

MINISTRY OF EDUCATION AND TRAINING

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NGUYEN THI VAN

**APPLYING FAIR VALUE TO COMPLETE THE PREPARATION
AND PRESENTATION OF FINANCIAL STATEMENTS FOR
LISTED SECURITY COMPANIES OF VIETNAM**

Faculty: Accounting

Code no.: 9.34.03.01

DOCTORAL THESIS ABSTRACT

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LIST OF WORKS PUBLISHED BY THE AUTHOR RELATING TO THE THESIS

1. Nguyen Thi Van, "Some opinions on the application of fair value to the preparation and presentation of financial statements in Vietnam", Journal Accounting and Auditing No. 12/2015, 2015, pages 11- 12.
2. Nguyen Thi Van, "Some opinions on the application of fair value when preparing and presenting financial statements at security companies in Vietnam", Journal Accounting and Auditing, October / 2018, 2018, pages 7-9.
3. Nguyen Thi Van, "Recording and presenting financial statements applicable to security companies related to the issuance of guaranteed warrants", Information and Development Magazine No. 12/2018, 2018, pages 24-28.
4. Nguyen Thi Van, "Experience of Korea when applying fair value to prepare and present financial statements and lessons for Vietnam", Journal of Auditing Scientific Research No. 133-11 / 2018 , 2018, pages 57-62.
5. Nguyen Thi Van, "Application of fair value in the preparation and presentation of Vietnamese financial statements", Journal Accounting and Auditing No. 4/2019, 2019, pages 10-14.

INTRODUCTION

1. Reasons for choosing the research topic

In Vietnam, the concept of "fair value" has been included in the provisions of the Accounting Law (amended) No. 88/2015/QH13 signed by the National Assembly on November 20, 2015. However, it is difficult to understand and apply fair value in accounting in Vietnam. In fact, most businesses apply the cost price in preparation and presentation financial statements by complying the provisions of 26 Vietnamese accounting standards (VAS) and the guidance of Circular 200/2014/ TT-BTC dated 22/12/2014.

When applying fair value in preparation and presentation of financial statements of listed security companies of Vietnam are still limited due to the lack of a lot of legal provisions related to the determination the market price, the recognition and presentation of the financial statements when applying fair value in Vietnam. In addition, the identification of fair value and recognition of the items in the financial reporting in by applying fair value of these companies have many shortcomings that need to be improved.

From the above reasons, the PhD student has chosen the topic "Applying fair value to complete the preparation and presentation of financial statements for listed security companies of Vietnam" to study with the expectation that the thesis will contribute a part for the preparation and presentation financial statements for listed security companies of Vietnam in the condition of applying fair value, ensuring in accordance with the international accounting regulation.

2. Research overview

The purpose of this research overview is to systematize and analyze previous studies in the world as well as in Vietnam related to the topic, pointing out the outstanding issues that the thesis will focus on researching. From the review and analysis of domestic and foreign studies, the thesis has found a gap in the previous studies on the use of fair value to complete the preparation and presentation of the financial statements. The gaps in the study will be focused on the study of applying fair value to complete the preparation and presentation of financial statements for listed security companies of Vietnam. The thesis mainly uses qualitative methods to consider the extent of applying fair value to complete the preparation and presentation of financial statements for listed security companies of Vietnam. The thesis will find out the factors affecting the application fair value to complete the preparation and presentation of

financial statements for listed security companies of Vietnam. The thesis also analyze and evaluate the current fact of listed security companies of Vietnam when preparing and presenting financial statements by applying fair value. The findings and conclusion of the thesis will provide solutions and recommendations to apply fair value in preparation and presentation of the financial statements for listed security companies of Vietnam.

3. The research objectives of the thesis

Firstly, research on the basic theory of preparing and presenting financial statements at fair value. Specifically, the study of the overview of fair value and the influence on the recognition and information presentation of the financial statements elements; Principles of preparing and presenting the financial statements by applying fair value; Factors affect the preparation and presentation of financial statements in fair value; study the experience of some countries in the region that have applied the fair value when preparing and presenting the Financial Statements and finding lessons for Vietnam;

Secondly, researching on the situation of applying the fair value when preparing and presenting the financial statements of listed security companies of Vietnam;

Thirdly, suggest the solution for preparing and presenting financial statements for listed security companies of Vietnam when applying the fair value. The thesis focus on the requirement to complete the preparation and presentation of financial statements for listed security companies of Vietnam when applying the value of liquidity; practical solutions, application roadmap, assessment of feasibility and suitability with reality in Vietnam and conditions for implementing the solutions.

4. Research subject and scope

- Research subjects:

The thesis focuses on the principles of recording items in financial statements, methods of preparing and presenting financial statements on the basis of applying the fair value in accounting.

- Research scope:

+ Regarding the scope of research space: Researching financial statements of a number of security companies listed on Vietnam's stock market. The topic does not research Vietnamese security companies listed on foreign stock markets.

+ Regarding the research content: The research focuses on the separate financial statements of some security companies listed on Vietnam's stock market without researching the consolidated financial

statements and other reports of these companies. The thesis focus studying of international accounting standards relating to fair value is used when preparing and presenting the financial statements, excluding international accounting standards related to other fields.

+ Regarding research time: The data of the thesis focuses for the period from 2014 - 2018.

5. Research Methodology

5.1 Data collection method: primary and secondary methods

5.2 Data processing method

- Methods of processing primary data: After conducting the survey and interview, the PhD student has classified the collected information according to each content item and systematized the collected data according to tables and charts.

- Methods of secondary data processing: The PhD student conducts data analysis and presents the results: Provide general assessments, general assessments with statistics and descriptions. Provide charts, tables, illustrations based on collected data. Compare the relationships between the quantities to find out assessments and conclusions.

