

MINISTRY OF EDUCATION AND TRAINING

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**IMPROVING INFORMATION DISCLOSURE IN  
INTERIM FINANCIAL STATEMENT OF LISTED  
COMPANY ON VIETNAM STOCK EXCHANGE**

*Major : Accounting*

*Code : 9.34.03.01*

**SUMMARY OF DOCTORAL THESIS**

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**The thesis has been completed  
at the Academy of Finance**

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**The thesis is defended in front of Thesis Judgment Committee  
at Academic grade, meeting at Academy of Finance**

*At..... hour....., date..... month..... year 20....*

**The thesis may be searched in National Library and  
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## INTRODUCTION

### **1. The necessity of research topic**

Along with strong development of economy stock exchange market in Vietnam, it is necessary to create transparent financial information for investors. Hence, both Vietnamese and foreign investors could grab more reliable information for decision making. Interim financial statements play an important role as a regular source of information about events in the business enterprise, providing investors with information on risks and uncertainty regarding the reporting company's cash flows. However, the information disclosure on the interim financial statements of listed companies on Vietnam Stock Exchange remains some issues. The number of researches work on this topic is still limited. Therefore, the author has chosen topic: "Improving information disclosure in interim financial statements of listed companies on Vietnam stock exchange" as thesis topic.

### **2. Literature review**

#### ***2.1. Overview of the usefulness of information disclosure in the interim financial statements***

The author has related the views on the need for information disclosure on the interim financial statements based on 8 studies to show the different perspectives of the authors.

#### ***2.2. Literature review on information disclosure level in the interim financial statements***

The author mentioned 3 different studies on information disclosure level in the interim financial statements

#### ***2.3. Literature review on factors affecting information disclosure on interim financial statements***

The author has mentioned 5 foreign studies and 2 studies in Vietnam, regarding information disclosure in annual financial statements and interim financial statements and its determinants.

#### ***2.4. Evaluate the literature review and research gaps relating to the thesis topic***

Through studies related to the information disclosure in the interim financial statements, the author has drawn out the problems that scientists need to inherit and the problems that need further research and affirmed the thesis. The implementation does not overlap with the published research works in terms of scope, space and time of research

### **3. Research topic and research questions**

#### ***Research objectives:***

This thesis identifies the information demand from interim statement's users and the current situation of information disclosure in the interim financial statements of listed companies. Then, the author proposes suitable solutions to enhance the efficiency and quality of information disclosure in the interim financial statements of companies listed on the Vietnam stock market.

#### ***Research questions***

(1) What are the content of theoretical basis for information disclosure in the interim financial statements and the usefulness of the information disclosed in these reports?

(2) How is the compliance with the disclosure date in the interim financial statements of listed companies on the Vietnamese stock market?

(3) How is the compliance with current regulations regarding information items disclosed in the interim financial statements of the listed companies on the Vietnamese stock market?

(4) What are the determinants of the information disclosure in the interim financial statements of these listed companies?

(5) What solutions are there to improve the information disclosure in the interim financial statements of listed companies?

### **4. Object and scope of the study**

#### ***4.1. Research object***

Research object focuses on the interim financial statements of listed companies on the Vietnam stock exchange, in the list of 100 largest public companies announced by Forbes Vietnam in 2020 and do not operate in finance, banking and insurance sector.

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

+ *Scope of space:* Listed companies on Vietnam stock exchange, listed in the list of 100 largest public companies announced by Forbes Vietnam in 2020 and do not operate in finance, banking, and insurance sector (there are 55 companies satisfying the above conditions).

+ *Time range:* Research data is the interim financial statements (for quarter 1, semi-annual, quarter 3 and quarter 4) of observed listed companies in 4-year period from quarter 1, 2018 to quarter 4, 2021.

## **5. Research methods and procedure**

### ***5.1. Research Methods***

To achieve the research objectives, the study uses the following research methods:

- Apply the methodology of dialectical materialism, historical materialism to study issues that are both comprehensive and specific, systematically ensuring the logic of research problems.
- Combination of qualitative and quantitative research methods.
- Data collection from interim financial statement of 55 listed companies.
- Send questionnaires and surveys to specialized
- Quantitative data analysis model

### ***5.2. Research procedure***

The thesis is carried out in 5 steps:

**Step 1:** Current situation of information disclosure on the interim financial statements

Compliance evaluation with disclosure date and the level of information disclosure according to current regulations on the interim financial statements of 55 selected enterprises

**Step 2:** Identify determinants of interim financial statement disclosure according to the economic theories and previous studies. Based on the underlying theories and previous studies, the author identifies the factors that have an influence on the information disclosure of the observed enterprises.

**Step 3:** Discuss with experts. The author sends questionnaire and discusses with experts to obtain opinions on information needs, information disclosure status, determinants and suggestions to improve the disclosure of information on interim financial statements.

**Step 4:** Quantitative model to test the determinants of interim financial statement disclosure

**Step 5:** Analyze and evaluate the results from the above qualitative and quantitative method. The author will analyze and evaluate the achievements and limitations from current situation. Hence, some solutions would be proposed to improve the interim financial statement disclosure in the listed company.

## **6. Scientific and practical significance**

This study expands the existing literature on financial statement disclosure in Vietnam. While most previous studies focused on information on

annual financial statements, the thesis focuses on information disclosure in interim financial reports of listed company.

