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Master Program in Public Finance Management

**Application of IPSAS Standards to the Vietnamese Government
Accounting and Financial Statements**

Master's Thesis

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DECLARATION

Dear Professor Lasse Oulasvirta,

I would like to declare that this thesis is done by myself under the supervision of Professor Lasse Oulasvirta, and the whole content of this research was written in English by myself.

Yours sincerely,

Le Thi Nha Trang

ABSTRACT

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The Vietnamese government has implemented a reform of public financial management in a realm of government accounting. The current government accounting regime has met requirements of budget management. However, it provides very little information of financial position and performance. Furthermore, in the context of the increasing international integration and requirements of public sector management reform, the Vietnamese government accounting needs to be improved with applying full accrual accounting based on IPSAS standards. The IPSAS are encouraged by the IPSAS Board as well as international financial organizations. And many countries have adopted the IPSAS or are in a progress adapting them. The questions are that whether or not the Vietnamese government accounting should apply the IPSAS, and to what extent apply them in current conditions of Vietnam so as to make use of advantages and overcome challenges of the IPSAS. So the research aims to evaluate comprehensively the usefulness and feasibility of the IPSAS for the Vietnamese government accounting and financial statements.

The research uses qualitative methodology with research instruments namely data analysis and questionnaire. Types of documents will be analyzed including articles, papers, books of public financial management, public sector accounting and IPSAS standards, the current Vietnamese legislation involving public finance management, accounting regimes, reports of public financial management reform, and minutes of seminar. Questionnaire will be sent to regulators and lecturers relating the realm of government accounting in order to get data of opinions, perceptions of applying the IPSAS to the Vietnamese government accounting and financial reporting.

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In Hanoi, 30^h of March, 2012

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LIST OF ABBREVIATIONS

IFAC: International Federation of Accountants

PSC: Public Sector Committee

IPSASB: International Public Sector Accounting Standards Board

IPSAS: International Public Sector Accounting Standards

IASB: International Accounting Standards Board

IAS: International Accounting Standards

IFRS: International Financial Reporting Standards

UN: United Nations

WB: World Bank

IMF: International Money Fund

OECD: Organization for Economic Cooperation and Development

NPM: New public management

VAS: Vietnamese Accounting Standards

GBE: Government Business Enterprises

1 INTRODUCTION

1.1. Background

In Vietnam, the accounting and audit systems have been innovated substantially since 1994. They have contributed to manage state budget in particular and public expenditures in general, and to create more favorable operational environment to public sector organizations. However, financial information provided by governmental agencies and units is not full, consistent, standardized and comparable, which may lead to ineffective financial management.

The trend of openness and economic integration is happening sharply. Vietnam has taken part in many organizations in the area and around the world such as WTO, ASEAN, APEC, WB, IMF and ADB. It has to comply with commitments in which has the medium-term commitment of issuing a system of public accounting standards (Minutes of seminar, 2007, p. 12), which will enable the Vietnamese public sector accounting to provide standardized, comparable and internationally recognized financial information. The financial information will be used to make decisions of investment, lending or aid.

In the content of the market economy, the Vietnamese public accounting not simply records bookkeeping as before, but also must recognize, treat, analyze and provide financial information for many different users fully and comprehensively. This results from an increased size of government including not only pure administration management but also public services provision, requirements of transparency and accountability, the trend of new public management (NPM) which emphasizes 3 E-economy, efficiency and effectiveness. In other words, the Vietnamese public sector accounting needs to be innovated together with reforms of public sector and public financial management connected with the market mechanism so as to promote good governance.

For above reasons, I determine on choosing thesis named “Application of IPSAS standards to the Vietnamese government accounting and financial statements”. This would help the

agencies manage resources efficiently and effectively, and provide consistent, standardized and comparable financial information from across the agencies as well as countries.

1.2. Research problem and research questions

1.2.1. Research problem

IPSAS standards are issued by International Public Sector Accounting Standards Board (IPSASB) established by International Federation of Accountants (IFAC), and based on International Financial Reporting Standards (IFRS) with changes appropriate to public sector issues. IFRS are issued by the International Accounting Standards Board (IASB), based on accrual accounting and used for private sector enterprises. The majority of IPSAS use the full accrual-based accounting which recognizes fully assets, liabilities, net assets/equity, revenues and expenses regardless of when the cash or cash equivalents are received or paid. The IPSAS set out requirements of recognition, measurement, presentation and disclosure dealing with transactions and events in general purpose financial statements of all public sector entities. When the accrual basis of accounting underlies the preparation of the financial statements, the financial statements will include the statement of financial position, the statement of financial performance, the cash flow statement and the statement of changes in net assets/equity. When the cash basis of accounting underlies the preparation of the financial statements, the primary financial statement is the statement of cash receipts and payments. Accrual-based accounting based on IPSAS standards require that the public finance management and accounting of the country is developed enough.

