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**IMPROVING ACCOUNTING DISCLOSURE  
OF LISTED COMPANIES TO MEET INFORMATION NEEDS  
OF COMMERCIAL BANKS IN VIETNAM**

**Major: Accounting**

**Code: 9.34.03.01**

**SUMMARY OF DOCTORAL THESIS IN ECONOMIC**

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At ...time... day...month...year

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# INTRODUCTION

## 1. THE NECESSITY OF THE THESIS

Vietnam's economy, after integrating, has had strong developments and is predicted to keep this growth momentum in the next years. Moreover, participating in free trade agreements helps to remove tariff barriers and easily access to potential international markets, providing Vietnamese businesses, especially large-scale ones, listed companies, with opportunities to develop and expand their production and business activities.

In order to access loan capital from commercial banks, businesses are required to provide the required documents, from which the bank makes its lending decision. Financial situation is one of the important evaluation contents of a bank with a business customer. Accounting disclosure of a business is the main source of information that banks can rely on to get an assessment of the financial position and ability of the business to repay its debts. From there, it can be seen that the importance of accounting information disclosed by enterprises plays an important role in the decisions of commercial banks. However, the number of studies related to the information needs of business borrowers, and specifically commercial banks, is still quite limited. While, this is one of the most important objects that the accounting information towards. According to Allen and Cote (2005) emphasized, it is really difficult to change the quality of accounting disclosure of enterprises if the information needs of commercial banks are not investigated. clarify.

Stemming from the above issues, it can be seen that there is a need for research on the disclosed accounting information of listed companies from the perspective of commercial banks - which is a user of information of these enterprises. listed companies to make their own economic decisions; and thereby offer solutions to help improve the quality of accounting disclosure of listed companies, and support commercial banks to have better evaluations of listed companies, along with helping the Listed companies have easier access to capital from commercial banks.

Therefore, the author has chosen the research topic: "Improving accounting disclosure of listed companies to meet information needs of commercial banks in Vietnam".

## 2 LITERATURE REVIEW

### 2.1 Studies in the world

Review of works related to the thesis topic to clarify the achieved results and research gaps. The researches in the world related to the needs of commercial banks with accounting disclosure follow the main research directions.

- (1) the importance of accounting disclosure;
- (2) the effect of accounting disclosure and

(3) the influence of the audit opinion on decisions made by commercial banks.

### ***2.1.1. Research on the importance of accounting disclosure on the decision of commercial banks***

#### *a. The importance of accounting information to the decision of commercial banks*

Berry et al. (1984 and 2006) and Kitindi et al. (2007) has confirmed that annual reports and financial statements are still the most important sources of information that commercial banks in the UK use in their credit decisions.

#### *b. The importance of financial statements in the decision of commercial banks*

Jones and Widjaja (1998) and Berry et al. (2006) find that most Australian commercial banks use cash flow statements more than other information.

Schneider (2013) finds that commercial banks rate balance sheets, income statements, and cash flow statements as equally important when banks make decisions. its loan.

### ***2.1.2 Research on the influence of accounting disclosure on the decisions of commercial banks***

#### *a. Reliability of financial statements*

Beaulieu and Rosman (2003); Holder-Webb and Sharma (2010) and DeZoort et al (2012) have found that banks tend to refuse loans to customers with unreliable accounting information.

Graham et al. (2008) and Jie Xia and Xiu-Ye Zhang (2003) demonstrated that if the loan application contains the financial statements containing retrospectively adjusted information, it will be at a disadvantage when accessing capital and often incur higher interest rates than other businesses.

#### *b. The influence of accounting methods*

Hartman and Sami (1989) and Durocher and Fortin (2009) found that information relating to financial leases presented on the balance sheet is more reliable than information about operating leases.

Klammer and Reed (1990) and Jones and Widjaja (1998) indicated that the majority of credit officers surveyed preferred to use the cash flow statement of enterprises prepared by the direct method rather than the indirect method.

Wilkins and Zimmer (1985) found that most banks do not differentiate accounting methods for investments into other firms.

Trotman and Zimmer (1986) showed that the majority of bank credit officers do not distinguish between the forms of revenue recognition of construction contracts.

Davis et al. (1993) showed that banks' assessment of contingent liabilities on notes is not significantly different from provisions for payables.

Catasús and Gröger (2003) find that the treatment of R&D expenditures does not affect the lending decision.

*c. Items in the financial statements*

KG Stanga and MG Tiller (1983) found that the accounting information needs of bankers specializing in lending to large corporate customers were not different from those of bankers specializing in small and medium-sized enterprises.

Nichols (1997) found that dividing financial statement data into core and other businesses is helpful in lending decisions.

*d. Financial indicators*

Libby (1975) and Casey (1980a) found that a number of financial ratios enable credit officers with different backgrounds to make fairly accurate and reliable judgments about the financial situation. main of the business

***2.1.3. Research on the influence of audit opinion on disclosed accounting information on the decision of commercial banks.***

Casey (1980a); DW Blackwell et al (1998); Berry and Robertson (2006) have found that audited, or reviewed financial statements are the most important source of information for lending decisions.

*a. Service guarantee provider*

Colbert et al. (2011) did not find any relationship between the independent auditing firm providing the service of developing accounting information system for lending enterprises and the bank's perception of the independence of auditors or their lending decisions. However, if the borrower is using the tax services of an audit firm, it will have a negative effect on the lender's perception of the auditor's independence as well as the lending decisions.

