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Article

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ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

The willingness to voluntarily apply international financial reporting standards in Vietnam: Empirical evidence from listed parent companies

Thu Hien Nguyen^{1*}

Abstract: In the current period of increased globalization, the preparation and presentation of financial statements by international financial reporting standards (IFRS) are receiving support from many countries and territories around the world, as applying IFRS is a way for them to gain acceptance in the international business world. To converge global accounting standards and promote regional and global economic integration, Vietnam has announced a roadmap for the voluntary application of IFRS from 2022 for some listed parent companies and others having needs and sufficient resources. This study aims to examine some specific characteristics of Vietnamese listed parent companies that affect their willingness to apply IFRS voluntarily. This study uses descriptive statistics, univariate, and multivariable regression methods to analyze the data collected from audited consolidated reports in the 2020 fiscal year and surveys the managers of 400 Vietnamese listed parent companies. Empirical research results confirm that several specific characteristics such as firm size, profitability, type of auditors, and foreign investors influence the voluntary application of IFRS of listed parent companies. In the meantime, other



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PUBLIC INTEREST STATEMENT

This paper examines some specific characteristics of parent companies listed on the Vietnamese stock market that affect their willingness to apply IFRS voluntarily. This study is necessary because there is currently a lack of empirical studies on the voluntary application of IFRS in developing countries, including Vietnam. Although, Vietnam has announced a roadmap for the voluntary application of IFRS to several listed parent companies with needs and sufficient resources. However, preparing and presenting financial statements according to IFRS is a relatively new issue for many Vietnamese companies. Therefore, this study was conducted to promote the possibility of voluntary adoption of IFRS in companies in Vietnam. These research findings are of great significance to the Government, policymakers, and companies in Vietnam as the study provides important implications from the empirical results, which are a useful reference source to help policymakers and companies develop strategies to apply IFRS in the coming time.

factors such as leverage and foreign operations do not affect the voluntary application of this accounting standard.

Subjects: Corporate Finance; Accounting; International Accounting

Keywords: voluntarily apply; enterprises; IFRS; listed parent companies

1. Introduction

In the trend of international economic integration and globalization of economic cooperation and development, the accounting field is no longer an intrinsic and separate issue for each country; thus, companies need to find a communal business language in the preparation and presentation of financial statements. Companies may be willing to apply international financial reporting standards (IFRS) for strategic or comparative reasons, such as better access to financial markets to attract potential external investment or international development opportunities. Therefore, to match the diverse requirements of both enterprises and investors, countries often allow enterprises to choose national accounting standards or IFRS to prepare and present their financial statements. According to the document of the International Accounting Standards Board (IASB), until September 2018, there had been 144 out of 166 countries and territories declared requirements for almost all companies to apply for IFRS (IFRS Foundation, 2018).

Regarding the preparation and presentation of financial statements, Vietnam is one of a few countries that has not adopted IFRS but is still applying Vietnamese Accounting Standards (VAS). The reality shows that the application of VAS has revealed many limitations, some of which are not suitable for transactions in the market economy in the new period. To perfect the legal framework on accounting to meet global accounting standards and promote Vietnam's regional and worldwide economic integration. The Ministry of Finance has announced a roadmap for the implementation of IFRS in Vietnam, according to which in the period from 2022 to 2025, some listed parent companies and other parent companies having needs and sufficient resources will voluntarily apply IFRS (Ministry of Finance, 2020). However, the preparation and presentation of financial statements following IFRS are relatively new for many Vietnamese enterprises. Besides, Vietnam is completing the legal framework to apply IFRS, so there are not many descendant guidelines on applying these standards, which leads to numerous difficulties for enterprises in general, and listed parent companies in particular when willingly applying IFRS. Also, enterprises applying the new accounting standards face high switching and applying costs (Soderstrom & Sun, 2007). The cost of the transition to IFRS will increase in the first years, which reduces the enterprises' profits. Therefore, some listed parent companies are not ready to apply for IFRS. However, many previous studies have confirmed that companies accept the cost of applying IFRS to reduce the capital cost (Ashbaugh & Pincus, 2001; Cuijpers & Buijink, 2005), and voluntary application of IFRS has improved the quality of accounting (Barth et al., 2012; Gassen & Sellhorn, 2006). Companies moving to IFRS have better access to financial markets, thus attracting potential external investors or international growth opportunities.

From the above statements, this study has the objective of examining the influences of several characteristics such as firm size, profitability, leverage, type of auditors, foreign investors, and foreign operations on the willingness to voluntarily apply IFRS of Vietnamese listed parent companies. The data used in this study is collected from the audited consolidated report for the fiscal year 2020 and the results of a survey conducted on the managers of 400 selected listed parent companies.

The findings show that Vietnamese-listed parent companies are more likely to apply IFRS once they show several specific factors. These factors are large sizes, higher profitability, being audited by large audit firms (the Big-4), and having foreign investment. In the meantime, leverage ratios and foreign operations did not affect the enterprises' ability to apply IFRS. The findings of this study provide empirical evidence on the possibility of Vietnamese-listed parent companies'

willingness to voluntarily apply IFRS. Also, it contributes to aiding state regulators and accounting agencies in Vietnam in amending, supplementing, and issuing new financial mechanisms and accounting policies to promote the application of IFRS in Vietnam. Besides, the results of this study can help professional associations, accounting, and auditing training institutions to change and improve the way they design training programs to enhance the professional abilities of accountants and auditors. The research results also help companies realize the roles and benefits of applying IFRS, thereby determining their need to develop IFRS applying plans following the company's conditions in the upcoming time. Finally, based on the results of this study, the author gives implications for the influencing factors and some recommendations to promote the willingness to voluntarily apply IFRS in Vietnam. This study is organized as follows. In section 2, the author presents an overview of the study as a basis for determining research objectives. Next, in section 3, the author uses isomorphic institutional theory as a research framework. Then, based on the literature review, background theory used in the research, and discussion of factors that may affect the decision to apply IFRS voluntarily, the author proposes the research hypotheses presented in section 4. Next, in section 5, the author conducts research design, presents the sampling method, data collection and analysis method, and builds a research model that reflects the relationship between factors and the willingness to voluntarily apply IFRS in listed parent companies in Vietnam. Then, section 6 analyzes the collected data, presents the empirical results, and discusses these results. Finally, in section 7—the conclusion, the author summarizes the results as well as the significance of the study and, at the same time, gives limitations and directions for future research to consider and expand to overcome.