Vietnam has issued total twenty-six standards (so-called Vietnam Accounting Standards (VAS) based on International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) since 2001 ([http://www.tapchiketoan.com/ke-toan/chuan-muc-ke-toan-viet-nam/nhung-van-de-can-tiep-tuc-hoan.html](http://www.tapchiketoan.com/ke-toan/chuan-muc-ke-toan-viet-nam/he-thong-chuan-muc-ke-toan-viet-nam-nhung-van-de-can-tiep-tuc-hoan.html)). These standards are applied to the accounting system for private sector entrepreneurs, and based on the accrual-based accounting. However, up to now the government has not yet had accounting standards for public sector in accordance with IPSAS, but only has the government accounting regime which has many differences from the IPSAS.

Administrative and public services provision-based agencies follow the accounting regime given by the Ministry of Finance at Decision No.19/2006/QĐ-BTC dated 30/3/2006. This accounting regime may be seemed as the government accounting regime. The government accounting regime has specific regulations of fixed accounts system with fixed entries for specific transactions, and of financial and budget settlement reports, but it does not have comprehensive regulations and standards based on uniform principles as the IPSAS. The government accounting regime is based on a modified cash accounting and a modified accrual accounting depending on kinds of agencies/units. For pure administrative agencies and public services provision-based agencies/units which are funded fully by state budget, the accounting system is on the modified cash basis of accounting. Income-generating administrative and public services provision-based units which have revenues and are funded partly by state budget apply the modified accrual-based accounting which only recognizes some assets and liabilities. As such, financial statements provide very little information of financial performance and position of the entity. Further, they are much different from the IPSAS about content, form and quantity.

The IPSAS should meet a need to reform and develop the Vietnamese government accounting and financial reporting. Therefore, in turn, public financial management as well as transparency and accountability will be improved, and public sector reforms under New Public Management postulates will be implemented.

1.2.2. Research questions

The main research question of my study is:

Are IPSAS standards useful and feasible for the Vietnamese government accounting and financial statements?

This question requires that the research needs to analyze theories of government accounting and IPSAS, and issues relating application of IPSAS in the context of the Vietnamese government accounting namely the current Vietnamese government accounting regime, advantages and disadvantages of accrual accounting based on IPSAS standards to the Vietnamese government accounting, the extent of IPSAS adoption, and some recommendations of application of the IPSAS to the Vietnamese government accounting. Therefore, in order to answer to the main research question, some sub questions will be examined as follows:

- Are IPSAS standards a good answer to the need to develop the accounting, full accrual accounting and asset/liability model, fair value?
- What are the advantages and disadvantages of the current Vietnamese government accounting regime? And what differences does it have compared to the IPSAS?
- What opportunities and challenges are there to the Vietnamese government accounting when applying the IPSAS?
- To what extent is IPSAS application suitable for current conditions of the Vietnamese government accounting?
- What recommendations can be made to apply the IPSAS?

1.3. Objectives and organization of the research

1.3.1. Objectives of the research

The research aims to comprehensive evaluation of the IPSAS' s usefulness and feasibility for the Vietnamese government accounting and financial statements. Particular objectives of the research include as below:

The study examines theories of public sector accounting and IPSAS so as to understand characteristics and roles of government accounting in public financial management, public sector management, recent government accounting reform connected with applying accrual-based IPSAS standards, advantages and disadvantages of IPSAS affecting the extent of adoption them.

The research attempts to assess the present Vietnamese government accounting regime. This evaluation provides information about characteristics, advantages, disadvantages, differences of the current government accounting regime compared to IPSAS. Along with taking into account some experiences on application of accrual IPSAS standards of some countries, favorable conditions and obstacles to the Vietnamese government accounting as applying the IPSAS, the another particular aims of the research are to point to advantages and disadvantages of IPSAS from the point of view of the Vietnamese government, to show the demand for applying the IPSAS, to define the extent and to make recommendations of IPSAS adoption to the Vietnamese government accounting.

1.3.2. Organization of the research

Excluding introduction and conclusion from the study, the research is divided into five different sections. The main idea behind the division is the logical presentation and movement from theory-based information towards application.

The first section refers to some basic concepts and literature review including two parts: government accounting and full accrual financial reporting under the IPSAS. Part 1 comprises the theory of public financial management and good governance in which include concepts of public sector, public finance, good governance and NPM, and present the relationship between public financial management and good governance; and government accounting and financial reporting showing roles and types of government accounting such as budget accounting, management accounting, financial accounting and reporting, cash-based accounting, accrual-based accounting. Part 2 demonstrates scope, authority and advantages of IPSAS, presentation of financial statements, and some criticism of IPSAS.