5.3 Methods of data analysis: Methods of analysis, methods of collection, statistical methods; Comparative statistical method.

6. Scientific and practical significance of the topic

The thesis has generalized the common theoretical issues about fair value recognition and application when recognizing, preparing and presenting the financial statements of enterprises, studying international experience when applying the fair value. The thesis also generalizes the current regulations on preparing and presenting financial statements for listed security companies of Vietnam when applying the fair value, identifying practical problems and obstacles when applying the fair value in listed security companies in Vietnam. The thesis find out solutions to complete the regulations on preparing and presenting financial statements for listed security companies when applying the principles of LR based on international accounting practices. The thesis proposes necessary conditions of the economy to have a basis for determining the satisfaction of the value of assets and liabilities to be recorded in the financial statements. The completion of preparation and presentation of financial statements for security companies is not only theoretical but also practical in meeting the diverse information needs of users of financial statements of security companies in the context of the global economy.

7 New contributions of the thesis

This study has the following new contributions: Summary of theoretical studies on fair value and the recognition, preparation and presentation of the financial statements of businesses according to fair value. Studying experiences of other countries in the region, especially the experience of Korea when changing from applying cost prices to fair values and lessons applicable to Vietnam. Analyze the current situation of applying fair value when preparing and presenting the financial statements of listed security companies in Vietnam, identifying outstanding problems to be solved. Proposing solutions to improve the legal system related to the application of fair value in Vietnam and solutions to complete the existing problems when applying fair value to present financial statements of security companies listed on the stock market in Vietnam.

8. The layout of the thesis

The content of the thesis is divided into 3 chapters in addition to the introduction, conclusion, list of references and other structural parts.

Chapter 1: Basic theory about preparing and presenting financial statements at fair value.

Chapter 2: Situation of applying fair value when preparing and presenting financial statements of listed security companies in Vietnam.

Chapter 3: solutions to preparing and presenting financial statements for listed security companies of Vietnam when fair value is applied.

CHAPTER 1: BASIC THEORY ABOUT PREPERING AND PRESENTING FINANCIAL STATEMENTS AT FAIR VALUE

1.1 Overview of the system of financial statements

1.1.1 Concept of financial statements

According to the International accounting standard Committee at IFRS (33-35), the financial statements are the product of financial accounting, the output of the accounting information system, reflected in a structured financial situation, financial results of the business. The financial statements provide information on the financial position, financial results and cash flows of the business, meeting the needs of the majority of users in making economic decisions. It also shows the result management performance of the resources entrusted (IASB, 2012).

According to the American Institute of Certified Public Accountants (AICPA), the financial reporting system is a statement of the management's operations, business investment situation and results achieved in the reporting period. The financial reporting system reflects the combination of recorded events, accounting principles and individual

assessments, in which the applied accounting principles and assessments affect weak to the record of events.

1.1.2 Purpose and effect of the financial statements system

- The purpose of financial statements is to provide information about the financial position, business situation and cash flows of an enterprise, meeting the useful needs of the majority of users in making recommendations, economic decisions. To achieve this purpose, the financial statements must provide information of a business on: Assets; Liabilities; Equity; Revenue, other income, expenses, profits and losses; Cash flows; Information need explanation (IAS01).

- Effects of the financial reporting system:

For business managers: Information on the financial statements helps business managers to assess the financial situation, situation and business performance of the enterprise after a period of time. From there, managers can analyze and find the cause, propose shortcomings and short-term and long-term business decisions in line with the development trend of enterprises.

For State management agencies: Financial statements provide necessary information to help perform the function of macro management of the State for the economy. Specifically: helping financial institutions to examine and assess the use of capital by state-owned enterprises, to inspect the compliance with financial management policies at enterprises; assisting tax agencies in inspecting the observance of tax laws and tax policies, which serves as a basis for accurately determining the tax amounts to be paid, paid, deducted and exempted ... by enterprises; assisting the business registration management agency in inspecting the implementation of business licenses of enterprises (doing business in the registered industries; managing and using labor, etc.); help statistics agency to synthesize data according to economic indicators to assess the nation's economic growth, determine GDP, build macroeconomic policies ...

For creditors, investors, suppliers, customers and other partners: The financial statements provide necessary information to help them assess their financial status, solvency, business performance and distribution policy ... to carry out right business decisions.

1.1.3 Elements and content of financial statements

* Elements of financial statements

- Factors directly related to the determination of the financial position in the financial situation report are Assets, Liabilities and Equity.

- Factors directly related to the determination of business results in the report of profit and loss are income, expense and profit.

* Contents of the Financial Statements

(1) Financial statement

This is an important part of the financial statements, used to reflect the financial situation of the business, expressed through information about resources controlled by the enterprise, financial structure, liquidity, solvency.

For businesses with specific business activities such as securities, banking and insurance, some specific criteria will be added to suit such specific activities.

(2) Comprehensive income statement

The comprehensive income statement presents profit and loss and other aggregated income for the period, showing the ability to generate profits from invested resources. The information on the Summary of Profit Statement provides useful information for users in considering profit generated in relation to revenue and expense, thereby assessing the profitability of the company.

The comprehensive income statement presents information about Profit and Loss; Other comprehensive income; The total profit for the period includes profit and loss and other comprehensive income. Including:

The Profit/Loss information section includes items showing figures for the period, such as: Business revenue, financial revenue and other income; Business expenses, financial expenses; Income or expense arising from the difference between book value and fair value at the date of reclassification of assets and financial liabilities; Tax costs; Profit/loss for the year.

Other comprehensive income information sections include the following: changes in the revaluation of fixed assets; Profit and loss arising from the conversion of financial statements of foreign operations; Gains and losses from assessment of financial assets available for sale; Gains and losses are recognized for hedging instruments; Income tax is related to other comprehensive income.