2. Literature review

The application of IFRS has been accepted by many countries, as it helps to improve the quality of financial statements and compare international financial information (Brown & Tarca, 2005). Applying IFRS is a way for countries to gain acceptance in international business (Saudagaran & Diga, 2000) and attract foreign investment. IFRS helps improve the efficiency of capital markets and cross-border investment (Tarca, 2012), enhances the country's prestige, attracts foreign investment, increases overseas finance, and develops the stock market (Phan, 2014). On the other hand, previous studies support the assumption that the quality of financial statements is improved after applying IFRS (Rad & Embong, 2014; Zeghal et al., 2012) and benefits the business.

Stemming from the benefits of applying IFRS, many studies on IFRS have been carried out in countries around the world, in which the issue of voluntary application of IFRS has also received much attention from researchers. Studies have found that the voluntary application of IFRS in different countries is different; this is due to the specific economic, political and cultural environment of each country as well as the nature of activities and the needs of each business is different. Country-specific factors and business-specific characteristics are decisive factors for the success or failure of IFRS application in companies (Mısırlıoğlu et al., 2013). Several studies demonstrate that in common law-based countries, companies often have higher levels of financial disclosure than countries that follow code law and are influenced by cultural values (Jaggi & Low, 2000). At the firm level, Dumontier and Raffournier (1998) notices that larger owned, more internationally diversified, less capital intensive firms are more likely to apply IFRS. El-Gazzar et al. (1999) found that European firms with lower debt-to-equity ratios tended to prefer IFRS applications. Francis et al. (2008) examine the determinants of IFRS application among small and medium-sized private companies in 56 countries and finds out characteristics such as firm size, expected future growth opportunities, external capital, foreign ownership, export sales, corporate ownership structure, etc., play an important role in deciding the voluntary application of IAS/IFRS. In the United Kingdom, André et al. (2012) show that internationality, leverage, firm size, and auditor's reputation significantly positively impact UK unlisted firms' choice in voluntarily selecting IFRS. Other firm characteristics such as profitability, capital intensity, manufacturing industry, financial industry, growth, ownership structure, and employee productivity do not affect the decision in choosing IFRS by UK unlisted firms. Matonti and Iuliano (2012) argues that Italian private companies are more likely to voluntarily apply IFRS when ownership is dispersed, have foreign shareholders, are highly

leveraged, and their parent company prepares consolidated financial statements in accordance with IFRS. While the firm size and incorporation status were not significantly positively related to IFRS application, profitability, independence of managers, auditor expertise, and industry sector were not negatively related to IFRS application. According to Pichler et al. (2018), in the period 2006–2010, some Italian private companies were more likely to voluntarily apply IFRS in their separate financial statements if it is audited by the Big-4, had decentralized ownership, and had higher profitability; while other corporate characteristics such as capital intensity, high or low leverage, firm size or level of foreign sales do not affect the voluntary application of IFRS.

In developing countries, the decision to apply IFRS is closely related to the institutional environment as well as macroeconomic conditions. The methods of transition to IFRS in developing countries are likely to differ from those in developed countries (Zehri & Chouaibi, 2013). However, some studies also show that firm-specific characteristics such as firm size and being audited by Big-4 influence the decision to apply IFRS to firms in these countries (Kolsi & Zehri, 2013; Zehri & Chouaibi, 2013). On the other hand, based on a meta-analysis of the results of 17 empirical articles related to the determinants of IAS/IFRS compliance in emerging markets, Samaha et al. (2016) finds that firm size, type of auditor, internationality, profitability, and ownership dispersion have a positive effect on IAS/IFRS compliance.

3. Theoretical framework—Voluntary application of IFRS

This study applies institutional isomorphism theory as a framework to study the factors affecting the voluntary application of IFRS in Vietnam.

DiMaggio and Powell (1983) considers isomorphism as the concept that best describes the homogenization process. The authors believe that the characteristics of the organization will be changed to match the characteristics of the environment; in the long run, organizations will become homogeneous, and the internal and external environmental and institutional factors will affect organizations losing diversity among them. Organizations are subject to institutional isomorphism if they intend to achieve legitimacy in the organization's field. Institutional isomorphism is used when firms in the same environment become homogenized for political, legitimate, or social purposes. The institutional theory of isomorphism deals with three elements, including coercive isomorphism, simulated isomorphism, and normative isomorphism. Coercive pressure gives rise to the fact that companies face both formal pressure (that is, regulations) and informal pressure that other companies do the same (March & Olsen, 1976). Companies will only change their institutional actions if they face pressure from the people they depend on. This means a company is informally forced to use accounting practices consistent with its investors' expectations and requirements. Simulation pressure occurs when a company is uncertain about how to act and looks to other companies in the same industry to try to imitate or improve their actions to become more competitive in terms of legitimacy (DiMaggio & Powell, 1983; March & Olsen, 1976). Normative pressure is based on professionalization (Larson, 1977); that is, members of an occupation jointly manage quality and establish a perceptual and regulatory basis for professional autonomy. The increasingly strong development of professional organizations makes it easier for changes to spread. Based on institutional theory, countries tend to change compatible and synchronous with the social environment; some countries tend to choose the method of applying IAS/IFRS similar to those of countries with similar cultural characteristics and similar institutional environments (Iwona, 2012). Iwona (2012) acknowledges that the application of IAS/IFRS is an institutionalized route by which the company responds to the pressure to change, in which the application of IAS/IFRS is seen as a tool for the company to expand and increase its image on the international market. Today, countries around the world are inclined to accept IFRS, and companies will tend to follow if they intend to ensure legitimacy in the field in which they operate. From the above observations, it can be seen that institutional theory is an appropriate and widely used theoretical framework in accounting research, especially in applying IAS/IFRS and its change, improving the accounting system (Albu et al., 2011). From the point of view of institutional

