Grant Thornton

Global

Quality

Collaboration

Comparison between VAS and IFRS

A guidance on key differences

October 2021

Introduction

This guidance is the first in a series of guides published by Grant Thornton Vietnam in order to assist Vietnamese entities in their transition from Vietnamese Accounting Standards (VAS) to International Financial reporting Standards (IFRS) when preparing financial statements.

Following the roadmap to adopt IFRS as per decision of the Ministry of Finance of Vietnam covering the period from 2022 to 2025, entities will have time to prepare for the conversion and understanding what is required. Although the expected day of mandatory adoption of IFRS is still relatively far away, timely preparation and making an implementation strategy will help the conversion to IFRS to be smooth and cost effective.

This guide focuses on summarizing the key differences between VAS and IFRS to enable entities to make a first assessment of where significant differences are to be expected as well as instruction notes on when making the conversion. The guide is structured in summarizing key differences in the requirements for overall presentation of the financial statements, the key differences of both the balance sheet and profit and loss as well as other important topics.

In our next publications we will provide guidance in determining what tasks are to be prioritized in the preparation to conversion and what tasks can wait, a comprehensive overview of the differences between VAS and IFRS as well as other topics that are relevant to the timing of the process to further support in the preparation for the conversion. We hope this first guide provides will help you perform a first analysis of the key differences.

GRANT THORNTON (VIETNAM) LIMITED

Contents

1. Overall financial statements presentation

1.1 Presentation of financial statements

An entity is required to prepare and present its financial statements to meet the needs of users. Overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content are governed by the following regulations:

- VAS 21 *Presentation of financial statements*, Circular 200 promulgating the business accounting system in Vietnam and Circular 202 providing guidance on preparation and presentation of consolidated financial statements.
- IAS 1 *Presentation of financial statements* and *The Conceptual Framework for Financial Reporting*.

Key differences between IFRS and VAS:

VAS	IFRS
General	
Financial statements comprise: • Balance sheet • Statement of income • Statement of cash flows • Notes, comprising a summary of significant accounting policies and other explanatory information (including note on changes in equity)	Financial statements comprise: • Statement of financial position • Statement of profit or loss and other comprehensive income • Statement of changes in equity for the period • Statement of cash flows • Notes, comprising a summary of significant accounting policies and other explanatory information • An additional statement of financial position at beginning of preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or reclassifies items in its financial statements (if applicable)
No similar requirement.	When financial statements comply with IFRS, an explicit and unreserved statement of such is to be made in the notes. An entity does not describe financial statements as complying with IFRS unless they comply with all the requirements of IFRS.
No similar requirement.	An entity may present comparative information in addition to minimum comparative financial statements noted above as long as information prepared in accordance with IFRS.
An entity is not allowed to present additional line items if they are not specified in the template provided by Circular 200.	An entity shall present additional line items, headings and subtotals, when such presentation is relevant to an understanding of the entity's financial performance.
Circular 200 provides a template of financial statements with specified items. Entity is required to apply the template for reporting.	An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.

VAS	IFRS
Balance sheet / Statement of financial position	
VAS use the term of "Balance sheet" to present an entity's assets, equity and liabilities as at a reporting date. An entity presents current and non-current assets, and current and non-current liabilities, as separate items in balance sheet set out in the template provided by Circular 200.	IFRS use the term of "Statement financial position" to present an entity's assets, equity and liabilities as at a reporting date. An entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in statement of financial position. IFRS does not present the order or format of classification, however, the presentation orders commonly used is from non-current to current.
Circular 200 provide detail guidance on preparation and presentation of financial statements on liquidation basis.	Though IFRS has no specific guidance on preparation of financial statements on liquidation basis, an entity is required present all assets and liabilities in order of liquidity, if applicable.
No similar requirements.	If applicable, an entity is required to disclose separately "the total of assets classified as held for sale and assets included in disposal groups classified as held for sale" and "liabilities included in disposal groups classified as held for sale".
Statement of income / Statement of comprehensive income	
An entity shall present all items of income and expense recognized in a period in a single statement of income.	An entity shall present all items of income and expense recognized in a period: • in a single statement of comprehensive income, or • in two statements: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).
No similar requirements. VAS does not require to present information of discontinued operations.	If applicable, the statement of comprehensive income shall include a single amount comprising the total of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.
No similar requirements.	The statement of comprehensive income shall include each component of other comprehensive income classified by nature. Components of other comprehensive income are those revenues, expenses, gains, and losses that are excluded from statement of profit or loss when they have not yet been realized.
Entity is required to present expenses by function which are categorized under template of Circular 200. Cost by elements are required to present in the Notes to the financial statements.	An entity shall present an analysis of expenses recognized in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant. An entity classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortization expense and employee benefits expense.

VAS	IFRS
Statement of changes in equity	
An entity is not required to have separate statement of changes in equity, however, to disclose such information in Notes to the financial statements.	An entity shall present a statement of changes in equity including information of equity components and total comprehensive income.
Statement of cash flows	
Payments of borrowing expenses are classified under operating activities.	Payments of borrowing expenses are normally classified under financing activities.
VAS has no guidance on such transactions.	Cash receipts (payments) for futures contracts, forward contracts, option contracts and swap contracts are classified under investing activities.
Accounting policies	
Please see Section 1.2 for key differences.	
Notes to financial statements	
No similar requirement by VAS.	An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.
No similar requirement by VAS.	For puttable financial instruments classified as equity instruments, an entity shall disclose (to the extent not disclosed elsewhere) summary quantitative data about the amount classified as equity and other related information on redemption or repurchase of that class of financial instruments.

Notes for conversion of IFRS financial statements:

When converting financial statements to IFRS, entities should note the following:

1. IFRS financial statements are designed for general purpose to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. Therefore, there is no fixed template or format for presentation of financial statements like VAS (or Circular 200).
2. In addition to the minimum presentation requirements of IAS 1, entities should follow strictly disclosure requirements of other IFRS. Accordingly, additional disclosure information might be required in order to comply with IFRS.
3. Entities who maintain both IFRS and VAS accounting system should design account mapping system to classify VAS-based balances/transactions to appropriate class of items under IFRS. This account mapping system would be helpful for conversion from VAS into IFRS.
4. When preparing IFRS financial statements, entities should use IFRS checklist tools to assure that presentation and disclosure requirements under IFRS are not omitted. Currently there are certain organizations providing IFRS checklist tools that could be used to improve the quality of preparation of IFRS financial statements.

1.2 Accounting policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. Disclosures and applications of accounting policies as presented in the financial statements are governed by the following guidelines:

- VAS 21 *Presentation of financial statements*, VAS 29 *Changes in accounting policies, accounting estimates and errors* and Circular 200 promulgating the business accounting system in Vietnam.
- IAS 1 *Presentation of financial statements* and IAS 8 *Accounting policies, changes in accounting estimates and errors*.

Key differences between IFRS and VAS:

VAS	IFRS
Disclosure of accounting policies	
An entity is required to declare its compliance with VAS and prevailing regulations on preparation and presentation of financial statements in Vietnam.	An entity whose financial statements comply with IFRS makes an explicit and unreserved statement of such compliance in the notes. Financial statements are not described as complying with IFRS unless they comply with all the requirements of IFRS.
No similar requirement.	An entity discloses, in the summary of significant accounting policies or other notes, the judgments, apart from those involving estimations that management has made in the process of applying the entity's accounting policies and that have the most significant effect on amounts recognized in the financial statements
No similar requirement.	An entity discloses information about the assumptions and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.
No similar requirement.	An entity discloses information that will enable users of its financial statements to evaluate the entity's objectives, policies, and processes for managing capital.
Selection and application of accounting policies	
Except for specific cases, an entity is not permitted to depart from VAS.	An entity may depart from a requirement in an IFRS only in extremely rare circumstances where management concludes that compliance with that requirement would be so misleading that it would conflict with the objective of financial statements set out in the IASB Conceptual Framework, if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure. In extremely rare circumstances in which compliance with a requirement in an IFRS would be so misleading, but departing from the IFRS is prohibited by the relevant regulatory framework, certain disclosures are required.
Liquidation basis of accounting	
Circular 200 provides certain guidance on accounting policies when preparing financial statements on liquidation basis. In principle, assets are recognized as short-term at net recoverable/realizable amounts and liabilities are recognized as short-term at committed payable amount at the reporting date.	IFRS state that an entity prepares financial statements on the going concern basis of accounting "unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so". However, IFRS currently do not provide explicit guidance on when or how to apply the liquidation basis of accounting.