Shockley (1981), Bakar et al. (2005) and Kim et al. (2013) found that a lender's decision can be influenced by the quality of the auditor performing an audit for their customer. However, in contrast to the above studies, McKinley et al. (1985) and Miller and Smith (2002) found that banks' lending decisions are not affected by whether the borrower's audit firm is a large international company with a good reputation or a local company with no reputation.

*b. Audit opinion*

Firth (1980), Gul (1987), Geiger (1992), Bamber and Stratton (1997) and Chen et al (2016) found that banks that received an audit report with an adverse opinion of the borrower were less likely to lend to that enterprise and if so, the loan contract will also be subject to a higher interest rate.

Boolaky and Quick (2016) investigated the assessment of banks in Germany regarding the expansion of information provided in the financial statement audit report.

The research results show that the disclosure of the assurance level has a positive impact on the quality of the audit report and increases the possibility of accessing to capital. However, disclosure of applied materiality and key audit issues did not have much impact in this study.

*c. Other problems*

Kim and Elias (2007) find that banks do not differentiate between financial statement audit services (review and audit).

Johnson et al. (1983) and Strawser (1994) also conducted a study referring to the forecast financial statements and showed that the provision of forecast financial statements with the auditor's opinion would give businesses an easier access to capital.

A. Schneider (2013) studied the impact of changing audit firms and audit firm withdrawals on lending decisions and found that risk assessments and accessibility to the capital is not different, despite the change of the auditing company. In contrast, BB Francis et al. (2016) cites evidence that, when there is a change in the auditing firm, there will be a negative impact on the loan contract of the enterprise, the interest rate is higher, and more additional collateral. In addition, the degree of influence will be higher in case the audit firm stops providing audit services to the enterprise, compared to the case where the enterprise actively replaces the audit firm.

## **2.2. Studies in the country**

In Vietnam, the number of studies to serve the information needs of commercial banks is very limited. Most of the research on accounting information is disclosed by listed companies to serve investors on the stock market. Researches focusing on the information needs of commercial banks currently focus mainly on accounting information of small and medium enterprises.

Regarding the importance of accounting disclosure, in the research made by Nguyen Bich Ngoc (2018), it was found that in the process of making a decision to lend to small and medium-sized enterprises in Vietnam, accounting information are of relatively low importance due to the reliability of these financial statements. However, in the process of interviewing experts, Nguyen Bich Ngoc (2018) found that accounting information would have a higher importance if the enterprise was a listed enterprise. Meanwhile, in studying the role of financial statement analysis in the financial evaluation of customers at commercial banks in 2019, Le Thi Binh recognized the importance of corporate accounting information in the lending decisions of banks, regardless of the type of business.

Nguyen Duc Dung and Nguyen Huu Anh (2020) recognize the importance of cash flow statements in the lending decision process of commercial banks in Vietnam. However, this study also shows that, if the enterprise makes a profit in the period, the

preparation or not of the statement of cash flows does not affect the decision of the banks.

In addition, there are many studies in Vietnam on the factors affecting the quality of accounting disclosure of companies listed on the stock market, Le Thi My Hanh (2015), Dang Thi Bich Ngoc (2018) found that factors such as financial leverage, profit, audit firm and board of directors have an influence on the quality of accounting information of listed companies.

### **2.3. Overall assessment of the research situation**

Through the review of the studies presented above, the author found some "gaps" of previous studies as follows:

First, most of the research on the information needs of users of financial statements mainly focuses on investors in the stock market. But studies on the information needs of commercial banks - a large source of capital for businesses, including listed companies - have received little attention from researchers.

Second, in the research on accounting information to meet the information needs of commercial banks, it is mainly done in developed countries such as the UK, Canada, Australia or the US. There are only a few studies in developing countries such as China, Zimbabwe, Bostwana, etc.

In Vietnam, there have been a few studies related to the influence of accounting information on the decisions of commercial banks, however, these studies mainly focus on small and medium enterprises.

Vietnamese businesses depend heavily on capital from commercial banks. Understanding the information needs of commercial banks is an urgent requirement to improve the quality and usefulness of accounting information disclosed by listed companies. From the urgency and research gaps above, the thesis will focus on learning about the regulations on accounting disclosure of listed companies, the need for accounting disclosure of commercial banks in Vietnam and the extent to which that demand is met.

## **3. RESEARCH OBJECTIVES**

The objectives of this study include assessing the current situation of accounting information disclosed by listed companies, and understanding the needs and ways of commercial banks to use accounting information of listed companies in their lending decisions. After that, the thesis will propose some solutions and recommendations in order to improve the accounting information disclosed by listed companies, making it easier for businesses to access the capital of commercial banks and at the same time effectively support commercial banks in the process of using this information.

## **4. OBJECTS AND SCOPE OF RESEARCH**

### **4.1. The research objects**

- Accounting disclosure of listed companies in Vietnam
- Needs of commercial banks in Vietnam for accounting information disclosed by listed companies in making lending and related decisions

#### **4.2. Research scope:**

- Scope of content: The thesis focuses on issues (1) Accounting disclosure of listed companies in Vietnam (2) Needs of commercial banks in Vietnam for accounting information accounting disclosed by listed companies in making lending decisions.
- Scope of space: Listed companies and commercial banks in Vietnam
- Time range: Data collected from 2018 to 2020

### **5. RESEARCH METHODS AND RESEARCH FRAMEWORK**

#### **5.1 Methodology:**

The thesis uses the research method of dialectical materialism combined with historical materialism. The thesis analyzes the issues on the basis of the relationship of things, phenomena and their historical properties.