isomorphism, the legal system is the leading determining factor in the application of IFRS in Vietnam. Companies can face the pressure of institutional pressure; they have to voluntarily apply IFRS to satisfy the expectations and requirements of stakeholders, especially those with strong influence, such as regulators or owners. In addition, coercive pressure even comes from customers, investors, competitors, etc., if these groups have enough dominant power. Coercive pressure arises when the company has investment from foreign investors, then applying IAS/IFRS provides transparent, reliable, and widely recognized financial information. Next, the view of simulated isomorphism derives from the response of uncertainty. When goals are unclear, or when the environment is uncertain, one organization will tend to follow the model of others. In the context that Vietnam is extensively integrating with the international economy, the system of Vietnamese accounting standards needs to be changed to align with the common standards of the world; this is considered an important factor in applying IFRS. Applying IFRS has brought certain benefits, so there is a tendency that more countries and businesses around the world will apply IFRS, so this is considered a standard model for countries or businesses that have not applied will tend to follow these patterns. Normative pressure is related to professionalism, i.e., when members of a profession jointly manage quality and establish a perceived and legal basis for professional autonomy. The increasingly strong development of professional organizations makes it easier for changes to spread. In the context of IFRS application in Vietnam, domestic and foreign professional associations also play an important role in the voluntary application of IFRS. In addition, the increasing professionalism and expertise of the auditing firm also contribute to the voluntary application of IFRS.

4. Develop research hypothesis

This study applies institutional isomorphism theory and the results of previous studies to identify the important factors that characterize the listed parent companies, thereby, the basis for the development of hypotheses.

4.1. Firm size

Many studies on voluntary disclosure find that larger companies are more likely to provide and disclose information to stakeholders (Ashbaugh & Pincus, 2001; Cooke, 1992; Watts & Zimmermann, 1986). In addition, large enterprises often have the necessary financial resources to implement IFRS applications (Pichler et al., 2018); therefore, these enterprises are more willing to apply IFRS than small enterprises. Or the size of the enterprise positively affects the decision to voluntarily apply IFRS (Cuijpers & Buijink, 2005; Dumontier & Raffournier, 1998; Francis et al., 2008); the larger the enterprise, the higher the possibility of voluntarily applying IFRS (Yang, 2014). Similarly, Senyit (2014) argues that large-scale enterprises have more resources to apply IFRS, so they are more likely to be willing to apply IFRS voluntarily. In addition, Kędzior et al. (2020) also show that firm size positively affects the voluntary application of IFRS. Based on the above arguments, the first hypothesis is developed as follows:

H1: Larger listed parent companies are more likely to be willing to voluntarily adopt IFRS.

4.2. Leverage

Many studies show that debt plays an important role in affecting the commitment to transparency of financial statements (Jensen & Meckling, 1976) and greater disclosure of information about enterprises. Firms with a high degree of leverage are able to voluntarily disclose more information and reduce information asymmetry with creditors, which will better satisfy the requirements of creditors (Yang, 2014). In public companies, a voluntary disclosure may be increased by leverage (Meek et al., 1995). The application of IFRS is a way to reduce information asymmetry (Armstrong et al., 2010); therefore, firms with high leverage are more likely to choose to apply IFRS (Yang, 2014). Many empirical studies show that there is a link between leverage and IFRS applicability, Samaha et al. (2016) conclude that in emerging markets, IAS/IFRS compliance is closely related to

leverage. Bassemir (2012) finds that firms with higher financial leverage are more likely to apply IFRS. Matonti and Iuliano (2012) shows that Italian private firms are more likely to voluntarily apply IFRS when financial leverage is higher. Similarly, Gu (2020) also shows that Japanese enterprises with high financial leverage are more likely to voluntarily apply IFRS. Therefore, the second hypothesis is developed as follows:

H2: *Listed parent companies with higher levels of financial leverage are more likely to be willing to voluntarily adopt IFRS.*

4.3. Profitability

Firms with higher profitability are more motivated to voluntarily apply IFRS in order to raise capital more cheaply (Meek et al., 1995), and the profit of firms can be reliably determined when applying IFRS (Guerreiro et al., 2008). Applying IFRS will provide good information on business performance to investors, thereby attracting more capital from outside. Many empirical studies have been conducted to determine the relationship between profitability and voluntary application of IFRS; however, the results of studies on this relationship are unclear and contradictory. Pichler et al. (2018) show that firms are more likely to voluntarily apply IFRS in their separate financial statements if profitability is greater. Similarly, Odia (2016) also shows that the profitability factor affects the application of IFRS in Nigeria. In addition, Samaha et al. (2016) found that profitability has a positive effect on IAS/IFRS compliance. In contrast, some previous studies suggested that there was no significant association between profitability and voluntary application or compliance with IFRS (André et al., 2012; Dumontier & Raffournier, 1998). Based on the above arguments, the third hypothesis is developed as follows:

