported by three chapters, namely, chapter 4 (Intangible assets conceptual framework), chapter 5 (Theoritical background of intangible assets accounting) and chapter 6 (Theoritical background of fair value and impairment of assets).

Chapter 10 discusses about the equitization of Vietnamese SOEs and brand valuation standards. Specifically, this chapter reviews the historical development of Vietnamese SOEs and the equitization process of Vietnamese SOEs. Simultaneously, this chapter also mentions the brand valuation regulation in Vietnamese SOEs equitization process and the brand valuation approaches following on ISO and IVS. It is notable that the content of chapter 10 is supported by contents of four chapters, namely, chapter 3 (History and development of Vietnamese accounting system), chapter 4 (Intangible assets conceptual framework) chapter 5 (Theoritical background of intangible assets accounting) and chapter 6 (Theoritical background of fair value and impairment of assets).

Chapter 11 supplies a summary of key findings and recommendation of this study. The content of chapter 11 is set up in accordance with the contents of the other chapters. This chapter also states to the actual contributions of research and suggests the future research.



(Source: Own Contribution, 2017)

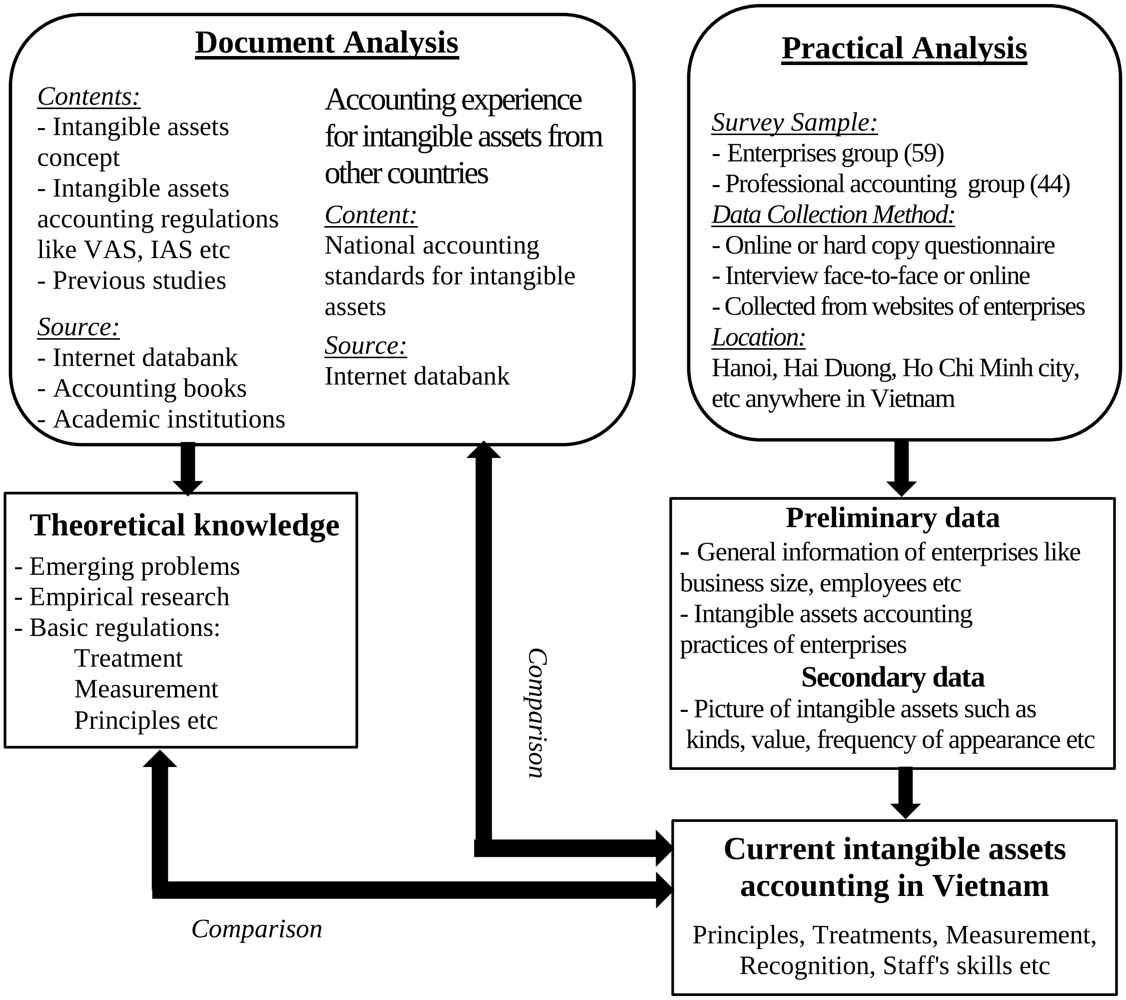
Figure 1.2. Structure of dissertation

Chapter 2

RESEARCH METHODOLOGY

Generally, research methodology is a way to systematically solve the research problem (Kothari, 2004). In other words, methodology is as a science of studying how research is done scientifically (Kothari, 2004). Hence, the identification of which methodology will be used is one of important step of each research. Thus, the methodology of data analysis in this study consists of both qualitative and quantitative approaches to close the study objective. As such, in other perspective, this chapter discusses the research methodology of this study, namely, document analysis and practical analysis (such as sample selection, techniques of data collection, statistical tools and etc).

Figure 2.1 describes the full methodological framework of this study. In which, the document analysis and practical analysis are the core elements of methodological framework. Specifically, through document analysis of intangible assets and intangible assets accounting, the weak points of them have been found. In addition, the document analysis is also compared with the reality to find better exploration. Therefore, sample survey is an important step to gather primary data. Additionally, secondary data also is collected from financial statements of these enterprises in the sample. As such, in accordance with these data, this study supplies in real-world enterprise situation without any attempt to manipulate the phenomenon of interest. The descriptive statistics are used for exploratory of the factor as purpose. These factors are calculated and analyzed. The standard deviations are also used to indicate the extent of diversity among variables.



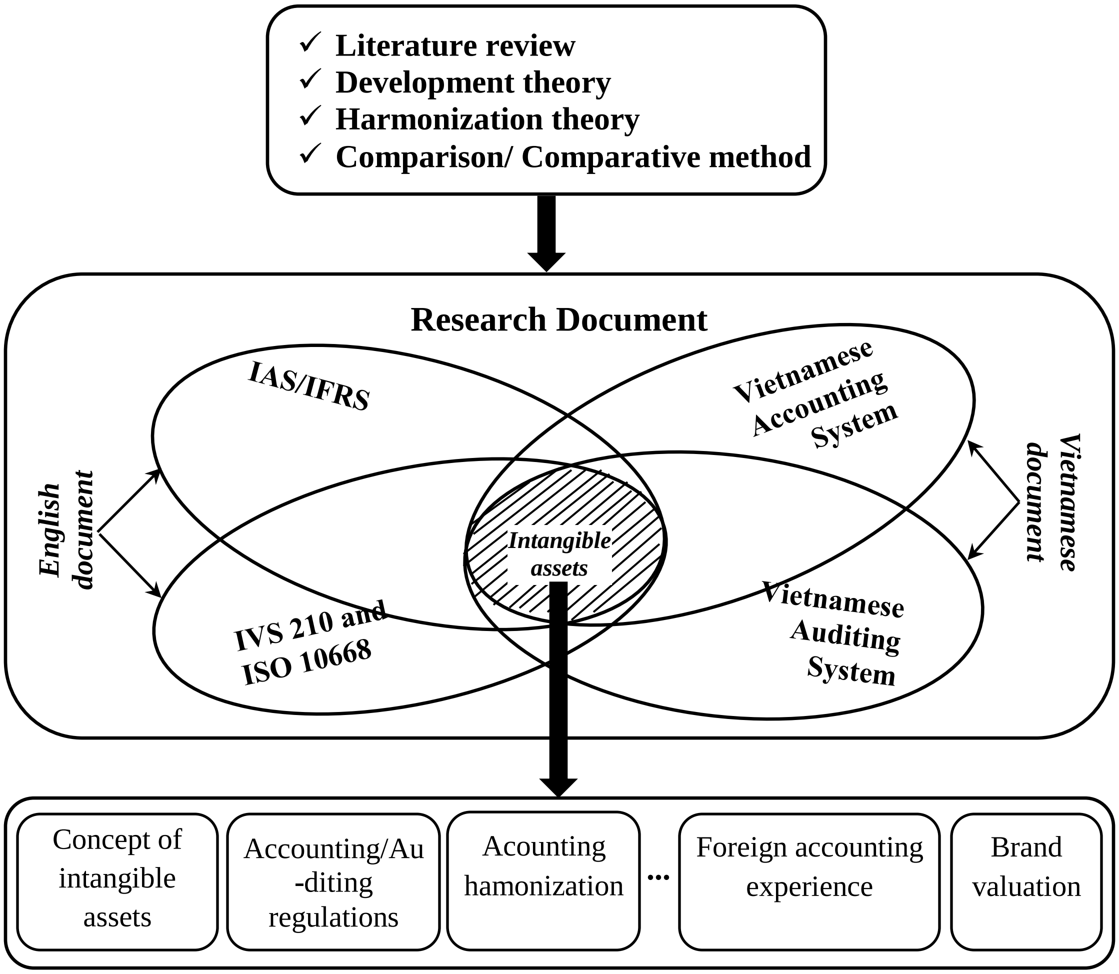
(Source: Own Contribution, 2018)

Note: ➡ Direct results; ⬌ Comparative relation

Figure 2.1. Methodological framework for analyzing intangible assets accounting in Vietnam

2.1. DOCUMENT ANALYSIS

In the first step of document analysis, this study gathered document from the research worldwide. To do this step, literature review was used to get document research. In addition, to analyze gathered document detailed, this study also used development theory, harmonization theory and comparison (comparative method) as main theoretical framework. Therefore, the concept of document analysis was presented in Figure 2.2, as followed:



(Source: Own Contribution, 2018)

Figure 2.2. The concept of document analysis

2.1.1. Literature review

According to Kobayashi et al. (2002), a literature review is the best approach to identify the state of the research in a specific research area, widen the knowledge base in a specific research area and help to contextualize the findings. Hence, any references of intangible assets or intangible assets accounting were selected. Consequently, a huge document about topic intangible assets and intangible assets accounting was gathered. However, almost of these documents focuses on intangible assets accounting outside of Vietnam, there were only few of them about Vietnamese accounting. It was difficult to find a research directly related to intangible assets accounting in Vietnam, in Vietnamese and English language. In fact, the widespread topic for searching were "Vietnamese accounting" or "Accounting system in Vietnam" or "Vietnamese accounting harmonization/convergence" (Phi, 2017). Additionally, the topics of history and development of Vietnamese accounting and Vietnamese auditing, history and development of Vietnamese SOEs, intangible assets accounting in other countries, impairment of assets and brand valuation were also gathered to make abundant background of this study.

There were two types of research documents in Vietnamese and English which were collected. These research documents were classified into different groups, namely, (i) Vietnamese accounting system, (ii) Vietnamese auditing system, (iii) IAS/IFRS system and (iv) IVS 210 and ISO 10668.

As such, to explain logically linkage between theoritical side and practical side, the detail references were continuously classified into smaller groups to reach the aim in this study. Specifically, this study have been summarized concept of intangible assets from different perspectives for issuing research comments. For accounting regulation, the current system of accounting regulations in Vietnam and international regulations have been researched for main comparing viewpoints. Meanwhile the foreign accounting experience based on national accounting regulations from other countries also have been collected. Additionally, Vietnamese general auditing regulations and Vietnamese auditing regulations for intangible assets are gathered. Futhermore, the topics of international accounting harmonization or convergence also have been researched to provide the current perspective of accounting development.

2.1.2. Development theory

In this study, development theory is used as the main theoretical framework in analysis of the development processes of Vietnamese accounting system, Vietnamese auditing system and Vietnamese SOEs. The term "development" is used in everyday in different positions, so what is meaning of "development"? Notably, development has come a long way in the past six decades (Rapley, 2007). Similarly, Pieterse (2010) indicated that geopolitical relations have changed, the meaning of development also has been changed, as followed Table 2.1.

As such, development theory reflects images of improvements or desirable change (Pieterse, 2010). Especially, Rapley (2007) emphasized that currently, development theory is less programmatic, more concerned with flexibility and adaptability. In accordance with Reyes (2001), the term "development" means as a social condition within a nation, in which the authentic needs of its population are satisfied by the rational and sustainable use of natural resources and systems. Similarly, Shareia (2015) also indicated that development is acknowledged as an internal, social process occuring in every country, where the basic requirements of the people are fulfilled by the wise and durable application of country's resources. As such, the meanings of development do not change so much, and especially development theory mentioned the application of science and technology to all fields such as culture, industry, welfare etc. In additionally, development theory was described as a progress of multiple levels and in terms of the ongoing and shifting relations among the following components: practice → research → policy → ideology → image → theory → ideology → policy → practice → theory → ideology → image → policy... (Pieterse, 2010). Therefore, to research processes of history and development of Vietnamese accounting system, Vietnamese auditing system and Vietnamese SOEs, this study also divided these processes into different and small periods to analyze.

Table 2.1. Meanings of development over time

PERIOD	PERSPECTIVES	MEANINGS OF DEVELOPMENT
1800s	Classical political economy	Remedy of progress, catching up
1850 >	Colonial economics	Resource management, trusteeship
1870 >	Latecomers	Industrialization, catching up
1940 >	Development economics	Economic growth - industrialization
1950 >	Modernization theory	Gowth, political and social modernization
1960 >	Dependency theory	Accumulation - national, autocentric
1970 >	Alternative development	Human flourishing
1980 >	Human development	Capacitation, enlargement of people's choices
1980 >	Neoliberalism	Economic growth - structural reform, deregulation, liberalization, privatization
1990 >	Post-development	Authoritarian engineering, disater
2000	Millennium Development Goals	Structual reforms

(Source: Pieterse, 2010)

2.1.3. Harmonization theory

The harmonization theory is used as the main theoretical framework of research. In accordance with the process of harmonization and using the target of convergence to evaluate the international accounting integration in Vietnam through the changes in the VASs and other Vietnamese accounting regulations under standards from the first promulgation to the time of conducting this study.

According to the Cambridge Business English Dictionary, the harmonization is *"the act of making systems or laws the same or similar in different companies, countries etc, so that they can work together more easily"* (Cambridge University Press 2015). In simple way, harmonization can be understood like the coordination where two or more objects merge together and becomes more similar.

In case of accounting field, there has been a considerate amount of literature being done in regard with harmonization theory. According to Leebron (1996) also said that harmonization occurs regarding international agreement and when different government policies and jurisdictions cooperate with each other to make a form of identical policy. In accordance with Choi et al. (1999), harmonization was identified as a process of increasing the compatibility of accounting practices through setting limits on rules and standardization. It means that the imposition of a rigid and narrow set of rules may be applied in all situations (Choi et al., 1999). Meanwhile, Saudagaran and Diga (1997) suggested three different steps of accounting harmonization, namely, (i) total disharmony, (ii) regional harmony and (iii) global harmony. In the regional harmony, accounting harmonization occurs among countries which have near geography, while in the global harmony, accounting harmonization means a borderless environment of accounting where accounting information is comparable across countries and is available for international users (Saudagaran and Diga, 1997). Therefore, Choi et al. (1999) concluded that harmonization eliminates differences between accounting practices. Harmonization was known as *"the process of increasing the comparability of accounting practices by setting bounds to their degree of variation"* (Tang, 1994, p. 147). As a result, a major initiative in harmonization of accounting and reporting standards were set up, namely, the International Accounting Standards Board (IASB), previously known as the International Accounting Standards Committee (IASC).

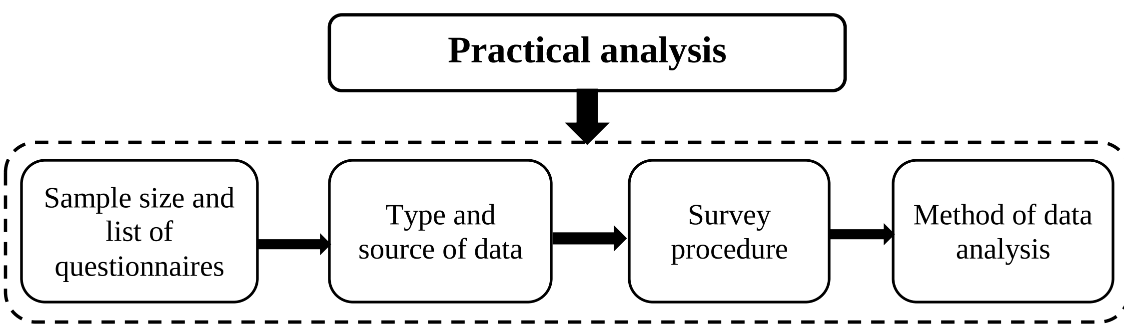
2.1.4. Comparative method

According to Collier (1993), comparison is a fundamental tool. Meanwhile Caramani (2008) defined comparison as a fundamental principle of science as well as a basic element of everyday life. This method sharpens powers of description and this method also plays a central role in concept-formation by bringing into focus suggestive similarities and contrasts among cases (Collier, 1993). In addition, the same author also indicated that comparative method is not only utilized to test hypotheses but also contribute to explore new hypotheses and theory-building. As such, comparison is as a scientific method in which two or more cases are explicitly contrasted to each other regards to a specific phenomenon or along a certain dimension to discover similarlities and differences among the cases (Azarian, 2011).

In this study, the comparative method is designed as a tool to discover the different points between VASs and IASs or the development of accounting convergence in Vietnam and other countries, especially in intangible assets accounting field. The gap between Vietnam and international accounting systems reflects through the results of comparison in detail aspects of accounting among them.

2.2. PRACTICAL ANALYSIS

Parallel with document analysis, practical analysis was also used as a main research methodology of this study. However, practical analysis was utilized to collect and analyze primary data and secondary data from Vietnamese enterprises and other interviewees who are accounting professions through interviewing. Specifically, practical analysis consists of four parts, as followed Figure 2.3.



(Source: Own Contribution, 2018)

Note: ⟶ Direct relation

Figure 2.3. The concept of practical analysis

2.2.1. Sample size and list of questionnaires

The purpose of this study focuses on intangible assets accounting in Vietnam. Hence, the survey sample in this study does not have any limitations for business industries or the style of owner capital. However, it is necessary to collect information from different perspectives like inside and outside of Vietnamese enterprises. Therefore, the interviewees were included two groups of sample, namely, Vietnamese enterprises group (inside group) and professional accounting group (outside group). In Vietnamese enterprises group, interviewees consist of accountants, financial managers who work at the enterprises. Meanwhile, professional accounting group includes auditors, officers, researchers, financial consultants or any accounting professors work outside of enterprises. Therefore, following “snowballing” method, the survey sample was considered through the researcher’s own network to lead to another network that received the supports of potential interviewees. The total sample was 103 interviewees, including 59 Vietnamese enterprises and 44 interviewees who are accounting professions. Each group has got separate list of questionnaires. Especially, the list of questionnaires was presented in both Vietnamese language and English language. The list of questionnaires was divided into two separate sections, namely, the first section (general information of interviewers or groups) and the second section (specific information for collecting accounting information). In addition, each question is often divided into several layers including main question and sub-question. However, the sub-question list was used if the information answer getting from main question was not yet satisfied expectation (such as the information needs gathered more detailly etc).

For Vietnamese enterprises group, the main question list included 31 questions which were separated into 4 questions of enterprise's and interviewee’s general information (such as ownership, business area, size of enterprise etc) and 27 questions of specific accounting information (such as accounting method, accounting measurement, etc). For professional accounting group, the main list of questions consists of 21 questions which were divided into 2 questions of interviewee’s general information (like work experience, accounting basic knowledge, working skills etc) and 19 questions of specific accounting information.

2.2.2. Types and source of data

Primary data covering 2017-2018 accounting information were gathered through personal interview of accountants or financial managers in Vietnamese enterprises group and professional accounting group.

For Vietnamese enterprises group, these data include two type of information, namely, (i) overview of Vietnamese enterprises and (ii) intangible assets accounting practices in Vietnamese enterprises. Overview of Vietnamese enterprises consists of infomation which are relative to ownership, business area, size of enterprise, market of enterprise, firm age, number of employees, accounting value of assets annual financial year, accounting value of owner’s equities and characteristics of accountants in Vietnamese enterprises (such as age, educational level, work experience and ability to use specialized English in accounting field). In case of intangible assets accounting practices in Vietnamese enterprises, the information includes accounting legal framework for intangible assets, the disclosure information of intangible assets accounting in Vietnamese enterprises, accounting for intangible assets in Vietnamese enterprises. Simultaneously, this study also collected obstacles of recognition intangible assets in Vietnamese enterprises, knowledge of accounting staffs about the difference between cost model and revaluation model of IAS 38 and impairment of assets, business governance for intangible assets accounting.

For professional accounting group, there are two types of gathered information. Firstly, the information focuses on the characteristics of interviewees in professional accounting group like occupation (working position), work experience, working area relately to intangible assets and the length of having Vietnamese Certified Public Accountant (CPA). The other information focuses on finding obstacle of intangible assets accounting.

Furthermore, this study also conducts a survey on the application of intangible assets impairment accounting in Vietnam based on Vietnamese enterprises group perspective and professional accounting group perspective.

Secondary data comprising of picture of intangible assets in Vietnamese enterprises was collected from financial statements of Vietnamese enterprises group. These financial statements were published in 2017 on websites of enterprises.

2.2.3. Survey procedure

The period of survey was conducted in August 2017 and from January to March 2018. The pre-survey was conducted with 10 interviewees as an important step in August 2017 to improve the quality of temporary version of questionnaires. After pre-survey, the formal questionnaires were improved to survey continuously during period January-March 2018. However, this time is not good time to conduct survey. Because in Vietnam, the fiscal year always starts annually in January 1st and ending in December 31st. Additionally, in February there is a Tet holiday in Vietnam (lunal new year). In addition, the deadline to submit and publish financial statement annually is March 30th, hence, Vietnamese accountants are very busy during period from January to March. Therefore, some accountants agreed to interview face-to-face. Thus, to ensure the quality of the interview, the survey was conducted continuously through online-interview method. As such, both face-to-face interview and online-interview were used to conduct the survey.

For face-to-face interview, the author often contacted interviewees by email or telephone to discuss about an appointment. Following on their opinions, time of appointment was set up. After that, before implement interview, the author often explains detailly about concern of questionnaires and objective of this study. During the interview, to ensure the interviewee clearly understanding content of each question the author depended on their answers to give the guideline or sub-questions or not sub-questions in order to get the best answer. Each interview took about from 45 minutes to 60 minutes. Fortunately, the interviewees were ready to share their understanding about the concern of this study. For online-interview, the author also contacted interviewees by email or telephone to get their opinions "agree or disagree to answer questionnaires of the survey". If they agree to answer questionnaires, the author will send list of questionnaires to the interviewees by email. To avoid loss information, when the finishing direct discussion or getting answer from online-survey and sending the warm thanks to the interviewee, the author read again carefully whole answers which were gathered and translated into English language. For unclear answers or miss answers, the author contacted again with the interviewee (if possible and by email) to introduce another advanced answer for getting data again or collecting more information. Fortunately, the work for gathering data was finished on time and almost of key questions got the respective answers.

2.2.4. Method of data analysis

After gathering data, the data processing and data classifying were implemented immediately to supply the information for analysis as the next step of this study. The descriptive statistics was used as main analysis tool. Specifically, descriptive statistics sush as totals, means and percentages were utilized to analyze the primary data collected from the both groups. For Vietnamese enterprises group, the characteristics of Vietnamese enterprises (such as ownership, business area, size of enterprise, market of enterprise, firm age, number of employees, accounting value of assets annual financial year, accounting value of owner's equities), characteristics of interviewees (for instant age, educational level, work experience and ability to use specialized English in accounting field) and specific accounting information were analyzed through descriptive statistics. As the same way, the primary data which was collected from professional accounting group also was analyzed by descriptive statistics method. In addition, tabular and graphical analysis were done. It is notably that, secondary data which was collected from financial statements was also classified and analyzed detailly through descriptive statistic, tabular and graphical analysis.

As such, two main methods, namely, document analysis and practical analysis were applied to conduct the contents of nine chapters in this study. The combination of both methods brings clear general picture of intangible assets accounting in Vietnam from theory to practice. Through these methodologies, this study will show the gap between Vietnam and international accounting systems in intangible assets accounting and shortcomings of Vietnamese accounting system etc. In conclusion, content of research methodology in chapter 2 will become effective tools to research next nine chapters.

Chapter 3

HISTORY AND DEVELOPMENT OF VIETNAMESE ACCOUNTING SYSTEM

3.1. HISTORY AND DEVELOPMENT OF VIETNAMESE ACCOUNTING SYSTEM

In the study "Overview of Vietnamese Accounting System Since 1975 and the Process of Vietnam's Convergence to IFRS", Nguyen (2015) said that, in parallel with the development of the economy, accounting system also often has changed to become a suitable management tool. This view was evidienced through the four stages in the development process of Vietnam accounting from 1975 - when Vietnam gained independence - to 2015, specifically, 1975-1985, 1986-1990, 1990-2003 and 2003-2015 (Nguyen, 2015).

According to Nguyen (2015), in the first period (1975-1985), the accounting system served for state economic management of the centrally planned economy with main task of monitoring information. In this period, the Vietnamese political system moved to the proletariat regime (Ministry of Education and Training, 2009) and foreign relations of Vietnam were mainly the socialist countries, notably the Soviet Union. This economy focused on four main targets, namely, (1) totally removing private ownership; (2) creating the socialist public ownership which includes state ownership and collective ownership; (3) completely eliminating market mechanisms and (4) setting the management system of the centrally subsidized, planned economy (Nguyen, 2015). That is why, in the economy, there were three major economic units, namely, state-owned companies, factories and cooperatives. Hence, the Vietnamese accounting system in this period performed only one mission as the control tool of the state, mainly provided with monitoring information to MOF, Planning Department and Statistics Departments (Nguyen, 2015).

Renewal period of 1986-1990, accounting operations and accounting systems had transferred to serve to market economy (Nguyen, 2015). The reason of changing was Vietnam's economy was in crisis, as the production was not good enough for society and the economy did not grow. At this point of time, the accounting profession had been set up, while the roles, position and authority of the chief accountant had been improved significantly in management system. The marked important point in the period was the birth of Ordinance on Accounting and Statistics (dated May 20th 1988) effective from October 1st 1988 by the State Council. This Ordinance prescribed two main regimes, specifically, the accounting regime and statistical regime applicable in the national economy (The State Council, 1988). This was the first and highest accounting legal document of Vietnam at that time. Applicated objects were SOEs, collective private enterprises engaged in production and business; agencies and organizations using funds of the State or mass organizations, foreign-invested enterprises etc.

In reform period (1990-2003), the accounting system had been reformed to reach the harmony with IASs and to serve the integration in the world economy (Nguyen, 2015). Based on the acceptance of the market economy's existence, Vietnamese accounting systems were also amended and improved following on the actual requirements. Notably, MOF (1993b) promulgated Circular No. 84-TC/CDKT (dated October 23rd 1993) which guidies the implementation of accounting activities in foreign-invested enterprises. On November 1st 1995, MOF continued to issue Decision No. 1141-TC/QD/CDKT of promulgating the enterprises' accounting regime for state businesses and other types of businesses, and Decision No. 1177/TC/QD/CDKT (dated December 23rd 1996) accounting regime for small and medium entities. The appearance of the Vietnam Accounting Association (VAA) on October 1st 1994 marked the presence of accounting and the professional accounting profession in Vietnam. And then, VAA became a member of the International Federation of Accountants (IFAC) in 1996 and member of the ASEAN Federation of Accountants (AFA) in 1998. These events recognized an incural step in the integration process and the international recognition of the Vietnamese accounting profession (Nguyen, 2015).

In the forth period from 2003 to 2015, Vietnamese accounting system has developed significantly and strongly on both quality and quantity (Nguyen, 2015). Especially, Accounting Law No. 03/2003 enacted by the National Assembly so far has gone into practical operation of the economy, paving the way for legal provisions to be promulgated. This law consists of seven chapters with 64 articles. Simultaneously, based on IASs and the requirement of market economy, the legal system of Vietnamese accounting was built and improved gradually (Nguyen, 2015). Additionally, in order to get the higher expectations of open market economy Vietnam continues to live up to reform economy and accounting system. This legal system was classified into four levels, namely, (1) accounting law, (2) decrees, (3) accounting standards and decisions and (4) circulars. These four levels have close relationships and complementary.

According to Chu (2004), his study about Vietnam accounting changes in a transition economy showed that history of Vietnam accounting is separate into two main periods: historical (before 1981) and reformed (from 1981 to present). The accounting reform was separated into three periods: initial steps (1981-1990), radical accounting reform (1991-1996) and the present program (1996-present). The author also indicated history and development of Vietnam accounting was greatly affected by foreign countries, which had political, ideological and economic influence on Vietnam like France, Soviet Union, China and so on. This idea about accounting reform period was also mentioned by Nguyen et al. (2012) in the study "Vietnamese Accounting Reform and International Convergence of Vietnamese Accounting Standards". Following the view of Phi (2014), the Vietnam accounting history was separated into two main period including the before and after 2003 - when Vietnamese Accounting Law 2003 has been appeared. Therefore, depending on the topic of research, the stages of Vietnam accounting history are divided based on different criteria.

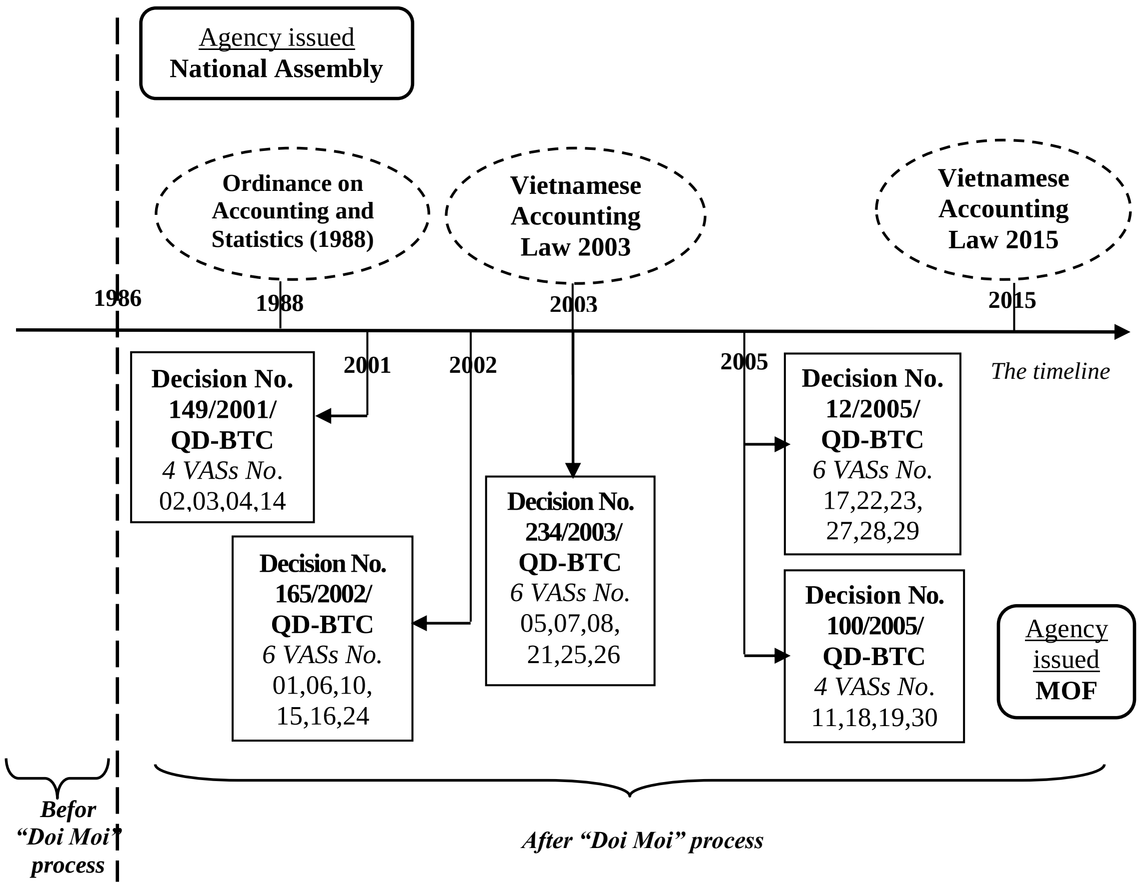
In this study, the emphasis summarizes the development process of Vietnamese accounting system in accordance with the appearing time of Vietnamese accounting law and accounting standards. Therefore, the Vietnamese accounting history was separated into four main periods including before 1988, 1988-2003, 2003-2015 and after 2015. Until now, Vietnamese Government has played the key roles in enacting legislations as well as managing and regulating industries, the economic field with the legal documents; accounting field is also subject to this administration (Nguyen, 2015).

3.1.1. Vietnamese accounting system before 1988

Before 1988, the accounting system served for state economic management of the centrally planned economy with main task of monitoring information. This economy model was influenced strongly by the Soviet Union's economy model. In this economy, product distribution was based on a plan of the state (from established to implemented and coordinated stages), and did not follow the basic rules of market economy, like the rule of value, the rule of supply and demand. It was called in-kind economy through the "allocation - submition". During this time, the task of accounting system was protection and utilization of the assets by state and collective. The accounting system was based on Decree No. 93 "State Enterprises Charter" (dated April 18th 1977) and Decision No. 223-CP "The Financial Statement System" (dated December 1st 1970). In 1986, Vietnam's shift from a centrally planned to a state regulated and market oriented economy has modified and created new policies and strategies on economic fields (Tran, 2015). The shift, known as the "Doi Moi" process (Tran, 2015). There are two main reasons for this change, namely, internal reason and external reason. First of all, internal factor, after 10 years independent, Vietnam's economy really fell into crisis. Particularly, the agricultural production was not enough for domestic demand; industry sector had low efficiency and essential products were severely serious lacking. The other reason is the crisis of socialism in the world, leading to the collapse of socialism in the Soviet Union and Eastern Europe; and the development of the science and technology revolution. To exist, the tendency of socialist countries was economic reforms, for example, economic reforms of China in 1978, the reforms of the Soviet Union in 1985. Therefore, to solve these problems, Vietnamese economy also had to transform from centrally planned economy to market economy. Hence, since 1986, the private enterprises and the non-state businesses were recognized as a part of economy, and the accounting system was reformed to adapt with these significant economy changes.

3.1.2. Vietnamese accounting system during period 1988-2003

During period 1988-2003, the accounting system had transferred to serve to market economy; and the accounting system had been reformed to reach the harmony with IAS and to serve the integration in the world economy (Nguyen, 2015). In this period, Vietnam positively signed some agreements, namely, Textile Agreement with EU (1992), ASEAN Free Trade Agreement (1993), Framework Agreement with EU (1995), Started the negotiation to joint WTO (1995), ASEAN membership (1995), APEC membership (1998) and Bilateral Trade Agreement with US (2001) (Phi, 2017). Simultaneously, Vietnamese National Assembly also promulgated some laws which consist of Company Law (1990), Law on Private Enterprise (1990, 1996), First Constitution (1992) and Land Law (1993 replaced 1987) (Phi, 2017). The first marked important point in the period was the birth of Ordinance on Accounting and Statistics (dated May 20th 1988) effective from October 1st 1988 by the State Council. This was the first and highest accounting legal document of Vietnam at that time. This Ordinance suggested general guidelines about initial records of transactions, accounts and accounting books, inventory of assets, accounting reports and accounting inspection (The State Council, 1988). Based on this Ordinance, in March 1989, the Government promulgated the Charter of State Accountancy Organization and the Charter of Chief Accountant, and MOF issued Decision No. 212/TC-CDKT dated December 15th 1989 detail instruction the accounting system regime (MOF, 1989). After that, on June 17th 2003, Ordinance on Accounting and Statistics 1988 was separated and amended to two laws, namely, Accounting Law No. 03/2003/QH11 and Statistical Law No. 04/2003/QH11 (The National Assembly, 2003a). Notably, MOF (1993b) promulgated Circular No. 84-TC/CDKT (dated October 23rd 1993) which guides the implementation of accounting activities in foreign-invested enterprises. On November 1st 1995, MOF continued to issue Decision No. 1141-TC/QD/CDKT of promulgating the enterprises' accounting regime for state businesses and other types of businesses (MOF, 1995); and Decision No. 1177/TC/QD/CDKT (dated December 23rd 1996) accounting regime for small and medium entities (MOF, 1996). Specially, on October 1st 1994 the VAA was born to mark the presence of accounting and the professional accounting profession in Vietnam. After that, VAA participated as member of IFAC and the AFA respectively in 1996 and 1998. Especially, in this period, big foreign owned auditing firms (Deloitte & Touche, Ernst & Young (E&Y), KPMG and PricewaterhouseCoopers (PwC)) played main roles to import knowledge of accounting market into Vietnam directly (Chu, 2004). The remarkable second point was the appearances of the ten VASs in 2001 and 2002 by the Vietnamese Accounting Standard Board (VASB). VASB consists of 13 members who are not government officers but not completely independent from the Vietnamese Government (Nguyen et al., 2012). This organization was established by MOF and depended on MOF. Notably, the contents of these VASs were built on the basis of applying the principles of IAS in accordance with the situation and characteristics of Vietnam, and on the basis of setting the stage for the development of institutional accounting applied to specific objects. The first package of VASs was released based on Decision No. 149/2001/QD-BTC - which included accounting standards about Inventories (VAS 02), Tangible Assets (VAS 03), Intangible Assets (VAS 04) and Revenue and Other Income (VAS 14) (MOF, 2001b). The next six VASs was promulgated based on Decision No. 165/2002/QD-BTC - which included the accounting standards about General Standards (VAS 01), Leases (VAS 06), Effects of Changes in Foreign Exchange Rates (VAS 10), Construction Contracts (VAS 15), Borrowing Costs (VAS 16) and Cash Flow Statement (VAS 24) (MOF, 2002a). However, it was difficult for the accounting staffs to apply ten VASs, the cause was lack of uniform accounting regulation occurred in the domestic market (Phi, 2014) and the contradictory between VASs and the Ordinance on Accounting and Statistics. That is why Vietnam government needs to change the accounting law. Therefore, in 2003, the highest power of regulation - the law of accounting - was launched.



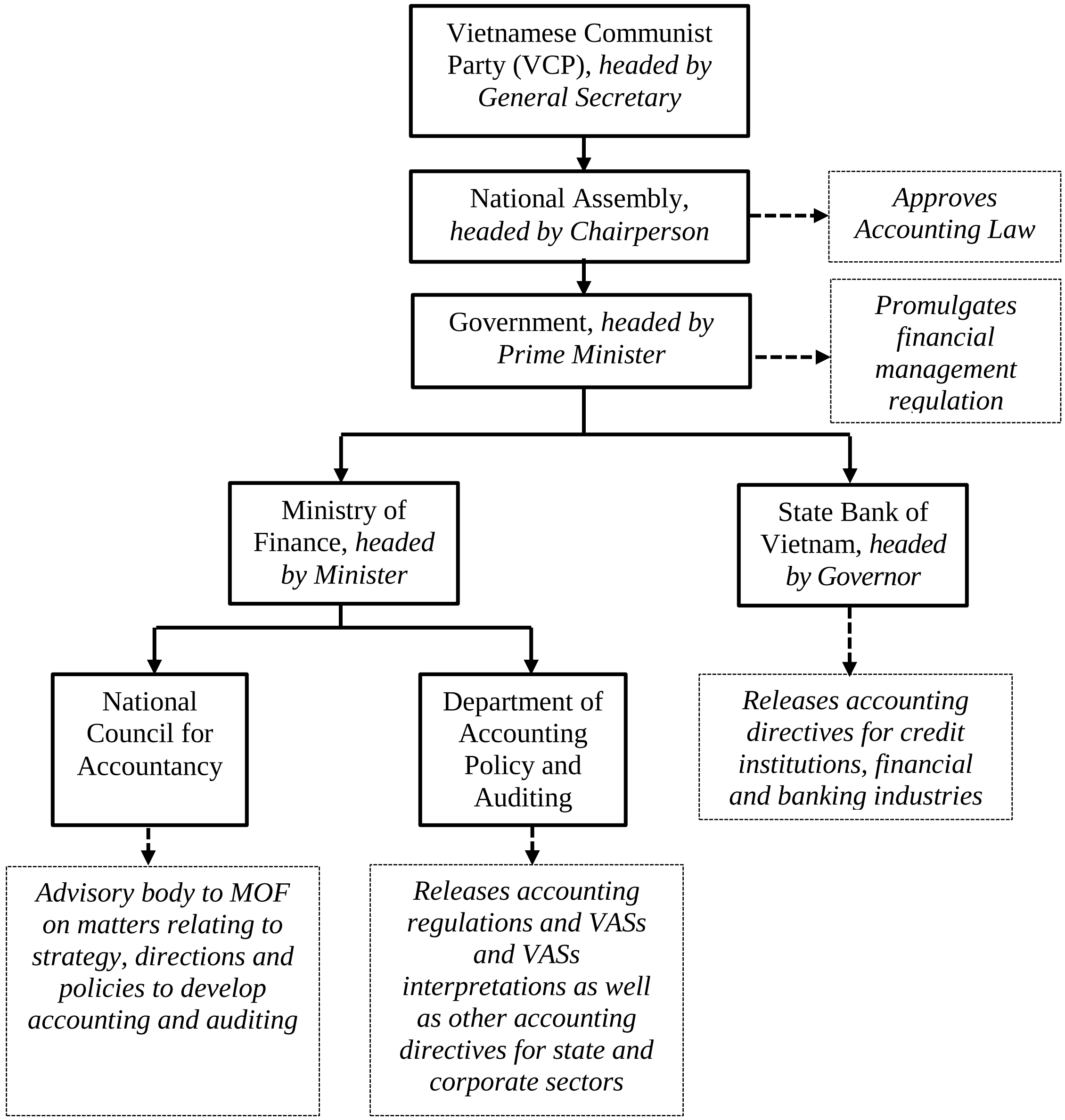
(Source: Own Contribution, 2017)

Figure 3.1. The timeline of Vietnamese accounting system

Accounting Law No. 03/2003/QH11 (Accounting Law 2003) issued by the National Assembly on June 17th 2003 with effective from January 1st 2004. Accounting Law 2003 replaced Ordinance on Accounting and Statistics 1988 and improve the legal framework for accounting work during 15 past years (The National Assembly, 2003a). The appearance of Accounting Law 2003 was made favorable conditions for businesses and accountants in the process of performing the accounting work (The National Assembly, 2003a). Accounting Law 2003 includes seven chapters with 64 articles. This law also officially recognized "accounting services" - as a type of service in supporting the accounting work for SMEs in Vietnam (The National Assembly, 2003a). This law was established on the historical cost basis and an accounting entity was not allowed to revalue its assets unless otherwise stipulated by other laws and regulations. This historical model was based on two basic assumptions: continuous operation and stable prices (The National Assembly, 2003a). Following Nguyen (2015) this law also had a positive impact on economy and society. Particularly, this law created the legal basis for Vietnamese Government and MOF to issue decrees, accounting standards and circulars which maked a comprehensive accounting legal framework throughout the country. It not only created conditions to perform accounting practices and organization of accounting apparatus in each entity, but also was a tool for the state to perform inspection and supervision all business acitivities in the economy. Secondly, organization of Vietnamese accounting system has been more clearly defined and separated into four areas, namely, state accounting, corporate accounting, bank accounting and cooperative accounting. Thirdly, it contributed to improve the market mechanism under the management of the State and in accordance with international integration. Lastly, the organization of specialized accounting training has been improved, notably, academy and universities have educated the specialized accounting course in undergraduate and graduate level.

3.1.3. Vietnamese accounting system during period 2003-2015

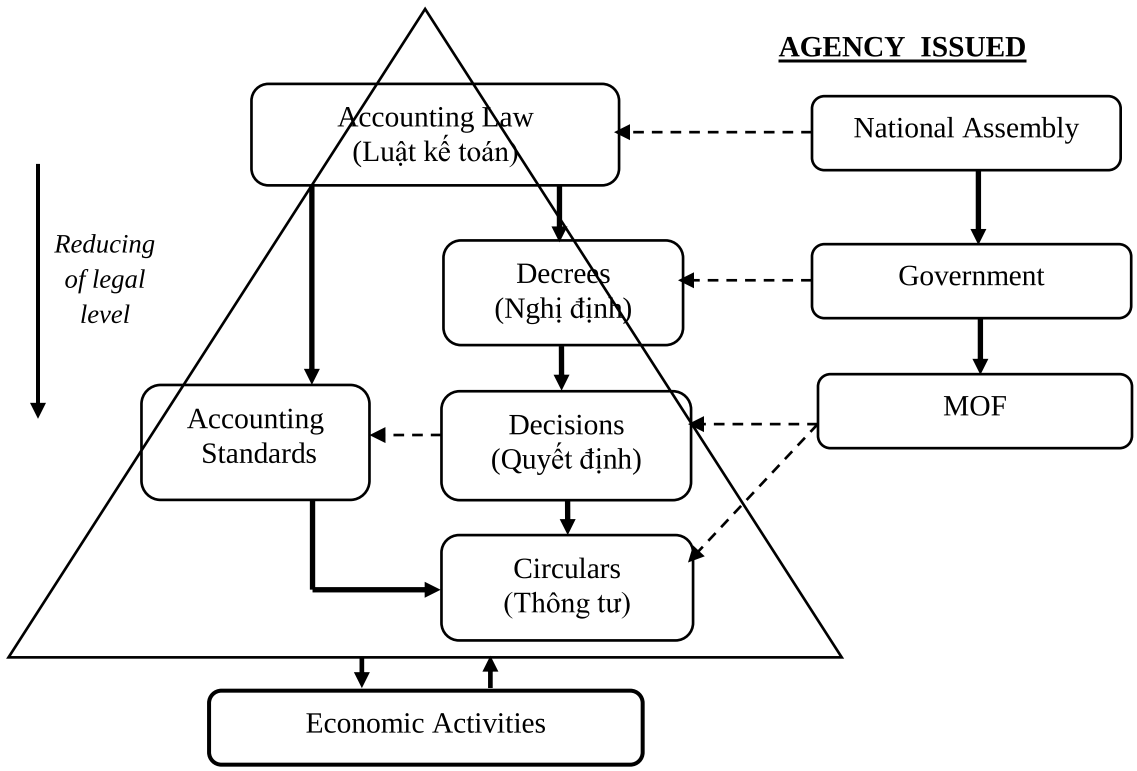
In the third period (2003-2015), political institutions have been virtually stable based on leadership of Vietnamese Communist Party. At this point of time, Vietnamese economy has experienced significant changes, to illustrate, Gross Domestic Product increased dramatically from about 30 billion USD to 204 billion USD, the number of private enterprises has grew up sharply from 55,236 enterprises to 495,826 enterprises, and the total amount of investment increased by an average of 13.8% per year. Taiwan, Korea and Singapore are the largest foreign investors in this period. Simultaneously, Vietnam continued to participate in other agreements such as Agreement von Marketing Opening with EU (2004), Free Trade Agreement China - ASEAN (2005), WTO membership (2007), AFTA - Korean (2007), AFTA - Vietnam - Japan (2008), AFTA - Australia - New Zealand (2009), AFTA - India (2009), Vietnam - EU (2010), Vietnam - Chile Free Trade Agreement (FTA) (2010) (Phi, 2017) and CPTPP membership (2017). Therefore, during this period, Vietnamese accounting system had developed significantly and strongly on both quality and quantity (Nguyen, 2015). Based on IAS system and the requirement of market economy, the legal system of Vietnamese accounting was set up and improved gradually (Nguyen, 2015). This legal system was classified into four levels, namely, accounting law, decrees, accounting standards, decisions and circulars. In Vietnam, the accounting legal framework has been maintained and amended by the National Assembly, MOF, the Department of Accounting and Auditing Policy and the VASB (Phi [2014], Dezan Shira & Accociates [2016]). Based on Vietnamese Accounting Law, issued by the National Assembly, MOF has been entrusted significant responsibility for accounting regulation. Under MOF, the Department of Accounting and Auditing Policy has formed the VASB to improve and issue standards. According to Huynh et al. (2012) and Nguyen et al. (2012), the legal Vietnamese accounting framework is constructed the strictly hierarchical levels like pyramid symbol. The highest level is accounting law which has the highest legal status. The next level is decrees, and then to decisions and accounting standards. The lowest hierarchical level is circulars. Normally, the lower documents will be used to explain clearly the higher documents.



(Source: Bui, 2011)

Note: Directly issued, Direct relationship

Figure 3.2. Detail the structure of three sources of financial and accounting law and regulations in Vietnam (1992 Constitution)



(Source: Own Contribution, 2017)

Note: Directly issued, Direct relationship

Figure 3.3. Structure of Vietnamese accounting system

The first marked important point in the period 2003-2015 was the advent of Accounting Law No. 03/2003/QH11 (Accounting Law 2003) which was issued by the National Assembly on June 17th 2003 with effective from January 1st 2004. Accounting Law 2003 replaced Ordinance on Accounting and Statistics 1988 and improved the legal framework for accounting work during 15 past years. According to Nguyen (2015) the appearance of Accounting Law 2003 was made a positive impact on economy and society. Firstly, this law created the legal basis for Vietnamese Government and MOF to issue decrees, accounting standards and circulars which maked a comprehensive accounting legal framework throughout the country. Secondly, organization of the accounting system of Vietnam has been more clearly defined and separated into four areas, namely, state accounting, corporate accounting, bank accounting and cooperative accounting. Thirdly, it contributed to improve the market mechanism under the management of the State and in accordance with international integration. Lastly, the organization of specialized accounting training has been improved, notably, academy and universities have educated the specialized accounting course in undergraduate and graduate level.

The next important point of the period 2003-2015 was the birth of 16 VASs which were issued by MOF to adapt with international economic integration and to harmonize with IAS/IFRS. The third package of VASs was promulgated based on Decision No.

234/2003/QD-BTC - which included six accounting standards, namely, Investment Property (VAS 05), Investment in Associated Companies (VAS 07), Financial Information about the Venture Capital Contributions (VAS 08), Presentation of Financial Statement (VAS 21), Consolidated Financial Statement and Accounting for Investment in Subsidiaries (VAS 25) and Information on Related Parties (VAS 26) (MOF, 2003d). In February and December 2005, MOF enacted the forth and the fifth packages of VASs. The forth package of VASs was enacted based on Decision No. 12/2005/QD-BTC - which included six accounting standards, namely, Income Taxes (VAS 17), Disclosures in Financial Statement of Banks and Similar Financial Institutions (VAS 22), Events after the Balance Sheet Date (VAS 23), Interim Financial Reporting (VAS 27), Segment Reporting (VAS 28) and Changes in Accounting Policies, Accounting Estimate and Errors (VAS 29) (MOF, 2005b). The last package of VASs was issued base on Decision No. 100/2005/QD-BTC - which included four accounting standards, namely, Business Combination (VAS 11), Provisions, Contingent Assets and Liabilities (VAS 18), Insurance Contract (VAS 19) and Earning Per Share (VAS 30) (MOF, 2005d). Hence, during period from 2001 to 2005, based on IAS system, Vietnam already issued five packages of legislation, consisting of 26 VASs successfully. These VASs range from general guidance on the segmentation of financial reports to more detailed regulations on the technical subject issues such as the calculation of contingent assets and liabilities (Dezan Shira & Accociates, 2016).

After over 13 years deployment and implementary, Accounting Law 2003 also exposed some items not suitable with the development of the economy. For example, Accounting Law 2003 only mentioned about cost principle but at present sometimes cost model was not reflected exactly the value of assets and liabilities. Moreover, IASs, accounting practices are performed at fair value. Based on IFRS 13 - Fair value measurement, there are three levels to measure fair value (IASB, 2011b). In the first level, fair value is the value of assets on the active market, without any adjustment. In the second level, fair value of assets can be observed indirectly through value of other similar assets can be observed on the active market with an adjustment. In the third level, data can not be observed in the market, so enterprises need to forecast cash flow from using of assets. The fair value of the asset is determined on the basis of the present value of the net cash flow.

The strategy to reform the accounting and auditing legal framework in accordance with Vietnam's political, economic and social conditions and common international accounting practices is very necessary. Following on Mai et al. (2016), Vietnam has continued to reform the accounting system with the integration process of Vietnam's economy with the world. On March 18th 2013, the Prime Minister (2013) approved the “Vietnam accounting and auditing strategy to 2020, vision 2030” (Decision No. 480/QD-TTg, dated March 18th 2013). The object of the strategy is development and promulgation VASs which will be suitable with international practices and Vietnamese conditions (The Prime Minister, 2013). Particularly, in the period 2012-2015, the published accounting standards amended, and in the period 2016-2020, the other accounting standards will be developed and issued. The issue of completing the Vietnamese Accounting Law in 2003 was mentioned. Therefore, to statisfy requirement of international accounting integration, on November 20th 2015, the National Assembly issued Accounting Law No. 88/2015/QH13 (Accounting Law 2015) with effective from January 1st 2017. Accounting Law 2015 superseded Accounting Law 2003 (The National Assembly, 2015).

3.1.4. Vietnamese accounting system after 2015

After 2015, the accounting system has continued to develop significantly to reach the harmony with IAS/IFRS and to serve the integration in the world economy. Particularly, Accounting Law 2015 was issued and superseded Accounting Law 2003 (The National Assembly, 2015). The Accounting Law 2015 includes six Chapters and 74 Articles (The National Assembly, 2015). It regulates the contents of accounting work, the organization of accounting system, accountants, accounting services, state management of accounting and accounting professional organizations. In comparison with Accounting Law 2003, Accounting Law 2015 has new points and key changes (PwC, 2016).

First of all, the new law mentions about the fair value concept which is a major change in accounting principles. It means that assets and liabilities must be revaluated at fair value at the financial reporting date. Specifically, financial instruments must be measured at fair value; monetary items denominated in foreign currencies are measured at actual exchange rates and assets or liabilities which have frequent volatility in value are revaluated at fair value. However, the fair value revaluation of assets and liabilities must based on reliable measurements (as three levels of inputs in IFRS 13). If no reliable measurements, the assets and liabilities are measured at historical cost.

Notably, Accounting Law 2015 gave new and detailed regulations for accounting services business (The National Assembly, 2015). These regulations include the establishment of a register of businesses providing accounting service, criteria for issuing of certificates of accounting services permission, setting out of responsibilities of accountants, enterprises providing accounting services etc (The National Assembly, 2015). The law adds to criteria of Accounting Practising Certificate. It means that a person who has four conditions, namely, an accounting certificate or an auditing certificate, civil acts, job experience in accounting and auditing fields at least 36 months since graduated, fully participating in the updating knowledge program will be participated the Accounting Practising Certificate examination organized by MOF (The National Assembly, 2015). These people who passed the examination will get the Accounting Practising Certificate and work as employees in accounting services enterprises. These enterprises are required to be organized in the form of a private enterprise or a limited liability company with at least two members, and have at least two certified practising accountants. These accounting services firms often will supply accounting services to SMEs where accounting apparatus do not exist. This regulation based on the actual situation of Vietnam and the development trend in the world. Because the cost of maintaining a accountants apparatus in SMEs is significantly greater than the cost of hiring accounting services. In addition, using accounting service always ensure professionalism and avoid penalties.

In additional, the law also showed that electronic vouchers and accounting books are not required to be printed out, however, enterprises must ensure the information safety, security and ensure data are searchable in the storage period. According to

Accounting Law 2015, enterprises have to set up internal controls including mechanisms, policies, procedures and internal regulations in accordance with the provisions of the laws, in order to prevent, detect and resolve risks promptly and to gain objectives etc (The National Assembly, 2015). Specifically, the task of internal control system consistes of safeguard assets, protection assets from inefficient use, transactions that are approved by authorized persons and fully recorded as the basis for preparation and presention of the financial statements that give a true and fair view (The National Assembly, 2015).

Although VASs were promulgated, Vietnamese accounting practices are still mainly based on decisions and circulars - a "rules - based" regime (Huynh et al., 2012). These legal documents described detailly guiding on using chart of accounts, recording transaction in accounting books and presenting of financial statements. Under the pressure of international liberazation, accounting legal framework of Vietnam has been reformed, to date, it governed by Accounting Law 2015 and 26 VASs. However, VASs were promulgated from 2001-2005, in fact IASs have been updated, due to changing economic and financial conditions, but VASs have not been amended or supplemented in time. At present, this is the big issue for accounting legal framework of Vietnam.

In conclusion, history and development of the Vietnamese accounting law and accounting standards were discussed in this section, hence, the next section will analyze the relationship between the Vietnamese economic activities and Vietnamese accounting system since 1975 - Liberation Day of Vietnam. After that, the next section will clarify the role of each component like accounting law, decreee, decision, accounting standard and circular in Vietnamese accounting system.

3.2. THE ROLE OF EACH COMPONENT IN VIETNAMESE ACCOUNTING SYSTEM

According to Coleman (1949), in a changing economy, accounting also has been undergoing a change. The author indicated that "accounting is a tool of management". The American Institute of Accountants (1941) suggested the accounting definition, particularly, *"accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character and interpreting the results thereof"*. In other understanding, accounting is the means by which business information is communicated to the stakeholders like investors, customers, banks, suppliers and so on. Thus, accounting has been called the "language of business" (Anthony, 1983), and accounting should represent faithfully an economic reality (Ernst & Young, 2005). This idea has been proved through history and development process of Vietnamese economy and Vietnamese accounting system (of part 3.1). Part 3.1 analyzed detailly Vietnamese accounting system which often has changed to become a suitable management tool in parallel with the development of the economy. This view was evidienced through the four stages in the development process of Vietnam accounting before 1988, 1988-2003, 2003-2015 and after 2015.

However, Anthony (1994) and Colwyn (1995) mentioned the perspective *"accounting as a formal system to reflect the business transactions and/or events through means of words and numbers"* is yet insufficient. The authors explained that although the accounting phenomena appears in the social scene, considering the nature of accounting from such perspective is very important. Therefore, it is necessary to acknowledge accounting as a social and institutional practice (Anthony [1994], Colwyn [1995]). Particularly, accounting plays an important role in measuring the amounts of income on which dividends and taxes are determined and the social consensus to them should be formed. In order to make the amounts of income, dividends and taxes fairly determined and the social accepted, the applied techniques of measurement must be fair and rational, and the result of measurement should represent accurately an economic reality of business enterprise. Moreover, accounting could be acknowledged as a special mechanisim of recognition and measurement to fictive events as financial instruments and intangible assets by means of symbols (words and numbers) (Suzuki, 2006), as if such events were really in existence (Langendijk et al., 2003).

In accordance with the 1992 Constitution, the detail the legislative structure consisted of three sources of financial and accounting law and regulations in Vietnam, and four levels, namely, (1) accounting law (Luật kế toán), (2) decrees (Nghị định), (3) decisions (Quyết định) and accounting and auditing standards and (4) circulars (Thông tư). This legislative structure reflects the hierarchical control which was mentioned in the research “Modes of regulation in advanced capitalism: locating accountancy in four countries” by Puxty et al. (1987). It is also observed that the four levels of legislation of Vietnamese accounting structure are similar to that of the Russian Federation in the research “Russia’s accounting moves West” of Enthoven (1999).

To understand clearly about the structure of Vietnamese accounting system, analysis the role of each inside component is very necessary. Accounting law is the highest legal document for the performance of accounting work and it was issued by the National Assembly, governing all accounting and auditing activities in Vietnam. Bui (2011) mentioned that the accounting law is marked as a significant accomplishment in the overall accounting reform process. Particularly, fundamental principles of accounting have been recognized and merged Vietnamese law system (Adams and Do, 2005). Micheline and Nguyen (2007) indicated the top principles of Vietnamese accounting law consist of the presentation of reliable economic information; the designation of MOF as the body responsible for accounting standards setting and monitoring; the organization and reliability of accounting records; the separation between financial accounting and management accounting; and finally auditing requirements for publicly listed companies and foreign-invested enterprises. The law provides the legal basis for the Government and MOF promulgates lower legal documents like decrees, decisions and circulars. The above documents have created comprehensive and uniform legal framework of accounting for application in whole country. The accounting law confirms that accounting is one of the tools of economic and financial management, playing an important role in governance of the national economy (Bui, 2011). The Law is applicable to all entities in Vietnamese economy consisting of state agencies, professional units, business enterprises of all economic sectors, branches and representative offices of foreign enterprises and cooperatives (The National Assembly, 2003). Notably, this differs from the case of China where there are separate regulations on accounting for joint venture enterprises and foreign-invested enterprises (Yun-Wei et al., 2003). Under the provisions of the accounting law, the accounting law includes the following contents: accounting vouchers, chart of accounts and accounting books, financial reports, accounting inspection, assets inventory and accounting records archival, and accounting work in cases of dissolution, merger, acquisition, conversion of ownership form, bankruptcy and termination of operations. The chart of accounts includes two parts, namely, (1) Balance sheet accounts (Class 1 - Current assets, Class 2 - Fixed assets, Class 3 - Liabilities, Class 4 - Owner's equity); and (2) Operating accounts (Class 5 - Revenue, Class 6 - Production and operating expenses, Class 7 - Other revenue, Class 8 - Other expenses and Class 9 - Determination of operating results. In addition, the Accounting Law adds the Code of Professional Ethics. Accordingly, accounting professional ethics standard includes regulations and guidelines on the principles and contents of application of professional ethics standards to accountants, practicing accountants and business accounting services enterprises. The addition of regulations on accounting professional ethics helps accountants and accountancy service providers to ensure compliance with the general regulations of the accounting profession.

The second level consisted of mandatory regulations regarding the conceptual framework of accounting and financial management, endorsed by the Vietnamese Government. It was known as a decree (Nghị định). The decree has a role of guiding in detail some articles of the accounting law, specifically, the content of accounting work, the organization of accounting apparatus and accountants, accounting services business operations, supplying cross-border accounting services and accounting professional. Currently, the new decree in guiding accounting law is Decree No. 174/2016/ND-CP dated December 30th 2016 effective from January 1st 2017 (The Government, 2016). This decree replaced Decree No. 128/2004/ND-CP dated May 31st 2004 guiding the Law on Accounting applicable in the field of state accounting, and Decree No. 129/2004/ND-CP dated May 31st 2004 guiding the Accounting Law applicable in business activities (The Government, 2016).

The third level included decisions and accounting standards announced and issued by MOF. The fourth level comprised circulars and guidelines on the accounting regime issued by MOF to accountants and accounting and auditing practitioners. Since VAS system was born by decisions of MOF from 2001, it has contributed to meet the requirements of integration process and opened up the accounting services in Vietnam. VAS system was enacted in accordance with the first version of IAS/IFRS and be consistent with Vietnamese economic conditions. The structure of each VAS consists of following sections, namely, purpose of the standard, scope of the standard, definitions used in the standard and main contents which includes principles, methods, requirements for making and presenting on financial statements. Nguyen (2014) confirmed that, the practical application of VAS system is quite high. The objective of VAS system gives guidelines to exactly reflect business operation on financial statement. Especially, based on VAS system these financial statements of different enterprises in different sectors can be compared easily. Thus, the drafting and issuance of accounting standards unify the accounting activities in a country. In addition, VAS system also statistically contributes to develop Vietnam's stock market. Particularly, in Vietnam, the State Securities Commission was established under Decree No. 75-CP dated November 28th 1996 (The

Government, 1996); Ho Chi Minh City Securities Trading Center and Hanoi Securities Trading Center were opened operation in 2000 and 2005, respectively. Ho Chi Minh Stock Exchange and Hanoi Stock Exchange were officially opened in 2007 and 2009, respectively. Therefore, to develop the stock market, the listed companies are required to disclose accounting information and financial reports honestly and publicly (Nguyen, 2014). Hence, VAS system ensures consistency in accounting records, presentation and explanation of financial statements of enterprises. Moreover, VAS system was translated into english language to serve the foreign investors. Simultaneously, VAS system also has created international recognition of Vietnam in accounting process of integration (Nguyen, 2014). However, until now VAS system does not yet have new version.

