

The Reality of Presentation and Disclosure of Information on Financial Instruments in Non – Financial Enterprises in Vietnam

Nguyen Thi Phuong Tuyen. MA

Faculty of Accounting – Academy of Finance, Vietnam

E-mail: nguyenphuongtuyen@hvtc.edu.vn

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Abstract

Financial instruments are increasingly diverse and complex that makes users' requirements for information of financial instruments more demanding. It is necessary to clearly understand the full disclosure of information about financial instruments in enterprises. Therefore, researching the current status of presentation and disclosure of information about financial instruments in enterprises in Vietnam serves a basis for perfecting the system of legal documents related to accounting for financial instrument. This article studies the current status of presentation and disclosure of information about financial instruments in non-financial enterprises listed on the Vietnam Stock Exchange to help researcher and issuers in promulgating accounting standards for financial instruments in Vietnam.

Keywords: Financial instruments, Presentation and disclosure of information, Financial instruments

1. Introduction

Financial instruments are becoming complex due to the combination of many different financial instruments, typically: convertible bonds, preferred stocks (which have both the characteristics of liabilities and the characteristics of equity); new derivatives (Forwards, Futures, Options, Swaps)... Therefore, the identification and presentation of financial instruments is becoming increasingly vital.

Studies have shown the link between the level of information disclosure and characteristics of enterprises such as size, financial situation, auditors, business scope, type of risk... including articles by Cooke (1989, 1991, and 1992), Imhoff (1992), Singhvi and Desai (1971), Heflin, Shaw, and Wild (2001) and Wallace and Naser (1995).

Previous studies have shown a close link between the level of disclosure of information and the size of the enterprise (Singhvi and Desai - 1971; Firth - 1979; Cooke - 1989; Cooke - 1992; Imhorff - 1992; Wallace and Nasser - 1995), business performance results of enterprises (Singhvi and Desai - 1971; Wallace and Naser (1995).

There are four topics on the level of presentation and disclosure of information about financial derivatives conducted by Australian researchers such as Hassan, Percy and Goodwin-Stewart (2006-2007), Chalmers and Godfrey (2004). and 2000) and Chalmers (2001). However, most only evaluate the level of presentation and disclosure during the voluntary disclosure process. Chalmers and Godfrey (2000) pointed out the difference between accounting for derivatives (according to AASB 1033: Presentation and disclosure of financial instruments issued in 1996) and the reality of accounting. Accounting at enterprises is based on the financial statements dated June 30, 1998 of the 500 largest enterprises in Australia.

Research by Chalmers and Godfrey (2000) has shown that the level of information presentation and disclosure is not as good as it is expected. Particularly, Hassan, Percy and Goodwin-Stewart focus on the transparency of derivatives disclosures in enterprises in the mining industry before the application of international accounting standards in Australia. He evaluated transparency based on AASB 1033 Standards. Large enterprises with high Price to Earning Ratio and Total Debt-to-Equity ratios will more clearly disclose derivative financial instruments.

A recent study on financial instruments by Lopes and Rodrigues (2007) also focused on identifying voluntary disclosure standards on financial instruments in Portuguese enterprises. The Disclosure Category was developed based on to the IAS 32 - Financial Instruments: Presentation and IAS 39 - Financial Instruments: Recognition and Measurement. The size of the enterprise, business industry and auditing firm are closely related to the level of presentation and disclosure of information about financial instruments. In Malaysia, Norkhairul Hafiz (2003) demonstrated the link between voluntary disclosures on derivative financial instruments and two characteristics of enterprises including scale and level of abroad operations.

In Vietnam, there have been many scientific researchs focusing on exploiting the application of international accounting practices on accounting for financial instruments for Vietnamese businesses, especially in the banking industry. However, there have not been many studies researching the current status of presentation and disclosure of information about financial instruments on the financial statements of non-financial enterprises and finding the relationship between the level of presentation and disclosure of information and the unique characteristics of these businesses.

Research on the level of presentation and disclosure of information about financial instruments in enterprises listed on the Vietnam Stock Exchange before and after the application of Circular 210/2009/TT-BTC is very crucial because it provides objective evidence for issuing and improving accounting standards on financial instruments in Vietnam. Therefore, in this study, the author wants to find out the current status of presentation and

disclosure of information about financial instruments in non-financial enterprises in Vietnam.

2. Methodologies and Data

To achieve the research goal, based on the methodology of Dialectical materialism and historical materialism, the authors has applied the methods of investigation, survey, and Professional solution... Therefore, the authors has synthesized, analyzed and evaluated the successes and shortcomings in the current situation of financial instrument accounting in non-financial enterprises in Vietnam and proposed implementation conditions as well as solutions to improve financial instrument accounting in non-financial enterprises in Vietnam.