(3) Report of changes in equity

The equity change report provides information about the change in the equity of the enterprise, reflecting the increase or decrease in value of net assets during the period.

(4) Cash flow statement

Cash flow statements provide a basis for user to evaluate the company's ability to generate cash and cash equivalents and the need to use these cash flows.

Cash flow statements present cash flows in a period according to business activities, investment activities and financial activities.

(5) Notes to the financial statements

Notes to the financial statements provide information about the basis for preparing the financial statements and accounting policies used and disclosing any information required by the regulations but not yet are presented on the financial statements and provide additional information that is not presented on the financial statements but is considered suitable for better understanding of them.

Notes to the financial statements must be presented in a systematic manner. Each item in the Financial Position Statement, Comprehensive Income Statement, Equity Change Report and Cash Flow Statement should be highlighted that will lead to relevant information in the Notes to the Financial Statements.

1.2 Overview of fair value and recording and disclosure of elements of the financial statements

1.2.1 Establishment and development of a fair value model in accounting

1.2.2 Methods for fair value determination

1.2.3 Recognize the elements of the financial statements at fair value

(1) Initial recognition of assets / liabilities at fair value

When an asset is purchased or a liability arises, the price of the transaction that constitutes the asset or gives rise to this debt is the input price. In some cases, the input and output prices of assets/liabilities on the same market at the same time are the same, however, conceptually, the input and output prices are different.

(2) Evaluate after initial recognition at fair value

According to the fair value model, fair value is used for evaluation after initial recognition of items on the financial statements.

A particularly important issue in the application of a fair value model is the issue of accounting treatment of fair price fluctuations after initial recognition. This issue needs to be considered in relation to each type of asset/liabilities and there are differences between different regulations.

1.3 Principles, methods of preparing and presenting financial statements at fair values

1.3.1 Principle of preparation and presentation of financial statements at fair value

When preparing and presenting financial statements at fair values, the following principles should be followed:

- Items in the financial statements must be recorded and presented at fair value at the time of preparation of the financial statements.

- The use of prices when recording the assets and liabilities of the financial statements at their fair values must be consistent from one year to another.

- Differences between book value and fair value are recorded in the Comprehensive Income Statement.

- Changes in fair value of items on the financial statements must be disclosed in financial statements.

- Basis of determining market value of assets and liabilities must be disclosed in financial statements.

1.3.2 Method of preparing and presenting items in the financial statements at fair value

Method of preparing the financial statements at fair value includes:

Firstly, identify activities before preparing a financial statement

Before preparation of the financial statements, the accountant shall perform the accounting at the end of the period, close the accounting books in order to determine the balance of the assets, capital sources and determine the profit and loss. Check and compare data between relevant accounts, accounting books, between general accounting and detailed accounting, between accounting books of enterprises and related units. Carry out asset physical check, dealing with difference between physical check results and book values. Perform a reconciliation of liabilities, if there is a difference in payable debts, the cause of the difference should be found. Reconciliation, confirmation of bank balance, reconciliation can send a confirmation letter or reconcile sub-book from Bank. Identify damaged inventory, reduce value ... to make provision for devaluation of inventories.

Determining reliable evidences on the receivable loss, the accountant shall make a provision for each of the bad debt receivable, together with evidences proving that bad debts. Prepay accrued expenses, allocation of prepaid expenses. Assessing the difference in exchange rates of monetary items denominated in foreign currencies such as receivable and payable debts. Determining business results in the period.

Secondly, measuring the criteria presented in the financial statements at fair value

Assets:

(1) Financial assets:

- Initial recognition: Financial assets are initially recognized at fair value plus transaction costs directly arising from the purchase or issuance of financial assets, in the case of such financial assets aren't recognized at fair value through profit or loss.

- After initial recognition: the enterprise will determine the value of its financial assets, including derivatives, which are fair value assets without deduction for any transaction costs which may arise during the sale or liquidation of these assets.

(2) Non-financial asset

Non-financial assets are initially recognized and after the initial recognition are recognized at fair value (or determined based on fair value). Determining the fair value of non-financial assets must reflect the best and highest use of non-financial assets (based on the highest and best use).

Determining the fair value of non-financial assets considering the ability of market participants to generate economic benefits from using assets at the best and highest use level or by selling assets to other market participants shall use such property in the highest and best use manner.

Liabilities

(1) For financial liabilities:

When a financial liabilities is initially recognized, the organization must determine its value at its fair value plus transaction costs arising directly from the purchase or issuance of financial liabilities, in the in the case of such financial liabilities, they are not recognized at fair value through profit / loss.

After initial recognition, all financial liabilities will be determined at amortized cost of allocation using the effective interest rate method, except: Financial liabilities at their fair value through profit/loss; Commitments to provide loans with interest rates lower than market rates; Financial liabilities identified as hedging will be recorded in accordance with the requirements of the hedging accounting method ...

(2) For non-financial liabilities:

When a non-financial liabilities is initially recognized, the organization must determine its value at its fair value plus direct transaction costs. After initial recognition, the enterprise must reevaluate its fair value.

Equity: For equity instruments, the enterprise must determine fair values at the time of initial recognition and after initial recognition. Equity instruments which cannot be measured after their initial recognition are disclosed in the notes to the financial statements.

Thirdly, recording the difference in revaluation of the items in the Financial Statements after determining the fair value

Theoretically, the handling of difference due to changes in the fair value of assets and liabilities may be carried out by the following methods:

+ Record of fair value fluctuation in profit / loss statement:

The recognition of fair value fluctuations in the current period's profit / loss statement represents a view to determining the operating results in an economic approach. However, the recognition of fair value fluctuations in profit and loss statements contradicts the principle of implementation so this method is mainly applied to assets fluctuate in value. The period of fluctuations is short.