VAS	IFRS
Changes in Accounting Policies	
If a change in accounting policy is required by a new accounting guidance and if the new accounting guidance does not include specific retrospective requirement, the change in accounting policy is commonly applied prospectively.	If a change in accounting policy resulting from the initial application of an IFRS, the change is accounted for in accordance with the specific transitional provisions in that IFRS. In the absence of any specific transitional provisions, the change shall be applied retrospectively.
New accounting policies are normally applied from the effective date of regulations.	Early adoption of new accounting policies are normally permitted unless there is specific prohibition by IFRS.
There is no requirement to disclose new/revised standards/guidance in VAS when these new/revised standards/guidance are not yet effective.	IAS requires disclosure of a new IFRS that has been issued but is not yet effective, together with the known or reasonably estimable information relevant to assessing the possible impact the application of the new IFRS will have on the entity's financial statements in the period of initial application.

Notes for conversion of IFRS financial statements:

When converting financial statements to IFRS, entities should note the following:

1. In the first IFRS financial statements, the entity is required to convert its accounting policies from VAS to IFRS compliance at the transition date. However, the entity is permitted to use the VAS-based accounting policies as exemptions of first time adoption of IFRS in certain areas that could help to reduce the workload and cost of conversion. Please see IFRS 1 – First time adoption of IFRS for further guidance.
2. Certain accounting requirements under IFRS are not yet applied in Vietnam such as: lease, biological assets, financial instruments, employee benefits, government grants, fair value measurement, impairment of assets etc. that require specific disclosures of accounting policies in the IFRS financial statements. The entity is required to prepare and present such accounting policies in its IFRS financial statements.
3. Departure from IFRS is not prohibited but the entity should have strong evidence on the reasonableness when applying different accounting policies that is more meaningful to the users of the IFRS financial statements. However, these are rare exceptional cases and not encouraged to apply.

2. Assets

2.1 Property, plant and equipment

Assets that are plant, property and equipment are recognized as Tangible Fixed Assets under VAS and Property, plant and equipment under IFRS, and governed by the following guidelines:

- VAS 3 *Tangible fixed assets*, Circular 45 regulating on management and depreciation of fixed assets, and Circular 200 promulgating business accounting system in Vietnam.
- IAS 16 *Property, plant and equipment (“PPE”)*.

Key differences between IFRS and VAS:

VAS	IFRS
Initial recognition	
Land use rights is recognized as intangible fixed assets (or prepaid expenses)	Indefinite land use right is classified under PPE.
No similar requirement under VAS.	Cost of an item of PPE includes the costs of its dismantlement, removal or restoration, the obligation for which an entity incurs as a consequence of installing the item.
Low-value assets (cost under VND30 million), spare parts and servicing equipment at warehouse at accounted for as inventory.	Low-value assets, spare parts and servicing equipment used only in connection with an item of PPE, are accounted for as PPE.
Fair value is also mentioned in Circular 200 for asset exchange transaction. However, estimation of fair value is not clearly instructed under VAS.	If one PPE is acquired in exchange for a non-monetary asset, the cost of such an item of property, plant and equipment is measured at fair value.
Tangible fixed assets include biological assets that meet recognition criteria.	Biological assets are not in the scope of IAS 16 – PPE and accounted for under IAS 41 – Agriculture.
Asset as a result of capital contribution agreement is recognized at the agreed value by investors.	No similar requirement under IFRS. However, in principle, cost of PPE should be recognized at fair value.
Subsequent measurement	
An entity is only allowed to apply cost model.	An entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of PPE.
There is no requirement for recognition of impairment loss under VAS.	An item of PPE shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.
Revaluation	
Revaluation of asset is permitted in rare cases including: based on the State’s decision; entity splits and equitization of State-owned entities.	Revaluation of PPE is only allowed if the entity apply revaluation model for measurement of its PPE.

Notes for conversion of IFRS financial statements:

1. Reclassification of certain assets to PPE, including intangible fixed assets (software, indefinite land use rights) and low-value assets (cost less than VND 30 million) being recorded as prepaid expenses or inventories.
2. In addition to the calculation of annual depreciation, the entity needs to arrange the Asset Impairment Assessment Report, and recognize an additional expense in case there are signs of the asset's impairment.
3. In the first year adoption of IFRS, entities can choose to continue using cost model or switch to revaluation model. The difference between the fair value under revaluation model and the carrying amount under cost model is recognized in other comprehensive income and depreciation of the revalued asset.

2.2 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets might include computer software, patents, copyrights, motion picture films, customer lists, mortgage servicing rights and other rights which are and governed by the following guidelines:

- VAS 4 *Intangible fixed assets*, Circular 45/2013 regulating on management and depreciation of fixed assets, and Circular 200 promulgating business accounting system in Vietnam.
- IAS 38 *Intangible assets*.

Key differences between IFRS and VAS:

VAS	IFRS
Initial recognition	
Criterion for intangible fixed asset include: (i) useful life is estimated to last for over one year; and (ii) all value criteria prescribed by current regulations are met.	No similar requirement under IFRS. Key conditions to recognize intangible asset include probability of future economic benefits and reliability of cost measurement.
Certain expenses include enterprise startup costs, employee training and advertisement costs incurred in the pre-operating period, research and office relocation costs are allocated as operating expenses in a period not more than three years.	No similar requirement under IFRS. All related expenses are recognized immediately in profit or loss as they are not met criterions to recognize as intangible asset.
Computer software and definite/indefinite land use rights are normally classified as intangible fixed assets.	Not-standalone computer software and indefinite land use rights are classified as PPE under IAS 16. Definite land use rights such as land lease without transfer of land title to lessee is accounted as operating lease (IFRS 16).
Subsequent measurement	
Entity is only allowed to apply cost model. Maximum amortization period is 20 years.	An entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of intangible assets.
There is no requirement for recognition of impairment loss under VAS. However, entity is required to review the useful life of asset annually.	An item of intangible asset shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.
Revaluation	
No similar guidance under VAS.	Revaluation is only allowed if the entity apply revaluation model for measurement of its intangible assets.

Notes for conversion of IFRS financial statements:

When converting financial statements to IFRS, entities should consider the following common cases:

1. Reclassification of certain assets to PPE, including intangible fixed assets (software, indefinite land use rights)
2. Certain deferred expenses such as startup cost, pre-operating expenses etc. that are accounted as prepaid expenses should be written-off using retrospective adjustment method.
3. In addition to the calculation of annual amortization, the entity needs to arrange the Asset Impairment Assessment Report, and recognize an additional expense in case there are signs of the asset's impairment.
4. In the first year adoption of IFRS, entities can choose to continue using cost model or switch to revaluation model. The difference between the fair value under revaluation model and the carrying amount under cost model is recognized in other comprehensive income and depreciation of the revalued asset.

2.3 Investment property

Assets that are properties, including land and buildings, held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both. Accounting treatment for these assets are governed by the following guidelines:

- VAS 05 *Investment property*, and Circular 200 promulgating business accounting system in Vietnam.
- IAS 40 *Investment property.*

Generally VAS is consistent with IAS with regard to initial recognition conditions, subsequent measurement and disclosures of investment properties. However, there are still differences between these two accounting standards.

Key differences between IFRS and VAS:

VAS	IFRS
Initial recognition	
Fair value model is not allowed.	Investment properties held by the lessee under a finance lease must use fair value model (lower of: fair value of the property and present value of minimum lease payments).
No requirement on deferred payments.	If payment for purchase of property is deferred beyond normal credit terms, the difference (between the cash price and the total payment) is recognized as interest expense over the period of credit.
Subsequent measurement	
VAS only allows the cost model.	An entity shall choose as its accounting policy either the fair value model or the cost model and shall apply that policy to all of its investment property.
Cost model is cost less depreciation.	Cost model is cost less depreciation and impairment
Fair value model	
Fair value model is not allowed.	A gain or loss arising from a change in the fair value of property shall be recognized in profit or loss for the period in which it arises.
Impairment of assets	
Property being held for capital gains would not be depreciated but subject to review for impairment losses.	Under the cost model, an entity shall measure all of its investment properties in accordance with requirements of IAS 16 for that model, i.e. at cost less accumulated depreciation and impairment.
Transfers	
Transfers of investment properties to fixed assets or inventories and vice versa are accounted at carrying value of the assets at the transaction date.	Fair value at the date of transfer is considered as deemed cost where the investment property is measured at fair value.

Notes for conversion of IFRS financial statements:

When converting financial statements to IFRS, the entity should note the following:

1. Many real estate developers consider to apply fair value model for its investment property when preparing IFRS financial statements that could increase the value of their businesses.
2. In the IFRS first time adoption, the entity can choose to continue using cost model or fair value model. The difference between the revaluation fair value of the asset and the carrying amount recognized in other comprehensive income (OCI) and amortization of the revalued asset.
3. In addition to the calculation of annual depreciation under cost model, the entity needs to arrange the Asset Impairment Assessment Report, and recognize an additional expense in case there are signs of the asset's impairment.

2.4 Biological assets

A biological asset is a living animal or plant. Agricultural activity is defined as biological transformation process and harvest of biological assets (living animals and plants) for sale or for conversion into agricultural produce or into additional biological assets.

IAS 41 *Agriculture* prescribes the accounting treatment for biological assets during the period of growth, degeneration, production, and procreation and for the initial measurement of agricultural produce at the point of harvest.