*Scientific significance:* The thesis specifies the characteristics, content and importance of information disclosure in the interim financial statements, identifies the factors affecting the disclosure in listed company in Vietnam stock exchange.

*Practical significance:* The thesis analyzes and assesses the current status of users' information needs, the current situation of information disclosure on the interim financial statements for the period 2018 - 2021. Thereby, achievement, limitations and reasons for these limitations are drawn. The thesis has proposed 06 recommendations in 02 groups of solutions. The above thesis proposals are useful references for regulators at State Securities Commission of Vietnam, the Ministry of Finance.

### **7. Structure of the topic:**

In addition to the introduction, the list of abbreviations, the list of diagrams, tables, the list of references, the appendix, the thesis are structured into 3 chapters:

*Chapter 1:* Theory of interim financial statements and information disclosure in interim financial statements in enterprises

*Chapter 2:* Actual situation of information disclosure in interim financial statements of listed companies on the Vietnamese stock exchange

*Chapter 3:* Some solutions to improve information disclosure in the interim financial statements of listed companies on the Vietnam stock exchange

## **Chapter 1**

### **THEORY OF INTERIM FINANCIAL STATEMENTS AND INFORMATION DISCLOSURE IN INTERIM FINANCIAL STATEMENTS IN ENTERPRISES**

#### **1.1. Overview of interim financial statements and information disclosure on interim financial statements**

##### ***1.1.1. Financial statement and information on financial statement***

Financial statement is a picture drawn financial position, financial performance and cash flow from different activities of an enterprise. This is an reliable information source for public. Financial statement should provide timely, transparent and understandable information to its users.

##### ***1.1.2. Information disclosure on financial statement***

###### ***1.1.2.1. Concept of information disclosure on financial statements***

Disclosure is the release of business-related information to interested parties. The content and quantity of information disclosed by enterprises are usually presented in accordance with financial reporting standards, accounting standards, national legal systems and some regulations of the Securities Commission where the enterprise is listed. The information published in the financial statements is official. Fraud related to financial statements disclosure can lead to legal consequences. Therefore, this is considered an reliable information source and communication channel to connect businesses and external information users such as investors, banks or other authorities.

###### ***1.1.2.2. Classification of information disclosure on financial statements***

###### ***1.1.2.2.1. Classification by disclosure frequency:***

The disclosure of information includes: periodic information disclosure, extraordinary information disclosure, and information disclosure on request.

###### ***1.1.2.2.2. Classification by information disclosure requirements***

Information disclosure includes: Compulsory information disclosure and voluntary information disclosure.

#### **1.2. Development of interim financial statement and information disclosure in interim financial statement**

##### ***1.2.1. Interim financial statement and importance of interim financial statement***

Interim financial statements are financial statements for less than one fiscal year. This report provides information in a timely manner to information users. The objectives of the interim financial statements include the preparation and presentation of complete financial statements with concise information. Interim report may not provide the same complete information as the annual

financial statements but it provides timely information on matters such as seasonal information or extraordinary events.

### ***1.2.2. Development of interim financial statement***

#### ***1.2.2.1. The first stage of development of interim financial statements***

The thesis outlines the formation and development of the interim financial statements from the first published date until the Financial Accounting Standards Board (FASB) issued its Opinion on providing timely information about a business in the 1970s. However, during this period, the role of the interim financial statements is still quite lackluster.

#### ***1.2.2.2. The Modern Evolution of interim financial statements***

After a series of financial scandals in the 1990s, financial statements in general and interim financial statements in particular showed their increasingly importance in information disclosure. The thesis has summarized the development and completion of international accounting standards and Vietnamese accounting standards related to the interim financial statements and information disclosure in this report.

### ***1.2.3. Information disclosure in interim financial statement***

For listed companies, whose shares can be bought and sold on stock exchanges, information disclosure is importance for information users in their decision making. Each user group may concern different information for their own purposes, so the meaning and importance of financial statements for each of these groups may vary. Information users of the interim financial statements include: enterprises' managers, owners, bank creditor, suppliers of enterprises, government agencies, financial analysts and investors in the stock market. The fact that financial statements are published on a regular basis will provide information to users continuously, helping the company's image become more transparent. Some countries require listed companies to publish semi-annual financial statements, others require the interim financial statements to be published quarterly. However, most countries and researchers suppose quarterly interim financial statements disclosure. Information disclosed in the interim financial statements improves investor confidence in capital markets and helping them make timely predictions and decisions.

### **1.3. Items disclosed in interim financial statement**

In addition to the data grabbed great interest from the users like statement of financial position, statement of profit/loss and other comprehensive income, and statement of cash flows, the following information also in the top lists of information users' concern

#### ***1.3.1. Disclosure on accounting regimes and policies***

#### ***1.3.2. Disclosure on significant transactions and events***

#### ***1.3.3. Disclosure on segment information***



### ***1.3.4. Disclosure on seasonality information***

### ***1.3.5. Disclosure on transactions with related parties***

### ***1.3.6. Disclosures on other issues***

## **1.4. Fundamental theories and determinants of information disclosure in the interim financial statements**

### **1.4.1. Theoretical foundation**

#### *1.4.1.1. Agency theory*

Agency theory suggests that conflicts will arise where asymmetric information exist between shareholders and representatives in the company. A large size company or units with high number of shareholders should have more interest conflicts between the representative and the principal. Therefore, large size companies and low level of equity concentration tend to expect managers to disclose a lot of information.