+ Record of fair value fluctuation in other comprehensive income statements:

The recognition of fair value fluctuations in other comprehensive income statements is one of the specific manifestations of the application of economic viewpoints within the framework of accounting regulations in the last years of the 20th century, beginning of the 21st century. Accordingly, the comprehensive results include not only the profits made from normal operations and other activities of the enterprises but also include the revaluation of assets/liabilities. When fair value is used to assess assets/liabilities after initial recognition, changes in fair value of some liabilities are recorded in other comprehensive income. Often these fluctuations should be presented separately and on a net basis. When gains or loss are presented in other comprehensive income, when these fluctuations are reliable (when selling assets or paying debts), the entity does not restate income/loss related to profit/loss.

+ Recognition of changes in fair value directly into equity:

The recognition of fair value fluctuations in equity is based on the notion that fluctuations in the fair value of assets / liabilities currently held by the enterprise are not directly related to the generating activities of the business. Therefore, it is inappropriate to record a fair value change in a profit/loss statement or a comprehensive income statement. It is said that fair value fluctuations should be recorded directly in equity until they are reliable, this will be adjusted to the income/loss statement.

Thus, in theory, there are different studies on the method of recording fair value fluctuations after initial recognition of assets/liabilities. However, the regulatory framework of organizations that issue accounting regulations is often not biased towards a specific view but rather incorporates these views for specific assets/liabilities. According to some recent studies, many opinions supporting the method of recording fair value fluctuations after initial recognition of assets/liabilities are recorded in the comprehensive income statement without supporting the recognition directly into equity.

Method of presenting items in the financial statements at fair value:

(1) Method of presenting items in the Financial Statements Report at fair value

Information on assets and liabilities can be presented in various classification criteria: Short-term and long-term classification criteria; Criteria for classification by liquidity.

(2) Method of presenting items in the Comprehensive Income Statement

This report presents the gains / losses in the period; total income, other expenses; Other comprehensive income in the period. Comprehensive income in the period is equal to the total profit or loss from business activities and other comprehensive incomes.

This report can be presented in two ways: profit and loss statement and other comprehensive income statement or Comprehensive income statement with 2 parts: Part 1: Profit and loss, Part 2: Other comprehensive income.

1.4 Factors affecting the preparation and presentation of the financial statements at fair value

Including the following factors: Active market factors, Cultural factors, Cognitive factors, Human resources; Management.

1.5 Experience of some countries in the world when applying fair value and lessons for Vietnam

1.5.1 Experience of several countries in the world in applying fair value in preparing and presenting financial statements

- Korean experience: fair value measurement; the recognition of the revaluation of assets and liabilities on the financial statements after being determined at fair value and in preparing for the process of applying fair value.

- Japanese experience: fair value measurement; recording the difference between revaluation of assets and liabilities on the Financial Statements after being determined at fair value and the subjects of application and IFRS roadmap and fair value.

1.5.2 Lessons for Vietnam when preparing and presenting financial statements at fair value

SUMMARY OF CHAPTER 1

CHAPTER II

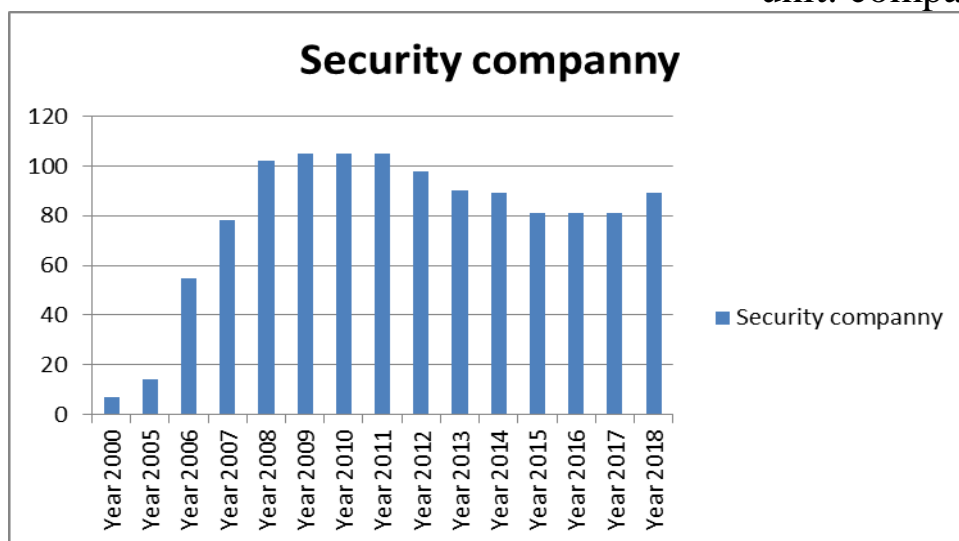
CURRENT SITUATION OF APPLYING FAIR VALUES WHEN PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS OF LISTED SECURITY COMPANIES IN VIETNAM

