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## Article

# Is related party transactions linked to accounting comparability? Evidence from emerging market

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## ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

# Is related party transactions linked to accounting comparability? Evidence from emerging market

Phung Anh Thu<sup>1\*</sup>, Pham Quang Huy<sup>1</sup> and Le Huu Tuan Anh<sup>2</sup>

**Abstract:** This paper aims to evaluate the relationship between related party transaction (RPT) and accounting comparability (AIC). In this study, the authors use a generalized method of moments (GMM) method to assess the RPT-AIC association by using a sample of 441 non-financial companies in Vietnam for the period 2015–2019. Using the monetary scale to measure the size of the kinds of RPT transactions, the authors find evidence for a positive relation between RPT and AIC. Besides, our results are confirmed through different robustness tests by applying different ways of measurement for RPT and AIC. This study provides valuable empirical evidence about the relationship between RPT and AIC through the research context of an emerging market like Vietnam. This is the first study to diversify the research context in the developing country to answer whether the impact of RPT on business is context-based or global.

**Subjects:** Finance; Business, Management and Accounting; Industry & Industrial Studies;

**Keywords:** accounting comparability; emerging market; related party transactons; RPT sales; RPT purchases

### 1. Introduction

This study examines the relationship between RPT and AIC in the research context of an emerging market, Vietnam. Regardless of whether the price is charged, RPTs are viewed as transfers of assets, liabilities, or services between a reporting business and a related party (Zimon et al., 2021). In other words, RPTs have historically been seen as a tool used by dominant shareholders to extort minority shareholders through a variety of means, such as related party loans, endorsements, asset sales, and even trading ties (Cheung et al., 2006; Jian & Wong, 2010).

Unlike the only existing study about the RPT-AIC relationship of Lee et al. (2014) conducted in Korea, a developed country. In this study, the authors explore the relationship mentioned through the research context of a developing nation, Vietnam. Vietnam is an emerging market where corporate governance is still in the initial stage of development compared to other ASEAN countries (Khuong et al., 2022; Nguyen et al., 2021; Thuy, Khuong, Anh, & Quyen, 2022). Recently, the regulation of Circular 155/2015/TT-BTC and Circular 116/2020/TT-BTC by the Vietnamese Ministry of finance about disclosing information about listed companies has contributed to improving the corporate governance quality in Vietnam (Anh & Khuong, 2022; Khuong, Abdul Rahman, et al., 2022). So, Vietnamese listed firms had an average corporate governance score of 41.7% in 2019, substantially improving from the 31.8% in 2017. Compared to 2017 and earlier years, both the maximum and minimum ratings significantly increased, demonstrating a solid and outstanding development in the corporate governance of Vietnamese enterprises (ADB (Asian Development Bank), 2021).

Besides, Vietnam is in progress toward the target of mandatory adoption of IFRS in 2025. Currently, most public firms in Vietnam still prepare financial statements following the Vietnamese Accounting standards (VAS). According to VAS 26, the requirement for RPT disclosure in Vietnam is mandatory in the notes of the financial statements. However, there is no uniform format for the presentation of RPT in the notes for companies to comply with. It differs totally from strict disclosure regulations in developed countries, especially in the study of (Lee et al., 2014). Therefore, from this striking disparity between Vietnam and Korea, our study will significantly contribute to the RPT literature review and reply to the call of Lee et al. (2014) regarding conducting studies in developing countries with different regulations and legal frameworks.

Because RPT involves falsifying financial statements in order to hide expropriation (Derek-Teshun & Zhien-Chia, 2010). This issue causes possible bias in financial statements and has a detrimental impact on the trustworthiness and usefulness of information, increasing uncertainty and failing to resolve agency conflicts. Mark Kohlbeck and Mayhew (2017) study whether RPTs function as “red flags” that alert to possible financial misrepresentation. They discover a positive relationship between these transactions and future restatements, implying that restatements are more likely when a company engages in RPTs. By reviewing the existing research literature, it is possible to emphasise that the main reason for the failure of many well-known companies, such as Enron, WorldCom, Subprime Mortgage, and Adelphia in the United States, Parmalat and Cirio in Italy, Bank of Credit and Commerce International in the United Kingdom, and so on, has been profit management practises and RPT (Kumari & Pattanayak, 2017; Pier Luigi; Marchini et al., 2018).