H3: *Listed parent companies with high profitability are more likely to be willing to voluntarily adopt IFRS.*

4.4. Foreign investor

Foreign investors often require businesses to prepare financial statements that comply with international standards as a sign of transparency and comparability, so they often use IFRS compliance financial statements to make sound investment decisions. Therefore, applying IFRS is a way for businesses to send positive signals about the transparency and reliability of their accounting and financial information to potential domestic and foreign investors. Applying IFRS to attract foreign investment, increase overseas finance, and develop the stock market (Phan, 2014). Francis et al. (2008) found that voluntary application of IFRS is a way to indicate accounting confidence and financial transparency to potential foreign investors; therefore, companies that voluntarily apply IFRS will be able to attract more foreign investors (Covrig et al., 2007). Similarly, Kędzior et al. (2020) also find that international investors have a positive effect on the voluntary application of IFRS. Based on the above argument, the fourth hypothesis is developed as follows:

H4: *Listed parent companies are likely to be willing to voluntarily apply IFRS when there is a greater investment from foreign investors.*

4.5. Foreign operations

Several studies have shown that foreign operations are significantly associated with the voluntary application of IAS/IFRS. Companies have a voluntary incentive to apply IAS to strengthen relationships with foreign markets, improve customer recognition, secure foreign capital, and reduce the political costs of doing business abroad. El-Gazzar et al. (1999) found that internationality was significantly associated with the voluntary application of IAS. Firms with a higher percentage of foreign sales are more likely to apply IFRS (Gassen & Sellhorn, 2006) or have more foreign operations

(exports) and are more likely to voluntarily switch their accounting standards to IFRS (Jung et al., 2015). Indeed, companies that voluntarily apply IFRS will have higher sales abroad (Tarca, 2004), and applying IAS/IFRS will be listed on more stock exchanges (Cuijpers & Buijink, 2005). When examining the determinants of voluntary application of IFRS, André et al. (2012) show that internationality has a significant positive impact on unlisted UK firms' voluntary choice of IFRS. In addition, in emerging countries, foreign operations also influence the decision of a firm to apply IFRS (Kolsi & Zehri, 2013). Based on these arguments, the fifth hypothesis is developed as follows:

H5: *In listed parent companies, foreign operations are positively associated with willingness to voluntarily adopt IFRS.*

4.6. Type of auditor

Many empirical studies show that the type of auditor, especially the Big-4 auditor, is related to the application of IFRS by enterprises. Al-Basteki (1995) confirmed that the type of Big-4 auditor has an influence on the decision to apply IFRS. Pichler et al. (2018) find that Italian private companies audited by Big-4 are more likely to voluntarily apply IFRS. Similarly, Senyit (2014) argues that Big-4 auditors have a lot of experience and expertise in IFRS to advise their clients with the necessary knowledge in applying IFRS; therefore, this type of Big-4 auditors has a significant positive influence on the voluntary application of IFRS in listed companies in Turkey. In another study, Hallberg and Persson (2011) concluded that companies' voluntary decision to apply IFRS was related to the use of one of the four Big-4 audit firms, or unlisted firms using a Big-4 audit firm are more likely to voluntarily choose to apply IFRS (André et al., 2012). In the developing world, companies are also more likely to apply IFRS if they are audited by the Big-4 (Kolsi & Zehri, 2013). So, the final hypothesis is developed as follows:

H6: *Listed parent companies using a Big-4 audit firm are more likely to be willing to voluntarily apply IFRS.*

5. Research design and methods

5.1. Sample selection and data collection

According to the Ministry of Finance (2020), parent companies listed in Vietnam will be allowed to voluntarily apply IFRS from 2022 if there is a need and sufficient resources. Therefore, the sample of this study is randomly selected from 400 parent companies listed on the Vietnam stock market with diverse fields, industries, business types, etc. The study selects the sample surveys at listed parent companies that are completely suitable for current practical conditions in Vietnam because these companies have been and are asserting their role as an important medium and long-term capital mobilization channel of the economy.

The data used for this study are primary and secondary data, including financial and non-financial data. Research data is collected from 400 parent companies listed on the information disclosure page www.congbothongtin.ssc.gov.vn of the State Securities Commission. The data of independent variables such as firm size, leverage, and profitability are quantitative variables, and the remaining independent variables such as foreign investors, foreign operations, and type of auditors are binary variables collected from the audited consolidated reports for the fiscal year 2020 of these companies. For the dependent variable, which is a binary variable, data is collected through a survey of managers at the above-listed parent companies to see if their companies are willing to voluntarily apply IFRS. This audience is the person who understands the internal control system, financial management system, or the current situation of the company very well, so they have a very important and decisive role in the success of the company's conversion and voluntary application of IFRS. To facilitate the survey, the author chooses the survey method in the form of

direct interviews or sending available questionnaires by post or email to the survey subjects. The survey period is from February to June 2021.

5.2. Data analysis methods

This study uses descriptive statistical analysis, univariate, multivariate analysis, and Binary Logistic regression test using SPSS 20 software to test the characteristics of the listed parent company in Vietnam affecting the willingness to voluntarily apply IFRS. Many previous studies have tested hypotheses using logistic regression, which is a suitable approach when disproportionate sampling from two populations occurs (Maddala, 1991). In logistic regression, the coefficients of the explanatory variables were not affected by unequal sampling rates from the two groups considered (Palepu, 1986). Logistic regression is often used in studies to analyze data from surveys about the voluntary application of IFRS in companies, especially listed companies.