2.1 Overview of Vietnamese listed security companies

2.1.1. The process of formation and development of listed security companies of Vietnam

Number of Vietnamese security companies over the years

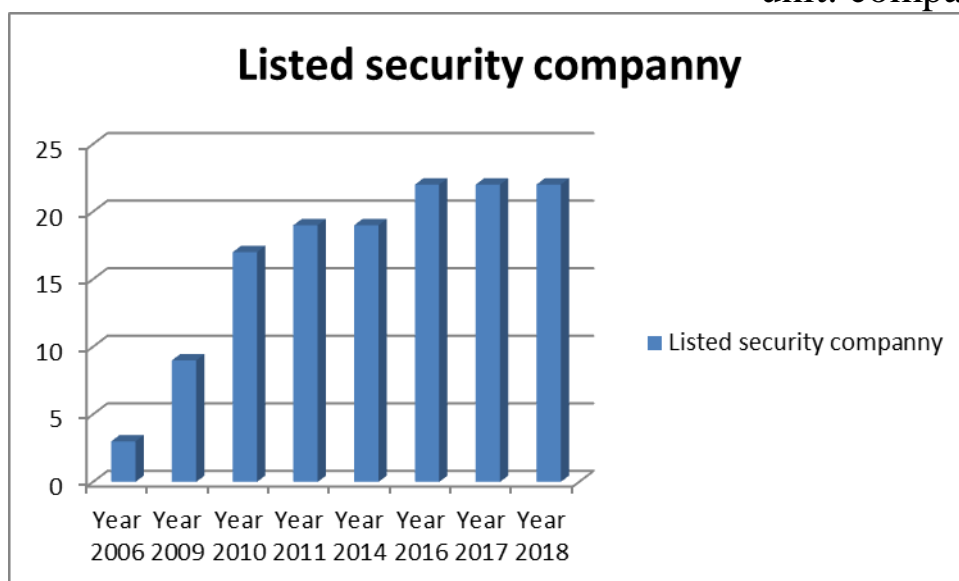
unit: company



Source: Summary report of SSC

Number of security companies listed on Vietnam's stock market

unit: company



Source: Summary report of the SSC

2.1.2 Overview of business characteristics of security companies that govern the preparation and presentation of the financial statements at fair value

- Security companies operate in an environment related to financial instruments, the market price fluctuations of financial instruments listed on the market is updated daily. When preparing and presenting financial statements, security companies must measure assets and liabilities according to the fluctuation of fair value and must present in the financial statements the difference between the cost value and fair value.

- Listed security companies operate in the dynamic environment of the capital market, responding very keenly to the market. Market fluctuations must be analyzed and provided to decision makers. The use of market prices in the technical analysis reports of securities trading activities is a very important and intimate evidence to establish the basis for accounting applying fair value in recognition and presentation financial information on the financial statements.

- Business objects of security companies are stocks and bonds listed on the market and have a basis for determination of prices very easily and reliably. The application of fair value to recognize assets and liabilities of security companies is also more convenient than other businesses.

- The situation and performance of security companies operating in Vietnam are strongly affected by the domestic and foreign economic situation, especially the factors of exchange rates, interest rates, oil prices, the decline of the world stock indexes However, this impact is inevitable in the context of the economy as well as the capital market, Vietnam's financial market integration increasingly deeper with the world financial market. In this context, listed security companies must be strengthen risk management, transparency of the financial situation, and improve the management efficiency adapted with international practices.

2.2 The status of fair value application when preparing and presenting financial statements of listed security companies in Vietnam

2.2.1 General

In order to assess the current situation of using fair value when preparing and presenting financial statements at security companies, the thesis has sent 172 questionnaires to related subjects, interviewed 3 chief accountants and 6 auditors conducted auditing of security companies, 1

valuation appraiser by calling and conducting surveys of financial statements 2016 and 2017 of 3 listed security companies largest in the Vietnam stock market in the application of fair value include: SSI- Saigon Securities Incorporation; BSC- Vietnam Investment and Development Bank Securities Joint Stock Company; FTS: FPT Securities Joint Stock Company listed on Ho Chi Minh stock exchanges.

(1) Regarding the questionnaire, the thesis sends survey questionnaires to the following subjects: Listed security companies; The auditors are working at large auditing firms specializing in auditing listed security companies; Appraisers; Securities investors on Vietnam's stock market; Researchers on securities and securities investment in Vietnam and experts of the Ministry of Finance research and make policy decisions related to Vietnam's stock market and research on the application of fair value in Vietnam.

Through the questionnaire through votes of the surveyed subjects, the author summarizes on the following issues:

- Regarding the legal basic such as the accounting instructions prescribed in technical expertise and accounting regime on the use of tourism value and instructions on the method of determining the fair value.

Listed Securities Company: 100% of responses that the legal basic are incomplete

Auditors and valuation: 95% answered that the legal basic are incomplete

Investor: 100% of responses that the legal basic are incomplete

Researchers, lecturers: 100% of responses that the legal basic are incomplete

- Regarding factors, input information, market information on the market to determine the value of tourism value

Listed Securities Company: 100% of responses that these are incomplete and not transparent

Auditors and price appraisers: 32% said the price information was not transparent, 6% answered it was transparent, 2% said otherwise.

Investor: 100% of responses that these are incomplete

Researchers, lecturers: 20% of responses think that the price of stock listed on a stock exchange is transparent and many opinions (80%) think that the price information on the market is not transparent.

- Methods of determining fair value

Listed Securities Company: 100% of respondents use market approach for financial instruments. And the other properties have no answers

- Regarding the necessity of applying fair value in accounting

Auditors and price appraisers: 95% answered that is needed

Investor: 100% of answers that is necessary

Researchers, lecturers: 100% of answers that is very necessary

- Quality valuation? Do you use a valuation service?

Listed Securities Company: 89% answered that use asset valuation service, 11% answered that the company identified by itself.

Auditors and price appraisers: 65% answered that the quality is not very well, 20% answered that is only partially well

- Is the presentation of information on the financial statements related to fair values correct and sufficient?

Listed Securities Company: 72% answered not enough

Auditors and price appraisers: 75% answered incorrectly

Researchers, lecturers: 87% answered the evaluation difference presented in the financial statements

(2) Regarding direct interviews of chief accountants, auditors and price appraisers: PhD students have conducted interviews with some contents related to price determination and price recording of items on the financial statements.

(3) Regarding the survey of the Financial Statements for 2016 and 2017 of SSI, BSC and FTS: Circular 210 which comes into force from January 1, 2016, regulated on recording and reporting of fair value. However, financial statements of the year 2016 of all listed security companies still apply cost value. Because the new Law on Accounting No.88/2015/QH13 stipulates the fair value but the Law takes effect from 1/1/2017. In fact, listed security companies started to apply fair value from 2017.