The current Vietnamese government accounting regime, differences between it and the IPSAS, and some experiences on application of IPSAS in some countries are contents of the second section. The third section describes methodologies and data. The fourth section presents results of the survey. The fifth section demonstrates summary and discussion, recommendations and limitations of the survey research.

2 BASIC CONCEPTS AND LITERATURE REVIEW

2.1 Government accounting

2.1.1 Theory of public financial management and good governance

Public sector:

Public sector includes the general government sector (often briefly referred to as government) and public sector corporations (Bergmann, 2009, p.3). Most countries have different levels of government such as federal, state, regional, central, local level. Government levels implement either activities decentralized or ones contracted with other agencies and organizations.

Governments are elected by citizens to make collective decisions on their behalf to provide goods and services which cannot readily be provided by private firms, and for social

welfare purposes. Their provision is funded collectively through taxation levied on citizens rather than through sales of products to them. Governments are agents of citizens whose role is to make collective decisions in the public interest which are intended to enhance the economic and social wellbeing of the nation. Governments supply some commodities more efficiently and effectively than private firms. Public goods and services are characterized by non-rival and non-excludable consumption characteristics, and are non-commercial items, which are not for sale, and they do not generate their own revenues such as the services provided by the defense forces, systems of law and order, public roads and recreational facilities. Users do not have property rights to these goods. Governments also have other responsibilities including the macroeconomic management of the nation and its international relations (Barton, 2005, p. 142).

Athukorala and Reid (2003, p. 3-4) found that the public sector environment differs from the private sector environment. Among other things: (i) government fiscal activities intentionally impact the economy; (ii) government generally has power to create money and to coercively impose levies and taxes; (iii) government objectives are broader than those of private sector organizations and include equity, justice and poverty reduction; (iv) in many cases government not only owns an organization, but also is the major purchaser of its goods and services; and (v) governments are accountable to a wider group of stakeholders. Furthermore, public sector activities are closely considered through the following mechanisms:

- Budgets and Forecasts: The executive branch generally prepares annual budgets and multi-year forecasts for scrutiny and consideration by the legislative branch.
- Appropriations: The legislative branch (e.g., parliament) generally authorizes the executive branch (e.g., the government) to incur expenditures.
- Reports (or outturns): At year-end, and sometimes during the year, the executive branch generally prepares financial statements for scrutiny and consideration by the legislative branch.

Public finance:

Public finance is part of economics. It deals with the financial decisions of public sector entities. It is a function of public financial management. Because of distinctions of public sector, public finance also has typical characteristics in terms of spending, income, and deficit and debt.

First, public sector spending or government spending is one of substantial components of public finance. Governments either tax consumption or borrow money from private sector

investors thus the proportion of government spending in relation to the national income or GDP is paid most attention. Under the classification by nature, government spending comprises of investment and consumption. “Very common classes of nature in the field of consumption spending include salaries/payroll, rent, repair and maintenance, interest, depreciation, etc. In the case of investments it includes property, plant and equipment, infrastructure, financial investments, etc”. Government spending is also classified by function such as education, defense, social welfare, etc. This functional classification is usually more relevant for politicians than the classification by nature. By comparing their functional spending, the competitiveness of countries can be assessed. Yet, it is more difficult to adopt spending standards of each function for various countries, especially on lower levels, due to differences in organizational structures (Bergmann, 2009, p.26-29).

Second, how governments finance public sector spending is an important question worked out in public finance. Of course, governments must have so-called public sector income to cover the spending. According to Bergmann (2009, p.30-32), there are two sources of income including from taxes and transfers which are called revenue from non-exchange transactions, and from fees called revenue from exchange transactions. Governments impose tax on private households or corporations regardless of any service provided by the public sector entity while fees are usually connected with the delivery of goods or services. For many transfers, they are less clear non-exchange transactions because transfers sometimes come with conditions attached. Identifying costs which are covered by fees remains controversial namely overhead costs, depreciation, interest on invested capital, a profit.

Finally but not at least, public sector deficit and debt are considerably taken into account in the field of public finance. “A deficit means that the government is spending more money than it is taking out of the economic cycle, a surplus on the other side means that more money is taking out than spent”. Deficit is financed either by using the net assets/equity that has accumulated in developing years, or by borrowing money. Governments have to define financial liability when financing debt. Debt is intergenerational transfer. Hence it is probably fairer if it is used for investments which the next generation can make use and also use. Traditionally, the deficit is cash payments out minus cash payments in and be called a cash drain (or a cash flow if it happens to be a surplus) when applying cash-based accounting. Under accrual-based accounting, the deficit reflects an excess of expenses over revenues, vice versa for a surplus (Bergmann, 2009, p.32-34).