#### *1.4.1.2. Signal theory*

According to signal theory, it can be seen that the more efficient businesses are, the more information will be disclosed and vice versa.

#### *1.4.1.3. Proprietary cost theory*

Managers often consider the potential conflicting interests, benefits, and difficulties of disclosure before deciding to disclose information to the public.

#### *1.4.1.4. Institutional theory*

Managers tend to provide more information under institutional pressure such as government or ownership shareholders requirement. Further disclosure way to enhance the company's value.

### ***1.4.2. Determinants of information disclosure in the interim financial statements***

#### *1.4.2.1. Firm size*

Firm size is considered as an important determinant of corporate disclosure. Some authors explain information disclosure process is costing, so larger firms may be more able to cover these expenses. If the process of recording information involves the arising of some fixed costs such as software and human resources, the proportion of these fixed costs to the size of the enterprise will be smaller for larger businesses. According to the signal theory, listed companies receive more attention from large information users and are more closely monitored by government authorities, so they tend to publish more information. Therefore, the author hypothesizes:

H1: Firm size has a positive relationship with the level of disclosure in the interim financial statements.

#### *1.4.2.2. Audit firm*

Quality of financial statements disclosure is affected by the honesty and objectivity of the independent auditor's review process. External auditor are

responsible for measuring those companies' compliance with the regulations. From results of related studies, the author hypothesizes:

H2: Information disclosed by firms using audit/review services of Big 4 auditing firms has a positive relationship with the level of information disclosure in the interim financial statements.

#### *1.4.2.3. Reporting lag*

Reporting lag is calculated from the end of reporting period until disclosure date. Disclosure date is important because it affects the timeliness of financial statements to the public and has an important influence on investors' decisions. Chambers and Penman (1984) evaluated the relationship between timeliness and content of published information, a business tends to take longer to gather sufficient information before disclose to the public. Therefore, the thesis hypothesizes

H3: Reporting lag is positively related to the level of disclosure in the interim financial statements

#### *1.4.2.4. Profitability*

Some studies suggest that profitable companies tend to disclose more information so that information users can easily compare their results with other competitors. In addition, managers from those companies are also benefit if they publish good results because they may gain personal advantages. However, some argue that signaling theory also predicts that managers may choose to disclose bad news in a timely manner to reduce the risk of liability and/or loss of reputation. The following hypothesis is put forward:

H4: Profitability has a positive relationship with the level of information disclosure in the interim financial statements

#### *1.4.2.5. Ownership structure*

The more shareholders a company has, the larger the asymmetric information gap between investors and manager. Then, those company tend to require more transparent disclosure to reduce information asymmetry problem. Managers in companies with a distributed ownership structure will have more incentive to disclose more information as this will add more transparency to their behavior. Therefore, the hypothesis is:

H5: The degree of equity concentration is positively related to the level of information disclosure in the interim financial statements.

#### *1.4.2.6. Leverage*

Leverage is a factor that appears in most of the studies on determinants of information disclosure. The information disclosed in the financial statements can help solve the problem of information asymmetry between shareholders, managers and creditors. Firms that use external financing are more motivated to disclose information to meet creditors' requirement. Transparency of financial

information will help businesses easily access low-interest loans because creditors have less appraisal costs and face less risk from loans. Therefore, the author hypothesizes

H6: The level of financial leverage is positively related to the level of disclosure in the interim financial statements.

## **Chapter 2**

### **ACTUAL SITUATION OF INFORMATION DISCLOSURE IN INTERIM FINANCIAL STATEMENTS OF LISTED COMPANY IN VIETNAM SOTCK EXCHANGE**

#### **2.1. Formation, development and characteristic of Vietnam stock exchange**

##### *2.1.1. Formation, development of Vietnam stock exchange*

##### *2.1.2. Development and characteristic of listed companies in Vietnam stock exchange*

#### **2.2. Prevail regulations on information disclosure in interim financial statement of listed company**

The author introduced regulations relating information disclosure in the interim financial statements of listed companies, including: Law on securities, decrees and circulars related to the disclosure requirements on the interim financial statements of listed company.

#### **2.3. Current situation of disclosure in interim financial statement of listed company**

##### *2.3.1. Needs of information users in interim financial statement of listed company*

From survey and interview with experts, the author summarized the opinion on the usefulness, reliability, verifiability and comparability of the information provided in interim financial statement of listed company. In addition, items are highly concerned by the observed experts is also used as the basis for solutions in the following chapter.

##### *2.3.2. Actual situation on disclosure date compliance*

The author has surveyed the interim financial statements of 55 listed companies during the period from quarter I - 2018 to quarter IV - 2021 to access timeliness of information disclosure. Accordingly, the level of compliance with the disclosure deadline is quite good in the years from 2018 to the first half of 2020. From the end of 2020 to 2021, there is a marked increase in the number of enterprises disclosing information late. On average, the number of days required for enterprises to publish reports also increased

significantly. This change is due to the impact of the Covid pandemic, social distance regulation during that time.