The research process includes the following steps:

Step 1: Submit the business survey form. The authors sent a questionnaire to 267 non-financial enterprises listed on the Vietnam Stock Exchange (according to the list of the Exchange as of December 31, 2021). The number of questionnaires received was 81.

Step 2: Submit survey form and in-depth personal interview. The authors sent a questionnaire and in-depth interviews to ask for opinions and assessments from the following subjects: accountants, investors, experts, auditors, managers, business administrators on financial instrument accounting mainly in non-financial enterprises in Vietnam. The number of questionnaires and in-depth interviews received was 11.

Step 3: Collect Financial Reports. The authors collected the audited financial statements of 2019, 2020, 2021 of 81 companies for which the authors obtained the Questionnaire (in Step 1).

Step 4: Process the results of the investigation and survey. Using SPSS Statitics 17 statistical software to analyze and evaluate the current status of financial instrument accounting in non-financial enterprises in Vietnam from the following perspectives: Identification, Classification; Measure; Record; Present and disclose information about underlying financial instruments and derivative financial instruments. Data are taken from 81 enterprise surveys and 11 surveys and in-depth personal interviews in order to determine the level of presentation and disclosure of information about financial instruments of non-financial enterprises in Vietnam in the period 2019-2021. Then, test 3 hypotheses about the relationship between the level of presentation and disclosure of information about financial instruments and the specific characteristics of the enterprise.

Step 5: Propose solutions to improve financial instrument accounting in non-financial enterprises in Vietnam. Based on the results of the survey on the current status of financial instrument accounting at non-financial enterprises in Vietnam, the opinions of experts and users of accounting information were interviewed in depth... as wel as their experience. Besides, due to experience from some countries around the world, the author proposes solutions to improve accounting for financial instrument in non-financial enterprises in Vietnam.

3. Results and Discussion

Table 1 presents descriptive statistics for the dependent and independent variables. Table 1 shows that the level of presentation and disclosure of information about financial instruments of non-financial enterprises listed on the Vietnam Stock Exchange reaches an average of 33.47%, the highest is 81.41%, the minimum is 5.7 %. Thus, the majority of non-financial businesses in Vietnam are not ready to provide information about high-quality financial instruments. Therefore, policy makers must actively guide financial instrument accounting for accounting practitioners to increase trust and increase the quality of information provided to investors.

Table 1. Descriptive statistics

	<i>Mean</i>	<i>Median</i>	<i>Maximum</i>	<i>Minimum</i>	<i>Std Deviation</i>
DQ	0.3347	0.2858	0.8141	0.570	0.1760
Size	12.11	12.02	0.71	10.94	0.6
PTA	0.11	0.08	13.49	-0.55	0.12
PE	42.86	6.36	0.44	-110.7	275.14
DTA	0.47	0.45	3211.6	4.61	0.38
Audit	0.37	first	first	0	0.48
Yrafter	0.67	first	first	0	0.47

Table 2 - Pearson correlation matrix report for dependent and independent variables. The level of presentation and disclosure of information about financial instruments (DQ), size of the enterprise (Size), return on total assets (PTA), price to earnings of shares (PE), debt to total assets (DTA) is correlated with at least one variable.

Table 2. Pearson correlation matrix report

	DQ	Size	PTA	PE	DTA	Audit	Yrafter
DQ	first						
Size	0.07	first					
PTA	0.17	-0.02	first				
PE	-0.11	0.02	-0.12	first			
DTA	-0.11	0.156	-0.27	0.06	first		
Audit	0.12	0.539	-0.01	0.09	0.12	first	
Yrafter	0.233	0.08	-0.12	0.09	0.09	0.04	first

*correlation is significant at the 0.05 level (2-tailed)

** correlation is significant at the 0.01 level (2-tailed)

Table 3 presents the results of the regression analysis of the correlation between levels presentation and disclosure of information with the characteristics of the enterprise. Through research, the thesis shows that the scale of businesses, the results business, audit firm is

significantly related to the level of presentation and disclose information about financial instruments at $p < 0.001$. Different from the prediction in hypothesis No. 1, the investigation shows the opposite result, scale of the enterprise (Size) is inversely proportional to the level of presentation and disclosure of public information financial instruments, which means that small businesses tend to disclose a lot of information more information about financial instruments than small businesses. This may be because small businesses need to disclose more information to create credibility, build the reputation of the business so that it can easily access capital from investment partners.