#### **5.2. Research Methods**

To solve the research objectives and answer the research questions, the author uses a combination of qualitative and quantitative research in this thesis:

##### *a. Qualitative research*

The author implements the expert interview method to research, discover and collect information related to the information needs of the bank and the importance of accounting disclosure in the decision of the bank. Interviews were conducted with credit appraisal officers of large corporate clients of commercial banks in Vietnam.

##### *b. Quantitative research*

The author mainly uses descriptive statistics based on data collected through surveys using questionnaires, with the aim of collecting opinions of commercial banks about the current status of accounting information disclosed by listed companies and the level of meeting the needs of banks. The questionnaire is built on the basis of accounting information that listed companies are obliged to disclose. Responses were constructed on a 5-point Likert Scale. All valid votes are entered into the data entry on SPSS software for processing and giving results

### **6. SOME THEORIES FOUNDATION FOR THE THESIS RESEARCH**

Includes: Theory of useful information for decision making; Signal theory; Stakeholder theory; Cost of ownership theory.

### **7. CONTRIBUTION OF THE THESIS ON THEORY AND PRACTICE**

*a. Theoretically:* The thesis systematizes accounting information disclosed by listed companies, information needs of commercial banks in their decisions; generalize



listed companies in Vietnam and the ability of accessing to capital sources, credit appraisal process of commercial banks in Vietnam

*b. Practically:* The thesis assesses the current status of legal regulations and applies legal regulations to disclose accounting information of listed companies; Understanding the information needs of commercial banks in Vietnam for listed companies; Assess the level of accounting information disclosed by listed companies meeting the information needs of commercial banks in Vietnam; and propose some solutions.

## **8. CONCLUSION OF THE THESIS**

In addition to the introduction, conclusion, list of references and appendices, the thesis includes 3 main chapters as follows:

- Chapter 1: Theory of accounting information disclosed by listed companies to meet the information needs of commercial banks
- Chapter 2: Actual situation of accounting disclosure of listed companies in order to meet the information needs of commercial banks in Vietnam
- Chapter 3: Solutions to improve disclosed accounting information of listed companies to meet the information needs of commercial banks in Vietnam.

**CHAPTER 1.**  
**THEORY OF ACCOUNTING DISCLOSURE**  
**OF LISTED COMPANIES MEET THE INFORMATION NEEDS OF**  
**COMMERCIAL BANKERS**

**1.1. ACCOUNTING DISCLOSURE OF LISTED COMPANY**

**1.1.1. Overview of listed companies**

*1.1.1.1. The concept of listed companies*

"Listed company is a joint-stock company whose shares are allowed to be traded on stock exchanges". This concept is also widely applied in countries around the world. However, the conditions to be listed will vary from country to country, depending on the specific current socio-economic conditions of each country.

*1.1.1.2. Characteristics of listed companies*

*a. The number of shareholders is large and often changes:*

Listed companies have freely traded shares on stock exchanges, so the number of shareholders is likely to change continuously.

*b. Subject to control from governmental agencies*

- About corporate governance

Listed companies will have to comply with corporate governance standards as prescribed by the Enterprise Law and the Securities Law.

- About information disclosure

The operation of the enterprise will affect a large number of investors holding shares of the enterprise, so it will be subject to strict inspection and supervision from state agencies and investors in the market through the disclosure of information on business activities, financial status and development plans of enterprises.

*1.1.1.3. Forms of increasing capital sources of listed companies*

Capital is considered a prerequisite for a business to be established and operated effectively. One of the advantages of listed companies, compared with other types of businesses, is the ability to access capital sources in many different forms.

*a. Increase capital contribution*

- Offering to issue more shares

- Issuing bonus shares (or paying stock dividends)

*b. Loans*

- Release Stock

- Borrowing from financial intermediaries

**1.1.2. Overview of disclosed accounting information of listed companies**

1.1.2.1. Overview of accounting disclosure

### *a. The concept of accounting disclosure*

Accounting Disclosures include all information related to the financial position and business operations of an enterprise. Usually, this information is presented on the system of reports provided by the accounting department

### *b. The role and meaning of accounting disclosure*

Information that enterprises disclose to the outside is an official information supply channel and has high legal value; plays a particularly important role in supporting information users to make their own economic decisions.

### **1.1.2.2. Classification of accounting disclosure**

#### *a. Classification by time of publication request*

- Periodical disclosed information
- Unusual disclosed information
- Information disclosed on request

#### *b. Classification according to the content of disclosed information*

- Information on the balance sheet
- Information on the income statement
- Information on the statement of cash flows
- Information on Notes to Financial Statements

## **1.2. INFORMATION NEEDS OF COMMERCIAL BANKERS**

### **1.2.1. Commercial banking overview**

#### **1.2.1.1. Commercial banking concept**

Law on Credit Institutions No. 47/2010/QH12 defines a commercial bank as a type of bank that is permitted to conduct all banking activities and other business activities in accordance with the provisions of the Law on Credit Institutions. and other provisions of law, commercial banks have three main functions (1) credit intermediation; (2) payment intermediaries; and (3) money generating function

#### **1.2.1.2. Commercial banking operations**

- Raising capital
- Using capital
- Intermediary business

### **1.2.2. Information needs of commercial banks**

#### **1.2.2.1. Information needs in commercial banking operations**

In the capital mobilization and intermediary operations, which are relatively low-risk operations, the examination usually only focuses on legal papers, documents proving the rights of enterprises...