Public financial management

“Public sector financial management is an activity in order to analyze, structure, set objectives and implement measures in the field of finance, if the entity addressed is a government of any level, a corporation controlled by the government or an international organization set up by various nations” (Bergmann, 2009, p. 3). Public sector financial management is approached under various aspects namely task-based, institutional perspective, and integrated one. According to a task-based approach, it comprises of public finance, public sector financial planning, accounting and financial reporting, controlling, assurance, and internal control (Bergmann, 2009, p. 5).

The following descriptions of financial management are typical:

(a) Financial management is defined as encompassing all or part of the processes and functions of planning and programming, budgeting, budget execution and accounting, and audit and evaluation;

(b) The object of financial management is to ensure that, to the maximum practical extent, the resources entrusted to it are acquired and used lawfully, efficiently and effectively.

Public financial management is frequently identified as a key component within the wider systems of public resources management and policy formulation, alongside development programming and personnel and property management systems. The integrated concept of public financial management is advocated in literature concerned with international development. Contemporary writings in this field take a similar view of the core of the public financial management subject, while focusing on issues of fiscal policy (in the sense of macroeconomic objectives of growth, stability and distribution), cash management, value for money auditing, efficiency in the provision of public services, and results-oriented financial management. Recent publications in the area of public financial management concentrate specifically on the questions of efficiency, effectiveness and results orientation, emphasizing the concepts of public resources accountability in pursuit of economic stabilization, economies in public expenditure, efficiency and effectiveness (UN, 1995, p.4-5)

According to Bergmann (2009, p.5), bringing finance and management together in the public sector context is a more recent idea, based on various reforms under the name of new public management (NPM) which have numerous and important financial implications. Goals of public sector financial management which are widely accepted and pursued by the World Bank encompass fiscal management (flows-revenues and expenditure, positions-assets and debt, and risks), resource allocation, and value for money (economy, efficiency, and

effectiveness). Two first goals are more traditional, while third one introduces the ideas of NPM.

The public financial management system must be integrated into the total governance framework if it is to contribute as part of an organic whole to enhancing a country's development prospects. A successful financial management system is a core component of a total system of management and needs to work in harmony with the other elements (human resources, strategic and operational planning, information systems etc.) that are employed to achieve the objectives of government (UN, 1995, p. 10). Having sound financial management and reporting in the public sector is an important contributor in achieving greater transparency, accountability, fiscal responsibility and, hence, improved governance (Barrett, 2004, p. 3).

Good governance

The general public is placing more importance on good governance within both sectors. In the public sector, they are concerned that government programs are well managed and meeting their objectives - this means greater openness and transparency. There is a desire to hold Parliament, government, and public officials directly accountable for results - leading to demands for sound public sector governance frameworks not only to be established, but also to be functioning properly (Barrett, 2004, p. 3). Governance structures and processes have a determining effect on the formation of national development objectives, the effectiveness of policy design and implementation efforts aimed at achieving them, the quality and availability of public services, the effectiveness and efficiency with which they are delivered, and even the legitimacy of the whole apparatus of government. The concept of governance spans this whole range of issues and provides a useful basis for reconsidering the scope and conduct of government (UN, 1995, p. 7). Governance failures manifest themselves in corruption, weak judicial systems that define property rights and enforce contracts, and the inability to perform basic government functions (Chan, 2006, p. 33)

The word “governance” means that the way power is embodied in public institutions and is exercised, as well as arrangements that keep policy-making sound over time. The concept of governance incorporates how decisions are made, the balance of powers and institutions, and in ways politicians and managers are held accountable. Sound governance in both private and public sector is a precondition for benefits of a modern economy and increased global trade and investment. The OECD has identified several attributes of good public governance including (OECD Matheson, 2002, p.38-39):

- Transparency – open processes and systematic reports on results in meeting objectives

- Accountability – action, decisions and decision-making processes open to scrutiny by public agencies, Parliament and civil society;
- Responsiveness – the capacity and flexibility to respond to changing national and international circumstances;
- Future Orientation – the ability to anticipate future problems and develop policies that take into account future costs and anticipated changes;
- Rule of Law and Integrity – equitable enforcement of transparent laws, regulations and codes, so that they become a part of the culture in the public sector in supporting ethical behavior and in vigorous action to fight corruption.

Good public management and administration, with emphasis on accountability and responsiveness to customer needs, has been seen as an aspect of good governance by donor agencies supporting reforms in developing countries. To the World Bank, good governance consists of a public service that is efficient, a judicial system that is reliable, and an administration that is accountable to the public. The World Bank elaborates on four elements of good governance (Economic Commission for Africa, 2003, p. 5):

- Public sector management emphasizing the need for effective financial and human resource management through improved budgeting, accounting and reporting, and rooting out inefficiency particularly in public enterprises;
- Accountability in public services, including effective accounting, auditing and decentralization, and generally making public officials responsible for their actions and responsive to consumers;
- A predictable legal framework with rules known in advance; a reliable and independent judiciary and law enforcement mechanisms; and
- Availability of information and transparency in order to enhance policy analysis, promote public debate and reduce the risk of corruption.