5.3. Research models

This study uses Binary Logistic regression to estimate the association between specific characteristics of selected listed parent companies and willingness to voluntarily apply IFRS. This model has been widely applied in previous studies (e.g., André et al., 2012; Francis et al., 2008; Matonti & Iuliano, 2012; Pichler et al., 2018; Yang, 2014). Based on the theoretical basis and results from previous studies, the author builds an expected research model with the following general form:

$$IFRS_i = \beta_0 + \beta_1 * SIZE_i + \beta_2 * LEVE_i + \beta_3 * PROF_i + \beta_4 * INVE_i + \beta_5 * OPER_i + \beta_6 * AUDI_i + \epsilon$$

In which: IFRS_i is the dependent variable denoting the willingness to voluntarily apply IFRS of listed parent company *i*. The independent variables SIZE_i, LEVE_i, PROF_i, INVE_i, OPER_i, and AUDI_i respectively are firm size, leverage, profitability, foreign investors, foreign operations, and the type of auditor of the listed parent company *i*. The definitions of the variables in this study are presented in Table 1.

Parameters: $\beta_0, \beta_1, \beta_2, \dots, \beta_6$; Error: ϵ .

6. Research results and discussion

6.1. Descriptive statistics

The average statistical analysis results in Tables 2 and 3 show that the mean value of SIZE for the group of companies that voluntarily apply IFRS (VND 19,791,226 million) is significantly higher than

Table 1. Variables and descriptions	
Variable	Description
IFRS	A dummy variable with a value of 1 if the listed parent company is willing to voluntarily apply IFRS and 0 otherwise.
SIZE	The natural logarithm of the total assets of the listed parent company.
LEVE	The ratio of liabilities to total assets of the listed parent company.
PROF	The ratio of profit after taxes to the average equity of the listed parent company.
INVE	A dummy variable with a value of 1 if the listed parent company has foreign investors and 0 otherwise.
OPER	A dummy variable with a value of 1 if the listed parent company has foreign operations and 0 otherwise.
AUDI	A dummy variable with a value of 1 if the listed parent company is audited by Big-4 and 0 otherwise.

Source: Compiled by the author.

Table 2. Average statistics of the group of companies that voluntarily apply IFRS (N = 146)

Variables	Minimum	Maximum	Mean	Std. Deviation
SIZE	192,606	422,503,767	19,791,226	45,193,289
LEVE	5.18%	572.65%	61.39%	56.55%
PROF	-18.93%	125.80%	15.71%	18.89%
OPER	0	1	0.75	0.433
INVE	0	1	0.68	0.469
AUDI	0	1	0.58	0.496

Source: Research results.

Table 3. Average statistics of the group of companies that do not voluntarily apply IFRS (N = 254)

Variables	Minimum	Maximum	Mean	Std. Deviation
SIZE	86,416	80,278,179	2,934,430	7,257,018
LEVE	3.89%	218.29%	50.88%	25.81%
PROF	-422.65%	37.62%	5.53%	29.53%
OPER	0	1	0.39	0.489
INVE	0	1	0.25	0.433
AUDI	0	1	0.16	0.365

Source: Research results.

that of the group of companies that do not voluntarily apply IFRS (VND 2,934,430 million). Similarly, the group of companies that voluntarily apply IFRS has a mean value of LEVE (61.39%), PROF (15.71%) higher than the group of companies that do not voluntarily apply IFRS (LEVE is 50.88%; PROF is 5.53%).

For the binary variables INVE, OPER and AUDI used statistical analysis of frequencies. The results of statistical analysis in Table 4 show that the group of companies that voluntarily apply IFRS has a significantly higher proportion of foreign investors (67.8%) and foreign operations (75.3%) than the group of companies involuntary apply IFRS (INVE is 24.8%; OPER is 39.0%). Furthermore, 57.5% of companies that voluntarily apply IFRS are audited by a Big-4 company, while companies that do not voluntarily apply IFRS this rate is only 15.7%.

In general, descriptive statistics confirm that listed parent companies in Vietnam that voluntarily apply IFRS usually have firm size, leverage, profitability, foreign investors, foreign operations, and Big-4 audited are higher/more than listed parent companies that do not voluntarily apply IFRS.

Table 4. Frequency of dichotomous variables

Variables		Voluntarily apply IFRS (N = 146)		Do not voluntarily apply IFRS (N = 254)	
		Frequency	Percentage (%)	Frequency	Percentage (%)
OPER	0	36	24.7	155	61.0
	1	110	75.3	99	39.0
INVE	0	47	32.2	191	75.2
	1	99	67.8	63	24.8
AUDI	0	62	42.5	214	84.3
	1	84	57.5	40	15.7

Source: Research results.

6.2. Univariate analysis

6.2.1. Kolmogorov–Smirnov test

This study uses the Kolmogorov–Smirnov test to determine the distribution of the survey sample. The test results in Table 5 show that all independent variables included in the research model have Sig. < 0.05, this shows that the data is not normally distributed. Therefore, the Mann-Whitney U non-parametric test will be used for the next test step.

6.2.2. Mann-Whitney U nonparametric test

The results of the Mann-Whitney U test in Table 6 show that there are significant differences in firm size, profitability, foreign operations, foreign investors, and types of auditors among the group of voluntarily applying IFRS companies and the group of not voluntarily applying IFRS companies (both have Sig. < 0.05); there is no significant difference between these two groups of companies in other factors (Sig. > 0.05). In which the enterprise size has the biggest difference between these two groups of companies, followed by foreign investors, type of auditors, foreign operations, and finally, profitability. This proves that the group of companies that voluntarily apply IFRS is often characterized by Big-4 audits, larger scale, higher profitability, and more foreign investors than those that do not voluntarily apply IFRS, while the leverage of these two groups is not significantly different.