In recent decades, regulatory agencies and stakeholders throughout the world have begun to view fair disclosure as a critical instrument for capital market protection and proper functioning (P. L. Marchini et al., 2019). Furthermore, comparable accounting information is a requirement for information transmission (C. Wang, 2014), which can not only improve the quality of accounting information and achieve financial reporting objectives, but also lower the cost of information processing and the cost of capital (S. S. Kim et al., 2013), allowing investors to compare investment opportunities, improve decision-making efficiency and confidence, and then guide the optimal allocation of resources (De Franco et al., 2011; Zhu et al., 2018). Attention has increasingly focused on shareholder protection and corporate groupings throughout the world, typically as a result of high-profile scandals, many of which have also engaged RPT. Enterprises that implement abnormal RPTs will use their information advantages to select accounting policies and information disclosure methods that are conducive to revenue maximisation, implement accounting information systems that differ from industry standards, or manipulate the accounting information disclosure process, reducing accounting information comparability with other enterprises in the industry (Lia et al., 2022).

On the one hand, while RPT topic is widely concentrated for a long time (C.-L. Chen et al., 2020; El-Helaly & Al-Dah, 2022; Hendratama & Barokah, 2020; Lia et al., 2022; Rahmat, Ahmed et al., 2020; Zimon et al., 2021), previous studies are classified into two categories that are the impact of firm's corporate governance mechanisms (CGM) on RPT and the consequence of RPT on firm's outcome. Regarding the first group, the findings are still controversial when previous studies found inconsistent findings. For example, Santosa et al. (2021) indicate that the effectiveness of CGM reduces the likelihood of engaging in RPT, but Shan (2019) used ownership structure types and the independence of the board as CGM measurements, shows the positive one. For the remaining group, scholars mainly focus on understanding the relationship between RPT and the organization's performance. For instance, firm value is the factor paid much attention and previous research show evidence for the bad impact of RPT on firm value (Hendratama & Barokah, 2020; H. D. H. D. Wang et al., 2019; Zimon et al., 2021). Besides, the quality of firms' information disclosed also the interesting aspect that prior studies investigated. A negative relationship between the magnitude of RPT and earnings quality or earnings informativeness is found (C.-L. C.-L. Chen et al., 2020; Rahmat, Ahmed et al., 2020; Rahmat, Muniandy et al., 2020).

On the other hand, the world is in the process of accounting convergence, and international accounting standards (IAS) are mostly applied globally. As an enhanced quality characteristic of financial reporting information, accounting information comparability is an aspect that receives intense attention from both theoretical and technical perspectives when it brings many benefits to investors and stakeholders. Many studies were conducted to figure out the relationship between different factors, such as corporate social responsibility (F. Wang et al., 2020), firm life cycle (Biswas et al., 2022), market competition (J. B. J. B. Kim et al., 2016), management style (Y.-S. Kim et al., 2021), financial reporting quality (Majeed & Yan, 2022), etc., and AIC. However, archival studies on the relationship between RPT and AIC seem to have received little attention; only study of Lee et al. (2014) explore the association mentioned above through the context of developed country is Korea. In their study, Lee et al. (2014) make the call for future studies to investigate the relationship between RPT and AIC in other research context due to the fact that the impact of RPT is context-dependent instead of universal.

This study would make following contributions. First, to the best of our knowledge, this is the first archival study conducted to fill the void of Lee et al. (2014) when exploring the relationship between RPT and AIC through the context of Vietnam, an emerging market or developing country. It can be said that RPT is a sore problem in both theory and practice. From a practical point of view, several scandals about the fraud or failure of large businesses related to the engagement of RPT. Theoretically, there is still a lack of a comprehensive framework for presenting and disclosing RPT in financial statements. In particular, Vietnam still does not have a complete conceptual framework for problems related to RPT. So, this study could provide several implications for regulators in proposing a suitable framework and controlling RPTs disclosure to enhance the transparency of the capital market.

Second, the authors also extend the previous literature on RPT-AIC from a time perspective. When the most recent study about the above relationship was conducted in 2014, the update of the research period can add valuable and timely views on the impact of RPT on the quality of accounting information.

Third, the difference in the research context is clarified in this study, and this difference makes our findings more valuable. While the Korean context of (Lee et al., 2014) is an OECD country with the popularity of the “Chaebol” groups that can rip off the economy, the Vietnamese context in this research is a developing country that just opened the economy in 1986.