It is apparent from the above conception of “good governance” that there is some emphasis on improving public-sector management systems in which have public sector financial management system. Thus, in the good governance prescriptions, one finds public management reforms as a key component pointing towards market and private sector approaches to public sector management, under the guise of New Public Management (NPM).

New public management (NPM)

New Public Management is a label used to describe a management culture that emphasizes the centrality of the citizen or customer, as well as accountability for results. It is a set of

broadly similar administrative doctrines, which dominated the public administration reform agenda of most OECD countries from the late 1970s. It captures most of the structural, organizational and managerial changes taking place in the public services of these countries, and a bundle of management approaches and techniques borrowed from the private-for-profit sector. The key components of NPM may be put into two broad strands – those that emphasize managerial improvement and organizational restructuring, and those that emphasize markets and competition. NPM shifts the emphasis from traditional public administration to public management, pushing the state towards “managerialism”. The traditional model of organization and delivery of public services, based on the principles of bureaucratic hierarchy, planning and centralization, direct control and self-sufficiency, is apparently being replaced by a market-based public service management or enterprise culture (Economic Commission for Africa, 2003, p. 6).

NPM postulates include: (a) greater emphasis on citizens’ satisfaction as a ‘client’ of public sector services; (b) greater emphasis on management and accountability assessment methods; (c) the opening up of public sector entities to competition; (d) development of arrangements for the systematic comparison of activities between management units (benchmarking); and (e) the separation of policy-making from service delivery and the creation of agencies to deliver services. In recent years NPM postulates have been applied in many OECD countries (Navarro and Rodriguez’, 2007, p. 414).

Since the 1980s, the public sector has been transformed to enhance the efficiency and effectiveness, and accountability of public service delivery. The main features of transformation include a wide range of changes such as decentralization, deregulation, replacement of input control by output control, management by results, the introduction of private sector management techniques, etc. NPM principles have been growing in the Anglo-American administrative culture model¹ (Pina and Torres, 2003, p. 334). NPM reforms include attempts to institutionalize accrual accounting for budgetary and external financial reporting purposes in order to provide useful information about liabilities, debt, usage of assets, and the cost of public services (Pina and Torres, 2003, Christianens and Van Peteghem, 2007, Christiaens, 2010). NPM changes have not followed a consistent path internationally (Pina and Torres, 2003, *ibid*). NPM has been implemented in various ways in different countries, due to diverse concepts of state and the separation doctrine underlying administrative thought (Navarro and Rodriguez’, 2007, p. 414).

¹ Anglo-America countries include Australia, Canada, New Zealand, United Kingdom, and the United States.

2.1.2 Government accounting and financial reporting

Roles of government accounting and financial reporting

“Public sector accounting used to be a mere record keeping of budget execution” (Bergmann, 2009, p.9). He also presented that public sector accounting is one of functions of public financial management and one of six critical dimensions of performance of public financial management. Adequate records and information are produced, maintained and disseminated to meet decision-making control, management and reporting purposes (Bergmann, 2009, p.17). “Government accounting refers to a government’s financial information systems and financial disclosure practices. Its state of development results from the interaction between the supply of and demand for government financial accountability and transparency” (Chan, 2006, p. 32).

The accounting system is a critical institutional infrastructure but not often visible until it fails. Better accounting systems can lead to improvements in a government’s financial management. Government accounting contributes to a country’s socioeconomic development such as poverty reduction through its effect on public financial management and accountability. These social benefits are indirect and long-term thus it is difficult to see them. Effective government accounting makes it possible to manage the government’s finances smoothly and provides audit trails to prevent and detect financial misconduct. In light of the pervasiveness and severity of government corruption in many developing countries, financial integrity assurance is a critically important function of their government accounting systems. Programs or other socioeconomic goals such as poverty reduction are implemented effectively and efficiently by ethical and competent public management and public financial management. A good government accounting system keeps accurate financial scores at the minimum, directs the attention of policy makers and managers to problem areas, and provides information useful for decision making at its best (Chan, 2006, p. 34).

As a support function, accounting does not have values of its own, and does not decide the allocation. Nevertheless, once these decisions are made, the accounting system implements the critical function of following the money. By providing information serving internal control, audit, and public revenues and expenses management, the accounting ensures that resources are used for intended purposes (Chan, 2006, *ibid*). Sound budget and accounting practices have far-reaching implications for a nation’s growth and are a key element of good governance structures thus the OECD have had projects of budget and accounting reforms such as fiscal transparency, budgeting for the future, accrual-based

accounting, etc (OECD Matheson, 2002, p.37-39). The underdevelopment of government accounting probably contributes to governance failures which lead to countries' underdevelopment (Chan, 2006, p. 33).