6.2.3. Correlation analysis

Table 7 presents the results of the Pearson correlation matrix of all the independent and dependent variables used in the study. The research results show that the independent variables have a strong correlation with the dependent variable (both have Sig. < 0.05), therefore, these independent variables are included in the model to explain the dependent variable. On the other hand, the Pearson correlation coefficients of all the independent variables show a positive correlation with the dependent variable IFRS.

Table 5. Kolmogorov-Smirnov test results

Value	Variables					
	SIZE	LEVE	PROF	OPER	INVE	AUDI
Kolmogorov-Smirnov Z	4.065	1.369	2.082	3.502	4.141	4.023
Asymp. Sig. (2-tailed)	0.000	0.047	0.000	0.000	0.000	0.000

Source: Research results.

Table 6. Mann-Whitney U test results

Variables	Mean Rank		Z	Sig.
	Voluntarily apply IFRS (N = 146)	Do not voluntarily apply IFRS (N = 254)		
SIZE	273.47	158.56	-9.767	0.000
LEVE	214.47	192.47	-1.832	0.067
PROF	234.16	181.15	-4.414	0.000
OPER	246.68	173.95	-7.001	0.000
INVE	255.12	169.11	-8.425	0.000
AUDI	253.57	170.00	-8.689	0.000

Source: Research results.

Table 7. Correlation matrix

Variables	SIZE	LEVE	PROF	OPER	INVE	AUDI	IFRS
SIZE	1						
LEVE	0.063	1					
PROF	0.084	-0.038	1				
OPER	0.193**	0.095	0.210**	1			
INVE	0.260**	0.179**	0.165**	0.615**	1		
AUDI	0.478**	-0.081	0.069	0.132**	0.086	1	
IFRS	0.501**	0.126*	0.185**	0.351**	0.422**	0.435**	1

** Correlation is significant at the 0.01 level.

* Correlation is significant at the 0.05 level.

Source: *Research results*.

6.2.4. Test of multicollinearity

The study examines the phenomenon of multicollinearity among the independent variables before performing regression analysis. The results presented in [Table 8](#) show that the variance inflation factors (VIF) of the independent variables are all less than 2 (VIF ranges from 1.053 to 1.715), while the Tolerances range from 0.583 to 0.950. Thus, it can be asserted that the phenomenon of multicollinearity between the independent variables is not violated.

6.3. Multivariate analysis

6.3.1. The predictive accuracy of the model

The results of the classification of actual and predicted objects presented in [Table 9](#) predicted that in 146 cases that were observed, there are 101 cases voluntary apply IFRS, the accuracy rate is 69.2%; for 254 observed cases of involuntary application of IFRS, 223 cases of involuntary

Table 8. Collinearity statistics

Value	Variables					
	SIZE	LEVE	PROF	INVE	OPER	AUDI
Tolerance	0.719	0.950	0.947	0.583	0.604	0.752
VIF	1.391	1.053	1.055	1.715	1.656	1.329

Source: *Research results*.

Table 9. The predictive accuracy of the model

	Observed		Predicted		Percentage Correct
			IFRS		
			Do not voluntarily apply	Voluntarily apply	
Step 1	IFRS	Do not voluntarily apply	223	31	87.8
		Voluntarily apply	45	101	69.2
	Overall Percentage				81.0

^a. The cut value is 0.500.

Source: *Research results*.

application of IFRS are predicted, the correct prediction rate is 87.8%. Thus, the correct prediction rate of the entire model is 81%.

6.3.2. *Logistics regression analysis*

To evaluate the suitability of the regression model, the author conducted a Chi-square test on the model fit. The results in [Table 10](#) show that the Chi-square test has a Sig. < 0.05; therefore, the regression model is suitable. On the other hand, testing the explanatory level of the model shows that the value of -2 Log-likelihood is 310.946, demonstrating the relative fit of the model; Nagelkerke R Square value = 0.567, this means that 56.7% of the change of the dependent variable is explained by the independent variables in the model, the rest is due to other factors. In addition, the results of Binary Logistic regression analysis in [Table 10](#) show that the independent variables SIZE, PROF, INVE, and AUDI have an impact on the dependent variable IFRS (all have Sig. < 0.05), while the independent variables LEVE, OPER do not affect the dependent variable IFRS (both have Sig. > 0.05). Thus, the results of Binary Logistic regression analysis support the research hypotheses H1, H3, H4, and H6; the remaining research hypotheses H2 and H5 are not accepted.

Based on the regression results in [Table 10](#), the author calculates an estimate of the probability of voluntarily applying IFRS according to the marginal impact of the factors. Calculation results in [Table 11](#) show that the AUDI variable has the strongest impact on the IFRS dependent variable, followed by INVE, SIZE, and PROF variables with the weakest impact.