## 2. Literature review

### 2.1. Related literature

The field of RPT has been investigated for a long time since 1997 (Rea, 1977); however, the expansion regarding the number of studies about RPT happened over two decades. Currently, there are three viewpoints on the effect of RPT on different aspects of firms, such as firm value, accounting quality, corporate governance, etc., which is RPT good, RPT bad, and RPT neutral (P. L. Marchini et al., 2019). However, recent research mainly focused on distinguishing between “good” and “bad” types of RPT (H. D. H. D. Wang et al., 2019) and neglected the “neutral” view. Each view of RPT is based on a different theoretical framework: the efficient transaction hypothesis and the conflict-of-interest hypothesis (Hendratama & Barokah, 2020; Lee et al., 2014; H. D. H. D. Wang et al., 2019; Zimon et al., 2021).

According to the first viewpoint, RPTs are potentially opportunistic since insiders could utilize them to further their interests at the expense of other shareholders (Cheung et al., 2006; Gordon et al., 2004; M. Kohlbeck & Mayhew, 2010). Because they have better access to information than outsiders like noncontrolling (minority) shareholders and corporate creditors, insiders of highly concentrated firms like managers, directors, and controlling owners are in a better bargaining position. Expropriation by insiders against the interests of outsiders is, therefore, more likely to

happen (Hendratama & Barokah, 2020). From the agency cost paradigm, RPT that are abusive can affect the accuracy of financial accounts, diminishing the effectiveness of contracts intended to prevent agency conflicts (M. J. M. J. Kohlbeck & Mayhew, 2004). As a result, over the last two decades, RPT has been identified as one of the primary drivers of corporate financial scandals (Gordon & Henry, 2005; Pizzo, 2013; Tong et al., 2014). This type of RPT is referred to in the academic field as a “tunneling” or “conflict of interests transaction theory” (Friedman et al., 2003; Hendratama & Barokah, 2020; Kumari & Pattanayak, 2017; Pier Luigi; Marchini et al., 2018; Peng et al., 2011).

Numerous studies have found that RPT worsens a company’s financial status. In the study of Hendratama and Barokah (2020), they implied that RPT is negatively related to firm performance in the Indonesian context. Similarly, with the sample including companies from Taiwan, H. D. H. D. Wang et al. (2019) also indicated a reverse association between RPT and firm value, RPT shows that companies with greater vertical integration within business groupings or greater similarity in industry characteristics perform better. RPT is seen by Gallery et al. (2008) as the kind of agency cost that destroy value since directors and management carry out RPT for their personal gain at the expense of the interests of other shareholders. Finally, considering the effect of RPT on AIC, Lee et al. (2014) found a negative relationship between RPT and financial statement comparability through different RPT measurements (RPT size, volatility of RPT, and non-cash RPT). Through previous empirical evidence that supports the first viewpoint, the authors observed that RPT is frequently utilized as an exploitation tool in East Asia, where procedures for protecting investors and corporate governance are generally lacking (S. Claessens et al., 2000; La Porta et al., 1998). Therefore, RPT is typically linked to poor firm performance and value and a higher degree of earnings management.

The second viewpoint regards RPT as potentially efficient since they may benefit enterprises through a simpler negotiation process, decreased transaction costs (Gordon et al., 2004), strategic cooperation, risk sharing, and contract facilitation (M. Kohlbeck & Mayhew, 2010). Studies that support this viewpoint illustrate how RPT can efficiently meet the company’s fundamental economic needs (Gordon et al., 2004). This viewpoint regards RPT as sound commercial transactions that meet the company’s economic needs (Djankov et al., 2008; Peng et al., 2011). Unlike researchers who accept the conflict of interests viewpoint, however, scholars in this camp believe that RPT does not hurt shareholders’ interests and emerges as an efficient contracting arrangement when there is inadequate information.

Tarun Khanna and Palepu (2000) make the following recommendation in this regard. In developing nations with limited institutional support for businesses, transactions within business groups could help the individual firms in the groups to function more efficiently than standalone enterprises. For example, when a company cannot get funds from the external capital market, it may be able to get them from other companies in the same group. Tarun Khanna and Palepu (2000) contend that the issue of information asymmetry, which would prevent the market from appropriately evaluating the firm, may cause some firms challenges in accessing the external capital market in less developed nations. As a result, RPT (including related party loans) across companies in the group could reduce this issue. According to Gopalan et al. (2007), loans between companies in the same group are crucial to transferring capital across group companies. These loans are often utilized to support weaker enterprises financially (Shin and Park (1999) for evidence from Korea).