However, in using capital, especially investment and lending, commercial banks will conduct more meticulous consideration and analysis, because these are main activities generating revenues in banks

#### ***1.2.2.2. Information needs in lending activity***

##### *a. Principles of commercial bank lending*

- Using the loan capital for the right purposes as agreed in the credit contract: to ensure the effective use of the loan and the ability of banks recovering their debt later.

- Must repay principal and interest on time

- Ensuring safety in lending activities: Lending activities always have potential risks, in order to ensure effective safety in lending and avoid risks, commercial banks must do a good job of inspecting and assessing their creditworthiness. the borrower's ability to repay the loan.

##### *b. Loan process*

The lending process is built on the basis of a combination of lending principles and regulations of the bank in lending. This process includes the following steps: Step 1. Receive documents; Step 2. Appraisal of documents, Step 3: Loan decision; Step 4: Prepare and sign a credit contract; Step 5: Disbursement and control while granting credit; Step 6: Monitoring, debt collection and credit liquidation

##### *c. Contents of credit appraisal*

Content 1: Evaluation of the borrower's eligibility

Content 2: Assessment of financial ability

Content 3: Appraisal of business plan or investment project

Content 4: Appraisal of collateral

Content 5: Scoring and rating corporate credit

In the content of credit appraisal, accounting information disclosed by listed companies will play an important role in helping the bank assess the financial ability of the enterprise to ensure repayment of principal and interest, and thereby create a basis for banks to make their lending decisions.

## **CONCLUSION CHAPTER 1**

Chapter 1 introduced and clarified theoretical issues about accounting information disclosed by listed companies and information needs of commercial banks with borrowers being listed companies. The theoretical issues presented are the basis for the study of chapters 2 and 3 of the thesis.

## **CHAPTER 2**

### **CURRENT STATUS OF DISCLOSURE OF ACCOUNTING INFORMATION LISTED BUSINESSES TO MEET INFORMATION NEED OF COMMERCIAL BANKS IN VIETNAM**

#### **2.1. OVERVIEW OF LISTED COMPANIES AND COMMERCIAL BANKS IN VIETNAM**

##### **2.1.1. Overview of listed companies in Vietnam**

###### ***2.1.1.1. Conditions for listing on Vietnam's stock market***

As of June 2021, there are 744 enterprises listed on both stock exchanges, of which HNX is 385 and HOSE is 359. According to Decree 58/2012/ND-CP, those businesses that are approved being listed on the stock market must be companies that at the time of registration for listing must be profitable, have good business and production activities and financial status.

###### ***2.1.1.2. Actual situation of listed companies accessing to capital through the stock market***

When becoming a listed company, businesses will have access to capital from investors participating in the stock market. However, not all listed companies can access capital on the stock market for the following reasons:

- (1) Investors are usually only interested in market leaders
- (2) Difficulty in accessing capital through bond issuance

##### **2.1.2. Overview of commercial banks in Vietnam**

As of the end of the third quarter of 2021, there are 49 banks in the commercial banking system in Vietnam. Including 04 State-owned commercial banks, 31 joint stock commercial banks, 09 100% foreign-owned joint stock commercial banks, 02 joint-venture commercial banks and more than 51 branches of foreign banks operating in Vietnam. Banking activities include the regular business and provision of one or several of the following operations: deposit receipt; credit extension; provide payment services via account. Commercial banks' operations are diverse, complex and ever-changing to keep up with the rapid changes of the economy.

Credit is the main activity of commercial banks, associated with the capital circulation process of the economy, however, in practice, credit activities always have the potential to generate risks that affect revenue. Therefore, the issue of risk management, especially credit risk management, is always paid special attention by commercial banks.

#### **2.2. SITUATION OF ACCOUNTING DISCLOSURE OF LISTED ENTERPRISE IN VIETNAM**

## **2.2.1. Current status of regulations related to accounting disclosure of listed companies in Vietnam**

### **2.2.1.1. Regulations for listed companies**

#### *a. Regulations on conditions for becoming a listed company*

Law on Securities – Law No. 54/2019/QH14 promulgated on November 26, 2019 by the 14th National Assembly regulating activities on securities and the stock market, in which listed companies are listed as listed companies. public companies whose securities are listed on the Stock Exchange or a securities trading center.

Decree No. 58/2012/ND-CP dated December 27, 2012 stipulating conditions for listing shares at Stock Exchanges

#### *b. Regulations on information disclosure of listed companies*

The regulations on information disclosure obligations of listed companies are guided in Circular No. 155/2015/TT-BTC applicable to the financial years from 2015 to 2020, and in the latest replacement. Circular No. 96/2020/TT-BTC applies to fiscal years 2021 onwards,

#### *c. Regulations on periodical information disclosure*

In Chapter II and Chapter III of Circular No. 155/2015/TT-BTC and Circular No. 96/2020/TT-BTC, there are regulations on some information that enterprises must periodically disclose, including: Annual reports, audited annual financial statements; reviewed semi-annual financial statements; quarterly financial statements - full format; Explanations of causes of variation and opinions of auditors. In addition to the information in the financial statements and annual reports, periodically listed companies must publish reports on their governance status (every 6 months); Documents before the Annual General Meeting of Shareholders, Meeting Minutes and Resolutions after the conclusion of the Annual General Meeting of Shareholders; Information on securities offering activities; Report on capital use (when raising capital to implement investment projects) and information on foreign ownership ratio.