Simultaneously, corresponding to each moment, MOF also promulgated detail decisions and circulars on the accounting regime. According to the National Assembly (2015), accounting regime is accounting regulations and accounting guidelines in a specific field or specified work which are promulgated by the State management agency in accounting or organizations authorized by the state management agency in accounting. For different economic organization groups, namely, enterprises, state administrative unit, cooperatives, securities enterprises etc, MOF issues diffterent accounting regimes. Each accounting regime consists of accounting account system, financial reporting regime, accounting voucher regime, accounting book regime and accounting forms. These accounting regimes usually have updated to catch up the transform of Vietnamese economy and the development of international accounting. In Vietnam, all accountants often have used these decisions and circulars as detail guidelines for accounting practices in enterprises. Particularly, from 1986 to now, the transformation of accounting regimes for some main organization groups in different periods is shown in below table.

Table 3.1. The transformation of accounting regime for some main organization groups from 1986 to now

<table>
<tr><th>ORGANIZATION GROUP</th><th colspan="7">THE CHANGE OF ACCOUNTING REGIME FROM 1986 TO NOW</th></tr>
<tr><td>SMALL AND MEDIUM ENTERPRISES (SMEs)</td><td colspan="2" rowspan="2">Decision No. 212-TC/CDKT dated December 15th 1989, Decision No. 224-TC/CDKT dated April 18th 1990 and Decision No. 598-TC/CDKT dated December 8th 1990</td><td colspan="2" rowspan="2">Decisions No. 1205-TC/CDKT and 1206-TC/CDKT dated December 14th 1994 and Circular No. 07-TC/CDKT dated February 21st 1994</td><td>Decision No. 1177/TC-QD-CDKT dated December 23rd 1996</td><td>Decision No. 48/2006/QD-BTC dated September 14th 2006; and amended, supplemented some articles by Circular No. 138/2011/TT-BTC dated October 4th 2011.</td><td>Circular No. 133/2016/TT-BTC dated August 26th 2016</td></tr>
<tr><td>ENTERPRISES</td><td>Decision No. 1141/1995/QD-BTC dated January 1st 1995</td><td rowspan="2">Decision No. 15/2006/QD-BTC dated March 20th 2006; and amended, supplemented some articles by Circular No. 244/2009/TT-BTC dated December 31st 2009</td><td rowspan="2">Circular No. 200/2014/TT-BTC dated December 22nd 2014; and amended, supplemented some articles by Circulars No. 75/2015/TT-BTC dated May 18th 2015, No. 177/2015/TT-BTC dated November 12th 2015, and No. 53/2016/TT-BTC dated March 21st 2016</td></tr>
<tr><td>FOREIGN DIRECT INVESTMENT (FDI) ENTERPRISES</td><td>Circular No. 46-TC-CDTC dated October 21st 1989</td><td>Circular No. 84-TC/CDKT dated October 23rd 1993</td><td>Circular No. 60-TC/CDKT dated September 1st 1997</td><td>Circular No. 55/2002/TT-BTC dated June 26th 2002</td><td>Circular No. 122/2004/TT-BTC dated December 22th 2004</td></tr>
<tr><td>THE STATE ADMINISTRATIVE UNIT</td><td colspan="3">Decision No. 257-TC/CDKT dated June 1st 1990</td><td colspan="2">Decision No. 999-TC/QD/CDKT dated November 2nd 1996</td><td colspan="2">Decision No. 19/2006/QD-BTC dated March 30th 2006 amended and supplemented some articles by Circular No. 300/2016/TT-BTC dated November 15th 2016</td></tr>
<tr><td>SECURITIES COMPANIES</td><td colspan="3">Decision No. 99/2000/QD-BTC dated June 13th 2000</td><td colspan="2">Circular No. 95/2008/TT-BTC dated October 24th 2008 amended and supplemented some articles by Circular No. 162/2010/TT-BTC dated October 20th 2010</td><td colspan="2">Circular No. 210/2014/TT-BTC dated December 30th 2014 amended and supplemented some articles by Circular No. 334/2016/TT-BTC dated December 27th 2016</td></tr>
<tr><td>COOPERATIVES (like Agriculture, Forestry, Fisheries and Salt)</td><td colspan="2">Circular No. 84/TC-CDKT dated December 30th 1991</td><td>Decision No. 1017/QD-BTC dated December 12th 1997</td><td colspan="2">Circular No. 24/2010/TT-BTC dated February 23rd 2010</td><td colspan="2">Circular No. 24/2017/TT-BTC dated March 28th 2017</td></tr>
</table>

(Source: Own Contribution, 2017)

Thus, the sections 3.1 and 3.2 showed history and development of Vietnamese accounting system, and these sections also gave a general view of the role of each component (accounting law, decree, decision, accounting standard and circular) in Vietnamese accounting system. Hence, the next section will discuss the application of accounting model such as cost model, amortized cost model, revaluation model and fair value model in Vietnamese accounting system. The content of next section will indicate general perspective of Vietnamese accounting model at current time.

3.3. THE APPLICATION OF ACCOUNTING MODEL IN VIETNAMESE ACCOUNTING SYSTEM

Assessment after initial recognition of elements (like assets, equity and liabilities) is the selection of the basis for calculating, recording and presenting the change in value (if any) of these elements in the financial statements (Mai, 2011). Adopting different post-initial recognition assessment models will lead significant impact on the financial information provided in the financial statements. In accordance with Mai (2011), to date, there are four post-initial recognition assessment models which compose of cost model, amortized cost model, revaluation model and fair value model.

Under cost model, assets and liabilities are initially recognized at historical cost. After initial recognition, assets and liabilities are still stated at historical cost. As a results, during the holding time of assets and liabilities, changes in market value or fair value of the asset and liability are not recorded. For current assets such as inventories, receivables and short-term financial investments, if the net realizable value of the asset is lower than its historical cost, the net realizable value of the asset will be used to record in financial statements. There are two cases for non-current assets. The first case, the asset is not impaired during its using period, the historical cost of asset is recognized and this value is systematically depreciated during the life of the asset. The value of assets are embodied on the balance sheet in accordance with the following indicators: Historical cost less (-) accumulated amortization (IASB [2014a, 2014b]). In contrast case, the assets of the enterprise are impaired (the residual value is higher than the recoverable value), the accountant must record the impairment in the business expenses. The assets are presented on the balance sheet in accordance with the following indicators: Historical cost minus (-) accumulated amortization and minus (-) accumulated impairment loss (IASB [2014a, 2014b]).

In accordance with amortized cost model, assets and liabilities are initially recorded at historical cost. After initial recognition, the interest which is related that assets or liabilities is allocated in accordance with the effective interest method. Allocated interest is recognized to adjust initial cost to become amortized cost, and this interest is recognized in the income statement. Amortized cost is the present value of the cash flows which is related to assets and liabilities at a certain discount rate. This model is often used to evaluate and recognize financial instruments.

For revaluation model, assets are initially recorded at historical cost (IASB [2014a, 2014b]). After initial recognition, at the time of making financial statements, assets are recognized at revalued value. Revaluated value is the fair value of assets at the time of the measurement minus (-) accumulated amortization minus (-) accumulated impairment loss (if any). Differences arising from revaluations are recognized as expenses or income on the income statement and changes in owners' equity on the balance sheet. The revaluation model is now widely used in IASs in post-initial recognition of fixed assets (IASB [2014a, 2014b]). This model requires the determination of fair value of the asset. Compared to the cost model, revaluation model reflects the value of the asset more suitable with the market value.

Under fair value model, after initial recognition, all assets are recorded and presented at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction (IASB, 2011b). Fair value is the price determined on the basis of market value or from market's parameters. Hence, the fair value of the assets can change at each time of making financial statements. The difference arising between fair values of asset at the time of making financial statements can be treated in two ways: (1) Recognition as expense or revenue in the income statement or (2) Recognition of changes in own equity until assets are sold. This model has applied widely in IAS system like IAS 40 - Investment Property, IAS 41 - Agriculture, IFRS 5 - Non-current assets held for sale and discontinued operations and so on.

In conclusion, each model has its advantages and limitations, hence, each model is used in accordance with the accounting object and the requirements of providing financial information. According to Phan et al. (2013), historical cost is the sole dominant principle required by Vietnamese accounting system in measuring all assets of enterprises which consist of property, plant, equipment, intangible assets and investments etc to prepare financial statements. There are two opinions about cost model: supporting perspective and againsting perspective. Ijiri (1975) is one of the scholar who supports cost model. Abu Bakar and Said (2007) also agreed that historical cost accounting has survived for long time and proved as an accounting standard with strong virtues according to its distinctive characteristics (objectivity, factual etc). The author also cited that historical cost method have provided relevant information for managers to give decision making in business process (Abu Bakar and Said, 2007). Because historical cost can be verified easily and is proved by independent documentary evidences of actual transaction. Thus, it also decrease the risk of manipulation in recording transactions of accountants or managers (Elliot and Elliot, 2009). Under cost model, the asset's value is consistently reflected on the acquiring cost of asset until the asset is put in ready-to-use state (Dang, 2015). Except for upgrades or dismantling of certain parts of the asset, the historical cost of the asset will not change during the lifetime of the asset. Accounting reports are drafted based on prices resulting from past transactions, with no reference to market prices. Cost model is a traditional valuation system that has developed for long time since Pacioli's double recording technique was born. Simultaneously, Dang (2015) also indicated the advantages of historical model are simple approach and ensure the appropriateness and reliability of accounting information for the users.

To date, there have been criticisms that cost model is not appropriate for knowledge economy (Pham, 2016). First of all, the asset information which is provided by the cost model only focuses on past information. Detailly, this information is the invested value of asset, or allocated value of asset, but no information on the present value of asset. Moreover, basic assumption for cost model, namely, prices are not changed or changed slowly, seems unsuitable in the development of science and technology and economic crisis (Pham, 2016). Hence, historical cost is insufficient for the evaluation of business decisions (Rahmawati, 2006). Secondly, cost model supplies unenough financial information to lenders or banks and investors. Because in the view of the lenders or banks, accounting information should be the guarantee factors for loans like the market value of the collateral, current resources of the business and future profits (Pham, 2016). Meanwhile investors require that accounting informations are not only concern with historical accounting information of assets like investment or allocation, but also concern with the real value of their investments changes through fluctuate net assets of enterprises. Hence, cost model is not sufficient to determine the present value of the asset and making a decision. Notably, Dang (2015) also emphasized the disadvantages of cost model are geared toward providing past information so it is not appropriate for economic decisions in the current business environment according to the market economy.

In general, the current Vietnamese accounting system still has been developed according to cost model (Phan, 2014). In the first accounting law of Vietnam (Accounting Law 2003), the role of cost model is emphasized that the value of the assets is measured at historical cost which includes costs of purchase, loading, transportation, assembly, processing and other directly costs relating to put the asset into a ready-to-use state. Simultaneously, VAS 01 - General Accounting Standard also said that cost model was considered one of the seven basic accounting principles in Vietnam. This standard required that assets have to be recognized at historical cost. The historical cost of an asset is the amount of money already paid, payable or measured at the fair value of the asset at the time when the asset is recognized. The historical cost of assets will not be altered unless otherwise specified in particular accounting standards. However, to integrate international accounting, Vietnam has also been gradually updated a fair value accounting model and revaluation accounting models depending on each type of asset and on the time of making financial statements (Phan, 2014). Particularly, new Vietnamese Accounting Law 2015 introduces applying the fair value concept in accounting. Notably, assets and liabilities must be revaluated and recognized at fair value at the financial reporting date, specifically, financial instruments must be recognized and measured at fair value; monetary items denominated in foreign currencies to be measured at actual exchange rates; and assets or liabilities which have frequent volatility in value must be revaluated at fair value. Notwithstanding, fair value revaluation of assets and liabilities must based on reliable measurements (as three levels of inputs in IFRS 13) (IASB, 2011b). If no reliable measurements, the assets and liabilities are still recognized at historical cost at the time of making financial statements. Valuation of assets at fair value is really high technical. Currently, in developing economy like Vietnam, the technicalness of fair value will be limited application. To date, only some kinds of simple assets can be assessed and recognized at fair value like items denominated in foreign currencies origin, trading stocks etc. According to Circular No. 200/TT-BTC/2014 and Circular No. 53/2016/TT-BTC, Vietnamese accounting system has been used revaluation method or setting up decline allowances for some simple assets to recognize asset in fair value at the time of making financial statements (MOF [2014c, 2016a]). The detail recognition items at the time of making a financial statement in Vietnam is presented in a table as followed:

Table 3.2. Recognition item at time of making a financial statement

<table>
<tr><th>No.</th><th>ITEM</th><th colspan="2">RECOGNITION ITEM AT TIME OF MAKING A FINANCIAL STATEMENT</th></tr>
<tr><td>1</td><td>Cash origined from foreign currencies</td><td rowspan="4">These items must be revalued to the actual exchange rate at the time of making financial statements</td><td>The actual exchange rate is the exchange rate for buying foreign currencies of a commercial bank where enterprise regularly transacts</td></tr>
<tr><td>2</td><td>Bank account origined from foreign currencies</td><td>The actual exchange rate is the exchange rate for buying foreign currencies of a commercial bank where enterprise opened bank account</td></tr>
<tr><td>3</td><td>Accounts receivable origined from foreign currencies</td><td>The actual exchange rate is the exchange rate for buying foreign currencies of a commercial bank where enterprise regularly transacts</td></tr>
<tr><td>4</td><td>Liabilities origined from foreign currencies</td><td>The actual exchange rate is the exchange rate for selling foreign currencies of a commercial bank where enterprise regularly transacts</td></tr>
<tr><td>5</td><td>Monetary gold</td><td colspan="2">This item is revalued at the purchase price of monetary gold in Vietnamese market at the time of making financial statements. Particularly, this price is announced by the State Bank. In case the State Bank does not announce the purchase price of gold, this price will be announced by the trading gold entity which is licensed according to law provisions</td></tr>
<tr><td>6</td><td>Trading stocks for purpose (Financial instruments)</td><td colspan="2">At the time of making financial statements, accountants need to check market value of trading purposes stocks which held by enterprise. If the market value reduces to the book value of stocks, accountants will make provision for impairment of trading stocks</td></tr>
<tr><td>7</td><td>Receivable</td><td colspan="2">At the time of making financial statements, accountants must classify receivables into three types receivables, namely, be repaid on time, the bad receivables or the irrecoverable possibility receivables. Based on this classify, accountants will set up allowances for doubtful receivables</td></tr>
<tr><td>8</td><td>Inventories</td><td colspan="2">At the time of making financial statements, accountant determine the net realizable value of inventories which can be done. If this value is lower than historical cost of inventories, accountants will set up allowances for decline in value of inventories</td></tr>
<tr><td>9</td><td>Real estate investment (waiting for price increases)</td><td colspan="2">At the time of making financial statements, enterprises must record impairment of real estate investment (waiting for price increases) due to the devaluation of real estate investment. When the real estate investment (waiting for price increases) increase again, the enterprise will be reimbursed up to the amount previously reduced</td></tr>
<tr><td>10</td><td>Fixed Assets (Tangible assets, Intangible assets,</td><td colspan="2">At the time of making financial statements, the value of fixed assets which will be presented on balance sheet is residual value. Residual value equals to historical cost of</td></tr>
</table>

Financial leases assets, Real estate investment)	fixed asset minus accumulated depreciation/amortization Fixed assets will be revalued if only if there is a revaluation of assets decision of the State when equitizing owned state enterprises, or converting the form of enterprise ownership. The revaluation of asset is based on the price list of the State, or the asset valuation council. The difference between price of asset before and after revaluation will be recorded increase or decrease enterprise's capital.

(Source: Own Contribution, 2017)

In conclusion, the accounting system is currently still established in accordance with the basis of cost model in Vietnam. The cost model is also used after initial recognition assessments, however, the Vietnamese accounting system has not yet considered the impairment of fixed assets following on requirement of cost model. In fact, according to Vietnamese accounting law, some kind of simple assets like cash origined from foreign currencies, accounts receivable origined from foreign currencies, liabilities origined from foreign currencies etc are recognized at fair value at the time of making financial statements. Additionally, inventories are also recognized in accordance with cost model and impairment of assets. Though, along with the increasingly complex development of economic and financial activities and the trend of international integration, the Vietnamese accounting system needs to be further completed by applied other better accounting models like revaluation model and fair value model. Moreover, this is also suitable with the development tendency of IAS. As the valuation of assets and measurement fair value is high technical and difficult applying fair value for fixed assets in Vietnam need a reasonable roadmap.

Recapitulation, this chapter reviewed history and development of Vietnamese accounting law and accounting standards. Simultaneously, this chapter also disclosed the close relationship between the Vietnamese economic activities and Vietnamese accounting system during period 1975 - now. Then, this chapter analyzed the role of each component (accounting law, decree, decision, accounting standard and circular) in Vietnamese accounting system. Furthermore, this chapter also emphasized that the Vietnamese accounting system is still established in accordance with the basis of cost model. This chapter is an basis understanding to continue researching on intangible assets accounting in Vietnam. Hence, the next chapter will describe the characteristics of the knowledge economy. The knowledge economy is the basis and necessary environment to creat the apperance of intangible assets. Particularly, the chapter 4 will summarize the concept of intangible asset and the role of intangible assets in business operation. Notably, the chapter 4 will analyze theoritical background of intangible assets accounting based on two accounting standards: VAS 04 and IAS 38.

Chapter 4

INTANGIBLE ASSETS CONCEPTUAL FRAMEWORK

4.1. CHARACTERISTICS OF KNOWLEDGE ECONOMY

The traditional economy or industrial economy focuses on labour, capital, materials and energy, whereas, knowledge and technology are only external influences on production (OECD, 1996). The research of Drucker (1993) mentioned that world economy has transformed from an industrial into a knowledge economy in which the competitive advantage of enterprises is based on the ability to exploit knowledge resources. In accordance with Raj and Seetharaman (2012), the knowledge economy is known as the new era which is rewriting the rules of business and forcing a radical rethinking of enterprise value. Moreover, the same author also indicated that the enterprises model of the industrial era is no longer adequate to meet the dynamic conditions of an ever-changing world market in the information era.

According to Nonaka and Takeuchi (1995), knowledge is classified into two type of knowledge, namely, (i) codified knowledge is set up through formal education training and (ii) knowledge is gained by experience. Notably, two types of knowledge can be stored in various media like human brain, software and traditionally stored in books and journals (Armour, 2000). *"European Commission report cited that the core of the economy based on knowledge and the knowledge society is the combination of four elements which include (1) the production of knowledge, (2) the transfer of knowledge through education, (3) the dissemination of knowledge through information and communication technologies and (4) the use of knowledge in technological innovation"* (Shiryaev et al., 2016, p.232).

Ceriˇc´ (2001) suggested that there are four reasons to evidence the important role of knowledge in the new economy, namely, (1) developing information and communications technology enables inexpensive and fast global transport of information and access to knowledge, (2) increasing speed of scientific and technological advance leads to acceleration of growth of quantity of explicit scientific and technological knowledge, (3) increasing global competition leads to decrease costs and (4) changing demand associated with rising incomes and change of tastes of citizens. As same perspective, the research of Hogan (2011) emphasized that (i) knowledge can be utilized over and over without being consumed by that use, (ii) knowledge can be utilized by many individuals at the same time and (iii) knowledge can be used in many different locations simultaneously. Furthermore, OECD (1996) also emphasized that in the knowledge economy, the science system has contributed to the key functions through (i) knowledge production - developing and providing new knowledge, (ii) knowledge transmission - educating and developing human resources and (iii) knowledge transfer - disseminating knowledge and providing inputs to problem solving. As such, in the knowledge economy, knowledge and innovation have played a dominant role in economic development (Shiryaev et al., 2016). Therefore, the appearance of the knowledge economy is a result of the increasing role of knowledge like as a factor of production and their significant impact on the qualifiations, training, organization and innovation (Shiryaev et al., 2016). In addition, Hadad (2017) indicated that globalization and technological revolutions are also the reasons which leads the born of the knowledge economy.

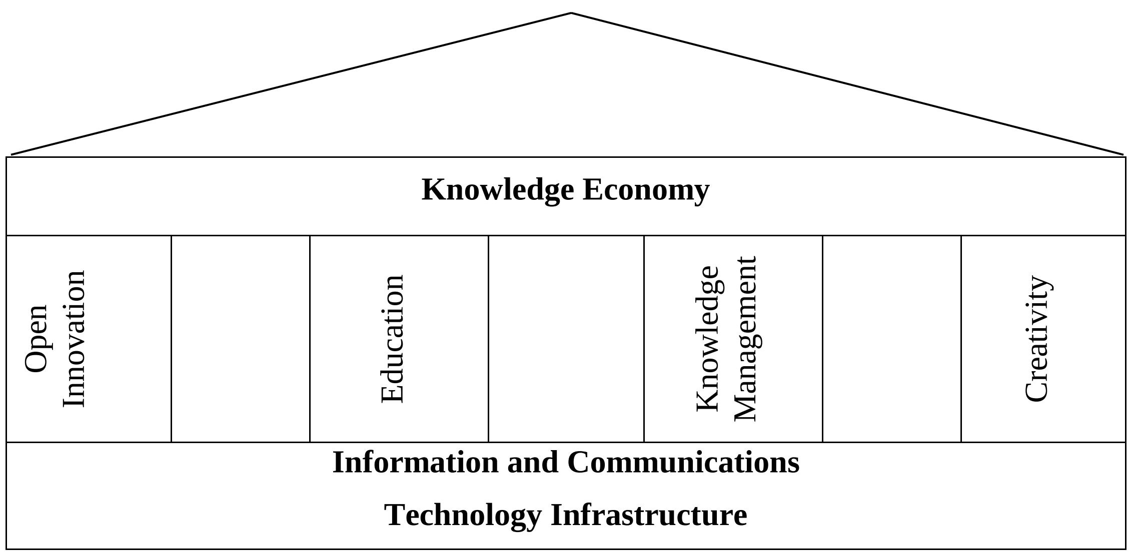
There are some definitions of the knowledge economy. Knowledge economy is acknowledged as an economy based on the production, distribution and use of knowledge and information (Ceriˇc´, 2001). Knowledge economy is heavily based on information and communications technology (Ceriˇc´, 2001). According to Raj and Seetharaman (2012), a knowledge economy is an new economy which the generation and exploitation of knowledge play the predominant part in the creation of wealth. In the knowledge economy, employees work with their intellect instead of their hands and innovation is more important than mass production. The representatives of OECD (1996, p.7) acknowledged the knowledge-based economy is as *"economies which are directly based on the production, distribution and use of knowledge and information"*. Meanwhile, Powell and Snellman (2004) defined that the knowledge economy is as production and services based on knowledge-intensive activities that contribute to development pace of technical and scientific advance. As such, the key component of a knowledge economy is a greater reliance on intellectual capabilities than on physical inputs or natural resources (Powell and Snellman, 2004).

Raj and Seetharaman (2012) mentioned that there are six different keys between the knowledge economy and the traditional economy, as followed:

1. The knowledge economics is usually abundance and is not scarcity. It means that unlike most resources that deplete when utilized, whereas, information and knowledge can be actually used and developed through sharing and application;
2. The influence of geographical location is diminished because of appearance of virtual marketplaces;
3. Knowledge and information often transfer to where demand is highest and the barriers of laws and taxes are lowest. Laws, barriers and taxes are difficult to apply solely on national basis;
4. Price and value depend heavily on context. Because the same information and knowledge can have different various value to different people at different times;
5. Knowledge when locked into systems or processes has higher inherent values than when it "walk out of the door" in people's heads;
6. Human capital and competences are key components to generate value to the knowledge economy.

Summing up, the knowledge economy is set up in accordance with exclusively knowledge and intangible assets instead of financial capital, especially, the management of the economy focuses on generating long term value creation like increase in market share (Raj and Seetharaman, 2012). Additionally, the knowledge-based economy is an economy in which knowledge is created, distributed and used to ensure economic growth and ensure the international competitiveness of a country (Hadad, 2017).

Joanne (2010) showed eight characteristics of the knowledge economy which include (1) the increasing importance of knowledge as an input into the economy, (2) the rising importance of information and communication technologies, (3) the growing importance of knowledge as an economic output, (4) the increasing commercialization of knowledge through intellectural property rights, (5) the increasing proportion of knowledge workers, (6) the rising influence of knowledge across all sectors of the economy, (7) the increasing of knowledge management practices and (8) globalization as a force driving to expanse the knowledge economy. The reasearch of Tapscott (2014) showed that there are three characteristics of the knowledge economy, namely, (1) knowledge is the basic production factor, (2) knowledge economy is a digital economy and (3) virtualization plays an important role in the knowledge economy. Particularly, Karlsson et al. (2009) cited that two major characteristics of the knowledge economy include (1) contiuous increase in knowledge investments such as education and knowledge production and (2) widening application of knowledge in the development, production, distribution and use of goods and services. White et al. (2012) found four characteristics of the knowledge-based economy, namely, open innovation, education, knowledge management and creativity. Simultaneously, White et al. (2012) suggested the structural framework of the knowledge economy, as followed:



(Source: White et al., 2012)

Figure 4.1. Structural components framework of the knowledge economy

Open innovation is acknowledged as a driver of the knowledge economy (Mention, 2011). The open innovation is implemented in some sectors such as clients, stakeholders and third parties which are involved (Wallin and Von Krogh, 2010). Human capital is a component of the intellectual capital along with the structural capital and relational capital (Samad [2010], Mazzota and Bronzetti [2013]). Human capital is composed of knowledge, skills, personal agility, experience, intuition and personal perspective of staffs (Hadad, 2017). However, human capital does not belong to an enterprise and the employees will take it away when they leave the enterprise (Sharabati et al., 2010). Thus, Becker et al. (2001) studied about the theory of human capital and suggested that investment in human capital can be implemented through formal education or workplace training. These methods will help to increase an employee productivity and wage growth

(Hadad, 2017). The study of Cohn and Addison (1998) also mentioned that the formal education is important for determining wages in developed countries. Some scholars explained that knowledge management solves a set of activities of an enterprise and focuses on the strategy of managing human capital (Becerra-Fernandez and Sabherwal [2010], Dalkir [2005], Hislop [2005]). The aim of knowledge is developing and improving the knowledge, skills, professional experience and competence of staffs by formal education and workshop training (Becerra-Fernandez and Sabherwal [2010], Dalkir [2005], Hislop [2005]). Meanwhile, Hadad (2017) indicated that creativity has become more crucial in the knowledge-based economy. In accordance with the same author, creativity is reflected by four main characteristics, namely, (1) an ability of each employee to set up a new idea, (2) individuals' ability of transferring their knowledge in different contexts, (3) their ability to study and (4) their ability to pursue and complete their goals.

Raj and Seetharaman (2012) indicated that enterprises have become more flexible and adaptive in this knowledge economy. These enterprises have focused on producing “smart” products and services like Microsoft, Google, Facebook and so on (Raj and Seetharaman, 2012). As the same perspective, Ceriˇc’ (2001) also said that there are some kinds of industries that produce knowledge such as software, hardware and biotechnology industries. Especially, these enterprises have created more intangible assets and value generating potential than traditional enterprises (Raj and Seetharaman, 2012).

Hadad (2017) and Raj and Seetharaman (2012) said that in the knowledge economy intangible assets like knowledge and information management will become the new core of competencies. The same scholar also confirmed that knowledge often exists in the form of intellectual property or intellectual capital, and it replaces labor and capital as traditional production factors. Lingenfelter (2012) explained that knowledge will be its key resource and knowledge workers will be the dominant group in its workforce. Bratianu (2006) emphasized in his research that the new knowledge economy has become increasingly important in the business spectrum of the highly developed countries and intellectual assets have played the decisive role in achieving the competitive advantage of enterprises.

In conclusion, the appearance of the knowledge economy is very necessary. In this economy, labour and capital are replaced by knowledge which are as fundamental resources in production. This is the most different key between the knowledge economy and the other economy. Especially, the appearance of the knowledge economy is an important foundation to make intangible assets. It means that the concept of intangible asset is only formed under the knowledge economy. Therefore, intangible assets contain all characteristics of the knowledge economy. Particularly, intangible assets have played a central role in terms of creating and maintaining an enterprise’s competitive advantage in this economy (Pham et al., 2010). Consequently, it is essential that enterprises understand the true value of intangible assets and leverage its contribution to the value of enterprises (Pham et al., 2010).

4.2. CONCEPT OF INTANGIBLE ASSETS

Intangibles always exist regardless of whether or not accounting standards consider them as suitable for recognition as assets in financial statement (Canĩbano et al., 2000). The critical issue in this study is to inform what intangible assets are, and what cases intangibles may be recorded as an asset in accounting. Before appearance of IAS 38 - Intangible assets, there were many different opinions about intangible assets but no idea was accepted as a definition of intangible assets in accounting.

According to Mark (2007) in 1986, Karl Erik Sveiby - a Swedish scientist who wrote the first book worldwide, namely, “intangible assets” in Swedish language. This book became very famous and spread in all over the world when it has been translated in English. This book not only marked the first appearing point of intangible assets or the new theory in the knowledge economy, but also, it has laid down the first stone of the post industrial knowledge economy. In this book, the author suggested to classify intangible assets as three types, namely, human capital, structural capital and external capital. Human capital is the human competence of the personal which is made explicit and shared inside the enterprise. The structural capital is the internal structures of the enterprise such as its internal structures and management, its patents etc. The external capital is the external structures and relations of the company, namely, alliances and brand of enterprise etc.

Further development the view of Karl Erik Sveiby, some scholars utilized the concept “intellectual capital” as synonymous with “intangibles”. In the literature review conducted by Lev (2001), intellectual capital was classified into four groups, namely, (1) discovery/learning (research and development), (2) customer-related (brands, trademarks and distribution channels), (3) human-resource (education, training and compensation systems) and (4) organization capital (structural organization design, business processes and unique corporate culture). In view of Kaufmann and Schneider (2004), intellectual capital was included three categories which consist of human capital (firms' employees), structural capital or organizational capital (internal processes and structures) and external structure capital or customer capital. Wyatt (2008) showed in the research about “What financial and non-financial information on intangibles is value relevant? A review of the evidence”, intangible assets classified into three types which includes technology resources, human resources and production resources (adverstising, brand, customer loyalty, competitive advantage and goodwill).

Intellectual capital is important to both society and organizations (Starovic et al., 2003). Enterprises depend on being able to measure, manage and develop this knowledge of intellectual capital (Starovic et al., 2003). Intellectual capital is expressed by intangible resources and intangible capabilities, and intellectual capital is widely acknowledged as the most important source of value creation and competitive advantage for enterprise (Drucker [1993], Grant [1996]). There are diversity of intellectual capital definitions, each organization develops their own idiosyncratic definitions. Nevertheless, according to Morgan et al. (2010), intellectual capital is defined in reasonably similar ways by most of its advocates. Marr et al. (2001) said that *“intellectural capital is the group of knowledge assets that are attributed to an organization and most significantly contribute to an improved competitive position of this organization by adding value to defined key stakeholders”*.

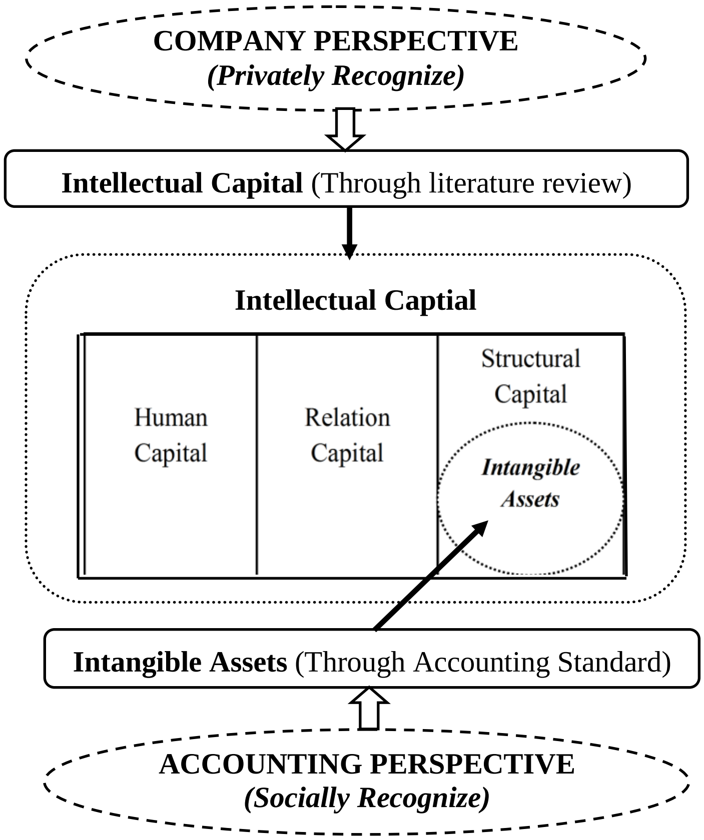
Mention (2012) showed that there are two approaches of intellectual capital, namely, static perspective or dynamic perspective. By the static approach, intellectual capital is internal and external resources that enterprises possess catching at a particular point in time (Bontis [1999], Bontis et al. [2000], Choo et al. [2002]). In contrast, according to the dynamic approach, intellectual capital consists of the activities (training staff, managing knowledge and conducting R&D activities etc) (Kianto [2007], The European Union [2002]). Enterprises use leverage this stock of resources to create new value and protect new knowledge (Kianto [2007], The European Union [2002]).

Stewart (1997, 2001) suggests that intellectual capital refers to knowledge, information, intellectual property and experience which generate profit to enterprises. The author also acknowledged intellectual capital including three main parts, namely, (i) human capital (employees and their knowledge), (ii) structural capital (software, document and organizational processes) and (iii) customer capital (existing customer relationships). This view is also mentioned by IFAC in their research on "Measurment and Management of Intellectual Capital" in 1998. According to IFAC (1998) intellectual capital is classified into three catergories which consist of human capital, relational (customer) capital and organizational (structural) capital. Human capital is embodied by know-how, education, vocational qualification, work-related knowledge, occupational assessments, psychometric assessments, work-related competencies, entrepreneurial elan, innovativeness, proactive and reactive abilities and changeability. Relational (customer) capital is embodied through brands, customers, customer loyalty, company names, backlog orders, distribution channels, business collaborations, licensing agreements, favourable contracts and franchising agreements. Organizational (structural) capital consists of two components which include intellectual property and infrastructure assets. Intellectual property is described as patents, copyrights, design rights, trade secrets, trademarks and service marks, whereas, infrastructure asset is described as management philosophy, corporate culture, management processes, information systems, networking systems and financial relations. However, Choo et al. (2002) suggested that intellectual property should not be part of intellectual capital since intellectual capital can be legally protected and are recognized as assets in accounting. Meanwhile, ideas and competencies are not legally protectable and do not satisfy the recognition criteria of IAS (Choo et al., 2002).

Starovic et al. (2003) conceptualized that intellectual capital is a broad concept which is often split into different categories - most commonly human capital, relational capital and structural capital. Human capital is the knowledge, skills and experience that employees take with them when they leave. Relational capital is as all resources linked to the external relationships of the entrerprise - with customers, suppliers or partners in research and development. Relation capital consists of component of human capital and structural capital involved with the enterprise's relations with stakeholders (like investors, creditors, customers and suppliers) and their perceptions about the enterprise. Structural capital comprises the knowledge which is relative organizational routines, procedures, systems, cultures and databases of the enterprise. On other hand, Edvinsson (2002) described that intellectual capital is a combination of human capital and structural capital. Particularly, human capital is expressed through the knowledge of current employees, whereas, structural capital is defined customer relationships, production process efficiencies, internal databases and other knowledge of institutionalized structures. Webster and Jensen (2006) mentioned that intellectual capital exists in four different catergories which include (1) the skills and knowledge of the present workforce - human capital, (2) the architecture of both formal and imformal systems used by the organization - organizational capital, (3) marketing relationships and marketing networks develop over time - marketing capital and (4) production processes developed internally over time - production capital.

Cohen and Levinthal (1989) showed that in order to pursure new process and product innovation, the demand of enterprises about human resources, new technology, research and development and advertising has been increased significantly. Hence, to maintain and improve a competitive advantage, intangible investment has become one of the fundamental concerns of enterprises. Guilding and Pike (1990) studied intangible assets under the marketing approach. Based on this view, intangible assets were classified into four kinds, namely, (1) value creators (advertising, product development and other marketing support), (2) marketing assets (trademarks, brands, entry barriers and information systems), (3) value manifestations (image, reputation and premium price) and (4) competitive advantage.

Notably, in 1992, some scholars gave same views on intangible assets in financial accounting. Belkaoui (1992) devided intangible assets into two main types which consist of unidentifiable assets (goodwill) and identifiable intangible assets (patents and so on). Napier and Power (1992) also mentioned the intangibles need to satisfy two criteria, namely, (1) can be identified (internally produced assets or externally purchased assets) and (2) may be traded separately from other intangibles of the firms. From a view of Hendriksen and van Breda (1992) intangible assets may be consisted of two types such as traditional intangibles (goodwill, brands and patents) and deferred charges (advertising, research and development costs and training costs). Following to Brennan (1992) intangible assets are the most important long-term assets for enterprises. Intangible assets include the knowledge of their employees, development technology, manufacturing arrangements, and marketing and distribution systems (Brennan, 1992). However, the author also mentioned all of these assets are not presented on financial statement.



(Source: Own Contribution, 2017)

Figure 4.2. The concepts of intangible assets framework

Under the perspective of accounting myopia, *"intangible assets currently are defined as those assets that one cannot see or touch, such as patents and goodwill, but that become relevant when they are the subject of a market transaction*" (Young, 2007, p.51). According to another financial perspective, there were five groups of intangible assets which include (1) one related to research and development that is most often called innovation capital, (2) a second related to intellectual capital and knowledge assets, organizational coherence and flexibility, workforce skills and loyalty most often called structural capital, (3) a third related to operating licenses and franchises, media and other broadcast licenses (most often called executory contracts), (4) a fourth related to brands, trademarks and mastheads most often called market capital and (5) the last is goodwill (Mortensen et al., 1997).

There were different definitions of intangibles and it is very difficult to visualize what are intangible assets. Thus, only accounting is selected as available tool to describe and recognize intangible assets. However, not all intangibles are recognized as intangible assets on financial statement system in view point of accounting (Brand Finance, 2016). It means that intangible assets are only a part of intellectual capital acknowledged as the assets in a enterprise's bookkeeping and accounting records. That is why in 1998, IAS 38 - Accounting guideline of intangible assets was promulgated by International Accounting Standards Committee (IASC). After that, in April 2001, the International Accounting

Standards Broad (IASB) adopted this standard and continued to amend. The new standard is as IFRS. In addition, IFRS 3 - Business Combination (was issued in March 2004) also describes the accounting treatment for acquired intangible assets which is as a part of business combination.

The objective of IAS 38 prescribes the accounting treatment for intangible assets that does not dealt with specifically in another standard. According to IAS 38, an intangible asset is an identifiable non-monetary asset without physical substance (IASB, 2014b). The standard also requires an enterprise to recognize an intangible asset if only the asset satisfied three criteria, namely, identifiability, control and future economic benefits.

In IAS 38 (paragraph 12) and IFRS 3 (paragraph B33) suggested an intangible asset is identifiable if it:

"(a) is separable, ie is capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset or liability; or

(b) 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".

Based on time of useful life, IAS 38 classified intangible assets into two catergories which consist of finite useful life intangible assets and indefinite useful life intangible assets. In another perspective, IAS 38 also indicates some kind of intangible assets, namely, (1) patented technology, computer software, databases and trade secrets, (2) trademarks, trade dress, newspaper mastheads and internet domains, (3) video and audiovisual material (e.g. motion pictures, television programmes), (4) customer lists, (5) mortgage servicing rights, (6) licensing, royalty and standstill agreements, (7) import quotas, (8) franchise agreements, (9) customer and supplier relationships (including customer lists) and (10) marketing rights (IASB, 2014b). Additionally, IFRS 3 showed four common types of intangible assets in business combination (IASB, 2011a). These include (1) marketing-related intangible assets (ie trademarks, service marks and related items, internet domain names and websites, non-compete agreements), (2) customer-related intangible assets (ie customer lists or similar databases, customer contracts and customer relationships) (3) technology-related intangible assets (ie third-party software licences, technology) and (4) other contract-related intangible assets (ie reacquired rights, operating lease contracts, licensing arrangements, other use rights, including supplier agreements) (IASB, 2011a). Meanwhile, the Financial Accounting Standards Board has cited that there are seven types of intangible assets, namely, statutory-based, contract-based, technology-based, workforce-based, organization-based, customer-based and market-based. Based on paragraph 119 of Statutory Broad Financial Reporting Standard No.38 (SB-FRS 38) - Intangible assets mentioned the classification intangible assets based on its nature and use in an enterprise's (Accounting Standards for Statutory Board, 2018). There are seven separate classes such as (1) brand names, (2) mastheads and publishing titles, (3) computer software, (4) licences and franchises, (5) copyrights, patents and other industrial property rights, service and operating rights, (6) recipes, formulae, models, designs and prototypes and (7) intangible assets under development (Accounting Standards for Statutory Board, 2018).

In Vietnam, in 2001, MOF also promulgated VAS 04 - Intangible assets to prescribe the Vietnamese accounting treatment for intangible assets. VAS 04 indicated that intangible assets have no physical form but its value can be determined, and these assets 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 (MOF, 2001c). In addition, this standard also stipulates that the asset details required to be recognized as intangible assets must simultaneously satisfy the following five criteria: the definition of an intangible asset; acquisition of future economic benefits from the use of such assets; the initial value of assets determined on a reliable basis; a useful life estimated greater than 1 year and qualification in terms of value under current regulations (at least 30,000,000 VND) (MOF, 2001c). This standard also indicated that 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 showed with a payment made by the asset purchaser in order so as to possibly obtain future economic benefits. According to paragraph 71 of VAS 04, based on the same nature and using purposes in enterprises' operations, intangible assets are catergorized into eight kinds, namely, (1) the right to use land for a finite term and an indefinite term, (2) brand names, (3) distribution rights, (4) computer software, (5) licenses and right concession permits, (6) copyright, patents, (7) preparation formulas and methods, models, designs and prototypes and (8) intangible assets being developed (MOF, 2001c).

Particularly, both IAS 38 and VAS 04 metioned that internally generated brands, mastheads, publishing titles, customer lists and items similar in substance shall not be recognized as intangible assets of enterprises.

In conclusion, together with physical capital and financial capital, intellectual capital is one of the three vital resources of enterprises (Marr, 2008). There is a consensus emerges on the fact that intellectual capital is a multidimensional and wide concept, consisting of the combination of human, structural or organizational and relational resources of the enterprise (The European Union, 2002). Most definitions acknowledged that human capital refers to the capacity of employees, namely, their knowledge, skills, experience and abilities (Roslender and Fincham [2004], Becerra-Fernandez and Sabherwal [2000]) indicated that human capital is inseparable from it owners. Structural capital can be embodied as the backbone of the organization, including the organization's strategies, process and policies (Mention, 2012). Structural capital is owned by the enterprises and therefore they can be traded in market. Relational capital is defined the ability of an organization to interact with external stakeholders like customers, suppliers and other relationships (Mention [2012], The European Union [2002]). Meanwhile, according to social recognition, intangible assets are as a part of intellectual capital. Intellectual capital is arranged as intangible assets when it is satisfied some criteria of accounting standard. Hence, intangible assets definition is narrower concept than intellectual capital definition. Derun (2013) also said that most components of intellectual capital are not recognized in the accounting system as assets. The reason is given that it is impossible to determine their evaluation and future economic benefits of all kinds of intellectual capital (Derun, 2013).

As such, the section 4.2 showed detailly what is an intangible asset in general perspective and in accounting perspective. Therefore, the next section will give the answers for the questions “What is the role of intangible assets in business operation?” and “ How to manage intangible assets in an enterprise?”.

4.3. THE ROLE OF INTANGIBLE ASSETS IN BUSINESS OPERATION

According to “Valuation of Intellectual Property and Intangible Assets - Second Edition” by Gordon et al. (1994, p. 83), *“Intangible assets are all the elements of a business enterprise that exist in addition to working capital and tangible assets. They are the elements, after working capital and tangible assets, that make the business work and are often the primary contributors to the earning power of the enterprise. Their existence is dependent on the presence, or expectation of earnings”.*

In many OECD countries, investment in intangible assets is growing rapidly (OECD, 2011). OEDC (2011) also gives evidence in some countries that suggests faster growth of investment in intangible assets than that of tangibles. Particularly, in the United Kingdom, investment in intangibles is estimated more than doubled as a share of market sector gross value added during period 1970 - 2004, meanwhile, annual investment in intangibles in the United States is between USD 800 billion and USD 1 trillion, with a value of intangibles up to USD 5 trillion. Research of PwC (2014) and Vodák (2011) indicated that average total intangible assets comprise about 75% - 80% of the company value. For most enterprises, the transformation of the intangible assets into tangible results is a new way of thinking (Vodák, 2011). Similar to that view, Raj and Seetharaman (2012) agured that the success of enterprises no longer depends upon production facilities, financial capital and ownership, but more and more upon immaterial values, known as intangible assets. Simultaneously, Young (2007) also mentioned that currently it is widely accepted that the value of an entity is no longer based on material or financial assets but on intangible ones.

According to Andonova et al. (2016), intangible assets play an important role of building competitive advantage for company. In accordance with Barney (1991), the competitive advantage is defined as “When a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitor”. The same author also mentioned a resource has to satisfy four main criteria to become competitive advantage of enterprises, including (1) the resource must add positive value to the firm, (2) the resource must be unique or rare among current and potential competitors, (3) the resource must be inimitable and (4) the resource must be non-substitutable. Hence, it is easily realized that intangible assets satisfy these four qualities. Volkov et al. (2007) also said that the value of goods, services and enterprises are created not only by tangible assets but mostly by assets based on all kinds of intangible assets in the knowledge economy. For long time ago, competitive advantage of a company depends on the possession of rare and valuable resources that are hard to imitate and substitute (Barney, 1991). Though, Prahalad and Hamel (1990) emphasized that this kind of competitive advantage often exists in short-lived because it is challenged by imitation and substitution threats unless the company is capable of making company specific capabilities and core competencies. Hence, in this case, to build and maintain the compatitive advantage, the appearance of intangible resources plays a key role (Hoskisson et al., 2000).

According to Pourkiani et al. (2014), global economy model changed fundamentally with the revolution in information technology from 1990s. Currently, knowledge is the most important capital in knowledge-based economy and it has replaced financial and physical capital (Qilich and Moshabbaki, 2006). Some scholars agure that the relationship between intangible assets and economic performance is reflected very clearly in the context of the most advanced industrial economies (Marrocu and Pontis [2012], Oliner et al. [2007], O'Mahony and Vecchi [2009]). Arrighetti et al. (2014) indicated that the positive contribution of intangible assets to firm and industry level profitability is as well as to market valuation in the USA, Japan, Italy, the UK, Finland and the Netherlands. In the same idea, Dutz et al. (2012) also evidenced the role of intangible assets with economy in developing countries like Brazil, however, this contribution is statistical lower than that of development countries. Though, irrespective of the context, intangible assets like legal rights and goodwill often become sources of competitive advantage because they tend to be protected by legal property rights which are characterized by high levels of specificity (Dierickx and Cool, 1989) and benefit from isolating mechanisms (Mahoney and Pandian, 1992) that prevent the easy purchase of a resource in the factor markets or its imitation. Currently, it is accepted by economists, investors and managers that intangibles are recognized as a value and growth creators (Lev and Daum, 2004). Arguably, the role of intangible assets for the modern economy is beyond doubt (Cohen, 2009). Intangible assets exist in both the public and private sectors and are important players in the growth and prosperity of the economy (Cohen, 2009).

In summary, it is easily to realize the role of intangible assets or intellectual capital has been statistically increased in the last two decades. Especially, it creats competitive advantage for its enterprise. Because its specific characteristics make a strong potential differentiator which respect amongst competitors, generate economic benefits and lead enterprises to better business sustainability. However, unfortunately, financial accounting and traditional accounting instruments fail to capture these intangibles values and report them (Raj and Seetharaman, 2012). Lev and Zarowin (1999) also emphasized that the gap between accounting value and market value of a company has been quite large in the last 10 years and the primarily cause depends on the “real” value of the company's intangible investment which is not mentioned in the traditional accounting statements. As a consequence, there is a huge value gap between reported values of a enterprise in the financial statements and the actual value of the enterprise including intangibles. Moreover, O’Connor and Feng (2005) posed the problem of managing intangibles in an enterprise has become more complex and widespread because of the increasing need to compete on knowledge, product innovation and value-added services. Therefore, intangible asset management is the most important issue for top management at present. A long time ago, intellectual property rights is chosen as a useful management tool to manage intangible assets like intellectual property (Pitkethly, 2001). This method has been welcomed in many countries like UK and Japan etc. Intellectual property management can be classified into two areas. The first area concerns internal management of intellectual property rights which relatives to the running of the intellectual property department and managing its interaction with other departments. The second area concerns external management of intellectual property rights, primarily how a firm interacts with other enterprises’ intellectual property rights and vice versa. However, with the development of intangible assets becoming intellectual capital, sometimes, this management method does not met the requirements of managing intangible assets. Thus, Sveiby (1997) indicated intellectual capital management is a new and unique concept, called “the most important source of competitive advantage”. The goal of achieving a model of structure is forming relationships with indicators of knowledge management.

To support the purpose of intellectual capital management, the Financial Accounting Standards Board has classified intangible assets into seven groups, namely, statutory-based, contract-based, technology-based, workforce-based, organization-based, customer-based and market-based. Notably, these classification of intangibles brings helping to guide the development of intangible reporting measures and management (Young, 2007). Particularly, these guidelines are showed on Table 4.1.

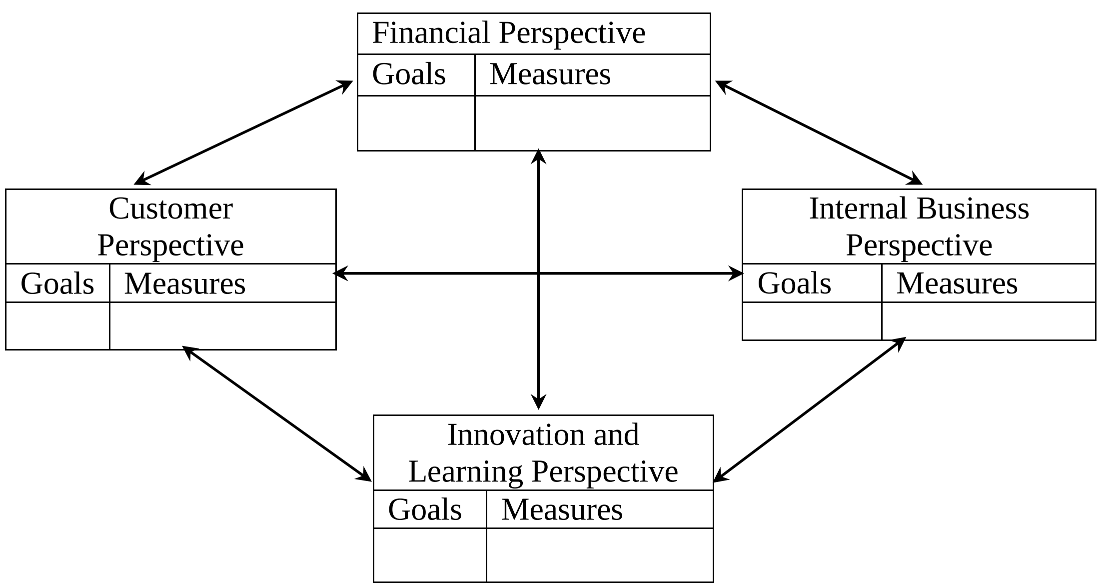
Table 4.1. Relationship between categories of intangible assets and each case of measurement

	CATEGORY						
	Statutory-based	**Contract-based**	**Technology-based**	**Workforce-based**	**Organization-based**	**Customer-based**	**Market-based**
Can see and/or touch							
Possible to assign a monetary value	Patents, copyrights and tradenames.	Licensing agreements, royalty arrangements, landing rights, alliance agreements		Technical expertise, recruiting and training programs and incentive compensation plans.	Financial arrangements with board of directors.		Retail shelf-space agreements.
Difficult or impossible to assign a monetary value		Non-compete contracts.	Information systems, secret formulas, procedural manuals, software programs, blueprints, laboratory notebooks and recipes.		Organization structure and processes, board members and affiliations, financial policies and cultural norms.	Customer lists, delivery routes, customer histories and credit records.	
Cannot see or touch							
Easy to describe				Technical expertise, recruiting and training programs.			Brand names or logos and distribution channels.
Difficult to describe				Talent and creativity.	Cutural norms.		

(Source: Young, 2007, p.54)

There are many perspectives of intellectual capital management by scholars. In accordance with Edvinsson (1997), intellectual capital management is understood as "*leveraging human capital and structural capital together to improve the enterprise's value generating capabilities through identifying, capturing, leveraging and recycling intellectual capital".* Meanwhile, Wiig (1997) believed that intellectual capital management is as creating and governing intellectual capital from strategic and organization governance perspectives with focus on renewing and maximising the value of the intangible assets. Another perspective, intellectual capital management is a balance and alignment of intellectual capital of the enterprise to the organization's strategy (Sullivan, 1999). Jelcic (2007) supposed that the concept means concentrating all enterprise activities towards the future-enhancing the enterprise abilities, making a plan to remove weaknesses and improving business operation. In conclusion, intellectual capital management is a cyclic and continuous process of activities to identify, evaluate, initiate action plan and report intangible assets to gain sustainable competitive advantage (Gogan et al., 2014).

The Balanced Scorecard (BSC) was introduced as tool for management intangible assets by co-author Kaplan and Norton in 1996 and applied widely in U.S. companies (Raj and Seetharaman, 2012). This method is described in terms of the specific measures that were used to manage various innovation and human resource development processes and initiatives to help the enterprise respond to its strategic challenges (O'Connor and Feng, 2005). Apart from that, the application of this method as a performance measurement tool to convert intangible assets into tangible outcomes. This method combines financial with non-financial measures, like internal business processes, learning and growth and various customerrelated measures (Kaplan and Norton, 1996).



(Source: Kaplan and Norton, 1996)

Figure 4.3. The Balance Scorecard (BSC) Method

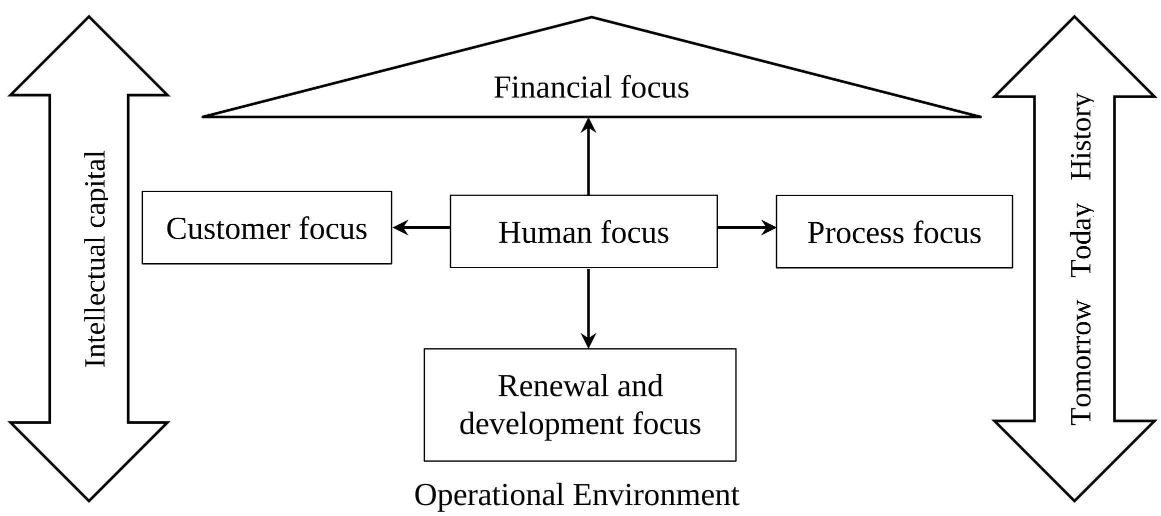
In 1997, Sveiby developed the Intangible Assets Monitor (IAM) method for measuring and managing intangible assets. As the author's perspective, the IAM is built as a Stock-Flow Theory. It means that, all what employees do is transformed into either tangible or intangible knowledge structures, after that, these are "directed" outside or inside the enterprise. Based on this idea, Sveiby has built a matrix that consits of three areas: external structure (customers), internal structure (organizational system) and competence (employees). Each area can be continued to analyze by the indicators: growth and renewal, efficiency and stability.

Table 4.2. The Intangible Assets Monitor (IAM) Method

Market Value				
		Intangible Assets		
Indicators for:	Tangible Assets	External Structure	Internal Structure	Competence
Growth				
Innovation				
Efficiency				
Stability				

(Source: Sveiby, 1997)

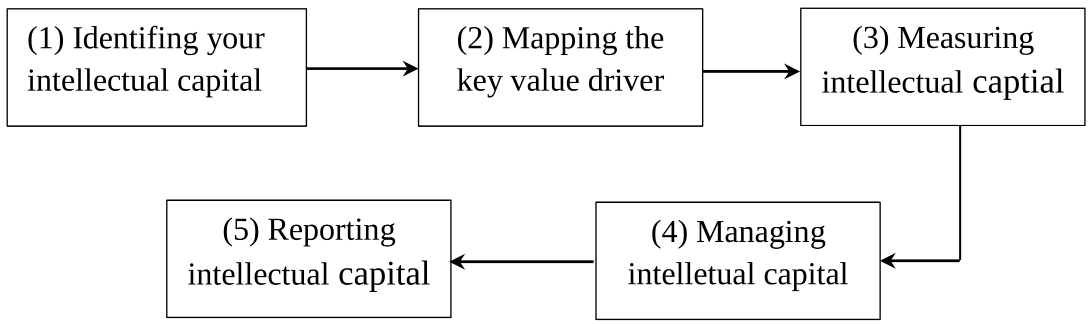
The Skandia Navigator is another management method, developed by a Swedish financial service enterprise (Raj and Seetharaman, 2012). The method also reflects a balance between financial and non-financial issues, same as the BSC method. In addition, the model embodies a balance between information on past financial performance, information about today (including human resources and processes) and about tomorrow's renewal and development (Edvinsson, 1997). The method was built as a house with the roof is the "financial focus". The "customer focus" and "process focus" are the walls of the house. The "human focus" is the soul of the house. It is the major factor which interact with the other areas. Meanwhile, the "renewal and development focus" is the platform and the critical bottom line for sustainability. Hence, the Skandia Navigator and BSC have same main idea in confirmation the key areas for the future success of the enterprise.



(Source: Edvinsson, 1997)

Figure 4.4. The Skandia Navigator Method

Gogan et al. (2014) said that besides Management Accounting Guideline (MAG) and Comprehensive Intellectual Capital Management (CICM), there is a model for managing intellectual capital at the organizaion level. In 2008, Bernard Marr is an author who developed MAG model. This model consists of five key steps for successfully managing intellectual capital, namely, (1) identifing entity's intellectual capital, (2) mapping the key value driver, (3) measuring intellectual captial, (4) managing intelletual capital and (5) reporting intellectual capital (Marr, 2004).

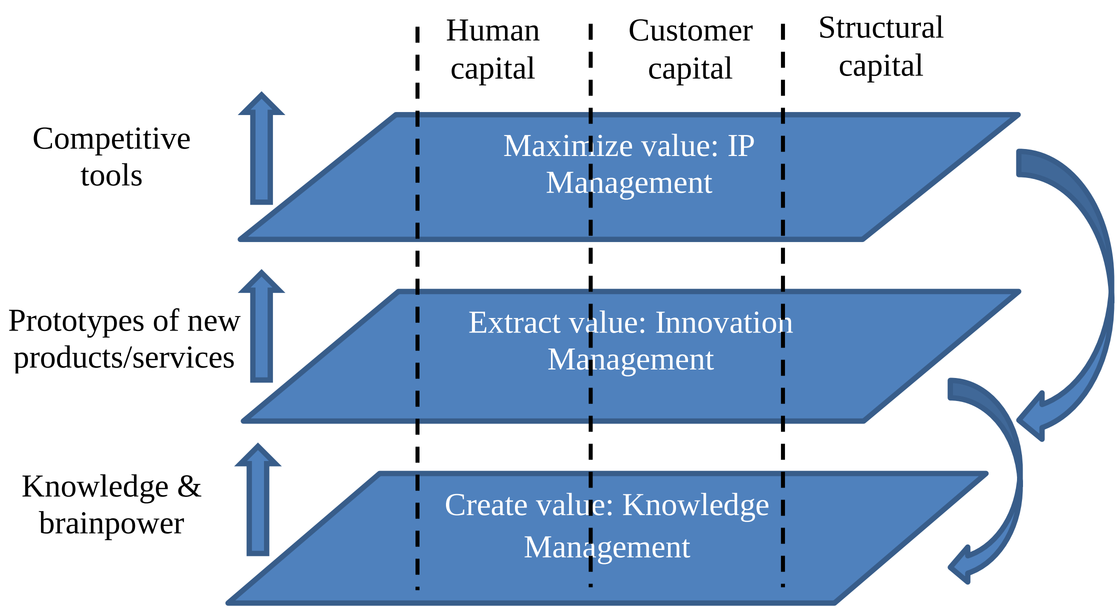


(Source: Marr , 2008)

Figure 4.5. The Management Accounting Guideline (MAG) Model

The first step requires identifying the intellectual capital that exists in the enterprise through focus group interviews, workshops, by mail or online questionnaire (Marr, 2004). Then the results of surveys or interviews are analyzed and recapitulated a list of intangible resources (Gogan et al., 2014). The MAG model agured a specific terminology (human capital, relational capital, structural capital, physical capital and financial capital) to describe the intangible assets identified (Marr, 2004). The objective of the second stage (mapping the intellectual capital value drivers) evaluates the relevance of intellectual capital by mapping its strategy into a strategic map of the enterprise (Gogan et al., 2014). The strategic map reflects the most important cause-effect relationships between intangible assets (Marr, 2008). This map is very useful for managers to promote a comprehensive understanding of the role and importance of intellectual capital (Gogan et al., 2014). Roos and Roos (1997) indicated the "Measuring intellectual capital" stage supplies relevant information for helping managers to decrease uncertainties related to intangible assets and for making informed decisions that enable to improve the performance of the enterprise. Leitner (2005) mentioned that risk assessment is a very important element in the forth stage "Managing intellectual capital". Potential risks are considered in each element of intellectual capital (human capital, structural capital and relational capital) (Gogan et al., 2014). In the last stage, "Reporting intellectual capital" is presented with the aim to report the value of intellectual capital to internal and external stakeholders (Mouritsen et al., 2001).

CICM model is a concept introduced by Al-Ali in 2003. The model reflects a comprehensive framework for managing all intellectual capitals of a enterprise. Al-Ali (2003) cited knowledge management is the process of transforming information and intellectual property to create value of the raw knowledge. The objective of the "Knowledge management" stage is to ensure that the enterprise has the nescessary resources to production, innovation and effective decision making and to support the critical business processes and operations to achieve the desired competitive position (Gogan et al., 2014). Used intangible assets in this stage are included primarily in human capital and the structural assets. Meanwhile, the "Innovation management" stage reflects the process of transforming or converting knowledge in the first stage into marketable products, services, solutions or processes to achieve competitive advantage in the market (Al-Ali, 2003). The intangible assets utilized in this stage are consisted of structural capital and customer capital relating to business processes (Gogan et al., 2014). In accordance with the "Intellectual property management" step, the value of intangible asset is maximized by legal protection such as copyright, trademark, patents, designs and other types of information (Al-Ali, 2003). According to Burrone (2005), intellectual property is composed of ideas, concepts, insignias, symbols, various technologies, products, processes, methods, publications and other works that are unique and original to the owner. According to this stage, intellectual capital refers to customer capital and structural capital which are related to licensing of intellectual property (Gogan et al., 2014).