Bell and Carcello (2000) find no proof that RPT makes fraud more likely. Furthermore, Gordon and Henry (2005) discover no evidence of a connection between earnings manipulation and RPT. Still, a good relationship between fixed-rate loans with linked related parties and earnings management is indicated. Additionally, these studies lend credence to the idea that RPT can be beneficial and is required for the firm to be managed successfully. In line with the argument that RPT is made to allow transaction costs, Loon and Ramos (2009) show that RPT can remove the obstacles or delays that often occur in contracts and agreements with third parties. One of the

primary justifications for business group formation, particularly in situations where markets exhibit a high level of inefficiency, is frequently the reduction or elimination of transaction costs (Stijn Claessens & Fan, 2002; Stijn Claessens et al., 2006; T. Khanna & Yafeh, 2007).

Empirically, RPT's advantages for efficient contracting are advantageous to businesses in various ways. For instance, related party sales increase business profitability and value due to increased efficiency and decreased transaction costs, according to S. J. S. J. Chang and Hong (2000); Wong et al. (2015). Reduced information asymmetry in related party sales and purchases benefits the firm's profitability and value while lowering audit fees and false assertions (Habib et al., 2015; Mark Kohlbeck & Mayhew, 2017).

## 2.2. Hypothesis development

From the above statements and prior evidence in the literature review section about the impacts of RPT on various aspects of firms, the authors will propose the hypothesis for the relationship between RPT and AIC in the research context of Vietnam. By examining this association, the study will fill the void in the existing literature and research gap of Lee et al. (2014).

Most prior studies conducted in developed nations or a huge market such as China supported the opportunistic viewpoint or agency theory perspective about the negative consequences of RPT on various aspects of an organization (Cheung et al., 2006; Downs et al., 2015; Gordon et al., 2004; M. Kohlbeck & Mayhew, 2010; Mark, 2017; Lee et al., 2014; P. L. Marchini et al., 2019; H. D. H. D. Wang et al., 2019; Wong et al., 2015; Zimon et al., 2021). Many arguments support the domination of the strand line of this evidence. First, RPTs can be an indicator of agency problems, investors consider them to be opportunistic (Cheung et al., 2006; M. Kohlbeck & Mayhew, 2010; Ming & Wong, 2003). For instance, firms with high ownership concentration, the top management team can access more information and understand the real financial situation of companies. Consequently, the likelihood of expropriation by insiders against outsiders' interests is relatively high (Hendratama & Barokah, 2020). RPT may be one of the best methods for carrying out profit management measures, which is another intriguing issue (Rahmat, Ahmed et al., 2020). Executives and board members of companies have incentives to manage revenues to either justify (or raise) these perks or, potentially, to hide such expropriation if they engage in RPT to take the company's resources (Pier Luigi Marchini et al., 2018; Zimon et al., 2021). To avoid government detection of unlawful RPT, managers or controlling shareholders can pick RPT's aggressive accounting methods and reduce the comparability of their accounting information to that of their industry peers (Lee et al., 2016).

Only the current study by Lee et al. (2014) explores the relationship between RPT and AIC. They indicated the negative consequence of RPT on the readability and understandability of financial statements through the research context of Korea. This finding is consistent with those abovementioned arguments about RPT's drawbacks. However, Diab et al. (2019) believe that the effect of RPT on firm valuation is context-dependent instead of universal. This conclusion supports the brilliant notion that it is crucial to investigate RPT effects in other countries because various countries may have various cultural, political, and industry aspects that may have an impact on RPT. So, in this study, through the Vietnamese context, the authors will explain the RPT—AIC relationship, and from the “background of Vietnam” section, the authors believe that the result of the association between RPT and AIC can be different from the study of Lee et al. (2014). For a developing country with a weak legal framework for protecting investors and market inefficiency like Vietnam, RPT can benefit firms in various aspects. In other words, the efficient transaction hypothesis could be appropriate for Vietnam. For example, suppose there is a lack of support for companies in accessing external resources. In that case, RPT could benefit these kinds of firms by reducing transaction costs between firms in the same group or enhancing a firm's resource utilization (S. J. S. J. Chang & Hong, 2000; Y. Y. Chen et al., 2009; Tarun Khanna & Palepu, 2000). As a result, the authors propose the following hypothesis:

### **H1: Related party transactions is positively related to accounting comparability.**

When analyzing deeper into the different forms of RPT, the impact of these kinds on AIC will differ. Previous research based on the nature of transactions and used specific of RPT such as sales, purchases or loans (Aharony et al., 2010). Furthermore, the nature and complexity of each form of RPT can be distinguished based on how managers or controlling shareholders employ such transactions (M. Kohlbeck & Mayhew, 2010). Managers or controlling shareholders may employ several types of transactions to achieve various goals (Cheung et al., 2006; M. Kohlbeck & Mayhew, 2010).