Accounting plays a crucial role in NPM developments as the means by which measurements are made, achievements are documented, and negotiations take place so the language of accountancy assumes a new significance in public service organizations. Government accounting is considered an integral and vital part of public sector reforms (Pina and Torres, 2003, p. 334, Navarro and Rodriguez', 2007, p. 413, Christiaens, 2010, p. 538). In the last two decades, government accounting systems have played a key role in the development of administrative reforms based on the NPM doctrine that has inspired processes undertaken to modernize the public sector in numerous OECD countries (Navarro and Rodriguez', 2011, p. 615).

Types of government accounting

Government accounting can be divided into budget accounting, financial accounting and management accounting in terms of purposes of using information. Each kind of accounting has its own characteristics.

The first kind of accounting is budget accounting. Financial planning and controlling are two of the main tasks of public sector financial management, being brought together under the umbrella of the term budgeting. Budgets are more authoritative in the public sector than on the private sector, as they are the legal basis for any financial transaction and thus conditional in a legal sense (Bergmann, 2009, p.44). Budgets are an essential element in the planning and controlling the financial affairs of a nation or a regional or a local government or business enterprise. Public budget is a compulsory and legal document. Public agencies and bodies have to follow a public budget and cannot spend more public money than what the public budget justifies.

As such, budget accounting is the core area of public sector accounting, providing information serving the needs of budget control. It is primarily responsible for presenting of budget and reporting budget execution. Budget reports include a budget outturn calculation, a budget statement of financial performance and a budget cash flow statement. Technically, it is possible to prepare a budget statement of financial position or a budget balance sheet, but this is less popular and also less needed because it does not present any transactions and is therefore not a basis of financial authorization (Bergmann, 2009, p. 45). "Complete budgetary accounting (or appropriation accounting) must be the common denominator of every accounting system. It should track appropriations, supplementary estimates, virements, and

the uses of appropriations (release of funds, commitments, expenditures at the verification stage, and payments” (Schiavo and Tommasi, 1999, p. 2).

Equally important, another kind of government accounting is management accounting. According to Bergmann (2009, p. 56-57), management accounting is popular in private sector. In fact, there has been no distinction made between financial and management accounting in most entities until recently. Nevertheless, management accounting has been interested in more by the public sector constituency because of the requirements of new public management (NPM) emphasizing the product prospective and competition to public sector markets, and of big market-oriented public sector entities with many organizational units. With public sector entities taking a responsibility of provision the goods and services, and having units/centers, namely cost ones, profit ones, and investment ones, they need a management accounting system to calculate their product costs and define revenues. It is generally accepted that management accounting is to provide the information to the management and the government. Management accounting is developed for internal decision making needs of business managers. When being adapted to the public sector, it is especially suitable for public sector corporations and entities responsible for sale incomes and profitability.

The final kind of accounting is financial accounting and reporting. Financial accounting and reporting provide information of sources, allocation and use of financial resources to external and internal users including lenders, politicians, tax-payers, budget decision makers, citizens, etc. Information provided by it allows the readers to assess the current and future financial situation of the entity. Financial accounting is called the language of business. The increasing importance of financial accounting in the public sector, as epitomized by the emergence of the IPSAS on the world scene, reflects the belief in the power of objective financial recordkeeping, which has been credited with inducing business-like behavior (Chan, 2006, p. 37).

Government accounting has four kinds covering cash, modified cash, modified accrual, and full accrual in terms of bases of accounting system. This classification refers to accounting principles such as matching, substance over form, relevance, going concern, etc that determine when the transactions or events should be recognized for financial purposes (Schiavo and Tommasi, 1999, p. 2-5).

Cash accounting records the inflow and outflow of cash regardless of when revenues are earned and expenses are incurred. It recognizes the transactions and events only when cash or

cash equivalents such as bank accounts, cashless payments is received or paid. Future liabilities such as payment of a retirement pension are not reflected in the official budgets and statements until the pension comes due and payment is made. There is no full balance sheet, only cash receipts, cash disbursements, and opening and closing cash balances are recognized in the balance sheet. A cash accounting system is simple. Cash-based accounting and budget accounting coincides in many countries. Cash-based budgeting does not require cash accounting, but cash accounting requires cash budgeting.

Modified cash accounting recognizes transactions and events which have occurred by year-end and are normally expected to result in a cash receipt and/or disbursement within a specific period after year end (so-called a “complementary period”, e.g., 30 or 60 days). As such, besides cash receipts and cash payments, cash flows statement adds short-term receivables and payables such as advances.

Modified accrual accounting recognizes transactions and events when they occur, no matter when cash is paid or received. Financial statements produced with this model cover revenues, expenditures, liabilities, long-term assets, and net financial resources but not all them as accrual-based accounting. For example, physical assets that will provide services in the future are written off in the period acquired and supplies are considered consumed. In comparison with cash basis of accounting, this model is better in giving an adequate framework for assessing liabilities and arrears due to expenditures at the verification stage recognized as liabilities. There is a variety of modified accrual accounting systems, depending on the treatment of superannuation liabilities, inventories, depreciation, etc.

