



# Vietnamese Accounting Standards Update

Approval on proposal to Financial Reporting  
Standard application in Vietnam

*April 2020*





# Content

On 16th March 2020, the Vietnam Ministry of Finance issued the Decision 345/QD-BTC on approval of proposal to Financial Reporting Standard (“FRS”) application in Vietnam. Key information and impacts of this decision are summarized as follows.



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# Objectives of proposal

The proposal overall objectives are to enhance accounting and financial frameworks, transparency and effectiveness of the corporate's financial environment. The proposal objectives are also to develop plan and schedule to apply International Financial Reporting Standards (“IFRS”) in Vietnam applicable to selected entities; and publish and implement Vietnamese Financial Reporting Standards (“VFRS”) in accordance with international accounting practices.

## Applicable entities

Under the scope of proposal, IFRS would be applicable for all entities incorporated in Vietnam which have demands and resources to apply in line with the announced application schedule. VFRS would be applicable for all type of entities in all sectors except for super-small, small and medium entities without demand to apply IFRS or VFRS.



# Plan to apply IFRS

**Technical preparation period from 2020 to 2021:** In this period, Ministry of Finance and related organizations would publish IFRS translation version in Vietnamese, amend prevailing regulations related to IFRS application and develop human resources at corporate level to implement IFRS application.

- **Phase I – Voluntary application period from 2022 to 2025:** Entities with demand and sufficient resources would apply IFRS in preparation of consolidated financial statements such as: parent company of large scale state-owned group, listed or non-listed parent company, large public parent company. Foreign Direct Investment entities would also apply IFRS in preparation of their statutory financial statements if they have demands and sufficient resources.
- **Phase II - Compulsory application (after 2025):** Based on the implementation results of Phase I, the Ministry of Finance would evaluate and decide the plan to apply IFRS compulsorily.

# Plan to apply VFRS

- **Technical preparation period from 2020 to 2024:** In this period, Ministry of Finance and related organizations would develop VFRS to replace the current VAS. The expected date to publish VFRS is by 15 November 2024.
- **Application period from 2025:** VFRS is applicable for all entities in all sectors except for entities already applied IFRS or Accounting Standards for Super-Small Entities.



# Our recommendation on proposal impacts to entities

IFRS application and VAS replacement by VFRS are the Government's efforts to reduce gaps of accounting treatments between Vietnam and IFRS applied countries and jurisdictions. By applying new standards, Vietnamese entity would enhance its transparency and effectiveness of financial information as well as harmonization with the international financial reporting framework. However, there are some challenges that Vietnamese entities would overcome to adopt new accounting standards:

- Significant investments to develop human resources to adopt new accounting standards and changes in regulations
- Significant investments in updates of accounting software and related accounting system to be aligned with new accounting standard requirements
- Increase of workload to maintain new accounting information and system and tax reporting system

Above is our summary of key information of proposal to FRS application in Vietnam in coming periods and potential impacts to entities. If you have any queries or would like further clarity, please kindly send email to us.

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