(Source: Al-Ali, 2003)

Figure 4.6. The Comprehensive Intellectual Capital Management (CICM) Model

In conclusion, the ownership and appropriate management of intellectual capital play a key role in gaining success and creating future value of enterprises in the economy (Gogan et al., 2014). Intellectual capital management models play an important key role in providing timely information and data to adjust their intellectual capital strategy suitable with their sustainable competitive advantage. Moreover, intellectual capital management models allow enterprises to achieve effectiveness from developing intangible and tangible resources. These mentioned models of managing intellectual capital encourage understanding the invisible value and give insight into the hidden value of an enterprise (Gogan et al., 2014).

This chapter showed clearly the characteristics of the knowledge economy, the concept of intangible assets, the role of intangible assets in business operation and how to manage the intangible assets. Therefore, the IASB introduces IAS 38 - Intangible assets and Vietnamese MOF enacted VAS 04 - Intangible assets to guide the recognition of intangible assets in enterprises. Thus, the next chapter will focus to introduce the contents of IAS 38 and VAS 04 and the relationship between two accounting standards. Simultaneously, the next chapter also summarizes detailly the accounting regulations for intangible assets in Vietnam following on Circular No. 45/2013/TT-BTC, Circular No. 147/2016/TT-BTC, Circular No. 28/2017/TT-BTC, Circular No. 200/2014/TT-BTC and VAS 04.

Chapter 5

THEORITICAL BACKGROUND OF INTANGIBLE ASSETS ACCOUNTING

5.1. VIETNAMESE ACCOUNTING STANDARD NO. 04 - INTANGIBLE ASSETS

VAS system was issued based on IAS system (in accordance with the principle of selective use of international practice), the characteristics of economy and Vietnamese enterprises at the promulgated time of standards.

In 2001, Vietnamese MOF released the first package of VASs with 4 standards (Decision No. 149/2001/QD-BTC dated December 31st 2001). In which the package, MOF mentioned about the accounting standard for intangible asset - it is called VAS 04 - Intangible asset. This research shows detailly VAS 04 which was issued based on the first version of IAS 38. VAS 04 consists of 71 paragraphs.

GENERAL PROVISIONS

01. This standard aims to prescribe and guide the principles and methods of intangible assets accounting, including: criteria of intangible assets, time of recognition and determination of the initial value, costs incurred after initial recognition, determination of the value after initial recognition, amortization, liquidation of intangible assets and some other regulations serving as basis for recording accounting books and making financial statements.

02. This standard applies to the accounting of intangible assets, except where other standards permit the application of other accounting principles and methods to intangible assets.

03. A number of intangible assets may be contained within or on physical objects like compact discs (in cases where computer software is recorded in compact discs), legal documents (in cases of licenses or invention patents). In order to determine whether or not an asset containing both intangible and tangible elements is accounted according to the regulations of tangible fixed asset standard or intangible asset standard, the enterprises must base themselves on the determination of which elements being important. For example, if computer software is an integral part of the hardware of a computer, without it the computer cannot operate, such software is a part of the computer and thus it is considered a part of tangible fixed asset. In cases where software is a part detachable from the related hardware, it is an intangible asset.

04. This standard prescribes the expenses related to the advertisement, personnel training, enterprise establishment, research and development. Research and development activities oriented at the knowledge development may create an asset in a physical form (i.e. models) but the physical element only plays a secondary role as compared with the intangible component being knowledge embedded in such asset.

05. Once the financial-leasing intangible assets have been initially recognized, the lessees must account them in the finance-leasing contracts according to this standard. The rights under licensing contracts to films, video programs, plays, manuscripts, patents and copyright shall fall within the scope of this standard.

06. For the purpose of this standard, the terms used herein are construed as follows:

Asset is a resource which is:

a/ controllable by the enterprise; and

b/ expected to yield future economic benefits for the enterprise.

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.

Research means a planned initial survey activity carried out to obtain new scientific or technical understanding and knowledge.

Development means an activity of applying research results or scientific knowledge to a plan or design so as to make products of a new kind or to substantially renovate materials, tools, products, processes, systems or new services before their commercial production or use.

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.

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

Amortizable value means the historical cost of an intangible asset recorded in the financial statement minus (-) the estimated liquidation value of the asset.

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

a/ The time for which the enterprise expects to use the intangible asset; or

b/ 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 cost of an intangible asset after subtracting (-) the accumulated amortization of the asset.

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

Operating market means a market which meets simultaneously all the following three (3) conditions:

a/ Products sold on the market are homogenous;

b/ Purchaser and seller may find each other at any time;

c/ Prices are made public.

Intangible Assets

07. The enterprises often make investment in order to acquire intangible resources such as the right to use land, computer software, patent, copyright, aquatic resource exploitation permit, export quota, import quota, right concession permit, business relations with customers or suppliers, customers' loyalty, market shares, the marketing right etc.

08. In order to determine whether or not intangible resources specified in paragraph 07 meet the definition of an intangible asset, the following factors shall be considered: Identifiability, resource controllability and certainty of future economic benefits. If an intangible resource fails to satisfy the intangible asset definition, the costs incurred in the formation of such intangible resource must be recognized as production and business expenses in the period or as pre-paid expenses. Particularly for those intangible resources the enterprises have acquired through enterprise merger of re-purchase character, they shall be recognized as goodwill on the date of arising of the purchase operation (under the regulations in paragraph 46).

Identifiability

09. 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.

10. An intangible asset is considered identifiable 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.

Controllability

11. An enterprise is in control of an asset if it has the right to acquire future economic benefits yielded by such asset and, at the same time, is able to limit other subjects' access to these benefits. The enterprise's controllability of future economic benefits from intangible assets, often derives from legal rights.

12. Market knowledge and expertise may bring about future economic benefits. The enterprise may control these benefits if they have legal right, for example: Copyright, aquatic resource exploitation permit.

13. If an enterprise has a contingent of skilled employees and through training, it may ascertain that improvement of their employees' knowledge would bring about future economic benefits, but it is unable to control these economic benefits, therefore the enterprise cannot recognize such as an intangible asset. Leadership talent and professional techniques shall not be recognized as intangible assets except where these assets are secured with legal rights to use them and acquire future economic benefits and, at the same time, meet all the requirements of the intangible asset definition and recognition criteria.

14. For enterprises which have customers' name lists or market shares, if they have neither legal rights nor other measures to protect or control economic benefits from the relations with customers and their loyalty, they must not recognize these as intangible assets.

Future economic benefits

15. Future economic benefits yielded by intangible assets for the enterprises may include: Turnover increase, saved costs, or other benefits originating from the use of intangible assets.

CONTENTS OF THE STANDARD

Recognition and determination of initial value

16. To be recognized as intangible asset, an intangible asset must simultaneously satisfy:

- The definition of an intangible asset; and

- Four (4) recognition criteria below:

  - The certainty to acquire future economic benefits brought about by the asset;
  - The asset's historical cost must be determined in a reliable way;
  - The useful life is estimated to last for over one year;
  - All value criteria prescribed by current regulations are met.

17. The enterprises must determine the degree of certainty to acquire future economic benefits through using reasonable and grounded assumptions on the economic conditions which will exist throughout the useful life of the assets.

18. Intangible assets must have their initial value which is determined according to their historical cost.

DETERMINATION OF HISTORICAL COST OF INTANGIBLE ASSETS IN EACH CASE

Purchase of separate intangible assets

19. The historical cost of a separately-purchased intangible asset consists of the buying price (minus (-) trade discounts or price reductions), taxes (excluding reimbursed tax amounts) and expenses directly related to the putting of the asset into use as planned.

20. The land use right is purchased together with houses and architectural objects affixed on the land, its value must be separately determined and recognized as intangible asset.

21. A procured intangible asset is paid by deferred payment mode, its historical cost shall be shown at the purchasing price which should have been promptly paid at the time of purchase. The difference between the total amount payable and the promptly-paid purchase price shall be accounted into the production and business expense according to the payment period, except where such difference is included in the historical cost of the intangible asset (capitalization) under the regulations of the accounting standard "Costs of borrowing."

22. If an intangible asset is formed from the exchange involving payment accompanied with vouchers related to the capital ownership of the establishment, its historical cost is the reasonable value of vouchers issued in relation to capital ownership.

Purchase of intangible assets through enterprise merger

23. The historical cost of an intangible asset formed from the process of enterprise merger of re-purchase character is the reasonable value of such asset on the date of purchase (the date of enterprise merger).

24. The enterprises must determine the historical cost of intangible assets in a reliable way for separate recognition of these assets.

The reasonable value may be:

- The price posted up on the operating market;

- The price of the operation of trading in similar intangible assets.

25. If the operating market for assets does not exist, the historical costs of intangible assets shall be equal to the amounts the enterprises should have paid on the date of purchasing assets under the condition that such operation is carried out objectively on the basis of available reliable information. In this case, the enterprises should consider carefully the results of these operations in correlation with similar assets.

26. Upon enterprise merger, intangible assets shall be recognized as follows:

a/ The purchaser shall recognize assets as intangible assets if they meet the intangible asset definition and recognition criteria specified in paragraphs 16 and 17, even if such intangible assets were not recognized in the financial statements of the asset seller;

b/ If an intangible asset is purchased through re-purchase enterprise merger, but its historical cost cannot be determined reliably, the asset shall not be recognized as a separate intangible asset but accounted as goodwill (under the regulations in paragraph 46).

27. Where no operating market exists for purchased intangible assets through re-purchase enterprise merger, the historical cost of intangible assets shall be the value at which the value does not make negative-value goodwill on the date of enterprise merger.

Intangible assets being the right to use land for a finite term

28. The historical cost of an intangible asset is the right to use land for a finite term when the land is allocated, or the payment when receiving the land use right lawfully transferred from other people, or the value of land use right from contributed to joint-venture capital.

29. Where the land use right is transferred together with the purchase transaction of houses and/or architectural objects on the land, the value of houses and/or architectural objects must be determined separately and recognized as tangible fixed assets.

Intangible assets allocated by the State or donated or presented

30. The historical cost of an intangible asset which is allocated by the State, donated or presented, is determined according to the initial reasonable value plus (+) the expenses directly related to the putting of the assets into use as planned.

Intangible assets purchased in the form of exchange

31. The historical cost of an intangible asset purchased in the form of exchange for a dissimilar intangible asset or another asset is determined according to the reasonable

value of the received intangible asset or equal to the reasonable value of the exchanged asset, after adjusting the additionally received or paid cash amounts or cash equivalents.

32. The historical cost of an intangible asset purchased in the form of exchange for a similar intangible asset, or possibly formed through its sale in exchange for the right to own a similar assets (similar asset are those with similar utilities, in the same business field and of equivalent value). In both cases, no profit or loss is recognized in the exchange process. The historical cost of the received intangible asset is equal to the residual value of the exchanged intangible asset.

Goodwill created from within the enterprises

33. Goodwill created from within the enterprises shall not be recognized as assets.

34. Costs incurred to generate future economic benefits but not form intangible assets because they fail to satisfy the definition and recognition criteria in this standard but to create goodwill within the enterprises. The goodwill created within the enterprises shall not be recognized as assets since they are not identifiable resources, nor appraisable in a reliable way nor controllable by the enterprises.

35. The difference between the market value of an enterprise and the value of its net asset value recorded on the financial statement, which is determined at a certain point of time, shall not be recognized as an intangible asset controlled by the enterprise.

Intangible assets created from within the enterprises

36. In order to assess whether or not an intangible asset created from within an enterprise on the date of arising of the operation meets the intangible asset definition and recognition criteria, the enterprise must divide the asset-forming process into:

a/ The research stage; and

b/ The development stage.

37. If the enterprise cannot distinguish the research stage from the development stage of an internal intangible asset-creating project, it must account all incurred costs related to such project as expenses so as to determine the business results in the period.

Research stage

38. All costs incurred in the research stage shall not be recognized as intangible assets but as production and business expenses in the period.

39. Examples of activities in the research stage:

a/ Activities of researching and developing new knowledge, and activities of exploring, evaluating and selecting final options;

b/ The application of research results, or other knowledge;

c/ The exploration of alternative methods for materials, tools, products, processes, services;

d/ Formulas, designs, evaluation and final selection of alternative methods for materials, tools, products, processes, systems, services, new or further improved.

Development stage

40. Intangible assets created in the development stage shall be recognized as intangible assets if they meet all the following seven (7) conditions:

a/ Their technical feasibility assures the finishing and putting of the intangible assets into use as planned or for sale;

b/ The enterprises intend to finish the intangible assets for use or sale;

c/ The enterprises are capable of using or selling the intangible assets;

d/ The intangible assets must generate future economic benefits;

e/ There are adequate technical, financial and other resources for completion of the development stage, sale or use of such intangible assets;

f/ Being capable of determining with certainty all costs in the development stage for creating the intangible assets;

g/ Estimate to meet all criteria for use period and prescribed value for intangible assets.

41. Examples of development activities:

a/ Designing, constructing and experimenting prototypes or models before they are put into production or use;

b/ Designing tools, molds, jigs and swages related to new technologies;

c/ Designing, constructing and operating economically infeasible trial workshops for commercial production operations;

d/ Designing, developing and manufacturing on a trial basis substitute materials, tools, products, processes, systems and services, new or improved.

42. Internally generated brands, distribution right, customers list and similar items formed shall not be recognized as intangible assets.

Historical costs of intangible assets created from within the enterprises

43. Intangible assets created from within the enterprises shall be initially appraised according to their historical costs. This historical costs consist of all costs incurred from the time the intangible assets satisfy the intangible asset definition and recognition criteria prescribed in paragraphs 16, 17 and 40 until are put into use. The costs incurred before this point of time must be included in production and business expenses in the period.

44. The historical cost of an intangible asset created from within an enterprise consists of all directly related expenses or allocated according to rational and consistent norms at all stages from designing, construction, trial production to preparation for putting the asset into use as planned.

The historical cost of an intangible asset created from within the enterprises consists of:

a/ Costs of raw materials, materials or services already used in the creation of the intangible assets;

b/ Salaries, wages and other expenses related to hire employees in the creation of that asset;

c/ Other expenses directly related to the creation of the asset, such as expenses for registration of legal rights, depreciation of patent and license used in the creation of such asset;

d/ General production costs allocated to the asset according to rational and consistent criteria (for example: allocation of depreciation of workshops, machinery, equipment, insurance premiums, and rents of workshops and equipment).

45. The following costs must not be included in the historical cost of intangible assets created from within the enterprises:

a/ Sale cost, enterprise management cost and general production costs not directly related to the putting of the assets into use;

b/ Unreasonable expenses such as those for wasted raw materials and materials, labor and other expenses in excess of the normal level;

c/ Cost of training of employees to operate the assets.

Recognition of costs

46. Those costs related to intangible assets must be recognized as production and business expenses in the period or pre-paid expenses, except the following cases:

a/ Costs of creating part of the historical cost of an intangible asset satisfying the intangible asset definition and recognition criteria (prescribed from paragraph 16 to 44).

b/ Intangible assets formed from the process of enterprise merger of character, which fail to satisfy the intangible asset definition and recognition criteria, these costs (included in the asset re-purchase expenses) shall form part of the goodwill (including cases where goodwill bear a negative value) on the date of decision of enterprise merger.

47. Those costs incurred to make future economic benefits for the enterprises but not recognized as intangible assets, shall be recognized as production and business expenses in the period, excluding those costs specified in paragraph 48.

48. Those costs incurred to generate future economic benefits for the enterprises, including enterprise establishment cost, personnel-training cost and advertising cost incurred before the newly-set up enterprises start to operate, costs for the research stage, relocation cost will be recognized as production and business expenses in the period or gradually allocated into production and business expenses in the maximum period of three years.

49. Costs related to intangible assets, which have been recognized by the enterprises as costs to determine the business operation results in previous period, shall not be re-recognized as part of the historical cost of intangible assets.

Cost incurred after initial recognition

50. Costs related to intangible assets and incurred after initial recognition, must be recognized as production and business expenses in the period. These costs shall be included into the historical costs of intangible assets, if they meet simultaneously two following conditions:

a/ These costs can help intangible assets generate more future economic benefits than the original operation evaluation;

b/ These costs are appraised in a certain way and associated with a specific intangible asset.

51. Those costs which are related to intangible assets and incurred after initial recognition shall be recognized as production and business expenses in the period, except when these costs are associated with a specific intangible asset and help increase economic benefits from that asset.

52. Those costs which are incurred after the initial recognition and related to brandnames, distribution right, customers list and similar items (including those purchased from outside or created from within the enterprise) shall be always recognized as production and business expenses in the period.

Determination of value after initial recognition

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

AMORTIZATION

Amortization period

54. The amortizable value of an intangible asset must be systematically allocated throughout its estimated reasonable useful life. The amortization period of an intangible asset shall not exceed 20 years. Amortization shall start from the time the intangible asset is put into use.

55. When determining the useful life of an intangible asset as basis for calculating amortization, the following factors must be taken into account:

a/ The usability expectations of assets;

b/ The life circle of products and general information on the estimates related to the useful life of identical types of assets which are used under similar conditions.

c/ Technical, technology backwardness;

d/ Stability of the sector using this asset and the change in the market demand for products or the provision of services which that asset generates;

e/ Projected activities of existing or potential competitors;

f/ Necessary maintenance cost;

g/ The asset control period, legal constraints and other constraints in the using process of that asset;

h/ The dependence of the useful life of the intangible asset on other assets in the enterprise.

56. For computer software and other intangible assets which may become technically obsolete rapidly, their useful life is often shorter.

57. In some cases, the useful life of intangible assets may exceed 20 years upon reliable evidences but must be specified. In this case, the enterprises must:

a/ Amortize the intangible assets according to their most accurately-estimated useful life;

b/ Justify the reasons for the estimation of the assets' useful life in the financial statements.

58. If the control of future economic benefits from intangible assets is made possible by virtue of legal rights granted within a given period, the useful life of the intangible assets shall not exceed the effective time of the legal rights, except when such rights are extended.

59. Economic and legal factors affecting the useful life of intangible assets include: (1) Economic factors decisive to the period in which future economic benefits are obtained; (2) Legal factors restricting the period during which the enterprise controls these economic benefits. The useful life is a period shorter than the above-said periods.

Amortization methods

60. The amortization methods applicable to intangible assets must reflect the mode of recovering economic benefits from such intangible assets of the enterprises. The amortization method used for each intangible asset shall apply uniformly in many periods and may be changed when there appears a significant change in the enterprise's mode of recovering economic benefits. The amortization cost for each period must be recognized as a production and business expense, unless it is included in the value of other assets.

61. There are three (3) amortization methods for intangible assets, including:

Straight-line amortization method;

Diminishing balance amortization method;

Units of production amortization method.

- By to the straight-line amortization method, the annual amortizated amount is kept unchanged throughout the intangible asset's useful life.
- By to diminishing balance amortization method, the annual amortizated amount gradually declines throughout the asset's useful life.
- By to units of production amortization method is based on the estimated total quantity of products the asset will create.

Liquidation value

62. An intangible asset has a liquidation value when:

a/ There is a third party agreeing to re-purchase the asset at the end of its useful life; or

b/ There is an operating market at the end of the asset's useful life and the liquidation value may be identified through the market price.

When none of two above-mentioned conditions exists, the liquidation value of an intangible asset is determined as zero (0).

63. The amortizable value is determined as equal to the historical cost minus (-) the estimated liquidation value of the asset.

64. The liquidation value is estimated when an intangible asset is created and put into use on the basis of the prevailing selling price at the end of the useful life of a similar asset

which has been operating under similar conditions. The estimated liquidation value shall not rise when there appear changes in price or value.

Reconsideration of the amortization period and amortization method

65. The amortization period and the amortization method for intangible assets must be reviewed at least at the end of each financial year. If the estimated useful life of the asset is significantly different from the previous estimate, the amortization period must be adjusted accordingly. The amortization method of intangible assets is changed when there are significant changes in the estimation method of recovery economic benefits for enterprises. In this case, the amortization charge for the current year and subsequent years, and disclosed in the financial statements.

66. Throughout the time of using intangible assets, when it is deemed that the estimated useful life of an asset is no suitable, the amortization period must be adjusted. For example, the useful life may prolong as a result of more investment in raising the asset's capability as compared with the original operating capability appraisal.

67. Throughout the useful life of intangible assets, the way of estimating future economic benefits which the enterprises expect to obtain may be changed, and so amortization method need to be changed accordingly. For example, the diminishing balance amortization method proves more suitable than the straight-line amortization method.

SALE AND LIQUIDATION OF INTANGIBLE ASSETS

68. Intangible assets shall be recorded as decrease when they are liquidated, sold or deemed to generate no economic benefits in subsequent use.

69. Profits or losses arising from the liquidation or sale of intangible assets shall be the difference between incomes and liquidation costs or sale costs plus (+) the residual value of intangible assets. Such profits or losses shall be recognized as an income or a cost on the in the business result report in the period.

PRESENTATION OF FINANCIAL STATEMENTS

70. 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:

a/ Method of determining the historical cost of the intangible asset;

b/ Amortization method; the useful life or amortization rate;

c/ The historical cost; accumulated amortization and residual value at the beginning of the year and at the end of the period;

d/ The written explanation of the financial statement (section intangible assets) must cover the following information:

- Increase in the historical cost of intangible assets, of which the value of intangible assets increases from activities in the development stage or enterprise merger;
- Decrease in the historical cost of intangible assets;
- Amortization in the period, any increase, decrease and accumulated amount at the end of the period;

- Reasons for an intangible asset to be amortized in over 20 years (when giving these reasons, the enterprises must point out the important factors in the determination of the useful life of the asset).
- The historical cost, accumulated amortization, residual value and remaining amortization duration of each intangible asset holding an important position or representing a large proportion in the total assets of enterprises;
- Reasonable value of intangible assets allocated by the State (as stipulated in paragraph 30), explicitly stating the reasonable value upon initial recognition; accumulated amortization value; residual value of the intangible assets;
- Residual value of intangible assets already mortgaged for payable debts;
- Commitments to future sale and purchase of intangible assets of big value ;
- Residual value of intangible assets temporarily not in use;
- Historical cost of intangible assets which was fully amortized but are still used; Residual value of intangible assets awaiting liquidation;
- Justification of the costs incurred in the research and development stages, which have been recognized as production and business expenses in the period;
- Other changes concerning intangible assets.

71. Intangible assets accounting are classified by groups which has same nature and use purposes in the enterprises' operations, including:

a/ The right to use land;

b/ Brand names;

c/ Distribution rights;

d/ Computer software;

e/ Licenses and right concession permits;

f/ Copyright, patents;

g/ Preparation formulas and methods, models, designs and prototypes;

h/ Intangible assets being developed.

5.2. INTERNATIONAL ACCOUNTING STANDARD NO. 38 - INTANGIBLE ASSETS

Due to the differences in economic systems and trade conditions, there are the differences in accounting models and methods among countries (Dang, 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 IAS system as a common language to bridge the economy in countries (Dang, 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 IAS on intangible asset will be described in this table:

Table 5.1. The history and development of IAS 38

Issued Time	Issued Standard /Amended Content	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
March 31st 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
May 22nd 2008	Amended content: advertising and promotional activities, units of production method of amortization in IAS 38	Effective from January 1st 2009
April 16th 2009	Amended content: measurement of intangible assets in business combinations in IAS 38	Effective from July 1st 2009
December 12th 2013	Amended content: proportionate restatement of accumulated Amortization under the revaluation method in IAS 38	Effective from July 1st 2014
May 12th 2014	Amended by Clarification of Acceptable Methods of Amortization 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 IAS for intangible asset is IAS 38 (version May 12th 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 amortization period and amortization methods (IASB, 2014b).

IAS 38 (paragraph 8) defines an intangible asset is an identifiable non-monetary asset without physical substance (IASB, 2014b). 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 (IASB, 2014b). There are three criteria for recognition intangible assets, namely, identifiability, control and future economic benefits.

In paragraph 24 - IAS 38, intangible assets are initially measured at cost (IASB, 2014b). 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 of IAS 38 (IASB, 2014b), entities must choose cost model or 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 amortization 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 amortization and any subsequent accumulated impairment losses. The purpose of revaluation 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 paragraph 88 of IAS 38 (IASB, 2014b), 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 amortized (IAS 38 - paragraph 107).

For example, a radio station acquires a broadcasting licence, renewable every five years. The licence is renewed at little cost as long as the radio station provides at least an average level of service to its customers and complies with the relevant legislative requirements. The licence has been renewed twice before the most recent acquisition. The radio station intends to renew the licence indefinitely and evidence supports its ability to do so. Historically, there has been no challenge to the licence renewal and the technology used in broadcasting is not expected to be superseded in the foreseeable future. The licence is, therefore, expected to contribute to the radio station’s net cash inflows indefinitely. Therefore, the licence would not be amortized until its useful life is determined to be finite. The licence would be tested for impairment in accordance with IAS 36 - Impairment of Assets annually and whenever there is an indication that it may be impaired.

- 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. Amortization will start when the asset is available for utilization. In paragraph 98 of IAS 38 (IASB, 2014b), there are four amortization methods, namely, straight-line method, diminishing balance method, units of production method and revenue-based method. However, IAS 38 said revenue-based method may only be used in very limited circumstances to amortize intangible assets. These circumstances consist of (1) revenue is highly correlated with the consumption of the economic benefits embodied in an intangible asset, or (2) an intangible asset (the right) is expressed as a total amount of revenue to be generated. Because amortization 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 amortization. If that pattern cannot be determined reliably, straight-line method shall be used (IAS 38 - paragraph 98).

The internally generated goodwill is not recorded as an intangible asset (paragraph 48 of IAS 38). Following paragraph 52 of IAS 38, an internally generated intangible asset meets 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 (IASB, 2014b).

In conclusion, chapter 4 summarized theoritical background of intangible assets and intangible assets accounting. Particularly, this chapter showed intangible assets accounting in accordance with IAS 38 and VAS 04 detailly. Therefore, the next chapter focuses on the current situation of intangible assets accounting in Vietnam. Specially, the chapter 5 reviews the picture of intangible assets in Vietnamese enterprises. Simultaneously, the chapter 5 also summarizes the accounting regulations for intangible assets in Vietnam in accordance with VAS 04 and Circular No. 45/2013/TT-BTC. Particularly, based on the content of chapter 4 about IAS 38 and VAS 04, the chapter 5 compares VAS 04 to IAS 38 on intangible assets accounting to find different points. Then, the chapter 5 also shows current situation of intangible assets accounting in Vietnamese enterprises .

5.3. COMPARISON BETWEEN VAS 04 AND IAS 38 ON INTANGIBLE ASSETS

VAS system has been built based on the IAS 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 IAS (Pham, 2014). Though, some differences can be detected between two accounting standard systems, particularly, between VAS 04 - Intangible asset and IAS 38 - Intangible asset. Hence, in this study will be compared VAS 04 to IAS 38 to find different keys.

Table 5.2. The different points between VAS 04 and IAS 38

ITEM	VAS 04	IAS 38
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 mentiond about the using purpose of intangible assets

ITEM	VAS 04	IAS 38
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: • 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 assest is 30,000,000VND (effective from April 25th 2013)	Not mentiond
Measurement after recognition	After initial recognition, in their use process, the intangible assets will be determined according to their historical cost, accumulated amortization 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. • Cost model: After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortization 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 amortization and any subsequent accumulated impairment losses.
Impairment of intangible assets	Not yet mentioned about revaluation or write down for impairment.	Mentioned about impairment of intangible assets in both recognition models
Amortization period of intangible assets	The amortization period of intangible assets shall not exceed 20 years. In rare case, intangible assets has amortization period may exceed 20 years, the enterprises must show reliable evidences.	Not mentioned about the maximum of amortization period for intangible assets
Amortization method	Not yet mention about revenue-based amortization method	Mention revenue-based amortization method for intangible assets. However, the method will only be used in very limited circumstances to amortize intangible assets

(Source: Own Contribution, 2017)

Why does the differences exist between VAS 04 and IAS 38? According to Nguyen et al. (2012), there are four elements, namely, economic environment, legal environment, cultural environment and accountants' professional quality 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, VAS 04 was promulgated based on IAS 38 (version 1998), but after that, VAS 04 has not yet amended and supplemented following on new version of IAS 38.

5.4. CONCERNING THE ACCOUNTING REGULATIONS FOR INTANGIBLE ASSETS IN VIETNAM

To date, in Vietnam, accounting practices on intangible assets were adjusted by VAS 04 (MOF, 2001c), Circular No. 45/2013/TT-BTC dated April 25th 2013 (Guiding regulation on management, use and depreciation of fixed assets) (MOF, 2013), Circular No. 147/2016/TT-BTC dated October 13th 2016 (Amending and supplementing some articles of Circular No. 45/2013/TT-BTC) (MOF, 2016c); Circular No. 28/2017/TT-BTC dated April 12th 2017 (Amending and supplementing some articles of Circular No. 45/2013/TT-BTC and Circular No. 147/2016/TT-BTC) (MOF, 2017) and Circular No. 200/2014/TT-BTC dated December 22nd 2014 (Accounting regime of Enterprises) (MOF, 2014c).

Intangible assets are assets that have no physical form, but a value can be determined, held and used by the enterprise in production, business, service provision or leasing in conformity with the recognition criteria of intangible assets (MOF, 2001c). This standard also stipulates that the asset details required to be recognized as intangible assets must simultaneously satisfy the following five criteria: the definition of an intangible asset; acquisition of future economic benefits from the use of such assets; the initial value of the assets determined on a reliable basis; a useful life estimated greater than 1 year and qualification in terms of value under current regulations (MOF, 2001c). However, the initial minimum value of an intangible asset is adjusted by other financial regulations of each period (as Table 5.3).

Table 5.3. The initial minimum value of an intangible asset from 1986 to now

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

(Exchange rate from Vietcombank webiste: https://www.vietcombank.com.vn/exchangerates/)

Relative to the criteria of intangible assets, VAS 04 indicates that intangible assets are held and used by enterprises in their production, business, service provision or leased to other subjects (MOF, 2001c). 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, 2014). In this case, enterprises do 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, this asset is still considered as assets of the enterprise and reflected in enterprises' balance sheet (MOF, 2014c). Hence, the word "held" is not yet reflected exactly the criteria of intangible assets.

Notably, in the definition of intangible assets, VAS 04 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, 2016) which is one kind of enterprises' future economic benefits.

Following VAS 04 (Paragraph 71), the right to use land 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, 2014). In this case, the right to use land consists of two cases, namely, the right to use land for a finite term and the right to use land for an indefinite term. Notably, the indefinite term does not mean infinite. An infinite life would imply that, once purchased or self-created, the intangible asset would yield economic benefits continuously. The indefinite term is intended to reflect the fact, that providing the asset is properly maintained, then it will continue to yield economic benefits.

In Vietnam, intangible assets are reportedly only contained within physical objects such as compact discs and legal documents. Hence, they must be separately identifiable so that they can be clearly distinguished from goodwill (MOF, 2001c). Goodwill arising from the enterprise merger of re-purchasing character is shown with a payment made by the asset purchaser to possibly obtain future economic benefits. Hence, presently, goodwill is being presented on the balance sheet and is being adjusted by the guidelines of VAS 11 - Business Combinations. Goodwill is gradually allocated and recorded as management cost of enterprises for a maximum period 10 years (Circular No. 21/2006/TT-BTC dated March 20th 2006) (MOF, 2006).

Goodwill generated within the enterprise is not recognized as an intangible asset, because the goodwill is not an identifiable resource (MOF, 2001c). In addition, internally generated intangible assets within enterprises only comprise assets for which enterprises can divide the asset-forming process into research and development (MOF, 2001c).

After initial recognition, an intangible asset shall be determined according to historical costs, accumulated amortization and residual value (MOF, 2001c). Notably, VAS 04 does not mention recording the impairment of intangible assets (MOF, 2001c).

$$\text{Residual Value in Accounting Books of Intangible Assets} = \text{Historical Cost (Initial Value)} - \text{Accumulated Amortization}$$

Notably, VAS 04 does not mention about recording impairment of intangible assets after initial recognition (MOF, 2001c). Therefore, sometimes, there are differences between the residual value and fair value of intangible assets.

The amortizable amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life (MOF [2001c, 2013]). Amortization begins when the asset is available for utilization. The amortization cost for each period must be recognized as a production cost and a business expense. There are three amortization methods: straight-line, diminishing-balance and units-of-production. Monthly average rates of amortization equal the yearly rate divided by 12 months.

With straight-line amortization, the annual amortized amount remains unchanged throughout the intangible asset's useful life. The annual average rate of amortization for intangible assets is calculated using the following formula:

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

In the above formula, the initial value of intangible assets is the total cost borne by the enterprise to have the intangible asset until it is ready for utilization. The time of amortization is the time necessary for enterprises to amortize intangible assets to receive the capital investment beforehand. Typically, for intangible assets, time of amortization equals the time of useful life.

For the diminishing-balance amortization method, the annual amortized amount gradually declines throughout the intangible asset's useful life. The annual rate of amortization of intangible assets is computed with the following formula:

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

$$\text{Accelerated amortization rate} = \text{Rate of amortization by straight-line method} \times \text{Adjustment coefficient}$$

$$\text{Rate of amortization by straight-line method} = \frac{1}{\text{Time of amortization of intangible assets}} \times 100$$

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

Table 5.4. Adjustment coefficient of the diminishing-balance amortization method

Time of amortization of intangible assets	Adjustment coefficient (times)
Up to 4 years	1.5
Over 4 to 6 years	2
Over 6 years	2.5

(Souce: MOF, 2013)

The units of production are based on the estimated total quantity of products that the asset will create. Hence, the monthly rate of amortization method (e.g., units of production) is based on the estimated total quantity of products for which the intangible assets will be equaled:

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

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

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

Concerning the amortization time of intangible assets, enterprises self-determine their useful period without exceeding 20 years (MOF [2001c, 2013]). In some cases, the useful life of intangible assets may exceed 20 years. However, enterprises must show reliable specific evidence in their financial statements. Particularly, for land use rights, amortization time equals the permitted time of the land use right. For copyright and patents, the amortization time is the protected duration indicated on the certificate of protection, excluding extended durations. For computer software and other intangible assets that become technically obsolete rapidly, their useful life is often shorter. Notably, the period and amortization methods of intangible assets must be reconsidered at least fiscally. The amortization methods of intangible assets may be changed when businesses present a significant change in their manner of estimating economic benefits to be recoverable for the enterprise.

Additionally, there is heterogeneity in definition of amortized value of an intangible asset between VAS 04 (Paragraph 6) and Circular No. 45/2013/TT-BTC (MOF [2001c, 2013]). VAS 04 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 (MOF, 2001c). While Circular No. 45/2013/TT-BTC indicated that amortized value is initial value of intangible assets (MOF, 2013). According to paragraph 64 of VAS 04, the liquidation value is estimated when an intangible asset is created and put into use on the basis of the prevailing selling price at the end of the useful life of a similar asset which has been operating under similar conditions (MOF, 2001c). The estimated liquidation value shall not rise when the price or value of the intangible assets changes. As such, in the case of Circular No. 45/2013/TT-BTC, the estimated liquidation value of the intangible asset is supposed equal zero. There are some reasons for this issue (MOF, 2013). First of all, in Vietnamese enterprises, the new intangible asset often have used in production process and they do not have a plan to sell in near future. Hence, it is unnecessary to estimate liquidation value of the intangible asset and this value is assumed equal zero. Secondly, the quality of Vietnamese accountants is not good, while, the estimated liquidation value of the intangible asset is complex transaction. Thus, to reduce mistakes of accountants in accounting practices, the amortized value of the intangible asset often supposes equal to the initial value of the intangible asset.

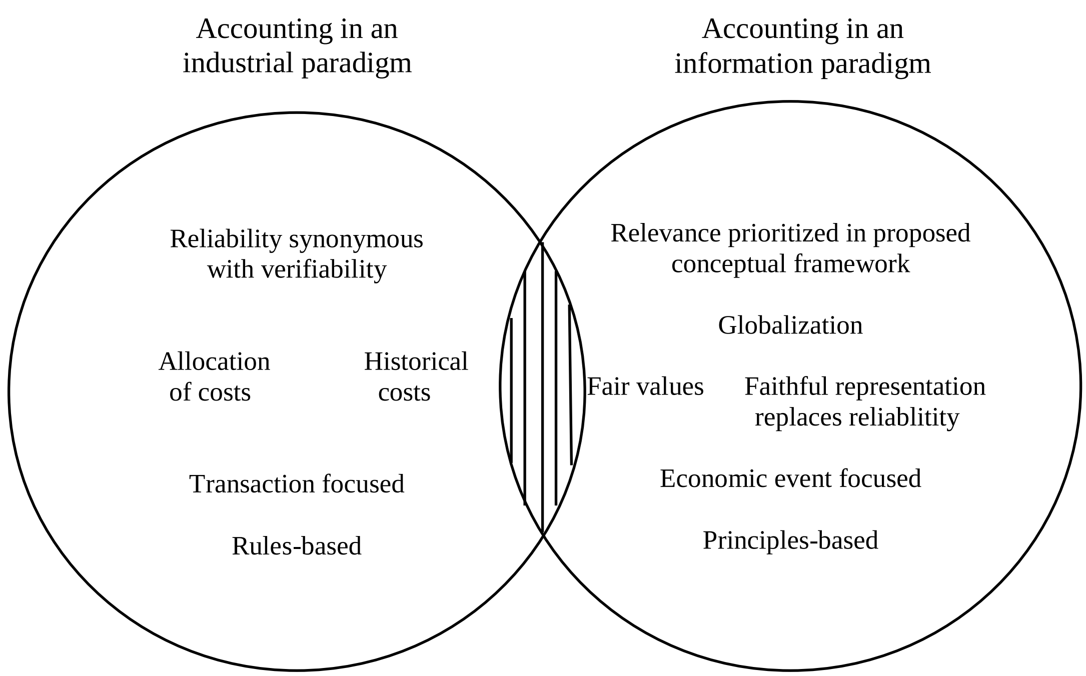
Recapitulation, the chapter 5 summarized the contents of IAS 38 and VAS 04 about intangible assets accounting guidelines. After that, this chapter also compared VAS 04 to IAS 38 to find different keys between two accounting standards. These findings will become the ways to innovate intangible assets accounting in Vietnam. Simultaneously, this chapter showed detailly the accounting regulations for intangible assets in Vietnam in accordance with the guidelines of Circular No. 45/2013/TT-BTC, Circular No. 147/2016/TT-BTC, Circular No. 28/2017/TT-BTC, Circular No. 200/2014/TT-BTC and VAS 04. Especially, in accordance with IAS 38, there are two models (cost model and revaluation model) can be applied to recognized intangible assets after initial recognition. Accordingly, in cost model, after initial recognition, an intangible asset shall be carried at its cost less any accumulated amortization and any accumulated impairment losses. Meanwhile, in 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 amortization and any subsequent accumulated impairment losses. However, the chapter 5 has not yet explained clearly the content of accumulated impairment and fair value of intangible assets. Thus, the next chapter will focus on theoritical background of fair value and impairment of assets respectively following on IFRS 13 “Fair value measurement” and IAS 36 “Impairment of Assets”. As such, the contents of chapter 5 and chapter 6 will become the important theoritical of this dissertation. Therefore, two these chapters will be basic chapters to develop contents of following chapters such as current situation of intangible assets accounting in Vietnam, auditing procedure for intangible assets in Vietnam, equitization Vietnamese SOEs and brand valuation standards and intangible assets accounting experience from other countries.

Chapter 6

THEORITICAL BACKGROUND OF FAIR VALUE AND IMPAIRMENT OF ASSETS

6.1. FAIR VALUE MEASUREMENT BASED ON INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 13 - FAIR VALUE MEASUREMENT

"*Currently, accounting is undergoing a revolution change in thought regarding the core fundamentals upon which financial accounting is based. The catalysts for the transformation can be attributed to the movement from an industrial economy to an information economy, increased globalization, improvements in data availability and increased information processing capabilities*" (Shortridge et al., 2009, p.12). This change in accounting fundamentals was presented as a paradigm shift in below figure.



(Source: Shortridge et al., 2009, p.12)

Figure 6.1. Paradigm depicted

Before the fair value concept was suggested, enterprises had already recorded their assets using "current value" or "appraised value" in beginning of 1925 (Nguyen, 2014). Accounting elements' measurement is an important factor in the process of preparing financial statements since it presents economic activities of enterprises. These elements can be measured by various ways, based on the nature of each element and the purpose for which the element has been incurred by enterprises. Since financial accounting statements are used for a variety of purposes, and users of these statements are diversity like investors, regulators, customers, competitors and the firm itself. Therefore, the choice of accounting rule may depend upon the intended utilization of financial accounting statements. To date, there are four models in accounting measurement which includes cost model, amortized cost model, revaluation model and fair value model (see part 3.3 of Chapter 3). According to Procházka (2011) cost model has some advantages, namely, objectivity and reliable evidence in an initial recognition. The author also suggested this model is a prudence measure to protect enterprises' creditors. However, based on the opinion of enterprises' owners, this model is not suitable to give an economic decision-making. To overcome these disadvantanges, fair value model was considered as a model which has the most useful market characteristics as far as to measure accounting element of financial statements (Beatty et al. [1996], Heaton et al. [2010]). Fair value was chosen as a preferred solution in a never-ending trade-off between reliability and relevance of accounting information (Procházka, 2011). Until now, fair value model has become more popular measurement in financial reporting over last 20 years for accountants in developed countries.

IASB introduced fair value measurement on their IFRS. Specifically, in May 2011 the first edition of IFRS 13 - Fair value measurement was issued officially and applied to annual periods beginning on or after January 1st 2013. After that, this standard was amended in December 2013. Detail the history of IFRS 13 is shown as below table. Paragraph 9 of IFRS 13 suggested the definition of fair value *"Fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date"* (IASB, 2011b). Fair value is a market-based measurement, not an entity-specific measurement. This model will be applied for all of assets which are presented on balance sheet.

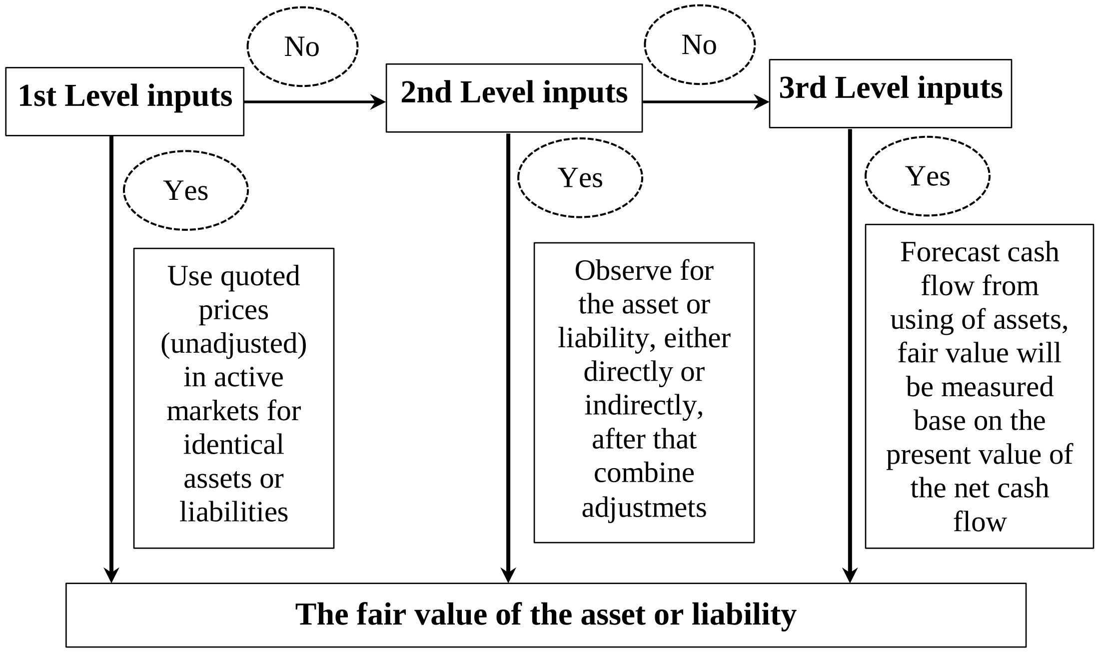
Table 6.1. The history and development of IFRS 13

Date	Development	Comments
September 2005	Project on fair value measurement added to the IASB's agenda	History of the project
November 30th 2006	Discussion Paper Fair Value Measurements published	Comment deadline April 2nd 2007
May 28th 2009	Exposure Draft Fair Value Measurement published	Comment deadline September 28th 2009
June 29th 2010	Exposure Draft Measurement Uncertainty Analysis Disclosure for Fair Value Measurements published	Comment deadline September 7th 2010
August 19th 2010	Staff draft of a IFRS on fair value measurement released	
May 12th 2011	IFRS 13 Fair Value Measurement issued	Effective for annual periods beginning on or after January 1st 2013
December 12th 2013	Amended by Annual Improvements to IFRSs 2010–2012 Cycle (short-term receivables and payables)	Amendment to the basis for conclusions only
December 12th 2013	Amended by Annual Improvements to IFRSs 2011–2013 Cycle (scope of portfolio exception in paragraph 52)	Effective for annual period beginning on or after July 1st 2014

(Source: https://www.iasplus.com/en/standards/ifrs/ifrs13.)

Following paragraphs 57-60 of IFRS 13, in initial recognition, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price) (IASB, 2011b). As such, fair value is defined from the perspective of an exit (sale) price rather than an entry (purchase) price (Michael et al., 2011). However, enterprises do not actually necessarily sell assets or transfer liabilities to get fair value. In contrast, the transaction price or an entry price is the price paid to acquire the asset or received to assume the liability. In many cases the transaction price will equal the fair value. However, an entity shall take into account factors specific to avoid a case the transaction price might not represent the fair value of an asset or a liability at initial recognition. This case occurs if one of the following conditions exist, namely, (1) the entity does not have evidence that the transaction price was entered into at market terms, (2) the transaction takes place under duress or the seller is forced to accept the price in the transaction, (3) the unit of account represented by the transaction price is different from the unit of account for the asset or liability measured at fair value or (4) the market in which the transaction takes place is different from the principal market (or most advantageous market).

Paragraph 67 of IFRS 13 aslo indicates the general principle of fair value measurement, specifically, *"valuation techniques used to measure fair value shall maximise the use of relevant observable inputs and minimize the use of unobservable inputs"* (IASB, 2011b). Particularly, IFRS 13 sets up a fair value hierarchy that categorises into three levels of inputs to measure fair value. The first level inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that enterprises can access at the measurement date (Paragraphs 76-80) (IASB, 2011b). According to Financial Accounting Standards Board, an active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. In this case, this price provides the most reliable evidence of fair value and shall be used without any adjustment. The second level inputs are observable for the asset or liability either directly or indirectly, however, these inputs are different to quoted prices in the first level (Paragraphs 81-85) (IASB, 2011b). The second inputs level consists of four following inputs, namely, (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active, (3) inputs other than quoted prices that are observable for the asset or liability (for example interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads) and (4) market-corroborated inputs (IASB, 2011b). In second level input, an adjustment is significant to the entire measurement to get exactly fair value. The third level of inputs are unobservable inputs for the asset or liability (IASB, 2011b). In this case, an enterprise will take into account all information about market participant assumptions that is reasonably available. Unobservable inputs developed in the manner described are considered market participant assumptions and meet the objective of a fair value measurement. For example, in this level, enterprises need to forecast cash flow from using of assets. The fair value of the asset is determined on the basis of the present value of the net cash flow. As such, first level and second level inputs are sometimes called mark-to-market inputs, meanwhile third level inputs are sometimes called mark-to-model inputs (Michael et al., 2011).



(Source: IASB, 2011b)

Figure 6.2. The framework of fair value measurement

Based on Vietnamese Accounting Law 2015, the fair value concept is mentioned in the first time. It means that assets and liabilities must be recognized and revaluated at fair value at the financial reporting date, specifically, financial instruments be recognized and measured at fair value, monetary items denominated in foreign currencies to be measured at actual exchange rates and assets or liabilities which have frequent volatility in value are revaluated at fair value. However, the fair value revaluation of assets and liabilities must be based on reliable measurements (as three levels of inputs in IFRS 13). If no reliable measurements, the assets and liabilities are recognized at historical cost (PwC, 2016). To date, Vietname has not yet any detail guideline to instruct recognition assets and liabilities based on fair value model.

Following on IAS 38, there are two models, namely, cost model and revaluation model to recognize value of intangible assets after initial recognition. For revaluation model, the value of intangible assets will be calculated in accordance with the fair value of this asset (the fair value at the date of revaluation) less any subsequent accumulated amortization and subsequent accumulated impairment losses. Therefore, the knowledge of part 6.1 explained clearly about one component (fair value) of revaluation model. The content of next part will discuss the other component (impairment of asset) of cost model and revaluation model.

6.2. IMPAIRMENT OF ASSETS BASED ON INTERNATIONAL ACCOUNTING STANDARD NO. 36 - IMPAIRMENT OF ASSETS

6.2.1. General introduction about International Accounting Standard No. 36

IAS 36 deals with impairment testing for all tangible and intangible assets, except for assets that are covered by other IFRS. The objective of IAS 36 - Impairment of Assets seeks to ensure that an enterprise's assets are not carried at more than their recoverable amount. Where the recoverable amount is lower than the carrying value, an impairment loss must be recognized immediately. To conduct this aim, the standard requires enterprises to test all assets that are within its scope for potential impairment when indicators of impairment exist or, at least, annually for goodwill and intangible assets with indefinite useful lives (Ernst &Young, 2008). In June 1998, IAS 36 - Impairment of Assets was enacted in the first time. After that, on March 31st 2004, this standard was reissued and applied to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after March 31st 2004, and for all other assets prospectively from the beginning of the first annual period beginning on or after March 31st 2004. Then, to adapt with the development of economy, the adjustment version of IAS 36 continued to enact. The key points of improvement process of international accounting standard on impairment of assets will be described in this table:

Table 6.2. The history and development of IAS 36

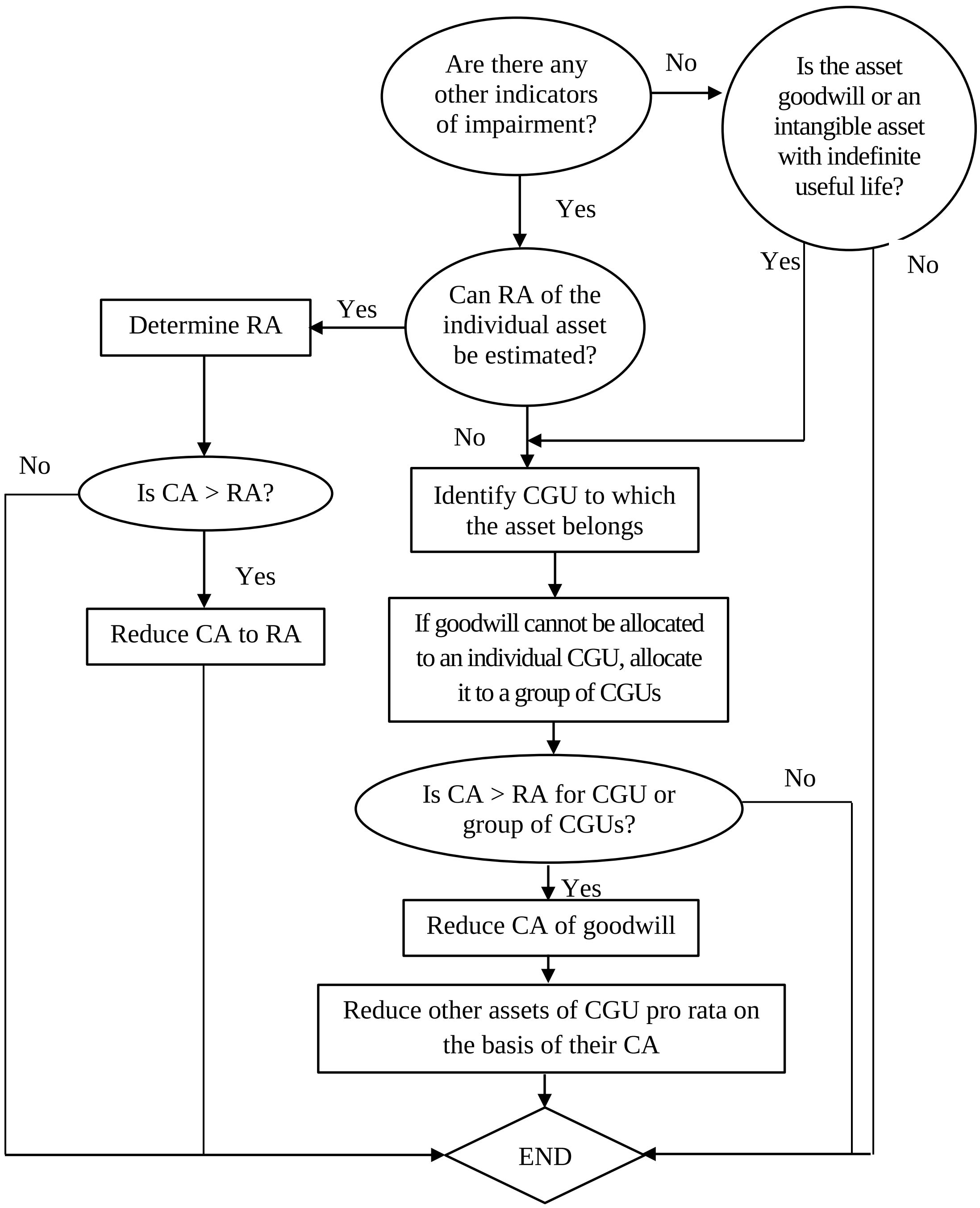
Issued Time	Issued Standard /Amended Content	Note
May 1997	Exposure Draft E55 Impairment of Assets	
June 1998	IAS 36 Impairment of Assets	Operative for financial statements covering periods beginning on or after July 1st 1999
March 31st 2004	IAS 36 Impairment of Assets revised	Applies to goodwill and intangible assets acquired in business combinations. Effective from March 31st 2004
May 22nd 2008	Amended by Annual Improvements to IFRSs 2007 (disclosure of estimates used to determine a recoverable amount)	Effective from January 1st 2009
April 16th 2009	Amended by Annual Improvements to IFRSs 2009 (units of accounting for goodwill impairment testing using segments under IFRS 8 before aggregation)	Effective from January 1st 2010
May 29th 2013	Amended by Recoverable Amount Disclosures for Non-Financial Assets (clarification of disclosures required)	Effective from January 1st 2014

(Source: Deloitte - Available at https://www.iasplus.com/en/standards/ias/ias36)

6.2.2. The process for impairment of assets based on International Accounting Standard No. 36

6.2.2.1. The general process for measuring and recognizing impairment of assets

Ernst & Young (2008) shows the process for measuring and recognizing impairment loss in accordance with IAS 36.

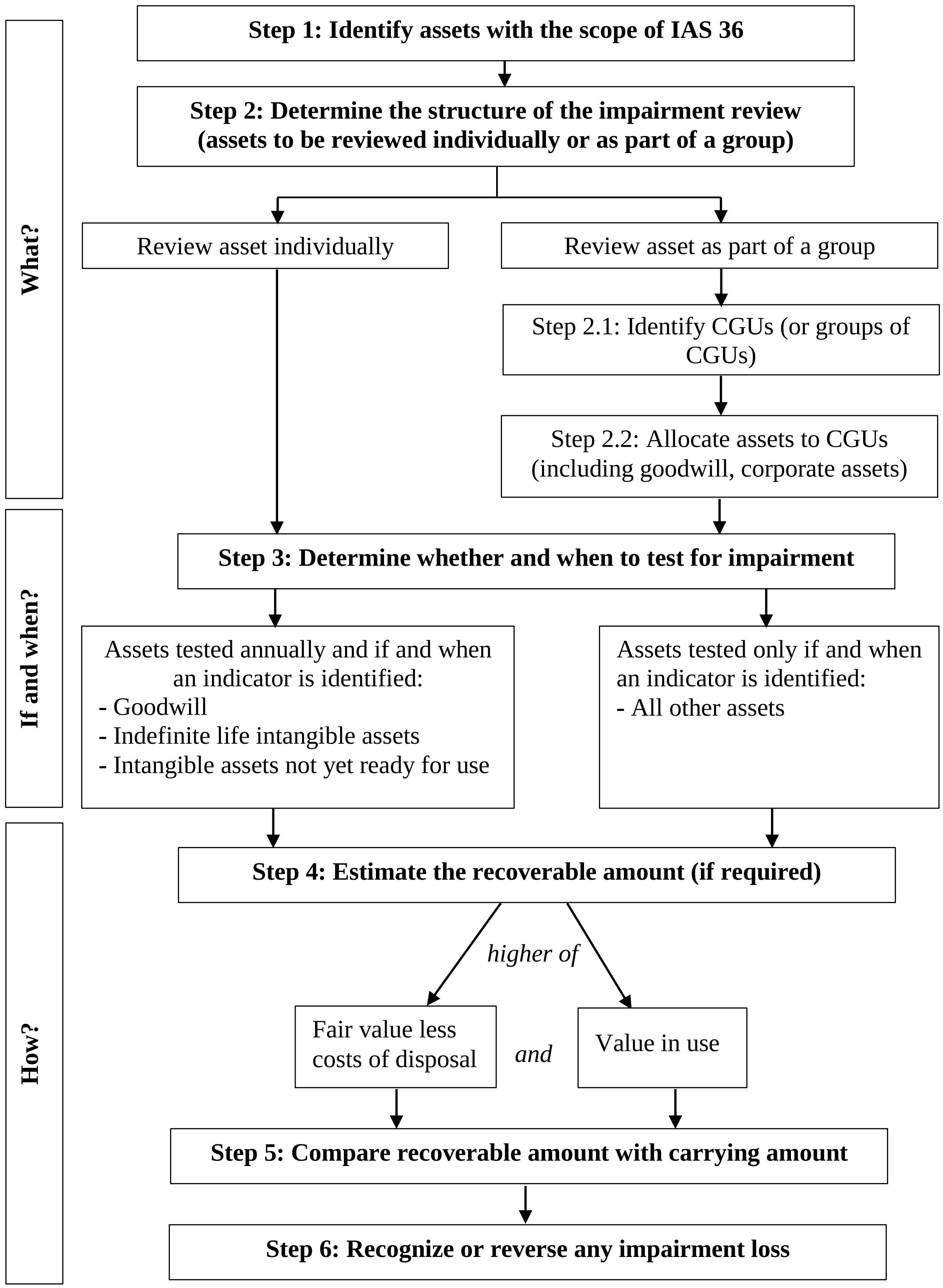


RA: Recoverable amount CA: Carrying amount CGU: Cash-generating unit

(Source: Ernst&Young, 2008)

Figure 6.3. Framework of determining and accounting for impairment

As the same perspective, Grant Thornton (2014) also set up a framework to apply IAS 36 step-by-step.



(Source: Grant Thornton, 2014)

IAS 36 only applies for assets not ready for use, financial assets classified as subsidiaries (as defined in IFRS 10), associates (as definied in IAS 28), and joint ventures (as defined in IFRS 11) accounted for under the cost method for purposes of preparing the parent's separate fiancial statements, investment property (measured at cost), plant, property and equipment including revalued assets and intangible assets (including goodwill and revalued assets).

6.2.2.2. Determine the structure of the impairment review (assets to be reviewed individually or as part of a group)

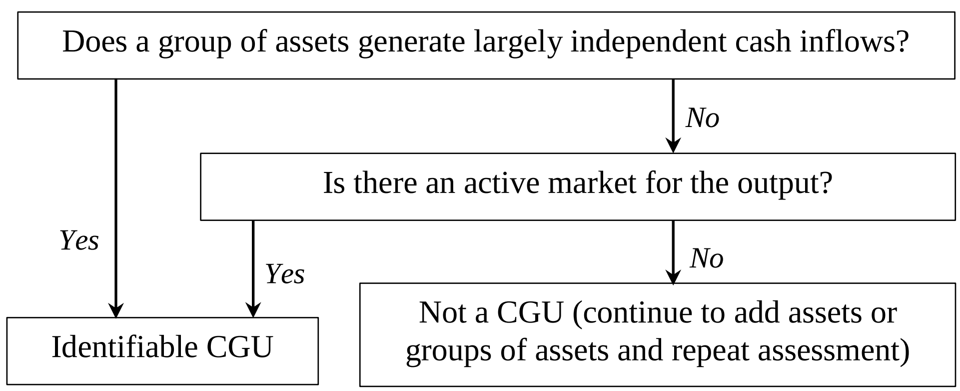
The important point of IAS 36 is determining whether an asset is an individual asset or an asset as part of a group (IASB, 2014c). This issue will lead to the difference in identifying recoverable value and impairment loss of the asset. In accordance with paragraph 22 of IAS 36, if an asset satisfied two criteria, namely, (1) the asset generates cash inflows that are largely independent of those from other assets or groups of assets or (2) the asset's value in use can be estimated to be close to fair value less cost of disposal and can be measured, this asset will be applied as the individual asset level (IASB, 2014c). Paragraph 69 of IAS 36 shows that an entity determines generating cash inflows of an asset which are largely independent of the cash inflows from other assets (or groups of assets) by considering two following factors. Firstly, how management monitors the entity's operation (such as by product lines, businesses, individual locations, districts or regional areas) (IASB, 2014c). Secondly, how management makes decisions about continuing or disposing of the entity's assets and operations.

Grant Thornton (2014) gave the example of individual intangible assets. Specifically, *"A television network owns 50 televisions programmes of which 20 were purchased and 30 were self-created. The network recognizes each purchased programme as an intangible asset at the price paid while it expenses the cost of developing new and maintaining old programmes as incurred. Cash inflows are generated from licensing of broadcasting rights to other networks and advertising sales and are identifible for each programme. The network manages programmes by customer segments. Programmes within the same customer segment affect to some extent the level of advertising income generated by other programmes in the segment. Management often abandons older programmes before the end of their economic lives to replace them with newer programmes targeted to the same customer segment"* (p. 9). As such, in this case, the cash inflows from each television programme are largely independent.

Similarly, Statutory Board Financial Reporting Standard No. 36 (SB-FRS 36) - Impairment of Assets also shows another example of largely independent cash flow (Accounting Standards for Statutory Board, 2017). Specifically, *"A publisher owns 150 magazine titles of which 70 were purchased and 80 were self-created. The price paid for a purchased magazine title is recognized as an intangible asset. The costs of creating magazine titles and maintaining the existing titles are recognized as an expense when incurred. Cash inflows from direct sales and advertising are identifiable for each magazine title. Titles are managed by customer segments. The level of advertising income for a magazine title depends on the range of titles in the customer segment to which the magazine title relates. Management has a policy to abandon old titles before the end of their economic lives and replace them immediately with new titles for the same customer* *segment. As such, it is likely that individual magazine titles generate cash inflows that are largely independent of each other and that each magazine title is a separate cash-generating unit".*

If the asset cannot satisfied two above criteria, the impairment of asset will be reviewed through cash generating units (CGU) or group of CGU. As such, CGU facilitates the testing of assets for which the recoverable amount cannot be estimated individually. For example, goodwill and corporate assets by definition do not generate cash inflows on their own, hence, goodwill and corporate assets must be allocated to a CGU or groups of CGUs for impairment testing purposes. In paragraph 6 of IAS 36, CGU is the smallest identifible group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (IASB, 2014c). As such, CGUs are identified at the lowest level to minimize the possibility that impairments of one asset or group will be masked by a high-performing asset. A CGU will be used in two cases, namely, (1) assets for which the recoverable amount cannot be determined individually and (2) goodwill and corporate assets for impairment.

To determine a CGU, Grant Thornton (2014) also suggested a process to identify a CGU through two questions, namely, (1) Does a group of assets generate largely independent cash inflows? and (2) Is there an active market for the output? This process is showed in Figure 6.4. Depending on the circumstances, a CGU might correspond with a legal entity, a division, product line, geographic region, physical location (such as a hotel or retail store) or collection of assets. However, goodwill and corporate assets by definition do not generate individual cash inflows on their own and hence, these assets must be allocated to a CGU or groups of CGUs for impairment testing purposes.