Full accrual accounting records revenues as earned, recognizes expenses as incurred, and capitalizes fixed assets, rather than when the cash or cash equivalents is received or paid. Changes in inventories are recognized and assets are progressively depreciated according to their useful life. The overriding principle of full accrual-based accounting is the matching principle that expenses are recorded in the same period as the related revenues are recognized. Finance statements produced under this model cover assets, liabilities, net assets/equity, revenues, expenses, cash flows. Full accrual accounting is similar to the accounting systems for private enterprises (commercial accounting). Full accrual basis of accounting does not require accrual basis of budgeting, but accrual budgeting requires accrual accounting.

Basis of accounting	Measurement focus	Elements of reporting (budgetary or financial)
Cash basis	Cash Balances (and changes therein)	<ul style="list-style-type: none"> - Cash receipts - Cash disbursements - Cash Balances
Modified cash basis	Current Financial resources (and changes therein). Receivables and payables	<ul style="list-style-type: none"> - Cash receipts plus receivables within a specific period from period end - Cash disbursements plus payables within a specific period at period end - Cash and near cash Balances
Modified accrual basis	Total financial resources	<ul style="list-style-type: none"> - Revenues - Expenditures (includes the acquisition of physical assets) - Financial assets - Liabilities - Net financial resources
Full accrual basis	Economic resources (and changes therein)	<ul style="list-style-type: none"> - Revenues - Expenses (including depreciation) - Assets (financial and physical) - Liabilities - Net assets (equity)

Source: IFAC Public Sector Committee (1993), Study 2 Elements of the Financial Statement of National Governments.

Figure 1. Accounting basis and measurement focus (cited in Khrouz and Brusca, 2007, p. 17)

The move towards a comprehensive accrual oriented public sector accounting and financial reporting structure began to take place in the late 1980s (Carlin, 2005, p. 310). Most national reforms are shifting towards the introduction of accrual accounting which is the method of accounting worldwide accepted for the private sector (FEE, 2007, Athukorala and Reid, 2003). Accrual accounting facilitates better planning, management and decision making as well as providing a means with which to assess financial elastic. It can also support better performance measurement and therefore performance management. So it can manage finances more effectively. More effective comparisons of some aspects of financial performance between different government departments and agencies as well as international comparisons can obtain by it (FEE, 2007, Bergmann, 2009, PSC, 1996). “Accrual accounting

as defined and introduced by NPM reforms provides more and accurate information about government solvency, their patrimonial goods and determining costs of public services” (Pina and Torres, 2003, p. 335). While cash accounting only pays attention on budget compliance management, accrual accounting improves the management of government resources and enhances efficiency of operations (Barton, 2005, p. 143). However, Barton (cited in Barrett, 2004, p.4) stated that “Unfortunately for the public sector, the accrual accounting standards adopted by it were the ones prepared for use by the business sector”. Barrett (2004, p.5) found that in order to implement accrual accounting, re-modeling and reforming of departmental operations according to business principles and practices are needed. The shift to accrual accounting is normally part of a wider set of reforms, where delegation is increased, departments are governed in order to provide a service for citizens rather than follow set rules and there is increased openness of public sector in terms of reporting and performance measurement (FEE, 2007, p. 23). Only the small number of countries has made the full transition to accrual accounting. A high compliance with accrual accounting principles can not be implemented at once. Countries which have been implementing accrual accounting for many years have a high compliance with accrual accounting principles (FEE, 2007, p. 22). Schiavo and Tommasi (1999, p. 28) argued that the implementation of a full accrual accounting system needs to be considered prudently because it requires a comprehensive registration of assets and a sound cost measurement system.

The adoption of accrual accounting does not occur in isolation and the style of transition is affected by the context within which it occurs. Factors that may influence the nature and speed of the transition to accrual accounting include (IFAC, 2011, p. 26-27):

- (a) The system of government and the political environment;
- (b) Whether the reforms are focused solely on accounting change or whether they encompass other wider scale reforms;
- (c) Whether the changes are being driven from the top down, or bottom up. For example, changes driven by the top level of government may be mandatory for all entities within that government and may have fixed time frames.
- (d) The current basis of accounting used by the entity, the capability of existing information systems, and the completeness and accuracy of existing information, particularly in relation to assets and liabilities;
- (e) Any change to the basis of accounting for budgeting;
- (f) The level of political commitment to the adoption of accrual accounting; and

(g) The capacity and skills of the people and organizations responsible for implementing the changes.