### ***2.3.3. Actual situation on level of information disclosure***

The thesis has compared the current regulations with disclosed items in the observed interim financial statements to measure information disclosure compliance. Level of disclosure in the interim financial statements of enterprises includes 18 items. The information disclosed in the interim financial statements is as follows:

<b>No.</b>	<b>Items</b>	<b>%</b>
1	Consolidated interim financial statement	95%
2	Disclosure of accounting standards and regulations applied by enterprises	100%
3	Business sector, ownership structure of the company	100%
4	Interim financial statement (in full)	100%
5	Seasonality/business cycle	71%
6	Explain seasonality and its effects	5%
7	Major transactions between related parties	95%
8	Changes in equity	95%
9	Significant events occurring after the reporting date	29%
10	Important transactions of acquiring, transferring shares and contributing capital	67%
11	Bad debt and hedging management	43%
12	Unusual changes	8%
13	Comparable data	100%
14	Goodwill	43%
15	Contingent commitments/assets and liabilities	57%
17	Company structure (list of subsidiaries, associated companies)	100%
18	Segment report	23%

It is shown that all observed enterprises have disclosed their full interim financial statements, form of capital ownership, business sector, accounting period, currency, applicable accounting regime, accounting regulation and accounting standards. Some items have been disclosed at over 90%, such as: Change in equity, major transactions between related parties/associates, consolidated reports with subsidiaries

Some information is less disclosed such as: information about segment reports – presented by 23% of observed reports. In particular, there are many enterprises that only present this information in their half year financial statements but not in the quarterly financial statements. In addition, information

about the business cycle and fluctuations that enterprises encounter in the reporting period is also less disclosed. Although most businesses have experienced many fluctuations due to the Covid-19 epidemic, only 8% of mid-year reports are presented in the notes to the fluctuations that businesses face and the content is so vague.

In addition, the information about the business cycle published by enterprises is quite sketchy (companies often disclosed simply: enterprises have a business cycle of 12 months) and the other companies kept silence on this item in interim financial statement. Enterprises disclose information about the impact of seasonality on business results of enterprises. For businesses that publish information about the business cycle and the effect of seasonality on the business cycle, the disclosure content is also general: the revenue of the hotel and tourism industry will fluctuate according to the nature of the business cycle and seasonality (without specifying what time period the seasonal fluctuations will occur, and how they will affect the business results and financial position); High-tech products are shown to be influenced by consumption habits with different peak periods. With such sketchy notes, users of information will have little or no data to assess the impact of seasonality on the information disclosed in the financial statements. It can be seen that, the information on the business cycle and the effects of seasonality is sufficient to be useful to the users.

#### ***2.4. Determinants of information disclosure in interim financial statement***

##### *2.4.1. Identify the determinants of information disclosure in interim financial statement*

After observed the level of information disclosure in interim financial statements of the 55 listed enterprises, the author revealed factors affecting disclosure level in interim financial reports. Based on the content of the underlying theories (agency theory and signal theory) along with an overview of previous studies and advice from experts in the field of accounting, auditing and investment, the thesis builds an OLS regression model to determine the influence of the factors on information disclosure level in interim financial statements, includes: firm size, audit firm, ownership structure, leverage, reporting lag and profitability.

##### *2.4.2. Testing the determinants of information disclosure level in the interim financial statements of listed company*

Hypothesis:

*H1: Firm size has a positive relationship with the level of disclosure in the interim financial statements.*

*H2: Information disclosed by firms using audit/review services of Big 4 auditing firms has a positive relationship with the level of information disclosure in the interim financial statements.*

*H3: Reporting lag is positively related to the level of disclosure in the interim financial statements*

*H4: Profitability has a positive relationship with the level of information disclosure in the interim financial statements*

*H5: The degree of equity concentration is positively related to the level of information disclosure in the interim financial statements*

*H6: The level of financial leverage is positively related to the level of disclosure in the interim financial statements.*

**Model:**

$$DI_j = \beta_0 + \beta_1 SIZE_j + \beta_2 AUDIT_j + \beta_3 DAYS_j + \beta_4 PROF_j + \beta_5 EQUI_j + \beta_6 LEV_j + \mu_{it}$$

**In which:**

**Dependent variable:** Interim financial statement disclosure Index. The formula for measuring the level of disclosure provided to an enterprise is as follows:

$$DI_j = \frac{\sum_{i=1}^{n_j} d_{ij}}{n_j}$$

$DI_j$ : Information disclosure index of enterprises,  $0 \leq I_j \leq 1$ .

$d_{ij}$ : Take the value of 1 if information  $i$  is published, get the value of 0 if information  $i$  is not published.

$n_j$ : Number of items of information that enterprise  $j$  can disclose,

**The independent variables**

Code	Content	Measured
DI	Disclosure level in interim financial reporting	$DI_j = \frac{\sum_{i=1}^{n_j} d_{ij}}{n_j}$
SIZE	Firm size	Log (total asset)
AUDIT	Audit firm	Is a dummy variable. Get value 1 if the business is audited by Big-4 firm, otherwise get value 0
DAYS	Reporting lag	The number of days from the end of reporting period to disclosure date
PROF	Profitability	= Profit after tax/ Total revenue
EQUI	Ownership structure	% of the 5 biggest owner

LEV	Leverage	= total long-term liabilities/ Total owner equity
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*Source: The author*

The results from the OLS, FEM, REM, and GMM test models show that the financial leverage ratio and the equity concentration do not affect the amount of information disclosed by enterprises. Reporting lag has a positive effect on disclosure level. In other words, firms that take longer to disclose interim financial statements tend to disclose more information. Companies that use Big4 audits review service tend to have higher disclosure level. This result is consistent with the results of previous studies. Companies that use Big4's review services tend to disclose more information because their compliance requirements tend to be stricter. Although among the observed interim financial statements, only the first 6 months financial statements were reviewed by audit firms, the results indicate this positive effect for listed companies using services of large auditing firms have higher compliance with regulatory requirements than the rest companies.