(Source: Grant Thornton, 2014)

Figure 6.4. Identifying CGU

As such, the group of assets does not generate cash inflows that are largely independent and there is no active market for its output (even if used internally), the group is not a CGU. Then, these assets are combined with others that contribute to the same revenue stream until a CGU is identified.

Because goodwill does not generate cash flows of its own, hence, it is not possible to determine the recoverable amount of goodwill independently from other assets.

Therefore, in paragraph 81 of IAS 36, goodwill contributes to the cash flows of individual CGUs or multiple CGUs (IASB, 2014c).

Generally, CGUs are determined consistently from period to period for the same asset or types of assets (IASB, 2014c) unless a change is justified.

Grant Thornton (2014) gave the example of CGU. Specifically, *"A bus company provides services under contract with a municipality that requires minimum service on each of five separate routes. Assets devoted to each route and the cash flows from each route can be identified separately. One of the routes operates at a significant loss. Because the entity does not have the option to curtail any one bus route, the lowest level of identifiable cash flows that are largely independent of the cash inflows from other assets or groups of assets is the cash inflows generated by the five routes together. The CGU is the bus company as a whole"* (p.11).

Similarly, Ernst & Young (2015) also said that many intangible assets do not generate independent cash inflows as individual assets and so they are tested for impairment with other assets of the CGU of which they are part. For example, a trade mark will generate largely independent cash flows if it is licensed to a third party but more commonly it will be part of a CGU. Simultaneously, Accounting Standards for Statutory Board (2016) also gave an example of an indefinite-lived intangible asset that does not generate independent cash inflows. For example, a CGU includes a broadcast licence (an indefinite intangible asset), broadcast equipment and other associated broadcast infrastructure.

After identifiying CGUs or groups of CGU, the entity must determine which assets belong to which CGUs or groups of CGUs. The basis of allocation differs from corporate assets and goodwill.

6.2.2.3. Determine whether and when to test for impairment

As such, another important point of IAS 36 is determining whether and when to test impairment of assets. Particularly, to perform this objective, IAS 36 divides assets of an entity into two groups.

The first assets group includes goodwill acquired in a business combination, an indefinite life intangible asset or intangible asset not yet available for use. For this group, enterprises need to test impairment losses for these assets annually, irrespective of whether any impairment indicators exist.

For the second assets group, enterprises test impairment loss for these assets only if and when these assets have any indicator of impairment. This means at time of making financial statement, the enterprise assesses whether there is any indication that an asset may be impaired. An enterprise is required to consider information from external sources, internal sources and other indicators. The external sources consist of market interest rate, singificant adverse changes in the technological, market, economic or legal environment in which the enterprise operates, market capitalisation being lower than net assets and etc. The internal sources include internal restructurings, evidence of obsolescence or physical damage to the asset. Generally, internal indicators would provide reasonably direct evidence that a specific asset or CGU may be impaired. For example, a signifiant decline in budgeted net cash flows or operating profit, or a signifiant increase in budgeted loss, flowing from the asset or CGU; operating losses or net cash outflows for the asset or CGU, when current period amounts are aggregated with budgeted amounts for the future etc. Other indicator is that an active market no longer existing for a revalued intangible asset.

Ernst & Young (2011) suggests some significant internal and external sources of impairment that media and entertainment companies face, namely, sustained pricing pressures, increasing start-up costs for new projects, decreasing sales of CDs and DVDs, declining newspaper and magazine circulation, significant slowdown in television advertising, greater competition between printed content and free online service, decreasing print advertising etc.

In paragraphs 10a and 96 of IAS 36, the annual impairment test for an asset may be performed anytime during the annual period provided the test is performed at the same time every year (IASB, 2014c).

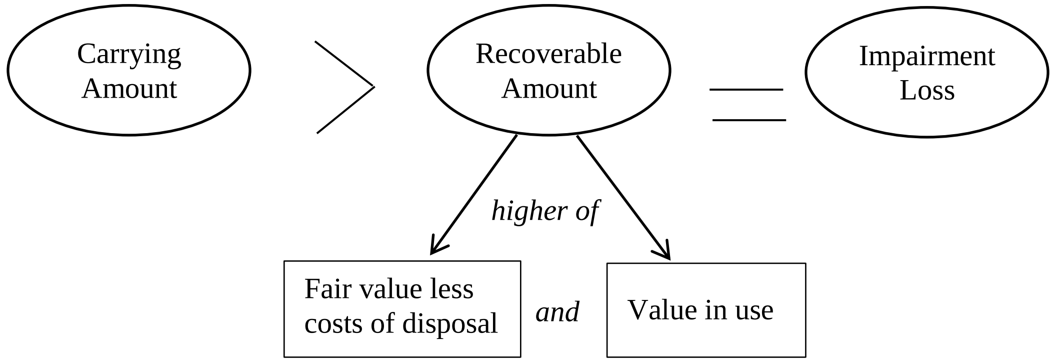
As such, IAS 36 emphasizes impairment loss on intangible assets. Hence, if assets of enterprises belong to these above cases, the process of impairment loss assessment will be occurred. It means that if the asset in question is within the scope of IAS 36, the asset will be continued to review for impairment individually or as part of a larger group of assets.

For example, Ernst & Young (2011) shows the optimal time for assessing impairment for adverstising and film of a US multimedia company which applies IFRS are (1) advertising - in May, which is the purchasing time of the "up fronts" for the next season and (2) film - in December, which is the end of the Christmas film season and coincides with its fiscal year-end.

The next important point of IAS 36 focuses on estimating the recoverable amount of a individual asset or CGU. After that, the asset's recoverable amount is compared with its carrying amount to determine impairment loss.

6.2.2.4. Estimate the recoverable amount and compare recoverable amount with carrying amount

According to IAS 36 - paragraph 6, the recoverable amount of an asset or a CGU is the higher of its "fair value less costs of disposal" (FVLCOD) and its "value in use" (VIU). The recoverable amount is identified for each asset. Therefore, an impairment test involves estimating both FVLCOD and VIU and comparing the higher amount to the asset's carrying amount. Carrying amount is the amount at which an asset is recognized after deducting any accumulated amortization and accumulated impairment loss thereon.



(Source: Grant Thornton, 2014)

Figure 6.5. Impairment test

However, IAS 36 indicates that it is not always necessary to determine both of FVLCOD and VIU. Particularly, the entity only calculates FVLCOD or VIU when either amount exceeds the asset's carrying amount. Because in this case, the asset is not impaired and it is not necessary to calculate the other amount. The entity only computed VIU in the case no basis for making a reliable estimate of the price in accordance with IFRS 13. Hence, it will not be possible to measure FVLCOD. In the last case, if there is no reason to believe that VIU materially exceeds FVLCOD, the entity will only calculates FVLCOD. Specifically, an asset that is held for disposal as the future cash flows from continuing to use the asset until disposal are likely negligible and will include mainly of net disposal proceeds.

In which, FVLCOD component of recoverable amount applies whether or not management currently intends to sell the asset. Fair value is 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. Especially, currently, fair value has now been determined by the instructions of IFRS 13 - Fair Value Measurement (issued May 2011). Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense. Paragraph 28 of IAS 36 mentioned some kind of costs of disposal like legal costs, stamp duty and similar transaction taxes, costs of removing the asset, direct incremental costs to bring an asset into condition for its sale (IASB, 2014c). Assumption for the case of FVLCOD, the carrying amount will be recovered principally through a sale transaction, rather than through continuing use.

VIU in effect assumes that the asset will be recovered principally through its continuing use and ultimate disposal. VIU is therefore "entity-specific" in that it reflects the entity's intentions as to how an asset will be used. Hence, VIU differs from fair value because fair value reflects the assumptions that market participants would use when pricing the asset. VIU is the present value of the future cash flows expected to be derived from an asset or CGU. However, if an asset does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is measured for the CGU to which the asset belongs. Therefore, paragraph 31 of IAS 36 indicated that estimating VIU involves the following two steps, namely, (1) estimating the future cash inflows and outflows to be derived from continuing to use the asset and from its ultimate disposal and (2) applying the appropriate discount rate to those future cash flows (IASB, 2014c).

In accordance with paragraph 39 of IAS 36, estimates of future cash flows shall consist of (a) projections of cash inflows from the continuing use of the asset; (b) projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and (c) net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life (IASB, 2014c). Notably, in paragraph 50 of IAS 36, estimates of future cash flows will not compose of cash inflows or outflows from financing activitites and income tax receipts or payments (IASB, 2014c).

Paragraph 56 of IAS 36 describes detailly about the discount rate. Particularly, the discount rate applied to the estimated cash flows should reflect the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset. In other words, the estimated cash flows in the VIU calculation are entity-specific, but the discount rate is not. IAS 36 (Paragraph 56) prescribes that this rate may be estimated from (i) the rate in current market transactions for similar assets or (ii) the weighted average cost of capital (WACC) of a listed entity that has a single asset (or a portfolio of assets) similar in terms of service potential and risks to the asset (IASB, 2014c).

6.2.2.5. Recognize or reverse any impairment loss

After calculating the asset's recoverable amount, the entity compares this value to the carrying amount. When the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset needs to be reduced to its recoverable amount and that reduction is recognized as an impairment loss (IAS 36 - paragraph 59) (IASB, 2014c). An impairment loss will be recognized immediately in profit or loss, unless the asset is carried at revalued amount based on another Standard. After the recognition of an impairment loss, the depreciation (amortization) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An impairment loss will be recognized for a CGU (the smallest group of CGU to which goodwill or a corporate asset has been allocated) if, and only if, the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). Notably, the impairment loss shall be allocated to reduce the carrying amount of the assets of the unit (group of units) in the following order: (i) first, to reduce the carrying amount of any goodwill allocated to the CGU (group of units) and then (ii) to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

The reversal of an impairment loss reflects an increase in the estimated service potential of an asset (either from use or from sale) since the date when an enterprise last recognized the impairment loss for the asset (IAS 36 - paragraph 115) (IASB, 2014c).

Hence, a reversal of an impairment loss should only be recognized if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss recognized. Therefore, if the entity identifies an indication that a previously recognized impairment loss may no longer exist, the entity may need to review and adjust the remaining useful life, the depreciation (amortization) method and the residual value of the asset (IAS 36 - paragraph113) (IASB, 2014c).

Additionally, assessing evidence of possible impairment, entities must also assess whether there is any indication that a previously recognized impairment loss for an asset (other than goodwill) no longer exists or may have decreased. Paragraph 110 of IAS 36 indicates that if an indication of possible reversal is identified, the entity must estimate the recoverable amount of that asset (IASB, 2014c).

According to paragraph 111 of IAS 36, there are two groups of indicators for reversing an impairment loss, namely, external sources and internal sources (IASB, 2014c). For example, external sources of information consist of (i) observable indications that the asset's value has increased significantly during the period; (ii) significant favourable changes in the technological, market, economic or legal environment and (iii) market interest rates or other market rates of return on investments have declined during the period (which will decline the discount rate used in computing the asset's VIU). Meanwhile, internal sources of information include (i) significant favourable changes in the extent to which an asset is used (or is expected to be used) like costs incurred during the period to improve or enhance the asset's performance or restructure the operation to which the asset belongs) and (ii) evidence is available from internal reporting that indicates that the economic performance of an asset is or will be better than expected.

For individual assets (other than goodwill)

When recoverable amount is recomputed and higher than the asset's carrying amount, the carrying amount of the asset is increased to the recoverable amount. However, the increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years (IAS 36 - paragraph 117) (IASB, 2014c).

A reversal of an impairment loss for an asset other than goodwill shall be recognized immediately in profit or loss (IAS 36 - paragraph 119) (IASB, 2014c). For assets accounted for using the revaluation model in IAS 16 or IAS 38, the reversal of the impairment loss is accounted for in the same way as a revaluation increase in accordance with those standards. However, to the extent that an impairment loss on the same revalued asset was previously recognized in profit or loss, a reversal of that impairment loss is also recognized in profit or loss (IAS 36 - paragraph 120) (IASB, 2014c).

After a reversal of an impairment loss is recognized, the depreciation (amortization) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

For a CGU

In accordance with paragraph 122 of IAS 36, any reversal of an impairment loss for a CGU must be allocated to the individual assets that make up that CGU (excluding goodwill) (IASB, 2014c). The enterprise allocates the reversal of an impairment loss to the CGU's assets pro rata with the carrying amounts of those assets. Specially, IASB (2014c) also mentioned that allocating a reversal of an impairment loss for a CGU requires that the carrying amount of an asset shall not be increased above the lower of its recoverable amount (if determinable) and the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods (IAS 36 - paragraph 123).

For goodwill

IAS 36 (Paragraph 124) prohibits any reversal of impairment losses recognized on goodwill (IASB, 2014c). The reason is that in perspective of IAS 36 any increase in the recoverable amount of goodwill after the recognition of an impairment loss to likely be an increase in the internally generated goodwill (not a reversal of the impairment loss recognized for the acquired goodwill). Additionally, IAS 38 prohibits the recognition of internally generated goodwill.

6.2.2.6. Disclosure impairment of assets information on financial statement

According to IASB (2014c), in paragraph 126 of IAS 36, an enterprise will disclose information for each class of assets as follows:

(i) the amount of impairment losses recognized in profit or loss during the period and the line item(s) of the statement of comprehensive income in which those impairment losses are included;

(ii) the amount of reversals of impairment losses recognized in profit or loss during the period and the line item(s) of the statement of comprehensive income in which those impairment losses are reversed;

(iii) the amount of impairment losses on revalued assets recognized in other comprehensive income during the period; and

(iv) the amount of reversals of impairment losses on revalued assets recognized in other comprehensive income during the period.

Simultaneously, an enterprise will disclose the following for each material impairment loss recognized or reversed during the period for an individual asset, goodwill and a CGU. Specifically, an enterprise will disclose the events and circumstances that led to the recognition or reversal of the impairment loss and the amount of the impairment loss recognized or reversed (IAS 36 - paragraph 130) (IASB, 2014c).

As such, in accordance with IAS 38, there are two models (cost model and revaluation model) to recognize intangible assets after initial recognition. Hence, the knowledge of this chapter will support and make more clear about the contents of these two models. Therefore, this is one of the basis to consider which model is suitable to apply for intangible assets accounting in Vietnam.

Chapter 7

CURRENT SITUATION OF INTANGIBLE ASSETS ACCOUNTING IN VIETNAM

In order to present full story of contexts and circumstances of the Vietnamese enterprises, this chapter concentrates to supply the real-world situation of intangible assets accounting in Vietnamese enterprises. Through the preliminarily data from the views of Vietnamese enterprises and accounting professional sector, the contemporary conditions of practical side in intangible assets accounting are explored.

7.1. BACKGROUND OF THE SAMPLE

The face-to-face interview method and online-interview method by research questionnaires were used as mainly method to gather successfully information from 103 interviewees who came from different positions. These positions consist of state offices of accounting policies, industrial and service Vietnamese enterprises (which have at least one type of intangible assets recognized in their financial statement), accounting institutes or universities, accounting and auditing services. Generally, the interviewees in this survey are divided into two main groups, namely, Vietnamese enterprises (such as chief-accountants, general-accountants and managers) and professional accounting groups outside enterprises (auditors, researchers, consultants, banking staffs, lecturers and policy makers who have worked outside the enterprises but got rich experience on intangible assets accounting in Vietnam).

7.1.1. Overview of Vietnamese enterprises' sample

As the mentions above, the Vietnamese enterprises (which have at least one type of intangible assets recognized in their financial statement) is one of two interview groups of this study. According to Vietnamese General Statistics Office, currently, Vietnam's economy is divided into three main sectors: (1) agriculture, forestry and fishery; (2) industry and construction; (3) trade 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, this study was selected a random sample of 59 industrial and service enterprises which have at least one type of intangible assets recognized in their financial statements 2016. The sample consists of 47 industrial enterprises (8 enterprises in the first group, 31 enterprises in the second group, and 8 enterprises in the third groups) and 12 service enterprises. Especially, it was noted that, most of Vietnamese enterprises in this sample were listed companies. The brief observations of this sample are showed in Table 7.1.

Table 7.1. Ownership, industrial area and market of Vietnamese enterprises in sample

CRITERIA	OBSERVATION		CRITERIA	OBSERVATION	
	Quantity (N=59)	Percent (%)		Quantity (N=59)	Percent (%)
1. Ownership			**3. Size of enterprise [(1)]**		
- Foreign organization	3	5.08	- Micro size enterprises	0	0
- State organization	13	22.03			
- Private organization	4	6.78	- Small enterprises	0	0
- Joint-stock company	39	66.1	- Medium enterprises	4	6.78
			- Big size enterprises	55	92.22
Total	**59**	**100**	**Total**	**59**	**100**
2. Business area			**4. Market**		
- Trade & Service	12	20.34	- Input:		
- Industry & Construction:	47	79.66	* Domestic	33	55.93
* Mining	8	13.56	* Import	0	0
* Processing	31	52.54	* Both	26	44.07
* Manufacturing distribution of electricity, gas and water	8	13.56	- Output:		
			* Domestic	21	35.59
			* Export	0	0
			* Both	38	64.41
Total	**59**	**100**		**59**	**100**

Note (1): The classify of enterprises in accordance with size of enterprise criteria [following on Law No. 04/2017/QH14 The Supporting Law on SMEs dated June 12th 2017 (The National Assembly, 2017) and Decree No. 39/2018/ND-CP detailed some articles of the Supporting Law on SMEs dated March 11th 2018 (The Government, 2018)].

(Source: Own survey, 2017-2018)

According to the National Assembly (2017), in Law No. 04/2017/QH14 the Supporting Law on SMEs dated June 12th 2017, SMEs include micro small enterprise, small enterprise and medium enterprise. This law and Decree No. 39/2018/ND-CP detailed some articles of the Supporting Law on SMEs (dated March 11th 2018) also show detail the criteria to classify enterprises based on the size of enterprises (The National Assembly [2017], The Government [2018]). Particularly, the criteria of classifying enterprises by size consists of two criteria, namely, (1) the average number of employees participating in social insurance and (2) total equities or total revenue of previous year. The Table 7.2 shows detail criteria for each type of SMEs. Therefore, an enterprise which does not satisfy these criteria is a big size enterprise.

Table 7.2. Criteria for each type of SMEs in Vietnam

BUSINESS AREA	CRITERIA FOR EACH TYPE OF SMEs		
	Micro small enterprise	Small enterprise	Medium enterprise
(1) Agriculture, forestry and fishery; (2) Industry and construction	- The average number of employees participating in social insurance does not exceed 10 people; - Total equities do not exceed 3 billion VND or total revenue of previous year does not exceed 3 billion VND.	- The average number of employees participating in social insurance is from 10 people to 100 people; - Total equities are from 3 billion VND to 20 billion VND or total revenue of previous year is from 3 billion VND to 50 billion VND.	- The average number of employees participating in social insurance is from 100 people to 200 people; - Total equities are from 20 billion VND to 100 billion VND or total revenue of previous year is from 50 billion VND to 200 billion VND.
(3) Trade and services	- The average number of employees participating in social insurance does not exceed 10 people; - Total equities do not exceed 3 billion VND or total revenue of previous year does not exceed 10 billion VND.	- The average number of employees participating in social insurance is from 10 people to 50 people; - Total equities are from 3 billion VND to 50 billion VND or total revenue of previous year is from 10 billion VND to 100 billion VND.	- The average number of employees participating in social insurance is from 50 people to 100 people; - Total equities are from 50 billion VND to 100 billion VND or total revenue of previous year is from 100 billion VND to 300 billion VND.

(Source: The Government, 2018)

Data in Table 7.3 provides the brief description of the characteristics of the enterprises' sample. The statistics suggest that these enterprises in the sample have different age, number of employees and the ratio between total owner's equities and total assets. Particularly, the average age of the surveyed enterprises is around 15.14 years and the average number of employees is approximately 3,237.76 people. Notably, the average ratio between total owner's equities and total assets is around 47.41%. This means that 47.41% assets of these enterprises were supported by the owners' equitities and the financial healthy of these enterprises is medium.

Table 7.3. Brief description characteristics of the Vietnamese enterprises' sample

ITEM	MEAN	STDANDARD DEVIATION	MAX	MIN
Firm age (year)	15.14	5.25	26	6
Number of employees (people)	3,237.76	6,271.78	28,397	105
Ratio between total owner's equities and total assets (%)	47.41	20.72	95.46	12.48

(Source: Own survey, 2017-2018)

Based on the results of this survey, this study also summarizes and describes the sociodemographic characteristics of accountants who have worked as chief-accountant or general-accountant in these Vietnamese enterprises. These characteristics include work experience, educational level and ability to use specialized English in the field of accounting.

In case of Vietnam, undergraduate program differs to college program. Particularly, undergraduate program often prolongs from 3.5 years to 4 years with studying in both theoritical and practical subjects. Meanwhile, college programs prolong from 1.5 years to 2 years and often focuses on studying practical subjects.

Results show that there are 33 accountants (55.93%) who have more than ten (10) years of work experience. In addition, 31 accountants (52.54%) completed post-graduate program in which 15 had their post-graduate degrees in a foreign country or foreign affiliate education programs. This means that the quality of accountants in this sample is quite good. Few (18) accountants had undergraduate degrees and ten (10) got to college level.

Further, 20 accountants (33.9%) are good in using specialized English in the accounting field, however, 23.73% and 42.37% of accountants respectively have limited and medium ability in using specialized English in the accounting field. All IAS and IFRS are written in the English language. Therefore, these figures reflect that the ability of majority (66.1%) of the accountants and their readiness to integrate and update IAS and IFRS is still not sufficient. This limitation is observed as one of the identified weaknesses of Vietnamese accountants.

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Table 7.4. Sociodemographic characteristics of Vietnamese accountants surveyed

Sociodemographic characteristics	Frequency (N=59)	Percentage (%)
1. Work experience		
Under 2 years	5	8.47
2-5 years	7	11.86
5-10 years	14	23.73
10-15 years	23	38.98
Over 15 years	10	16.95
Total	**59**	**100**
2. Educational level		
College	10	16.95
Undergraduate	18	30.51
Post-graduate	31	52.54
Total	**59**	**100**
3. Ability to use specialized English in accounting field		
Limited	14	23.73
Medium	25	42.37
Good	20	33.90
Total	**59**	**100**

(Source: Own survey, 2017-2018)

7.1.2. Overview of professional accounting group sample outside of Vietnamese enterprises' sample

As the pre-intending research plan, the interview group outside of Vietnamese enterprises is defined as the auditors, lecturers or trainers, researchers, banking staffs, consultants and policy makers. Consequently, with the random selection, the survey gathered 44 interviewers in total consisting of 21 auditors, 14 lecturers or trainers and 9 others (banking staff, researcher, consultant and policy maker), who are located in the different offices in Vietnam. The primary data of professional accounting group sample outside of Vietnamese enterprises is described in Table 7.5.

For the work experience, the interviewee has got the highest experience was 29 years, whereas the lowest was under 2 years. The popular experience was from 5 to 10 years which made up 40.91% and equivalent to 18 interviewees in total. Typically, some interviewees have worked at not only one position but also contemporary some positions relevant to intangible assets. For example, one lecturer can work as a researcher as well as consultant instead of doing only as a trainer about intangible assets.

For educational level, 61.18% of the respondents (30/44 respondents) have high educational level such as master and doctoral degrees. Meanwhile 14 interviewees

(31.82% interviewees) have undergraduate degree. As such, the educational level of interviewees in this group is good.

Vietnamese CPA is a domestic certificate and a practicing certificate of auditors which was granted by MOF. Only auditors who have CPA have authority to conduct auditing and to sign auditing reports. Therefore, auditors who do not yet have CPA is an assistant auditor. Moreover, not only the auditors got the CPA but also significant researchers, trainers or consultants got CPA. Actually, 54.55% interviewees of this sample (24/44 interviewees) got this certificate. Notably, the number of person who got CPA over 5 years was nearly 62.5% (15/24 interviewees) and it reflected that the majority of interviewees have good knowledge at accounting field.

Table 7.5. Sociodemographic characteristics of interviewees in professional accounting group surveyed (group outside of enterprises)

Sociodemographic characteristics	Frequency (N=44)	Percent (%)	Sociodemographic characteristics	Frequency (N=44)	Percent (%)
1. Occupation (working position)			**2. Work experience**		
Auditor	21	47.73	Under 2 years	4	9.09
Researcher	2	4.55	From 2 to 5 years	7	15.91
Lecturer or trainer	14	31.82	From 5 to 10 years	18	40.91
Banking staff	2	4.55	From 10 to 15 years	9	20.45
Consultant	2	4.55	Over 15 years	6	13.64
Policy maker	3	6.82	**Total**	**44**	**100**
Total	**44**	**100**			
3. Educational level			**5. The length of having CPA**		
Undergraduate	14	31.82	4.1. Do not have CPA	20	45.45
Post-graduate	30	61.18			
Total	**44**	**100**	4.2. Have CPA	24	54.55
4. Working area relately to intangible assets			- Under 2 years	4	9.10
Auditing	17	38.64	- From 2 to 5 years	5	11.36
Research & Training	11	25.00			
Consultant	4	9.09	- From 5 to 10 years	11	25.00
Auditing & Consultant	4	9.09			
Research-trainning & Consultant	5	11.36	- From 10 to 15 years	4	9.09
Officer for making policy	3	6.82	- Over 15 years	0	0
Total	**44**	**100**	**Total**	**44**	**100**

(Source: Own survey, 2017-2018)

As such, the section 7.1 introduced generally about the background of two sample groups which include (1) Vietnamese enterpriese sample and (2) professional accounting group sample outside of Vietnamese enterprises' sample. Specially, this section summarized the ownership, business area, market and the characteristics of Vietnamese enterprises group. Especially, this section also presented the characteristics of accountants in Vietnamese enterprises such as age, educational level, work experience and ability to use specialized English in accounting field. Simultaneously, this section described the characteristics of interviewees in professional accounting group like occupation, work experience, working area relately to intangible assets and the length of having CPA. Therefore, the next section will describe the picture of intangible assets in Vietnamese enterprises in the first group.

7.2. THE PICTURE OF INTANGIBLE ASSETS IN VIETNAMESE ENTERPRISES

Alle (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).

The international economy has transformed from an industrial base to a knowledge base with an increase in the service sector. Hence, intangible assets have become more important to enterprises and their owners (Liselotth and Carolina, 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). The total value of intangible capital accounted for 66.7% of the market value of publicly traded corporations (Hall, 2000). In the United Kingdom, intangible assets investment was increased more than doubled from 1970 to 2004 (OECD, 2011). Moreover, economic development comes from not only production of material goods but also manipulation of intangible assets (Goldfinger, 1997). The World Bank asserted that the preponderant form of worldwide development is intangible capital. Thus, the key to business outcomes can be linked to intangible-asset 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 catergories: 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 analyzes; 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.

Table 7.6. The structure of Balance sheet form

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 equipvalents	xxx	I.Current liabilities	xxx
II. Short-term investment	xxx	II.Non-current	xxx
III. Current accounts receivable	xxx	liabilities	
IV. Inventories	xxx		xxx
V. Other current assets	xxx		
B. NON-CURRENT ASSETS	**XXX**	**D. OWNERS'**	**XXX**
I. Non-current accounts receivable	xxx	**EQUITY**	
II. Fixed assets	xxx	I. Capital	xxx
1. Tangible fixed assets	xxx	II. Other funds	xxx
- *Initial value*	*xxx*		
- *Accumulated depreciation*	*xxx*		
2. Finance lease	xxx		
- *Initial value*	*xxx*		
- *Accumulated depreciation*	*xxx*		
3. Intangible assets	xxx		
- *Initial value*	*xxx*		
- *Accumulated amortization*	*xxx*		
III. Investment in 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 spart parts	xxx		
4. Goodwill	xxx		
5. Other long-term assets	xxx		
TOTAL ASSETS	**XXX**	**TOTAL CAPITALS**	**XXX**

(Source: MOF, 2014c)

Of the sample of 59 enterprises, the mean value of total intangible assets (the other than goodwill) is 359,243.77 million VND while the mean value of goodwill is 319,878.24 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 in 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 captial in the other intangible assets with six times higher rate.

Table 7.7. Mean value and average percentage of intangible assets (other than goodwill) and goodwill to total assets, per industry

ITEM		**INDUSTRY SECTOR**				**SERVICE SECTOR**	**BOTH SECTORS**
		Mining	**Processing**	**Manufacturing, distribution of electricity, gas and water**	**Average Industry Sector**		
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)

Based on collected data, in this case, goodwill 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' financal 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, e-commerce websites, brand names and others. All kinds of these intangible assets were amortized following on the straight-line method, excepted the right to use land for an indefinite term. The right of use land for an indefinite term is not amortized. Time of amortization 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 finite term are popular intangible assets in enterprises. In terms of investment value, software and the right to use land for a finite term are also kinds ofs intangible assets which made up biggest proportion in total assets of enterprises.

Table 7.8. Frequency of type of intangible assets and average percentage of each type of intangible assets to total intangible assets of enterprises

TYPE OF INTANGIBLE ASSETS	FREQUENCY (TIMES)	AVERAGE PERCENTAGE OF INTANGIBLE ASSETS TO TOTAL INTANGIBLE 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 an indefinite term	12	13.53
Other intangible assets	11	5.44
Copyright, patents	8	1.50
Internal brands	4	3.99
Licenses and right concession permits	2	0.14
Customer relationships	2	0.14
Distribution rights	1	0.06
E-commerce website	1	0.42
Brand names	1	0.02

(Source: Own Contribution, 2017)

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. Amortization period of this asset is from 19 years to 50 years. Similarly, natural resources (oil fields, coal mines, gas fields, mineral water resources etc) are recognized as the list of other intangible assets in Vietnam. Amortization period time of these assets is from 10 years to 37 years. Particularly, only in Vietnam, the right to use land and natural resources is recorded as an intangible asset. This is a special point in Vietnamese accounting system as compare to some countries like the United State and 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, 2014).

Notably, in some Vietnamese enterprises recognized an internal brands as an intangible asset in their original balance sheets. These internal brands were also amortization as same other intangible assets. According to the opinion of these enterprises, internal brands are suitable with the definition of intangible assets, 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 IAS 38, VAS 04 and Official Letter No. 12414 issued by MOF 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 that is nearly 23.14%. According to Brand Finance (2016), at the end of 2015, total value of intangible assets in Vietnamese enterprises achived 21 billion USD. However, this figure significantly lower than that of global average (53%). This study also shows the popular kinds of intangible assets in Vietnamese enterprises are software and the right to use land for a finite term.

As such, the section 7.2 described detailly the picture of intangible assets of Vietnamese enteprises in this sample. The next section will summarizes the current situation of intangible assets accounting of Vietnamese enterprises in this sample such as current accounting legal framework for intangible assets, the disclosure information of intangible assets accounting and accounting for intangible assets in Vietnamese enterprises.

7.3. CURRENT SITUATION OF INTANGIBLE ASSETS ACCOUNTING PRACTICES IN VIETNAMESE ENTERPRISES

7.3.1. Current legal framework of accounting for intangible assets

Using the direct question “What legal framework of accounting has your company applied for intangible assets accounting?”, this study gathered answers from enterprises’ sample as illustration in Table 7.9. Notably, all enterprises in this sample have applied Vietnamese accounting system for intangible assets accounting. Particularly, Vietnamese accounting system for intangible assets accounting consists of VAS 04 for intangible assets, Vietnamese accounting policy (consists of Circular No. 200/2014/TT-BTC dated December 22nd 2014 and Circular No. 133/2016/TT-BTC dated August 26th 2016), Circular No. 45/2013/TT-BTC dated April 25th 2013, Circular No. 147/2016/TT-BTC dated October 13th 2016 and Circular No. 28/2017/TT-BTC dated April 12th 2017. Especially, in this sample, there are 4 medium enterprises which have applied Circular No. 133/2016/TT-BTC guidance accounting regime for SMEs, whereas, there are 55 big enterprises which have applied Circular No. 200/2014/TT-BTC guidance accounting regime for big enterprises.

Table 7.9. Current legal framework of accounting for intangible assets

LEGAL FRAMEWORK OF ACCOUNTING FOR INTANGIBLE ASSETS	**OBSERVATION**	
	Quantity	**Percent**
Kind of legal framework		
1. Apply IAS/IFRS	0	0
2. Apply Vietnamese accounting system	59	100
- VAS 04 was applied for intangible assets accounting	59	100
- Vietnamese accounting policy		
Circular No. 200/2014/TT-BTC (dated December 22nd 2014) guidance accounting regime for big enterprises	55	93.22
Circular No. 133/2016/TT-BTC (dated August 26th 2016) guidance accounting regime for SMEs	4	6.78
- Circulars were relative to amortize intangible assets		
Circular No. 45/2013/TT-BTC (dated April 25th 2013) guiding the regime of management, utilization and depreciation of fixed assets; Circular No. 147/2016/TT-BTC (dated October 13th 2016) amending and supplementing some articles of Circular No. 45/2013/TT-BTC; Circular No. 28/2017/TT-BTC (dated April 12th 2017) amending and supplementing some articles of Circular No. 45/2013/TT-BTC and Circular No. 147/2016/TT-BTC.	59	100

(Source: Own survey, 2017-2018)

7.3.2. The disclosure information of intangible assets accounting in Vietnamese enterprises

According to Vietnamese accounting law, Vietnamese enterprises need disclose information of intangible assets accounting of their enterprises to users at annual financial year. Based on the results of the survey and gathered secondary data from Vietnamese enterprises, these information are showed in below table.

Table 7.10. The disclosure information of intangible assets accounting on financial statement of enterprises' sample

TYPE OF FINANCIAL STATEMENT	DISCLOSURE INFORMATION OF INTANGIBLE ASSETS ACCOUNTING
(1) Balance sheet	The initial value of intangible assets (historical cost), accumulated amortization and residual value in accounting books of intangible assets at the date making financial statement;
(2) Cash flow statement	Cash flow to purchase and construction of fixed assets and other long-term assets; Cash flow from disposals of fixed assets and other long-term assets;
(3) Note to the separate financial statement	- Summary of key accounting policies: Presentation of the principles for determining the historical cost of intangible assets formed at the enterprise, the method used for amortization of intangible assets in the enterprise, the useful life of amortization for groups of intangible assets at the enterprise; - Explanation detailly intangible assets information which was presented on the balance sheet for each type of intangible assets such as software (accounting or management), the right to use land for a finite term, the right to use land for an indefinite term, copyright, patents, licenses and right concession permits, customer relationships, distribution rights, e-commerce website, brand names and other intangible assets of enterprises on the basis of comparison at the beginning of the period, increases/decreases in the period and at the end of the period for the initial value (historical cost), amortization and residual value. In addition, the information on intangible assets which have been fully amortized but still used is described clearly.

(Source: Own survey, 2017-2018)

7.3.3. Accounting for intangible assets in Vietnamese enterprises

The section 7.2 introduced the picture of intangible assets in Vietnamese enterprises of this sample. In this section, this study summarizes the current picture of accounting for intangible assets in these enterprises of the sample.

First of all, in Vietnamese enterprises, the accounting for intangible assets has used the cost model but does not yet apply and recognize impairment of assets in accordance with IAS 36 - Impairment of Assets.

Table 7.11. Procedure on investment in new intangible assets in Vietnamese enterprises

ITEM	OBSERVATION	
	Quantity	**Percent**
1. Department has approved the decision-making on investment in a new intangible asset		
- General assembly of company	48	81.36
- Board of director	11	18.64
- Chief-accountant	0	0
- Chief financial office	0	0
Total	**59**	**100**
2. Make a plan to invest in a new intangible asset		
- Yes	20	33.90
- No	25	42.37
- Depending on each case	14	23.73
Total	**59**	**100**
3. Method has used to choose an investment project		
- NPV (Net present value)	21	61.76
- IRR (Internal rate of return)	0	0
- Ohters (Both NPV and IRR)	13	38.24
Total	**34**	**100**

(Source: Own survey, 2017-2018)

According to results of the survey, interviewees answered that general assembly of enterprise and board of directors were decision-making department on investment in a new intangible asset in their enterprises. In addition, for the question "When investment in a new intangible asset, does your company make an investment plan?", only 20 enterprises (33.9%) in the sample answered "yes", 25 enterprises (42.37%) answered "no" and the other enterprises (23.73%) said that depending on each case. And then, to understand deeply, the survey used the question "Which method has your enterprise applied to choose an investment project?" with three answers "NPV, IRR and others". NPV is the value of all future cash flows (positive and negative) over the entire life of an investment discounted to the present. IRR is the interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero. In which of the 34 enterprises answered "yes" and "depending on each case", 21 enterprises said that they have applied NPV method to choose an investment project, whereas 13 enterprises have chosen both NPV and IRR methods to evaluate investment projects. As such, the decision to invest in a new intangible asset of Vietnamese enterprises is not good and some enterprises do not yet evaluate the efficiency of these projects. Therefore, there are many risks on investment in intangible assets in Vietnamese enterprises.

In accordance with answers of the question "Which source does your company use to invest in intangible assets?", this section shows detailly the sources of intangible assets in Table 7.12.

From Table 7.12, it is found that all enterprises of this sample had intangible assets which were bought from outside (domestic or imported), whereas, 28.81% enterprises had intangible assets which come from received capital. There was only 13.56% enterprises which had intangible assets from internal self-forming such as internal brand and software. For case of internal softwares, the enterprises divided the establishment period of software into two periods which consist of research period and development period. In addition, 67.8% enterprises of the sample have invested in intangible assets by their equities while the other enterprises in the sample have used their equities and liabilities to invest in intangible assets.

Table 7.12. Source to invest in intangible assets in Vietnamese enterprises

ITEM	OBSERVATION	
	Quantity	**Percent**
1. Source of intangible assets in enterprises(1)		
- Purchased outside – domestic or imported	59	100
- Received capital	17	28.81
- Internal self– forming company	8	13.56
- Received donation	0	0
2. Which capital to invest in intangible assets		
- Equities	40	67.8
- Liabilites	0	0
- Equities and liabilities	19	32.2
Total	**59**	**100**

(1) Calculated based on observation of multiple choice in total sample (59 enterprises)

(Source: Own survey, 2017-2018)

Based on the results of the survey, all enterprises have same general accounting policies for intangible assets. Particularly, after initial recognition intangible assets are recognized at initial value minus accumulated amortization in these enterprises. The initial value of an intangible asset comprises its purchase price and any directly attributable costs of preparing the intangible asset for its use. In addition, expenses to upgrade and renew the intangible asset are recognized increasing the initial value of the intangible asset. Other expenses which were relative to the intangible asset were recorded on income statement. When the intangible asset is sold or disposed, the gains or losses from the liquidation of this asset are recorded on income statement.

Notably, the results of this survey also indicated that 100% enterprises have used the straight-line amortization method to amortize intangible assets.

According to Circular No. 45/2013/TT-BTC dated April 25th 2013 (MOF, 2013), Circular No. 147/2016/TT-BTC dated October 13th 2016 (MOF, 2016c) and Circular No.

28/2017/TT-BTC dated April 12th 2017 (MOF, 2017), the useful period of intangible assets was regulated as followed:

(1) The enterprise self-determines the useful period of intangible assets but not exceed 20 years;

(2) For intangible assets being the right to use land for a finite term, the right to use leased land, the amortization period is the allowed time using land of the enterprise;

(3) For intangible assets being copyright, intellectual property rights and plant variety rights, the amortization period is the term of protection which is inscribed in the protection title as prescribed (not include the extended protection period);

(4) An enterprise can only change the amortization period once for each intangible asset. Extending the amortization period of intangible assets will not exceed the technical life of intangible assets and unchanging the business result of the enterprise from profit to loss or vice versa at the financial year;

(5) If enterprise upgrades or dismantles one or more parts of an intangible asset, the enterprise re-determines the amortization period of the asset and makes a record of the changing amortization period of the intangible asset.

Therefore, according to results of the survey and gathered secondary data of Vietnamese enterprises, the useful period of intangible assets is summarized briefly in Table 7.13. The results revealed that the useful period of each kind of intangible assets are different among enterprises of the sample.

In the sample there are 44 enterprises which have software (accounting software and management software). The popular useful period of this asset in the enterprises of the sample is from 3-5 years (makes up 38.64% in total sample). Meanwhile, majority of enterprises in the sample (63.16%) choses time on land use right certificate to amortize the right to use land for a finite term. Additionally, 100% enterprises did not amortize the initial value of the right to use land for an indefinite term. Typically, 12 enterprises considered useful period from 3 years to 15 years for other intangible assets.

As such, the amortization period of intangible assets which is announced by enterprises is suitable with current provisions on amortization regime for intangible assets. However, the amortization period of disclosure is too wide. Therefore, use of specific time to amortize directly affects amortization value, accumulated amortization and residual value of intangible assets on the balance sheet of the enterprise. That is why the amortization period is an important basis for the users to evaluate the effect on the residual value of the intangible asset on the balance sheet.

Table 7.13. The useful period of intangible assets of Vietnamese enterprises in the sample

USEFUL PERIOD OF INTANGIBLE ASSETS	OBSERVATION		USEFUL PERIOD OF INTANGIBLE ASSETS	OBSERVATION	
	Quantity	Percent		Quantity	Percent
1. Software (Accounting or management)			**4. The right to use land for an indefinite term**		
2 - 6 years	5	11.36	Not amortization	12	100
2 - 9 years	3	6.82	**5. Copyright and patents**		
3 - 5 years	17	38.64	2 - 9 years	1	12.5
3 - 6 years	2	4.55	3 - 5 years	3	37.5
3 - 7 years	1	2.27	6 years	1	12.5
3 - 8 years	4	9.09	10 years	3	37.5
3 - 10 years	4	9.09	**Total**	**8**	**100**
3 - 12 years	1	2.27	**6. Internal brand**		
4 - 10 years	2	4.55	8 years	1	25
5 - 8 years	3	6.82	10 years	1	25
5 - 10 years	2	4.55	10 - 20 years	1	25
Total	**44**	**100**	Not amortization	1	25
2. The right to use land for a finite term			**Total**	**4**	**100**
7 - 10 years	1	2.63	**7. Licenses and right concession permit**		
Over 13 years	1	2.63	8 - 30 years	2	100
10 - 50 years	1	2.63	**8. Customer relationships**		
15 - 50 years	1	2.63	5 - 15 years	1	50
19 - 20 years	1	2.63	16 years	1	50
19 - 50 years	3	7.89	**Total**	**2**	**100**
30 - 50 years	4	10.53	**9. Distribution rights**		
32 - 44 years	1	2.63	3 - 15 years	1	100
66 years	1	2.63	**10. E-commerce website**		
Time on land use right certificate	24	63.16	2 - 20 years	1	100
Total	**38**	**100**	**11. Brand name**		
3. Other intangible assets			2 - 9 years	1	100
3 - 15 years	11	100			

(Source: Own survey, 2017-2018)

Simultaneously, according to answers of the question “At the end of financial year, does your company re-assess the used amortization method and the applied amortization period of intangible assets?”, there were 64.4% enterprises re-assessed the amortization period and amortization method of intangible assets at the end of each financial year. However, actually changes of amortization period and amortization method have occurred rarely. For example, in the case of Vingroup Joint-Stock Company, the amortization period of e-commerce website changed because this group had a plan to replace and upgrade this website.

Table 7.14. Some criteria relative to intangible assets at the end of financial year

CRITERIA	**OBSERVATION**	
	Quantity	**Percent**
1. Re-assess the used amortization method and amortization period		
- Yes	38	64.4
- No	21	35.6
Total	**59**	**100**
2. Does your company consider whether intangible assets will be liquidated in the next financial year?		
- Yes	15	25.43
- No/No information	44	74.57
Total	**59**	**100**
3. Estimate the liquidation value of intangible assets		
- Yes	10	16.95
- No/No information	49	83.05
Total	**59**	**100**

(Source: Own survey, 2017-2018)

It is notably that, at the end of financial year, there were 15 enterprises (accounted 25.43% in total) consider whether intangible assets will be liquidated in the next financial year. However, there were only 16.95% enterprises estimated the liquitidation value of intangible assets. They were estimated by following on the value of same kind intangible asset in the market and the residual value of this intangible asset. Meanwhile, 83.05% enterprises chose answer “no” or “no information” for this question. Some interviewees said that their enterprises do not have a plan to sell their intangible assets in next financial year or some interviewees answered that it is unnecessary to estimate the liquidation value of these assets.

7.4. VIEW OF TWO GROUP SAMPLES

7.4.1. View of Vietnamese enterprises group

7.4.1.1. Obstacles of recognition intangible assets in Vietnamese enterprises (View of Vietnamese enterprises)

In accordance with answers of the question “What are the obstacles to recognize intangible assets?”, this study summarizes the results in below table.

Table 7.15. Obstacles to recognize intangible assets in Vietnamese enterprises

OBSTACLES	OBSERVATION	
	Quantity	Percent(1)
1. Accounting legal framework	39	66.10
2. Knowledge and skill of accountants	37	62.71
3. Policy of internal control system	18	30.51
4. Business characteristics	21	35.59
5. Others(2)	9	15.25

(1) Calculated based on observation of multiple choice in total sample (59 enterprises)
(2) Characteristics of financial mechanism for business area by direct management Ministry, view of management and so on

(Source: Own survey, 2017-2018)

From Table 7.15, it is found that the inconsistence and unmodified of current legislation for accounting sector and limited knowledge of accountants are two biggest disadvantages of Vietnamese enterprises to recognize intangible assets at 66.1% and 62.71% respectively. Notably, some interviewees answered that it is very difficult to recognize what is an intangible asset in enterprise. Moreover, some managers also agured that most of accountants often depends on the guidelines of MOF, they do not yet study and update new IAS/IFRS by theirselves.

7.4.1.2. The most of accounting staffs have lacked basic knowledge about the difference between cost model and revaluation model of IAS 38 and impairment of assets

The study used questionnaires to gather information of Vietnamese accountants’ understanding ability about IAS 38 and IAS 36. Particularly, questions of the survey material covered the accountants’ knowledge and understanding on the; differences between cost model and revaluation model in IAS 38; the sources of knowledge or information on these differences; knowledge on impairment of assets; as well as the sources of these knowledge. The answers of interviewees were then summarized as shown in Table 7.16.

From the results, it can be noted that only 23.73% and 22.03% of the accountants in these enterprises respectively know and understand clearly about the differences between two models (cost model and revaluation model) and impairment of assets. This reveals that the accountants can readily apply the knowledge on accounting practices that they have in their respective enterprises. On the other hand, more than 70% of the accountants know but do not yet understand clearly the differences between the two models in IAS 38 and IAS 36. This indicates that it is very difficult for them to apply their knowledge on accounting practices in the enterprises they work for.

Table 7.16 Understanding of accountants about cost model, revaluation model and impairment of assets.

Topics and sources	Number of accountants	
	Frequency	**Percentage**
Cost model and revaluation model (IAS 38)		
1. Know the differences between cost model and revaluation model		
- Understand clearly	14	23.73
- Know but do not yet understand clearly	31	52.54
- Do not yet know	14	23.73
2. If yes, know this knowledge from a source/s (1)		
- Self-learning	14	31.11
- Course about IAS	20	44.44
- Workshops and trainings by MOF	9	20.00
- Others (3)	5	11.11
Impairment of assets (IAS 36)		
1. Know about impairment of assets		
- Understand clearly	13	22.03
- Know but do not yet understand clearly	29	49.15
- Do not yet know	17	28.82
2. If yes, this knowledge came from the source/s (2)		
- Self-learning	13	27.08
- Course about IAS/IFRS	23	47.92
- Workshops and trainings by MOF	10	20.83
- Others (3)	7	14.58

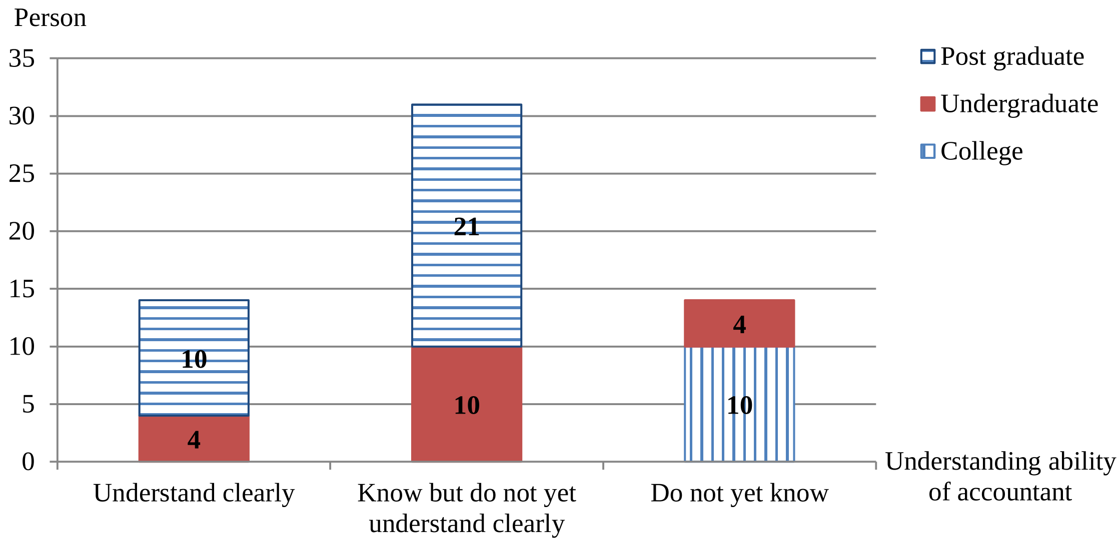
(1), (2) Calculated based on observation of accountants' answers "Understand clearly or know but do not yet understand clearly"
(3) From sharing experiences among accountants and so on.

(Source: Own survey, 2017-2018)

In addition, interviewees disclosed that they obtained these knowledge on the two models and impairment of assets through various sources such as self-learning, course about IAS/IFRS, workshops and trainings by MOF and sharing experiences among accountants. Particularly, almost half (nearly 45%) of the accountants know about IAS 38 and IAS 36 through courses about IAS/IFRS. These accountants were also those who have good ability in using English language in the accounting field. Moreover, only 20% of the accountants participated in workshops and trainings by MOF. The main trainers of these courses were auditors or consultants of Vietnamese independent association of professional accountancy. It was also known that the appearance of foreign trainers were very rare. Meanwhile, about 30% of the respondents learned and researched IAS 38 and

IAS 36 by themselves. The results suggest that the ability of self-learning among accountants in Vietnamese enterprises is still low.

The study further looked into the relationship between educational level of accountants and understanding ability of accountants about the differences between two models (cost model and revaluation model) and impairment loss. In this sample, there are ten (10) accountants who graduated college, 18 accountants who got bachelors in accounting field and 31 accountants who also got post-graduate degrees in the field of accounting. This relationship is reflected in Figure 7.1.

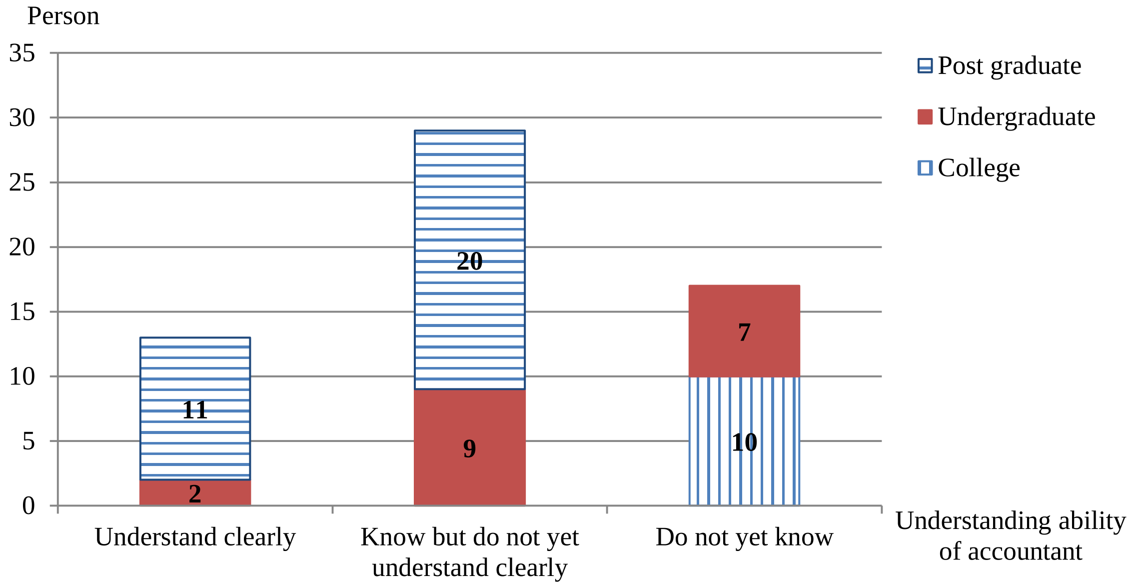


(Source: Own survey, 2017-2018)

Figure 7.1. Relationship between educational level of accountants and understanding ability of accountants on the differences between two models; cost model and revaluation model.

The first group of accountants are those who understand clearly cost model and revaluation model. From the group, there are ten (10) accountants who got post-graduate degrees and four (4) accountants who got bachelor degrees. The second group of accountants are those who know but do not yet understand clearly; 21 of them completed post-graduate programs while ten (10) accountants finished accounting undergraduate programs. The third group of accountants who do not yet know about the differences between the two models include ten (10) accountants who got undergraduate degrees and four (4) accountants who got college degrees. Based on the results, there is a positive relationship between educational level of accountants and understanding ability of accountants on the differences between two models in IAS 38. This means that accountants who have higher educational level have faster ability to access accounting knowledge.

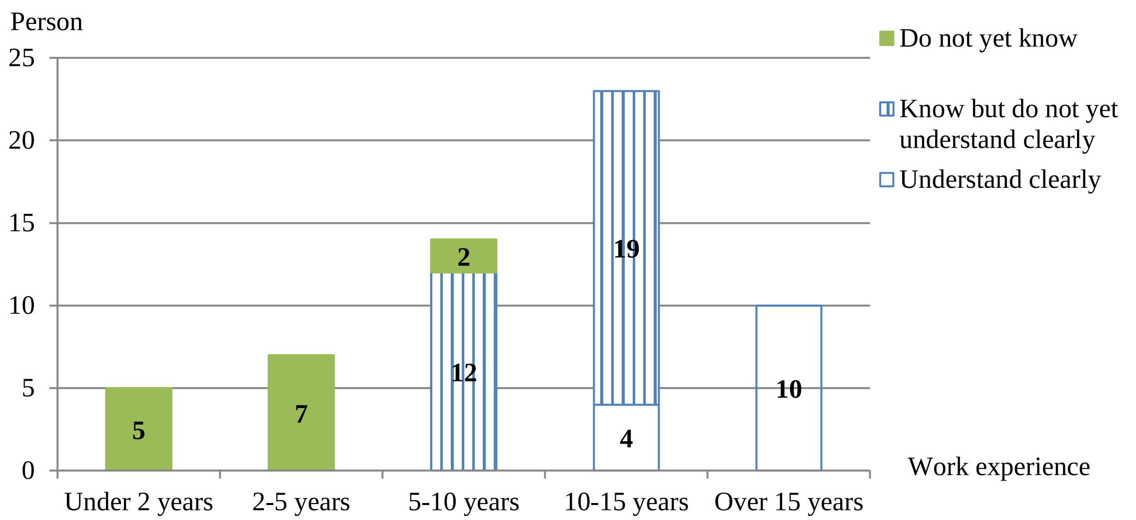
This study also analyzes the relationship between educational level of accountants and understanding ability of accountants about impairment of assets as shown in Figure 7.2. Particularly, majority of the accountants (10/17 accountants) who do not yet know about impairment of assets got college degrees. Meanwhile, most of the accountants (11/13 accountants) who understand clearly IAS 36 (Impairment of assets) completed post-graduate programs. Accordingly, 29 accountants know IAS 36 but do not yet understand it clearly. In this group, 20 of them got post-graduate degrees and nine (9) accountants got bachelor degrees in accounting field. As indicated in the data gathered, there is an evident positive relationship between educational level of accountants and understanding ability of accountants about IAS 36 Impairment of assets.



(Source: Own survey, 2017-2018)

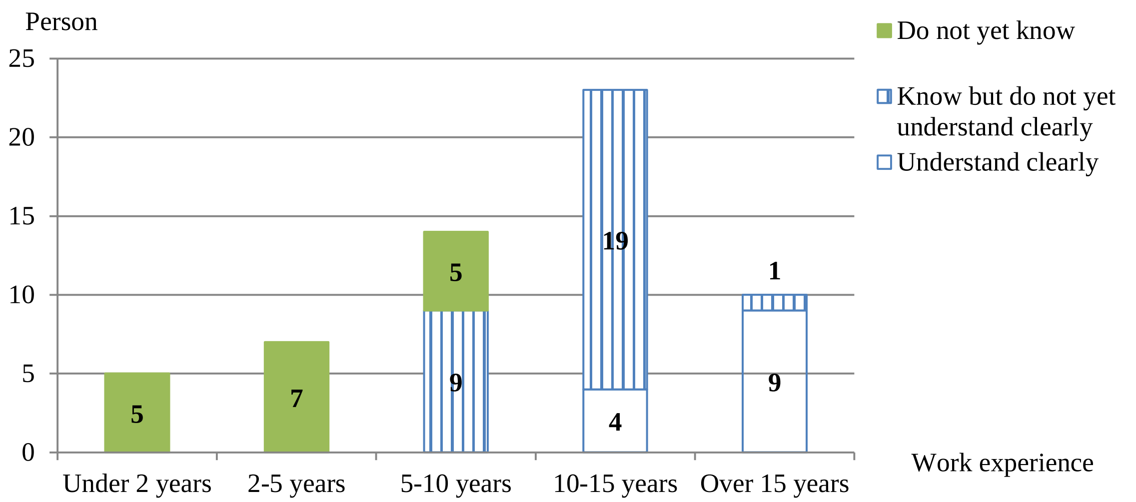
Figure 7.2. Relationship between educational level of accountants and understanding ability of accountants about impairment of assets.

In addition, this study analyzes the relationship between work experience of accountants and understanding ability of accountants about the differences between the two models (cost model and revaluation model) and IAS 36 Impairment of assets as reflected in Figures 7.3 and 7.4. Based on the two figures, there is a positive relationship between work experience and understanding ability of accountants on the two accounting standards. It means that if an accountant has longer work experience, he/she also has a higher understanding ability in the accounting field.



(Source: Own survey, 2017-2018)

Figure 7.3. Relationship between work experience of accountants and understanding ability of accountants on the differences between two models; cost model and revaluation model.



(Source: Own survey, 2017-2018)

Figure 7.4. Relationship between work experience of accountants and understanding ability of accountants about impairment of assets.

7.4.1.3. The weak business governance for intangible assets accounting

The role of creative workers and intangible assets have been becoming increasingly important in the world economy and at individual firm level associated with the creation of competitive advantage (Lev, 2001). In accordance with Martins and Alves (2010), intangible assets consist of a set of characteristics - namely, (1) high risk and uncertainty, (2) firm-specificity and (3) human capital intensity. It is notably, this set of characteristics make intangible assets markedly distinct from other sorts of assets. Therefore, enterprises need to set up internal control system for intangible assets.

Nivra (2007) said that internal control is a process, influenced by an enterprise's board of directors, management and other personnel. The same author also mentioned that internal control is designed to supply reasonable assurance regarding the achievement of objectives in the following categories:

(1) Strategic - high - level goals, aligned with and supporting its mission;

(2) Operations - effective and efficient use of its resources;

(3) Reporting - reliability of reporting and

(4) Compliance - compliance with applicable laws and regulations.

Salvioni (2010) indicated that in an increasingly open and dynamic environment, an enterprise's competitive vitality depends on three factors. The first factor is an enhanced overall view of governance (focused on the harmonisation between top management and operating decisions, and between corporate governance and internal control systems that sustain the effective optimisation of company results). The second factor is the development of control systems that are fully compliant with evolving operations and make it possible to monitor risks related to the various significant dimensions. The third factor is adjustments to the variables to be monitored, focusing increasingly on the intangible assets that are crucial for the company's success. Therefore, between internal control system and intangible assets has close relationship. It means that good internal control system will support to manage and use intangible assets effectively. To prove this view, Maisigova (2014) researched topic "Improving internal controls over intangible assets in the conditions of innovation-driven economy". Maisigova (2014) concluded that an effective system of internal control over the use of intangible assets creates a positive image of an enterprise and increases its cash flows.

The primary data in Table 7.17 shows that 79.66% enterprises in the sample set up the internal control system for intangible assets. This system was established by accounting department, internal control department and management department. Notably, 46.81% enterprises have the internal control regulations which were set up in accordance with current accounting legal system, meanwhile 53.19% enterprises have established the internal control regulations based on both current accounting legal system and characteristics of business.

It is notably that, the main content of internal control regulations for intangible assets were adapted the existing regulations under VAS 04 - Intangible assets, Circular No. 45/2013/TT-BTC, Circular No. 147/2016/TT-BTC and Circular No. 28/2017/TT-BTC. Especially, the contents of these regulations focus on the bookkeeping technique rather the accounting governance. The main contents of internal control regulations for intangible assets were described in Table 7.17. Specially, the contents emphasize determination value principles of intangible assets, the provisions on amortization and use of amortization of intangible assets etc. 85.34% of the contents of internal regulations are similar to contents of VAS 04, Circular No. 45/2013/TT-BTC, Circular No. 147/2016/TT-BTC and Circular No. 28/2017/TT-BTC. As such, the efficiency of internal control regulations for intangible assets in Vietnamese enterprises is not high.

Table 7.17. Policy of internal control system for intangible assets in Vietnamese enterprises

ITEM	OBSERVATION	
	Quantity	**Percent**
1. Establish internal control system for intangible assets		
- Yes	47	79.66
- No	12	20.34
Total	*59*	*100*
2. Author of setting the internal regulations		
- Accounting department	32	61.7
- Internal control department	9	14.9
- Management department	12	23.4
- Consulted service	0	0
Total	*47*	*100*
3. Document for establishment the internal control regulations		
- Current accounting legal system	22	46.81
- Characteristics of business	0	0
- Both previous answers	25	53.19
Total	*47*	*100*
4. Main content of internal control regulations for intangible assets(1)		
- Management principles	38	80.85
- Criteria for identification	40	85.11
- Determination value principles	44	93.62
- The provisions on amortization and use of amortization	44	93.62
- Procedures for increasing and decreasing intangible assets	41	87.23
- Process of purchasing intangible assets	37	78.72
- Accounting documents for intangible assets	40	85.11
- Accounting method for intangible assets	41	87.23
- Time line for submit accounting document	36	76.60

(1) Calculated based on observation of mutiple choice in total sample answer “ yes” (47 enterprises)

(Source: Own survey, 2017-2018)

7.4.2. View of professional accounting group

7.4.2.1. The obstacle of intangible assets accounting (view of professional accounting group)

In the side of accounting professional sector, the skill and knowledge of accounting staffs about intangible assets accounting has been the biggest current matter of enterprises. Notably, there are 36/44 interviewees agreed with this perspective. Some interviewees said that sometimes the intangible assets accounting information was disclosed un-full and unclear. Besides that, accounting legal framework is one of current disadvantages after the skill and knowledge of accountants. Specifically, the delay of updating accounting legal framework and poor converging with IAS/IFRS were the main problems. Simultaneously, the negative points relate to manager's knowledge, internal regulation and business characteristics had also significant influences on intangible assets accounting (more than 50%). These discovers are entirely consistent with the perspective of interviewees in the enterprises' sample.