There is no equivalent VAS, however depending on the nature of the stages of the biological assets, biological assets would be accounted under other accounting standards including VAS 02 *Inventories* and VAS 16 *Tangible fixed assets*. Certain accounting guidance on biological asset is also mentioned in Circular 200.

Key differences between IFRS and VAS:

VAS	IFRS
Scope	
There is no separate accounting before and after the point of harvest. All activities are accounted under VAS 2 Inventories.	This Standard is applied to agricultural produce, which is the harvested product of the entity's biological assets, only at the point of harvest. Thereafter, IAS 2 - Inventories or another applicable Standard is applied. Accordingly, this Standard does not deal with the processing of agricultural produce after harvest.
Recognition and measurement	
Actual costs related to development of biological assets are recognized as its historical cost in accordance with VAS 02 or VAS 16.	A biological asset is measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except for the case where the fair value cannot be measured reliably. Costs to sell include commissions, levies, and transfer taxes and duties. Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest.
Fair value measurement	
No gain/loss is recognized until sales of biological assets/agricultural produce.	A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises. Agricultural produce harvested from a biological asset is measured at fair value less estimated costs to sell at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in profit or loss for the period in which it arises.

Notes for conversion of IFRS financial statements:

When converting financial statements to IFRS, the entity should note the following:

1. Under VAS, fair value measurement is not applied, therefore, the business value might be understated if the entity held significant number of biological assets and agricultural produces (products from harvesting biological assets). The entity should perform physical count of biological assets at the IFRS conversion date and recognize their fair value at the transition date.
2. Fair value is required to measure annually, therefore information from the active market and other information should be maintained sufficiently and reliably.
3. As the scope of IAS 41 is only applied before and at the point of harvest and does not deal with the processing of agricultural produce after harvest, the entity should develop an appropriate accounting system to separate related costs for each stage of production.

2.5 Inventories

Inventory consists of assets that are: (i) held for sale in the ordinary course of business, (ii) in the process of production; or (iii) in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories are governed by the following guidelines:

- VAS 02 *Inventory*, and Circular 200 promulgating guidance on the accounting system in Vietnam and Circular 48 regulating treatment for provision for decline in inventory value.
- IAS 02 *Inventory.*

Key differences between IFRS and VAS:

VAS	IFRS
Scope	
All assets held for sale in the ordinary course of business are classified as inventories, including: biological assets, minerals and mineral products etc.	IAS 02 does not apply for inventories held by producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products and commodity broker-traders who measure their inventories at fair value less costs to sell.
Low-value assets (cost under VND30 million), spare parts and servicing equipment at warehouse at accounted for as inventory.	Low-value assets, spare parts and servicing equipment used only in connection with an item of property, plant and equipment (PPE), are accounted for as PPE.
Initial recognition	
Agricultural produce that an entity has harvested from its biological assets are measured at the actual production costs.	Agricultural produce that an entity has harvested from its biological assets are measured on initial recognition at their fair value less costs to sell at the point of harvest. This is the cost of the inventories at that date for application of this Standard.
Cost formulas	
VAS does not mention to apply different cost formula for groups of inventories that have different characteristics.	The same cost formula should be used for all inventories with similar characteristics as to their nature and use of the entity. For groups of inventories that have different characteristics, different cost formulas might be justified.

Notes for conversion of IFRS financial statements:

When converting financial statements to IFRS, the entity should note the following:

1. Tools and spare parts not in use should be classified as PPE if they are not held for sale. Similarly, low-value assets under prepaid expenses should be also classified as PPE and accounted for under IAS 16.

2. As some VAS-based inventories are not in scope of IAS 02, the entity should review all inventory categories and apply appropriate IFRS, if required.

2.6 Financial instruments - Assets

IFRS 9 *Financial Instruments* addresses the classification and measurement of financial instruments and IAS 32 *Financial Instruments: Presentation* addresses the presentation.

Financial assets mainly include: cash; contractual rights to receive cash or another financial asset (i.e. receivables and loans made to others); equity instruments of another entity; and Other assets under the scope of this standard.

Besides Circular 210, which solely addresses presentation and disclosure of financial instruments as per IFRS, there is no equivalent accounting standard or specific guidelines under VAS for financial instruments – assets. The table below however includes the applicable VAS accounting principles for most common items where applicable and for reference purposes only.

VAS	IFRS
Measurement on initial recognition	
Mostly equivalent assets under VAS are measured at historical costs.	At initial recognition financial assets are measured at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.
Classification and subsequent measurement	
The classification is based the nature of accounts, such as: cash, loan and receivables and financial and other investments.	Most financial assets will be categorized at: (i) amortized cost, (ii) fair value through other comprehensive income ("FVTOCI"), or (iii) fair value through profit or loss ("FVTPL") on the basis of both the: • Entity's business model for managing financial assets, and • Contractual cash flow characteristics of the financial asset The classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. Financial assets measured at amortized cost include those where the: • Objective of entity's business model is to hold assets to collect contractual cash flows, and • Contractual terms of the financial asset include cash flows that are solely payments of principal and interest on the principal amount outstanding Financial assets are measured at FVTOCI if both of the following are met: • Objective of business model is both collecting contractual cash flows and selling financial assets, and • Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
Fair value option	
n/a	An entity may designate a financial asset at FVTPL at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that occurs when assets or liabilities are measured or when gains or losses on those financial assets and financial liabilities are recognized on different bases.
De-recognition of financial assets	
n/a	Assets are derecognized when, and only when: (i) Contractual rights to the cash flows from the financial asset expire, or (ii) It transfers the financial asset and the transfer qualifies for de-recognition under IFRS 9
Reclassification	
n/a	For debt instruments, reclassification is required between FVTPL and amortized cost, or vice versa, if and only if the entity's business model objective for its financial asset changes so its previous assessed model would no longer apply. If reclassification is appropriate, it must be done prospectively from the reclassification date. An entity does not restate any previously recognized gains, losses, or interest.

VAS	IFRS
Equity instruments	
Investments or other similar assets are measured at historical cost.	All investments in equity instruments and contracts on those instruments in scope of IFRS 9 are measured at FVTPL, except for equity investments for which the entity has elected to report value changes in Other Comprehensive Income ("FVOCI'). Although for all equity instruments fair value measurement is required, in limited circumstances cost may be an appropriate estimate of fair value.
Derivatives	
n/a	All derivatives, including those linked to unquoted equity investments, are measured at fair value. Value changes are recognized in profit or loss unless the entity has elected to treat the derivative as a hedging instrument under IFRS 9.
Embedded derivatives	
n/a	An embedded derivative is a component of hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative. Generally the embedded derivative is accounted as a derivative, except for certain cases that a host contract is not an asset within the scope of IFRS 9.
Impairment	
Provisions for decline in value of equivalent assets would be made in accordance with the Circular 48/2019 on making provision for decline in investment value and bad debts.	Impairment requirements of IFRS 9 are applicable for financial assets measured at amortized cost or FVTOCI. For financial asset measured at amortized cost or FVTOCI, a loss allowance for expected credit losses (ECL) is to be recognized. An entity shall measure ECL of a financial instrument in a way that reflects: (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Notes for conversion of IFRS financial statements:

When converting financial statements to IFRS, the entity should note the following:

1. Amortised cost of short-term loans and receivables are normally considered equivalent to their carrying values
2. Upon adoption of IFRS 15, at initial recognition, trade receivables without a significant financing component are measured at the transaction price.
3. In applying amortised cost measurement, financial assets are calculated using the effective interest rate. This is the rate that exactly discounts the estimated cash flows associated with the financial instrument through the expected life of the instrument. Especially for long-term loans or receivables that are not at market conditions (including related party balances) differences may arise between the historical cost and amortised cost valuation.
4. A simplified approach for calculation of loss allowance for trade receivables (without a significant financing component) is allowed. Under this approach the loss allowance is equal to life time expected credit losses.
5. Investments in equity instruments in scope of IFRS 9 (for example shares in unlisted equities) are to be valued at fair value. Significant differences between the historical costs and fair value may arise as well as timely preparation for the determination of the fair value is to be required (refer to Fair Value measurement).
6. Lending agreements that contain options for conversion to shares require to be assessed under IFRS 9, in which the conversion option is to be included in the valuation of the total contract.

3. Liabilities

3.1 Financial instruments - Liabilities

IFRS 9 *Financial Instruments* addresses the classification and measurement of financial instruments and IAS 32 *Financial Instruments: Presentation* addresses the presentation.

Financial liabilities include: (i) contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or (ii) a contract that will or may be settled in the entity's own equity instruments and meets certain other conditions.

Besides Circular 210, which solely addresses presentation of financial instruments as per international accounting standards, there are no specific standards or guidelines under VAS for financial instruments – liabilities. The table below however includes the applicable VAS accounting principles for most common items where applicable and for reference purposes only.