6.4. *Research results discussion*

Based on the results of Binary Logistic regression analysis in [Table 10](#), [Table 11](#) shows that, out of six factors included in the research model, there are four factors affecting the willingness to voluntarily apply IFRS in listed parent companies in Vietnam, including firm size, profitability, foreign investors, and type of auditors. In which the type of auditor has the strongest impact, followed by foreign investors, firm size and profitability have the weakest impact. As for the leverage factor, the foreign operating factor was found to have no impact on the willingness to voluntarily apply IFRS in these companies. This result is explained as follows:

6.4.1. *Firm size*

The findings of the study show that firm size has a positive correlation with the willingness to voluntarily apply IFRS ($B = 0.693$) at the 1% statistical significance level. This means that the larger the listed parent company, the higher the willingness to voluntarily apply IFRS. This result is consistent with initial expectations and is similar to the findings of Yang (2014), Senyit (2014), and Kędzior et al. (2020). The findings explain that other things being equal, if the listed parent company does not have an increase in size with an initial estimated 10% probability of voluntarily applying IFRS, a listed parent company with similar conditions but with an increase in size will have a voluntary probability of applying IFRS of 18.19%, higher than the probability of a listed parent company without an increase in the size of 8.19%. Indeed, the larger the firms, the higher the capital requirements and the more resources available to voluntarily apply IFRS. In addition, these companies often have a high degree of trade internationalization, so they often apply higher quality accounting policies, so companies tend to choose to apply IFRS even if IFRS has not yet been officially required to apply.

6.4.2. *Profitability*

Research results also found that profitability is positively correlated with willingness to voluntarily apply IFRS ($B = 0.051$) at the 1% statistical significance level. This implies that the more profitable listed parent companies are, the more likely they are to voluntarily apply IFRS. This finding is consistent with initial expectations and is consistent with the results of Samaha et al. (2016) and Pichler et al. (2018). The research results show that two-listed parent companies have similar conditions when other factors are constant. If the parent company does not increase profitability, there is a probability of voluntarily applying IFRS with an initial estimate of 10%, then a parent company with increased profitability has a 10.47% probability of voluntarily applying IFRS, which is higher than the parent company's non-increased probability of voluntarily applying IFRS

Table 10. Logistic regression analysis

Variables	Expected sign	B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
SIZE	+	0.693	0.116	35.561	1	0.000	2.001	1.593	2.513
LEVE	+	0.006	0.004	2.742	1	0.098	1.006	0.999	1.014
PROF	+	0.051	0.012	16.983	1	0.000	1.052	1.027	1.078
OPER	+	0.362	0.361	1.005	1	0.316	1.436	0.708	2.911
INVE	+	1.550	0.364	18.112	1	0.000	4.712	2.308	9.623
AUDI	+	1.696	0.327	26.907	1	0.000	5.452	2.872	10.347
Constant		-22.762	3.374	45.507	1	0.000	0.000		
N							400		
-2 Log likelihood							310.946		
Nagelkerke R Square							0.567		
Chi-square test of model's fit (sig.)							0.000		

Source: Research results.

Table 11. Estimating the probability of voluntarily applying IFRS according to the marginal effect of each factor

Order	Variables	B	Exp(B)	Estimated probability of voluntarily applying IFRS when the independent variable changes in probability			Impact location
				10%	20%	30%	
1	SIZE	0.693	2.001	18.19%	33.34%	46.17%	3
2	PROF	0.051	1.052	10.47%	20.82%	31.08%	4
3	INVE	1.550	4.712	34.36%	54.09%	66.88%	2
4	AUDI	1.696	5.452	37.72%	57.68%	70.03%	1

Source: Research results.

profitability is 0.47%. In Vietnam today, although business efficiency, as well as the quality of profits of enterprises, have been improved, however, the quality of financial statements of enterprises is not high, leading to unreliable profitability. Therefore, in order to demonstrate the prestige and quality of profits to related parties, businesses will choose to apply IFRS to transparent financial statements, providing a lot of reliable accounting and financial information for the user.

6.4.3. Foreign investors

Foreign investors are also found to have a positive correlation with the ability to voluntarily apply IFRS ($B = 1.550$) at the 1% statistical significance level. This means that listed parent companies with foreign investors are more likely to voluntarily apply IFRS. This result is consistent with initial expectations and is similar to the findings of Francis et al. (2008) and Kędzior et al. (2020). Besides, the study's findings show that the two-listed parent companies have similar conditions; when other factors are held constant, if the parent company has no foreign investors, there is an estimated probability of voluntarily applying IFRS. If the initial calculation is 10%, then a parent company with foreign investors has a voluntary probability of applying IFRS of 34.36%, which is higher than the probability of voluntarily applying IFRS of a parent company without foreign investors is 24.36%. Vietnam is in the process of integrating into the global economy, so businesses will have many opportunities to access and attract financial resources from international investors. Applying IFRS will help enterprises be transparent and make their financial situation and business results public, thereby improving their reputation and attracting financial resources from organizations and individuals, foreign investors, banks, and international financial institutions at a lower cost. This shows that foreign investors have a great influence on the ability to voluntarily apply IFRS in listed parent companies in Vietnam.

6.4.4. Type of auditor

The type of auditor is also found to have a positive correlation with the willingness to voluntarily apply IFRS at listed parent companies ($B = 1.696$), at the 1% statistical significance level. This confirms that the listed parent companies audited by Big-4 are more likely to voluntarily apply IFRS than other listed parent companies. This finding is consistent with initial expectations and is similar to the results of Hallberg and Persson (2011), André et al. (2012), Senyit (2014), and Pichler et al. (2018). The study results imply that, provided the two-listed parent companies are the same, other things being equal if the parent company is not audited by Big-4, there is a probability of voluntarily applying IFRS with the original estimation of 10%, then a parent company audited by Big-4 will have a 37.72% probability of voluntarily apply IFRS, which is higher than the probability of voluntarily apply IFRS of a parent company that is not audited by Big-4 is 27.72%. In Vietnam, in fact, most managers and accountants at enterprises are not knowledgeable or have in-depth knowledge of IFRS, so they are not able to prepare financial statements according to IFRS. In need of converting and reporting according to IFRS, businesses often use consulting and accounting support services from auditing companies, especially at Big-

4 audit firms. Because, in Vietnam, the team of auditors with professional qualifications, experience, and high skills in IFRS are mostly in the Big-4 audit firms. This proves the very important role of Big-4 audit firms in the voluntary application of IFRS in listed parent companies in Vietnam.