#### *d. Regulations on extraordinary disclosures related to financial statements:*

A public company must disclose unusual information within 24 hours from the occurrence of one of the events that may affect the financial position and business performance of the enterprise.

#### *e. Regulations on financial reporting*

The set of financial statements of a listed enterprise must include the following reports: Balance sheet; Income statement; Cash flow statement; Notes of financial statements in accordance with accounting laws.

The information presented on the financial statements must true and fairly, reflect the financial position, performance of the enterprise. To ensure truthfulness, information must have three characteristics: completeness, objectivity, and error-free.

*\* Principles of preparing and presenting financial statements*

The preparation and presentation of the financial statements must comply with the provisions of Accounting Standard "Presentation of Financial Statements" and other relevant accounting standards.

*f. Regulations on annual reports*

An annual report is considered an annual publication that a company needs to provide to its shareholders in order to describe its operations and financial position. An annual report will include the following: General information about the business; Operational situation during the year; Report on the evaluation of the Board of Directors on the situation of the company; Evaluation of the board of directors; Corporate Governance and Financial Statements including audit opinions and audited financial statements

**2.2.1.2. Regulations for auditing companies of listed companies**

*a. Conditions to become an approved auditing organization*

According to the regulations on independent audit for entities with public interest issued by the Ministry of Finance in Decree No. Decree 84/2016/ND-CP dated July 1, 2016, an approved audit organization performing audits for entities with public interest must satisfy all 9 conditions.

*b. Regulations related to assurance services of financial statements of auditing organizations*

Listed companies are required to periodically publish audited annual financial statements and semi-annual financial statements must be reviewed by approved auditing organizations. The assurance level of the audit contract is clearly specified in the Vietnamese Standards on Auditing

**2.2.2. Status of information disclosure of listed companies in Vietnam**

**2.2.2.1. Compliance on disclosure of accounting information**

Through direct survey of financial statements and annual reports of companies listed on HOSE and HNX, all businesses have disclosed information in accordance with current regulations on accounting regimes. and Vietnamese accounting standards. However, at present, there are many businesses that do not meet the requirements in terms of time to submit accounting information

**2.2.2.2. Contents of the Annual Report**

The annual report has all the headings according to the regulations. However, in general, the quality of the annual report still varies widely among listed companies. For

leading enterprises, businesses whose partners and owners are large and reputable organizations in the world, presenting more detailed information above the level required by regulations, making the report have useful information, helping readers better understand the business's activities. However, the annual reports of small and mid-cap companies usually only show the minimum content required by current regulations.

#### ***2.2.2.3. Contents on Financial Statements***

Most of the listed companies have complied with their periodical disclosure of financial statements. The annual and semi-annual financial statements are audited or reviewed by approved auditing companies. The disclosed financial statements include all reports, appendices and explanations in accordance with the law on corporate accounting. Listed companies that are parent companies also ensure to fully disclose 02 sets of reports: the parent company's separate financial statements and the consolidated financial statements.

The figures on the Balance Sheet, Income Statement, and Statement of Cash Flows are aggregate numbers only and are only useful when used to analyze business metrics. Users of the financial statements need more details to better understand the nature of those aggregate numbers, however, in the notes to the financial statements most of the information disclosed only meets a very meet the needs of users and largely serve the purpose of complying with the provisions of the law, rather than the interests of users of the financial statements

#### ***2.2.2.4. Explanation of audit opinion and abnormal fluctuations in profit***

Most of these explanations are only made for the purpose of fulfilling the information disclosure obligation, while the content of the explanations of listed companies is often unclear, even failing to provide any meaningful information. to users of financial statements.

### **2.3. THE SITUATION OF ACCOUNTING INFORMATION NEEDS OF COMMERCIAL BANKERS WITH LISTED BUSINESS CUSTOMERS**

#### **2.3.1. Importance of accounting information disclosed by listed companies in making decisions of commercial banks in Vietnam**

##### *a. Results of interviews with banking experts*

Credit officers said that the appraisal process for listed companies or other types of businesses is essentially the same; and accounting information plays an important role in assessing the financial position of the business, because this information provides input data for the analysis of the financial ratios of the business.

##### *b. Survey results by questionnaire*



Among the information sources, accounting information is the most important information source when the bank appraises the customer as a listed company.

Table 2.7: Descriptive statistics of variables in the survey

	Rank	Mean	N	Std. Deviation	Std. Error Mean
<b>LISTED COMPANIES</b>					
Accounting disclosure	1	1.20	55	0.404	0.054
Busines Project	2	1.96	55	0.816	0.110
CIC	3	2.58	55	0.498	0.067
Internal source	4	3.53	55	0.504	0.068
Media	6	4.45	55	0.503	0.068
Collaterals	5	3.87	55	0.818	0.110
<b>UNLISTED COMPANIES</b>					
Accounting disclosure	4	2.62	55	0.527	0.071
Busines Project	3	2.53	55	0.573	0.077
CIC	2	1.89	55	0.916	0.124
Internal source	5	3.51	55	0.505	0.068
Media	6	4.47	55	0.504	0.068
Collaterals	1	1.78	55	0.937	0.126

(Source: the author processes data from SPSS software)

### 2.3.2. Survey on the influence of periodical accounting information on credit decisions of commercial banks

#### 2.3.2.1. The degree of influence of reports on the presentation of accounting disclosure

- Results of interviews with banking experts

Bank officials are often interested in the content of the annual financial statements sent to the enterprise, and often use the annual report to confirm that the financial statements they receive are consistent with the information that the enterprise announced.