VAS	IFRS
Initial recognition	
Mostly equivalent liabilities under VAS are measured at historical costs.	Financial liabilities ("FL") are recognized when and only when the entity becomes party to the contractual provisions of the instrument. At initial recognition, financial liabilities are measured at fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.
Classification and subsequent measurement	
The classification is based the nature and liquidity of accounts.	Classifications and subsequent measurements of a financial liability are as below: • Amortized cost using the effective interest method; or • Financial liabilities at fair value through profit or loss ("FVTPL") The gain or loss on a financial liability measured at fair value is recognized in profit or loss unless it is related to hedge accounting, an investment in an equity instrument for which entity has elected to present gains and losses in OCI or other special cases.
Fair value option	
n/a	An entity may designate a financial liability at FVTPL at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that occurs when liabilities are measured or when gains or losses on those financial liabilities are recognized on different bases.

Notes for conversion of IFRS financial statements:

When converting financial statements to IFRS, the entity should note the following:

1 Common financial liabilities are to be valued at amortised cost (including trade payables without a significant financing component)

2 In applying amortised cost measurement, financial liabilities are to be calculated using effective interest rate. (see guidance of financial assets for more detail calculation of effective interest rate). Especially for long-term financial liabilities that are not at market conditions (including related party balances), differences may arise between the historical costs and amortised cost valuation.

3 Borrowing agreements that contain options for conversion to shares require to be assessed under IFRS 9, in which the conversion option is to be included in the valuation of the total contract.

3.2 Provisions and contingent liabilities

A provision is a liability of uncertain timing or amount. Provisions can be distinguished from other liabilities such as trade payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement. Provision and contingent liabilities are governed by the following guidelines:

- VAS 18 *Provisions, Contingent Liabilities and Contingent Assets* and Circular 200 promulgating guidance for enterprise accounting system.
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Key differences between IFRS and VAS:

VAS	IFRS
Dismantling cost and subsequent measurement	
Under Circular 200 a provision for dismantling cost must be recorded as expense. There is no requirements on review of provision after initial recognition.	Provisions for the estimated cost of dismantling and removing an asset and restoring a site are required to recognize under IAS 37. The estimated cost is a cost component of related property, plant and equipment in accordance with IAS 16. If any subsequent change in estimate of provision, cost of PPE would be adjusted accordingly to reflect the change.
Reimbursement rights	
The reimbursement amount is recognized as Other income upon receipt.	In some cases, the other party may either reimburse amounts paid by the entity in respect of a provision or pay the amounts directly. In the statement of comprehensive income, the expense relating to a provision may be presented net of the amount recognized for the reimbursement.
Changes in provision	
The exceeded provision amount would be reversed as other income.	If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.
Onerous contracts	
No similar guidance under VAS.	IFRS defines that 'costs of fulfilling' a contract comprises either (1) incremental costs of fulfilling that contract or (2) allocation of other costs that relate directly to fulfilling contracts.
Impact of enacted law	
No similar guidance under VAS.	IAS 37 provides guidance on determination of obligation under a proposed new law. An obligation arises only when the legislation is virtually certain to be enacted as drafted.

Notes for conversion of IFRS financial statements:

When converting financial statements to IFRS, the entity should note the following:

1. Common cases that need to be considered in making provisions are future operating loses, onerous contracts and restructurings. The entity should consider carefully criterions meeting conditions to make provisions properly.
2. Provision is an accounting estimate, therefore, the entity would have proper assessment on input assumptions to calculate the estimation.
3. Certain entities have contractual obligations for dismantling assets and restoring sites, thus, they are required to estimate such costs to recognize provisions and cost of related property, plant and equipment;
4. Other considerations are required such as determination of onerous contracts and new laws.

3.3 Leases

Leases including operating lease and finance lease governed by the following guidelines:

- VAS 6 *Lease* and Circular 200 promulgating guidance for enterprise accounting system.
- IFRS 16 *Leases*. Under IFRS 16, both operating lease and finance lease are required to recognize right-of-use assets and corresponding lease liabilities.

Key differences between IFRS and VAS:

VAS	IFRS
Initial recognition	
The operating lessee only accounts for periodical rental as an expense. The financial lessee should recognize financial lease assets and financial lease liabilities, correspondingly.	An entity enters into a lease agreement is required to recognize the right-of-use asset and corresponding lease payment liability. Right-of-use asset is measured at the amount of the lease liability plus any initial direct costs incurred by the lessee (lease liability, initial direct costs, estimated costs for dismantling, payments subtracts any incentives before commencement date). The lease payment liability is valued at the present value of all future lease payments discounted by an effective interest rate.
Subsequent measurement	
For operating lessee: None. For financial lessee: Similar to IFRS except for impairment loss review for financial lease asset and re-measurement of financial lease liabilities.	Right-of-use asset is measured under the cost model (cost less accumulated depreciation and impairment losses). Lease liability is measured by increasing carrying amount to reflect interest on lease liability, reducing carrying amount to reflect lease payments made, and re-measuring carrying amount to reflect any reassessment or lease modifications or reflect revised in-substance fixed lease payments.
Optional exemptions – Accounting simplifications	
There is no optional exemption provision under VAS.	IFRS 16 provides important reliefs or exemptions for (i) short-term leases (with lease term less than 12 months) and (ii) low-value asset leases. If these exemptions are used, operating lease payments are recognized as an expense on a straight-line basis over the lease term or another systematic basis. Lessees may elect not to assess whether a COVID-19 related rent concession is a lease modification.

Notes for conversion of IFRS financial statements:

When converting financial statements to IFRS, the entity should note the following:

1. The entity is required to maintain a lease agreement master file, for both operating and finance leases, with sufficient information for recognition of right-of-use assets and lease liabilities.
2. The entity should review provisions of agreements as they might contain lease-conditions.
3. The entity could consider to apply optional exemptions for short-term and low value asset leases to simplify accounting treatments of leases.
4. Right-of-use asset are required to test for impairment where there are impairment indicators as per IAS 36.

4. Income and expenses

4.1 Revenue

Revenue is one of the most important and significant items in financial statements. Because of the diversity of revenue and other relevant items, current accounting standards provide general principles as well as specific guidance for revenue recognition and other relevant assessments which are introduced as follows:

- VAS 14 *Revenue and Other Income,* VAS 15 *Construction Contracts* and Circular 200 promulgating guidance on enterprise accounting system.
- IFRS 15 *Revenue from Contracts with Customers.*

Key differences between IFRS and VAS:

VAS	IFRS
Scope	
No similar specific requirement under VAS. Revenue is recognized in the income statement when it meets the following criteria: 1. the economic benefits associated with the item of revenue will probably flow to the entity; and 2. the amount of revenue can be measured reliably.	A contract with a customer will be within the scope of IFRS 15 if all the following five (5) conditions are met: 1. the contract has been approved by the parties; 2. each party's rights relating to the goods or services to be transferred can be identified; 3. the payment terms for the goods or services to be transferred can be identified; 4. the contract has commercial substance; and 5. the probability that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.
Revenue recognition	
Under VAS, the key criterion to recognize revenue are when significant risks and rewards and ownership of goods and services have been transferred to the buyer and the cost can be determined. No revenue is recognized if there are significant uncertainties regarding the receipt of the proceeds, or the possibility of return of the goods or services. VAS does not have specific requirements to determine separate performance obligations and allocation of price for revenue recognition.	The core principle requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled in exchange for those goods or services. To apply this principle, an entity would apply the five following steps: 1. Identify the contract(s) with a customer; 2. Identify the performance obligations in the contract; 3. Determine the transaction price; 4. Allocate the transaction price to the performance obligations in the contract; and 5. Recognize revenue as the entity satisfies a performance obligation.
Specific requirements	
VAS provides the guidance for revenue recognition of the following specific cases/items: - Allocation of sales for a bundle with free products; - Deferred revenue from customers under loyalty programs, and; - Construction contracts with payment milestones and/or work-done certified by customers. For specific requirements mentioned in IFRS 15, there are no equivalent requirements in VAS.	IFRS 15 provides the guidance for revenue recognition of the following specific cases/items: - Performance obligations satisfied over time and/or at a point of time with measurement methodology; - Determination of contract assets and/or liabilities. - Contract with a return right and/or options for additional goods/services; - Contract with warranty requirements; - Specific arrangements such as repurchases, consignments, bill-and-hold, etc.; - Considerations of principal versus agent

VAS	IFRS
Disclosures	
VAS mainly focuses on the accounting policies for revenue recognition and details for each revenue stream.	IFRS mainly disclose the information of contracts with customers and relevant revenue recognition principles; significant accounting estimates in respect of contracts with customers; contract assets; contract liabilities and others.