Table 7.18. The obstacle of intangible assets accounting (view of professional accounting group)

ITEM	OBSERVATION	
	Quantity	Percent(1)
1. Internal control regulation	32	72.73
2. Accounting legal framework	32	72.73
3. Skill and knowledge of accountant	36	81.82
4. Knowledge of manager	27	61.36
5. Business characteristics	24	54.55

(1) Calculated based on observation of mutiple choice in total sample (44 interviewees)

(Source: Own survey, 2017-2018)

7.4.2.2. Accounting staff's skill and knowledge are the most current disadvantages of intangible assets accounting

Notably, in accordance with the interviewees' perspective, when they practiced intangible assets accounting, the issues in skills and knowledge of accountants were mentioned. They are included:

(1) Intangible asset management is not tight enough, for example, intangible asset records are incomplete; intangible assets have not yet been transferred to enterprises but recorded on the balance sheet; no ledger or detailed cards for each intangible asset;

(2) For intangible assets come from receive capital contribution, sometimes accountants forgot re-register ownership certificate for the asset which needs ownership registration;

(3) Not accurately identified what is an intangible asset of enterprises such as land rent paid in lump sum for the whole lease term (the land rent period is after the effective date of the Land Law 2003, is not granted the land use right certificate), the cost of compensation and site clearance, cost in the research phase, establishment enterprise costs and so on are still recorded as intangible assets;

(4) The amortization method of intangible assets is not registered with the local tax authority;

(5) The point of amortization time is not correct. Especially, some accountants still amortized intangible assets based on round-month principle. According to the

regulations, the point of amortization time is the time when the asset is ready to be used. Currently, the amortization in accordance with round-day principle has been utilized;

(6) The upgrade of intangible assets finished but accountants have not yet recorded increase of historical cost of intangible assets, re-evaluate useful period and adjust amortization value into expenses during the period;

(7) Sometimes there is no distinction between large repairs and upgrades;

(8) The intangible asset has expired but has not yet been fully amortized. Unallocated value of an intangible asset did not record into expenses in the period;

(9) Some accountants continues to amortize intangible assets which have been fully amortized and still using;

(10) Failing to fully implement the intangible asset liquidation procedures such as set up liquidation council of an intangible asset, a liquidation decision, no liquidation minutes, forget to issue an invoice for liquidation assets etc;

(11) Sometimes, inventory report of intangible assets at the end of financial year does not classify unused intangible assets, awaiting liquidation, fully amortized intangible assets. The difference between ledger and inventory record has not yet been processed.

As such, these issues reflect the low quality of accountants in intangible assets accounting practices of Vietnamese enterprises. The reason is that accountants do not yet understand clearly the accounting guidelines about intangible assets accounting. That is why sometimes the intangible assets accounting information was disclosed un-full, faithless and unclear.

7.4.2.3. System of current accounting regulation for intangible assets is not yet integrated with IAS/IFRS

Based on results of survey, the delay of updating accounting legal framework and poor converging with IAS/IFRS were the mainly problems. Specially, the opinion of interviewees in professional accounting sectors was described in detail, as follows:

For case of Accounting Law:

The National Assembly (2015) issued Accounting Law No. 88/2015/QH13 (Accounting Law 2015) with effective from January 1st 2017 to supersede Accounting Law 2003. Although Accounting Law 2015 mentions about the fair value concept which is a major change in accounting principles (PwC, 2016), to date, there are not yet any new detail guidelines to apply this principle to enterprises. This mention just stops in general guidelines. Specially, Accounting Law 2015 indicated that assets and liabilities must be revaluated at fair value at the financial reporting date. Financial instruments must be measured at fair value; monetary items denominated in foreign currencies are measured at actual exchange rates and assets or liabilities which have frequent volatility in value are revaluated at fair value. However, the fair value revaluation of assets and liabilities must be based on reliable measurements (as three levels of inputs in IFRS 13). If no reliable measurements, the assets and liabilities are measured at historical cost. That is why the interviewees indicated that untill now, cost model is still chosen to apply for intangible assets accounting. Though, the cost model in case of Vietnamese enterprises did not include accumulated impairment. Hence, the accounting information of intangible assets is not yet exactly and un-full.

For case of VAS 04 - Intangible Assets:

This standard was enacted in 2001 based on the first version of IAS 38 and Vietnamese economy conditions at that time. To date, the content of VAS 04 has been neither updated nor amended. Based on this standard, after initial recognition, only a cost model without impairment loss is chosen to record the value of intangible assets. In addition, indefinite intangible assets are not amortized and are not impaired annually. Thus, the value of intangible assets is recorded exactly and faithless.

For case of accounting policy and accounting circulars:

Both accounting policy and accounting circulars were enacted in accordance with accounting law and VAS system. All accountants in Vietnamese enterprises have performed accounting practices based on the guidelines of accounting policy and accounting circulars. The accountants have depended on these guidelines so much and their creativity is very low.

For intangible assets accounting, the interviewees said that accounting guideline about amortization period is quite wide. This issue is difficult for accountants when they choose exactly amortization period for their intangible assets. Actually the same kind of intangible assets have different amortization period among enterprises. Moreover, both accounting policy and accounting circulars have not yet mentioned about impairment of assets and fair value.

In conclusion, according to their perspectives, system of current accounting regulation for intangible assets is not yet integrated with IAS/IFRS. This is a disadvantage for Vietnamese accounting system and accounting practices in Vietnamese enterprises.

7.4.2.4. Limited knowledge of manager and internal governance

According to interviewees' view in professional accounting sector group, 27.28% of interviewees (12/44 respondents) believed that the internal regulation system for intangible assets has operated well, meanwhile, 18.18% of interviewees (8/44 respondents) said that the internal regulations system for this asset has not yet established. Additionally, 54.54% respondents (24/44 respondents) answered that the internal regulations system for this asset have satisfied partially appropriation of the demand of internal governance for intangible assets accounting. Especially, the internal control regulations depened on accounting legal framework too much. In addition, some business managers or directors thought their business can run well without the internal control regulations for intangible assets. Therefore, interviewees mentioned that the knowledge level of both manager and accounting staffs at the limited level has been the key reason of weakness about internal control regulation in Vietnamese enterprises.

This study also cited that the interviewees in professional accounting sector group assessed the internal control regulation system for intangible assets of enterprises in Table 7.19.

Table 7.19. The assessment of interviewees about internal regulation system for intangible assets in Vietnamese enterprises

CRITERIA	OBSERVATION	
	Quantity(1)	**Percent(2)**
General assessment		
- No internal regulation	8	18.18
- Partial appropriate regulations	24	54.54
- Good internal regulation	12	27.28
Detail assessment		
1. Apply the principle of responsibility classification among functions such as maintain and protection intangible assets, record ledger, approve purchasing, liquidation and selling intangible assets.	30	68.18
2. Set up a plan and estimate demand using intangible assets for next financial year.	31	70.45
3. Other internal regulation tools, as followed:		
- Accounting book system for intangible assets: enterprises need to open detailed books, detailed cards and detailed records for each type of intangible assets;	33	72.73
- Procedure to purchase a new intangible asset;	25	56.82
- Procedure of liquidation an intangible asset;	25	56.82
- Regulations to distinguish expenses which were plused into initial value of intangible assets or were as operation expenses in the financial year;	28	63.64
- Regulation for protection intangible assets such as method to prevent stealing and fire, buy insurance against fire;	25	56.82
- Regulation is relative to amortization of intangible assets such as amortization method and amortization period.	30	65.91

(1) Number of interviewees cited that the internal regulations for intangible assets in enterprises satisfied this criteria

(2) Calculated based on observation of mutiple choice in total sample (44 interviewees)

(Source: Own survey, 2017-2018)

In conclusion, this section presented views of two group samples. Specially, these views concentrate on obstacles of intangible assets accounting in Vietnamese enterprises. Particularly, there are some obstacles which include (1) lack of accounting staffs' skill and knowledge, (2) system of current accounting regulation for intangible assets is not yet integrated with IAS/IFRS and (3) limited knowledge of manager and internal governance. Therefore, to improve the quality of intangible assets accounting this study research the ability to apply impairment of intangible assets in accounting practices in Vietnamese enterprises.

7.5. SURVEY ON THE APPLICATION TO IMPAIRMENT OF INTANGIBLE ASSETS ACCOUNTING IN VIETNAM

7.5.1. Survey from Vietnamese enterprises' sample

The characteristics of impairment accounting are complex, judgmental and subjective estimates of parties who involved in the process of making financial statements like accountants, managers etc. Hence, the effectiveness of impairment accounting for intangible assets depends so much on the readiness level from the parties who participated in the process of making financial statements of enterprises. Therefore, this study continues doing the survey to gather information about readiness ability of accountants about impairment accounting for intangible assets.

To determine the readiness ability of accountants in applying IAS 38 and IAS 36 for intangible assets, the study gathered data on accountants' opinion on; whether Vietnamese MOF should amend VAS 04 based on the latest version of IAS 38; and on which accounting model in IAS 38 (cost model or revaluation) model should Vietnamese enterprises be applied for intangible assets accounting. The answers of this survey are summarized in Table 7.20. Specifically, for cost model, after initial recognition, value of the intangible asset equals its cost less any accumulated amortization and any accumulated impairment loss. For revaluation model, after initial recognition, value of the intangible asset equals its fair value at the date of the revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment loss.

Particularly, 64.41% (38) of accountants in the sample agreed amending VAS 04 in accordance with the latest version of IAS 38. Meanwhile, 35.59% of them said that there is no need to adjust the content of VAS 04. Simultaneously, 64.41% of interviewees answered that Vietnamese enterprises should apply cost model of IAS 38 to improve intangible assets accounting. The reason for this is that revaluation model is rarely applied. The fair value of intangible assets is computed based on the active market; however, the active market for intangible assets is not so widespread.

The figures clearly show a positive relationship between the understanding ability of accountants about the differences of cost model and revaluation model. From the interviewees, there are 14 who understand clearly the differences between the two models, while 24 interviewees know but do not yet understand clearly.

In addition, the study used a five-point Likert scale to gauge what respondents think about applying impairment of intangible assets accounting to Vietnamese enterprises. Rating response options chosen by the accountants include totally agree, agree, do not have mentions, disagree and totally disagree. These answers describe the readiness in applying impairment of intangible assets in Vietnamese enterprises. Accountants' answers to this question are summarized in Table 7.20.

Table 7.20. Summary of accountants' perspective about VAS 04, IAS 38 and IAS 36

Questions	Number of accountants	
	Frequency	**Percent(1)**
1. Amend VAS 04 based on the latest version of IAS 38		
- Yes	38	64.41
- No	21	35.59
2. Which accounting model of IAS 38 should Vietnamese enterprises be applied for intangible assets accounting?		
- Cost model	38	64.41
- Revaluation model	0	0
3. Should Vietnamese enterprises be applied impairment of intangible assets accounting?		
- Totally agree	16	27.12
- Agree	22	37.29
- Do not have mention	8	13.56
- Disagree	8	13.56
- Totally disagree	5	8.47

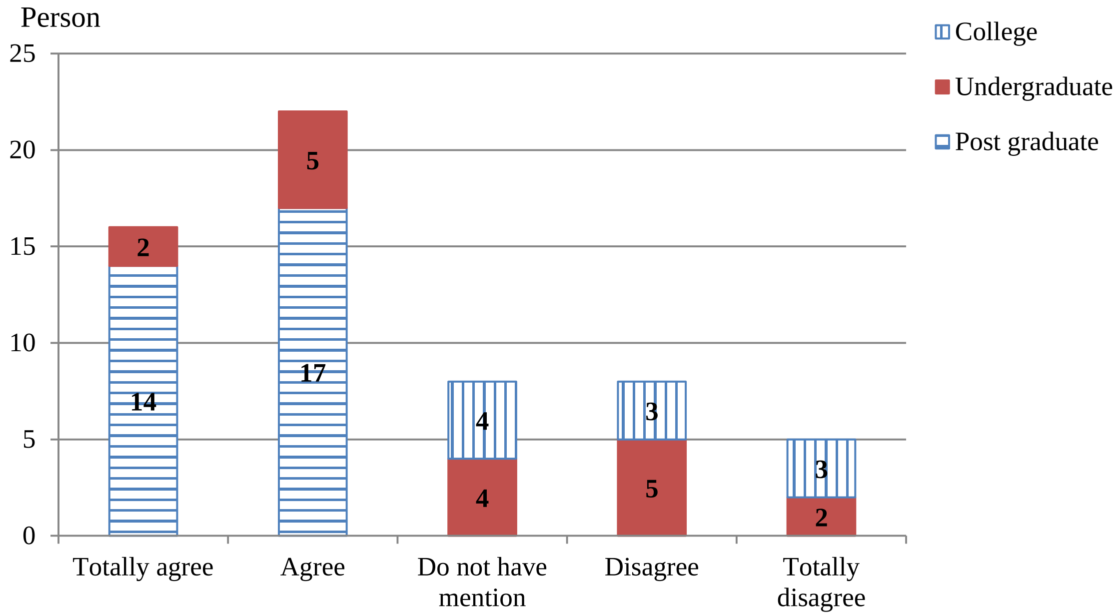
(1) Calculated based on observation of multiple choice in total sample (59 interviewees)

(Source: Own survey, 2017-2018)

According to the data gathered, results indicate that 27.12% accountants and 37.29% accountants (total of 64.41%) respectively chose answers "totally agree" and "agree" in the application of impairment of intangible assets accounting to Vietnamese enterprises The total percentage of accountants who answered "disagree" and "totally disagree" for the same question is 22.03% (13), whereas, 13.56% (8) of accountants made no mention.

Consequently, the study as well analyzed in detail the relationships among educational level, understanding ability about impairment of assets, work experience and ability to accept and apply impairment of intangible assets. These relationships are shown in Figure 7.5 and Figure 7.6.

In the group of 38 interviewees who answered either "agree" or "totally agree," 31 of them got post-graduate degrees and understand clearly or know about impairment of intangible assets while seven (7) accountants got accounting bachelors and know but do not clearly understand about impairment. Moreover, from this same group of accountants who agreed or totally agreed with the policy, 15 had their undergraduate degrees or post-graduate degrees in foreign countries or foreign affiliate educational programs; these respondents also have high abilities in using English in the accounting field, thus implicates that a positive relationship is existent among educational level, ability of using English, and the ability to accept impairment of intangible assets in accounting practices. However, all of these interviewees said that MOF needs to enact detailed instructions to guide impairment of intangible assets in accounting practices of Vietnamese enterprises.

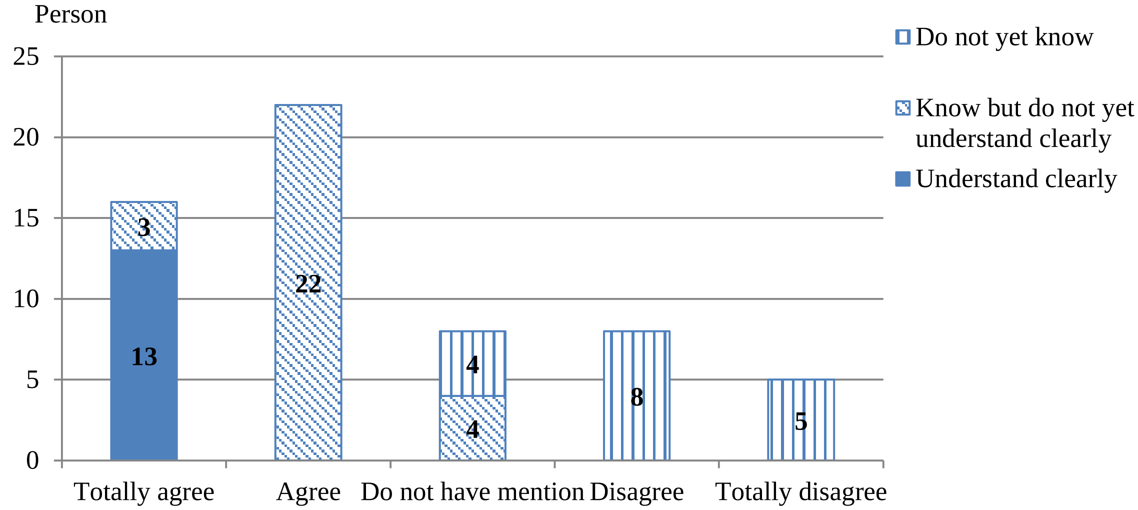


(Source: Own survey, 2017-2018)

Figure 7.5. Relationship between educational level of accountants and accountants' ability to accept and apply impairment of intangible assets

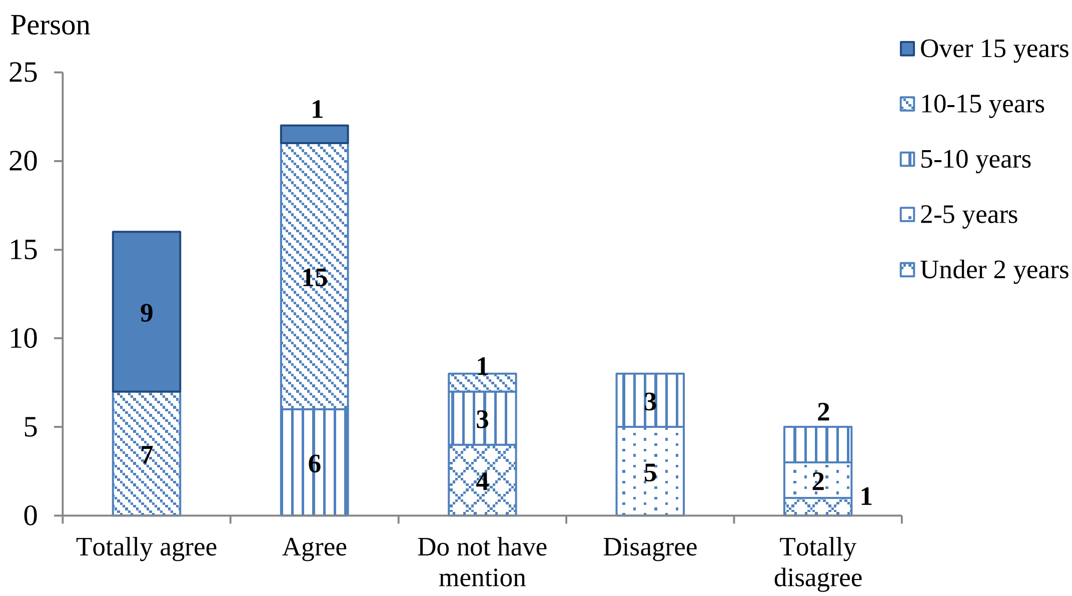
In a more in-depth perspective, for the interviewees that answered "totally agree", there are 13 accountants who understand clearly impairment of assets and three (3) accountants who know about impairment of assets but do not yet understand it clearly. On the other hand, all of the accountants who gave "agree" answers know about impairment of assets but do not understand clearly as well. All accountants who do not yet know impairment of assets chose the answers "do not have mention", "disagree" and "totally disagree". Specifically, four (4) accountants who know but do not yet understand clearly this knowledge disagreed and totally disagreed with applying of impairment of intangible assets in accounting practices of Vietnamese enterprises. Respondents said that there are some reasons for this answer which include; (i) difficult to implement, (ii) makes controversy between enterprises and auditors in determining the impairment value of intangible assets, (iii) bad influence on the financial situation of enterprises and reduce the share values of enterprises on the stock market and (iv) do not trust the pricing system in Vietnam.

There is a close relationship between accountants' work experience and accountants' ability to accept and apply impairment of intangible assets in this sample. Specifically, all accountants who have over 15 years of work experience in the accounting field are open to the application of IAS 36 for intangible assets. In addition, majority (95.65%) of the accountants who have worked from 10 to 15 years are also ready to apply IAS 36 to intangible assets of their enterprises. Consecutively, 42.86% accountants with 5-10 years' work experience agreed with this policy. Accountants' reasons for their selections were as follows: (1) they believe in IAS/IFRS system which is researched and applied by other countries in the world; (2) they realize the importance of accounting impairment for assets and (3) they are willing to learn new knowledge to improve professional qualifications.



(Source: Own survey, 2017-2018)

Figure 7.6. Relationship between understanding ability of accountants about impairment of assets and accountants' ability to accept and apply impairment of intangible assets



(Source: Own survey, 2017-2018)

Figure 7.7. Relationship between work experience of accountants and accountants' ability to accept and apply impairment of intangible assets

On the contrary, four (4) accountants with under two (2) years of work experience and three (21.43%) accountants with 5-10 years of work experience responded with "do not have mention" as they do not know about impairment of assets. Particularly, 35.71% accountants with 5-10 years of work experience and 100% accountants with 2-5 years' disagreed or totally disagreed with the policy. These data results signify that accountants who have longer work experience have higher ability to accept the policy of applying impairment of intangible assets to accounting practices of Vietnamese enterprises. Meanwhile, in the accountants group that answered "do not have mention", "disagree" and "totally disagree" for this question, all of them got bachelors or college degrees in accounting field. As such, it can be drawn that an accountant who has higher educational level will have higher ability to accept and apply impairment of intangible assets in accounting practices of Vietnamese enterprises.

7.5.2. Survey from professional accounting group sample (outside of Vietnamese enterprises' sample)

To research the perspective of professional accounting group about applying impairment accounting in intangible assets, first of all, this study analyzes understanding ability of professional accounting groups about cost model, revaluation model and impairment of assets. Specifically, this study used some questionnaires such as "Do you know the difference between cost model and revaluation model?; If you understand or know, from which source do you know this knowledge?; Do you know about impairment of assets before answer this questionnaire?; If you understand or know, from which source do you know impairment of assets knowledge?". The answers of interviewees were summarized in Table 7.21.

The results in Table 7.21 indicate that 40.91% interviewees in this sample understand clearly about the differences between cost model and revaluation model, whereas the other interviewees know but do not yet understand clearly. In addition, for impairment of assets knowledge, there are 16 interviewees (36.36%) who understand clearly and 63.64% interviewees just know but do not yet understand clearly. As such, the knowledge of the professional accounting group about IAS 38 and IAS 36 are so good. For interviewees who understand clearly these knowledge said that they participated in course about IAS at least once and this figure made up about 60%. Moreover, the self-learning of this group is quite high with about 40% answers of interviewees. Meanwhile, only 25% interviewees in the sample attended workshops, trainings about IAS 36 and IAS 38 by MOF.

Table 7.21 Understanding of professional accounting group about cost model, revaluation model and impairment of assets

Topics and sources	Number of accountants	
	Frequency	Percentage
Cost model and revaluation model (IAS 38)		
1. Know the differences between cost model and revaluation model		
- Understand clearly	18	40.91
- Know but do not yet understand clearly	26	59.09
- Do not yet know	0	0
2. If yes, know this knowledge from a source/s (1)		
- Self-learning	20	45.45
- Course about IAS	24	54.55
- Workshops and trainings by MOF	11	25.00
- Others (3)	5	11.36
Impairment of assets (IAS 36)		
1. Know about impairment of assets		
- Understand clearly	16	36.36
- Know but do not yet understand clearly	28	63.64
- Do not yet know	0	0
2. If yes, this knowledge came from the source/s (2)		
- Self-learning	17	38.64
- Course about IAS/IFRS	28	63.63
- Workshops and trainings by MOF	13	29.55
- Others (3)	4	9.09

(1), (2) Calculated based on observation of multiple choice in total sample which had answer "Understand clearly or know but do not yet understand clearly"

(3) From sharing experience among colleagues and so on.

(Source: Own survey, 2017-2018)

According to the understanding of interviewees in professional accounting group, they gave their opinion about the amending VAS 04 based on the latest version of IAS 38 and applying impairment accounting for intangible assets. Actually, all interviewees agreed that MOF should amend VAS 04 in accordance with the latest version of IAS 38. In addition, 100% interviewees also mentioned that Vietnamese enterprises should apply full version of cost model (like the guideline of the latest version of IAS 38) for intangible assets accounting. This means that after initial recognition, value of the intangible asset equals its cost less any accumulated amortization and any accumulated impairment loss. This results also reflect that all interviewees in professional accounting group answered "agree" and "totally agree" with the question "Should Vietnamese companies be applied impairment of intangible assets accounting?". There are some reasons for these answers. First of all, this will make the intangible assets indicators in the financial statement become honesty and reasonable. Therefore, the accounting information about financial situation of listed companies will be more transparent and really useful for stakeholders in the stock market. Secondly, this policy will help to complete the accounting legal framework and integrate with IAS/IFRS in recognition, measurement and reporting of indicators on financial statements. Especially, impairment of asset accounting is useful for enterprises through gradually reducing the value of their asset in the accounting periods when there are no conditions for liquidation or sale this asset. Simultaneously, avoiding creates unexpected losses when liquidating this asset. In addition, the banking staffs believed that more prudent in accounting practices of enterprises will reduce risk for the bank. Because financial statement of the enterprise is an important basis to assess the financial situation of the enterprise and agree loan.

However, professional accounting group concerned that it is very difficult to implement because currently there is no specific guidance. Particularly, the quality of accounting in enterprise is not yet really good, hence, the applying impairment accounting is very easy to make mistakes. Some interviewees said that it is difficult to agree between accountants and auditors about the results of impairment of assets, hence it is difficult for auditors to give opinion about the financial statements of the enterprise.

Table 7.22. Summary of professional accounting group's perspective about VAS 04, IAS 38 and IAS 36

Questions	**Number of interviewees**	
	Frequency	**Percent(1)**
1. Amend VAS 04 based on the latest version of IAS 38		
- Yes	44	100
- No	0	0
2. Which accounting model of IAS 38 should Vietnamese enterprises be applied for intangible assets accounting?		
- Cost model	44	100
- Revaluation model	0	0
3. Should Vietnamese enterprises be applied impairment of intangible assets accounting?		
- Totally agree	14	31.82
- Agree	30	68.18
- Do not have mention	0	0
- Disagree	0	0
- Totally disagree	0	0
Total	**44**	**100**

(1) Calculated based on observation of mutiple choice in total sample (44 interviewees)

(Source: Own survey, 2017-2018)

In conclusion, based on the results of these surveys, majority of two group samples answered "agree" and "totally agree" with three issues to improve intangible assets accounting in Vietnamese enterprises. Specially, three issues consist of (1) amending VAS 04 in accordance with the latest version of IAS 38, (2) fully applying cost model in recognition intangible assets and (3) applying impairment of intangible assets. However, to apply these issues effectively, MOF needs to set up specific process and detail guidelines.

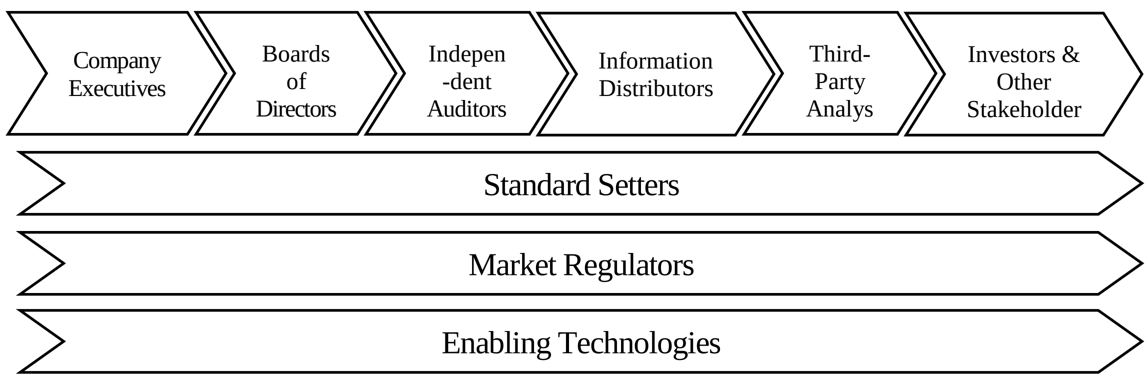
In conclusion, this chapter reviewed detailly the characteristics of two groups samples, namely, interviewees in 59 Vietnamese enterprises group and 44 interviewees in professional accounting group. Simultaneously, the from the financial statements of 59 Vietnamese enterprises, this study indicated clearly the picture of intangible assets in these enterprises. Specifically, the type of intangible assets often contained within or on physical objects like legal documents or discs. Particularly, this study also showed the popular kinds of intangible assets in Vietnamese enterprises are software and the right to use land for a finite term. In addition, the capital investment of enterprises on intangible assets is still modest; the proportion of the other intangible assets to total assets that is nearly 23.14%. Meanwhile, this figure of global is 53%. The another important point is that this chapter described current situation of intangible assets accounting practices in these enterprises such as current legal framework of accounting for intangible assets, the disclosure information of intangible assets accounting and accounting for intangible assets and goodwill. Additionally, this chapter also summarized the views of Vietnamese enterprises group and professional accounting group about the current situation of intangible assets accounting in Vietnam. Hence, this chapter showed the weak points in accounting practices for intangible assets and the reasons for this situation. Lastly, this chapter performed the survey on the application to impairment of intangible assets accounting in Vietnam in accordance with the perspectives of 59 interviewees in Vietnamese enterprises and 44 interviewees in professional accounting group. The survey’s results were positive when more than 60% of enterprises in the sample and 100% of interviewees in professional accounting group agree or totally agree applying impairment of intangible assets accounting. This is good basis for applying new accounting policy in Vietnamese enterprises in the future. Notably, this chapter is also a foundation to develop the content of chapter 8 (Auditing procedure for intangible assets in Vietnam) and compare with the current accounting regulation for intangible assets in the other AEC countries and some developed countries like Japan, Germany and China (Chapter 9).

Chapter 8

AUDITING PROCEDURE FOR INTANGIBLE ASSETS IN VIETNAM

8.1. HISTORY AND DEVELOPMENT OF VIETNAMESE INDEPENDENT AUDITING SYSTEM

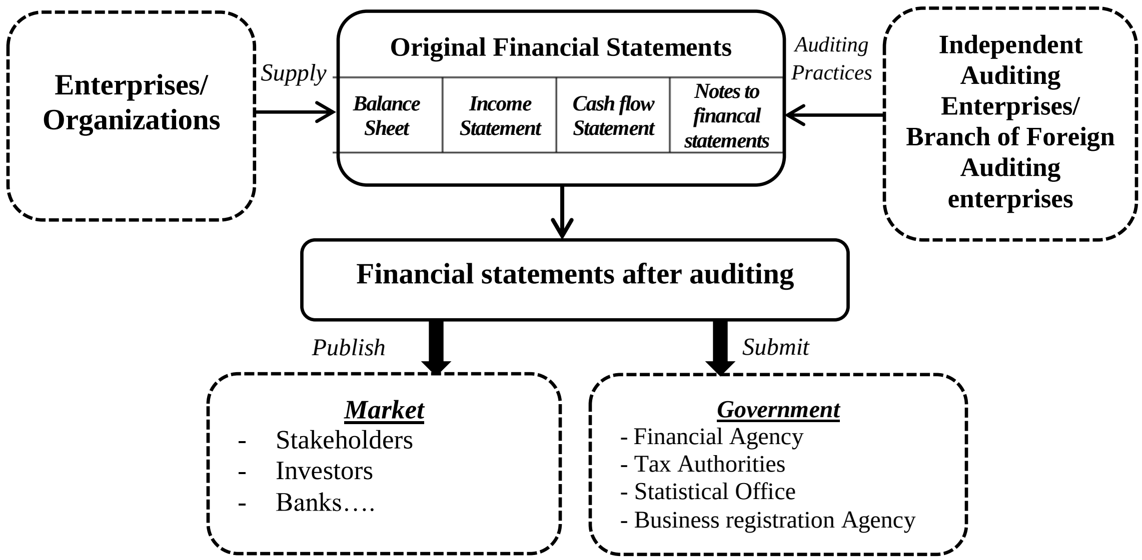
Di Piazza and Eccles (2002) said that the Corporate Reporting Supply Chain is responsible for supplying the information on which investors and stakeholders (lenders, trading partners, customers and employees) depend to make their financial decisions. In this entire chain, the enterprise executives prepare the financial statements that are reported to investors and stakeholders (Di Piazza and Eccles, 2002). Especially, these financial statements are approved by a board of directors, attested to by an independent auditing enterprise, analyzed by sell-side analysts and publishing by information distributors like data vendors and the news media (Di Piazza and Eccles, 2002). The Corporate Reporting Supply Chain is also supported by standard setters, market regulators and enabling technologies.



(Source: Di Piazza and Eccles, 2002, p.11)

Figure 8.1. The corporate reporting supply chain

Under the development of market economy, enterprises need to supply accurate and timely accounting information to inform users, namely, investors, banks, creditor and so on. To satisfy this requirement, existion of third party which is independent with enterprises is necessity. The third party has high qualification level in accounting and audting, and are legally allowed to provide reliable information to interested parties. The third party was called independent auditing organization. In many development market economy, financial statements have legal value and reliable if only they were audited (NEU, 2017). Therefore, the appearance and development of independent auditing organizations in a market economy are indispensable objectivity of the market mechanism. The first independent auditing company in the world is Price Waterhouse Cooper (PWC) which was established headquarters in the United Kingdom in 1854. After that, other famous independent auditing enterprises were established, namely, Deloitte, Ernst & Young, KPMG and PWC. To date, these enterprises have become the four biggest independent auditing all over the world.



(Source: Own Contribution, 2017)

Figure 8.2. The role of independent auditing enterprise framework

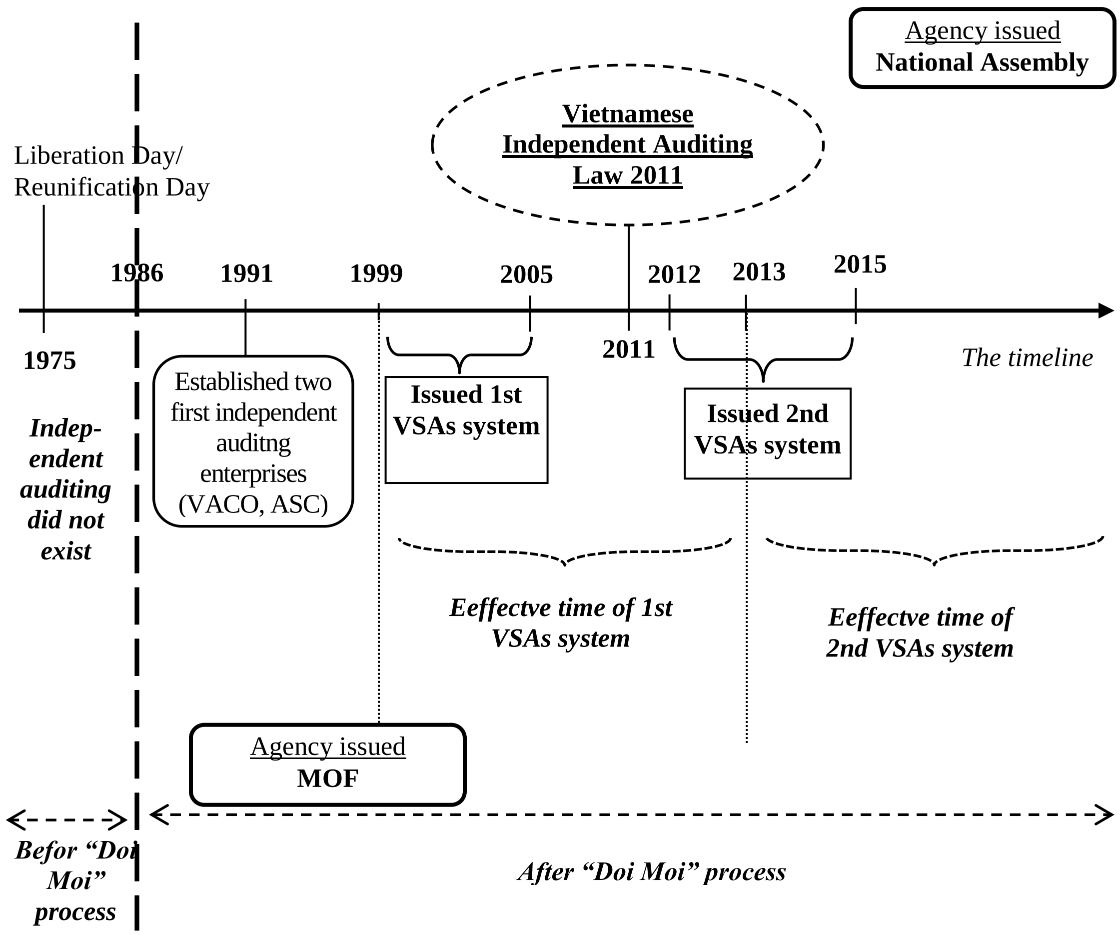
To understand clearly about the Vietnamese independent auditing system, this study summarizes the development process of Vietnamese independent auditing in accordance with the appearing time of Vietnamese independent auditing law. Therefore, the Vietnamese auditing history was separated into two main periods including before 2011 and after 2011.

8.1.1. The Vietnamese independent auditing system before Independent Auditing Law 2011

According to Nguyen et al. (2016), Vietnamese independent auditing enterprises were established and developed before 1975 such as offices operate independently of notary public accountants or auditors and also international control offices (SGV and Arthur Andersen etc). However, during the centrally planned economy period (1975-1986), independent auditing totally disappeared. Because the State was a macro manager and the owner of economics assets, hence, generally the State self-organized accounting and auditing practices. Independent auditing enterprises were restored after Vietnam transformed from a centrally planned economy to a market economy. Moreover, in the early 1990s, the capital of foreign direct investment (FDI) started into Vietnam, it leaded the necessary requirement the appearance of independent auditing.

The first important point in this period was the establishment of two auditing enterprises (Vietnam Auditing Company - VACO and Vietnam Accounting Service - ASC) which marked the formation of the independent auditing industry in Vietnam. Under the license No. 957/PPLT on May 13th 1991 of the Prime Minister, MOF signed two Decisions No. 165-TC/QD/TCCB and No. 164-TC/QD/TCCB respectively to establish

VACO and ASC (MOF [1991a, 1991b]). After that, VACO signed its first cooperation agreement with Deloitte Touche Tohmatsu Limited in 1992 and Joint Venture Auditing VACO - Deloitte Touche Tohmatsu was established in May 1995. And then, VACO officially became a member and legal representative of Deloitte in Vietnam in 1997. However, according to Vietnam's commitment to WTO in the field of auditing industry, state-owned auditing companies had to convert ownership into non-state owned. Hence, VACO was transformed into a multi-member limited liability company and has operated under name Deloitte Vietnam in May 2007. In addition, ASC was also renamed as Financial Advisory, Accounting and Auditing Services Company (AASC) in accordance with Decision No. 639-TC/QD/TCCB dated September 14th 1993 (MOF, 1993a).



(Source: Own Contribution, 2017)

Figure 8.3. The timeline of Vietnamese Independent Auditing system

The second notable point was the first appearance of a branch of foreign auditing enterprise (Ernst & Young enterprise) in Vietnam in 1991. And then, two branches of foreign auditing enterpries, namely, KPMG and PWC were appearanced in Vietnam in 1994. These foreign auditing enterprises have played very important roles to improve the legal framework of independent auditing in Vietnam. Specifically, these enterprises have worked closely with MOF, State Auditing, State Securities Commission and Vietnam Association of Certified Public Accountants (VACPA) to introduce and implement

International Standards on Auditing (ISA), IAS and IFRS into Vietnam. Thereby, they have contributed to bring VAS and VSA close proximity to international standards.

The next noteworthy point was the birth of VSA system. VSA system was set up following on ISA system and characteristics of Vietnamese economy. In Vietnam, MOF is responsibility for drafting and issuing auditing standards, meanwhile, VACPA is responsibility for disseminating, implementing and guiding the implementation of the VSAs (Issue 1st of Article 4 of Circular No. 214/2012/TT-BTC dated December 6th 2012) by promulgated the sample auditing program (MOF, 2012). VACPA was established on April 15th 2005 as one part of VAA. The process of setting up VSAs officially commenced in September 1997, and after two years, the first four VSAs were issued. During this period, the independent auditing activities based on the system of 37 VSAs which were enacted by seven decisions of MOF from 1999 to 2005 and a standards of professional ethics of accounting and auditing based on Decision No. 87/2005/QD-BTC dated December 1st 2005 (MOF, 2005c). This system was established in accordance with ISA system which were issued from 2000 to 2004. The effective period of this VSA system was from 1999-2013. However, VSA 920 was still effective until June 30th 2015 and four standards (VSA 910, VSA 930, VSA 1000 and professional ethics of accounting and auditing standard) were still effective until December 31st 2015. The system of VSA has been applied by auditing enterprises, branches of foreign auditing enterprises in Vietnam, practicing auditors and organizations and involved individuals in the process of providing services of independent auditing.

Table 8.1. The first VSA system effective from 1999-2013

NO	STANDARD NO.	NAME OF STANDARD
Decision No. 120/1999/QD-BTC (dated September 27th 1999)		
1	VSA 200	Objectives and fundamentals of auditing financial statements
2	VSA 210	Auditing contract
3	VSA 230	Auditing profile
4	VSA 700	Auditing report on financial statements
Decision No. 219/2000/QD-BTC (dated December 29th 2000)		
5	VSA 250	Considering compliance with laws and regulations in auditing financial statements
6	VSA 310	Understanding the business situation
7	VSA 500	Auditing evidence
8	VSA 520	Analytical procedures
9	VSA 510	First year audit, fiscal year balance
10	VSA 580	Director’s report
Decision No. 143/2001/QD-BTC (dated December 21st 2001)		
11	VSA 240	Fraud and error
12	VSA 300	Planning
13	VSA 530	Risk assessment and internal control

NO	STANDARD NO.	NAME OF STANDARD
14	VSA 540	Audit sampling and other selective testing procedures
15	VSA 400	Audit of accounting estimates
16	VSA 610	Considering the work of internal auditing
Decision No. 28/2003/QD-BTC (dated March 14th 2003)		
17	VSA 220	Quality control of auditing activities
18	VSA 320	Audit materiality
19	VSA 501	Additional audit evidences for special items and events
20	VSA 560	Events occurring after the date of closing accounting books and making financial statement
21	VSA 600	Use of other auditors' materials
Decision No. 195/2003/QD-BTC (dated November 28th 2003)		
22	VSA 401	Auditing in a computer information system environment
23	VSA 550	Related parties
24	VSA 570	Going concern
25	VSA 800	The auditors report on special purpose audit engagements
26	VSA 910	Engagements to review financial statements
27	VSA 920	Engagements to perform agreed-upon procedures regarding financial information
Decision No. 03/2005/QD-BTC (dated January 18th 2005)		
28	VSA 402	Audit considerations relating to entities using service organizations
29	VSA 620	Using the work of an expert
30	VSA 710	Comparatives
31	VSA 720	Other information in documents containing audited financial statements
32	VSA 930	Engagements to compile financial information
33	VSA 1000	Audit of final accounts of investment
Decision No. 101/2005/QD-BTC (dated December 29th 2005)		
34	VSA 260	Communications of audit matters with those charged with governance
35	VSA 330	The auditor's procedures in response to assessed risks
36	VSA 505	External confirmations
37	VSA 545	Auditing fair values measurements and disclosures
Decision No. 87/2005/QD-BTC (dated December 1st 2005)		
38		Professional ethics of accounting and auditing standard

(Source: Own Contribution, 2017)

8.1.2. The Vietnamese independent auditing system after Independent Auditing Law 2011

The most important point in this period was the birth of Independent Auditing Law No. 67/2011/QH12 on March 29th 2011 which was issued by the National Assembly with effective from January 1st 2012. This law has created the highest legal framework for independent auditing and played an important role in development of independent auditing industry (Lai, 2017). Firstly, this law has contributed to improve the legal effectiveness and efficiency of State management for independent auditing services and satisty the international integration requirements. Secondly, this law also enhanced the rights, obligations and responsibilities of auditing enterprises, practicing auditors and other relative partners like audited enterprises. Thirdly, this law stipulates that independent auditing is required for annual financial statements, finalization reports and other financial information to contribute publicity, transparency, detecting and preventing the breaking law of enterprises. Hence, the Auditing Law 2011 has facilitated the access of Vietnamese enterprises to auditing services, especially, it brings benefit to investors, the State and other organizations and relative individuals. In addition, on March 13th 2012, the Government issued Decree No. 17/2012/ND-CP guidlines detailly the Independent Auditing Law. This decree stipulated the list of enterprises and organizations which have to be audited by independent auditing enterprises or branch of foreign auditing enterprises in Vietnam. There are four groups audited enterprises and organization, namely, (1) foreign-invested enterprises, (2) public enterprises, securities issuers and organizations, (3) credit institutions established and operating under the laws of credit institutions, including branches of foreign banks in Vietnam and (4) financial institutions, insurance enterprises, reinsurance enterprises, insurance brokerage enterprises and branches of foreign non-life insurance enterprises.

The next notable point was the appearance of new VSA system which was enacted following on circulars dated from 2012 to 2015. Particularly, the appearance of 37 new auditing standards based on Circular No. 214/2012/TT-BTC (dated December 6th 2012) of MOF effective January 1st 2014 to mark this event. In addition, on May 8th 2015, MOF continued to promulgate new six auditing standards in accordance with four circulars, namely, Circular No. 67/2015/TT-BTC (effective July 1st 2015), Circular No. 65/2015/TT-BTC (effective January 1st 2016)**,** Circular No. 68/2015/TT-BTC (effective January 1st 2016) and Circular No. 70/2015/TT-BTC (effective January 1st 2016) (MOF [2015a, 2015b, 2015c, 2015d])**.** Six new standards replaced five auditing standards in the first stage which were effective until June 30th 2015 or December 31st 2015. Thus, in this period, the VSA system consists of 42 standards in the starting point, however, to date, the system only consists of 43 valid auditing standards.

Table 8.2. The second VSA system effective from January 1st 2014

NO	STANDARD NO.	NAME OF STANDARD
I. New issued standards		
Circular No. 214/2012/TT-BTC (dated December 6th 2012), effective January 1st 2014		
1	VSQC 1	Control quality of auditing firms, revises financial statements, assurance services and other related services
2	VSA 200	The general objective of auditors and auditing firms when conduct auditing in accordance with Vietnamese standards on auditing
3	VSA 210	Auditing contract
4	VSA 220	Control quality of auditing activities of financial statements
5	VSA 230	Documents, auditing records
6	VSA 240	The responsibility of the auditor relates to fraud in the proccess of auditing financial statements
7	VSA 250	Considering compliance laws and regulations in auditing financial statements
8	VSA 260	Discuss issues with the management department of audited entity
9	VSA 265	Discuss weaknesses of internal control with the management department and Board of Directors of the audited entity
10	VSA 300	Make a plan for auditing financial statements
11	VSA 315	Identify and assess the risks of material misstatement through an understanding of an audited entity and its environment
12	VSA 320	Materiality in planning and conducting auditing
13	VSA 330	The treated measures of auditors for assessed risk
14	VSA 402	Considering factors when audits an entity that use external services
15	VSA 450	Assess errors which was detected during the auditing proccess
16	VSA 500	Auditing evidence
17	VSA 501	Auditing evidence for special items and events
18	VSA 505	Confirmed information from outside
19	VSA 510	First year of auditing - beginning balance
20	VSA 520	Analytical procedures
21	VSA 530	Auditing sample
22	VSA 540	Auditing of estimated accounting (including estimated accounting of fair value and related explanatory notes)

NO	STANDARD NO.	NAME OF STANDARD	
23	VSA 550	Related parties	
24	VSA 560	Events occur after date of the balance sheet	
25	VSA 570	Continuous operation	
26	VSA 580	Written explanation	
27	VSA 600	Notes when auditing financial statements of corporations (including the work of auditors in member units)	
28	VSA 610	Use the work of internal auditors	
29	VSA 620	Use the work of an experts	
30	VSA 700	Forming auditing opinions and auditing reports on financial statements	
31	VSA 705	Auditing opinion is not a total acceptance	
32	VSA 706	The paragraph "emphasized issues" and "other issues" in the auditing report on financial statements	
33	VSA 710	Comparative information - comparative data and comparative financial statements	
34	VSA 720	Other information in the document of audited financial statements	
35	VSA 800	Notes when auditing financial statements which are prepared for special purposes	
36	VSA 805	Note when auditing individual financial statements and when auditing specific elements, accounts or items of financial statements.	
37	VSA 810	Reporting services on summarized financial statements	
Circular No. 65/2015/TT-BTC (dated May 8th 2015) effective January 1st 2016			
38	VSA 2400	Review service of past financial statements	
39	VSA 2410	Review mid-year financial information by the independent auditor of the enterprise	
Circular No. 67/2015/TT-BTC (dated May 8th 2015) effective July 1st 2015			
40	VSA 1000	Audit of Final Accounts of Investment	
Circular No. 68/2015/TT-BTC (dated May 8th 2015) effective January 1st 2016			
41	VSA 4400	Implementation contract of advance agreement procedures for financial information	
42	VSA 4410	Financial information services	
Circular No.70/2015/TT-BTC (dated May 8th 2015) effective January 1st 2016			
43		Professional ethics of accounting and auditing standard	
II. Four standards in the first stage were still valid			
44	VSA 910	Engagements to review financial	Expired on December

NO	STANDARD NO.	NAME OF STANDARD	
		statements	31st 2015
45	VSA 920	Engagements to perform agreed-upon procedures regarding financial information	Expired on June 30th 2015
46	VSA 930	Engagements to compile financial information	Expired on December 31st 2015
47	VSA 1000	Audit of final accounts of investment	Expired on December 31st 2015
48		Professional ethics of accounting and auditing standard	Expired on December 31st 2015

(Source: Own Contribution, 2017)

Thus, after more than 20 years of establishment and development, the number of auditing companies in Vietnam have grown rapidly, however, these companies are mainly small and medium auditing companies (Nguyen et al., 2016). According to the VACPA, in October 2016, there were 142 qualified Vietnamese auditing enterprises with more than 3,800 employees who have Vietnamese CPA provide independent auditing services (Doan, 2017). The independent auditing services have been used by about 36,000 enterprises and organizations in various economic sectors (Doan, 2017).

8.2. THE VIETNAMESE SAMPLE AUDITING PROGRAM

In 2010, within the framework of the project "Strengthen competence of VACPA" financed by the World Bank, VACPA set up the first sample auditing program which was applied by auditing enterprises. This sample auditing program was officially issued in Decision No. 1089/QD-VACPA (dated October 1st 2010) of the VACPA Chairman. The sample auditing program includes (1) sample auditing records and (2) documents on the implementation of the sample auditing program (The VACPA Chairman, 2010). According to Robert Gilfoyle - Senior World Bank Financial Management Specialist *"The sample auditing program is a great tool for many reasons. Firstly, it improves the quality of the auditing of each auditing firm. Secondly, it promotes the consistency of auditing quality across auditing firms, improves the overall quality of the audit industry and enhances their competitiveness. Higher quality auditing results in higher quality financial reporting, enhancing the integrity and reliability of financial statements in the eyes of investors and the public".*

After three years, VACPA has realized the necessity to amend and supplement the sample auditing program, especially, the sample auditing program need to update the system of 37 VSAs which issued by MOF in December 2012 and effective date from January 1st 2014. Hence, on December 23rd 2013, based on new auditing standard system, the VACPA Chairman has updated the sample auditing program in accordance with Decision No. 368/QD-VACPA which applied to auditing financial reporting (The VACPA Chairman, 2013). The sample auditing program was applied since January 1st 2014.

From 2014 - present, MOF has issued some new documents directly related to auditing practice and sample auditing records of financial statement, specifically, Circular

No. 200/2014/TT-BTC dated December 22nd 2014 on the guidance of accounting regime for enterprises, Circular No. 53/2016/TT-BTC dated March 21st 2016 amending and supplementing some articles of Circular No. 200/2014/TT-BTC and Circular No. 70/2015/TT-BTC dated May 8th 2015 on standards of professional accounting and auditing ethics. Therefore, it is urgent VACPA needs to update the changes of the above mentioned legal documents to the sample auditing program. On December 28th 2016, the VACPA Chairman signed Decision No. 366-2016/QD-VACPA promulgating the "Sample auditing program applicable to auditing financial statements" effective from January 1st 2017. Hence, to date, all Vietnamese auditing enterprises have applied new version of the sample auditing program to audit financial statements.

Currently, the sample auditing program includes (1) sample auditing records and (2) documents on the implementation of the sample auditing program (The VACPA Chairman, 2016). Specifically, documents on the implementation of the sample auditing program consists of 8 parts, namely, (A) audit planning, (B) synthetic, conclusions and reporting, (C) perfom test of controls, (D) perform substantive test - assets, (E) perform substantive test - liabilities, (F) perform substantive test - liabilities, (G) perform substantive test - income statements and (H) perform general audit procedures (The VACPA Chairman, 2016). These eight parts are organized as specific jobs of an auditing process in the sample auditing program (Figure 8.4).

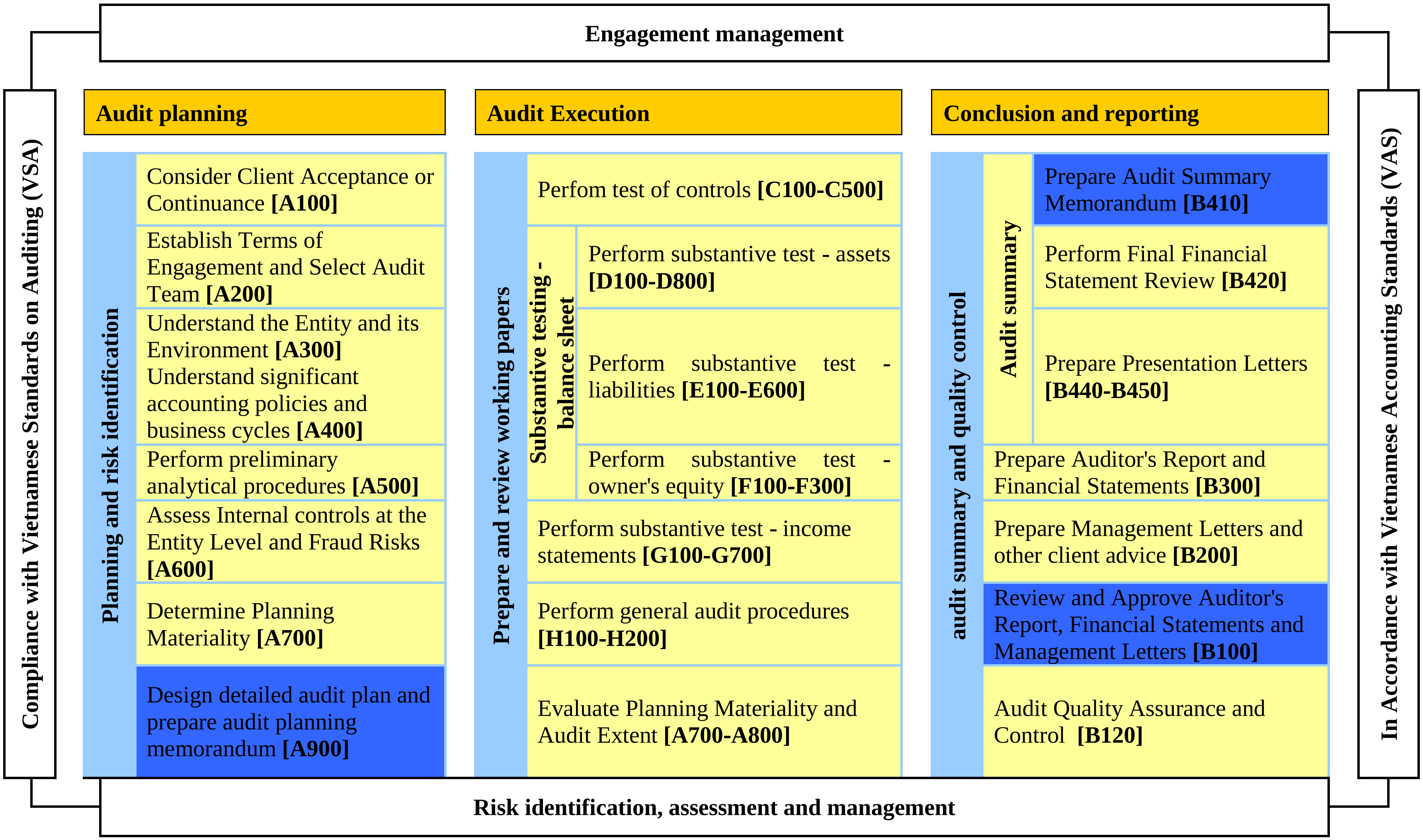
The sample auditing program was established in accordance with VSA system. Particularly, this relationship is represented detailly through the framework of auditing process in Figure 8.4. Firstly, the sample auditing program uses a risk-based auditing method. Accordingly, risk management is performed throughout whole auditing process from the identification, assessment and design of audit procedures. This is an auditing method designed in accordance with the provisions of the 37 VSAs in Circular No. 214/2012/TT-BTC. According to The VACPA Chairman (2016), in Decision No. 366/QD-VACPA dated December 28th 2016, the auditing process is divided into three phases which include (1) audit planning, (2) audit execution and (3) conclusion and reporting (Figure 8.4). Three columns "planning and risk identification, prepare and review working papers, audit summary and quality control" indicate three main auditing work groups during auditing period. The auditing steps and the working papers in three dark blue boxes "design detailed audit plan and prepare audit planning memorandum, prepare audit summary memorandum, review and approve auditor's report, financial statements and management letters" are required to sign and review by auditing management director. The other boxes are particular auditing practices of three main auditing work groups.

Secondly, in the first stage "audit planning" of the auditing process, contents of part (A) audit planning of the sample auditing program was established following on VSA 210, VSA 220, VSA 230, VSA 240, VSA 260, VSA 300, VSA 315, VSA 320, VSA 500, VSA 510, VSA 700, VSQC 1 (Circular No. 214/2012/TT-BTC) and Professional ethics of accounting and auditing standard. For example, based on VSA 700, VSA 220, VSA 230, VSA 240 and VSQC 1 of Circular No. 214/2012/TT-BTC, the sample auditing program guided the responsibilities of practicing auditors and the audit responsibility for each specific audit practices (MOF, 2012). Moreover, following VSA 230 and VSQC 1, auditing profiles need to retain adequate auditing evidences to give auditing opinion.

Auditors and auditing firms should establish and maintain audit profiles in time, integrity and confidentiality of information. In addition, the sample auditing program also indicated the auditing firms must set up and implement policies and procedures to accept new customers, maintain relationship to old customer and make auditing contract according to compliance the requirements of VSA 210, VSA 220, VSQC 1 etc.

Thirdly, in the second stage "audit execution" of the auditing process, contents of parts (C), (D), (E), (F), (G) and (H) of the sample auditing program was set up following VSA 240, VSA 250, VSA 315, VSA 510, VSA 550, VSA 560, VSA 570, VSA 620, VSA 705, VSA 720 and so on. Specifically, VSA 250 - "considering compliance laws and regulations in auditing financial statements" requires "when planning and carrying out auditing procedures, when evaluating the results and setting up the audit report, auditors must focus on issues that the audited enterprises do not comply with the law and relevant regulations. These issues may materially impact on the financial statements". To meet the requirement, the sample auditing program introduces audit procedures like interviews, observations and examination of relevant documents to use. If the behavior of non-observance of laws and relevant regulations has a material effect on the audited financial statements and auditors have to record and summarize these issues on the audit planning and discuss with an auditing director. The auditors note that the content of Management's Explaination Letter must be presented about ensuring compliance with laws and related regulations. Meanwhile, VSA 240 requires auditors to review, checks recording of accountants and other adjustments to detect lack of objectivity situation or management's interference situation (if any) and then need to review these fraudulent circumstances which have a material misstatement risk or not. The sample auditing program shows that auditors should focus on transactions at the end of financial year in general ledgers and discuss to other auditor to detect abnormal transactions of enterprise. The interview accountants procedure is also useful to discover the management's interferences on transactions at the end of financial year etc.

In the last stage "Audit summary and quality control" of the auditing process, contents of part (B) "Synthetic, conclusions and reporting" in the sample auditing program was established following on some VSA 220, VSA 260, VSA 265, VSA 450, VSA 580 etc. Specifically, VSA 700 - "Forming auditing opinions and auditing reports on financial statements" requires auditors and auditing firms have to release auditing reports with their opinions. Auditing report is a result of an audit and is represented official document of the auditing firm. Auditing report has to attach to audited financial statements. Hence, the sample auditing program shows guidelines four forms of auditing reports for different cases. These forms consist of (1) total acceptance form, (2) except for limited scope of audit form or exception due to disagreement in handling form, (3) refusal of opinion form and (4) contradictory form. In addition, VSA 260 and VSA 265 indicate that the auditors have to discuss with audited enterprises about auditing results. The sample auditing program indicates that auditing team leader and auditing manager will be practice this task at the end of the audit. The contents of discussion are (i) accounting policies of audited enterprise, (ii) compliance with current VASs, accounting law, accounting regimes, the preparation and presentation framework for financial statements, (iii) issues to be resolved before issuance of the auditing report and (iv) draft auditing opinion and so on.



(Source: The VACPA Chairman, 2016)

Figure 8.4. The process of Vietnamese Independent Auditing

8.3. THE VIETNAMESE SAMPLE AUDITING PROGRAM FOR INTANGIBLE ASSETS

Depending on auditing objectives of each type assets and guidelines of the sample auditing program, the auditing enterprises will set up the auditing situation procedure. This study will focus on introducing the auditing procedure of intangible assets in the sample auditing program of Decision No. 366-2016/QD-VACPA. Before this study already explained about the intangible assets based on IAS 38 and VAS 04. 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. In addition, this standard also stipulates that the asset details required to be recognized as intangible assets must simultaneously satisfy the following five criteria: the definition of an intangible asset; acquisition of future economic benefits from the use of such assets; the initial value of assets determined on a reliable basis; a useful life estimated greater than 1 year and qualification in terms of value under current regulations (at least 30,000,000 VND) (MOF, 2001c). As such, it seems more difficult to audit this kind of assets than the other assets. Thus, the procedure auditing of intangible assets in Vietnam is established based on auditing objectives, specifically, (1) existion, (2) under the ownership of the enterprise, (3) historical cost and amortization are fully recorded exactly and correct in financial period and (4) presented in financial statements in accordance with the applicable preparation and presentation of financial statements framework. The procedures for auditing often includes three stages, namely, general procedure, analytical procedures and check the details. The specific stages will be mentioned in the below table.

Table 8.3. The detail procedures for auditing intangible assets based on the sample auditing program of Decision No. 366-2016/QD-VACPA

NO.	AUDITING PROCEDURE
I. General procedure	
1.	Check the applied accounting policy which is consistent with previous year and is consistent with the applicable financial reporting framework
2.	Set up compilation of aggregated data sheet and compare to this data at the end of last year. Compare the balances on this data table with ledger, detail book etc and auditing work papers in previous year (if any)
II. Analytical procedures	
1.	Comparison, analysis increase and decrease of opening balance of intangible assets in this year as compared to last year, the assessment of the reasonableness of large fluctuations
2.	Check the appropriateness of useful period of intangible assets, compare useful period of intangible assets with current regulations and guidelines on management, use and amortization of intangible assets (Circular No. 45/2013/TT-BTC) and auditing standards
3.	Compare the average amortization rates of intangible assets groups with previous years and request an explanation if there is a change

NO.	AUDITING PROCEDURE
III. Check the details	
1.	**Check initial value of intangible assets**
1.1	Collect summarized changes tables of each type of intangible assets (initial value, accumulated amortization, openning balance, increases or decreases during this year and ending balance and so on). Check arithmetic accuracy and reconciliation of data with related documents of intangible assets (like ledger, detailed book and financial report)
1.2	Read skimming initial value ledger of intangible assets to find usual transaction. And then find cause and perform the checking procedure (if needed)
1.3	Auditing procedures of opening balance: - Choose a sample form to check intangible assets which has big value. - Check amortization method, useful life period and recalculate of accumulated amortization. - Check the appropriateness of intangible assets' classification
1.4	Select a sample form to check new intangible assets which increased in the financial year. After that, compare with plans and procurement of purchasing intangible assets and Director Board approval. Evaluate recognition intangible assets that fully meet the criteria of VAS 04 or not
1.5	Check repaired, maintenanced and upgraded expenses of intangible assets which were incurred during the financial year to ensure that these expenses meet fully conditions to increase the initial value of intangible assets
1.6	Examine the sale and liquidation transactions of intangible assets. Review decisions of liquidation, sale contracts, recognition of gain or loss from liquidation or sale, time to stop amortization of intangible assets
1.7	- Gather a list of intangible assets used for mortgages, restriction of use etc (in combination with the "Loan and short / long term" auditing procedure) - Gather a list of intangible assets ceased operation, out of amortization period but still in use etc (through interviews, combined with actual observation procedures)
1.8	Examine of the erasure of intangible assets and replaced by new intangible assets in financial year
2.	**Actual observation of intangible assets (if any)**
2.1	If intangible assets of audited enterprises were held by a third party (1) Get third party certification or directly observe (if importance)
2.2	Check the original vouchers of increasing transactions intangible assets in a financial year
2.3	Check the legal ownership for intangible assets through relevant evidence relative to legal documents on the ownership of intangible assets such as certification of land use right, copyrights certifications, registration certifications, tax invoices, property purchase contracts etc. - For patents and registered brands, auditors should verify with the intellectual property management agencies, and check the payment of the annual renewal fee; - For deployment costs, auditors must check to ensure that only projects that meet the new standards are capitalized and recorded as a new intangible asset.