For the Vietnamese market, main types of RPT are RPT sales and purchases. Even though RPT sales are undertaken to improve resource allocation efficiency (Wong et al., 2015). However, as the prices charged in RPT sales may be unfair compared with industry average prices (Kang et al., 2014), expropriation may occur. Therefore, RPTs allow shifting earnings between firms, particularly from listed firms to their related parties (Cheung et al., 2006). Several studies have explored the relationship between RPT sales and market reactions and contend that the market responds less positively to RPT sales (Cheung, Jing et al., 2009; Ming & Wong, 2003). Contrary to the RPT sales, the study by Derek-Teshun and Zhien-Chia (2010) implied that RPT purchases of goods have a significant relationship with performance through the sample of high-technology firms in China. Various studies also support the positive effect of RPT purchases when they argued that RPT purchases can make the value-enhancing effect (Aharony et al., 2010; Tambunan et al., 2017). By following that, this type of RPTs can help to lower the transaction cost, which may in turn improve operational performance and maximize profit (Cheung, Qi et al., 2009). From arguments regarding the impact of RPT sales and purchases mentioned above, the authors proposed the following hypotheses:

**H2a. Related party sales negatively influence accounting comparability.**

**H2b. Related party purchases positively influence accounting comparability.**

## **3. Research design**

### **3.1. Research sample**

In this study, the authors utilize the research data of 441 Vietnamese listed firms from 2015 to 2019. To avoid the bias issue and make sure the validation of our results, the authors exclude companies belonging to the financial and insurance sector because of the difference in the financial statement structure. Besides, the authors also discard the firms that do not have full financial information to eliminate the outliers. For RPT data, the authors manually collect in the notes of audited financial statements and financial data are extracted from Refinitiv Eikon database. Finally, the sample includes 2011 firm-year observations. Table 1 classifies the research sample based on industry.

### **3.2. Research model**

Based on the prior studies by (Downs et al., 2015; Lee et al., 2014; Wan & Wong, 2015; H. D. Wang et al., 2019) to measure the impact of different kinds of RPT on AIC, the authors also control some firm-characteristics variables that can influence AIC. The research model is proposed as below:

$$\begin{aligned} \text{COMPARABILITY}_{i,t} = & \alpha_0 + \alpha_1 \times \text{RPT}_{i,t} + \alpha_2 \times \text{SIZE}_{i,t} + \alpha_3 \times \text{LEV}_{i,t} \\ & + \alpha_4 \times \text{REV}_{\text{GROW}_{i,t}} + \alpha_5 \times \text{TANG}_{i,t} \\ & + \text{TIME}_{i,t} + \text{INDUSTRY}_{i,t} + \varepsilon_{i,t} \end{aligned}$$

Where:



**Table 1. Research sample classification based on industry**

<b>Industry classification</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Grand Total</b>
Basic Materials	63	73	78	86	96	396
Consumer Cyclical	67	69	70	74	70	350
Consumer Non-Cyclical	36	35	36	39	41	187
Energy	30	31	32	33	32	158
Healthcare	14	14	14	15	16	73
Industrials	126	129	137	144	152	688
Technology	10	11	11	12	12	56
Utilities	18	21	21	21	22	103
<b>Total</b>	<b>364</b>	<b>383</b>	<b>399</b>	<b>424</b>	<b>441</b>	<b>2011</b>

**COMPARABILITY<sub>i,t</sub>**: Dependent variable that represents for the comparability of financial statement.

**RPT<sub>i,t</sub>**: Independent variable that includes three indicators, RPT total, RPT sales and RPT purchases.

**SIZE<sub>i,t</sub>**: The measurement for the size of the company.

**LEV<sub>i,t</sub>**: The measurement for leverage ratio of firm.

**REV\_GROW<sub>i,t</sub>**: The proxy to measure the growth rate of company in sales.

**TANG<sub>i,t</sub>** : The indicator to measure firm's tangible assets.

**TIME<sub>i,t</sub>** and **INDUSTRY<sub>i,t</sub>**: Time-effect and industry-effect are controlled in the research model.

$\varepsilon_{i,t}$ : The error term.

Table 2 describes detailed all variables in this study.

### 3.3. Estimation strategy

Our study considers that both AIC and RPT could be endogenously determined. In this situation, the potential impact of RPT on AIC may be driven by different firm-specific characteristics and the omitted variables issues could lead to endogeneity problem and affect RPT-AIC relationship. Therefore, based on the study by Gavana et al. (2022); Zimon et al. (2021), the authors apply the GMM method to measure the association between RPT and AIC.