Notes for conversion of IFRS financial statements:

The entity should apply the five-step model for revenue recognition during IFRS conversion process as follows:

Step 1: Identify the contract(s) with a customer:
"Contract" is defined as "an (legal, oral or implied) agreement between two or more parties that creates enforceable rights and obligations" which is taken by an entity's customary business practices whose general model should apply when or if it includes commercial substance, the approvals for parties, each party's rights and payment terms for goods/services transferred and the consideration collectability. A contract does not exist if each party has an enforceable right to terminate a wholly unperformed contract without compensating the other party. If a customer contract does not meet these criteria, revenue is recognized only when the performance obligation is completed with a non-refundable collection of the consideration in the arrangement.

Step 2: Identify the performance obligations
Having identified a contract, the entity next identifies the performance obligations within that contract. A performance obligation is a promise in a contract with a customer to transfer either (1) a good or service, or a bundle of goods or services ('distinct)' or (2) a series of substantially same 'distinct' goods or services that meet certain criteria. The timing of revenue recognition is based on satisfaction of performance obligations rather than the contract as a whole.

Step 3: Determine the transaction price
The "transaction price" is defined as the amount of consideration an entity expects to be entitled to in exchange for the goods or services promised under a contract, excluding any amounts collected on behalf of third parties (for example, sales taxes). An entity must consider the effects of all the following factors when determining the transaction price including: variable consideration, the constraint on variable consideration, time value of money, non-cash consideration and consideration payable to the customer.

Step 4: Allocate the transaction price to the performance obligations
For a contract that has more than one performance obligation, the entity will allocate the transaction price to each performance obligation separately on a relative stand-alone selling price basis at contract inception. The *stand-alone selling price* may be the observable selling price charged by the entity to similar customers and in similar circumstances, or if not available an estimate using all reasonably available. Three methods as suitable for estimating the stand-alone selling price are suggested which include **adjusted market assessment approach**, **expected cost plus margin approach** and **residual approach**.

Step 5: Recognize revenue when or as an entity satisfies performance obligations
An entity should recognize revenue at a point in time, except if it meets any of the three criteria, which will require recognition of revenue over time:

- the entity's performance creates or enhances an asset controlled by the customer;
- the customer simultaneously receives and consumes the benefit of the entity's performance as the entity performs;
- the entity does not create an asset that has an alternative use to the entity and the entity has the right to be paid for performance to date.

4.2 Borrowing costs

Borrowing costs (costs relating to a borrowing) are one significant cost element of an entity. Borrowing costs may be capitalised or recognized on profit or loss which should be reviewed in compliance with prevailing accounting requirements. Following accounting standards are introduced to provide guidelines for such costs:

- VAS 16 *Borrowing Costs* and Circular 200 promulgating guidance on Vietnamese Accounting System.
- IAS 23 *Borrowing Costs*.

Key differences between IFRS and VAS:

VAS	IFRS
Terminology and scope	
VAS does not mention interest expense calculated using effective interest method and impact of exchange differences to borrowing cost recognition.	Borrowing costs may be interpreted more broadly than interest costs which may include: - Interest expense calculated using the effective interest method; - Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.
Capitalisation of borrowing costs	
An asset in progress is an asset in construction and/or assets in production, which takes a substantial period of time *(over 12 months)* to get ready for its intended use or sale. Pursuant to Vietnamese Accounting System, for fixed assets and investment properties in construction, the length of construction period can be less than 12 months.	*A qualifying asset* is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale which may include inventories, PPE, intangible assets, investment properties and bearer plants.
No similar requirement under VAS.	Borrowing costs should not be capitalised for qualifying assets measured at fair value.
No similar requirement under VAS.	In some circumstances, it is appropriate to include all borrowings of the parent and its subsidiaries when computing a weighted average of the borrowing costs; in other circumstances, it is appropriate for each subsidiary to use a weighted average of the borrowing costs applicable to its own borrowings.
No similar requirement under VAS.	Borrowing costs would be capitalised if the carrying amount or the expected ultimate cost of the qualifying asset does not exceed its recoverable amount or net realizable value.

Notes for conversion of IFRS financial statements:

When converting financial statements to IFRS, the entity should note the following:

1. To properly capitalise borrowing costs to assets, an entity should re-assess two following key points:
   - which assets met the criteria of a qualifying asset under IAS23, and;
   - which costs including foreign exchange differences met the scope of borrowing costs under IAS23.
2. In certain cases, the obtained borrowing funds might have preferential interest rates (lower than the market interest rate, such as borrowing from parent company). The entity is required to measure that borrowing at amortized costs, using effective interest rate for measurement. Any difference between actual interest rate and effective interest rate would be adjusted to finance cost under IFRS 9.

4.3 Foreign exchange differences

Foreign exchange differences can arise from foreign currency transactions, foreign operations in financial statements, and financial statements translation into a presentation currency whose accounting treatments are introduced on:

- VAS 10 *The Effects of Changes in Foreign Exchange* Rates, Circular 200 promulgating guidance on enterprise accounting system and its amendments on Circular 75/2015/TT-BTC and Circular 53/2016/TT-BTC.
- IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

Key differences between IFRS and VAS:

VAS	IFRS
Terminology	
Accounting currency is the currency officially used in the making of accounting entries and financial statements. Under VAS, Vietnamese Dong is the default accounting currency.	*Presentation currency* is the currency in which the financial statements are presented. Financial statements are prepared in the entity's functional currency but may be presented in any currency.
There is no requirement to determine the functional currency, however when most of revenues and expenditures are derived in a foreign currency, an entity is able to select such foreign currency as the accounting currency.	*Functional currency* is the currency of the primary economic environment in which the entity operates.
Initial recognition	
To initially recognize a foreign currency transaction, an entity, based on the nature of transaction, can apply the bidding/asking foreign exchange rate on the transaction date.	A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying the spot exchange rate to the foreign amount at the date of the transaction.
Revaluation at end of reporting period	
An entity is required to revalue the outstanding monetary balances in foreign exchange rate. Based on natures of balances, entities can apply the bidding/ asking foreign exchange rate on the closing date.	At the end of each reporting period, foreign currency monetary items are translated using the closing rate. IFRS does not specify the closing rate used for revaluation.
Recognition of exchange differences	
Not applicable for non-monetary items.	When a gain or loss on a non-monetary item (valued at fair value) is recognized in Other Comprehensive Income ("OCI") or profit or loss, any exchange component of that gain or loss is recognized in OCI or profit or loss respectively.
Translation of financial statements	
All resulting exchange differences arising on translation to the accounting currency are cumulated on *Foreign exchange differences reserves* of equity.	All resulting exchange differences arising on translation to the presentation currency are recognized in OCI.

Notes for conversion of IFRS financial statements:

When converting financial statements to IFRS, the entity should note the following:

1. In preparing financial statements, each entity (whether a stand-alone entity or an entity with foreign operations) determines its functional currency and then translates foreign currency items into its functional currency and reports the effects of such translation.

2. The results and financial position of any individual entity within the reporting group whose functional currency differs from the presentation currency are translated. Foreign exchange difference reserves as well as foreign exchange differences arising from translation to accounting currency in VAS should be evaluated and properly presented in OCI.

4.4 Employee expenses

Employee expenses are covered in IAS 19 *Employee Benefits* which contains the requirements for accounting for employee benefits. Employee benefits are all forms of consideration given by an entity in exchange for service rendered by the employees or for the termination of employment.

Employee benefits might include: (i) short-term employee benefits such as wages and salaries, bonus and allowance; (ii) Post-employment benefits such as retirement benefits; (iii) Other long-term employee benefits, such as long-service leave or sabbatical leave, jubilee or other long-service benefits; and (iv) termination benefits.

Sometimes, employee benefits might be associated with share-based payment transactions which are covered in IFRS 2 *Share-based payment.* The scope of this standard covers the following transactions: (i) equity-settled share-based payment transactions; (ii) cash-settled share-based payment transactions; and (iii) equity-settled or cash-settled transactions.

Under VAS there is no equivalent standard for employee expenses or share based payments. The accounting principle is to recognize employee expenses on accrual basis when the entity has a present obligation as a result of a past event.

The below table highlights key differences of accounting treatments between IFRS and VAS for certain items where applicable.

VAS	IFRS
Post-employment benefits: Defined contribution plans and Defined benefit plans	

No equivalent classification.
 	
Similar liabilities are commonly measured at nominal value. Pension expenses are recognized when incurred.
 	
No similar guidance on recognizing the liability. Pension expenses are recognized when incurred.
	Postemployment benefits are payable after the completion of employment, including either a Defined Contribution Plan (DCP) or a Defined Benefit Plan (DBP).
	
	Defined contribution plans are post-employment benefit plans in which the entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund, i.e. the employer contributions are fixed and the pensions paid out are variable. Actuarial risk and investment risk fall, in substance, on the employee not the entity.
	• An entity recognizes a contribution payable to a DCP when an employee has rendered service to the entity during a period in exchange for that service.
	• When contributions are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, the amount of the contributions are discounted using the rate for high quality corporate bonds at the end of the reporting period.
	