Table 3. Correlation regression results

	Coefficient	Std. Error	T-Statistics
Constant		0.15	3.12
Size	-0.45	0.01	-0.81
PTA	0.01	0.05	0.21
PE	0.05	0	1.12
DTA	0.03	0.02	0.65
Audit	0.08	0.01	1.68
Yrafter	0.19	0.01	15.27

R2 0.277 F-statistic 0.568

Table 3 presents the results of regression analysis of the correlation between the quality of published information and enterprise characteristics. The calculation results show that the reputation of the auditing firm (Audit), Market price on stock earnings (PE) is significantly related to the quality of information about financial instruments published at $p < 0.001$. As initially predicted in hypothesis 3, the reputation and size of the auditing firm positively affect the level of presentation and provision of information about financial instruments. Hypothesis No. 2 about the relationship between the level of presentation and disclosure of information about financial instruments with business results of enterprises is confirmed to be correct through the results in Table No. 3. The level of presentation and disclosure of information about financial instruments has a close relationship, directly proportional to return on total assets (PTA), market price on stock earnings (PE). However, the results in Table 3 also show that hypothesis 1 is not accepted, there is a negative relationship between the size of the enterprise and the level of presentation and provision of information about financial instruments. This study has shown that small-scale businesses often tend to publish a lot of quality information to build their business's position. At the same time, research also shows that businesses with high debt-to-total assets (DTA) ratios tend to present and disclose information about financial instruments at a higher level than other businesses. The financial year can have a major impact on the quality of published information. Therefore, the authors extended the above results by adding a variable about the fiscal year (Yrafter) to represent the year before and after Circular 210/2009 took effect. Research results show that the Yrafter variable has a great influence on the quality of published information with a coefficient of 0.19. Enterprises do not record derivative financial instrument transactions at the time the

contract takes effect, but only when money is actually received or paid. Therefore, very few businesses present and disclose information about derivative financial instruments (only 4/81 businesses mention derivative financial instruments in the Notes to financial statements).

4. Conclusions and Recommendations

Based on the current situation of disclosed information about financial instruments of non-financial enterprises, to ensure providing complete information to managers, investors and other users, the following solutions need to be implemented synchronously:

* For the Government:

- It is necessary to promulgate legal documents on transparency of the financial instruments market's operations such as: types, prices, buyers, sellers, payment mechanisms, rights and obligations. Services of the parties and the protection of Law for the parties participating in this market.

- The Government needs to require registration and financial reporting. This is a mandatory requirement to increase information transparency. Specifically, it is necessary to issue financial instrument accounting standards and circulars guiding financial instrument accounting standards to create a legal framework for businesses to better reflect and monitor business financial activities. The Ministry of Finance needs to amend and supplement items on the Financial Statements related to the presentation and disclosure of basic financial instruments and derivative financial instruments.

- It is necessary to state a clear method when synthesizing indicators on basic financial instruments and derivative financial instruments to help unify data, thereby ensuring comparability of accounting information.

In the process of drafting and implementing regulations on accounting for financial instruments, the government needs to summarize and evaluate to make corrections and supplements to suit the reality of businesses and ensure feasibility. .

- Promote propaganda information and seminars on financial instrument accounting

* For the enterprises:

- Through quantitative research, the authors found that the level of presentation and disclosure of information about financial instruments is still low, therefore, businesses need to raise awareness about financial instruments to provide useful information. More useful for users. Identifying financial instruments is crucial to be able to classify financial instruments that can affect basic accounting work such as: recording, measuring and presenting financial instruments.

- Enterprises must strictly comply with the financial accounting policies and regimes issued by the Government, especially in complying with regulations on accounting for financial instruments.

- Businesses need to perfect the accounting organizational model, including assigning tasks to

the financial instrument accounting section with specific tasks as follows:

- + Record and reflect accurately and promptly the quantity and value of existing financial instruments according to each type of financial instrument, the situation of increasing and decreasing financial instruments in the enterprise, thereby providing information information to check and monitor financial instruments according to set goals.
- + Calculate and accurately reflect the value of financial instruments, changes in fair value of financial instruments to include in income and expenditure of financial activities or differences due to changes in the value of financial instruments.
- + Participate in planning and estimating the process of raising capital, using capital, and using financial tools for corporate financial management purposes appropriate to each business stage.
- + When performing financial instrument accounting, it is necessary to aim at providing information for corporate financial management such as: providing information for making capital mobilization decisions with optimal capital structure according to the following criteria: period; Provide information for analyzing and evaluating the capital use process; Provide information to establish a reasonable profit distribution policy.
- + Business administrators propose plans and measures to build the image and position of the business, thereby creating pressure to improve the quantity and quality of published financial information.

Competing interests

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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Obtained.

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Data sharing statement

No additional data are available.

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