Table 2. Definition of variables		
Variable	Definition	Source
COMP4	The average AIC for each combination form of the four firms with the highest comparability to firm	De Franco et al. (2011)
COMPIND	The median AIC for each combination form for all firms in the same industry as firm	
COMPACCT	The average AIC for each combination form for all firms in the same industry	
RPT_SALES	The total amount of RPT price that is classified as RPT sales	Downs et al. (2015); Gavana et al. (2022); Lee et al. (2014)
RPT_PURCHASE	The total amount of RPT price that is classified as RPT purchases	
RPT_TOTAL	The total amount of RPT prices for transactions such as sales, purchases, receivables, loans, etc.	
SIZE	The natural logarithm of the firm's total assets	Wan and Wong (2015); H. D. H. D. Wang et al. (2019)
LEV	Total long-term debt divided by total assets	
REV_GROW	The change in sales throughout the year (%)	
TANG	The natural logarithm of the firm's tangible assets	

## 4. Results and discussion

### 4.1. Descriptive statistic and correlation matrix

Table 3 describes all characteristics of variables utilized in this study. For variables measuring the comparability of financial statements, the mean values of COMP4, COMPIND and COMPACCT are -0.008, -0.025, -3.012, respectively. While RPT purchases accounts for nearly one-fifth of the total RPT amount, RPT sales just is around 13% which means that total annual RPT is about 13% of total sales. In comparison with study of Lee et al. (2014), RPT sales is much lower (13% and 26%) and the similarity for RPT purchases comparing to Zimon et al. (2021) (17.8% and 21.3%).

For the firm’s characteristics proxies, the mean value of SIZE is 27.219; the mean value of LEV is 23%, meaning that long-term debts account for a significant fraction of the firm’s capital. A similar pattern is also found for TANG, representing the proportion of tangible assets as 25% of the company’s total assets.

Table 4 illustrates the correlation between variables. The highest correlation value is for LEV and SIZE (0.392), still lower than 0.5, which means that the potential for serious multicollinearity problems does not exist.

### 4.2. Empirical result and discussion

To test hypothesis H1 regarding the correlation between RPT and AIC, the authors use RPT\_TOTAL as independent variable and change the dependent variable as COM4, COMPIND and COMPACCT (Model 1, 2 and 3). The results are presented in Table 5 confirm hypothesis H1 and indicate that the more RPTs firms conduct, the more AIC is. Not only the positive correlation between RPT and AIC is found through RPT\_TOTAL through examining hypothesis H1, but the consistent findings are also confirmed when testing Hypothesis H2a and Hypothesis H2b. The findings in Table 6 indicate both RPT\_SALES and RPT\_PURCHASE proxies positively impact AIC indicators (COMP4, COMPIND, and COMPACCT through model 4 to model 9). In other words, hypothesis H2a is rejected, and hypothesis H2b is confirmed. Our results are totally different from the only existing study of Lee et al. (2014) when they found a converse association between RPT and AIC.

According to the suggestion of Diab et al. (2019), the research context can be the best answer for this totally contradictory finding between our study and Lee et al. (2014). In the research context of Lee et al. (2014), Korea is a developed country with strict legislation and strong legal framework in protecting shareholders (Leuz, 2010), so the RPTs are controlled under strict regulations to avoid their drawbacks. However, despite the superior in legal framework, several Korean economic and financial markets is under the influence of large groups called “Chaebol” that led to RPTs bring negatively consequence to stock market and accounting quality (Bell & Carcello, 2000;

Variable	Obs	Mean	Std. Dev.	Min	Max
COMP4	2,011	-0.008	0.019	-0.375	0.000
COMPIND	2,011	-0.025	0.029	-0.573	-0.004
COMPACCT	2,011	-3.012	3.712	-63.373	-0.099
RPT_SALES	2,011	0.128	0.331	0.000	4.211
RPT_PURCHASE	2,011	0.178	0.773	0.000	11.090
RPT_TOTAL	2,011	0.374	0.912	0.000	15.320
SIZE	2,011	27.219	1.495	23.441	32.209
LEV	1,972	0.231	0.189	0.000	0.798
REV_GROW	2,001	0.125	0.639	-0.949	9.421
TANG	2,011	0.253	0.217	0.000	0.970