Profitability has a positive effect on the information disclosure level. This result is consistent with agency theory and signal theory. When enterprises have high profitability, they tend to disclose more information to shareholders in order to demonstrate good results in business activities of the enterprise. On the other hand, business managers of those entities are also likely to enjoy more benefits or better career opportunities. Firm size is also proved a positive effect on the level of disclosure. The larger the enterprise, the more information resources are available to serve internal management and reporting. Hence, bigger firm tend to disclose more information in interim financial statement.

## **2.5. Discuss on research result**

### ***2.5.1. Assessing the interim financial statement disclosure in listed company on Vietnam stock exchange***

#### ***2.5.1.1. Achievement***

From the above results, it can be seen that most of the observed listed companies comply with the regulations on reporting date. Around 91% to 100% of the studied interim financial statement were submitted on time. This means enterprises met the needs of timely information requirements from information users.

In terms of information disclosure level, all observed enterprises provide full interim financial statements. The regulated enterprises all publish the consolidated financial statements of the year.

In terms of review process, 100% of published interim financial statements are reviewed by the auditing company in accordance with

regulations. Information users can be more assured about the quality of published information, especially reports reviewed by big auditing firms.

#### *2.5.1.2. Limitations*

*Firstly*, compliance with the disclosure deadline was decreased significantly when those company cope with difficulties and challenges.

*Secondly*, some detailed information, required to be presented in the Notes and received a lot of attention from information users, was not been fully mentioned, such as: Risks/events have important influence on production and business activities; Information on seasonality/business cycle and its impact on production and business activities; segment reports; information about changes in accounting estimates and impaired assets during the period.

*Thirdly*, level of information disclosure among listed company is different. The research results show that the group of enterprises with large scale and efficient operation (good profitability) tend to disclose more information in the interim financial statements than other enterprises.

#### **2.5.2. Reasons for the limitations**

##### *2.5.2.1. Objective reasons*

- From government authorities:

Related regulations are still incomplete, general, unclear and inconsistent. Accounting standards since promulgation have not been updated to suit with the economy development. The current regulations have not been able to adapt to the new circumstances to meet the requirements of information users.

Sanctions against entities that are late in reporting are still not effective as a deterrent.

- From audit firms

The quality of audit and review services for published interim financial statements among different audit units is different. Then, the level of information disclosure of listed companies is vary.

##### *2.5.2.2. Subjective reasons*

*Firstly*, awareness on importance of the interim financial statements is not properly.

*Secondly*, enterprises have not voluntarily disclosed information due to the fear that the disclosed information may affect the competition position of enterprises.

*Third*, the professional qualifications and skills of accounting personnel are still limited

## **Chapter 3**

### **SOME SOLUTIONS TO IMPROVE INFORMATION DISCLOSURE IN**



## INTERIM FINANCIAL STATEMENTS OF LISTED COMPANY ON THE VIETNAM STOCK EXCHANGE

### **3.1. Development orientation, improvement requirement and improvement principles for information disclosure in interim financial statement of listed company**

#### ***3.1.1. Development orientation of the Vietnam stock exchange***

Despite the influence of the Covid-19 pandemic, Vietnam's economy in general and Vietnam stock market in particular have had a strong growth. Currently, the government has set out a number of key goals to comprehensively renovate the stock market and shape a new legal framework towards upgrading and promoting the efficiency and sustainability of the market in the long term; comprehensively restructure the stock market so that this is an important medium and long-term capital channel for the economy; building a reasonable and balanced structure between the money market and the capital market, between the stock and bond markets, and promoting the development of the private sector. According to Decision No. 242/QĐ-TTg dated February 28, 2019 on the project "Restructuring the stock market and insurance market until 2020 and orientation to 2025, the development roadmap for development will include: Developing the capital market in depth to increase medium and long-term capital, serving the economy: Increasing the number of listed companies on the stock market while ensuring to improve the quality of listed securities. . Deploying a variety of derivative products, issuing bond products suitable to the needs of investors; developing the number of investors participating in the market and professional investment institutions so that the stock market develops stably and sustainably; forming a system of voluntary pension funds, hedge funds and trusts; developing modern financial services following the international trend of global financial market and updated financial technology.

#### ***3.1.2. Improvement requirement***

*3.1.2.1. Disclose appropriate information*

*3.1.2.2. Information should be disclosed in a timely basis*

*3.1.2.3. Information should be disclosed truth and fair view*

*3.1.2.4. Disclose comparable information*

#### ***3.1.3. Improvement principles***

*3.1.3.1. Improvement in accordance with the development orientation of the stock market*

In order to keep up with the growth of the market, it is necessary to apply industrial revolution 4.0 achievements to enhance the effectiveness of information disclosure and review process of interim financial statements. The

appropriate application of IT will allow the interim financial statements to be published more quickly, accurately, and reach a wide range of investors. Therefore, interim financial statement disclosure will be a trigger factor to attract more investors.