NO.	AUDITING PROCEDURE
	In case, research costs and deployment costs do not meet the standards will be recorded as operation costs in period or allocated gradually into operation costs
3.	**Examine amortization of intangible assets:**
3.1	Collect the amortization calculation sheet for intangible assets (detail to each intangible asset) in financial year. Verifice of arithmetic accuracy and reconciliation of data with relevant documents (ledger, detailed ledger and financial statement)
3.2	Read skimming amortization ledger of intangible assets to find usual transaction. And then find cause and perform the checking procedure (if needed)
3.3	Check the appropriateness of the amortization sheet about: Classification of intangible assets classes; Amortization period as compared to the current regulations (Circular No.45/2013/TT-BTC) and the use characteristics of the enterprise; Consistency in allocated method with previous financial year, or between months of the year, between the same type of assets
3.4	Estimate independently amortization expenses in the financial year and compare with the enterprise's data
3.5	Check the reduction of accumulated amortization due to the liquidation or sale of intangible assets
3.6	Consider the difference between the allocated amortization method for accounting purposes and the tax purposes (if any) and calculate deferred corporate income tax
4	Examine the classification and presentation of intangible assets on the financial statements. - On Balance sheet: presents the beginning and ending balance of intangible assets, accumulated amortization of intangible assets - On Notes to the financial statements: Presents accounting policies which was applied for intangible assets (includes the principle of measurement initial value, amortization method and useful period); The increase and decrease situation of intangible assets by each type, as followed, initial value (consists of beginning balance, increase and decrease in period and ending balance), accumulated amortization and residual value. Check the full notes of intangible assets, specifically, intangible assets are still in use, intangible assets mortgaged for loans of enterprises, intangible assets can no be used and be waited to liquidate, intangible assets not in use.

(Source: The VACPA Chairman, 2016)

Based on actual situation of intangible assets in Vietnamese enterprises, this auditing procedure for intangible assets of the sample auditing program is very suitable. The intangible asset audit program includes basic audit procedures in accordance with the main requirements of VSAs and ISAs. To date, the type of intangible assets in Vietnamese enterprises often focuses on legal rights like software and the right to use land, copy right, patents etc. Hence, it means that these intangible assets are contained within or on physical objects like compact discs and legal documents.

The sample auditing program has been elaborated in detail and full of auditing procedures to achieve the audit objectives. Therefore, auditors will have sufficient evidences to conclude that the intangible asset of audited enterprise has no material misstatement or has been adjusted by enterprise after opinion of auditors. Trials in the intangible asset auditing program are designed clearly and flexible, so auditors may be adjusted this auditing program to suit each audited enterprise based on their experience. This auditing program will lead auditors become more active in their work, enabling the auditing program to be close to reality, improving the professional and effectiveness of the audit, saving the cost and time of the auditor.

However, in the future, the appearance of new intellecture capital like human capital (education, vocational qualification and work-related knowledge etc) and relation (customer) capital (customer loyalty, backlog orders and distribution channels etc), this auditing procedure is relatively simple and not suitable. It means that this auditing procedure need to improve to satisfy this development of intellecture capital.

Recapitulation, this chapter reviewed history and development of Vietnamese independent auditing law and VSAs for independent auditing from 1975 to now. Simultaneously, this chapter also presented the Vietnamese sample auditing program and the sample auditing program for intangible assets. To date, this auditing procedure is suitable with the current intangible assets in Vietnam.

As such, the chapter 7 and chapter 8 described clearly about the current situation of intangible assets accounting in Vietnamese enterprises and auditing procedure for intangible assets in Vietnam. Therefore, to improve Vietnamese accounting regulations for intangible assets, it is necessary to compare among Vietnam and some well-developed countries (like Japan, Germany and China) and countries of AEC on accounting regulations for intangible assets. The intangible assets accounting experience from these countries will become the ways to innovate accounting standards for intangible assets and regulations in Vietnam. Hence, the next chapter will focus on summary intangible assets accounting experience from other countries like China, Japan, Germany and AEC. The content of chapter 4 (Intangible assets conceptual framework), chapter 5 (Theoritical background of intangible assets accounting) and chapter 6 (Theoritical background of fair value and impairment of assets) affects the content of the next chapter significantly.

Chapter 9

INTANGIBLE ASSETS ACCOUNTING EXPERIENCE FROM OTHER COUNTRIES

To understand the path to innovation of Vietnamese intangible assets accounting, this study briefly describes four cases: Japan, Germany, China and AEC countries. There are reasons for this selection. First, Vietnam participated in the Association of Southeast Asian Nations (ASEAN) in 1995. In addition, Japan is one of the three members of the ASEAN Plus Three (i.e., China, Japan and South Korea) and plays advisory and assisting roles to ASEAN. Economic cooperation between Vietnam and Japan has developed successfully, particularly since the Vietnam–Japan Economic Partnership Agreement in 2009. To date, Japan is the largest Official Development Assistance donor to Vietnam. Furthermore, Japan is the third-largest importer of Vietnamese goods and is the third-largest exporter to Vietnam[1]. Thus, Japan is an important partner.

Second, Germany remains one of the biggest economies in the world, and they have achieved standardization of accounting principles and have successfully converged with IFRS. There are some similarities in accounting regimes to Vietnam. First, the accounting regimes were established based on law. The German accounting regime is governed by German Commercial Code. In Vietnam, it is accounting law. Otherwise, both accounting regimes link accounting and taxation (Blake et al., 2013).

Third, Vietnam and China have the same mechanism of socialist politics (i.e., Communism) and they are similar in terms of economy, tradition and culture (Phi, 2016). Therefore, it is easy to find a commonality between the two countries. By 2016, China was the second richest country in the world based on total estimated economic value.

Forth, the precursor of the ASEAN is an organization called the Association of Southeast Asian Nations (ASA). The ASA was a union formed in 1961, comprising The Philippines, Malaysia and Thailand. The ASEAN is as known Association of Southeast Asian Nations. The ASEAN was established on August 8th 1967 by five countries, namely, Indonesia, Malaysia, The Philippines, Singapore and Thailand. After that, the organization's membership has expanded to include Brunei Darussalam, Cambodia, Laos, Myanmar and Vietnam. As such, there are 10 members in the ASEAN. Its principal aims consist of accelerating economic growth, social progress and sociocultural evolution among its members, alongside the protection of regional stability and the provision of a mechanism for member countries to resolve differences peacefully.

On December 31st 2015, the ASEAN established AEC. The objective of AEC is to transform ASEAN into a region with free movement of goods, services, investment, skilled labor and a free flow of capital. Especially, provisions for skilled labor movement within ASEAN principally revolve around Mutual Recognition Agreements (MRAs), which allow for a worker's skills, experience and accreditations to be recognized across ASEAN, permitting them to work outside their home country. ASEAN currently has

[1] http://wits.worldbank.org/countrysnapshot/en/VNM

MRAs in place for six sectors and framework agreements in place for two more. MRAs exist for the following occupations, (1) engineering, (2) nursing, (3) architectural, (4) medicine, (5) dentistry, (6) tourism, (7) surveying framework and (8) accoutancy framework (Phan, 2016). Hence, regulatory uniformity in the accountancy sector plays an important role in the implementation MRAs. Therefore, to implement the MRAs, completing the accounting standards in each AEC country in convergence and harmonization with IAS/IFRS (Phan, 2016).

Hence, the empirical improvement of Japan, Germany, China and AEC countries in accounting for intangible assets will suggest how to innovate accounting for intangible assets in Vietnam.

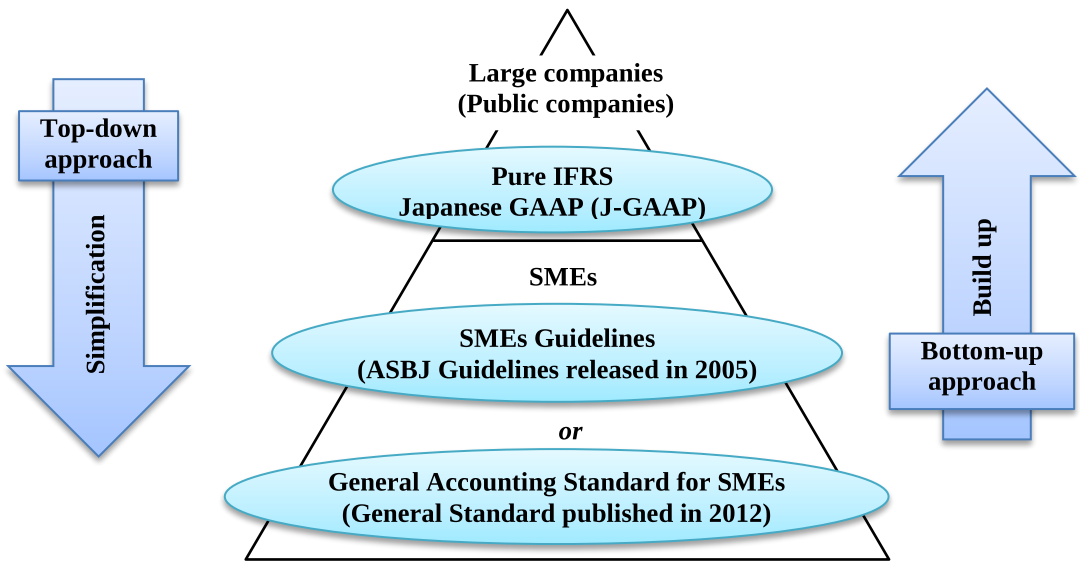
9.1. EXPERIENCE FROM JAPAN

Oguri et al. (1990) indicated that initial accounting principle of Japan was appeared in public regulations through the coordinated existence of the Securities and Exchange Law and the Commercial Code. The Commercial Code was enacted in 1890 and 1899 with responsibility of controlling company groups and creating the activities for economic development in Japan (Phi, 2016). After that, the Commercial Code was substantially revised in 2002 (Itami, 2005). Meanwhile, the Securities and Exchange Law was promulgated after the Second World War. In accordance with this law, the Securities Act and the Securities and Exchange Act was issued respectively in 1933 and 1934 in the United States. After that, the Law of Certified Public Accountants was promulgated in 1948. Notably, the Japanese Institute of Certified Public Accountants (JICPA) and the Financial Accounting Standards for Business Enterprises established in the same year, in 1949 (Oguri et al. [1990], Nobes et al. [2000]). In 1952, the organization represents business interests was found and called Business Accounting Deliberation Council (BADC). Based on the Commercial Code, MOF published the Business Accounting Principle, the JICPA enacted recommendation on accounting matters and published a specimen set of financial statements (Phi, 2016). The same author also showed that, besides the Securities and Exchange Law and the Commercial Code, all Japanese enterprises must to operate under the Corporation Tax Act.

According to Kawasaki et al. (2014), there are three domains of Japanese accounting based on three governing laws. The Financial Instruments and Exchange Act - FIEA (for large or publically traded companies) and the Companies Act (for to all other companies) are related to business accounting. The other is the Corporation Tax Act which applies to all companies and defines tax accounting. The same author also mentioned that the difference in attributes between large companies and SMEs is a basic of tending to be split between accounting systems of large companies (mainly publicly listed companies) and those for SMEs in Japanese accounting system.

In Japan, the difference in attributes between large companies and SMEs is their accounting systems (Kawasaki et al., 2014). SMEs in Japan have two choices: apply the General Standard, published in February 2012 or apply the Accounting Standard Board of Japan (ASBJ) Guidelines promulgated in August 2005. To date, both are fair and accepted practices. The approach of the ASBJ Guidelines simplifies and summarizes the Business Accounting Standards intended for large entities. The approach is top-down. Meanwhile, in 2005, concerning the convergence of Japanese Generally Accepted

Accounting Principles (GAAP) with the IFRS led to the latter's impact on Japanese SME accounting practices (Kawasaki et al., 2014). Therefore, in 2011, the government established the Review Group on SMEs Accounting and tasked it to examine how accounting could be made consistent with real-world SME issues (Kawasaki et al., 2014). In 2012, the General Standard was enacted by the Japanese government. The General Standard uses a bottom-up approach that begins with an examination of the SMEs' attributes. It designs accounting standards specific to SMEs.



(Source: Kawasaki et al., 2014)

Figure 9.1. Structure of Japanese accounting system

In contrast, enterprises that follow the Financial Instruments and Exchange Act (FIEA) accounting rules (i.e. large companies, listed companies) can apply IFRS or Japanese GAAP (J-GAAP); both conform to fair and accepted practices. Japan has allowed voluntary application of IFRS as the endeavor with the expansion of IFRS in the domestic market since March 31st 2010. However, listed companies often prepare both consolidated and non-consolidated financial statements following provisions of ASBJ or J-GAAP. The ASBJ was established in 2001 with responsibilities to the development of Japanese Accounting Standards. It is now called J-GAAP. In August 2007, the Tokyo Agreement was signed under an agreement between the ASBJ and the International Accounting Standards Board. According to this agreement, the ASBJ has been working toward converging the requirements of Japanese Accounting Standards with IFRS. In June 2011, J-GAAP was issued. It was not identical to IFRS, but was equivalent to IFRS measures adopted by the European Union in 2008 (Zimmermann et al., 2013).

In accordance to the structure of Japanese accounting system, accounting regulations for intangible assets also are particular for each company group and each accounting regime. For SMEs, according to the General Standard fixed assets shall be classified into three groups, namely, (1) property, plant and equipment, (2) intangible assets and (3) investments and other assets (Kawasaki et al., 2014). The first group consists of buildings, machinery and equipment, land etc. Intangible assets group consists of goodwill, patents, land lease rights (including surface rights), trademarks, utility model rights, design rights, mining rights, fishing rights (including common of piscary), software and leased intangible assets and similar (Regulation for Terminology, Forms and Preparation of Financial Statements 28). According to Explanation of Specific Provison 8 of the General Standard, in principle, fixed assets shall be recorded at acquisition cost which is calculated by adding associated expenses to the purchase price. Simultaneously, Article 33(1) and (2) of the ASBJ Guidelines mentioned that the acquision cost of fixed assets shall be their purchase price plus associated expenses such as commissions, transportation expenses, transportation charges, installation expenses and commissioning expenses. Small associated expenses need not be included in the acquisition cost. According to Specific Provision 8(4) of the General Standard, intangible assets shall be amortized in a reasonable manner with straight-line method. However, Article 34 of the ASBJ Guidelines, intangible assets shall be amortized using the straight-line method or other methods, which shall be applied in each period consistently over their effective lives. The useful life of fixed assets shall be an appropriate period such as that set out in the Corporation Tax Act (Specific Provision 8(5) of the General Standard). However, another appropriate period of use may be set as the asset's useful life in consideration of its nature, application, usage status etc.

For listed companies, notably, there is no comprehensive accounting standard which deals with intangible assets in J-GAAP (Ernt & Young, 2011), hence, there is no separate definition for intangible assets. However, the accounting regulations for intangible assets are mentioned in separate accounting standards such as Accounting standard for Business Combinations 28, 29, Guidance on Application of Accounting standard for Business Combination 59, 367, Accounting Standard for research and development costs 3 and Note 3 etc of J-GAAP. As said above, there are differences between J-GAAP and IFRS, and this issue will be evidenced through accounting regulations on intangible assets. Particularly, Regulation for Terminology, Forms and Preparation of Financial Statement 28 gave some examples of intangible assets such as goodwill, patents, land lease rights (including surface rights), trademarks, utility model rights, design rights, mining rights, fishing rights (including common of piscary), software and leased intangible assets and similar. Simultaneously, J-GAAP also did not show clear guidance in respect of the recognition of intangible assets (Ernt & Young, 2011). In Accounting Standard for Business Combinations 28, 29 and Guidance on Application of Accounting Standard for Business Combination 59, 367 indicated that in research and development process acquired in a business combination, acquisition costs are allocated to such assets, where they are separately identifiable and where individual project costs can be calculated reasonable and where individual project costs can be calculated reasonably, at the date of acquisition based on market price on the date of the acquisition. Intangible assets such as transferable legal rights are considered to be identifiable assets. Subsequent expenditure on the above items is treated in the same way as expenditure on internally generated research and development costs (in other words, it is expensed when incurred). Additionally, Accounting Standard for research and development costs 3 and Note 3 also mentioned the recognition guideline for research and development expenses of internally generated intangible assets, specifically, costs under development phase shall be expensed when incurred in any case, since there is normally a high degree of uncertainty about the future benefits in the research and development stage. Corporate Accounting Principles 3, 4(1)B, 5 mentioned that after initial recognition, the acquisition cost of the intangible assets must be allocated to the profit and loss each fiscal year over its useful life by using a amortization method and the unamortized balance shall be disclosed. In practice, intangible assets are generally amortized on a straight-line basis in accordance with the tax regulations. Notably, J-GAAP also indicated clearly that revaluation is not allowed in intangible assets accounting. It means that according to J-GAAP, intangible assets shall be measured subsequent to the initial recognition, at cost basis and fair value method is prohibited.

Table 9.1. The useful life of intangible assets in Japan

ITEM	**USEFUL LIFE (YEARS)**
Fishery right	10
Right to use a dam	55
Water right	20
Patent	8
Utility model right	5
Design right	7
Trademark	10
Software - Original copy for sale	3
Software - Others	5
Breeder's right - Varieties defined (Act No. 83rd year 1, 1998) Seeds and Seedlings Law in Article 4, paragraph 2	10
Breeder's right - Other	8
Goodwill	5
Right to use a private siding	30
Contact utility rights-way railway track	30
Right to use electricity and gas supply facilities	15
Right to use heat supply facilities	15
Right to use water facilities	15
Right to use water for industrial facilities	15
Rights to use telecommunications facilities	20

(Source: http://www.taxamortization.com/tax-amortization-benefit/japan.html)

In conclusion, all accounting regimes for SMEs (The General Standard and the ASBJ Guidelines) and for listed companies (J-GAAP) have the same opinions in accounting for intangible assets. Particularly, only the straight-line method is used to amortize intangible assets, and intangible assets can be fully amortized over the statutory useful lives (Soo, 2012). Soo (2012) also mentioned the amortization allowable for tax purposes must be computed in accordance with the statutory useful lives of the assets provided in the Ministry of Finance Ordinance. The tax amortization periods of intangible assets allowed in Japan are defined in the third appendix of the Ordinance Concerning the useful lives of depreciable assets of March 1965.

Additionally, all accounting regimes of Japan also mentioned impairment of fixed assets, detailly in Specific Provision 8(6) of the General Standard, Articles 34(1) & 36 of the ASBJ Guidelines and Accounting Standard for the impairment of fixed assets. In Japan, accounting for fixed asset impairment mandatorily was effective from the fiscal year ending in March 2006 (Fujiyama, 2017). This standard was enacted in the context of the global convergence of accounting standards for two purposes, namely, (1) setting a standard for fixed asset impairment harmonious with US-GAAP and IAS/IFRS and (2) providing investors with adequate information about fixed assets, especially those that have been impaired to a great extent since the collapse of the bubble economy in the early 1990s (Business Accounting Council, 2002). Fujiyama (2017) indicated the impairment standard was applied for all fixed assets such as property, plant and equipment and goodwill. In accordance with Ernt & Young (2011) indicated the impairment review process also includes two step approaches, namely, (1) complete a recoverability test (the carrying value of the asset is compared to the undiscounted cash flows to be generated through the use of the asset and on its final disposal) and (2) as a result, if the carrying value is higher than the undiscounted cash flows, the carrying value is considered to be not recoverable. Simultaneously, Accounting Standard for the impairment of fixed assets showed that an impairment loss is then recognized for the difference between the carrying value and the amount of the discounted cash flow. Notably, in Japan, reversal impairment losses are prohibited for all fixed assets (Accounting Standard for the impairment of fixed assets 32).

9.2. EXPERIENCE FROM GERMANY

Germany is a country with a code law system, where the legal regime is based on deductively developed written law (Taylor and Francis, 2011). This perspective applies even to accounting. German accounting rules are mainly enacted by the legislature and codified into law (e.g., the German Commercial Code [HGB]) (Taylor and Francis, 2011). The HGB was adopted in May 1897 and joined together with the Civil Code in force in January 1900. The first national institution with the name of Institution of Auditors (IDW) was established in 1930. Simultaneously, a Presidential Decree and the ensuing Company Law requried annual audits for large public firms in Germany (AGs - "Aktiengesellschaften") and the limited liability companies (GmbHs - "Gesellschaften mit beschränkter Haftung") in 1931 (Harston, 1993). According to Müller (1965), after the World War I several German industry groups have given uniform costing systems for their members. As the same time, the consistency of financial accounting in German enterprises was encouraged because uniform accounting decreased the burden of compliance with the accounting requirements for several different taxes. A decree of uniform accounting compulsory was issued in Germany in 1937. After that, until January 1940, uniform accounting decree was applied to all of these groups in Germany (thirty-three industry groups). In addition, German enterprises often had to pay income taxes, capital taxes and sales taxes during this period (Müller, 1965).

In the aftermath of World War II, Germany was divided by the occupying forces. The German Democratic Republic (East Germany) became one of the members of the

Eastern Bloc and this country was politically controlled by the executive committee of the communist party with a command economy and a powerful secret intelligence service. As consequences, many of the Nazi period decrees were rescinded which included the 1937 decree and subsequent modifying decrees on uniform accounting (Müller, 1965). Therefore, there were no uniform charts of accounts or plans of accounting in Germany during this time. As same case of Vietnam, during period 1949-1989, the East German economy was a state-controlled, centrally planned production and distribution system, hence, the accounting activities of enterprises only focused on preparation of reports required by the planning bureaucracy (Young, 1999). As a results, accounting system was turned into a useful tool in the ministration of the central planning economy (Young, 1999). Meanwhile, the Federal Republic of Germany (West Germany) became a parliamentary democracy with the market economy. During this period, the tax legislation became a relevant source of important accounting rules. Especially, the precursor of European Union was established in May 1950 with six countries memebers, namely, Belgium, Germany, Italy, Luxembourg, France and the Netherlands. Under public law (following regulation under the public Accountant Act - WPO - “Wirtschaftsprüferordnung”), the Chamber of Public Accountants (WPK - “Wirtschaftsprüferkammer”) was established as an independent organization in 1961. The WPK was responsible for admission, oversight, quality control and development of auditing standards. The HGB by the Federal Ministry of Justice gave accounting rules for enterprise and group accounts (Phi, 2016). It is noteworthy that a bill to reform the German Companies Act was passed after six years of preparatory work by the German Federal Parliament in May 1965. The new act became effective on January 1966 (Müller, 1965). The Accounting Directive was enacted in Germany in December 1985, after that, the specific Directive versions of various financial institution were promulgated like Bank Accounting Directive Law and the Insurance version respectively in 1990 and 1994. Moreover, in accordance with the European Harmonization process in financial accounting, HGB was modified in 1985. And then the code was adapted to conform with new laws within the European community in 1998. Wang (2009) also indicated that, besides HGB, there is the other sources of the accounting regime in Germany, namely, the German Principles of Proper Accounting (GoB - “Grundsätze ordnungsmäßiger Buchführung”). Those principles have appeared from different sources such as the accounting practice, court decisions (primary by tax courts) and the accounting literature (commentaries). Financial statements of all German enterprises are required to be drawn up based on GoB or HGB. The main accounting regulations are governed by HGB, meanwhile, the special regulations applicable to specific legal forms are mentioned in the Stock Corporation Law (for public companies) and the law on Limited Liability Companies (Wang, 2009). In addition, all other large enterprises must obey with the regulations of the Publicity Law (Wang, 2009).

In accordance with the debacle of the socialist regime in Eastern Europe and the Soviet Union from April 1989 to September 1991 and the fall of the Berlin Wall in 1989, the two parts of Germany (East and West) were formally reunited in October 1990 as the now-enlarged Federal Republic of Germany. Therefore, to promote the rapid integration of the two Germanys, the West German government (and later the first post-unication government) adopted a policy of rapid and sales-oriented privatization (Young, 1999). The objective of this policy is combination rapid privatization with the financial resources of a unified Germany (Young, 1999). Simultaneously, a large cadre of highly skilled accounting professionals from West Germany resulted in a unique and highly centralized approach to accounting change (Young, 1999). West German Law (including accounting and audit legislation) became effective, property questions were settled and large-scale privatisation of former SOEs took place. Especially, the German Accounting Standards Committee (GASC or DRSC - "The Deutsches Rechnungslegungsstandards Committee") was created by the government in 1998. This organization was a non-governmental organization and it was given the following tasks which consist of (1) development of accounting standards for listed companies' consolidated financial statements, (2) advising the German Ministry of Justice on changes in accounting standards and (3) liaison with international standard setters and representation at international accounting committees. In addition, the German Accounting Standards Board (GASB) has been implemented following the model of the US Financial Accounting Standards Board in 1999. The GASB was established with seven independent experts with background in auditing, financial analysis, academia and industry. As a rule, GASB deliberations following a due process and meetings are open. Once issued, the standards must be approved and published by the Ministry of Justice. The GASC oversees the GASB in the task of the technical work and issues the accounting standards. Notably, GASB standards are authoritative recommendations and only apply to consolidated financial statements. The objective of GASB is development a set of German standards compatible with IAS/IFRS. Since its founding, the GASB has enacted German Accounting Standards (GAS) on issues such as cash-flow statements, segment reporting, deferred taxes and foreign currency translation. Some GASs relate to intangible assets which were adopted by the GASC, namely, GAS 12 - Non-current Intangible Assets (dated on July 8th 2002), GAS 4 - Acquisition Accounting in Consolidated Financial Statements (dated on August 29th 2000) and GAS 24 - Intangible Assets in Consolidated Financial Statements (dated on October 30th 2015).

In June 2002, the EU adopted an IAS Regulation requiring European companies listed in an EU securities market, including banks and insurance companies, to prepare their consolidated financial statements in accordance with IFRS, beginning with financial statements for FY 2005. Each EU Member State must select one of four approaches for implementation: require or permit IFRS for unlisted companies; require or permit IFRS for parent company (unconsolidated) financial statements; permit companies whose only listed securities are debt securities to delay IFRS adoption until 2007; or permit companies listed on exchanges outside of the EU that currently prepare their primary financial statements using a non-EU GAAP (e.g., United States [US-GAAP]) to delay IFRS adoption until 2007. Therefore, as an EU Member State, German companies listed in an EU/EEA securities markets have applied IFRS since 2005. The process adopted IAS/IFRS in Germany is summarized by IASplus, as follows:

Table 9.2. The German accounting system

ITEM	LISTED COMPANIES	COMPANIES THAT HAVE APPLIED FOR LISTING	NON-LISTED COMPANIES
CONSOLIDATED FINANCIAL STATEMENTS	Mandatory adoption of IFRS starting January 1st 2005	Mandatory adoption of IFRS starting January 1st 2007	Option to choose between HGB and IFRS starting January 1st 2003
INDIVIDUAL FINANCIAL STATEMENTS	All companies must prepare financial statements in accordance with HGB. For informative purposes, they may also prepare financial statements in accordance with IFRS. Starting January 1st 2005, large corporations may use IFRS instead of HGB for publishing their individual financial statements in the Federal Gazette.		

(Source: https://www.iasplus.com/en/jurisdictions/europe/germany)

Therefore, there are differences between German GAAP and IAS/IFRS in accounting principles. Particularly, in accordance with HGB, the valuation at historical cost accounting convention is the most important when using German GAAP. Especially, revaluations are not allowed in the German accounting regime. There are only two exception of using revaluation which compose of (1) banks/financial institutions, where all financial instruments are held for trading to be carried at fair value and (2) assets that are withdrawn from all other creditors and only accessed to the pension liability or comparable long-term liabilities. Moreover, these differences are showed detailly in the accounting regime for intangible assets. According to IAS 38, regulations of the initial recognition of intangible assets are stated at cost, all of which can be directly attributed or allocated to meet creating, producing and preparing the asset from the date of recognition comprises. Subsequently, intangible assets are accounted for using the cost model or the revaluation model. Intangible assets may be finite or indefinite. Meanwhile, under German GAAP, intangible assets are initially measured at cost being paid the fair value of the consideration. Acquired intangible assets are capitalized and amortized over useful economic life (GAS 12). Subsequently intangible assets are accounted for at amortized cost. However, internally generated intangible assets (software, brands and so on) are not allowed to be capitalized (§248; 2 HGB). Revaluations are only permitted if the impairment is permanent (GAS 12). According to §266 (2) HGB, there are three main kinds of intangible assets, namely, (1) concessions, industrial and similar rights and assets and licenses in such rights and assets, (2) goodwill and (3) payments on account. Following to German tax law, intangible assets are amortized straight-line over their estimated useful lives. In accordance with GAS 24, if the entity-specific useful life of internally generated non-current intangible assets cannot be estimated reliably in exceptional cases, they are amortized over a period of ten years. Intangible assets that can be used indefinitely are not amortized. However, GAS 4 said that the useful life of goodwill may only exceed five years in exceptional cases.

9.3. EXPERIENCE FROM CHINA

People's Republic of China was established on October 1st 1949 by the Chinese Communist Party (Zhang, 2005). As same year, MOF was built within the Central Government as the department in charge of accounting affairs and commenced to unify the variety of accounting systems inherited from the old society (Zhang, 2005). Zhang (2005) summarized that from 1949 to present, the China's economy and Chinese accounting system have undergone three periods of change (1949-1978, 1978-1992 and 1992-present). During the first period (1949-1978), the Chinese economy had characteristics of a centrally planned economy and was affected dramatically by Soviet economy (Zhang, 2005). It means that all resources of production in the country belonged to State ownership, and the only form of economic entity was basically the SOE. Notably, the appearance of "Fund Accounting" was the accounting rules and regulations which were used for the maintenance of administrative control over state-owned assets and to strengthen the financial discipline of the SOEs and thereby safeguard state-owned assets. The primary function of the Chinese accounting system was to provide financial information on the use of state funds to both the enterprise management and government ministries (Solas and Ayhan, 2008).

In the second period (from 1978 to 1992), China had reformed economy, specially the moving from a socialist, centrally controlled and planned economy to socialist commodity economy with purpose to rescue the economy and state power from the verge of collapse (Zhang, 2005). Particularly, in December 1978, Deng Xiaoping implemented a new "Open door" policy to improve a new policy and reform China's economy. The research of Rask et al. (1998) indicated that Deng's transformation in China created the "socialist market economy with Chinese characteristics". Detailly, Chinese government allows to liberalize the economic sphere whereas maintaining a tight grip on the state-owned core under leadership of the communist party (Solas and Ayhan, 2008). Notably, in 1979, the Joint Venture Law was promulgated, hence, a separate set of accounting rules and regulations was also formulated to govern the preparation of financial statements by these joint ventures and other foreign invested enterprises. In addition, Chinese government issued numerous commercial laws in the early years of Deng's modernization movement like The Equity Joint Venture Law, The Foreign Enterprise Law, The Patent Law, The Trade Marks Law, The Corporations Law and various tax laws (Auyeung and Ivory, 2003). During this period, Chinese accounting system underwent the transition and the construction of accounting norms; which served for the commodity economy (Zhang, 2005). Especially, the Accounting Law was enacted by National People' Congress in 1985. The Accounting Law regulated accounting responsibilities, accounting procedures and legal responsibilities for SOEs (Solas and Ayhan, 2008). The Accounting Law also defines the roles of the governmental department on accounting issues and specifies the fundamental requirements of accounting practices, accounting procedures and accounting supervision. The Accounting Law indicated MOF to administer nationwide accounting issues, including the promulgation of uniform accounting regulations/accounting standards that must be complied with throughout the country by all the applicable companies. In addition, the accounting regulations for joint ventures were also issued by MOF in 1985 (as known "Accounting System of the People's Republic of China for Joint Ventures Using Chinese and Foreign Investment" and "Chart of Accounts and Forms of Accounting Statements for Industrial Joint Ventures Using Chinese and Foreign Investment") (Sun, 2011). In 1987, the organization representing the accountant profession in China was set up that controlled by MOF, with namely the Chinese Institute of Certified Public Accountants (CICPA). This organization has tasks which are reviewing and authorization of accountants, supplying services to its members and monitoring of professional ethics and quality of services provided by members (as known professional accountants) (Ionela-cristina, 2014). However, as same case of Vietnam, CICPA has no positive role in the development and establishment of accounting standards, this power is solely the responsibility of MOF (Ionela-cristina, 2014). Especially, the establishment of three stock exchanges, namely, the Shanghai Stock Exchange (SHSE) in 1990, the Shenzhen Stock Exchange (SZSE) in 1991 and the Chinese Securities Regulatory Commission (CSRC) in 1992 promote the development of Chinese economy (Peng et al., 2008). Immediately, MOF of China issued the Accounting System for Selected Shareholding Companies in May 1992 (Haw et al., 2000).

In the third period (from 1992 to present) China's economy has become socialist market economy, meanwhile, Chinese accounting system also transformed to a new accounting system which served for the socialist market economy (Zhang, 2005). In 1993, the Accounting Law was also revised for suitable with the change of Chinese economy in this period. This amendment version of Accounting Law widened the Accounting Law's scope to include all business and government organizations (Narayan and Reid, 2000). In 1999, the Accounting Law continued modifying. This amendment version of Accounting Law clarified the respective roles and responsibilities of the State, organization managers and accountants for accounting procedures to emphasize the importance of "true and complete view" of accounting information (Solas and Ayhan, 2008). In 2001, the Chinese accounting system transformed to a uniform system with the appearance of a new comprehensive Accounting System for Business Enterprises (ASBE) (Jiang, 2006). Particularly, in 2001, MOF enacted a new comprehensive ASBE which was known as one unique accounting system in China with effective dated January 2002. The ASBE comprises 16 specific accounting standards and other related accounting regulations. Particularly, 16 specific accounting standards include (1) inventories, (2) fixed assets, (3) intangible assets, (4) investment, (5) borrowing costs, (6) debt restructuring, (7) revenue, (8) construction contracts, (9) lease, (10) exchange of non-monetary assets, (11) contingencies, (12) accounting policies, changes of accounting estimates and correction of errors, (13) cash flow statements, (14) events after the balance sheet date, (15) interim financial reporting and (16) related-party disclosures. This ASBE replaced the original different accounting system used by Joint-Stock Limited Enterprises and Foreign Investment Enterprises. The ASBE is applicalbe to all types of enterprises, including SOEs and foreign-invested enterprises. However, the recognition and measurement principles under ASBE had some differences with IFRS. For examples, fair value measurement is not allowed, recognition of deferred tax is not mandatory, the concepts of financial instruments and share-based payments are not introduced, preparation of consolidated financial statements is not mandatory for non-listed enterprises.

Subsequently, to suit the development of China's market economy and convergence with international practices, a series of new ASBE was promulgated on February 15th 2006 (i.e., "New Accounting Standards"). The new ASBE included the revised ASBE Basic Standard, 22 newly promulgated standards and 16 revised standards. The ASBE became effective on January 1st 2007. The ASBE is applicable for all listed enterprises and becomes effective for financial institutions and large- and medium-sized SOEs in the following years as required by various authorities. The ASBE forms a comprehensive basis of accounting and is converged with IFRS. In April 2010, the Chinese MOF released a roadmap for the continuing convergence of ASBE in accordance with the revision and improvement of IFRS. As of April 2012, ASBE comprised one basic standard, 38 specific standards, application guidance for 32 specific standards, 4 interpretations and 4 yearly issued annual report guides. Notably, in December 2007, the ASBE was identified equivalence to Hong Kong Financial Reporting Standards (Phi, 2016), which are identical to IFRS, including all recognition and measurement options. Therefore, the Hong Kong Stock Exchange has accepted the listed enterprises that used ASBE to prepare and present their financial statements and that were audited by an approved mainland audit enterprise since December 2010. Meanwhile, the EU Commission permits Chinese issuers to use ASBE when they enter the EU market without adjusting their financial statement in accordance with IFRS endorsed in 2005.

In addition, the Accounting Standards for Small Business Enterprises (ASSBE) issued by MOF in November 2011 apply to small enterprises that have not yet adopted ASBE. It was effective on January 1st 2013. The main objectives of ASSBE are to simplify the bookkeeping of small enterprises and to eliminate the differences between the books and taxes as much as possible. However, small enterprises that fall into one of the following three categories are not allowed to adopt ASSBE: small enterprises that issue publicly traded shares or bonds; small enterprises that are financial institutions or have the nature of financial institutions; and small enterprises that are parents or subsidiaries within a consolidation group.

In conclusion, the term China Generally Accepted Accounting Principles refers to Chinese Accounting Standards which was issued by the Accounting Regulatory Department of the Chinese MOF, which is the sole authority that sets accounting standards in China (Mirza and Ankarath, 2012). To date, the Chinese Accounting Standards framework is based on two sets of accounting standards, namely, ASBE and ASSBE (Mirza and Ankarath, 2012). The structure of ASBE and ASSBE are assessed as similar to the US-GAAP and IFRS.

Under ASSBE system, intangible assets accounting regulations are based on the guidelines in part 4 (Intangible assets) of Chapter 2 of ASSBE. Meanwhile, under ASBE system, ASBE 6 on intangible assets was issued by MOF in February 2006 and was revised in 2010. Simultaneously, the appearance of ASBE 8 explains the provisions of impairment of intangible assets and ASBE 20 describes the treatment of intangible assets acquired as a part of business combination. In generally, the contents of ASBE 6 and the contents of ASSBE (Part 4 of Chapter 2) almost like the contents of IAS 38. However, there are still different points among these standards. First of all, in accordance with ASBE 6 and ASSBE (Chapter 2), intangible assets refer to the identifiable non-monetary assets possessed or controlled by enterprises which have no physical shape. Secondly, after initial recognition, only cost model is chosen to record intangible assets. It means that revaluation model is not allowed in Chinese accounting standard. Thirdly, although the “impairment” perspective of ASBE 6 and ASSBE (Chapter 2) is almost same IAS 38, the reversal of impairment losses are prohibited in ASBE 6 and ASSBE (Chapter 2). The last point is the different concepts of “research” and “development” terms. According to ASBE 6 and ASSBE (Chapter 2), the term "research" refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge.

Meanwhile, the term "development" refers to the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, substantially improved material, device and product. The reason of these different points is very difficult to identify intangible assets. In addition, the cost model decreases the risk of manipulation in recording transactions of accountants or managers (Elliot and Elliot, 2009). Moreover, the prohibition of impairment losses reversal is totally situation with prudent principle. Particularly, as same case of Vietnam, a land-use right for a finite term is recognized as an intangible asset in China. Because all lands are owned by the state in China, enterprises should normally make a lump sum payment to obtain a land-use right for a certain period of time. The land-use is recognized as an intangible asset and is amortized over its approved land-use period.

From the above analysis, this section summarizes and compares important points of general accounting systems and regulations for intangible assets among the discussed four countries. Based on these points, this study suggests how to innovate accounting for intangible assets in Vietnam.

Table 9.3. Summary accounting regulation systems and intangible assets accounting regulations in Japan, Germany, China and Vietnam

<table>
<tr><th>ITEM</th><th>JAPAN</th><th>GERMANY</th><th>CHINA</th><th>VIETNAM</th></tr>
<tr><td colspan="5">General accounting systems</td></tr>
<tr><td>Separate enterprises into different groups</td><td>1. Large companies group and
2. SMEs group</td><td>1. Listed companies and companies that have applied for listing group and
2. Non-listed companies group</td><td>1. Large companies group and
2. SMEs group</td><td>1. Large companies group and
2. SMEs group</td></tr>
<tr><td>Accounting standards for the 1st group</td><td>J-GAAP or pure IAS/IFRS</td><td>° For consolidated financial statement: apply IAS/IFRS
° For individual financial statement: apply HGB</td><td>ASBE</td><td rowspan="2">VAS</td></tr>
<tr><td>Accounting standards for the 2nd group</td><td>ASBJ Guidelines or General Accounting Standards for SMEs</td><td>° For consolidated financial statement: apply IAS/IFRS or HGB
° For individual financial statement: apply HGB</td><td>ASSBE</td></tr>
<tr><td>The convergence with IAS/IFRS</td><td colspan="3">Near-full convergence with IAS/IFRS. The accounting standards systems of three countries are evaluated equivalent with IAS/IFRS in quality and quantities</td><td>Low convergence with IAS/IFRS</td></tr>
<tr><td colspan="5">Accounting regulations for intangible assets</td></tr>
<tr><td>Accounting standards have applied</td><td>° For 1st group: No comprehensive accounting standard that</td><td>° For enterprises apply IAS/IFRS system:
IAS 38 –Intangible assets
° For enterprises apply HGB system:</td><td>° For 1st group: ASBE 6 – Intangible assets</td><td>VAS 04 – Intangible assets</td></tr>
</table>

ITEM	JAPAN	GERMANY	CHINA	VIETNAM
	deals with intangible assets in J-GAAP ° For 2nd group: Specific Provision 8 of General Standard, Articles 33 and 34 of ASBJ Guidelines	GAS 12 –Non-current intangible assets GAS 4 –Acquisition Accounting in Consolidated Financial Statements GAS 24 –Intangible Assets in Consolidated Financial Statements	° For 2nd group: Part 4 (Intangible assets) of Chapter 2 of ASSBE	
Minimum value of intangible assets	Not mentioned			30,000,000 VND
Initial recognition	An intangible asset shall be measured initially at cost			
Models will be used to record after initial recognition	Only cost model	Cost model or revaluation model	Only cost model	Only cost model. However, accumulated impairment losses is not included inside this model
Revaluation model	Not allowed	Allowed	Not allowed	Not yet mentioned
Indefinite intangible assets	Are not amortized but are impaired annually by comparing its recoverable amount with its carrying amount			Are not amortized and are not impaired annually
Finite intangible assets	Amortized over useful economic life			
Amortization method of finite intangible assets	Straight-line method, the diminishing-balance method, and the units of production. However, the straight-line method is often used to apply	For IAS/IFRS: three amortization methods can be applied For HGB: only straight-line method can be applied	Straight-line method	Three amortization methods can be used. However, the straight-line method is often used to apply
Reversal of impairment for intangible	Are prohibited	Allowed	Are prohibited	Not yet mentioned

ITEM	JAPAN	GERMANY	CHINA	VIETNAM
assets				
Internally generated goodwill, brands, etc	Expenditure on internally generated intangible assets such as brand, mastheads, publishing titles, customer lists and similar items cannot be capitalised			
Land-use right	Not mentioned	° For enterprises apply IAS/IFRS system: Not mentioned ° For enterprises apply HGB system: Recognized as a tangible asset	Recognized as an intangible asset	

(Source: Own Contribution, 2018)

9.4. EXPERIENCE FROM ASEAN ECONOMIC COMMUNITY

Table 9.4 summarizes the adoption of IAS/IFRS of each member in AEC. The adoption of IAS/IFRS of ten countries in AEC are classified into three groups (Phan, 2016). In the first group, some AEC member countries have accepted the application of the entire content of the IAS/IFRS such as Brunei Darussalam, Cambodia and Lao PDR. In the second group, countries issued their national accounting standards based on IAS/IFRS and have updated regularly as the Philippines, Indonesia, Malaysia and Singapore. Meanwhile, in the last group, countries enacted their national accounting standards based on IAS/IFRS and are almost unchanged with new features like Myanmar, Thailand and Vietnam.

Table 9.4. The summary of adoption IAS/IFRS in each country members of AEC

No.	Country	Extent of IAS/IFRS application		Extent of IAS/IFRS for SMEs application
		Domestic public companies	Foreign companies	
1	Brunei Darussalam	There is no stock exchange in Brunei Darussalam. The country adopted full IFRSs for financial institutions, like banks, financial institutions, insurance and takaful companies effective January 1st 2014	There is no stock exchange in Brunei Darussalam.	The IFRSs for SMEs is under consideration.
2	Cambodia	IFRSs adopted without modification as Cambodian International Financial Reporting Standards are required for listed entities, but mandatory adoption for banks, insurance companies, and microfinance institutions deferred to January 1st 2016	IFRSs are required for listings by foreign companies.	Only SMEs subject to a statutory audit are required to use IFRSs for SMEs.
3	Indonesia	Indonesia has not adopted	All foreign	No

No.	Country	Extent of IAS/IFRS application		Extent of IAS/IFRS for SMEs application
		Domestic public companies	Foreign companies	
		IFRSs for reporting by domestic companies. Indonesian Financial Accounting Standards are based on IFRSs that were effective at January 1st 2009 with some modifications. Indonesia has been converging IFASs toward IFRSs, but without a plan for full adoption of IFRSs.	companies whose securities trade in a public market are required to use Indonesian Financial Accounting Standards.	
4	Lao PDR	The IFRS Foundation has yet to release the jurisdictional profile of Lao PDR, but based on the research of Ernst & Young (2014), Lao PDR plans to fully adopt IFRS in 2014 and to cover the listed companies.		
5	Malaysia	Public companies are required to use the Malaysian Financial Reporting Standards Framework, which is substantively equivalent to IFRSs.	IFRSs are permitted for listings by foreign companies	SMEs are permitted to use the Malaysian Private Entities Reporting Standards, which is substantively equivalent to the IFRSs for SMEs except for the requirements for property development activities plus some terminology changes.
6	Myanmar	Public companies and financial institutions are required to use Myanmar Financial Reporting Standards (MFRSs), which are substantively identical to the 2010 versions of IFRSs.	There are no foreign companies whose securities trade in a public market in Myanmar.	Myanmar has adopted the IFRSs for SMEs as the MFRSs for SMEs. SMEs are permitted to use the MFRSs for SMEs or full MFRSs.
7	The Philippines	Philippines has adopted full IFRSs as Philippine Financial Reporting Standards (PFRSs) with several limited modifications to IFRSs.	IFRSs adopted as PFRSs are required.	Philippines has adopted the IFRSs for SMEs as the PFRSs for SMEs without any modifications.
8	Singapore	Listed companies are required to use Singapore Financial Reporting Standards (SFRSs), which are substantially	All foreign companies listed on the Singapore Exchange are	The IFRSs for SMEs is permitted.

No.	Country	Extent of IAS/IFRS application		Extent of IAS/IFRS for SMEs application
		Domestic public companies	Foreign companies	
		converged with IFRSs. However, with permission of the securities regulator, listed companies may use IFRSs as issued by the Board.	permitted to apply IFRSs under the Listing Rules. Specifically, foreign companies whose equity securities have a primary listing in Singapore are required to apply SFRSs, IFRSs or US GAAP, while those with a secondary listing are required only to reconcile their financial statements to SFRSs, IFRSs or US GAAP.	
9	Thailand	Thai Accounting Standards (TASs) are required. TASs are substantially converged with IFRSs, though the financial instruments Standards that are part of IFRSs have not yet been adopted. TASs include several national financial instruments standards that differ from IFRSs.	IFRSs are permitted, but currently no foreign companies are traded on the Stock Exchange of Thailand.	The IFRSs for SMEs is under consideration.
10	Vietnam	No. Vietnam has not adopted IFRS Standards. All listed companies must apply VAS system which is based on IAS system issued up to 2003. IFRS required for state-owned banks and permitted for commercial banks.	No.	VASs are required.

(Source: Ernst & Young [2014] and The IFRS Foundation [2017]. Available at http://www.ifrs.org)

Table 9.5. The summary adoption accounting standard on intangible assets accounting of each country members of AEC

No.	Country	Accounting Standard has been applied	Main Contents of Standard
1	Brunei Darussalam	IAS 38 – Intangile assets	An intangible asset should be measured initially at cost. After initial recognition, an intangible asset should be chosen cost model or revaluation model to record. Reversal impairment losses are allowed for intangible assets. For intangible assets with indefinite life, the asset will be not amortize, only tested for impairment. For intangible assets with finite life, the asset will be amortized over useful life. Three amortization methods like straight-line method, diminishing balance method and units of production method can be used. Amortization should commence when the asset is available for use. The amortization period and the amortization method should be reviewed at least at the end of each financial year. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance shall not be recognized as intangible assets.
2	Cambodia		
3	Lao PDR		
4	Indonesia	Indonesia Financial Accounting Standard No. 19 (PSAK 19) – Intangible assets	PSAK 19 is consistent with IAS 38 in all significant respects. An intangible asset should be measured initially at cost. After initial recognition, an intangible asset should be chosen cost model or revaluation model to record. Reversal impairment losses are allowed for intangible assets. For intangible assets with indefinite life, the asset will be not amortize, only tested for impairment. For intangible assets with finite life, the asset will be amortized over useful life. Three amortization methods like straight-line method, diminishing balance method and units of production method can be used. Amortization should commence when the asset is available for use. The amortization period and the amortization method should be reviewed at least at the end of each financial year. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance shall not be recognized as intangible assets.
5	Malaysia	Malaysian Financial Reporting Standard No. 138 (MFRS 138) – Intangible Assets	MFRS 138 is substantively equivalent to IAS 38. An intangible asset should be measured initially at cost. After initial recognition, an entity shall measure intangible assets at cost less any accumulated amortization and any accumulated impairment losses. Reversal impairment losses are allowed for intangible assets.

No.	Country	Accounting Standard has been applied	Main Contents of Standard
			For intangible assets with indefinite life, the asset will be not amortize, only tested for impairment. For intangible assets with finite life, the asset will be amortized over useful life. The entity shall choose an amortization method that reflects the pattern in which it expects to consume the asset's future economic benefits. If the entity cannot determine that pattern reliably, it shall use the straight-line method. The amortization period and the amortization method should be reviewed at least at the end of each financial year. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance shall not be recognized as intangible assets.
6	Myanmar	Myanmar Accounting Standard No. 38 (MAS 38) – Intangible assets	MAS 38 is consistent with IAS 38 in all significant respects. An entity shall measure an intangible asset initially at cost. After initial recognition, an entity shall measure intangible assets at cost less any accumulated amortization and any accumulated impairment losses. Reversal impairment losses are allowed for intangible assets. A variety of amortization methods like the straight-line method, the diminishing balance method and the unit of production method can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life.
7	The Philippines	Philippines Accounting Standard No. 38 (PAS 38) – Intangible assets	PAS 38 is substantially converged with IAS 38. An intangible asset should be measured initially at cost. After initial recognition, an intangible asset should be chosen cost model or revaluation model to record. For intangible assets with indefinite life, the asset will be not amortize, only tested for impairment. For intangible assets with finite life, the asset will be amortized over useful life. Amortization method of intangible assets is pattern used by the entity, otherwise, straight line method. The change in amortization method or useful life shall be treated currently and prospectively. Amortization should commence when the asset is available for use.
8	Singapore	Singapore Financial Reporting Standard No. 38 (SFRS 38) – Intangible assets	SFRS 38 is totally converged with IAS 38. An intangible asset should be measured initially at cost. After initial recognition, an intangible asset should be chosen cost model or revaluation model to record. Reversal impairment losses are allowed for intangible assets. For intangible assets with indefinite life, the asset will be not amortize, only tested for impairment.

No.	Country	Accounting Standard has been applied	Main Contents of Standard
			For intangible assets with finite life, the asset will be amortized over useful life. Three amortization methods like straight-line method, diminishing balance method and units of production method can be used. Amortization should commence when the asset is available for use. The amortization period and the amortization method should be reviewed at least at the end of each financial year. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance shall not be recognized as intangible assets.
9	Thailand	Thai Accounting Standard No. 38 (TAS 38) – Intangible assets	TAS 38 has been updated regularly to converge with IAS 38 and TAS 38 has revisions with changes in some principle. An intangible asset should be measured initially at cost. After initial recognition, an intangible asset should be chosen cost model or revaluation model to record. Reversal impairment losses are allowed for intangible assets. For intangible assets with indefinite life, the asset will be not amortize, only tested for impairment. For intangible assets with finite life, the asset will be amortized over useful life. Amortization method of intangible assets is pattern used by the entity, otherwise, straight-line method. The change in amortization method or useful life shall be treated currently and prospectively. Amortization should commence when the asset is available for use.
10	Vietnam	Vietnamese Accounting Standard No. 04 (VAS 04) – Intangible assets	VAS 04 has not yet updated since promulgating and VAS 04 has some differences with IAS 38. An intangible asset should be measured initially at cost. After initial recognition, an intangible asset is recognized by cost model. However, in this model, the impairment of assets is not yet mentioned. For intangible assets with indefinite life, the asset will be not amortize and not impairment. For intangible assets with finite life, the asset will be amortized over useful life. Three amortization methods like straight-line method, diminishing balance method and units of production method can be used. Amortization should commence when the asset is available for use. The amortization period and the amortization method should be reviewed at least at the end of each financial year. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance shall not be recognized as intangible assets.

Phan (2016) also mentioned IAS/IFRS adoption for SMEs of countries in AEC. There are four countries that have adopted fully IFRS for SMEs, namely, Cambodia, Lao PDR, Singapore and the Philippines. Meanwhile, four countries have issued and adopted accounting standards system for SMEs like Malaysia and Myanmar. Brunei Darussalam and Thailand tend to be promulgated while Vietnam has not yet issued a separate accounting standard for SMEs. In addition, based on the brief discussion above, to date, Vietnam ranks the lowest level of IAS/IFRS implementation status.

As such, all countries in AEC (except for Vietnam) have high consistency in intangible assets accounting; and this trend is very harmonization with IAS 38. Specificially, these countries have used accumulated impairment of intangible assets after initial recognition the intangible asset. Additionally, reversal impairment losses are allowed for intangible assets etc. In the trend of harmonization with IFRS/IAS and making good accounting environment in AEC, Vietnam should be updated these issues in VAS 04.

- Summary

Currently, many countries in the world are moving towards the trend of converging IFRS (Dao and Dang, 2017). In the context of globalization of accounting, Vietnam has to conduct integration process with IFRS. It means that Vienam needs to reform accounting sector in accordance with the convergence with IAS/IFRS. According to Dao and Dang (2017), Vietnam can be consider three models to adopt IAS/IFRS. The first model is full replacement VAS by IAS/IFRS, Vietnam only issues standards for special accounting issues which have not yet mentioned in IAS/IFRS. This model is known as convergence by applying direct IFRS (full or near-full convergence). The second model is known as convergence by alignment with IFRS in reciprocal way. The last model is "reception with modification IAS/IFRS" or convergence by moving local GAAP towards IFRS (partial convergence). Among three methods, at this time, the last model is suitable to Vietnamese circumstances.

Especially, these countries separate enterprises into different categories, namely, (1) listed or large enterprises and (2) SMEs. After that, each enterprise group has applied identified accounting standards system. The listed enterprises often apply pure IAS/IFRS or national accounting standards system which is near-full convergence with IAS/IFRS. Meanwhile, the SMEs apply pure IAS/IFRS for SMEs or national accounting standards system. Notably, the accounting standards system of the SMEs is often designed more simple than that of the listed enterprises.

Moreover, this study analyzes the experience of these countries on intangible assets accounting, which will provide a path to innovation for intangible assets accounting in Vietnam. First, a cost model should include accumulated impairment. Furthermore, reversal impairment losses are prohibited for intangible assets. Second, indefinite intangible assets should be impaired annually by comparing its recoverable amount with its carrying amount. The last point is that VAS 04 should be updated in accordance with the latest version of IAS 38 and the conditions of Vietnamese economy.

The next chapter will emphasize on analyzing one kind of intangible assets, namely, brand. Specifically, the next chapter summarizes history and development of SOEs, the equitization process of Vietnamese SOEs and current situation of independent valuation enterprises in Vietnam. Especially, the chapter 10 focuses on the brand valuation regulations during the Vietnamese SOEs equitization process. Simultaneously, the chapter 10 also discusses about the brand valuation approaches in accordance with IVS and ISO. Notably, the contents of chapter 3 (History and development of Vietnamese accounting system), chapter 4 (Intangible assets conceptual framework), chapter 5 (Theoritical background of intangible assets accounting), chapter 6 (Theoritical background of fair value and impairment of assets) and chapter 7 (Current situation of intangible assets accounting in Vietnam) are the basic knowledge to develop the content of the brand valuation issue of Vietnamese SOEs in equitization process in the chapter 10.

Chapter 10

EQUITIZATION VIETNAMESE STATE-OWNED ENTERPRISES AND BRAND VALUATION STANDARDS

10.1. HISTORY AND DEVELOPMENT OF VIETNAMESE STATE-OWNED ENTERPRISES

According to Nguyen (2015), before 1986 Vietnamese economy model was influenced strongly by the Soviet Union's economy model. This economy focused on four main targets, namely, (1) totally removing private ownership, (2) creating the socialist public ownership which includes state ownership and collective ownership, (3) completely eliminating market mechanisms and (4) setting the management system of the centrally subsidized, planned economy. That is why, in the economy, there were three major economic units, namely, SOEs, factories and cooperatives. Product distribution was based on a plan of the state (from established to implemented and coordinated stages), and did not follow the basic rules of market economy, like the rule of value, the rule of supply and demand. It was called in-kind economy through the “allocation - submition”.

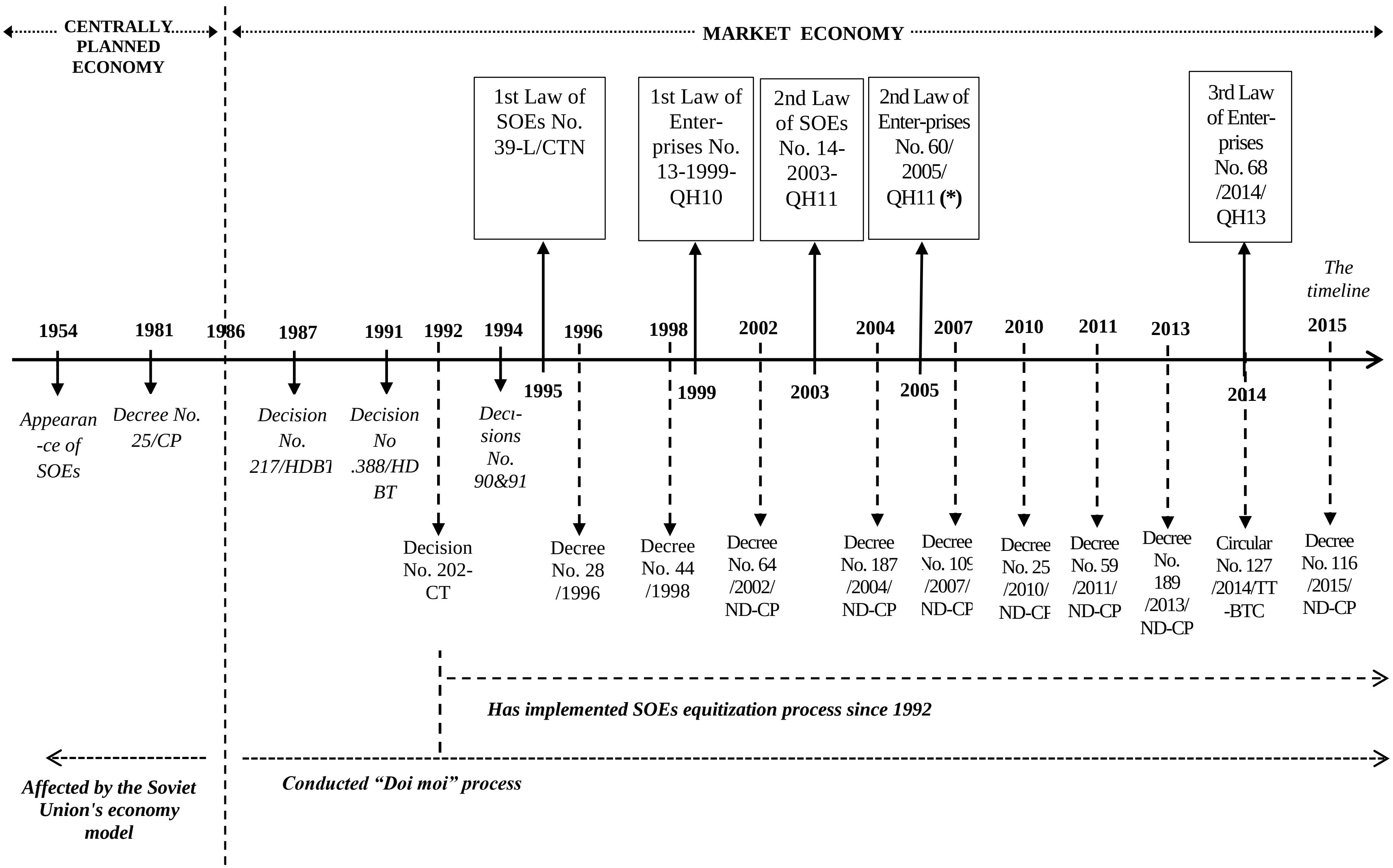
An SOE of Vietnam was quickly established through nationalizing the existing privately owned enterprises and building new SOEs since ending the war against France in 1954 (Vu, 2002). The same author also indicated at that time, the Vietnamese SOE model was built in accordance with Soviet Union economic model. These SOEs were controlled and managed directly by line ministries of the central government or different departments of local governments (Le, 2015). The author also mentioned the tasks of SOEs were to receive and conduct five-year plans formulated by the various government ministries and departments.

After liberating the South for national reunification in 1975, Vietnam embarked on developing the economy through developing the industrial SOEs sector (Vu, 2002). The same author also indicated that there were 650 SOEs by early 1978. Particularly, Vietnamese Government issued Decree No. 25/CP dated January 21st 1981 to develop and enhance the efficiencies of the SOEs sector's operations under three plans. Vu (2002) describes clearly about three plans of SOEs:

“The first plan was mandatory and the government supported inputs. Outputs of this plan were centrally priced and must be transferred to trading SOEs. Profits under the first plan must also be transferred to the State budget. When the enterprise had surplus capacity, this enterprise could formulate a second supplementary plan. In the second plan, the enterprise had total freedom in purchasing inputs but it could only produce the products specified in the first plan. Outputs of the second plan, in principle, had to be sold to trading SOEs but the enterprise could also dispose of them in free markets. The third plan was non-mandatory and the enterprise built by itself. Under the third plan, the enterprise also had total freedom in buying inputs and selling outputs in free markets. Profits from the second and third plans could be retained by the enterprise in a predefined proportion” (p.5).

However, the Decree No. 25/CP created a “loophole” which enabled SOEs participate in input trading activities in the free markets for windfall profits. As a consequences, SOEs ignored the main production plans and sold inputs in free markets to get profits. In the research of Do (1994), in that time, the industrial production of the SOEs sector decreased significantly, and then this issue led directly to the reduction in State budget revenue and a corresponding increase in the State budget deficit. To cope this problem, the Government decided to print money, causing severe inflation (Le, 2015). Do (1994) indicated the amount of money in circulation increased by 70% in 1984 compared with that in 1981, and the price increased by nearly 800% in 1986. The negative macroeconomic effect of this hyperinflation lead the next wave of reform in the second half of 1980s (Vu, 2002).

In 1986, at the Sixth Communist Party Congress, the Communist Party of Vietnam decided to implement the “Doi Moi” program to abolish the “bureaucratic centralized management” system and replace it with a market-oriented economy. Particularly, the shift from a centrally planned to a state regulated and market-oriented economy has modified and created new policies and strategies on economic fields (Tran, 2015). The main objectives of the “Doi Moi” program were restruction of SOEs and reviving the private sector. Hence, since 1986, the private enterprises and the non-state businesses were recognized as a part of economy. Notably, the apperance of the Law on Foreign Investment in 1987 and the Law No. 47-LCT/HDNN8 in 1990 created a legal basis for the establishment of limited liability and shareholding companies (Le, 2015). Meanwhile, Decision No. 217/HDBT replaced Decree No. 25/CP in November 1987 and marked the change in development strategy of SOEs. This decision allowed SOEs to build and implement their own operating plans based on guidelines of the Government (Le, 2015). The research of Vu (2002) mentioned the improvement points of Decision No. 217/HDBT. Particularly, the government did not support inputs, and the output can be sold to other trading enterprises or consumers directly. There were two kinds of selling price such as non-price-controlled product by bargaining with buyers and price-controlled products by the government. However, there were few products which had been price-controlled. Profits were separated into two parts, one part was compulsory transfers to the State budget, the other part was kept and used by the enterprise.