	Defined benefit plans are post-employment plans other than defined contribution plan, i.e. the employer contributions are variable and the amounts paid out are a guaranteed amount. Under defined benefit plans the entity's obligation is to provide the agreed benefits to current and former employees. Actuarial risk (that benefits will cost more than expected) and investment risk are, in substance, the responsibility of the entity.
	• An entity recognizes a net defined benefit liability (asset) in the statement of financial position by determining the present value of the future defined benefit obligation and deducting the fair value of any plan assets
	• The future defined benefit obligation must be estimated by an actuarial technique and discounted to arrive at the present value of the defined benefit obligation and the current service cost.
	• The present value of discounted future benefits will incur interest over time, and an interest expense should be recognized
	• When an entity has a surplus in a defined benefit plan (net defined benefit asset) it measures the net defined benefit asset at the lower of:
	  o The surplus in the defined benefit plan; and
	  o The asset ceiling

VAS	IFRS
Other long-term employee benefits	
Similar liabilities are commonly measured at nominal value.	Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits, and termination benefits. Based on nature of long-term employee benefits, IAS 19 applies a simplified method of accounting i.e. an entity shall apply the same requirements as for Defined benefit plans.
Termination benefits	
Similar liabilities are commonly measured at nominal value.	Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either (i) an entity's decision to terminate an employee's employment before the normal retirement date; or (ii) an employee's decision to accept an offer of benefits in exchange for the termination of employment. • If the termination benefits are expected to be settled wholly before 12 months after the end of the annual reporting period in which the termination benefit is recognized, the entity applies the requirements for short-term employee benefits. • If the termination benefits are not expected to be settled wholly before 12 months after the end of the annual reporting period, the entity applies the requirements for other long-term employee benefits.
Share-based payments as employee benefits	
There is no similar guidance. Liability would be recognized at nominal amount on accrual basis if it is reliably measured. Equity component is not recognized until the exercise date.	A share-based payment (SBP) is agreement between the entity and another party (including employee) that entitles the other party to receive either (i) equity instruments of the entity or another group entity; or (ii) cash or other assets of the entity based on the price (or value) of equity instruments of the entity (or another group entity). Upon receipts of services rendered by employees, the entity recognizes a corresponding increase in equity for an equity-settled transaction, or an increase in a liability for a cash-settled transaction. The basic measurement principle is to recognize the fair value of equity and liability instruments at the grant date.

Notes for conversion of IFRS financial statements:

When converting financial statements to IFRS, the entity should note the following:

1. For long-term employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period, discount is required to recognize the net present value of the future payments.
2. The entity should identify all legal and constructive obligations under employment benefit arrangements and classify the employee benefits properly for accounting treatments.
3. Sometime, determination of discount rate might be complicated. The entity could obtain market yields at the end of the reporting periods on high quality corporate bonds as reference for discount rate.
4. For defined benefit plans, it is necessary to involve actuarial expert for calculation of future defined benefit obligation. Such service might not be available in Vietnam currently.
5. If an entity has granted share-based arrangements to their employees, an assessment of the accounting implications should be made timely.

4.5 Income tax

Income taxes include all domestic and foreign taxes which are based on taxable profits. Income taxes also include taxes, such as withholding taxes, which are payable by a subsidiary, associate or joint venture on distributions to the reporting entity. Income tax issues are governed by the following guidelines:

- VAS 17 *Income tax*, Circular 200 promulgating guidance on enterprise accounting system and Circular 202 providing guidance on preparation and presentation of consolidated financial statements.
- IAS 12 *Income tax* and IFRIC 23 *Uncertainty over income tax treatments*.

Key differences between IFRS and VAS:

VAS	IFRS
Recognition of current tax	
No similar requirement as VAS does not have regulations on OCI.	Current tax should be recognized as expense in profit or loss, except if the tax arises from a transaction or event which is recognized in other comprehensive income (OCI).
Recognition of deferred tax assets and liabilities	
No similar guidance under VAS.	Taxable losses that can be carried back to recover the current tax of the previous period shall be recognized as an asset in which tax losses incurred.
No similar guidance in this specific case.	An entity might issue a compound financial instrument and classify the instrument's liability component as a liability and the equity component as equity. The resulting taxable temporary difference arises from the initial recognition of the equity component separately from the liability component. Consequently, an entity recognizes the resulting deferred tax liability.
No similar guidance as fair value method is not used under VAS.	IFRS permit or require certain assets to be carried at fair value or to be revalued. The difference between the carrying amount of a revalued asset and its tax base is a temporary difference and gives rise to a deferred tax liability or asset.
Measurement of deferred tax assets and liabilities	
VAS does not provide a guideline on the measurement of deferred tax assets and liabilities.	When different tax rates are applied to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit/loss of the periods in which the temporary differences are expected to reverse.
Presentation of deferred tax assets and liabilities	
No similar guidance in this specific case.	IFRIC 23 requires entities to consider the potential for adverse tax determinations being made by taxing authorities. It is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

Notes for conversion of IFRS financial statements:

When converting financial statements to IFRS, the entity should note the following:

1. As noted in other standards, there are significant differences between IFRS and VAS in recognition of assets and liabilities. Accordingly, the entity should quantify such temporary differences for recognition of deferred taxes as appropriate;
2. If any taxable losses that can be carried back to recover the current tax of the previous period, the entity should consider to recognize a deferred tax asset;
3. When estimating deferred taxes, the entity should consider uncertainty over income tax treatments that need to be recognized and disclosed.

5. Other important topics

5.1 Business combination and consolidated financial statements

Accounting treatment for business combination and consolidated financial statements are governed by the following guidance:

- VAS 11 *Business combinations*, VAS 25 *Consolidated financial statements* and accounting for investments in subsidiaries and Circular 202 promulgating guidance on preparation and presentation of consolidated financial statements.
- IFRS 3 *Business Combinations* and IFRS 10 *Consolidated Financial Statements.*

Key differences between IFRS and VAS:

VAS	IFRS
Goodwill recognition and measurement	
Goodwill is initially measured at its cost, being the excess of the costs of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.	IFRS has a more detailed definition of cost of the business combination, including: (i) the acquisition-date fair value of the consideration transferred; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3; and (iii) the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree in a business combination achieved in stages.
No similar requirement under VAS. Goodwill would be recognized for the interest hold by the parent company.	IFRS 3 requires the application of full goodwill on consolidation. Accordingly, the goodwill attributable to non-controlling interest (NCI) should be considered on consolidation, leading to the inclusion of the corresponding part of goodwill in NCI.
Goodwill may be expensed in full or be allocated over a period not exceeding 10 years.	IFRS 3 prohibits the amortization of goodwill. Instead, goodwill must be tested for impairment at least annually under IAS 36 Impairment of Assets.
Acquisition cost	
VAS allows including directly related costs as part of the purchase consideration.	IFRS 3 mentions the exclusion of expenses such as consulting fees, etc. from the purchase consideration. These expenses should be immediately charged to the Statement of Comprehensive Income.
No similar requirement under VAS.	IFRS 3 requires to include contingent consideration in purchase consideration. Such costs should be adjusted to calculation of goodwill if they are incurred within one year from the acquisition date.
Business combination of entities under common controls	
No similar guidance under VAS. Generally the business combination is still accounted as not under common control.	IFRS 3 defines a business combination involving entities/ businesses under common control. According, the guidance specifically excludes such transactions from the scope of IFRS 3 and no other IFRS specifically address such transactions.
Disposal of subsidiary, associates and joint venture	
Similar to IFRS, however, VAS has not developed accounting standard of financial instruments. Accordingly, the remaining investments would be carried at cost.	The remaining investments in entities that are no longer a subsidiary, associate or joint venture would be accounted for under IFRS 9 – Financial instrument.

<table>
<tr><th>VAS</th><th>IFRS</th></tr>
<tr><td colspan="2">Control definition</td></tr>
<tr><td>Where an entity holds more than 50% or more of the voting power on an investee.

Three (3) conditions where the control also exists even when the parent company has less than one half of the voting power of an entity:
• Power of governing the financial and operating policies of the entity under a statute or an agreement.
• Power to appoint or remove the majority of the members of the Board of Management or equivalent governing body, or
• Power to cast the majority of votes at meetings of the Board of Management or equivalent governing body.</td><td>An investor controls an investee if and only if the investor has all of the following three (3) elements:

• Power over the investee, i.e. the investor has existing “rights” that give it the ability to direct the relevant activities (the activities that significantly affect the investee's return).
• Exposure, or rights, to variable returns from its involvement with the investee.
• The ability to use its power over the investee to affect the number of the investor's returns.</td></tr>
<tr><td colspan="2">Investment entity</td></tr>
<tr><td>No similar requirement under VAS</td><td>IFRS 10 contains special accounting requirements for investment entities. Where an entity meets the definition of an "investment entity", it does not consolidate its subsidiaries when it obtains control of another entity. The exemption from consolidation only applies to the investment entity itself. Accordingly, a parent company of an investment entity is required to consolidate all entities that it controls, including those controlled through an investment entity subsidiary, unless the parent itself is an investment entity.</td></tr>
<tr><td colspan="2">Exemption from preparation of consolidated financial statements</td></tr>
<tr><td>A parent company that is a wholly-owned subsidiary or is virtually wholly-owned with the approval from minority interest.</td><td>A parent company does not need to present consolidated financial statements if it meets all the following four (4) conditions: (i) a wholly-owned subsidiary or is a partially owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements; (ii) its debt or equity instruments are not traded in a public market; (iii) It did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization to issue any class of instruments in a public market; and (iv) its ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with IFRS.</td></tr>
</table>

Notes for conversion of IFRS financial statements:

1. IFRS has more detail guidance to determine purchase consideration, including fair value measurement and contingent receipt or payment. Therefore, when converting from VAS to IFRS, the entity should consider all aspects of the purchase agreement to determine potential costs to be included in the purchase cost.