#### *3.1.3.2. Improvement in accordance with international accounting/financial reporting standard and current local regulations*

With the goal of attracting more foreign investors, and upgrade Vietnam stock market in the near future, the information disclosure in accordance with international accounting/financial reporting practices is more necessary than ever. For listed companies, Interim financial reporting should be published in both Vietnamese and English. The preparation, presentation and disclosure of financial statements in accordance with international standards will help foreign investors and investment funds easily access information on the Vietnamese stock market.

#### *3.1.3.3. Improvement meets information users' need*

Information disclosed from the interim financial statements has meet the needs of different user groups. First of all, the published interim financial statements must ensure the timeliness requirement. Next, this information must transparent and reliable so investors and shareholders can make proper assessment of the current production and business situation and operational efficiency. Information users can make timely decisions based on the disclosed statement.

### **3.2. Solutions to improve information disclosure in interim financial statement**

#### *3.2.1. Solutions to improve information disclosure in interim financial statements of listed companies*

##### *3.2.1.1. Improve timeliness of information disclosure in interim financial statement*

Timeliness of information disclosure in the interim financial statements of the observed enterprises is quite good. However, during 2020 and 2021 when Vietnam face with covid 19, the number of enterprises disclosed information on time decreased, the number of days of late announcement is also increased significantly. The report shows that the ability of enterprises to cope with some unexpected situations is not good enough. In particular, there are a number of large companies that repeatedly submitted extension request for delay interim financial statement disclosure. In order to improve the transparency and timeliness of disclosed information as well as equality among listed companies, the government should have stronger sanctions to minimize delays in reporting such as:

(i) Raise fines for late disclosure company because the current fine from 50 to 70 million VND according to Decree No. 108/2013/ND-CP is not enough to act as a deterrent to businesses.

(ii) The level of financial penalty should be accompanied by other relevant sanctions such as public name of enterprises have late information disclosure;

(iii) The SSC should publish set of specific regulations on criteria for financial statement disclosure.

When timeliness of information disclosure is resolved, the transparency of information on the stock market will be enhanced and create a level playing field among listed companies on the market.

*3.2.1.2. Improve information disclosure level in interim financial statement of listed companies.*

Among determinants of information disclosure level on the interim financial statements of listed companies, firm size and interim financial statement reviewed by Big4 firm have a positive influence with the level of information disclosure. A large enterprise will have a more complete and professional system of books and documents as well as a data system than a small business. In addition, large enterprises and large auditing firms will have many conditions to attract high-quality human resources and at the same time improve their own human resources by creating opportunities and conditions for their employees to participate in professional training sessions. To create better opportunities for listed companies in smaller scale can provide fully and transparently statement, the accountant and auditor quality should be enhanced. The government should organize the number of free short-term and long-term training courses for accountant and auditors. With the current development of information technology, in addition to centralized training courses, government agencies can create online training classes so people from other province, different working schedules can access the learning content they want.

Training courses for people work in accounting, auditing and finance sector is even more useful when Vietnam has a roadmap to require listed companies to apply IFRS in financial statement preparation and disclosure. When applying the international financial reporting standards system, smaller firms and auditing firms will have less experience and sources to access to international regulations and guidelines than those of bigger firms especially Big4 audit firms. Therefore, if the government implements a system of short-term training sessions, regular training programs both face-to-face and online to provide suitable options for a wide range of participants, it will help improve human resources in the accounting and financing industry. Thereby, improving

the quality of information as well as the level of information disclosure in the interim financial statements.

### ***3.2.2. Improve items disclosed in interim financial statement in listed companies***

#### *3.2.2.1. Information about changes in accounting estimation/accounting policies*

Business activities have faced dramatical change due to different consumption trends, the industrial revolution 4.0, epidemic situation and economic depression. The number of company may wonder whether to continue operating or close their business lines.

While VAS 27 requires an enterprise to disclose the nature and amount of changes in reported accounting estimates, the IAS 34 Interim Financial Statements Standard also requires disclosure of the nature and extent of the changes in estimation. This proves a certain harmony between Vietnamese and international accounting standards, but among the observed enterprises, there are only very few interim financial statements that mention the impact of the Covid-19 pandemic on their business operations. For those who mentioned, the information is very general. There is no specific assessment of the impact as well as the re-evaluation of assets and inventories in this section. The provisions on specifying the nature and value of changes due to the changing economic situation have not been stated. Therefore, the author recommends that there should be a more detailed legal regulation that prescribes specific quantitative data in which cases enterprises need to re-evaluate their accounting estimates and accounting policies. This action would prevent avoiding such information disclosure.

#### *3.2.2.2. Information about going concern and impairment value in the period*

The number of unpredictable changes has occurred in global like disease, war, economic depression... The risk of not going concern and asset impairment can be observed in many companies in different countries. Many organizations have taken special notice regarding the disclosure of information regarding going concern and impairment that businesses are experiencing. If information user can access to this information appropriately and honestly, financial statements would provide more realistic, multi-dimensional overall picture. Investors and other users can predict the future of the company.