(*)This Law replaced to 2nd Law of SOEs and 1st Law of Enterprise (Source: Own Contribution, 2017)

Figure 10.1. The timeline of regulations and Law system for Vietnamese SOEs

To improve the operation business of SOEs, on November 20th 1991, the Council of Ministers issued Decree No. 388/HDBT on the regulations for establishment and closing down of SOEs. In detailly, an SOE to be dissolved or merged with another if this SOE was assessed inefficient operation or lacking capital or technology or did not have sufficient market demand for their outputs. As a result, the number of SOEs decreased dramatically from 12,297 to 6,264 during period 1991-1994 (Vu, 2002). Moreover, the SOEs sector was continued to reorganize in accordance with the issuance of Decisions No. 90 and No. 91 in 1994 on establishment of General Corporations, namely, General Corporations 90 and 91. The establishment of the Corporation 91 is decided by the Government decition. The management board of the Corporation 91 consists of 7 to 9 members who were appointed by the Prime Minister and must have legal capital of at least 1,000 billion VND. Unlike the Corporation 90, the Corporation 91 could operate in multiple sectors and is required to pursue one key business sector. Meanwhile, the establishment of the Corporation 90 is decided by the Ministers' Council (currently called as Prime Minister) and Provincial People's Committees. The Corporation 90 must have at least five member-units which have relation to each other in terms of technology, finance, development investment programs, services of supply, transportation, consumption, information and training. Additionally, the Corporation 90 must have a legal capital of over 500 billion VND, however, for some corporations in specific industries, the legal capital may be lower but not less than 100 billion VND.

On April 20th 1995, the Vietnamese National Assembly promulgated the first Law on SOEs No. 39-L/CTN. In accordance with Article 1 of the first Law on SOEs of 1995, an SOE is an economic entity of which the State invests capital, establishes and administratively manages its commercial activities or public activities for the purpose of carrying out its socio-economic objectives directed by the State. Under this law, SOEs were classified into three catergories, namely, (1) independent enterprises, (2) general corporations and (3) member enterprises of general corporations. These SOEs have operated in commercial and public benefits (Le, 2015). Especially, in accordance with this law, all SOEs have legal status and are legally equal to each other. It means that these SOEs are allowed to do business freely with each other and with non-SOEs (Vu, 2002). After that, to develop the economy, Vietnam actively participated in economics associations in the world such as becoming an official member of ASEAN in 1995, participating in APEC in 1998, signing a Bilateral Trade Agreement (BTA) with the United States in 2001 and becoming a member of WTO in 2007. These economics associations required Vietnam to ensure an equitable competitive environment for all economic sectors in market economy (Le, 2015). As results, Vietname issued the Law on Enterprises of 1999 No. 13-1999-QH10 and enacted the Law on SOEs of 2003 No. 14-2003-QH11 to replace the Law on SOEs of 1995. The Article 1 of the Law on SOEs No. 14-2003-QH11 described the SOE as an economic organization in which the State owns the entire charter capital or holds the controlling shareholding or controlling capital contribution, and which is organized in the form of a state company, shareholding company or limited liability company. In the research of Le (2015) cited that, the second definition opened widely the scope of the definition of SOEs and recognized the part ownership of the State.

The Law on Enterprises of 2005 No. 60/2005/QH11 was promulgated on November 29th 2005 with effective on July 1st 2006 to replace the Law on Enterprises of

1999 and the Law on SOEs of 2003. It means that all Vietnamese enterprises regardless of their ownership (private or state-owned, domestic or foreign-investor-owned) were governed under the Law on Enterprises of 2005 (Le, 2015). The definition of SOEs in the Law on Enterprises of 2005 has changed significantly as compare to the SOEs' definition in the Law on Enterprises of 2003. Accordingly, the Article 4 Paragraph 22 of the Law on Enterprises of 2005 prescribed SOE means an enterprise in which the State owns more than fifty percent (50%) of the charter capital. In this case, enterprise means an economic organization having its own name, having assets and stable transaction office, and having business registration in accordance with law for the purpose of conducting business operation (The National Assembly, 2005). Under Article 166 of the Law on Enterprises of 2005, the SOEs which registered business license under the Law on SOEs 2003 will be conversed into either a shareholding company or a limited liability company (including one member and/or two or more members) not later than July 1st 2010. Simultaneously, to conduct this strategy, Vietnamese Government continued to enacte some decrees in converting ownership of SOEs. For example, Decree No. 25/2010/ND-CP (dated March 19th 2010) on transfering SOEs into a one-member limited liability company, Decree No. 59/2011/ND-CP (dated July 18th 2011) on converting a 100% SOEs into a shareholding company, Decree No. 189/2013/ND-CP (dated November 20th 2013) on revising and implementing some articles of Decree No. 59/2011/ND-CP and Decree No. 116/2015/ND-CP (dated November 11th 2015) on revising, implementing and deleting some articles of Decree No. 59/2011/ND-CP and Decree No. 189/2013/ND-CP.

The Law on Enterprises of 2005 No. 60/2005/QH11 was replaced by the Law on Enterprises of 2014 No. 68/2014/QH13 dated December 8th 2014 (The National Assembly, 2014). The Law on Enterprises of 2014 officially added one new chapter titled SOEs comprising 22 articles on SOE structures, management, the appointment of executives and their rights and obligations. To date, by type of business enterprise, the Vietnamese SOEs include four types, namely, (1) a one-member limited company of which Vietnamese State owns more than 50% of the charter capital, (2) a limitedliability company with two or more members of which Vietnamese State owns more than 50% of the charter capital, (3) a shareholding company of which Vietnamese State owns more than 50% of the charter capital and (4) a group of corporations of which Vietnamese State owns more than 50% of the charter capital (Le, 2015). In conclusion, currently, SOEs are the enterprises which the State still owned more than 50% of the shares.

10.2. THE EQUITIZATION PROCESS OF VIETNAMESE STATE-OWNED ENTERPRISES

According to Tran et al. (2010), since 1980s, some countries (in the world) have begun to narrow and reform the SOEs sector (known as equitization SOEs). The United Kingdom and the United States were the first nations to conduct this strategy, followed by Nordic countries, the former socialist regions of Eastern Europe and the Soviet Union. In the Asian countries such as India, China, Japan, South Korea and Singapore performed similar steps in reformance of SOEs. By the early 2000s, more than 100 countries had implemented privatization policies. The total value of privatized state-owned assets has reached over one trillion USD, of which more than 75% belongs to Organization for OECD member countries. The same author also indicates six aims of privatized process in OECD countries consist of (1) tightening fiscal discipline and controlling public expenditure and public debt, (2) attracting more investment from various sources, (3) improving the performance of SOEs, (4) creating a competitive environment in some monopolies, (5) towarding the development of capital markets and (6) towarding political goals. Recapitulation, the equitization SOEs progress is madatory development trend of SOEs.

In the case of Vietnam, the equitization SOEs process is necessary. Because SOEs operated inefficiently; and many enterprises are faced risk of bankruptcy. This leads budget deficit and high inflation in long periods. Therefore, equitization is the sole method of SOEs reform in Vietnam (Tran et al., 2006). SOEs equitization is the transformation progress of ownership from state-owned into a shareholding company owned by many shareholders. Actually, equitization of SOEs is the selling a part or all of SOEs through the sale of shares of enterprises. The share-purchasers are often employees and workers in the enterprise and shareholders outside the enterprise such as economic organizations, social organizations, citizens and foreigners residing in Vietnam (Le, 2015). Remarkably, the assets of equitized SOEs have not been transferred to only one private entity. SOEs equitization process aims to mobilize capital for the entire society to invest in technological renewal, improve the effectiveness and competitiveness of equitized SOEs (Le, 2015). Thus, equitization of enterprises is not only a process of privatization, but also a process of diversification of ownership in enterprises.

In Vietnam, the SOE equitization process was first mentioned in 1992 through Decision No. 202-CT dated June 8th 1992 of the Minister’s Council (currently called as Prime Minister) and followed by Decrees No. 28/1996 and No. 44/1998 of the Government. However, the equitization process was slow, as of early 1998, there were only 18 SOEs that were equitized (Le, 2015). According to the report of the Steering Committee for Enterprise Renovation in 2001, there were about 6,000 SOEs in the whole country. After that, on June 19th 2002, Decree No. 64/2002/ND-CP was issued to guide the transformation of SOE into joint-stock company. Additionally, Vietnamese government continued to promulgated Decree No. 187/2004/ND-CP (dated November 16th 2004) which replaced Decree No. 64/2002/ND-CP. On June 26th 2007, Decree No. 109/2007/ND-CP (Decree 109) was enacted to instead of Decree No. 187/2004/ND-CP. Particularly, Decree No. 25/2010/ND-CP (dated March 19th 2010) on transfering SOEs into a one-member limited liability company; Decree No. 59/2011/ND-CP (dated July 18th 2011) on converting SOEs with 100% state capital into joint-stock companies; Decree No. 189/2013/ND-CP (dated November 20th 2013) on revising and implementing some articles of Decree No. 59/2011/ND-CP; and Decree No. 116/2015/ND-CP (dated November 11th 2015) on revising, implementing and deleting some articles of Decree No. 59/2011/ND-CP and Decree No. 189/2013/ND-CP. Besides that, to serve the equitization progress, MOF promulgated Circular No. 127/2014/TT-BTC dated September 5th 2014 which introduces guidelines for financial handling and determination of enterprise values when transfering a SOE (100% state-owned) to a joint-stock company. By 2011, there were 1,369 SOEs. According to The Central Institute for Economic Management (CIEM) found that 478 enterprises were equitized in period 2011-2015. By the end of October 2016, there were still 718 SOEs. The Deputy Prime Minister Vuong Dinh Hue said that up to 2017, there were 96.5% of SOEs which have been equitized but the total equitized capital was only 8%, thus there were 92% of the state capital which has not yet been equitized. This means that the fields which the state does not need to hold have not yet attracted the private funds. Therefore, localities, ministries and sectors must ensure that state capital must be sold, better divested and improve the administration of enterprises. In accordance with Decision No. 58/2016/QD-TTg of the Prime Minister (dated December 28th 2016) there are 240 SOEs during period 2016-2020. 103 SOEs are held 100% of charter capital by the state; 4 equitized SOEs are held over 65% of charter capital by the state; 27 equitized SOEs are held from 50% to 65% of charter capital by the state; and 106 equitized SOEs are held less than 50% of charter capital by the state. As a result, Vietnam has 137 equitized SOEs in the period 2016-2020 and there will be only 134 SOEs at the end of 2020. Under Appendix 1st of this decision, there are 11 sectors which Vietnamese government still keep 100% charter capital, as followed:

(1) Mapping services for national defense and security;

(2) Manufacture and sale of industrial explosives;

(3) Electricity distribution, national electricity system dispatching, management of electrical grids, multipurpose hydropower and nuclear power playing a significant role in socio-economic development, and national defense and security;

(4) Management of national and State-invested municipal railroad infrastructure, coordination of State-invested national and municipal railroad traffic;

(5) Air traffic services, aeronautical information services, and search and rescue services;

(6) Maritime safety (excluding dredging and maintenance of public navigable channels);

(7) Public postal services;

(8) Lottery business;

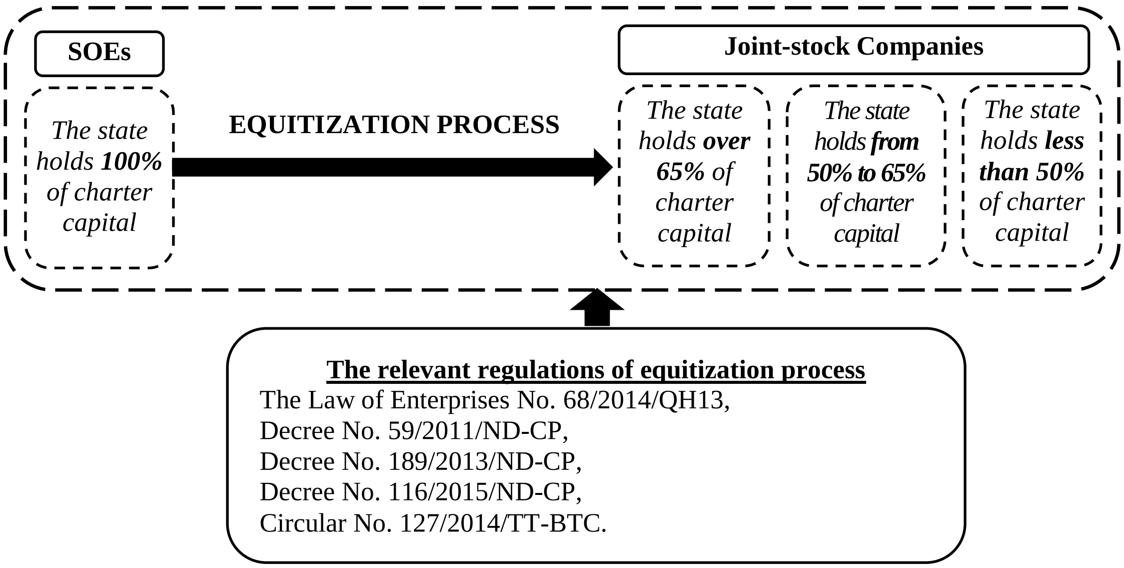
(9) Publishing (excluding printing and publication);

(10) Printing and manufacture of notes and gold bullion and golden souvenir;

(11) Credit instruments for socio-economic development, services for banking system and credit institution safety.

Pursuant to Decree No. 59/2011/ND-CP dated July 18th 2011, the equitization process of Vietnamese SOEs encompasses the eleven following steps (The Government, 2011). (Step 1) The issuance of a decision by the SOE concerning its proposed equitization and the establishment of an Equitization Steering Committee (ESC). (Step 2) The preparation and dissemination of an equitization plan. (Step 3) The preparation of an application dossier, the selection of consultants and auditors and the completion of all financial obligations of the enterprise and an auditing report in connection with the equitization process. (Step 4) The restructuring of the SOE to facilitate the equitization, such as transferring or selling any bad debts and/or transferring non-core businesses or assets to a third party, subject to receipt of approval from MOF. (Step 5) Determining the enterprise value of the SOE and preparing an evaluation report for approval by the Prime Minister of Vietnam, applicable Ministries, applicable provincial People’s Committees and/or the Board of Management of the SOE. (Step 6) The preparation of any applicable employee share plan. (Step 7) The preparation of a business plan and a draft Charter. (Step 8) Verification and approval of the equitization plan by the Prime Minister of

Vietnam, applicable Ministries, applicable provincial People's Committees and/or the Board of Management of the SOE. (Step 9) Execution of the equitization plan via (i) an Initial Public Offering (IPO) through a public auction, underwritten share offer or direct negotiation, (ii) the sale of shares to employees and/or (iii) the sale of shares to a strategic investor by closed tender or direct negotiation. (Step 10) Conducting the first general meeting of shareholders. The last step (Step 11), obtaining an Enterprise Registration Certificate for the new enterprise.



(Source: Own Contribution, 2017)

Figure 10.2. The framework of equitization Vietnamese SOEs

In conclusion, after more than 20 years implemented equitization progress, Vietnam has gained some achivements such as rearangement and shrinking the number of SOEs and increasing revenue and profit (Le, 2016). Particularly, during equitization, no SOEs have fired workers and the salary of employees have increased after equitization (Le, 2016). However, the result of SOEs equitization process in Vietnam has not yet really successful. In the research of Le (2015), there are some reasons for this result, as follows:

"The first reason, equitization was directed by the Management Board of SOE Equitization, which mostly included government officials and simultaneously worked for both SOE equitization and their administrative authorities. The second reason, some SOE managers received many privileges associated with managing the SOE and resisted changes that made them accountable to new owners with tougher demands" (p.18).

In accordance with the research "Equitization Large-scale SOEs in Vietnam" of Phan (2017) and Decree No. 59/2011/ND-CP (The Government, 2011), there are three forms of equitized SOEs, namely, (i) keeping the value of existing state-owned capital in the enterprise, issuing shares to attract additional capital for the enterprise's development, (ii) selling part of the value of existing state-owned capital in the enterprise and (iii) selling all existing state-owned capital in the enterprise to converse into a joint-stock company. To date, the regulatory system of the equitization SOEs process as followed the regulations of Decree No. 25/2010/ND-CP, Decree No. 59/2011/ND-CP, Decree No. 189/2013/ND-CP, Decree No. 116/2015/ND-CP and Circular No. 127/2014/TT-BTC (The Government [2011, 2013b, 2015], MOF [2014b]).

However, to improve the quality of Vietnamese SOEs equitization process, MOF has enacted the list of Vietnamese independent valuation enterprises which are allowed to participate into the SOEs equitization process in annualy. Notably, the regulation which is relative the Vietnamese independent valuation enterprises will be discussed in the next section.

10.3. CURRENT SITUATION OF INDEPENDENT VALUATION ENTERPRISES IN VIETNAM

During the period from 1997 to 2001, the appraisal or valuation activities of Vietnam were reflected through the institutionalization of state management of the appraisal industry (Tran, 2014). Initially, the price appraisal entities were centers which were established by the Government Pricing Committee. The task of these price appraisal entities was the evaluation of asset procurement from the state budget.

After that, the appearance of the Ordinance No. 40/2002/PL-UBTVQH10 (dated April 26th 2002) was promulgated by the Standing Committee of the National Assembly, and Decree No. 101/2005/ND-CP (dated August 8th 2005) was marked important milestones for the development of valuation services in Vietnam (The Government, 2005). Accordingly, the price appraisal job was born and independent with the activities of State management of prices. Notably, the legal corridor has been completed since 2012 when the legal documents of the price appraisal activities were enacted, namely, Law No. 11/2012/QH13 - Law on prices (dated June 20th 2012), Decree No. 89/2013/ND-CP (dated August 6th 2013) and Circular No. 46/2014/TT-BTC (dated April 16th 2014). The contents of these legal documents regulate the competence for State management in price appraisal, Vietnamese valuation standards, standards and price appraisal cards, professional organizations on price appraisal, price of evaluation services, the order and procedures for price appraisal of the State and so on. Especially since the effective date of the Law on Prices, the number of independent valuation enterprises in Vietnam increased significantly from 41 to 83 enterprises during the period 2010-2013. Notably, the independent valuation enterprise is an enterprise which engaged in the business of valuation services, established and operating under the Law of Enterprises No. 68/2014/QH13 (dated November 26th 2014).

Vietnam Appraisal Association is a socio-professional organization which was established under Decision No. 138/2005/QD-BNV dated December 26th 2005 by the Minister of Home Affairs after the agreement with MOF. The organization is representative for the legitimate rights and interests of the community of legal entities and individuals operating in the field of valuation and price appraisal to coordinate and associate the activities of price-appraising enterprises, appraisers, valuers and encourage the development of Vietnam's valuation cause.

The ASEAN Valuers Association (AVA) established in June 1981 and this organization is a member of the ASEAN. The purpose of AVA is creating an organizational framework for regional cooperation in research and mutual learning in the field of valuation, facilitating exchanges between professional organizations, teaching units and researching centers on valuation in ASEAN countries. In addition, Vietnam joined the ASEAN Valuers Association in 1997. Moreover, Vietnam participated into the International Valuation Standards Council (IVSC) and became an official member in 2009.

To serve the equitization process, announcement No. 146/TB-BTC dated March 7th 2014 of MOF, in Vietnam, there were nearly 600 appraisers who have experience in fields of finance and banking and the arts and sciences and so on. Article 22 of Decree No. 59/2011/ND-CP (dated July 18th 2011) shows regulations on conditions for domestic and foreign valuation consultancy organizations to register for providing valuation services (The Government, 2011). Specifically, the entity has at least five years of experience in one of the following areas, namely, valuation, auditing, accounting, financial consultancy and consultancy on transformation of enterprise ownership. In addition, in the last three years, the entity annually has at least 30 contracts which belongs to these five areas. Therefore, MOF will annually review and provide a list of valuation consultancy organizations that are allowed to provide valuation services for equitization SOEs.

On December 29th 2016, MOF issued Decision No. 2814/QD-BTC that announced the list of valuation consultancy organizations authorized to provide valuation services for equitization in 2017. The valuation consultancy organizations named in the list published in this decision which provide firm valuation services for equitization in accordance with Decree No. 59/2011/ND-CP of the Government on the transformation of 100% SOEs into joint-stock companies from January 1st 2017 to December 31st 2017.

Table 10.1. List of Valuation Consultancy Organizations Authorized to provide valuation services for equitization in 2017

No.	Name of valuation consultancy organizations (in Vietnamese)	Name of valuation consultancy organizations (in English)
1	Công ty TNHH Thẩm định giá Đại Việt	DAVI Valuation Company Limited
2	Công ty TNHH Kiểm toán và Định giá Việt Nam	VAE Company Limited
3	Công ty Cổ phần Thẩm định giám định Cửu Long	CuuLong Valuation Inspection Company
4	Công ty TNHH Thẩm định giá Đất Việt	VietLand Valuation Company Limited
5	Công ty Cổ phần Thẩm định giá Đông Á	East Asia Appraisal Corporation
6	Công ty Cổ phần Định giá và Tư vấn đầu tư Quốc Tế	International Valuation and Investment Consultancy Joint-Stock Company
7	Công ty TNHH Kiểm toán và Tư vấn APEC	APEC Consulting And Auditing Limited Company

8	Công ty Cổ phần Thẩm định giá và Dịch vụ Tài chính Đà Nẵng	Danang Valuation and Financial Services Joint-Stock Company
9	Công ty TNHH Kiểm toán và Định giá Vạn An	Van An Consulting Auditing Company Limited
10	Công ty Cổ phần Thẩm định giá EXIM	EXIM Appraisal Corporation
11	Công ty TNHH Thẩm định và Tư vấn Việt	Viet Appraisal and Consulting Company Limited
12	Công ty Cổ phần Định giá và Dịch vụ tài chính Việt Nam	Vietnam Valuation and Financial Service Joint-Stock Company
13	Công ty Cổ phần thương mại dịch vụ và Tư vấn Hồng Đức	Hong Duc Consulting And Service Trading Corporation
14	Công ty Cổ phần Thẩm định giá IVC Việt Nam	IVC Vietnam Corporation
15	Công ty TNHH Kiểm toán và định giá Thăng Long – T.D.K	Thang Long - T.D.K Auditing And Valuation Company Limited
16	Công ty TNHH Kiểm toán và Kế toán Hà Nội	CPA Hanoi Company Limited
17	Công ty Cổ phần Tư vấn và Thẩm định giá Đông Nam	Southeast Appraisal and Consulting Corporation
18	Công ty TNHH Kiểm toán BDO	BDO Audit Company Limited
19	Công ty TNHH Kiểm toán An Việt	Anviet CPA Company Limited
20	Công ty Cổ phần Thẩm định giá Đồng Nai	Dong Nai Valuation Corporation
21	Công ty TNHH Hãng Kiểm toán và Định giá ATC	ATC Auditing and Valuation Firm
22	Công ty TNHH Tư vấn đầu tư và Thẩm định giá AMAX	AMAX Valuation and Investment Consultancy
23	Công ty TNHH Kiểm toán và Định giá AAFC	AAFC Valuation And Auditing Company Limited
24	Công ty TNHH Grant Thornton (Việt Nam)	Grant Thornton (Vietnam) Limited
25	Công ty Cổ phần Định giá và Đầu tư kinh doanh bất động sản Thịnh Vượng	Thinh Vuong Real Estate Business Investment Corporation
26	Công ty TNHH Thẩm định giá Năm Thành Viên	Five members Appraisal Company Limited
27	Công ty Cổ phần Tư vấn và Thẩm định giá Doanh nghiệp	Business Consultant and Valuation Jont Stock Company - BCV

28	Công ty TNHH Thẩm định giá Chuẩn Việt	Viet Values Appraisal Company Limited
29	Công ty TNHH Kiểm toán và Dịch vụ tin học TP HCM	Auditing & Informatic Services Company Limited
30	Công ty TNHH Hãng Kiểm toán AASC	AASC Auditing Firm
31	Công ty TNHH Kiểm toán và Thẩm định giá Việt Nam	Vietnam Auditing and Valuation Company Limited
32	Công ty TNHH Tư vấn thuế, Kế toán và Kiểm toán AVINA – IAFC	AVINA-IAFC Tax Consultancy, Accounting & Auditing Company Limited
33	Công ty TNHH PKF Việt Nam	PKF Vietnam Company Limited
34	Công ty TNHH Kiểm toán CPA Việt Nam	CPA Vietnam Auditing Company Limited
35	Công ty Cổ phần Tư vấn – Dịch vụ tài sản – Bất động sản DATC	DATC Consultation – Service For Property Real Estate Joint-Stock Company
36	Công ty TNHH Kiểm toán Nhân Tâm Việt	NHAN TAM VIET Auditing Company
37	Công ty TNHH Kiểm toán Việt	Viet Auditing Company Limited
38	Công ty TNHH Kiểm toán ASCO	ASCO Auditing Company Limited
39	Công ty Cổ phần Thông tin và Thẩm định giá Tây Nam Bộ	Southeast Information and Appraisal Corporation
40	Công ty cổ phần Chứng khoán Bản Việt	Viet Capital Securities Company
41	Công ty TNHH Tư vấn và Kiểm toán Quốc tế	Auditing and Consulting Company Limited
42	Công ty TNHH MTV Chứng khoán ngân hàng Đông Á	Dong A Securities Company Limited
43	Công ty TNHH Dịch vụ Tư vấn tài chính Kế toán và Kiểm toán Nam Việt	Nam Viet Auditing And Accounting Financial Consulting Services Company Limited
44	Công ty TNHH Tư vấn Thẩm định và Đầu tư công nghệ Gia Lộc	Gia Loc Investment Technology And Consultant Assess Company Limited
45	Công ty TNHH Tư vấn đầu tư, Tài chính, Kế toán, Thuế - Kiểm toán COM.PT	COM.PT Auditing, Investment, Tax, Finance, Accounting, Consultancy Company limited
46	Công ty TNHH Dịch vụ Kiểm toán và Tư vấn UHY ACA	UHY ACA Auditing and Consulting Company Limited

47	Công ty Cổ phần Thẩm định giá ASIAN	ASIAN Evaluation Joint-Stock Company
48	Công ty Cổ phần Đầu tư và Thẩm định giá Việt Nam	Vietnam Appraisal and Investment Consulting Joint-Stock Company
49	Công ty TNHH Kiểm toán VACO	VACO Auditing Company Limited
50	Công ty Cổ phần Tư vấn thẩm định giá VCHP	VCHP Valuation Consulting Joint-Stock Company
51	Công ty Cổ phần Đầu tư và Định giá AIC – Việt Nam	AIC Viet Nam Valuation And Investment Joint-Stock Company
52	Công ty Cổ phần Giám định Thẩm định Sài Gòn	Saigon Appraise Assess Company
53	Công ty TNHH Kiểm toán FAC	FAC Auditing Company Limited
54	Công ty TNHH Kế toán, Kiểm toán Việt Nam	Vietnam Accounting, Auditing Company Limited
55	Công ty TNHH Kiểm toán và Tư vấn tài chính Quốc tế	International Auditing & Financial Consulting Company
56	Công ty Cổ phần thẩm định giá AVALUE Việt Nam	AVALUE Vietnam Joint-Stock Company
57	Công ty TNHH Thẩm định giá và Tư vấn tài chính	Valuation and Financial Consulting Company Limited
58	Công ty TNHH Thẩm định giá Hoàng Quân	Hoang Quan Appraisal Limited Company
59	Công ty TNHH Thẩm định giá Sài Gòn	SAIGON Price Appraisal Company Limited
60	Công ty Cổ phần Tư vấn Tài chính và Giá cả Quảng Nam	Quang Nam Financial Consultancy and Price Joint-Stock Company
61	Công ty Cổ phần Thẩm định giá Việt Tín	Viettin Valuation Joint-Stock Company
62	Công ty Cổ phần Thông tin và Thẩm định giá Tây Nam Bộ - SIAC	SIAC Southeast Information and Appraisal Corporation
63	Công ty Cổ phần Thẩm định giá Vinacontrol	VINACONTROL Price Value Joint-Stock Company
64	Công ty Cổ phần Giám định và Thẩm định giá Quốc tế	Internation Inspection And Valuation Joint-Stock Company

(Source: MOF, 2016)

During the equitization process, these independent evaluation enterprises practice under the guidelines of Circular No. 127/2014/TT-BTC (dated September 5th 2014) which instruction on financial settlement and business valuation in transformation of wholly SOEs into joint-stock companies. Particularly, the detail valuation methods which are applied for brand valuation in the equitization process is described in the next parts.

10.4. CONCERNING THE BRAND VALUATION REGULATION IN VIETNAMESE STATE-OWNED ENTERPRISES EQUITIZATION PROCESS

The equitization process of Vietnamese SOEs encompasses the eleven steps. In which, step 5 (Determining the enterprise value of the SOE and preparing an evaluation report for approval by the Prime Minister of Vietnam, applicable Ministries, applicable provincial People's Committees and/or the Board of Management of the SOE) is the most important step in accounting perspective. Meanwhile, brand is one of important intangible assets in enterprise and difficult to evaluate. Therefore, this section will introduce detailly the enterprise valuation and brand valuation regulation in Vietnamese SOEs equitization process.

In accordance with the historical perspective, brands were evolved "from focusing on ownership to emphasizing quality" of product (Yang et al., 2012) and the information which embodies the origin of the product (Moore and Reid, 2008). At the beginning time (the year 2000 BC), brands have been used to distinguish their livestock by using a hot iron seal and imprinting the back of each animal to assert their ownership (Briciu and Briciu, 2016). According to ISO (2010), *"the term brand is defied as a marketing-related intangible asset including, but not limited to, names, terms, signs, symbols, logos and designs, or a combination of these, intended to identify goods, services or entities, or a combination of these, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits/values"* (p.1). Thus, generating brand is not only serving for instant sales purpose but also providing an opportunity to make added value for products and services (Brand Finance, 2016). As a result, stronger brands bring higher revenues than the same kind of products or services. Therefore, brand investment is same as investing for the future and leads to a sustainable development of business.

Brand Finance (2016) indicated that intangible assets play an important role to generate value of enterprise in their research in 2016. The Global Intangible Finance Tracker (GIFT™) is the most extensive study on intangible assets. This project covers more than 160 jurisdictions, more than 57,000 enterprises, with focusing on helping enterprises understand brand strength and value. This project has been taken since 2001 by Brand Finance. In accordance with the report of GIFT™ 2016, the total enterprise value of these enterprises accounts \$89 trillion, of which \$46.8 trillion embodied net tangible assets, \$11.8 trillion reflected intangible assets (including goodwill) and the other represented "undisclosed value" on their financial statements. Hence, Brand Finance (2016) separates the total enterprise value into four components, namely, (1) tangible net assets, (2) disclosed intangible assets, (3) disclosed goodwill and (4) undisclosed value. The undisclosed value is the difference between the market value of the company and the company's book value, as known the surplus book value. In the research of Zambon (2005), generally 75% of the company's value is not presented on its Balance sheet. As same perspective, Boda and Szlávik (2007) showed the structure of expanded balance sheet (Figure 3). The same co-authors divided the company value into two parts which consist of visible assets (is presented on its balance sheet) and invisible assets (is not yet described on its balance sheet). The reseach also indicated that invisible assets can be transferred to visible assets through form of goodwill in case of acquisition.

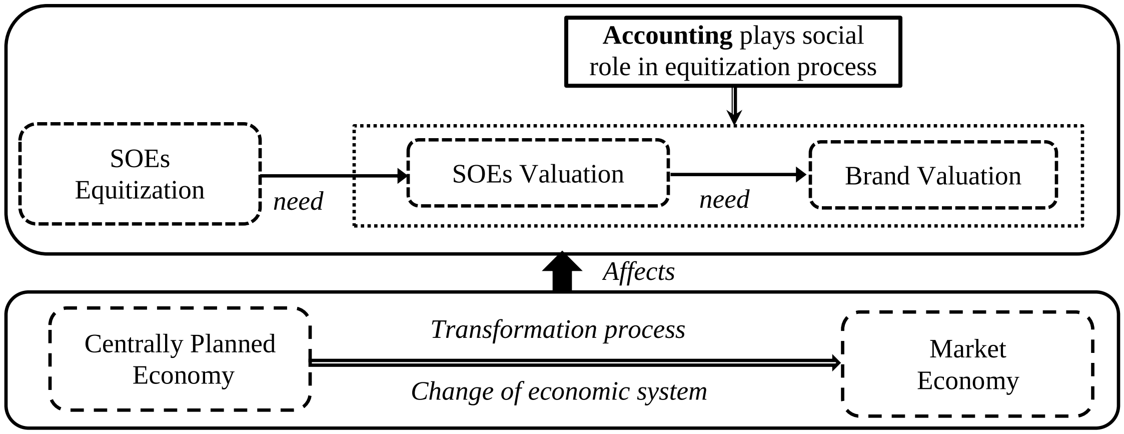
ASSETS	LIABILITIES & EQUITY	
Current assets **Tangible assets** (Computers, buildings etc.) **Intangible assets** (Software, property rights etc.)	**Short-term liabilities** **Long-term liabilities** **Shareholders' equity (visible)**	**Visible Assets**
External structure (Relationship with customers and suppliers, brand names, trademarks and reputation, or image" etc.) **Internal structure** (Wide range of patents, concepts, models, and computer and administrative system, structure of management, corporate culture, plan of new products etc.) **Individuals' competence** (People's capacity to act in various situations. It includes skill, education, experience, values and social skills etc.)	**Shareholders' equity (invisible)** **Intangible liabilities** (Legal cases, commitments related to long-term employment, commitment to maintain product and service quality, constraint related to PR and marketing)	**Invisible Assets**

These are included by goodwill in case of acquisitions

(Source: Boda and Szlávik, 2007)

Figure 10.3. The structure of expanded balance sheet

"Undisclosed value" or "unidentified intangible assets" are sometimes acknowledged as internally generated goodwill or internal brand. This is the difference between the market value of a company and the book value of its identifible net assets. According to IAS 38, internal brand and internal goodwill can not be recognized as an intangible asset on the balance sheet. However, through merged and acquisition, the internal brand or internal goodwill is recognized as purchased brand or purchased goodwill on the acquirer's balance sheet. Therefore, in the perspective of Brand Finance (2016), it is necessary to measure all their tangible and intangible assets (including internally-generated intangibles such as brands and patents) and liabilities, especially, to present internally generated brands on the balance sheet.



(Source: Own Contribution, 2018)

Figure 10.4. The relationship between change of economic system and equitization process

During the SOEs equitization, determining the exact value of equitized SOE is very important. Brand is one kind of assets of equitized SOE, therefore, brand valuation is also very important (Le, 2016). The author also indicated some reasons to illustrate his opinion. Firstly, the contribution ratio of brand on the total value of the enterprise has been growing. Secondly, the brand valuation also helps the enterprise to understand their brand clearly. Thirdly, brand valuation of the enterprise improves their prestige with partners. According to Article 32 of Decree No. 59/2011/ND-CP, a value of goodwill of an equitized enterprise includes a value of its brand and its development potential (The Government, 2011). However, in many SOEs equitization processes, the values of intangible assets such as brand are often valuated not yet exactly (Brand Finance, 2016). The low valuation brand leads to lose state-owned capital in equitization process. This brings a big disadvantage for SOEs that had made many efforts in generating brands. The limitation of this practice is due to the fact that evaluation of brand is still a new concept in Vietnam (Brand Finance, 2016). To serve the equitization process, MOF (2014b) promulgated Circular No. 127/2014/TT-BTC, the guidelines for financial handling and determination of enterprise values when transfering a SOE (100% state-owned) to a joint-stock company was mentioned. This Circular introduced two approach to value equitized enterprise, namely, asset approach and discounted cash flow (DCF) approach. Asset approach refers to the method of valuing a business based on actual value of all tangible and intangible assets of such business at the time of valuation. DCF approach refers to a method of valuing a business based on its future profitability regardless of the enterprise's asset value. However, the Circular also indicated that, besides these approaches, the consultancy may select other approaches to determine value of the enterprise. Other approaches must show scientificity, reflect actual value of a business and be internationally adopted and straightforward. However, to date, the application of the other approaches is still limited.

The Section 2 of Chapter 3 in Circular No. 127/2014/TT-BTC presented detailly the asset approach (MOF, 2014b). Value of the enterprise stated in accounting books is the total asset value in the enterprise's balance sheet. Meanwhile, actual value of the equitized enterprise is value of the enterprise's existing total assets at the time of equitization. Moreover, this value will be accepted by sharing buyers and sellers. Actual value of the equitized enterprise includes value of land use right as prescribed in Clause 6, Article 1 of Decree No. 189/2013/ND-CP and goodwill as prescribed in Article 32 of the Decree No. 59/2011/ND-CP. Under the asset approach, *"the brand value is determined on the basis of actual expenses for building and protection of the brand, trade name during the operation of the enterprise five years before the time of valuation, including expenses for business establishment, staff training, advertising and propaganda at home and abroad; website construction"* (MOF, 2014b, p.29).

Meanwhile, the Section 3 of Chapter 3 in Circular No. 127/2014/TT-BTC embodied detailly in accordance with the DCF approach (MOF, 2014b). Equitized enterprises can apply this method only if the enterprise satisfies two legal conditions. The first condition, the enterprise has at least five years of operation before the time of valuation. The other condition, the ratio of an average post-tax profit to state capital in the last five years preceding the time of valuation higher than interest rates of five-year term government bonds which is issued at the time closest to the time of valuation (MOF, 2014b).

The DCF approach is more superior than the asset approach, however, actually, most of valuation organization has used asset approach to determine the value of equitized Vietnamese SOEs (Le, 2016). The first reason is the complexity of the DCF method, and the another reason is the perspective of SOEs' managers. They think that, if the value of SOEs is overestimated, it will be difficult to sell shares and become disadvantage in distribution of preferential shares within the enterprise. Thus, according to Le (2016), currently in Vietnam, brand valuation in the process of equitization SOEs is still not yet exactly based on asset approach. For example, in case of Vietnam Feature Film Studio One Member Company Limited (VFS) equitization, its brand was valued at zero. The other evidence is the audit results of the state auditing. The state auditing re-assessed the valuation of SOEs for equitization in seven SOEs in 2016, as a result, the state-owned capital was increased 4,625 billion VND in six SOEs as compare to results of independent valuation. Recapitulatly, asset approach only focuses on evaluating enterprises in "static state" and sometimes ignore the value of intangible assets, hence, this leads to a reduction in the value of assets, distortes the value of SOEs and affects the benefits of the state. As such, the valuation of SOEs for equitization is not yet complete with only two approaches, whereas there are five methods to value SOEs in international practice (ISO, 2010).

In this study, the equitization process of VFS is introduced. VFS was established in 1953 by Vietnamese Government and operated under the Ministry of Culture, Sports and Tourism. This is a SOE which responsed producing revolutionary and artistic films. In 2014, VFS started to implement the equitization process. The company selected form of equitization "combined with the sale of part of state capital and enacting new shares to increase charter capital". Before the equitization process, the value of VFS was revaluated through the asset approach by independent valuation organization. The results of valuation of VFS at September 30th 2014 was shown in Table 1.

As such, the total actual value of VFS at 0h00 on September 30th 2014 was 91,713,580,429 VND. Actually, during the operation period from 1953-2013, the VFS had produced 325 films, in which, 23 films that had achieved Vietnamese and international great prizes. However, the value of these films are also not evaluated to identify the value of VFS. As such, in this case, the value of VFS's brand equaled to zero under the perspective of the independent valuation organization. However, VFS is the company which operates in the field of art, hence the valuation method of this company has to differentiate with other manufacturing companies and the asset method is not yet suitable in this case. In addition, the brand value of VFS has not yet mentioned in valuation process which is unreasonable.

Table 10.2. The results of the valuation of VFS at 0h00 September 30th 2014

Unit: VND

NO.	ITEM	BOOK VALUE	REVALUATION VALUE	DIFFERENCE
(A)	**(B)**	**(1)**	**(2)**	**(3)=(2)-(1)**
I	**Fixed assets and Long-term investment**	**6,746,015,070**	**13,587,593,714**	**6,841,578,645**
1	**Fixed assets**	**6,728,515,070**	**13,570,093,714**	**6,841,578,645**
A	Buildings and architecture	352,403,677	6,008,598,869	5,656,195,192
B	Machinery and equipment	5,645,469,627	6,589,957,248	944,487,622
C	Means of transport	730,641,766	891,655,928	161,014,162
D	Other fixed assets	-	79,881,670	79,881,670
4	**Long-term prepaid expenses**	**17,500,000**	**17,500,000**	-
II	**Current assets and Short term investment**	**69,952,374,386**	**78,125,986,715**	**8,173,612,329**
1	**Cash**	**14,158,110,136**	**14,159,766,055**	**1,655,919**
A	Cash in the fund	7,270,910,844	7,270,910,844	-
B	Bank deposit	6,887,199,292	6,888,855,211	1,655,919
3	**Receivables**	**3,219,492,477**	**8,504,146,967**	**5,284,654,490**
A	Customers receivables	575,757,670	575,757,670	-
B	Prepayments to suppliers	1,904,534,180	1,904,534,180	-
C	Other receivables	739,200,627	6,023,855,117	5,284,654,490
4	**Inventory**	**30,254,341,452**	**33,141,643,372**	**2,887,301,920**
A	Materials	72,463,866	72,463,866	-
B	Tools	-	2,887,301,920	2,887,301,920
C	Production costs, unfinished business	30,181,877,586	30,181,877,586	-
5	**Other current assets**	**22,320,430,321**	**22,320,430,321**	-
A	Short-term prepaid expenses	37,425,435	37,425,435	-
B	Value added tax is deducted	123,938,085	123,938,085	-
C	Advance payment	22,159,066,801	22,159,066,801	-
Total assets		**76,698,389,455**	**91,713,580,429**	**15,015,190,974**
Debt actually paid		**73,045,454,876**	**72,055,051,876**	**(990,403,000)**
State-owned equity		**3,652,934,579**	**19,658,528,553**	**16,005,593,974**

(On March 2016, Exchange rate from Vietcombank 1USD = 22,330VND, Availabled at https://www.vietcombank.com.vn/ExchangeRates/)

(Source: VFS, 2016)

In conclusion, this section summarizes the role of internal brand in the enterprise and the Vietnamese approaches and regulations which are relative with the brand valuation in the Vietnamese SOEs equitization process. However, the brand valuation approaches of Vietnam are not yet complete, therefore, the next section will discuss the brand valuation approaches in accordance with IVS. The content of the next section is the basic knowledge to improve the brand valuation approach of Vietnam during the Vietnamese SOEs equitization process.

As such, one of the important functions of intangible assets accounting in Vietnam is making consensus on value of intangible assets especially for equitization process of Vietnamese SOEs. Without this function, stocks of SOEs must be undervalue. If the stock values were not so high, stock market become not-active and equitization process does not succeed.

10.5. CONCERNING THE BRAND VALUATION APPROACHES IN INTERNATIONAL VALUATION STANDARD

On March 6th 2014, the International Valuation Standards Council (IVSC) and the IFRS Foundation signed the statement of protocols for co-operation on IFRSs and IVSs. They are independent, not-for-profit and private sector organizations. The IVSC aims to develop a single set of high quality globally accepted IVSs and to strengthen the valuation profession by setting codes of conduct and competency benchmarks for valuation professionals. Meanwhile, the IFRS Foundation focuses on development a single set of high quality, understandable, enforceable and globally accepted IFRSs through its standard-setting body, the IASB. The IVSC and the IFRS Foundation have a same interest in guaranting IVSs which is developed by the IVSC. The purpose of these standards is how to measure fair value which is consistent and appropriate with IFRS and is comprehensive and well-developed. Particularly, the IVSC promulgates guidance on fair value and other valuation measurement and facilitates collaboration and co-operation among its member organizations to help ensure consistent application. Simultaneously, the IASB has enacted IFRS 13 (Fair Value Measurement) on May 2011 to sets out the principles for measuring fair value when it is required to be used in IFRSs. Recapitulatly, there are close relationship between IFRSs and IVSs.

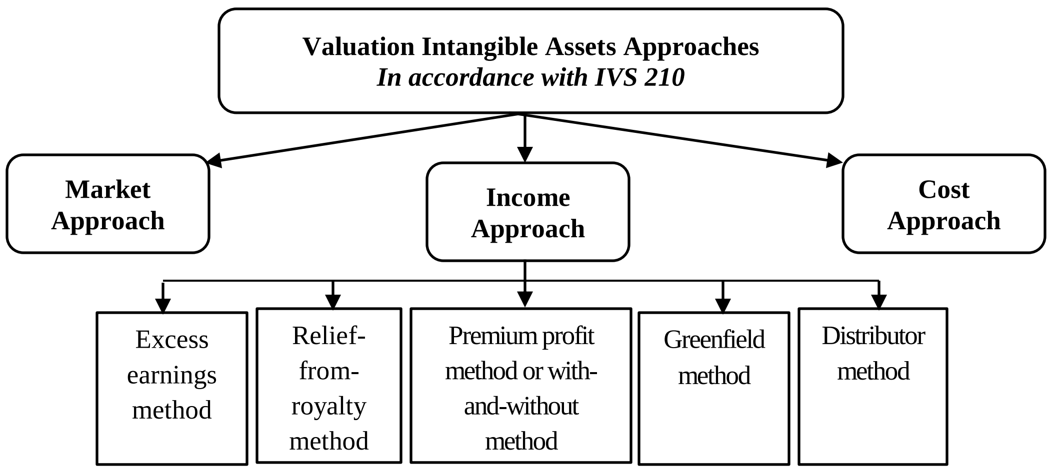
IVSs 2017 was issued by IVSC. This version includes general standards and asset standards. The general standards focus on the conduct of all valuation assignments including establishing the terms of a valuation engagement, bases of value, valuation approaches and methods and reporting. There are five general standards, namely, IVS 101 (Scope of Work), IVS 102 (Investigations and Compliance), IVS 103 (Reporting), IVS 104 (Bases of Value) and IVS 105 (Valuation Approaches and Methods). The asset standards mention the valuation requirements related to specific types of assets. The asset standards consist of certain background information on the characteristics of each asset type that affect value and additional asset-specific requirements on common valuation approaches and methods utilized. There are six asset standards such as IVS 200 (Business and Business Interests), IVS 210 (Intangible Assets), IVS 300 (Plant and Equipment), IVS 400 (Real Property Interests), IVS 410 (Development Property) and IVS 500 (Financial Instruments). However, this study only focused on research the guidelines of IVS 210 (Intangible Assets) on valuations of intangible assets and an intangible asset component.

In accordance with paragraph 50 of IVS 210, there are three basic approaches of intangible assets valuation which are composed of market approach, income approach and cost approach (IVSC, 2017). Under the market approach (Paragraph 50 of IVS 210), the value of an intangible asset is determined by reference to market activity such as transactions involving identical or similar assets (IVSC, 2017). The valuers should only apply this approach to value intangible assets if both following criteria are satisfied *"(1) information is available on transactions involving identical or similar intangible assets on or near the valuation date and (2) sufficient information is available to allow the valuer to adjust for all significant differences between the subject intangible asset and those involved in the transactions"* (IVS 210, paragraph 50) (IVSC, 2017). However, it is difficult to find the similar or equivalent intangible assets on the market, hence, this approach has been used limited.

In accordance with the cost approach (IVS 210, paragraph 70), the value of an intangible asset is estimated by the replacement cost of a similar asset or an asset providing similar service potential or utility (IVSC, 2017). This method often use to determine the value of intangible assets like (a) acquired third-party software, (b) internally-developed and internally-used, non-marketable software and (c) assembled workforce. However, the cost approach can be applied when no other approach is able to be used. There are two detail cost approach, namely, replacement cost and reproduction cost. Actually, the replacement cost is most commonly applied to the valuation of intangible assets because most of intangible assets do not have physical form (IVSC, 2017).

According to paragraph 60 of IVS 210, the income approach estimates the value of an intangible asset based on the present value of income, cash flows or cost savings attributable to the intangible asset over its economic life (IVSC, 2017). There are five detail income approach methods, namely, (1) excess earnings method, (2) relief-from-royalty method, (3) premium profit method or with-and-without method, (4) greenfield method and (5) distributor method. The excess earnings method estimates the value of an intangible asset as the present value of the cash flows relative to the subject intangible assets after excluding the proportion of the cash flows that are relative to other assets required to generate the cash flows (IVSC, 2017). Three key steps in applying an this method are (1) forecast the amount and timing of future revenues created by the subject intangible asset and related contributory assets, (2) forecast the amount and timing of expenses that are required to generate the revenue from the subject intangible asset and related contributory assets, (3) adjust the expenses to exclude those related to creation of new intangible assets that are not required to generate the forecasted revenue and expenses (IVSC, 2017). The relief-from-royalty method mentions that the value of an intangible asset is estimated by reference to the value of the hypothetical royalty payments which would be saved through owning the asset as compared with licensing the intangible asset from a third party. Following the with-and-without method, the value of an intangible asset is estimated by comparing the case of the enterprise using the subject intangible asset and the case of the enterprise not using the subject intangible asset (however, all the other factors are kept constant). This method can be done in two ways. In the first way, valuaters calculate the value of the business under each case, as a result, the difference between two enterprise values is the value of the intangible asset. The other way focuses on calculating the difference between the profits in the two cases for each future period. Then, the present value of those amounts is used to estimate the value of the intangible asset. In order to the greenfield method, the value of the intangible asset is based on cash flow projections with one assumption that the subject intangible is the only asset of the enterprise at the valuation date. Simultaneously, this method assumes the owner of the subject asset would have to build, buy or rent the contributory assets.

This method has similar concept with the excess earnings method. The greenfield method is often used to estimate the value of "enabling" intangible assets like franchise agreements and broadcast spectrum. It is the basic theory of the distributor method that enterprises consisted of various functions are expected to creat profits associated with each function. It means that the distributors often only perform functions related to distribution of goods to customers rather than development of intellectual property or manufacturing, hence, information on profit margins earned by distributors is used to estimate the excess earnings attributable to customer-related intangible assets. Thus, this method is often used to value customer-related intangible assets. IVS 210 also indicates that the income approach is the most suitable method applied to the valuation of intangible assets which include (a) technology, (b) customer-related intangibles (like backlog, contracts, relationships), (c) tradenames/trademarks/brands, (d) operating licenses (like franchise agreements, gaming licenses, broadcast spectrum) and (e) non-competition agreements (IVSC, 2017). As such, the income approach is the most effective method to valuation the value of brands.



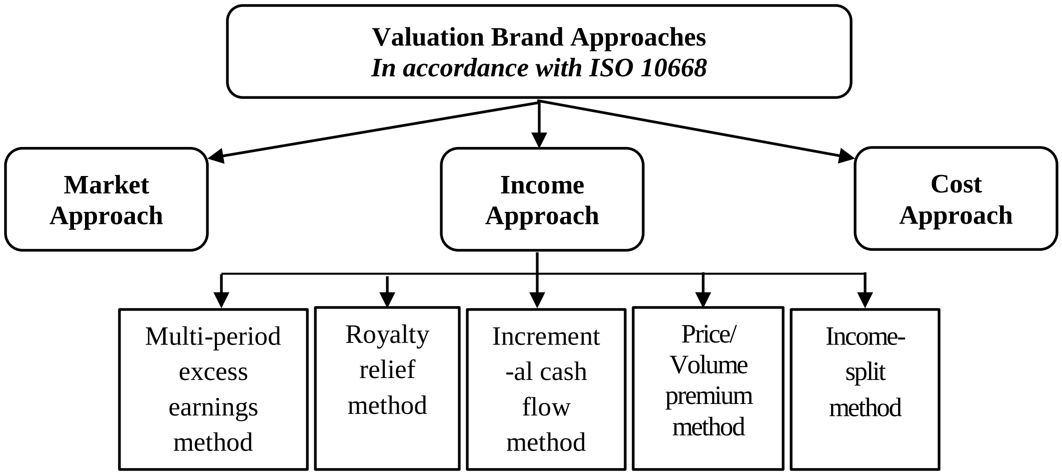
(Source: IVSC, 2017)

Figure 10.5. The framework of intangible assets valuation approaches

As the same perspective of IVS 210, the ISO gave the detail method to estimate brands valuation of enterprises through the standard ISO 10668 - Brand valuation - Requirements for monetary brand valuation. ISO 10668 was published for the first time in September 2010 (as known ISO 10668:2010(E)). This standard introduces a brand valuation framework which consists of objectives, bases of valuation, approaches to valuation, methods of valuation and sourcing of quality data and assumptions (Yuan and Shaw, 2014). This standard cited that brands are valued by applying three approaches, namely, income approach, market approach or cost approach (ISO, 2010). The standard also mentioned that depending on the purpose of the valuation, the value concept and the characteristics of the brand being valued, the approach will be chosen to compute the value of a brand.

Under the income approach, the brand valuation is measured by reference to the present value of the economic benefits expected to be received during the remaining useful economic life of the brand (ISO, 2010). Especially, the income approach will consider the discount rate to reflect risks that are not already embodied in future cash flows (ISO, 2010). In this case, the weighted average cost of capital is often used as discount rate. There are some basic steps in applying the income approach, namely, forcasting the expected after-tax cash flow streams attributable to the asset over its remaining useful economic life, and converting these after-tax cash flow streams to present value through discounting with an appropriate discount rate. In accordance with the income approach, there are five detail methods which include (1) multi-period excess earnings method, (2) royalty relief method, (3) incremental cash flow method, (4) price/volume premium method and (5) income-split method (ISO, 2010).

Following the multi-period excess earnings method, the valuation of brand is the present value of the future residual cash flow after deducting returns for all other assets required to operate the enterprise. If there are some intangible assets creating cash flow in the enterprise, a valuation of each individual group of intangible assets is required to compute the cost of capital relative to each of intangible assets. This method has the same concept with the excess earnings method of IVS 210. Meanwhile, the royalty relief method will value the brand as the present value of expected future royalty payments. This method assumes that the brand is not owned but licensed. It means that the value of brand equals to the present value of the royalty payments saved through the ownership of the brand. In which, the royalty rate is calculated by analysis of available data from licensing arrangements for comparable brands and an appropriate share of brand earnings between licensor and licensee. Especially, these referenced brands should have the same characteristics and size as the brand subject to valuation. The royalty relief method is built as the same with the relief-from-royalty method of IVS 210. The incremental cash flow method determines the cash flow generated by a brand in an enterprise through comparison with a comparable enterprise without such brand. Notably, in this case, the cash flows are created through increased revenues or decreased costs. This method has similar perspective with the with-and-without method of IVS 210. The next method is price/volume premium method which is the same as the greenfield method of IVS 210. This method is separated into the price premium method and the volume premium method. In accordance with the price premium method, the brand valuation will be identified by reference to the price premium that it creates. Specifically, the market price of products/services with a certain brand will preferably be compared with the market price of an unbranded product. Meanwhile, under the volume premium method, the value of brand will be determined through reference to the volume premium that it generates. In this method, additional cash flows generated by a volume premium which will be identified following on an analysis of market shares. The additional cash flow created by the brand is the operating cash profit related to the excess market share. However, the price premium method and the volume premium method are often used together to determine the value of brand. The last method of income approach is income-split method. Under this method, the value of brand is the present value of the portion of the economic profit attributable to the brand. This method will use the results of behavioural research to determine the contribution of the brand to increase earnings or decrease costs of the enterprise. As such, this method and the distributor method have the same concept.



(Source: ISO, 2010)

Figure 10.6. The framework of brand valuation approaches

The market approach estimates the value of brand according to what other buyers in the market have paid for similar or equivalent asset (as known a comparative brand) with the subject brand. Applying this approach will lead an estimation of the expected price if the brand is sold on the market. The paid price data of comparable brand is gathered and adjusted to compensate for the differences between the comparable brand and the subject brand. However, this method is not widely used since a brand is often unique and it is difficult to find a comparative brand.

Under the cost approach, the value of a brand is the cost invested in setting up the brand or its replacement or reproduction cost. This method was built with the assumption that a prudent investor would not pay more for a brand than the cost to replace or reproduce the brand. In this case, a comparison will be done between the past expenditure and the awareness of the brand created by such expenditure. This method can be implemented when the other valuation approaches cannot be utilized and especially there is reliable data to identify the cost. However, this approach is also not commonly used. The reason is that the value of brands is rarely equal to the terms of brand's invested costs (or brand's replaced cost or brand's reproduced cost).

As such, based on the view of IVS 210 and ISO 10668, the value of brand is derived from the ability to creat higher profits for the enterprise that owns the brand, and to date, the income approach is a widely used and accepted as the brand valuation method.

In conclusion, this chapter briefs history and development of Vietnamese SOEs from 1954 to present. To date, the Vietnamese SOEs have operated under the guidelines of the Law of Enterprises No. 68/2014/QH13. The SOEs are the enterprises which the Vietnamese State still owned more than 50% of the shares. Additionally, this chapter also describes the equitization process of Vietnamese SOEs. The objective of equitization process is improving the effectiveness of business operation of SOEs. Specifically, equitization process makes diversity of ownership structures of SOEs which leads to renovate the structure and mechanism of interests distribution and responsibilities closely linking with the results of business operation. Therefore, this chapter also described the role of accounting during the equitization process of SOEs. Specifically, accounting has played important role in SOEs valuation process which was includes valuation all kinds of assets in SOEs like tangible assets, intangible assets etc. Hence, accounting has made social consensus during equitization process of SOEs; and accounting has contributed directly to the success of this equitization process in Vietnam. To date, there are three forms of equitization SOEs, which compose of (i) keep the value of existing state-own capital in the enterprise, issue shares to attract additional capital for the enterprise's development, (ii) sell part of the value of existing state-own capital in the enterprise and (iii) sell all existing state-own capital in the enterprise to converse into a joint-stock company (The Government, 2011). Moreover, this chapter also emphasized that the transformation process from the centrally planned economy to the market economy leads SOEs equitization process and the appearance of brands in Vietnam. Particularly, this chapter analyzed the relationship between the equitization process and the valuation of brands. Additionally, this chapter also indicated that brand valuation is one of the important components to value enterprise. After more than 20 years implemented equitization progress, Vietnam has gained some achivements such as re-arangement and shrinking the number of SOEs, increasing revenue and profit (Le, 2016). This chapter described two approaches of the brand valuation in Vietnamese SOEs equitization process, namely, asset approach and DCF approach (MOF, 2014). Notably, the chapter showed the popular approach to identify the value of brand in Vietnam is the asset approach. The chapter indicated currently, brand valuation in the process of equitization Vietnamese SOEs are still not yet exactly in accordance with the asset approach (Le, 2016). Simultaneously, the chapter presented the brand valuation approaches in accordance with IVS 210 and ISO 10668. Both standards indicated that there are three approaches to determine the value of brand, namely, market approach, cost approach and income approach. Specially, both standards emphasized that income approach is the most suitable method to identify the brand value. Therefore, to improve the brand valuation approach of Vietnam, MOF must stipulate that applying at least two methods when valuing an enterprise (one main method and one method of examination and comparison). In which, the result of the value determination based on asset approach will be the minimum value (floor value).

Chapter 11

CONCLUSIONS

11.1. SUMMARY

Vietnamese government has been made efforts to improve the process of international integration (Phi, 2017). Especially, the Vietnamese accounting field has been reformed dramatically since 1986 to toward the integration with IAS/IFRS system. Specially, the birth of Accounting Law 2003 and the promulgations of 26 VASs during period 2001-2005 based on the first version of IASs system and specific economics conditions of Vietnam. Simultaneously, the appearment of Accounting Law 2015 with new significant points to replace Accounting Law 2003. However, to date, VAS system has been not yet amended or adjusted more suitable with IAS/IFRS system. Therefore, the expected achievements of this reformation have been not yet come (Phil, 2017). Related to this situation, the limited conditions of developing country is one of the reason, and the gap between legal system and implementation of enterprises has been controversy significantly. In order to contribute into finding the appropriate solutions for reducing this gap, this study was conducted focusing on the intangible assets accounting in Vietnamese enterprises.

This study generally aimed to improve Vietnamese accounting regulations for intangible assets. Specifically, to do this objective this study completely implemented contents: (1) review history and development of Vietnamese accounting system; (2) summarize conceptual framework about intangible assets; (3) recapitulate theoritical background of intangible assets accounting and theortical background of fair value and impairment of assets; (4) describe the current situation of intangible assets accounting in Vietnam; (5) review auditing procedure for intangible assets in Vietnam; (6) summarize intangible assets accounting experience from other countries and (7) analyze equitization process of Vietnamese SOEs and brand valuation of Vietnamese SOEs.

Primary data were gathered through a one-shot survey, while primary data were obtained from the websites of Vietnamese enterprises. These enterprises have at least one kind of intangible assets. These enterprises located in big cities like Hanoi, Ho Chi Minh and Hai Duong etc. There were 59 Vietnamese enterprises which were selected to get financial statements. Simultaneously, this study also collected interviews by research questionnaire of 103 answers in total during the period of 2017-2018. The respondents were then individually interviewed. The data were analyzed using descriptive analysis. Thererfore, this study summarized some contents as below:

Firstly, this study reviewed history and development of Vietnamese accounting system from 1975 to now in accordance with the appearance of accounting law, namely, Ordinance on Accounting and Statistics (in 1988), Accounting Law (in 2003) and Accounting Law (in 2015). There were four main periods including before 1988, 1988-2003, 2003-2015 and after 2015. In addition, this legal system was classified into four levels, namely, (1) accounting law, (2) decrees, (3) accounting standards and decisions and (4) circulars. These four levels have close relationships and complementary. To date, Vietnamese MOF issued 26 VASs during period 2001-2005 in accordance with the first version of IAS system and specific economics conditions of Vietnam. However, until now, this VAS system has been not yet amended and adjusted with the new version of IAS/IFRS system. Additionally, this study analyzed the role of each component (accounting law, decree, decision, accounting standard and circular) in Vietnamese accounting system. Furthermore, this study also emphasized that the Vietnamese accounting system is still established following on the basis of cost model.

Secondly, this study summarized conceptual framework about intangible assets. Specifically, this study analyzed clearly the characteristics of the knowledge economy which is the environment to born intangible assets. Moreover, this study reviewed the concept of intangible assets in accordance with accounting perspective (socially recognize) and company perspective (privately recognize). Simultaneously, this study described the role of intangible assets in business operation. In addition, this study also mentioned that there are five methods to manage intangible assets, namely, the BSC method, the IAM method, the Skandia Navigator method, the MAG model and the CICM model.

Thirdly, this study summarized the contents of IAS 38 and VAS 04 about intangible assets accounting guidelines. Additionally, this study showed the different keys between two these accounting standards. These different points focus on definition of intangible asset, critical identifiability of intangible assets, initial value of intangible assets, measurement after recognition, impairment of intangible assets, amortization period of intangible assets and amortization method. Simultaneously, this study analyzed detailly the accounting regulations for intangible assets in Vietnam in accordance with the guidelines of Circular No. 45/2013/TT-BTC, Circular No. 147/2016/TT-BTC, Circular No. 28/2017/TT-BTC, Circular No. 200/2014/TT-BTC and VAS 04. Additionally, this study explained detailly the content of two models (cost model and revaluation model) following on IAS 36 (Impairment of Assets) and IFRS 13 (Fair value measurement).

Forthly, this study described current situation of intangible assets accounting in Vietnam. Specifically, this study focused on interviewing two groups of samples, namely, 59 enterprises and 44 interviewees who are accounting professions. Hence, this study showed detailly the picture of intangible assets of 59 Vietnamese enterprises in the first group. In addition, this study also mentioned the current situation of intangible assets accounting in Vietnamese enterprises such as current accounting legal framework for intangible assets, the disclosure information of intangible assets accounting, accounting for intangible assets. Especially, this study emphasized the obstacles of intangible assets accounting in Vietnamese enterprises according to Vietnamese enterprises group perspective and professional accounting group perspective. Simultaneously, to improve intangible assets accounting in Vietnam, this study conducted the survey on applying impairment of intangible assets accounting in Vietnam.