- Results from the survey by questionnaire

The survey results are completely consistent with the answers collected from the in-depth interviews.

Table 2.8: Descriptive statistics to assess the importance of accounting information based on survey results

	Rank	Mean	N	Std. Deviation	Std. Error Mean
Annual Report	3	1.964	55	0.838	0.113
Annual FS	1	1.327	55	0.474	0.064
Auditor's opinion on annual FS	2	1.600	55	0.494	0.067
Semi-annual FS	4	2.509	55	0.505	0.068
Auditor's opinion on semi-annual FS	5	2.527	55	0.504	0.068
Quarterly FS	8	3.564	55	0.501	0.067
Explanation on Auditor's opinion	7	3.145	55	0.705	0.095
Explantion on large fluactuation	6	3.127	55	0.84	0.113

(Source: the author processes data from SPSS software)

#### 2.3.2.2. The degree of influence of financial statements in a bank's decision

- Results of interviews with banking experts

The officials participating in the interviews assessed that all three of these reports were important in assessing the financial position of the enterprise. In which 8/11 respondents indicated that the balance sheet and income statement are somewhat more important, the statement of cash flows is of less concern because some banks have a software or excel file to prepare a cash flow statement by the indirect method based on the balance sheet and income statement of the enterprise. That is also why appraisers prefer to use the statement of cash flows prepared using the direct method.

- Results from the survey by questionnaire

Table 2.9: Descriptive statistics assess the importance of financial statements

	Rank	Mean	N	Std. Deviation	Std. Error Mean
Balance sheet	1	1.440	55	0.501	0.067
Income statement	2	1.470	55	0.504	0.068
Cash flow statement	3	1.560	55	0.501	0.067

(Source: the author processes data from SPSS software)

Survey results on the importance of financial statements also showed similar results with the answers collected through in-depth interviews.

### ***2.3.2.3. The level of attention to each specific item on the financial statements***

When assessing the credit of businesses, whether listed or unlisted, the appraisers will mainly evaluate based on the financial indicators of the business to assess the financial position, financial situation of the company. production and business and cash flow of enterprises applying for loans. The groups of indexes used include: (1) The payment criteria include considering the short-term solvency and the quick solvency of the enterprise. (2) Performance indicators include assessment of inventory turnover, average collection period and asset use efficiency; (3) Indicators on financial structure comparing the proportion of enterprise's debt on aggregated indicators of financial statements such as Total assets, equity, ... (4) Indicators of ability profitability compares the profit generated by the enterprise on total revenue, total assets and total equity; (5) Indicators related to the ratio of cash flows from operating activities to profit before tax and equity; (6) Bankruptcy coefficient or Altman score (also known as Z Score in English)

### **2.3.3. Survey on the responsiveness of accounting disclosure to the information needs of commercial banks**

The interviewees all said that this information only partially met the needs of use. Since the figures are audited financial statements, the reliability of the financial statements will be higher than those of other enterprises for tax purposes only. However, these figures are for the most part meaningful only in analyzing financial ratios, as they come from the balance sheet, income statement, and statement of cash flows. currency – these reports have a prescribed format, but are aggregate numbers

only. The detailed data in the notes really do not provide enough information, because listed companies seem to only make enough notes according to the regulations, but have not really served the needs of the people. use information.

As for the quarterly financial statements or the semi-annual financial statements; unusual disclosures of accounting information, also monitored by customer relations specialists, and these unusual disclosures, listed companies only disclose the mandatory requirements of Circular 155 or other regulations. previous guidelines, while other voluntary publications were almost nonexistent.

## **2.4. ASSESSMENT OF ACCOUNTING INFORMATION OF LISTED BUSINESSES AND THE LEVEL OF MEETING THE NEED OF COMMERCIAL BANKERS IN VIETNAM**

### **2.4.1. Achievements**

#### ***2.4.1.1. Current legal regulations on accounting disclosure of listed companies.***

Vietnam has established a relatively complete accounting system, in line with the State's management mechanism, closer to international practices. In order to support the business community to have favorable conditions for business and investment, the National Assembly, the Government and the Ministry of Finance have issued many legal documents, making the accounting work easy and transparent. such as: Law on Accounting, Decree guiding the Law on Accounting; Circulars guiding the general accounting regime for enterprises (Circular No. 200 and Circular No. 202/2014/TT-BTC and announcing the system of accounting standards)

#### ***2.4.1.2. Applying legal regulations on accounting disclosure of listed companies***

Due to the increasing regulations of the accounting policy regime, the accounting staff at listed companies are always trained, updated and have increasingly advanced professional qualifications, ensuring the minimization of errors. unnecessary errors or errors that do not comply with current accounting standards and accounting regimes.

In addition, the accounting disclosure of enterprises related to the financial statements has been approved by independent auditing units approved by the State Securities Commission. This improves the reliability of the enterprise's disclosed accounting information, increases the usefulness of the information when commercial banks use it to analyze the financial position and business performance. of the enterprise.