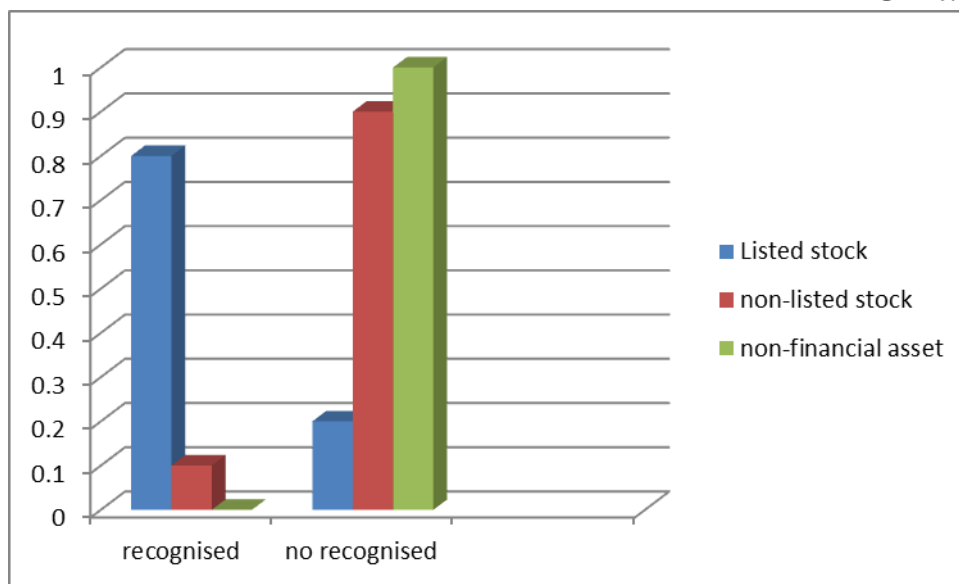
2.2.2 Actual situation of preparing and presenting items in the financial statements at fair value at listed security companies of Vietnam

Based on the result of the survey, the thesis summarizes through the following chart:

* Asset

Chart of the recognition and presentation of assets related to fair value in the financial statements

Unit: %

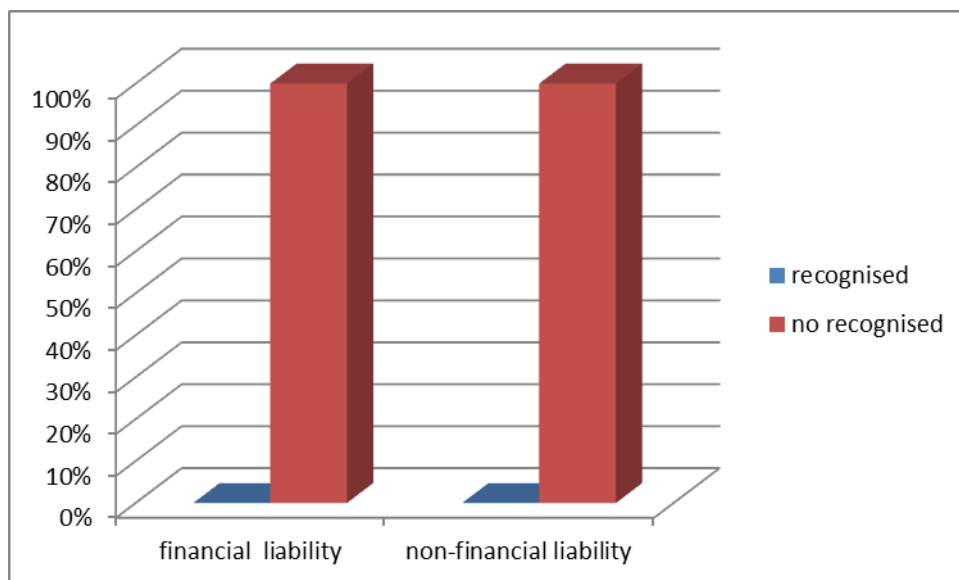


(Source: aggregated from survey)

* Liability:

Chart of Recognition and presentation of Liabilities related to fair value

Unit: %



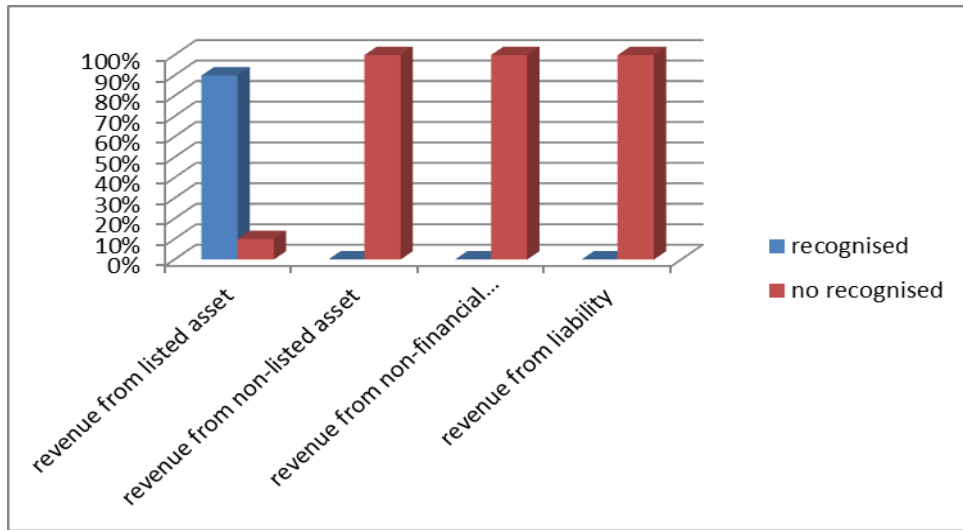
(Source: aggregated from survey)

* Equity: Through the survey of financial statements of SSI, BSC, FTS, the equity items are recorded at cost on the financial position report.