2. Circular 202 provides wide ranges of consolidation cases including restructuring and common control consolidations which are not officially addressed by IFRS. When preparing IFRS financial statements, the entity should review the substance of transactions to apply appropriate accounting treatments under IFRS instead of the form of transactions.

3. In the first year adoption of IFRS, the entity has option to continue VAS business combination and consolidation accounting for transactions happened on the IFRS transition date backward. However, the entity is required to apply IFRS accounting treatments from the transition date onward.

5.2 Impairment of assets

Impairment of assets is not a new term in accounting in which an asset may be impaired when its recoverable amount (the amounts to be recovered through use or sale of the assets) is less than its carrying amount.

- IAS 36 *Impairment of assets*.
- VAS does not have equivalent standards. The term of *"impairment of assets"* is mentioned in certain accounting standards and Circular 200 with regard to review requirements of *"provision for asset impairment"*.

Key differences between IFRS and VAS:

VAS	IFRS
Scope	
No equivalent requirement. However, VAS requires an entity to review for decline in values of trading securities, investment property held for capital gains, long-term investments, receivables and inventories etc.	Assets in-scope of IAS36 include: • assets not ready for use; • investments in subsidiaries and joint ventures • investment property, plant, property and equipment; and • intangible assets, including goodwill
Identification of assets subject to impairment loss	
Not applicable	An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, an entity shall also perform impairment test for an indefinite useful life or an intangible asset not yet available for use, goodwill acquired in a business combination by comparing its carrying amount with its recoverable amount.
Measurement	
VAS requires to evaluate probable loss from: trading securities from the market price fluctuation; investments in entities caused by the investees' deficiencies of net assets; the recoverability of receivables; and deficiency of inventories' net realizable value.	When an impairment test is required, an entity should estimate the recoverable amount and compare with the carrying value. The recoverable amount is estimated at the higher of the fair value (per IFRS 13) of the asset / CGU's less costs of disposal and its value in use, which is the present value of the future cash flows expected to be derived from an asset or CGU.
Recognition and reversal of impairment losses	
If the evaluation result indicates that the value of is lower than their book value, a provision is to be recorded for the difference. The gap is required to annually review to ensure whether respective provisions should be additionally made or reversed. Provision loss is recognized in profit or loss.	When the recoverable amount of the asset is lower than its carrying value an impairment loss is recorded for the differences (or reversed when vice versa). An impairment loss is recognized in (i) profit or loss (if it is a non-revalued asset, or (ii) in other comprehensive income (if it is a revalued asset).

Notes for conversion of IFRS financial statements:

1. IFRS requires entities to perform review of impairment loss annually. For accounting purpose, impairment test should be documented in form of Asset Impairment Review Report with approval by the management.
2. For the transition from VAS to IFRS, an entity should determine whether impairment indicators are identified based on internal and/or external sources. If any, the entity should identify CGUs in respect of its nature of operation and business. Additionally entities should test goodwill for impairment at transition date.
3. Entities should consider whether improvements in the information system are required to properly measure as well as monitor the performance and cash-flow generation of CGUs (or individual assets).

5.3 Fair value measurement

Some IFRS require or permit entities to measure or disclose the fair value of assets, liabilities or their own equity instruments. However, the requirements for measuring fair value and for disclosing information about fair value measurements were dispersed and in many cases did not articulate a clear measurement or disclosure objective.

IFRS 13 *Fair value measurement* is developed to set out a framework of requirements for measuring fair value and for disclosing information about fair value measurements in accordance with IFRS.

VAS does not have an equivalent accounting standard, however, the term of “fair value” is generally used in many accounting guidance, especially in Circular 200 promulgating the enterprise accounting system in Vietnam.

Key differences between IFRS and VAS:

VAS	IFRS
Definition	
Fair value is market-based value as defined by Law on Accounting.	IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Measurement	
No requirement to determine markets.	A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability.
No requirement to determine market participants.	The entity shall identify characteristics that distinguish market participants generally, considering market participants with whom the entity would enter into a transaction in that market.
Price is commonly understood as the market-price.	The price is an exit price at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.
Valuation technique	
No similar guidance under VAS.	An entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
Fair value hierarchy	
No similar guidance under VAS.	Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Notes for conversion of IFRS financial statements:

When converting financial statements to IFRS, entities should note the following:

1. It is important to determine principal/most advantageous market, market participants and price when calculating the fair value. In doing so, the entity should have sufficient and appropriate inputs.
2. Valuation techniques can be complicated and might require involvement of an valuation expert for the calculation;
3. Level 1 has the highest assurance, therefore, the entity would use Level 1 inputs for fair value calculation.

5.4 First time adoption of IFRS

An entity's first IFRS financial statements are the first annual financial statements in which the entity adopts IFRS, by an explicit and unreserved statement in those financial statements of compliance with IFRS. The preparation of first IFRS financial statements is governed by IFRS 1 *First Time Adoption of International Financial Reporting Standards.*

There is no similar requirement under VAS. Accounting treatments under VAS are consistently applied in accordance with requirements of other accounting standards.

Key requirements of IFRS 1 are summarized as below:

IFRS 1

Recognition and measurement

An entity shall prepare and present an *opening IFRS statement of financial position* at the *date of transition to IFRS*. This is the starting point for its accounting in accordance with IFRS.

An entity shall use the same accounting policies in its opening IFRS statement of financial position and throughout all periods presented in its first IFRS financial statements. In its opening IFRS statement of financial position, an entity shall:

(a) recognize all assets and liabilities whose recognition is required by IFRS;
(b) not recognize items as assets or liabilities if IFRS do not permit such recognition;
(c) reclassify items that it recognized in accordance with previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with IFRS; and
(d) apply IFRS in measuring all recognized assets and liabilities.

The accounting policies that an entity uses in its opening IFRS statement of financial position may differ from VAS. The resulting adjustments arise from events and transactions before the date of transition to IFRS. Therefore, an entity shall recognize those adjustments directly in retained earnings (or, if appropriate, another category of equity) at the date of transition to IFRS.

Mandatory exceptions to the retrospective application of other IFRS

This IFRS prohibits retrospective application of some aspects of other IFRS, including:

- Estimates: an entity's estimates in accordance with IFRS at the date of transition to IFRS shall be consistent with estimates made for the same date in accordance with VAS.
- De-recognition of financial assets and liabilities: a first time adopter applies the de-recognition requirements in IFRS 9 prospectively for transactions occurring on or after the date of transition to IFRS.
- Classification, measurement and impairment of financial assets under IFRS 9
- Others such as: embedded derivatives, hedge accounting, non-controlling interests and government loans.

Optional exceptions to the retrospective application of other IFRS

There are a number of exemptions that IFRS 1 allows a first time adopter to apply, including but not limited to the following:

- Business combination
- Investments in subsidiaries, joint ventures and associates
- Share-based payments
- Deemed costs
- Leases
- Borrowings cost
- Fair value of financial assets and liabilities at initial recognition
- Cumulative translation reserves
- Others

Presentation and disclosure

The first IFRS financial statements should include the following minimum information:

- three statements of financial position
- two statements of profit or loss and comprehensive income
- two statements of cash flows
- two statements of changes in equity and related notes
- any information it provides in relation to VAS needs to be labelled as such
- explanations of how transition from VAS to IFRS affected its reported financial position, financial performance and cash flows
- reconciliations from VAS to IFRS for: (i) date of transition; and (ii) date of latest period presented in VAS

Abbreviations

Circular 45	Circular 45/2013/TT-BTC issued by Ministry of Finance dated 25 April 2013 provides guidance on management and depreciation calculation of fixed assets.
Circular 48	Circular 48/2019/TT-BTC issued by Ministry of Finance dated 8 August 2019 provides guidance on making and handling of provision for devaluation of inventories, losses of investments and doubtful debts and warranty of products, goods, services, construction works at the enterprise.
Circular 53	Circular 53/2016/TT-BTC issued by Ministry of Finance dated 21 March 2016 amending and supplementing some articles of Circular 200.
Circular 75	Circular 75/2015/TT-BTC issued by Ministry of Finance dated 18 May 2015 amending and supplementing Article 128 of Circular 200.
Circular 200	Circular 200/2014/TT-BTC BTC issued by Ministry of Finance dated 22 December 2014 provides guidance on enterprise accounting system.
Circular 202	Circular 202/2014/TT-BTC BTC issued by Ministry of Finance dated 22 December 2014 provide guidance on preparation and presentation of consolidated financial statements.
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
PPE	Property, plant and equipment
VAS	Vietnamese Accounting Standard