Along with increasingly complete regulations and strict sanctions related to violations of information disclosure, it can be seen that the responsibility of listed companies when disclosing information is increasing day by day.

### **2.4.2. Limitation and causes**

#### ***2.4.2.1. Limitation***

*a. In presenting accounting information*

- Cash flow statements are mostly prepared using the indirect method

The direct method provides information that can be useful in estimating future cash flows that cannot be obtained with the indirect method (IAS17) Furthermore, as discussed in the previous section, some banks customers have software to generate their own cash flow statements using the indirect method from balance sheet and income statement data. Obviously, the preparation of the cash flow statement using the indirect method has somewhat reduced its usefulness to commercial bank appraisers.

- Information on changes in Equity

The requirement to disclose changes in equity is only a part of the Notes to the Financial Statements, which limits the ability to make accurate decisions, limits the visibility of equity movements. enterprise. On the other hand, when information is already in the Notes, it becomes more complicated to understand and review, or the information is not detailed enough.

- Group inconsistently items between financial statements

Some appraisers said that the statement of cash flows divided into three activities of the enterprise, including operating activities, investment activities, and financial activities, was very clear. give them an understanding of how the business's cash flows are going in and out of those activities. Such division of activities, however, has no connection with the balance sheet and income statement.

#### *b. Contents of accounting disclosure*

- Notes to the accounting policies of the items

The figures in the financial statements are aggregate figures. To better understand these figures, the appraiser should read the relevant Notes. However, these disclosures, according to the appraisers participating in the survey, are quite general and incomplete, and are formal in nature to meet the minimum requirements of disclosure obligations. , this problem is even seen in the financial statements of listed companies with large market capitalization.

- Accounting estimates

In the process of preparing financial statements, enterprises in general and listed companies in particular often use a lot of accounting estimates. These estimates have a direct impact on the asset value as well as the profit for the period of the business. Since there is no exact standard for the value of these estimates, there is a great deal of error associated with accounting estimates within the business. In addition to errors arising from the business's purpose, there are also errors arising from the complexity of the estimates and the qualifications of the accountants.

#### **2.4.2.2. Causes**

##### *a. Companies:*

Businesses are still afraid that giving too much accounting information will expose business secrets and be taken advantage of by competitors and cause harm to the business. In addition, businesses still do not understand the benefits of information transparency on the stock market can bring to them. The quality of the accounting team of listed companies is not really uniform, leading to the quality of the information that may be affected.

*b. State*

Regulations related to accounting policies and the contents of accounting disclosure are still far from international accounting standards. Many transactions arise, but there are still no specific instructions from the management agencies affecting the recording and accounting at enterprises. Moreover, the effectiveness of monitoring, inspection and handling of violations of information disclosure is still not high, the penalties are not yet deterrent, thus making listed companies not really pay attention to this issue.

*c. Banks*

Credit appraisal at commercial banks is still quite mechanical, mainly based on financial indicators of enterprises. Credit appraisers are not really knowledgeable about the accounting work at a business.

## **CONCLUSION CHAPTER 2**

In this chapter, three main groups of issues, including legal regulations related to accounting information disclosed by listed companies, the need to use accounting information of commercial banks and the application of legal regulations to prepare and present the accounting information of listed companies in Vietnam, are considered and understood in close relationship with each other. On the basis of the actual information obtained, the author evaluates the current achievements and limitations. This is also the premise for the author to propose measures to improve in chapter 3.

**CHAPTER 3**  
**SOLUTIONS TO IMPROVE ACCOUNTING DISCLOSURE**  
**OF LISTED BUSINESSES TO MEET THE DEMAND**  
**INFORMATION OF COMMERCIAL BANKERS IN VIETNAM**

**3.1. DEVELOPMENT ORIENTATION OF VIETNAM'S FINANCIAL MARKET IN THE PERIOD OF 2021 -2030**

*a. Development orientation of credit of commercial banks in Vietnam*

- Gradually reduce the ratio of foreign currency credit to total credit
- Increase the number of businesses and people accessing banking services
- Continue to improve the legal framework, mechanisms and policies

*b. Orientation for development of the stock market*

- Strengthen inspection and supervision of capital mobilization and use of capital
- Implement the list of stocks, improve listing conditions
- Strengthen the quality control of financial statements and audit activities
- Develop and implement the project of applying IFRS;

**3.2. BASIC REQUIREMENTS IN IMPROVING ACCOUNTING DISCLOSURE OF LISTED COMPANIES**

- Comply with the laws, policies and accounting regimes issued by the State
- In accordance with the information use needs of the users
- Economical and efficient

**3.3. SOLUTIONS TO IMPROVE ACCOUNTING DISCLOSURE OF LISTED COMPANIES TO MEET THE INFORMATION NEEDS OF COMMERCIAL BANKS**

**3.3.1. Completing the structure of accounting disclosure**

*3.3.1.1. Supplement the Statement of Change in Equity*

In addition to reports in accordance with the Vietnamese accounting system, similar to other countries' regulations, the statement of changes in equity should be converted from the Notes to a mandatory report of the enterprise.

*3.3.1.2. Encourage the preparation of the cash flow statement using the direct method*

Bankers find the cash flow statement using the direct method to be more effective for analysis, as the information presented is relatively relevant and easy to understand. In addition, an understanding of the specific sources of cash receipts and the purposes for which the business's expenses have been made will be helpful in estimating future operating cash flows.