#### **Going concern**

Going concern is an important assumption before financial statement preparation. However, most of the observed interim financial statements did not mention the impact of the covid 19 pandemic on judging the continuity of business even though there were many businesses in crisis, having to change

many parts of their business operations due to objective changes from the outside in the period from 2018 to 2021. This is an information gap that users would like to be provided with more. Some useful information that businesses need to disclose include:

- Clarify the going concern and detail the factors supporting the decision
- Provide detailed information on actions (both current and future) in response to business challenges
- Provides detailed information on uncertainties and considers the business impacts of uncertainty.
- Predictions on how long it will take for businesses to recover from difficulties
- Results of capital raising activities.
- Results of discussions with banks or other debt providers.
- Short-term impact of price changes on revenue and expenses.
- Impact on enterprise's human resources
- Impact on the supply chain now and predict the impact in the future
- Impact on current and potential customers that businesses aim to.

### **Impairments**

At ESMA3 - 2020, the European regulator emphasized the need for transparent and meaningful disclosure in relation to impairment testing. Timely assessment of ongoing losses or projections of vulnerable future losses is important to information users. Therefore, to provide more useful information in decision-making to users, companies should:

- Assess the impact of impairment and disclose it in the notes of interim financial statements if there are any diminution indicators for each cash-generating unit of the business;
- If the company encountered unusual factors during the period and this factor have an impairment impact, they have revaluated assets and compare them with the book value;

**In comparison between expenses and benefit bring from impairment disclosure, this information should publish in half year financial statement and annual financial statement.**

#### *3.2.2.3. Information on the effects of seasonality and major changes in business results*

Seasonal income such as dividends, increased revenue due to the seasonal nature of the business, etc. must be recognized at the time of occurrence but will not arise evenly over periods of the year. Therefore, if there are expenses and revenue that are seasonal or irregular in the normal business cycle, the enterprise should explain and disclose data in the Notes in interim financial

statement. Seasonality information is important because financial statements users can distinguish whether inconsistent fluctuations in companies' earnings are due to seasonality, gradual changes or due to turning point in their production and business activities.

Therefore, there should be specific regulations guiding companies to disclose influence of seasonality information and major change in business results. If this information is available, the interim financial statements will fulfill their objective of reflecting timely information to information users about the financial position, business results, especially trends affecting business performance and seasonality. The effects of seasonal fluctuations and short-term market conditions increase the reliability, comparability and predictive value of interim reports.

#### *3.2.2.4. Segment report*

Information on segment report attracts lot of interest from information users because it provides accurate assessment to the current economic benefits as well as the potential risks and opportunities in each business/geography segmentation. Through segment report analysis, information users can assess which operating divisions, business areas or geographical areas have strengths, potential risk and potential activities in the future; This information will affect profit/loss of the whole enterprise. In order to improve the quality of information disclosed to users, the competent authorities need to have strict regulations so that more and more listed companies disclose this information in the interim financial statements. The content of information in the segment report needs to have uniform regulations, avoiding the fact that some businesses present a lot of content in detail but some others present a sketchy presentation.

Information disclosed in segment report should include the following main contents:

- Net sales (details of net sales to third parties, net sales between divisions)
- Business results of each division
- Profit/loss before tax by segment
- Assets by division/Total assets
- Debts by division / Total liabilities
- Historical cost/depreciation of fixed assets of each segment

#### *3.2.2.5. Information about related parties*

Transactions with related parties are very common in corporations. However, in some cases, these entities may enter into transactions without arm's length market. Related party transactions are considered a fairly sensitive topic in most countries around the world. Some concerns involve related party transactions for the purpose of manipulating data about business performance or

economic gain by a group of individuals who have a controlling interest in the entity. Currently, multi-industry corporations tend to increase. This means that in the group there are many companies with diverse activities, generating the need to deal with other units in the group on a daily basis. If a group unit is allowed to supply goods or services to another entity (same group) after going through a competitive bidding process with third parties at a transaction price that follows the market price This is considered a transparent transaction. The Standard only requires to disclose information about related parties in their financial statements. If there are related party transactions, the business must disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for users to understand the impact of the related party to business activities.

#### *3.2.2.6. Voluntary information disclosure*

According to current regulations, listed companies are required to disclose periodical information, extraordinary information and information as required in each specific situation. However, the provision of voluntary information is still not specifically addressed in current legal system. The extent and quality of voluntarily information disclosure can have an effect on the stock prices of companies and enhance the corporate image. However, before deciding which voluntary information to be disclosed, to what extent the information to be disclosed, enterprises often consider the costs and benefits obtained during this process. Therefore, the government needs to encourage companies to disclose more information voluntarily. No one understands the market and its market position better than the business itself, so information disclosure and key assumptions about the market situation, opportunities and challenges faced by the company's manager would valuable. In the current situation, enterprises may consider disclosing some information as follows:

- If enterprises receive stimulus packages from the government or other organizations to respond to negative effects of the market, it is necessary to assess the impact of these stimulus packages on public business activities;
- Performance evaluations that enterprises themselves commented on, profit forecasts from executives;
- Explanations on corporate governance, forecasts on supply and demand of enterprises in the coming time; scenarios that may happen in the near future that businesses encounter;

### **3.3. Some conditions to improve information disclosure in interim financial of listed companies**

In order to implement the above solutions, it is necessary to coordinate from many parties such as the government authorities, regulators, information disclosure enterprises and information users.