Grant Thornton

Global

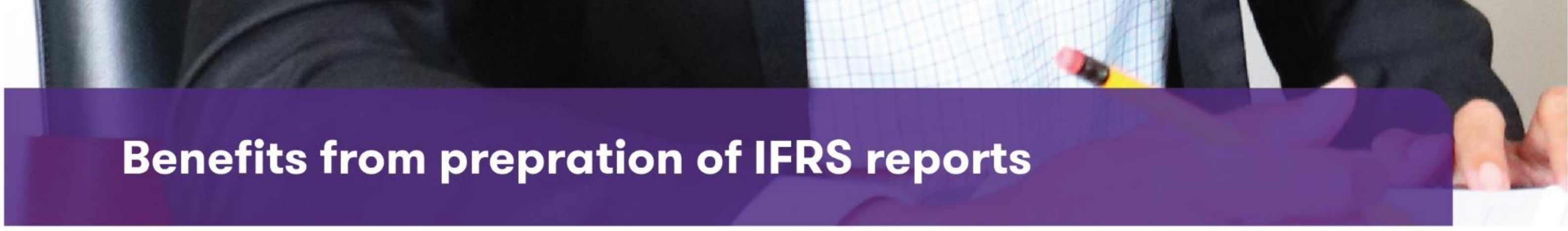
Quality

Collaboration

International Financial Reporting Advisory Services

Grant Thornton Vietnam

Audit | Tax | Advisory | Business Process Solutions



Benefits from prepration of IFRS reports

IFRS is one of the most popular accounting systems in the world (applied in over 140 countries and jurisdictions) which is encouraged to apply by financial management authorities in developed countries. The application of IFRS is expected to strengthen transparency and comparativeness of financial information among countries and support enterprises to approach capital markets, customers and suppliers more effectively, efficiently and economically.

By applying IFRS for reporting, enterprises in Vietnam might have the following benefits:

Compliance

IFRS/VFRS(*) application in Vietnam(**)
- Listed, large public and state-owned entities
- Voluntary application from 2022-2025
- Compulsory application from 2025
- VFRS to replace VAS from 2025

Conversion for consolidation

IFRS conversion reports of FDI entitites for consolidation purposes of the parent company

Compliance reporting

Enterprises that are required to prepare IFRS reports for interested parties, such as: investors, banks, customers and suppliers, etc.

Opportunities

Private fund raising
- IFRS reports for potential investors
- Fund structuring advisory
- Enterprise valuation at fair value

Public fund raising
- Approach international investors
- Approach international financial institutions with high transparency requirements
- Improve the enterprise value following the international standards

(*) VFRS is Vietnamese Financial Reporting Standards which is developed following the requirements of IFRS and tentatively to replace the current VAS from 2025.
(**) Source: Decision No. 345/QD-BTC issued by Ministry of Finance on approval of proposal to apply financial reporting standards in Vietnam.

Our methodology and solution

IFRS reporting advisory serivces of Grant Thornton are carried out by our dedicated team with expertise in IFRS implementation.

We bring together our technical knowledge and industry expertise, to address the financial exporting challenges of corporations and help them manage expectations of their stakeholders and regulators.

Our **four-stage solution** would benefit the clients with effective approach in IFRS conversion reporting and sustainable capacity builiding through our trainings and transfers of conversion techniques.

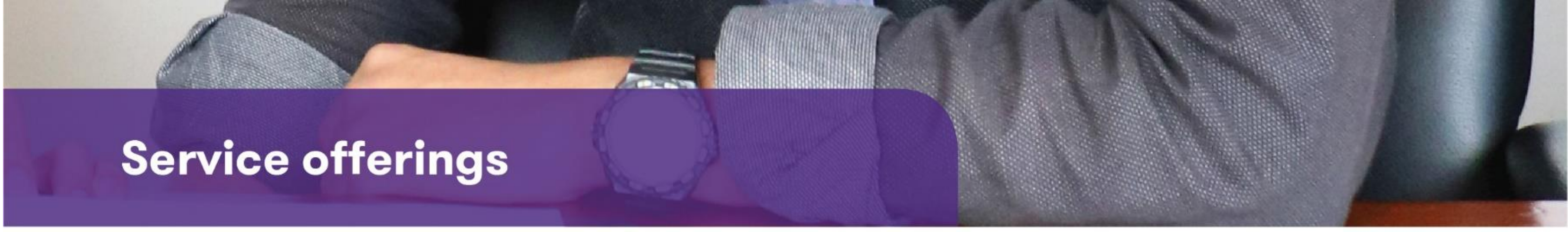
OUR FOUR-STAGE SOLUTION

Stage 1
Project set-up and diagnostic review
- Observe to understanding the business
- Determine key differences between VAS and IFRS
- Recommend proper accounting policies for conversion

Stage 2
Process design and adjustments quantification
- Determine necessary information for the conversion
- Develop conversion templates and report
- Support to prepare IFRS conversion report

Stage 3
IFRS financial reporting
- Calculate conversion adjusting entries
- Prepare spreadsheets for reporting, including information of balance sheet and adjusting entries
- Prepare financial statements in accordance with IFRS

Stage 4
Building capabilities
- Support trainings on IFRS reporting activities
- Carry out trainings to use IFRS conversion tools for reporting purposes



Service offerings

Conversion and preparation of IFRS reports

We support the clients to convert financial statements from VAS into IFRS and recommend accounting conversion solutions with more advantages to the entities. With our four-stage solution approach, we expect to maximize the clients' benefits and minimize the conversion costs.

Benefits to the clients

• Use our tools for consolidation reporting process
• Use the standard IFRS report template
• Work with our local and international experts in IFRS
• Receive our support and trainings to accounting teams to improve IFRS conversion techniques
• High quality control by senior experts in IFRS

Implementation of new standards

With major changes recently to accounting standards for Revenue recognition, Financial instruments and Leases, etc. Enterprises are looking at significant changes not only to their accounting policies, but also their operation models. Changes introduced by these standards will entail enterprise wide changes to how Enterprises operate.

Our solutions

• Review of existing contracts to identify impact under new guidance
• Perform computations for transition adjustments
• Suggestions on disclosures under new standards
• Training of finance team on the new standards

Accounting standard changes

- Excutive compensation
- Valuation models
- Employee incentive plans
- Treasury management
- Tax planning and structured products
- Financial accounting and reporting
- System, policies and controls
- KPIs and investor relations

Other IFRS-related support services

Fund raising support activities

• Assistance in preparing IFRS financial information to be included in prospectus for IPO or capital raising
• Desktop review of IFRS financial statements for assessment of appropriate accounting policies
• Review of financial statement close process and identify areas of improvement
• Provide technical accounting support on new transactions (e.g. restructuring, if any)
• Assist in drafting responses to accounting and reporting comments provided by investors or stakeholders
• Ongoing accounting advice during independent audit support

Transaction support activities

• Post-completion purchase price allocation accounting
• Evaluating accounting impact of a proposed divestment, acquisition or merger
• Advise on classification and measurement of complex financial instruments
• Advise on complicated standards such as IFRS 9, IFRS 15, IFRS 16, etc.
• Reviewing share-based compensation arrangements for potential accounting impact
• Accounting advice during independent audit support

Contact

Head Office in Hanoi

18th Floor
Hoa Binh International Office Building
106 Hoang Quoc Viet Street
Cau Giay District, Hanoi
Vietnam
T +84 24 3850 1686
F +84 24 3850 1688

E grant.thornton@vn.gt.com
grantthornton.com.vn

Ho Chi Minh City Office

14th Floor
Pearl Plaza
561A Dien Bien Phu Street
Binh Thanh District, Ho Chi Minh City
Vietnam
T +84 28 3910 9100
F +84 28 3910 9101

Nguy Quoc Tuan
CPA, CPA Australia & CMA Australia
Managing Partner of HCMC Office
Head of Audit & Assurance / IFRS Services
D +84 28 3910 9180
M +84 903 999 454
E tuan.nguy@vn.gt.com

Nguyen Hong Ha
CPA, FCCA, MBA
Partner - Audit / IFRS Services
D +84 24 3850 1601
M +84 934 519 182
E hongha.nguyen@vn.gt.com

Daniel De Waal
Dutch Chartered Accountant
Director - Audit / IFRS Services
D +84 28 3910 9131
M +84 393 593 998
E daniel.dewaal@vn.gt.com

Tran Anh Van
CPA, ACCA
Director - Audit / IFRS Services
D +84 24 3850 1635
M +84 915 074 882
E van.tran@vn.gt.com