**Table 4. Correlation matrix**

	comp4	compind	compactt	rpt_sales	rpt_purchase	rpt_total	size	lev	rev_grow	tang
COMP4	1.000									
COMPIND	0.944	1.000								
COMPACCT	0.715	0.839	1.000							
RPT_SALES	-0.006	0.013	0.047	1.000						
RPT_PURCHASE	0.030	0.035	0.066	0.136	1.000					
RPT_TOTAL	0.023	0.035	0.081	0.468	0.902	1.000				
SIZE	0.024	0.042	0.050	-0.053	-0.092	-0.106	1.000			
LEV	-0.089	-0.097	-0.072	-0.018	-0.138	-0.138	0.392	1.000		
REV_GROW	-0.014	-0.017	-0.012	0.010	-0.033	-0.019	0.021	-0.005	1.000	
TANG	-0.005	0.029	0.109	-0.011	-0.049	-0.066	0.184	0.251	-0.032	1.000

**Table 5. Regression results for RPT\_total indicator**

Variables	Model 1	Model 2	Model 3
	COMP4	COMPIND	COMPACCT
RPT_TOTAL	0.0001*** [12.05]	0.001*** [4.10]	0.518*** [13.82]
SIZE	0.001*** [6.68]	0.001*** [10.50]	0.188*** [11.44]
LEV	-0.012*** [-8.67]	-0.017*** [-13.75]	-2.867*** [-22.14]
REV_GROW	0.001 [1.31]	-0.001 [-1.39]	0.028 [0.38]
TANG	0.004*** [7.79]	0.006*** [7.30]	2.693*** [24.99]
_cons	-0.027*** [-8.31]	-0.048*** [-16.99]	-8.123*** [-18.67]
N	1044	1476	1476
GMM test	0.4237	0.216	0.5126
Adjusted R <sup>2</sup>	0.01	0.013	0.038

*\*, \*\*, \*\*\* denote the level of significance of 10%, 5%, and 1%, respectively*

Shin & Park, 1999). These Chaebol firms have specific characteristics: First, controlling shareholders take the most ownership and control (G. S. Bae et al., 2008; K.-H. K.-H. Bae et al., 2002). Second, member firms of Chaebol enterprises are controlled by controlling owners with limited cash flow rights (Hwang et al., 2013; Kim, 2003; M.-I. Kim et al., 2015). In addition, the Chaebol's complex structure makes it harder for minority shareholders to keep an eye on self-dealing transactions, giving dominant shareholders in business groupings more opportunities and means to shift corporate resources. This leads to significant agency problems between controlling and minority stockholders (K.-H. Bae et al., 2002; M.-I. M.-I. Kim et al., 2015; Lee et al., 2016).

For Chaebol firms, their policy and decisions made by top management affect all the member firms of a business group and member firms in the same business group use similar accounting systems. This feature leads to if these kinds of companies try to select accounting policies that are biased against the industry (unlike the usual industry norm) for manipulation earnings or other opportunistic purpose, the AIC of accounting market in overall will be affected in overall. On the other hand, Chaebol firms operate various businesses in most industries to benefit from economies of scale through the reduction of transaction costs (J. J. Chang & Shin, 2006; Y. S. Kim & Kang, 2014) or this reduction can also achieve through conducting RPTs. However, prior studies proved that Chaebol firms could corner the market when they usually perform “tunnelling” or “propping” activities (G. S. Bae et al., 2008; K.-H. Bae et al., 2002). Therefore, with significant influence on the financial market, if Chaebol firms tend to utilize RPTs for opportunistic purposes or hide anomaly business activities, they can reduce the quality as well as the comparability of accounting information.

This study examines the relationship between RPT and AIC using a research sample that includes Vietnamese-listed firms. As mentioned in the background section, the Vietnamese Government is trying to increase the transparency and efficiency of the stock market; this has led to the promulgation of several standards and circulars to help companies disclose RPTs on the notes of financial statements fully and clearly. Moreover, Vietnam's economy is a socialist-oriented market economy; the Government plays a pivotal role in controlling and regulating the economy, so it cannot have the existence of types of firms that can corner the market like Chaebol in Korea.