* Revenues

Chart the recognition and presentation of revenues related to fair value

Unit: %

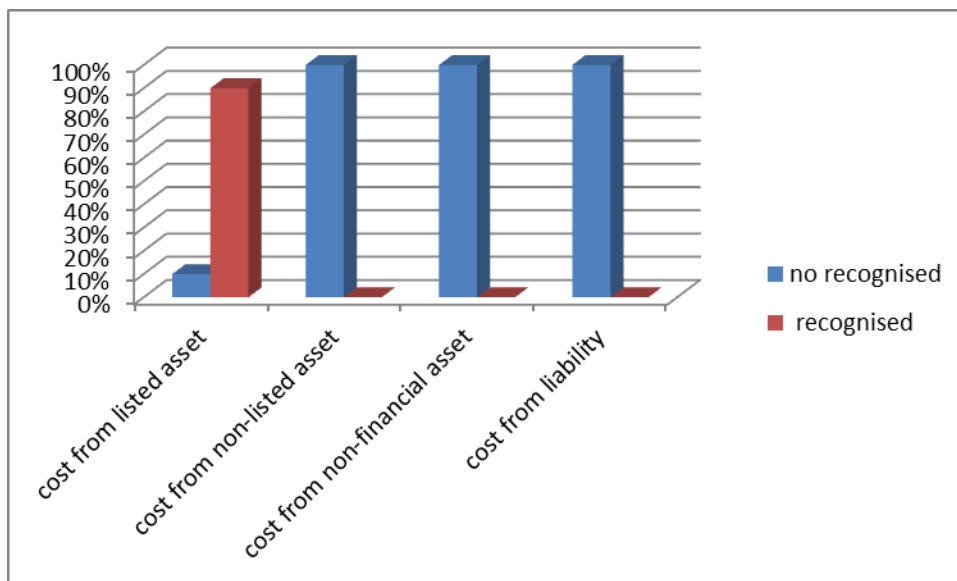


(Source: aggregated from survey)

* Expense: The loss reflects a decrease in revaluation of financial assets for trading purposes and available for sale, including details of each securities code.

Chart the recognition and presentation of expense relates to fair value

Unit: %



(Source: aggregated from survey)

2.3 Assess the situation

2.3.1 Assessing the real situation of preparing and presenting financial statements of listed security companies

a. Advantages:

- Regarding the legal basis: The Ministry of Finance has issued an accounting regime applicable to security companies providing guidance on the recognition and presentation of financial statements at fair values. The amounts in the financial statements are measured, recognized and presented at fair value rather than at cost. This regulation help security companies reflects the value of the items in the financial statements at market value.

- Regarding the actual situation of preparing and presenting the financial statements at listed security companies of Vietnam: measuring the criteria presented on the financial statements, recording and presenting the financial statements.

b. Disadvantages:

Firstly, legal framework related to fair value is not sufficient

Secondly, difficulty in preparation financial statements at fair value in listed securities companies of Vietnam:

(1) Difficulty in measuring items in the financial statements at fair value at listed securities companies

(2) Difficulty in determine at fair value at listed securities companies.

Thirdly, there is no supporting document in presenting items in the Financial Statements at fair value at listed securities companies of Vietnam.

2.3.2 Cause of existence

(i) Objective reasons

(ii) Subjective causes:

- Listed security companies do not have well trained staffs can determine fair value. Accountants have no background in fair value so it is very difficult to apply fair value in security companies. When there is no listed price on the market, it is impossible to determine the fair value for non- listed stocks.

- The leadership of the listed security company has not invested in infrastructure in building databases, software, etc. to determine the fair value.

2.4 Factors affecting the fair value when preparing and presenting financial statements for security companies in Vietnam

2.4.1. Operating market factors

2.4.2. Cultural factors

2.4.3 Human resources factors

2.4.4 Management qualifications factors

2.2.4.5 Applicability factors

2.2.4.6 Pressure of international organizations factors

SUMMARY OF CHAPTER 2

CHAPTER III

SOLUTIONS TO COMPLETE THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS FOR LISTED SECURITY COMPANIES IN VIETNAM WHEN APPLYING FAIR VALUE

3.1 Development orientation of Vietnam's listed security companies

The speed of development of Vietnam's stock market in recent years is quite fast, the liquidity of the market is increasing, securities increasing in quantity and quality. The development of the underlying market will pave the way for the development of a warrant market. The financial capacity and risk management of listed security companies acting as the security issuer is increasingly strengthened. In its business activities, listed security companies have continuously strengthened their financial strength and quality of risk management with the purpose of providing investors valuable products and convenient services reliable.

Develop new products such as index futures, bond futures, warrants. Research for issuing non-voting shares to attract foreign capital into enterprises with foreign ownership restrictions ...

3.2 Request for completing the preparation and presentation of financial statements for listed security companies of Vietnam when applying fair value

Firstly, regulation of the preparation and presentation of financial statements for Vietnam's listed security companies must ensure harmony with international accounting principles, standards and practices.

Secondly, regulation of the preparation and presentation of financial statements for Vietnam's listed security companies must be consistent with the characteristics and management requirements of the security companies.

Thirdly: Completing the preparation and presentation of financial statements for Vietnam's listed security companies must meet the requirement of the investors.