*3.3.1.3. Increase coherence between financial statements*

Because now, the balance sheet, income statement and cash flow statement are currently divided according to different criteria. Therefore, it is limited to link this information to support bank officials when appraising. The author recommends changing the structure of balance sheets and income statements, dividing them into activities as shown on the cash flow statement, thereby helping bankers understand comprehensive overview of business activities.

#### ***3.3.1.4. Detailed regulations on accounting information listed companies must disclose for each item***

Currently listed companies mostly provide information just enough to meet the requirements of the prescribed accounting standards. The content of the explanation is therefore not really complete, it is still only a formality. Therefore, it is necessary to improve the level of detail of the contents that listed companies need to disclose.

#### ***3.3.1.5. Presenting data for previous years***

It is necessary to supplement the regulation on financial statements of listed companies that need to present data of the last 3 or 4 years (current year and 2 or 3 consecutive years). This increases convenience and creates favorable conditions for credit officers in accessing information, meeting the purpose of comparing information, analyzing development trends of pharmaceutical companies easier.

### **3.3.2. Improve regulations related to items on financial statements**

#### ***3.3.2.1. Improve the system of accounting standards***

While the application of IFRS is not yet mandatory for listed companies, it is necessary to improve the existing system of accounting standards to gradually conform to the provisions of the international financial reporting standards IFRS. serve as a basis for listed companies to be ready to apply financial reporting standards in the near future.

#### ***3.3.2.2. Improve the basis for provisions***

One of the factors that evaluates the transparency and honesty of financial statements is information related to accounting estimates. Accounting estimates are one of the primary tools used by unscrupulous managers to tailor important accounting information for their purposes. Currently, the regulations related to accounting estimates in the current accounting regime are still quite limited, especially those related to the reduction of the value of assets in the financial statements.

#### ***3.3.2.3. Improve the Notes to Financial Statements***

Notes to the financial statements are the addition of information contained in the financial statements of an enterprise. The notes to the financial statements provide detailed information about what was omitted from reports such as Balance Sheet,

Income Statement, and Statement of Cash Flows. This is for the purpose of clarifying the criteria on the report without making the reports complicated.

### **3.4. RECOMMENDATIONS**

#### **3.4.1. Listed companies**

Strengthening the sense of responsibility of listed companies

Invest in developing accounting information systems in enterprises

Improve professional qualifications and skills for accounting - finance department

Improve relations with shareholders, investors and the public

#### **3.4.2. The State**

Improve and update Vietnam's accounting and auditing standards

Strengthen supervision of accounting information disclosure activities

Strengthen sanctions to handle violations

Deploy the model of quality assessment and corporate credit scoring

#### **3.4.3. Commercial banks**

Regularly organize professional courses, not only on skills related to analysis, but also supplement their staff with the most relevant and up-to-date accounting knowledge, especially in the trend of globalization and growing economy of our country today

#### **3.4.4. Professional association**

Improve audit quality criteria of auditing firms

Prevent auditing firm from providing non-audit services and audit services to listed companies at the same time

#### **3.4.5. Training institutions**

Improve the output quality of the team of accounting - auditing bachelors.

Update information on accounting regime, tax regulations, accounting, auditing

### **CONCLUSION CHAPTER 3**

Based on the contents of chapters 1 and 2, chapter 3 has proposed some solutions and recommendations to improve accounting disclosure of listed companies in both the legal framework and the application of the legal framework to meet the needs of commercial banks.



## CONCLUSION

In Vietnam, the state has regulations on accounting and accounting information disclosed by listed companies, but these regulations have not yet completely met the needs of commercial banks in Vietnam in the context of integration and economic development are taking place today, so the accounting information of listed companies has not yet played its inherent role, which affects the efficiency of the business in accessing to capital as well as can bring risks to commercial banks. Therefore, completing the accounting disclosure of listed companies to meet the information needs of commercial banks in Vietnam has become an indispensable requirement. From that urgent requirement, the author researched and selected the thesis topic as "Improving accounting disclosure of listed companies to meet information needs of commercial banks in Vietnam".

Through the research process, the thesis has achieved the following results:

The thesis has clarified the theoretical issues of listed companies such as concepts, characteristics, and sources of accessible capital of listed companies. Besides, the thesis has also systematized the accounting information that listed companies need to disclose and their role and meaning to those interested in the business. The thesis also summarizes services that commercial banks provide to their corporate customers, and the information needs of commercial banks when performing these services. In particular, the thesis especially clarified the information needs of commercial banks when allowing businesses to access their credit capital.

The thesis has clarified the accounting information that listed companies must disclose according to the law in Vietnam, as well as the application of those regulations in presenting accounting disclosure of listed companies. The thesis also explored the importance of accounting information in the decisions of commercial banks as well as the level of response to information needs of commercial banks.

The thesis has clarified the requirements, principles and content to improve accounting disclosure of listed companies to meet the information needs of commercial banks, and at the same time outlined the necessary conditions. to implement solutions effectively

The content presented above has basically met the research objectives. However, due to the limitation of research time, the thesis content definitely has several shortcomings. The author is looking forward to receiving guidance and valuable comments from scientists and researchers to improve the thesis.

Thank you very much!

**LIST OF PUBLICATIONS OF THE AUTHOR  
RELATED TO THE THESIS**

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