### ***3.3.1. From government authorities***

The government needs to public more updated accounting regulations, providing detailed guidance on preparation of interim financial statements. When timeliness and information disclosure level is enhance, usefulness of the report in decision-making will be improved.

Overall, the large number of listed company complies with current regulation on information disclosure but some entities only disclose information in a short term, not sufficient detail as needed by the users. Therefore, it is necessary to strengthen communication on the importance of interim financial statement disclosure to the public, to avoid underestimating the such information. The information on the interim financial statements increasingly clearly shows its important role in providing timely information to the enterprise, contributing to enhancing the image of an enterprise that complies with regulations and operates professionally in the financial sector.

Along with raising the awareness of information disclosure subjects, helping them to actively and voluntarily provide more information in the interim financial report, the government should issue specific sanctions (warnings, penalties) for those who disclose insufficient information. For enterprises that have made many mistakes in information disclosure, the Securities and Exchange Commission may issue a warning to the public, closely monitor the disclosure or delist, depending on the seriousness of the violation. Only when there are deterrent sanctions can the State effectively regulate corporate behavior and create a transparent financial environment among listed companies

### ***3.3.2. From interim financial statement users***

In order to improve the operation of the stock market and reduce risks for investors, raising awareness still needs more solutions such as:

- Promulgate information to raise awareness of investors about the importance of information in the interim financial statements. Step by step helps information users understand that this is one of the most reliable and timely sources of information they can rely on for assessment and decision making.

- Organize seminars, short courses to help users better understand the interim financial statements and know how to properly and properly use the information provided by the interim financial statements.

## **3.4. Limitations and further research**

Although the author has tried to draw an overall picture about the current situation of information disclosure in the interim financial statements of listed companies on the Vietnam stock exchange, this thesis still has some shortcomings in term of the number of the observed enterprises and the



observed time period. The data recorded in both space and time, meets the requirements of the sample in quantitative analysis, but if it is observed on a broader scale based on all listed company on Vietnam stock market including HOSE and HNX for a longer period of time (greater than or equal to 5 years), it is possible to assess many outstanding problems in current information disclosure.

The thesis only dealt with mandatory disclosure of information in legal regulations without study on voluntary disclosure.

From the above limitations, the author would like to give some orientations for further research when conditions for further research are available:

- Expanding the observed sample: Increase the number of samples in the research and conduct with the listed companies on both exchanges to ensure the overall integrity of the Vietnamese stock market.

- Add other influencing factors that this study has not mentioned such as: chief accountant qualifications, manager qualifications, the actual duality between the chairman of the board of directors and the general director. In addition, it is possible to expand the group of influencing factors not only from the perspective of enterprise characteristics but also from the national perspective with groups of cultural, economic, and political factors, which affect the level of information disclosure. division for enterprises.

- Currently, benefits and risks associated with issuance of corporate bond is a big question. The number of bond issuers accounted for an increasing proportion of listed companies. Therefore, the author wishes to study the relationship between the bond issuance and the published information and the internal factors of the enterprise in the next studies.

## CONCLUSION

In the process of international integration, Vietnam economy has witnessed remarkable transformation in recent years. The change of regulations, the development of business activities and Vietnam stock market an illustration of the process. If our stock market provide transparent, timely and appropriate information system, listed companies could have many opportunities to access different capital sources from both Vietnamese and foreign investors. Therefore, the information disclosure in the financial statements of listed companies plays an important role. In particular, the information published in the interim financial statements has increasingly attracted the attention of information users as well as demonstrated the company's ability to provide timely information to the public.

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

- The thesis focuses on clarifying the theoretical basis of information disclosure on financial statements, especially interim financial statements to improve information disclosure on interim financial statements at listed companies on the Vietnam stock exchange in some aspects: The fundamental theory, the role of information disclosure in the interim financial statements, determinants of information disclosure level in the interim financial statements

- Observed and analyzed to make assessments about the compliance on information disclosure in the interim financial statements of listed companies. Some limits in information disclosure in interim financial statements of listed companies such as many contents are still lacking or sketchy, some information is not useful to users, not in compliance with current regulations. In addition, the thesis examines a number of influencing factors such as: firm size, profitability and audit firms are factors affecting the level of information disclosure in interim financial statements at listed companies in the stock market during the period from 2018 to 2021. Research results was used to propose solutions to improve the information disclosure in the interim financial statements of listed companies, so the usefulness of information could be improved.

- The thesis has proposed solutions to improve information disclosure in the interim financial statements. First of all, the compliance with regulations on preparation and disclosure of information on the interim financial statements in accordance with current regulations and international practices in order to improve the usefulness of information users. In addition, the thesis also proposes solutions to enhance the level of information disclosure on the interim financial statements in order to enhance the transparency of interim financial statements of listed companies on the Vietnam stock market.

**LIST OF SCIENTIFIC PUBLICATION RELATED TO THE  
AUTHOR’S THESIS**

1. Phuong Anh, Pham (2022), *Information disclosure on interim financial statement of listed company in Vietnam*, Journal of Finance & Accounting research, No. 01(14).
2. Phuong Anh, Pham (2022), Determinants of information disclosure in interim financial statement of listed companies in Vietnam, Asia – Pacific Economic Review, No. 5.