3.3 Solutions to complete the preparation and presentation of financial statements for Vietnam's listed security companies when applying fair value

3.3.1 Solutions to improve Vietnam's legal regulations on preparation and presentation of financial statements when fair value is used

- Completing the Vietnamese Accounting Law
- Improving the Vietnamese accounting standards system
- Completing the guidelines for applying accounting standards

3.3.2 Completing the measurement of indicators on the financial statements

3.3.3 Completing the recognition of differences on revaluation of financial statements after determining fair value at listed security companies

- For financial assets
- For non-financial assets
- For financial liabilities

3.3.4 Completing the preparation and presentation of information on the financial statements

Firstly, updating the financial position report in accordance with international practice.

Secondly, updating the comprehensive income report with sample based on international practice.

Thirdly, suggesting the equity report.

Fourthly, updating Notes to the financial statements: Supplementation of notes about specific fair value determination requires

the explanation of: Recognition principles and accounting methods for re-evaluation value investments at market value or fair value;

Principles and methods of recording income, losses and transaction costs of financial assets; Supplementing explanations on the fair value determination of financial assets. Need clarification determined by level 1, level 2, or level 3. If determined by level 2, 3, the basis of how to determine it should be clearly stated in the Notes to the financial statements.

3.4 Roadmap of application

3.4.1 In short term

- For State agencies: Proposing the Ministry of Finance to soon issue accounting standards related to fair value and guidelines for determining fair value.

- For security companies: it is necessary to train and improve the qualifications of valuation officers and accountants in order to have adequate knowledge related to the identification, recording and presentation of fair value.

- For valuation service organizations: It is necessary to be equipped with knowledge related to the fair value determination of assets and liabilities to be able to provide a guaranteed service.

3.4.2 In long term

- Regarding the training: training institutions need to equip students with knowledge about the application of fair value in recording and presenting financial statements in accordance with international practice.

- Regarding market development: It is necessary to develop markets of fixed assets, real estate and commodity so that the market price of non-financial assets can be easily determined in order to have a basis for guaranteeing price reference for transparency.

3.5 Assess the feasibility and suit the reality in Vietnam

3.5.1 Regarding the applicability of fair value in Vietnam

The general trend of enterprises is to present the items of the financial statements according to the fair value, in accordance with the situation of the market economy at the time of reporting (Mark To Market). Vietnam stock market is the basis for determining fair prices of stocks listed on the market. For assets and liabilities which do not have reference prices in the market, the price appraisal service is used.

3.5.2 Regarding the legal framework relate to fair value

Over the years, the recognition and presentation of assets above their real value has become common in Vietnam. When the information provided is distorted, dishonest, of course, the assessment and economic decision making is also misleading. On the other hand, failure to recognize asset losses creates the risk of hiding the health of enterprises. Therefore, the promulgation of a number of new standards related to fair value is both necessary and indispensable and objective to suit practical issues in Vietnam.

3.6. Conditions for implementing the solution

3.6.1. About the market

In order to apply standard of fair value to be feasible, the Ministry of Finance should promulgate a list of regulations on only types of assets and liabilities of enterprises to apply the fair value. How to measure fair value of assets and liabilities reliable. Other assets and liabilities of the enterprise that are not included in the portfolio will not apply the fair value model.

3.6.2 Regarding to human and material resources

Training of experts directly drafting Vietnam's accounting standards system is very necessary. That requires a relatively large amount of funding to carry out. In addition, accountant needs to be trained to get enough skills and knowledge related to fair value.

3.6.3 Regarding cooperation between state management agencies and enterprises

Accounting standards influence on wide range of all economic sectors, so that Vietnam's accounting standards system will be updated and completed. In the process of developing accounting standards, it is necessary for the business community to contribute opinions to the accounting standards drafting agency.

3.6.4 Training and propaganda

In order to meet the requirements when applying fair value, universities and training institutions will have to change their human resource training methods to meet the requirements of providing financial information.

SUMMARY OF CHAPTER 3

CONCLUSION

International practices aim to present financial information prudently, promoting financial stability and security above profit goals. International practice requires the immediate recognition of losses due to impairment of assets, due to fluctuations in fair value, due to net realizable value or recoverable value of assets lower than book values.

In this context, Vietnam needs to improve the legal framework related to the application of fair value in accordance with international practices with the aim of transparency of financial information, providing useful financial information for investors to make investment decisions.

Currently, Vietnam's listed security companies are beginning to apply fair value in accounting. They are facing many difficulties due to insufficient legal basis and implementation experience. Contributing their knowledge to the application of fair value in Vietnam and especially helping security companies to prepare financial statements, the thesis has achieved the following results:

Firstly, clarify the basic theories about preparing and presenting the financial statements for enterprises based on fair value, the principles, methods of preparing and presenting the financial statements, further analyzing the factors affecting the preparation and presentation of financial statements when applying fair value, and summarizing the experience of some countries in the world when applying fair value and lessons for Vietnam.

Secondly, research, survey, describe the situation of using fair value when preparing and presenting financial statements of listed security companies in Vietnam, assessing the situation with the advantages and disadvantages and identify the causes. In addition, the thesis has analyzed the factors affecting the fair value application when preparing and presenting financial statements.

Thirdly, the thesis has proposed solutions to apply fair value when preparation and presentation of financial statement:

- Solutions to improve Vietnam's legal regulations on preparation and presentation of financial statements when applying fair value;
- Solutions on the measurement of items on the financial statements and recording the difference to re-evaluate the items on the financial statements of listed security companies;

- The solution on the preparation and presentation of information on the financial statements, thereby proposing the contents and forms of financial statements.

In order to ensure the feasibility of the solutions, the thesis has given the conditions for implementing the solution such as market, human resources, cooperation between state management agencies and enterprises, training and propaganda.

Although the thesis has achieved a certain results, but due to the limited time and qualifications of the PhD student, the thesis will not avoid errors and limitations, so the PhD student would like to ask the teachers, teachers, scientists, managers commented to improve the content of the thesis./.