Fifthly, this study reviewed history and development of Vietnamese independent auditing system from 1975 to now in accordance with the appearance of Independent Auditing Law 2011. There are two period, namely, before 2011 and after 2011. Moreover, this study summarized the Vietnamese sample auditing program for intangible assets and to date, this auditing procedure is suitable with the current intangible assets in Vietnam.

Sixthly, this study also reviewed the experience of Japan, Germany, China and AEC countries on intangible assets accounting. These experience suggest how to improve Vietnamese accounting regimes on intangible assets. This is a way to help Vietnamese accounting system to integrate and harmonize with IAS/IFRS system.

Lastly, this study focused on brand valuation of Vietnamese SOEs during the equitization process. Specifically, this study described history and development of Vietnamese SOEs. It is notably, this study also reviewed the equitization process of Vietnamese SOEs and current situation of independent valuation enterprises in Vietnam. Additionally, this study discussed about the brand valuation regulation in Vietnamese SOEs equitization process and the brand valuation approaches in IVS.

Especially, there is close linkingage among above seven points. Specifically, content of history and development of Vietnamese accounting system and conceptual framework about intangible assets are arranged in one basic group. This group is foundation knowledge to develop contents of next five points. Simultaneously, the third point is also an important theoritical background about intangible assets accounting, fair value and impairment of assets. The third point has direct influence on the four points, namely, current situation of intangible assets accounting in Vietnam, auditing procedure for intangible assets in Vietnam, experience of Japan, Germany, China and AEC countries on intangible assets accounting and brand valuation of Vietnamese SOEs during the equitization process. In addition, content of the fourth point (Current situation of intangible assets accounting in Vietnam) also affected directly on the content of the fifth point (Auditing procedure for intangible assets in Vietnam). Beside that, there is indirect connection between the content of the fourth point (Current situation of intangible assets accounting in Vietnam) and the content of the sixth point (Intangible assets accounting experience from other countries like Japan, Germany, China and AEC countries).

Based on the analysis of this study, some major findings are indicated. Particularly, these findings will show detailly in the next section.

11.2. MAJOR FINDINGS

11.2.1. Gradually harmonization with IAS/IFRS system is the only selection

In this time, it is difficult for Vietnam to apply immediately all contents of IAS/IFRS in domestic accounting market. The reason is that there is a big gap between the contents of two accounting standards systems, namely, VAS and IAS/IFRS. Additionally, the low level of specific knowledge of accounting staffs is one of the barriers. However, Vietnam cannot be avoided the convergence and harmonization with IAS/IFRS under the pressure of international organization which Vietnam has been member (Phi, 2017). This study emphasized on the intangible assets accounting regulation to disclose the convergence areas between existing VAS and current IAS/IFRS. However, the convergence of VAS system has been still slowly because of no renovation in accounting standards from the first version in 2000s. Meanwhile, IAS/IFRS system has updated usually to adapt with the development of international economy. Therefore, currently the best choice for Vietnamese accounting system is the gradual convergence with international accounting system.

11.2.2. The role of MOF is still limited in the accounting market and in taking integration with IAS/IFRS system

First of all, since the time of promulgation VAS system in period 2001-2005, MOF has not yet adjusted or amended this system. Meanwhile the Vietnamese economy and international economy had been ongoing development. Hence, there is a big gap between Vietnamese accounting regulation system and current Vietnamese economy. Additionally, the IAS system has been renovated significantly with the appearance of IFRS system. Therefore, the role of MOF in taking initiative integration with IAS/IFRS system is still limited.

In addition, the result of the survey in Chapter 7 also indicated that only 20% of accountants in the Vietnamese enterprises' sample participated in workshops and trainings about the differences between two models and IAS 36 - Impairment of assets by MOF. It is notable that the main trainers of these course were auditors or consultants of Vietnamese independent association of professional accountancy. However, it was rarely the trainers came from foreign organization. As such, this is not yet a successful course of MOF when they organized training course about IAS/IFRS.

11.2.3. Current limitation in percentage of intangible assets and kind of intangible assets

According to the results of survey 59 Vietnamese enterprises, in Vietnam, the type of intangible assets often contained within or on physical objects like legal documents or discs. Particularly, this study also shows the popular kinds of intangible assets in Vietnamese enterprises are software and the right to use land for a finite term. In addition, there are other kinds of intangible assets like copyright, patents, licenses, customer relationships, distribution rights, e-commerce website, brand names and so on. However, the result of this survey also indicated that the frequency of appearance of these intangible assets is few such as once, twice, four times or eight times. As such, the diversity limited of intangible assets in Vietnamese enterprises is one of the influence issue which restricts requirement of improving intangible assets accounting.

It is notably that, to date, the capital investment of enterprises on intangible assets is still modest with the proportion of the other intangible assets to total assets that is nearly 23.14%, meanwhile, this figure of global is 53%. This finding implies that, this is one of the factors which makes slowing down the renovation of intangible asset accounting in Vietnam.

11.2.4. Legal framework is one limited factor which affects the quality of intangible assets accounting

This study summarized detailly the accounting regulations for intangible assets in Vietnam in accordance with the guidelines of VAS 04, Circular No. 45/2013/TT-BTC, Circular No. 147/2016/TT-BTC, Circular No. 28/2017/TT-BTC and Circular No. 200/2014/TT-BTC. The objective of these circulars is explaining clearly the contents of VAS 04. However, the contents of VAS 04 were issued in 2001 in accordance with the first version of IAS 38 (in 1998) and to date, VAS 04 has been not yet amended. Meanwhile, IAS 38 has been adjusted regularly in accordance with the changing of international economy. In addition, the accounting regulations for intangible assets of these countries like Japan, Germany, China and the other AEC countries have converged highly with IAS 38. Therefore, there are significant different points from Vietnamese accounting regime for intangible assets and the latest version of IAS 38. These different points were showed detailly in Chapter 3 and Chapter 5. Particularly, until now, after initial recognition, intangible assets only have recognized based on cost model. However, this model only consists of two factors, namely, historical cost and accumulated amortization. It means that this cost model is not included accumulated impairment of intangible assets. As such, sometimes the accounting information of intangible assets is disclosed not exactly. This implicates that currently the requirement to improve intangible assets accounting information in accordance with legal perspective is limited.

11.2.5. Limited knowledge of manager and accounting staffs are the most disadvantages

In accordance with the results of the survey in chapter 7, about 66% of accountants has limited and medium ability to use specialized English in accounting field. This is one of weakness of Vietnamese accountants. This issue will prevent Vietnamese accounting staffs from the access and understanding IAS/IFRS system.

For intangible assets regulation, the results of the survey also indicated that only 23.73% and 22.03% accountants in these enterprises respectively know and understand clearly about the differences between the cost model and revaluation model and impairment of assets. It means that more than 70% accountants in this sample know but do not yet understand clearly or do not know about the differences between two models and IAS 36 - Impairment of assets. As such, this is a barrier and challenge to apply these knowledge to accounting practices of Vietnamese enterprises.

In addition, the interviewees disclosured that they can know these knowledge through self-learning, course about IAS/IFRS, workshops and trainings by MOF and sharing experience among accountants. Particularly, about 30% of them learn and research IAS 38 and IAS 36 by theirselves. This means that the ability of self-learning of accountants in Vietnamese enterprises are still low.

11.2.6. Business characteristics and internal regulation are weak points

The efficiency of internal control regulations for intangible assets in Vietnamese enterprises is not high. Specifically, the contents focus on value determination principles of intangible assets, the provisions on amortization and use of amortization of intangible assets and so on. About 85.34% of the contents of internal regulations are similar to contents of VAS 04, Circular No. 45/2013/TT-BTC, Circular No. 147/2016/TT-BTC and Circular No. 28/2017/TT-BTC. However, according to perspective of the Vietnamese enterprises, the internal regulations system for intangible assets has satisfied partially appropriation of the demand of internal governance for intangible assets accounting. In addition, some business managers or directors thought that their business can run well without the internal control regulations for intangible assets.

Particularly, chapter 7 indicated that the decision to invest in a new intangible asset of Vietnamese enterprises is not yet good and some enterprises do not yet evaluate the efficiency of these projects. The results of the survey showed that only 13 Vietnamese enterprises in the sample have chosen both NPV and IRR methods to evaluate the efficiency of the project and 21 Vietnamese enterprises have applied NPV method to choose an investment project. Meanwhile, 25 enterprises (42.37% of Vietnamese enterprises' sample) do not make a plan to invest in a new intangible asset before purchasing.

11.2.7. The low and not yet exact technical of brand valuation in equitization process

One of the important functions of intangible assets accounting in Vietnam is making consensus on value of intangible assets especially for equitization process of Vietnamese SOEs. Without this function, stocks of SOEs must be undervalue. If the stock values were not so high, stock market become not-active and equitization process does not succeed.

Circular No. 127/2014/TT-BTC presented two approaches, namely, asset approach and DCF approach to evalue brand valuation during equitization process of SOEs. In fact, in Vietnam, the popular approach to identify the value of brand is the asset approach. However, brand valuation in the process of equitization Vietnamese SOEs are still not yet exactly in accordance with the asset approach (Le, 2016).

Meanwhile, this study showed the brand valuation approaches in accordance with IVS 210 and ISO 10668. Both standards argued that there are three approaches to determine the value of brand, namely, market approach, cost approach and income approach. Specially, both standards emphasize that income approach is the most suitable method to identify the brand value.

11.3. RECOMMENDATIONS

Based on the major findings, this study offers some recommendations for improvement of current situation. There are close linkingage among contents of chapters, major findings and recommendations.

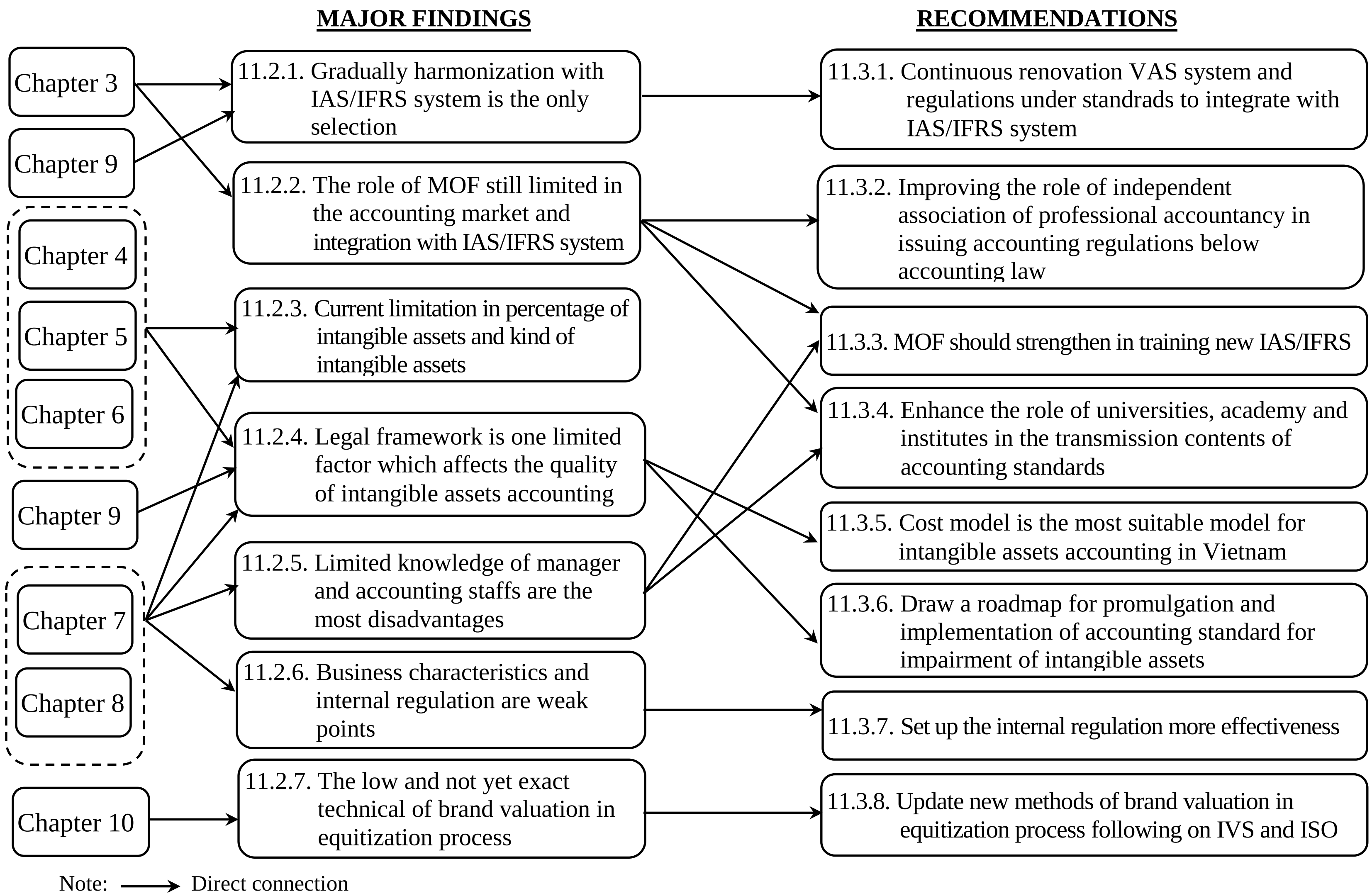


Figure 11.1. The relationship among contents of chapters, major findings and recommendations

Therefore, recommendations are showed as following:

11.3.1. Continuous renovation VAS system and regulations under standards to integrate with IAS/IFRS system

After long time of the first promulgation, VAS system has not yet amended. Therefore, the majority of interviewees supported the idea of adjusting and amending the accounting system in accordance with the new version of IAS/IFRS system. This idea is the foremost solution for Vietnamese accounting system at this time. Specifically, for the issued VASs like VAS 03, VAS 04 and so on, MOF should amend following on the new version of IASs system. In addition, for new accounting standards with Vietnam such as IAS 36, IFRS 5 and etc, MOF should research and issue equivalent accounting standards which are suitable with Vietnamese economy conditions. Additionally, the non-fullness and unclearness have occurred in four levels of current accounting legal framework. Hence, the renovation of content in four levels of Vietnamese accounting regulation should be continued.

Related to the intangible assets accounting, the idea of renewing VAS 04 based on the latest version of IAS 38 and the conditions of Vietnamese economy should be also considered. In addition, promulgation accounting standard for impairment of assets in accordance with IAS 36 and the conditions of Vietnamese economy also should be selected to apply.

11.3.2. Improving the role of independent association of professional accountancy in issuing accounting regulations below accounting law

Currently the accounting regulations below accounting law (like decree, decision and circular) in Vietnam were enacted by government and MOF. However, many officers or policy makers have lacked academic knowledge as well as experience of working in business and accounting. The professional accountancy associations like the VACPA can participate in process of setting accounting regulations, however, this depends on the perspective of MOF (Phil, 2017). In accordance with the experience from other countries, the professional accounting sector has played important role in issuing accounting regulations.

In addition, there are conflicting benefit in promulgation accounting regulations between enterprises group and governement. Specifically, enterprises often have served demand of market, meanwhile the government has focused on management the national budget and public communication rather than market requirement. Therefore, improving the role of Vietnamese independent association of professional accountancy like VACPA and Department of Accounting and Auditing Policy in issuing these accounting regulations should be considered.

11.3.3. MOF should strengthen in training new IAS/IFRS

To achive the aim of the program “Vietnam accounting and auditing strategy to 2020, vision 2030” (Decision No. 480/QD-TTg, dated March 18th 2013), in recent years, MOF has organized IFRS/IAS training session positively with the participation of officers from Deloitte, KPMG, Ernst & Young and the Association of Chartered Certified Accountants (ACCA) Vietnam. These training sessions often opened in Hanoi city and

Ho Chi Minh city. For example, during period 15th - 17th August 2018 and period 20th - 22nd 2018, MOF combined with ACCA Vietnam to train contents of IAS 1 (Presentation of Financial Statement), IAS 7 (Statement of Cash Flows), IAS 23 (Borrowing costs), IAS 28 (Investments in Associates and Joint Ventures), IAS 36 (Impairment of Assets), IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) and IFRS 12 (Disclosure of Interests in Other Entities) respectively in Hanoi city and Ho Chi Minh city. These courses attracted a lot of lecturers, researchers from univerisities, academy and accounting staffs from Vietnamese enterprises.

However, these training courses only organized in Hanoi city and Ho Chi Minh city, hence, this is difficult for lecturers, researchers and accounting staffs who located in the other different cities to participate. Therefore, this is one of difficulties to disseminate the content of IAS/IFRS. To improve this issue, MOF should organize training courses in at leaset three cities like Hanoi city, Danang city and Ho Chi Minh city which are representative for three regions of Vietnam, namely, Northern Vietnam, Central Vietnam and Southern Vietnam, respectively.

Additionally, currently, the contents of training session often focus on the academic contents of IAS/IFRS. It means that the practices or applying of IAS/IFRS is limited. This will lead unclear understanding of learners and low effectiveness of these courses. Therefore, MOF should give detail examples which are relative with contents of IAS/IFRS in the discussions to explain clearly the contents of IAS/IFRS.

11.3.4. Enhance the role of universities, academy and institutes in the transmission contents of accounting standards

To date, undergraduated course for accounting in Vietnamese universities and academy often emphasize about accounting regulations in accordance with contents of circulars. Currently, this accounting program for undergraduated students has often focused on researching about two circulars namely Circular No. 200/2014/TT-BTC (Accounting regime) and Circular No. 133/2016/TT-BTC (Accounting regime for SMEs). In addition, the contents of accounting standards have not yet mentioned in undergraduated course. This is a disadvantage point of improving quality of accounting. Therefore, universities and academy should give contents of VAS, IAS and IFRS into the training course of accounting.

Moreover, universities and academy should cooperate with ACCA Vietnam in the training process of accounting. This cooperation will help and orient students to develop their accounting profession towards international integration. This is an opportunity for students to get Chartered Certified Accountant from ACCA and after that these students can work as an accountant in any enterprise in the world. In addition, based on this platform they will be active to update new accounting standards and especially this is one of the good way to improve the quality of Vietnamese accountants in the future.

11.3.5. Cost model is the most suitable model for intangible assets accounting in Vietnam

According to the accounting experience in intangible assets from Japan, Germany, China and AEC countries, cost model is the most suitable model for intangible assets accounting in Vietnam. In this cost model, an intangible asset will be carried at its cost less any accumulated amortization and any accumulated impairment loss. This model will supply accounting information about intangible assets more fullness and honesty. It means that, this is the way to improve intangible assets accounting in Vietnam. Simultaneously, this accounting information will become a steady basic to give right decision-making of managers or investors.

To implement this improvement, MOF should have a plan to update content of VAS 04 in accordance with latest version of IAS 38 and the conditions of Vietnamese economy at this time. After that, MOF should enact new accounting standard following on contents of IAS 36 and the conditions of Vietnamese economy.

11.3.6. Draw a roadmap for promulgation and implementation of accounting standard for impairment of intangible assets

From results of the survey, there are many concerns about implementation of IAS 36 in Vietnam. Particularly, currently, accounting information users have not yet believed in fairness among enterprises when they implement accounting impairment. Therefore, it is necessary to draw an appropriate roadmap to apply accounting standard "impairment of assets" in Vietnamese enterprises. This method will help the objects in the economy implementing the accounting standard effectively and avoid negative effects on the economy.

In accordance with accounting experience of Japan, Germany and China in applying accounting standard “impairment of assets”, the reversal impairment losses are prohibited for intangible assets. In addition, indefinite intangible assets are not amortized, but are impaired. Hence, these experience should be considered when “impairment of assets” standard is applied in Vietnam.

Additionally, the research of Tran (2014) about impairment of goodwill in Hong Kong indicated that, because of few examples in training courses, the compliance level of this accounting standard in Hong Kong enterprises is not high. Consequently, consistent guidance, various and detail examples in specific situations to train for accounting officers in enterprises are very necessary.

A roadmap of applying accounting standard “impairment of assets” consists of three periods. The first period is trial/test period, the second period is partial implemention and the third period is fully implemention.

The trial/test period is one year to encourage enterprises applying this standard. However, in this time the implemention of this standard is not compulsory for all enterprises. The goal of this stage is to have suitable and timely adjustments befor widely implementing new standard. Generally enterprises have good governance system and high quality of accountants will be ready to participate in this stage. Particularly, enterprises only presents information about impaired intangible assets on only Notes to Financial Statements. This information does not yet present on Balance Sheet and Income Statement. As such, the impaired intangible assets information does not affect the amortization of intangible assets in the subsequent accounting periods. Specially, MOF should actively collect comments from enterprises participating in this period to have timely guidance or suitable readjustment.

The partial implemention period is around three years. The purpose of this stage is to help enterprises getting familiar with the process of determining impaired value of intangible assets, and supply additional information to the users. In this period, enterprises are obligated to apply this standard for intangible assets and present accounting information only on Notes to Financial Statement. Particularly, enterprises explain clearly about impaired intangible assets, namely, kind of intangible assets, cause of impairment, method of application, impaired value, explaination the influences of impaired value of intangible assets on financial indexes like total assets, total intangible assets and income etc of enterprises. In addition, auditors will verificate and express opinions on the accounting information of impaired intangible assets which enterprises announced.

In the fully implemention, all enterprises in the economy will obligate to apply this standard. In addition, in this stage, accounting information of impaired intangible assets has to present on Balance Sheet, Income Statement and Notes to Financial Statement.

11.3.7. Set up the internal regulation more effectiveness

The internal regulation of Vietnamese enterprises about intangible

assets accounting need to be improved. Depending on each situation of enterprise, the content of internal regulation should be detailed or unified for all entities of whole group. Thus the more detail about the accounting methods, measurement and recognition are easier for complying. The basic contents of internal regulation should follow the current legal system and business characteristics of enterprises about the form of accounting document, the type of documents, the measurement, recognition and accounting method.

In addition, for investment in a new intangible assets, enterprises have to make a investment project and the project only will be invested in when the project is assessed effectively. Specifically, enterprises should apply discounted cash flow method to calculate NPV of an intangible asset. NPV is calculated following on a below formula.

$$NPV = \sum_{t=1}^{T} \frac{C_t}{(1+r)^t} - C_0$$

Where C_t is net cash inflow during the period t, C_0 is total initial investment costs, r is discount rate, and t is number of time periods. In this case, enterprises can use lending rate of commercial bank for business operation with one-year term as a discount rate.

A positive net present value indicates that the projected earnings generated by a project or investment exceeds the anticipated costs. As such, an investment with a positive NPV will be profitable, and an investment with a negative NPV will result in a net loss. Enterprises only will invest in a new intangible asset if NPV of this asset is higher than zero. If there are different investment plans, the project has the highest NPV and greater than 0 will be selected.

Additionally, the invested project and using plan of an intangible asset must be reviewed and verified by the council of enterprises. The council of enterprises compulsory includes a chief accountant and a chief financial officer.

11.3.8. Update new methods of brand valuation in equitization process following on IVS and ISO

Currently, in the equitization process of Vietnamese enterprises, only assets approach has been used to evaluate brand. This study also indicates currently, brand valuation in the process of equitization Vietnamese SOEs are still not yet exactly in accordance with the asset approach (Le, 2016). Meanwhile, in accordance with the perspectives of IVS 210 and ISO 10668, there are three approaches to determine the value of brand, namely, market approach, cost approach and income approach. However, the value of brand is derived from the ability to creat higher profits for the enterprise that owns the brand, hence, the income approach is widely used and accepted as the brand valuation method. Therefore, to improve the brand valuation approach of Vietnam, MOF should guide income approach as one of new approach to determine brand valuation. Moreover, MOF should stipulate that applying at least two methods when valuing an enterprise (one main method and one method of examination and comparison). In which, the result of the value determination based on asset approach will be the minimum value (floor value).

Fortunately, on May 4th 2018 MOF enacted Circular No. 41/2018/TT-BTC guiding contents of financial handling and determining the value of enterprises when transfering from SOEs and one-member limited liability company invested by 100% of the charter capital of the state to joint-stock company. The new circular replaced Circular No. 127/2014/TT-BTC. Especially, the new circular mentioned that each equitized enterprise must apply at least two different valuation methods in equitization process. However, the new circular has not yet showed detail guidelines to evaluate brand valuation during equitization process.

11.4. FUTHER CONSIDERATION AND CONCLUSION

Besides of contribution into the reference worldwide, this study did make quite clear the current picture of intangible assets accounting in Vietnam in both case academic field and practice field.

With the limitations of this study, some interviewees may have a bias toward providing non-committal answers in general to the questions in the questionnaire. In addition, some respondents declined to research and answer the questionnaire. Moreover, the small sample size could not cover all. Therefore, the number of observations is not enough to do quantitative research about “factors affecting the decision-making of enterprises in the economy regarding the implementation of impairment accounting of intangible assets and updatement VAS 04 in accordance with the latest version of IAS 38”.

Further research in the same topic should be conducted continuously, specially in the quantitative research. Particularly, in next time, some issues can be researched deeply such as how to apply IAS 36 for intangible assets in Vietnam, analysis the relationship between the decision to record impairment of intangible assets and the quality of corporate governance etc.

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APPENDICES

ANNEX 1: QUESTIONNAIRE – TYPE 1

PHIẾU PHỎNG VẤN (QUESTIONNAIRE)

(Dành cho doanh nghiệp: Cán bộ quản lý/Kế toán) (For manager/ Accountant)

I. Thông tin chung (Chapter 1: General Information)

Câu 1 (Q1)

1.1. Tên người được phỏng vấn (Name of interviee)………………………………………

Chức vụ (Position): …………………………Email……..…………………………....

1.2. Tên công ty/đơn vị (Name of organization):......………………………………...…...

....

Năm thành lập đơn vị (Established year)………………………………………………

Số lượng lao động (Number of employees) ……………………………………..........

Địa chỉ (Address): ……………………………………………………………………...

Điện thoại (Telephone number)……………………………………………………......

1.3. Số năm kinh nghiệm (The number of experienced years)………………………........

1.4. Trình độ học vấn cao nhất của Anh/Chị (The highest level of education) ....

Năm tốt nghiệp:...

1.5. Khả năng sử dụng tiếng anh chuyên ngành (Ability to use specialized English)

☐ Hạn chế (Limited) ☐ Thông thạo (Medium) ☐ Tốt (Good)

Câu 2 (Q2)

Loại hình đơn vị đăng kí kinh doanh (Type of organization)?

☐ 2.1. Đơn vị nước ngoài (Foreign organization)

☐ 2.2. Đơn vị nhà nước (State organization)

☐ 2.3. Đơn vị tư nhân (Private organization)

☐ 2.4. Công ty cổ phần (Joint-stock company)

☐ 2.5. Khác (Others)

Câu 3 (Q3)

Đơn vị của Anh/Chị thuộc loại hình nào theo cách phân loại sau đây (What is the size of your enterprise)?

☐ 3.1. Công ty quy mô siêu nhỏ (Micro size enterprise)

☐ 3.2. Công ty quy mô nhỏ (Small enterprise)

☐ 3.3. Công ty quy mô vừa (Medium enterprise)

□ 3.4. Công ty quy mô lớn (Big enterprise)

Câu 4 (Q4)

4.1. Lĩnh vực kinh doanh của đơn vị Anh/Chị là gì? (What is business sector of your organization?)

□ Thương mại và dịch vụ (Commerce/Trade and service)

□ Công nghiệp (Industry)

□ Khai thác mỏ (Mining)

□ Chế biến (Processing)

□ Sản xuất điện, nước, ga (Manufacturing distribution of electricity, gas and water)

□ Khác, cụ thể (detail)...

4.2. Thị trường đầu vào của công ty là gì (What is the input market of your company)?

□ Trong nước (Domestic)

□ Nhập khẩu (Import)

□ Cả hai phương án trên (Both domestic and import)

4.3. Thị trường đầu ra của công ty là gì (What is the output market of your company)?

□ Trong nước (Domestic)

□ Nhập khẩu (Import)

□ Cả hai phương án trên (Both domestic and import)

II. Thông tin chuyên môn (Chapter 2: Specific Accounting Information)

Câu 5 (Q5)

Đơn vị Anh/Chị áp dụng hệ thống pháp lý kế toán nào cho kế toán TSCĐ vô hình? (What legal framework does your company applies for intangible assets accounting?)

□ ***5.1 Hệ thống pháp lý về kế toán Việt Nam (Apply Vietnamese accounting system)***

- *Kể tên một số chuẩn mực kế toán Việt nam đơn vị áp dụng? (What VAS have been applied)?*

□ 5.1.1 VAS01 □ 5.1.3. VAS 11

□ 5.1.2. VAS04 □ 5.1.4. Tất cả đáp án trên (All previous answers)

□ 5.1.5. Khác, ghi rõ (Others, detail)…………………………

- *Chế độ kế toán đơn vị đang áp dụng? (What Vietnamese accounting policy has been applied?)*

□ 5.1.6. Thông tư 200/2014/TT-BTC (Circular No. 200/2014/TT-BTC)

□ 5.1.7. Thông tư 133/2016/TT-BTC (Circular No. 133/2016/TT-BTC)

□ 5.1.8. Khác, ghi rõ (Others, detail)…………………………

- *Thông tư, nghị định hướng dẫn đơn vị đang áp dụng trong kế toán TSCĐ vô hình? (What circulars have been applied?)*

□ 5.1.9. Thông tư 45/2013/TT-BTC (Circular No. 45/2013/TT-BTC)

□ 5.1.10. Thông tư 21/2006/TT-BTC (Circular No. 21/2006/TT-BTC)

□ 5.1.11. Khác, ghi rõ (Others, detail)…………………………

□ ***5.2 Hệ thống chuẩn mực kế toán quốc tế (Apply IASs/IFRS)***

- *Kể tên một số chuẩn mực kế toán quốc tế áp dụng (What IASs/IFRS have been applied?)*

□ 5.2.1. IAS 38 □ 5.2.3. IFRS 3

□ 5.2.2. IAS 36 □ 5.2.4. Tất cả đáp án trên (All previous answers)

□ 5.2.5. Khác, ghi rõ (Others, detail)…………………………

- *Tại sao đơn vị Anh/Chị không sử dụng hệ thống quy định của Việt nam? (Why does not choose Vietnamese accounting regulation?)*

………………………………………………………………………………………
………………………………………………………………………………………
………………………………………………………………………………………

□ ***5.3 Hệ thống khác, chi tiết (Others, detail)*** *Tại sao đơn vị Anh/Chị không sử dụng hệ thống quy định của Việt nam? (Why does not choose Vietnamese accounting regulation?)*

………………………………………………………………………………………
………………………………………………………………………………………
………………………………………………………………………………………

Câu 6 (Q6)

Quyết định đầu tư TSCĐ vô hình mới tại đơn vị Anh/Chị do bộ phận nào trong đơn vị phê duyệt? (Which department in your company has approved the decision on investment in a new intangible asset?)

□ 6.1. Hội đồng quản trị (General assembly of company)

□ 6.2. Ban giám đốc (Board of Directors)

□ 6.3. Kế toán trưởng (Chief Accountant)

□ 6.4. Giám đốc tài chính (Chief financial officer)

□ 6.5. Khác, ghi rõ (Others, detail)…………………………

Câu 7 (Q7)

Khi đầu tư tài sản cố định vô hình, đơn vị Anh/Chị có lập dự án đầu tư không? (When investment in new intangible assets, do your company make an investment plan?)

□ 7.1. Có (Yes)

Nếu có, xin Anh/Chị cho biết phương pháp lựa chọn dự án đầu tư đơn vị sử dụng?

(If yes, which method your company has applied to choose an investment project?)

 7.1.1. NPV (Net present value: Giá trị hiện tại thuần của tài sản là giá trị của toàn bộ dòng tiền dự án trong tương lai được chiết khấu về hiện tại)

 7.1.2. IRR (Internal rate of return: là tỷ suất sinh lợi của chính bản thân dự án, IRR là nghiệm của phương trình NPV = 0)

 7.1.3. Khác, xin ghi rõ (Other, detail)

……………………………………..

 7.2. Không (No)

Nếu không, xin cho biết đơn vị Anh/Chị quyết định đầu tư tài sản cố định vô hình dựa trên cơ sở nào? (If no, which criteria does your company often invest in a new intangible asset based on?)

....

....

....………………………………

 7.3. Tùy từng trường hợp, ghi rõ (Depending on each case, detail)

……………………………………………...

Câu 8 (Q8)

Đơn vị Anh/Chị đầu tư TSCĐ vô hình bắt đầu từ năm nào? (When did your company invest in intangible assets?) …………………………………………

Câu 9 (Q9)

Hiện nay đơn vị Anh/Chị đầu tư TSCĐ vô hình bằng nguồn vốn nào? (Currently, which capital has your company used to invest in intangible assets?)

 9.1. Vốn chủ sở hữu (Equity)

 9.2. Vốn vay (Liabilities)

 9.3. Một phần vốn chủ sở hữu và vốn vay (Equity and liabilities)

Câz 10 (Q10)

TSCĐ vô hình của đơn vị Anh/Chị thường được đầu tư theo phương thức nào? (How does your company invest in intangible assets?)

 10.1. Mua ngoài (trong nước hoặc nhập khẩu) (Purchased outside - domestic or imported)

 10.2. Nhận vốn góp (Received capital)

 10.3. Tự hình thành trong nội bộ đơn vị (Internal self-forming company)

 10.4 Nhận biếu tặng (Received donation)

 10.5 Khác, ghi rõ (Others, detail)...

Câu 11 (Q11)

Hiện tại, đơn vị Anh/Chị đang ghi nhận những tài sản nào là TSCĐ vô hình? (What kind of intangible assets does your company has?) (Vui lòng ghi rõ tên từng loại TSCĐ vô hình, nếu có).

□ 11.1. Quyền sử dụng đất vô thời hạn (the right to use land for a indefinite term)

□ 11.2. Quyền sử dụng đất có thời hạn (the right to use land for a definite term)

□ 11.3. Nhãn hiệu hàng hóa (brand names)

□ 11.4. Quyền phát hành (distribution rights)

□ 11.5. Phần mềm máy vi tính (software)

□ 11.6. Giấy phép và giấy phép nhượng quyền (licenses and right concession permits)

□ 11.7. Bản quyền, bằng sáng chế (copyright, patents)

□ 11.8. Công thức và cách thức pha chế, kiểu mẫu, thiết kế và vật mẫu

(Preparation formulas and methods, models, designs and prototypes)

□ 11.9. TSCĐ vô hình đang triển khai (Intangible assets being developed)

□ 11.10. Thương hiệu (Brands)

□ 11.11. Trang web thương mại điện tử (E-commerce website)

□ 11.12. Mối quan hệ khách hàng (Customer relationship)

□ 11.13. Khác, ghi rõ (Others, detail)………………………………………………

Câu 12 (Q 12)

Tại đơn vị Anh/Chị có TSCĐ vô hình được hình thành từ nội bộ không? (Are there any internal intangible assets in your companies?)

□ 12.1.Có (Yes). Nếu có vui lòng trả lời các thông tin bên dưới

12.1.1 Tên tài sản là gì? (Name of this asset) ....

12.1.2 Hình thành vào năm nào? (Time of investment).......................................

12.1.3 Đơn vị có chia quá trình hình thành TSCĐ vô hình này thành hai 2 giai đoạn: nghiên cứu và triển khai không? (In your company, is the establishment period of internal intangible assets divided into research period and development period?)

□ 12.1.3.1 Có (Yes), nêu cụ thể khoảng thời gian của từng giai đoạn (Detail time of ecah period)

Giai đoạn nghiên cứu (Research period).................................

Giai đoạn triển khai (Development period)................................

□ 12.1.3.2 Không (No)

□ 12.2. Không (No)

Câu 13 (Q13)

13.1 Tại đơn vị Anh/Chị sử dụng phương pháp khấu hao nào cho TSCĐ vô hình? (In your company, which kind of amortization method has been used for intangible assets?)

 13.1.1. Phương pháp khấu hao đường thẳng (the straight-line method)

 13.1.2. Phương pháp khấu hao nhanh (the diminishing balance method)

 13.1.3. Phương pháp khấu hao theo sản lượng (the units of production method)

 13.1.4. Khác, ghi rõ (Others, detail)………………………………………………….

13.2 Cuối mỗi năm tài chính, đơn vị Anh/Chị có tiến hành xem xét lại phương pháp tính khấu hao TSCĐ vô hình không? (At the end of financial year, does your company re-assess the used amortization method of intangible assets?)

 13.2.1. Có (Yes) 13.2.2. Không (No)

13.3 Xin Anh/Chị vui lòng giải thích tại sao lại chọn đáp án trong câu 13.2?

……………………………………………………………………………………

……………………………………………………………………………………

……………………………………………………………………………………

Câu 14 (Q 14)

14.1 Với những TSCĐ vô hình được khấu hao theo phương pháp đường thẳng, thời gian sử dụng để tính khấu hao thường là? (For intangible assets which was used the straight-line amortization method, how long is the amortization period?)

 14.1.1 Thời gian dài nhất trong khoảng thời gian cho phép của Thông tư 45/2013/TT-BTC (The maximum period according to Circular No. 45/2013/TT-BTC)

 14.1.2. Thời gian ngắn nhất trong khoảng thời gian cho phép của Thông tư 45/2013/TT-BTC (The minimum period according to Circular No. 45/2013/TT-BTC)

 14.1.3. Thời gian trung bình trong khoảng thời gian cho phép của Thông tư 45/2013/TT-BTC (The average period according to Circular No. 45/2013/TT-BTC)

 14.1.4. Tùy từng trường hợp, ghi rõ (Depends on each case, detail)

……………………………………………………………….

14.2 Tại đơn vị Anh/Chị có TSCĐ vô hình nào có thời gian sử dụng hữu ích trên 20 năm không? (In your company are there intangible assets which has over 20 years of useful life?)

 14.2.1 Có (Yes), ghi rõ tên tài sản (Detail)……………………………..

 14.2.2. Không (No)

14.3 Cuối mỗi năm tài chính, đơn vị Anh/Chị có tiến hành xem xét lại thời gian tính khấu hao TSCĐ vô hình không? (At the end of financial year, does your company re-assess the applied amortization period of intangible assets?)

 Có (Yes) Không (No)

Câu 15 (Q 15)

Trong quá trình sử dụng TSCĐ vô hình, đơn vị Anh/Chị theo dõi TSCĐ vô hình này theo các chỉ tiêu nào? (In the useful time of intangible assets, which criteria was the asset recorded based on?)

□ 15.1 Nguyên gía (Initial value)

□ 15.2 Giá trị hao mòn lũy kế (Accumulated amortization)

□ 15.3 Giá trị còn lại (Residual value)

□ 15.4 Cả 3 đáp án trên (three answers above)

□ 15.5 Tổn thất tài sản lũy kế (Accumulated impairment assets)

□ 15.6 Khác, ghi rõ (Other, detail)...

Câu 16 (Q 16)

Khi lập Báo cáo tài chính, đơn vị Anh/Chị có xem xét những TSCĐ vô hình sẽ thanh lý trong năm tài chính tiếp không? (When making a financial statement, does your company consider whether intangible assets will be liquidated in the next financial year?)

□ 16.1. Có (Yes) □ 16.2. Không (No)

Câu 17 (Q 17)

Đơn vị Anh/Chị có tiến hành ước tính giá trị thanh lý của TSCĐ vô hình vào cuối mỗi năm tài chính không? (Does your company estimate the liquidation value of intangible assets at the end of each financial year?)

□ 17.1. Có (Yes)

Nếu có, phương pháp ước tính sử dụng là gì? (If yes, what is the estimated method?)

…………………………………………………………………………………………

…………………………………………………………………………………………

□ 17.2. Không (No)

□ 17.3.Khác, chi tiết (Others, detail)……………………….

Câu 18 (Q 18)

Theo Anh/Chị vấn đề khó khăn hiện nay của đơn vị khi ghi chép theo dõi TSCĐ vô hình là gì? Tại sao? (In your opinion, what are the obstacles to recognize intangible assets? Why?)

Điểm khó khăn/Obstacles	Nội dung hoặc lý do/Reasons
□ 18.1 Khung pháp lý (Legal framework) □ 18.1.1 Luật kế toán (Accounting law) .... □ 18.1.2 Chuẩn mực kế toán số. ..(VASs...)	....

.... □ 18.1.3Thông tư hướng dẫn số(Circular No) .... □ 18.2 Trình độ nhân viên nghiệp vụ (Staff knowledge) □ 18.3 Chính sách quản lý nội bộ (Policy of internal control system) □ 18.4 Đặc điểm lĩnh vực kinh doanh (Business characteristic) □ 18.5 Khác (Others)	....

Câu 19 (Q 19)

Tại đơn vị của anh/chị có xây dựng các chính sách quản lý nội bộ không? (Have your company establish internal control system?)

□ Có (Yes). Nếu có (If yes),

- Chính sách quản lý nội bộ này do bộ phận nào xây dựng? (Author of setting the internal regulations**?)**

□ Bộ phậnkế toán (Accounting department)

□ Bộ phận kiểm soát nội bộ (Internal control department)

□ Bộ phận quản trị (Management Department)

□ Thuê ngoài (Consulted service)

- Chính sách quản lý nội bộ này được xây dựng dựa trên cơ sở nào? (What are documents for establishment the internal control regulations?)

□ Hệ thống chính sách kế toán hiện hành (Current accounting legal system)

□ Đặc điểm của ngành nghề kinh doanh (Characteristics of business)

□ Cả hai phương án trên (Both previous answers)

- Nêu nội dung của chính sách kiểm soát nội bộ đối với tài sản cố định vô hình? (Describe main content of internal control regulations for intangible assets?)

□ Chính sách quản lý (Management principles)

□ Tiêu chí xác định tài sản cố định vô hình (Criteria for identification)

□ Nguyên tắc xác định giá trị của tài sản vô hình (Determination value principles)

□ Chính sách khấu khao và phương án sử dụng số tiền khấu hao (The provisions on amortization and use of amortization)

□ Quy trình tăng, giảm tài sản vô hình (Procedures for increasing and decreasing intangible assets)

□ Quy trình mua tài sản vô hình (Process of purchasing intangible assets)

 Bộ hồ sơ kế toán đối với tài sản vô hình (Accounting documents for intangible assets)

 Phương pháp kế toán đối với tài sản vô hình (Accounting method for intangible assets)

 Thời gian nộp hồ sơ, giấy tờ kế toán (Time line for submit accounting document)

 Others..

Không (No)

Câu 20 (Q 20)

Theo Anh/Chị thông tin về TSCĐ vô hình của đơn vị đã cung cấp thời gian vừa qua như thế nào (có thể chọn nhiều đáp án)? (In your opinion, how is the quality of intangible assests information that your company did supply on financial statements?)

Điểm tích cực/Advantages	Điểm không tích cực và lý do (Disadvantages and reasons)	
	Điểm không tích cực/ Disadvantages	Lý do/Reasons
20.1 Kịp thời/Timeless 20.2 Đầy đủ/Fulless 20.3 Đáng tin cậy/Faithly 20.4 Trung thực/Honesty 20.5 Khác/Others.............	20.6 Không kịp thời/Un-timeless 20.7 Không đầy đủ/Un-full 20.8 Không tin cậy/Faithless 20.9 Không trung thực /Dishonesty 20.10 Khác/Others...................	....

Câu 21 (Q21)

21.1 Anh/Chị có biết về sự khác nhau giữa mô hình ghi nhận giá trị giá gốc và giá thực tế theo chuẩn mực kế toán quốc tế số 38 về TSCĐ vô hình không? (Do you know the difference between the cost model and the revaluation model in IAS 38 - Intangible assets?)

 Hiểu rõ (Understand clearly).

 Biết nhưng chưa hiểu kỹ (Know but do not yet understand clearly)

 Chưa từng biết (Not yet know) Chuyển đến câu 22 (Move to Question 22)

21.2 Nếu có, Anh/Chị biết kiến thức này từ nguồn thông tin nào? (If answered understand or know, from which source do you know this knowledge?)

 Tự tìm hiểu (Self-learning)

 Các khóa học Chuẩn mực kế toán quốc tế (Courses about IAS)

 Các hội thảo, các đợt tập huấn của Bộ Tài chính (Workshops, trainings by Ministry of Finance)

 Khác, xin vui lòng nêu rõ (Other, detail)..

21.3 Nếu anh/chị biết qua các chương trình bồi dưỡng đào tạo, buổi tập huấn, Anh/Chị vui lòng cho biết đơn vị nào tổ chức chương trình bồi dưỡng đào tạo, buổi tập huấn đó? (Who or Which organization plays the trainer in training course?)

 Hội nghề nghiệp độc lập/Independent association of professional accountancy

 Hội kế toán Việt Nam/ Vietnam Accounting and Auditing Association

 Đơn vị đào tạo của Bộ tài chính/Academic institution of MOF

 Các trường đại học chuyên ngành/Accounting university

 Tất cả các phương án trên/All previous answers

Khác/Other...

Câu 22 (Q 22)

22.1 Anh/Chị có biết về kế toán giảm giá trị tài sản trước khi trả lời phiếu khảo sát này không? (Do you know about impairment assets before answer this questionnaire?)

 Hiểu rõ (Understand clearly).

 Biết nhưng chưa hiểu kỹ (Know but do not yet understand clearly)

 Chưa từng biết (Not yet know) Chuyển đến câu 23 (Move to Question 23)

22.2 Nếu đã biết về kế toán giảm giá trị tài sản, xin cho biết kiến thức Anh/Chị có được từ? (If answered understand or know, from which source do you know this knowledge?)

  Tự tìm hiểu (Self – learning)

 Các khóa học Chuẩn mực kế toán quốc tế (Courses about IAS)

 Các hội thảo, các đợt tập huấn của Bộ Tài chính chính (Workshops, trainings by Ministry of Finance)

 Khác, xin vui lòng nêu rõ (Other, detail)..

22.3 Nếu anh/chị biết qua các chương trình bồi dưỡng đào tạo, buổi tập huấn, Anh/Chị vui lòng cho biết đơn vị nào tổ chức chương trình bồi dưỡng đào tạo, buổi tập huấn đó? (Who or Which organization plays the trainer in training course?)

 Hội nghề nghiệp độc lập/Independent association of professional accountancy

 Hội kế toán Việt Nam/ Vietnam Accounting and Auditing Association

 Đơn vị đào tạo của Bộ tài chính/Academic institution of MOF

 Các trường đại học chuyên ngành/Accounting university

 Tất cả các phương án trên/All previous answers

Khác/Other..

Câu 23 (Q 23)

Theo Anh/Chị có nên thực hiện kế toán giảm giá trị đối với TSCĐ vô hình không? (In your opinion, should Vietnamese companies be applied impairment assets accounting?)

 23.1 Rất đồng ý. Lý do (Totally agree, reason)

....

 23.2 Đồng ý. Lý do (Agree, reason)

....

 23.3 Không có ý kiến. Lý do (Do not have mentions, reason)

....

 23.4 Không đồng ý. Lý do (Disagree, reason)

....

 23.5 Rất không đồng ý. Lý do (Totally disagree, reason)

....

Câu 24 (Q 24)

24.1. Theo Anh/Chị, Việt nam có nên sửa đổi chuẩn mực kế toán số 4 theo bản mới nhất của chuẩn mực kế toán quốc tế số 38 không? (In your opinion, should Vietname amend VAS 04 based on the latest version of IAS 38?)

 Có (Yes). Tại sao ? (Why?)

. ...

....

 Không (No). Tại sao (Why?)

....

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24.2 Đối với tài sản cố định vô hình, theo Anh/Chị doanh nghiệp Việt nam nên lựa chọn mô hình kế toán nào trong IAS 38 để áp dụng? (In your opinion, which accounting model of IAS 38 should Vietnamese enterprise be applied for intangible assets accounting?)

 Mô hình giá gốc (Cost model)

 Mô hình đánh giá lại (Revaluation model)

Giải thích tại sao? (Why choose this answer?)

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Câu 25 (Q 25)

Anh/Chị có đề xuất/kiến nghị gì trong việc hoàn thiện phương pháp kế toán TSCĐ vô hình không? (What are your recommendations to improve the standard and method of intangible assets accounting in Vietnam?)

Khung pháp lý (Legal framework)..

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Chính sách quản lý (Management policy)...
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Khác (Others)..
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Xin trân trọng cảm ơn/ Thank you so much for your help!

ANNEX 2: QUESTIONNAIRE – TYPE 2

PHIẾU PHỎNG VẤN (QUESTIONNAIRE)
(Dành cho chuyên gia, cán bộ kiểm toán, nhà nghiên cứu)
(Applying for accounting professor, auditor – CPA, accounting researchers)

I. Thông tin chung (Chapter 1: General Information)

Câu 1 (Q1)

Tên người được phỏng vấn (Name of interviee)…………………………………………....

Nghề nghiệp (Occupation):……………………...…Email……..…………………………

Đơn vị công tác (Name of your company):

………………………………………………………………………………..……......

Số năm kinh nghiệm (The number of experienced years)……………………................

Trình độ học vấn cao nhất của Anh/Chị (The highest level of education)…………………

Câu 2 (Q2)

2.1 Anh/Chị có chứng chỉ kiểm toán viên hành nghề chưa? (do you have certificated public accountant – CPA?)

□ Có (Yes). Có được bao lâu? (How long did you get this?)

□ Dưới 2 năm (Under 2 year)

□ Từ 2 đến 5 năm (From 2-5 years) □ Từ 10 đến 15 năm (From 10-15 years)

□ Từ 5 đến 10 năm (From 5-10 years) □ Trên 15 năm (Over 15 years)

□ Không (No)

2.2 Lĩnh vực công việc của Anh/Chị có liên quan đến tài sản vô hình? (Your working area relately to intangible assets?)

□ Kiểm toán (Auditing)

□ Nghiên cứu, giảng dạy (Researching, training)

□ Tư vấn (Consultant)

□ Kiểm toán và tư vấn (Auditing and Consultant)

□ Nghiên cứu, giảng dạy và tư vấn (Researching, training and Consultant)

□ Nhân viên phòng chính sách kế toán (Officer for making policy)

□ Khác (Other)..

II. Thông tin chuyên môn (Chapter 2: Specific Accounting Information)

Câu 3 (Q3)

Theo Anh/Chị TSCĐ vô hình có vai trò quan trọng như thế nào đối với hiệu quả hoạt động kinh doanh của một doanh nghiệp? (In your opinion, what is the role of intangible assets for business activities?)

□ Rất quan trọng (Very important)

□ Quan trọng (Important)

□ Không quan trọng (Not important)

Anh/Chị vui lòng giải thích tại sao chọn đáp án trên? (Please explain why do you choose this answer?)

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Câu 4 (Q4)

Theo Anh/Chị cuối mỗi năm tài chính, doanh nghiệp có cần tiến hành xem xét lại phương pháp tính khấu hao TSCĐ vô hình không? (In your opinion, at the end of financial year, does company re-assess the used amortization method of intangible assets?)

□ Có (Yes)

Tại sao (Why)?..

……………………………………………………………………………………………

□ Không (No).

Tại sao (Why)?..

……………………………………………………………………………………………

Câu 5 (Q5)

5.1 Theo Anh/Chị, khoảng thời gian khấu hao TSCĐ vô hình theo quy định của Thông tư 45/2013 đã phù hợp chưa? (In your opinion, according to Circular No. 45/2013/TT-BTC, is the requirement of amortization period of intangible assets suitable or not?)

□ Có (Yes)

Tại sao (Why)?..

……………………………………………………………………………………………

□ Không (No).

Tại sao (Why)?..

……………………………………………………………………………………………

5.2 Nếu câu trả lời ở câu 6.1 là "Không", Theo Anh/Chị khoảng thời gian trích khấu hao TSCĐ vô hình như thế nào là phù hợp? (If answer "No" in question 5.1, in your opinion, what is the suitable amortization period of intangible assets?)

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Câu 6 (Q6)

Anh/Chị có nhận xét gì về quy định yêu cầu giải trình khi doanh nghiệp có TSCĐ vô hình với thời gian sử dụng hữu ích trên 20 năm? (Do you have any comment about the requirement of explaination when exists intangible assets with over 20 years of amortization period?)

 Phù hợp (Suitable).

Tại sao (Why)? …………………………………………………………….........................

…………………………………………………………………………………………

 Không phù hợp (Not suitable).

Tại sao (Why)? …………………………………………………………….........................

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Câu 7 (Q7)

Theo Anh/Chị, cuối mỗi năm tài chính, doanh nghiệp có cần tiến hành xem xét lại thời gian tính khấu hao TSCĐ vô hình không? (In your opinion, at the end of financial year, does company re-assess the applied amortization period of intangible assets?)

 Có (Yes).

Tại sao (Why)? …………………………………………………………….........................

…………………………………………………………………………………………

 Không (No).

Tại sao (Why)? …………………………………………………………….........................

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Câu 8 (Q8)

Theo Anh/Chị khi lập Báo cáo tài chính, doanh nghiệp có cần xem xét và trình bày riêng đối với những TSCĐ vô hình sẽ thanh lý trong năm tài chính tiếp không? (In your opinion, when making a financial statement, does company consider whether intangible assets will be liquidated in the next financial year?)

 Có (Yes).

Tại sao (Why)? …………………………………………………………….........................

…………………………………………………………………………………………

 Không (No).

Tại sao (Why)? …………………………………………………………….........................

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Câu 9 (Q9)

Theo Anh/Chị doanh nghiệp có cần tiến hành ước tính giá trị thanh lý của TSCĐ vô hình vào cuối mỗi năm tài chính không? (In your opinion, do company estimate the liquidation value of intangible assets at the end of each financial year?)

 Có (Yes).

Tại sao (Why)? …………………………………………………………….........................

 Không (No).

Tại sao (Why)? ……………………………………………………………..........................

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Nếu có cần ước tính giá trị thanh lý của TSCĐ vô hình, theo Anh/Chị phương pháp ước tính sử dụng sẽ là gì? (If answer "yes", what is the estimated method?)

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Câu 10 (Q10)

Theo Anh/Chị vấn đề khó khăn hiện nay đối với các doanh nghiệp khi ghi chép theo dõi TSCĐ vô hình là gì? Tại sao? (In your opinion, what are the obstacles to recognize intangible assets in Vietnamese enterprises? Why?)

Điểm khó khăn/Obstacles	Nội dung hoặc lý do/Reasons
Chính sách quản lý nội bộ	....
(Policy of internal control)	....
Khung pháp lý (Legal framework)	....
Luật kế toán (Accounting law)	....
Chuẩn mực kế toán số (VASs.......)	....
Thông tư hướng dẫn số(Circular No)	....
....	....
Trình độ nhân viên nghiệp vụ	....
(Skill and knowledge of accounting Staff)	....
Kiến thức của nhà quản lý DN	....
(Knowledge of management)	....
Đặc điểm lĩnh vực kinh doanh	....
(Business characteristic)	....
Khác (Others)	....

Câu 11 (Q11)

Theo anh/chị những điểm khó khăn của khung pháp lý về kế toán tài sản vô hình? (What are detail obstacles of legal framework for intangible assets accounting?)

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Câu 12 (Q12)

Theo Anh/Chị những lỗi kế toán thường gặp khi kế toán tài sản cố định vô hình là gì? (What are detail obstacles of skills and knowledge of Vietnamese accountants when they practice intangible assets accounting?)

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Câu 13 (Q13)

13.1 Theo anh/chị hệ thống kiểm soát nội bộ đối với tài sản vô hình của doanh nghiệp được xây dựng như thế nào? (How do you assess the internal control system for intangible assets of enterprises?)

☐ Chưa có hệ thống kiểm soát nội bộ (No internal regulation)

☐ Hệ thống kiểm soát nộ bộ mới đáp ứng được một phần nhu cầu (Partial appropriate regulations)

☐ Hệ thống kiểm soát nội bộ tốt (Good internal regulation)

13.2 Anh/Chị đánh giá thực trạng chính sách quản lý nội bộ của doanh nghiệp đối với tài sản cố định vô hình là như thế nào? (How are your evaluation about internal control regulations for intangible assets in Vietnamese enterprises?)

Tiêu chí (Criteria)	**Đã thực hiện (Satisfied)**	**Chưa thực hiện (Unsatisfied)**
1. Áp dụng nguyên tắc phân loại trách nhiệm giữa các chức năng, chẳng hạn như, duy trì và bảo vệ tài sản vô hình, sổ kế toán (Apply the principle of responsibility classification among functions, such as, maintain and protection intangible assets, record ledger, approve purchasing, liquidation and selling intangible assets).	☐	☐
2. Lập kế hoạch và ước tính nhu cầu sử dụng tài sản vô hình cho năm tài chính tiếp theo (Set up a plan and estimate demand using intangible assets for next financial year).	☐	☐
3. Các công cụ điều chỉnh nội bộ khác, như sau: (Other internal regulation tools, as followed) - Hệ thống sổ sách kế toán tài sản vô hình: doanh nghiệp cần mở sổ chi tiết, thẻ chi tiết và hồ sơ chi tiết cho từng loại tài sản vô hình; (Accounting book system for intangible assets: enterprises need to open detailed books, detailed cards and	☐	☐

detailed records for each type of intangible assets)		
- Thủ tục mua tài sản vô hình mới (Procedure to purchase a new intangible asset)	□	□
- Thủ tục thanh lý tài sản vô hình (Procedure of liquidation an intangible asset)	□	□
- Các quy định phân biệt chi phí được cộng vào giá trị ban đầu của tài sản vô hình hoặc là chi phí hoạt động trong năm tài chính; (Regulations to distinguish expenses which was plused into initial value of intangible assets or was as operation expenses in the financial year)	□	□
- Quy định về bảo vệ tài sản vô hình, chẳng hạn như, phương pháp phòng chống trộm cắp, mua bảo hiểm chống cháy (Regulation for protection intangible assets, such as, method to prevent stealing and fire, buy insurance against fire)	□	□
- Quy chế có liên quan đến khấu hao tài sản vô hình, như phương pháp khấu hao, khấu hao (Regulation is relative to amortization of intangible assets, such as, amortization method, amortization period).	□	□

Câu 14 (Q14)

Theo Anh/Chị thông tin về TSCĐ vô hình các doanh nghiệp cung cấp thời gian vừa qua như thế nào (có thể chọn nhiều đáp án)? (In your opinion, how is the quality of intangible assests information that Vietnamese enterprises supplied on financial statements?)

Điểm tích cực/Advantages	Điểm không tích cực và lý do (Disadvantages and reasons)	
	Điểm không tích cực/ Disadvantages	Lý do/Reasons
□Kịp thời/Timeless □Đầy đủ/Fulless □Đáng tin cậy/Faithly □Trung thực/Honesty □Khác/Others..................	□ Không kịp thời/Un-timeless □ Không đầy đủ/Un-full □ Không tin cậy/Faithless □ Không trung thực /Dishonesty □ Khác/Others......................	....

Câu 15 (Q15)

15.1 Anh/Chị có biết về sự khác nhau giữa mô hình ghi nhận giá trị giá gốc và mô hình đánh giá lại theo chuẩn mực kế toán quốc tế số 38 về TSCĐ vô hình không? (Do you know the difference between the cost model and the revaluation model in IAS 38 - Intangible assets?)

□ Hiểu rõ (Understand clearly).

□ Biết nhưng chưa hiểu kỹ (Know but do not yet understand clearly)

□ Chưa từng biết (Not yet know)

15.2 Nếu Anh/Chị có biết về vấn đề trên, vậy Anh/Chị biết kiến thức này từ nguồn thông tin nào? (If answered understand or know, which source do you know this knowledge?)

□ Tự tìm hiểu (Study by yourself)

□ Các khóa học Chuẩn mực kế toán quốc tế (Study courses about IAS)

□ Các hội thảo, các đợt tập huấn của Bộ Tài chính (Workshops, trainings by Ministry of Finance)

□ Khác, xin vui lòng nêu rõ (Other, detail)...

15.3 Nếu anh/chị biết qua các chương trình bồi dưỡng đào tạo, buổi tập huấn, Anh/Chị vui lòng cho biết đơn vị nào tổ chức chương trình bồi dưỡng đào tạo, buổi tập huấn đó? (Who or Which organization plays the trainer in training course?)

□ Hội nghề nghiệp độc lập/Independent association of professional accountancy

□ Hội kế toán Việt Nam/ Vietnam Accounting and Auditing Association

□ Đơn vị đào tạo của Bộ tài chính/Academic institution of MOF

□ Các trường đại học chuyên ngành/Accounting university

□ Tất cả các phương án trên/All previous answers

□Khác/Other...

Câu 16 (Q 16)

16.1 Theo Anh/Chị, Việt nam có nên sửa đổi chuẩn mực kế toán số 4 theo bản mới nhất của chuẩn mực kế toán quốc tế số 38 không? (In your opinion, should Vietnam amend VAS 04 based on the latest version of IAS 38?)

□ Có (Yes). Tại sao ? (Why?)

. ...

....

□ Không (No). Tại sao (Why?)

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16.2 Đối với tài sản cố định vô hình, theo Anh/Chị doanh nghiệp Việt nam nên lựa chọn mô hình kế toán nào trong IAS 38 để áp dụng? (In your opinion, which accounting model of IAS 38 should Vietnamese enterprise be applied for intangible assets accounting?)

□ Mô hình giá gốc (Cost model)

□ Mô hình đánh giá lại (Revaluation model)

Giải thích tại sao? (Why choose this answer?)

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....

....

Câu 17 (Q17)

17.1 Anh/Chị có biết về kế toán giảm giá trị tài sản trước khi trả lời phiếu khảo sát này không? (Do you know about impairment assets before answer this questionnaire?)

 Hiểu rõ (Understand clearly).

 Biết nhưng chưa hiểu kỹ (Know but do not yet understand clearly)

 Chưa từng biết (Not yet know)

17.2 Nếu đã biết về kế toán giảm giá trị tài sản, vậy Anh/Chị biết kiến thức này từ nguồn thông tin nào? (If answered understand or know, which source do you know this knowledge?)

 Tự tìm hiểu (Study by yourself)

 Các khóa học Chuẩn mực kế toán quốc tế (Study courses about IAS)

 Các hội thảo, các đợt tập huấn của Bộ Tài chính chính (Workshops, trainings by Ministry of Finance)

 Khác, xin vui lòng nêu rõ (Other, detail)...

17.3 Nếu anh/chị biết qua các chương trình bồi dưỡng đào tạo, buổi tập huấn, Anh/Chị vui lòng cho biết đơn vị nào tổ chức chương trình bồi dưỡng đào tạo, buổi tập huấn đó? (Who or Which organization plays the trainer in training course?)

 Hội nghề nghiệp độc lập/Independent association of professional accountancy

 Hội kế toán Việt Nam/ Vietnam Accounting and Auditing Association

 Đơn vị đào tạo của Bộ tài chính/Academic institution of MOF

 Các trường đại học chuyên ngành/Accounting university

 Tất cả các phương án trên/All previous answers

Khác/Other..

Câu 18 (Q18)

Theo Anh/Chị có nên thực hiện kế toán giảm giá trị đối với TSCĐ vô hình tại các doanh nghiệp Việt Nam không? (In your opinion, should Vietnamese companies be applied impairment assets accounting?)

 Rất đồng ý. Lý do (Totally agree, reason)

....

 Đồng ý. Lý do (Agree, reason)

....

 Không có ý kiến. Lý do (Do not have mentions, reason)

....

 Không đồng ý. Lý do (Disagree, reason)

....

□ Rất không đồng ý. Lý do (Totally disagree, reason)

....

Câu 19 (Q19)

Anh/Chị có đề xuất/kiến nghị gì trong việc hoàn thiện phương pháp kế toán TSCĐ vô hình không? (What are your recommendations to improve the standard and method of intangible assets accounting in Vietnam?)

Khung pháp lý (Legal framework)..

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Chính sách quản lý (Management policy)

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Khác (Others)

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Xin trân trọng cảm ơn/ Thank you so much for your help!