6.4.5. *Foreign operations*

Research results show that foreign operations have no effect on the ability to voluntarily apply IFRS in listed parent companies in Vietnam (Sig. > 0.05). This finding was not as expected and is different from the results of Gassen and Sellhorn (2006) and Jung et al. (2015). This difference is explained; in fact, the current foreign operations of parent companies listed in Vietnam are mainly import and export activities. Therefore, these companies are often interested in the value and quality of products and goods rather than the quality of the information in the financial statements; therefore, they have not paid much attention to the voluntary application of IFRS.

6.4.6. *Leverage*

Leverage was also found to have no effect on the willingness to apply IFRS in listed parent companies in Vietnam (Sig. > 0.05). This result did not meet the original expectation and is different from the study of Matonti and Iuliano (2012), Samaha et al. (2016), and Yang (2014). This difference is due to the fact that parent companies listed in Vietnam in many industries are borrowing at a high level compared to the average of other countries. Along with that, the use of high and unreasonable leverage (using short-term debt for long-term investment) has reduced solvency and increased financial risks for the company. On the other hand, many managers at companies have the mentality of not wanting to disclose the financial situation or deliberately hiding the weaknesses of the company. Therefore, they have not really paid much attention to the voluntary application of IFRS.

7. **Conclusion**

The purpose of this study focuses on analyzing some specific company characteristics that affect the ability to voluntarily apply IFRS in parent companies listed on Vietnam's stock market. This is completely consistent with current practice in Vietnam because, according to the roadmap announced by the Ministry of Finance (2020), these companies will be allowed to voluntarily apply IFRS from 2022. This study uses descriptive statistical analysis and univariate and multivariable regression analysis to examine the data set collected from the audited consolidated reports for the fiscal year 2020, the survey of managers at 400 parent companies listed in Vietnam.

Research results confirm that firm size, profitability, foreign investors, and type of auditors have a positive impact on the willingness to voluntarily apply IFRS in listed parent companies in Vietnam. Other firm characteristics such as leverage and foreign operations were found to have no impact on willingness to voluntarily apply IFRS. The findings of the study show that the type of auditor is the most influential factor in the willingness to voluntarily apply IFRS in these companies. This explains that, currently, some Vietnamese companies have applied IFRS or converted their financial statements from VAS to IFRS; however, these companies still have to ask for advice and support from the team of auditors in auditing companies when converting and issuing reports under IFRS, especially the Big-4 audit firms (currently in Vietnam, most of the auditors who have high ability and technical qualifications in IFRS are in the Big-4 group).

Foreign investors are found to be the next factor that plays an important role in affecting the willingness to voluntarily apply IFRS in listed parent companies. In Vietnam, foreign investors often have a cautious attitude and doubt the reliability of financial statements prepared according to VAS because the Vietnamese accounting system is often concerned with tax issues and serving the needs of the public. State management agencies rather than providing information to investors, customers, creditors, etc. This leads to a decrease in foreign investment capital in Vietnam, or foreign investors usually apply a certain discount when valuing the issuer's securities or charge a higher interest rate, even without a loan. Therefore, for businesses that want to access capital in the international capital market at a lower cost, the preparation of financial statements according to IFRS is almost a mandatory requirement.

The study's findings continue to show that firm size is the next factor affecting the willingness to voluntarily apply IFRS in listed parent companies. In fact, the larger the company, the higher the capital need, so they always want to create a good signal about the performance of their business, the confidence of the creditors, and attract investment flows; hence they often improve the quality of financial statements; therefore, enterprises tend to voluntarily apply IFRS. On the other hand, companies with larger scale will have better human resources, financial situation, internal management system, and infrastructure to meet the conditions of IFRS because applying IFRS mean enterprises have to spend a cost to upgrade and change the internal control system, as well as other costs that may arise in the process of applying IFRS such as training costs, skill improvement human resources, etc.

Finally, profitability was found to have the weakest impact on the willingness to voluntarily apply IFRS in listed parent companies. In parallel with efforts to improve economic growth, Vietnam's legal and institutional framework has also improved significantly. Vietnam's management system is highly appreciated for its open business environment, transparent investment policy, and favorable profit-based incentives for businesses; business efficiency and the enterprise's quality of profits are increasingly improved. However, the quality of profit in the financial statements prepared according to VAS is considered low reliability, affecting the investment, lending, or other financial decisions of related parties. As a testament to the quality of profits and to create trust among stakeholders, especially foreign investors, international financial institutions, etc., many Vietnamese enterprises have been choosing to apply IFRS to enhance the transparency of financial statements as well as corporate accountability. Applying IFRS will help businesses attract suitable financial resources at lower costs, bring higher efficiency to production and business activities, increase profits, and expand opportunities for business cooperation, fair competition, and sustained growth.

Although this study provides insights into the firm-specific characteristics that determine the voluntary application of IFRS, the study still has some limitations, and further studies need to be considered and expanded to improve as follows:

Firstly, the data used in the study is collected from listed parent companies with different sizes, business lines, ownership structures, etc., so it is not representative of each type of company.

Secondly, the dependent variable data used in the study are collected by surveying managers at 400 listed parent companies to see if their companies are willing to voluntarily apply IFRS, therefore, it is not representative of other companies.

Thirdly, in fact, there are still several other company characteristics that may affect the ability to voluntarily apply IFRS, such as industry characteristics, ownership structure, the capacity of accountants, etc., considered in this study.

Finally, the sample size of this study is small, so it is not generalizable, which may affect the quality of the study.

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