**Table 6. Regression results for RPT sales and RPT purchases indicators**

Variables	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
	COMP4	COMP4	COMPIND	COMPIND	COMPACCT	COMPACCT
RPT_SALES	0.001*** [3.94]	a	0.003*** [5.25]		0.821*** [9.48]	
RPT_PURCHASE		0.0001*** [3.62]		0.0001** [2.09]		0.377*** [10.17]
SIZE	0.001*** [6.53]	0.001*** [7.73]	0.001*** [10.17]	0.001*** [9.84]	0.173*** [10.81]	0.179*** [10.94]
LEV	-0.012*** [-9.09]	-0.013*** [-11.32]	-0.017*** [-13.92]	-0.017*** [-13.63]	-3.127*** [-23.64]	-3.020*** [-24.63]
REV_GROW	0.001 [1.33]	0.001 [1.58]	-0.001 [-1.57]	-0.001 [-1.32]	0.09 [1.16]	-0.009 [-0.12]
TANG	0.004*** [7.74]	0.004*** [7.33]	0.007*** [7.58]	0.007*** [7.90]	2.564*** [24.36]	2.739*** [26.54]
_CONS	-0.026*** [-8.13]	-0.028*** [-9.41]	-0.049*** [-16.34]	-0.049*** [-15.68]	-7.546*** [-17.83]	-7.745*** [-17.84]
N	1044	1044	1476	1476	1476	1476
GMM TEST	0.3178	0.3519	0.2812	0.3078	0.8587	0.2337
Adjusted R <sup>2</sup>	0.01	0.011	0.012	0.013	0.032	0.033

\*, \*\*, \*\*\* denote the level of significance of 10%, 5%, and 1%, respectively

To conclude, the above explanations confirm our research findings for Hypothesis 1 and emphasize the importance of research context in exploring the relationship between RPT and AIC.

Our findings are confirmed and validated through several proxies representing RPT and AIC, so the research results are trustworthy. Although this study significantly contributes to the existing research, this study still encounters some limitations. The study's sample size is not diverse when just utilizing the sample of Vietnamese-listed firms. Future studies can be expanded to other nations in Asia to clarify the influence of RPT on AIC. Besides, due to limitations in data access, the RPT data in this study are hand-collected, so that is the reason why the authors cannot expand the sample period to the nearest time. In the future, scholars can expand the time interval to keep updated on the latest financial market characteristics.

## 5. Conclusions

Summarizing the study, in the introduction section, the authors introduce the motivation of this study when examining the relationship between RPT and AIC in the Vietnamese context. The research background and the contribution of this study are also described in the introduction section. Then, the literature review section provides a comprehensive overview of RPT-related studies. The authors also propose hypotheses based on two contradictory viewpoints that have been debated for a long time about the impact of RPT on the company. The proposed research model, estimation strategy and the research sample selection process are presented clearly in the research design section. Regarding the results and discussion part, the regression results are presented. The authors also discuss the economic impact of the findings, along with comparing this study's findings with other previous studies. Finally, the conclusion section summarises all previous sections and provides implications for other related parties from these research findings.

In this study, the authors examine the association between whether there is a correlation between RPT and AIC through the sample, including 441 Vietnamese listed firms in the period

2015–2019. Besides, the meaning of this research not only stops at examining the RTP-AIC relationship but is also the first study to fill the void of the only current study about RPT and AIC of Lee et al. (2014) about answering whether the finding about the correlation mentioned above in developed countries is different from developing countries.

Using the monetary scale to measure the size of the kinds of RPTs that are popular in Vietnam, such as the RPTs total, RPT sales, and RPT purchases as different proxies for RPT, the authors conclude that AIC is higher proportionally to the size of RPTs. Furthermore, the results are unchanged when the authors repeat the regression analysis through various indicators for AIC. Therefore, our research findings about the correlation between RPT and AIC in the Vietnamese context are valid.

The findings of our study may be useful for regulatory bodies and public firms.

For listed companies, first, due to the positive correlation between RPT and AIC, listed companies or business groups should pay attention to controlling the extent and the type of RPT to ensure that these transactions are conducted in the best interest of stakeholders. Second, the accounting policies of RPTs in the financial statements to help best optimize the advantages of disclosing RPTs were clearly explained. Third, the valuation method of RPTs (buy-sell, borrow-lend, etc.) was explained and materiality presented when disclosing the value of RPTs, or balances of receivables—liabilities of RPTs at the end of the financial year.

Regarding policymakers, as evidenced from the Vietnamese context, they should try to develop and revise accounting standards and guidance to help listed companies have appropriate reference to disclosure their information, especially RPTs information. Besides, regulators may wish to consider additional disclosure requirements regarding industry attributes for those related parties to enhance understanding of the nature behind the RPTs disclosed.

The positive relationship between RPT and AIC found in this study could provide useful implications for investors. When considering firm's annual reports and financial statements, shareholders can trust more on the firms' disclosing RPT clearly and invest into these companies. Besides, when valuating future firm's value and cash flow, investors should group companies having transparency RPT disclosure because these companies may have better financial reporting quality and easily compare. This would lead to investors easily choose which companies are suitable for the investment's strategy.

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