Full accrual accounting requires a detailed analysis of full costs. This needs an appropriate management system. Accrual accounting cannot rely only on traditional budget management. It needs adequate management systems at the program or spending agency level. Compared with a cash-based budget, accrual budgeting systems have the advantage to give more importance in the budgetary process to full cost estimates. However, this alters the traditional rules for compliance, since appropriations include depreciation forecasts and long-term assets no longer set a cash limit. In most developing and transition countries, changing the nature of appropriation and the rules for compliance would reduce fiscal discipline. In countries with poor accountability, it would make a chance of misappropriation and corruption, and diminish accountability to Parliament. Therefore, they should not consider implementing an accrual budgeting system for the central government, even if they intend to develop an accrual accounting system (Schiavo and Tommasi, 1999, p. 18-20).

Adopting accrual budgeting is controversial. Only a few countries use accrual basis for accounting and budgeting including Australia, New Zealand, Sweden (Schiavo and Tommasi, 1999, Bergmann, 2009, OECD, 2002). Accrual budgeting ensures that all relevant information provided by accrual accounting is considered in the most important financial decisions of public sector entities. Further, having the same basis for budgeting and financial accounting would reduce the complexity of the system, and facilitate comparisons between actual and budget (Bergmann, 2009, p. 66). In fact, in Australia and New Zealand the use of accrual budgeting has led to a better realization of future unfunded liabilities, better infrastructure management and a more efficient budget reallocation process (OECD, 2002, p. 45). However, due to the authorization feature of public sector budgets, cash basis budgets have remained in many countries while accrual accounting is adopted for financial statements. Accrual budgeting increases the complication to political budget debates. The adoption of the same basis for budgeting and accounting will be performed in the long run (Bergmann, 2009, *ibid*). According to OECD (2002, p. 44), in order to move to accrual budgeting, governments spend a significant amount of time on educating and consulting with government managers and other interested groups like parliamentarians.

The success of government accounting reform depends on political and management support, the availability of budgetary and human resources, and information technology (Chan, 2006, p. 38). Christiaens and Van Peteghem (2007, p. 394) stated that the commitment of the decision-makers can be a factor affecting government accounting reform. Qualified

accountants are essential for the successful adoption of accrual accounting (Bergmann, 2009, Athukorala and Reid, 2003). New financial management information system (FMIS) is implemented together with the introduction of accrual accounting but governments should not invest in a complex FMIS until they are familiar with the accrual environment (Athukorala and Reid, 2003, p. 50).

2.2 Full accrual financial reporting under the IPSAS

2.2.1 Scope, authority and advantages of the IPSAS

International Public Sector Accounting Standards Board (IPSASB) (IPSAS-Board, 2007, p. 2-3)

The IPSASB (formerly Public Sector Committee (PSC)) is a Board of the International Federation of Accountants (IFAC) formed to develop and issue under its own authority IPSAS. The objectives of the IPSASB are to serve the public interest by developing high quality public sector financial reporting standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of financial reporting throughout the world. The IPSASB achieves its objectives by:

- Issuing International Public Sector Accounting Standards (IPSAS);
- Promoting their acceptance and the international convergence to these standards; and
- Publishing other documents which provide guidance on issues and experiences in financial reporting in the public sector.

Besides, the IPSASB issues other non-authoritative publications including studies, research reports and occasional papers that deal with particular public sector financial reporting issues.

The dynamism of the IPSAS-Board is probably one important characteristic of public sector accounting in recent years (Benito et al., 2007, p. 294). By February, 2011, the IPSAS Board has issued 31 standards (details in Appendix 1)

Scope of IPSAS standards

The IPSASB develops IPSAS standards which apply to the accrual basis of accounting and IPSAS standards which apply to the cash basis of accounting. The IPSAS set out recognition, measurement, presentation and disclosure requirements dealing with transactions and events in general purpose financial statements. The IPSAS are designed to apply to the general purpose financial statements of all public sector entities. Public sector entities include

national governments, regional governments (for example, state, provincial, territorial), local governments (for example, city, town) and their component entities (for example, departments, agencies, boards, commissions), unless otherwise stated. The IPSAS do not apply to Government Business Enterprises (GBE). The GBE apply International Financial Reporting Standards (IFRS) which are issued by the International Accounting Standards Board (IASB) (IPSAS-Board, 2007, p. 2).

Government Business Enterprise means an entity that has all the following characteristics (IPSAS 1, p.28):

- (a) Is an entity with the power to contract in its own name;
- (b) Has been assigned the financial and operational authority to carry on a business;
- (c) Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;
- (d) Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and
- (e) Is controlled by a public sector entity.

Although some of public sector corporations such as public transport reach more than 50 per cent of their revenues from market activities, they will not qualify as GBE and should therefore adopt IPSAS because they depend on government funding (Bergmann, 2009, p.92-93).

Accrual IPSAS standards are converged with IFRS issued by the International Accounting Standards Board (IASB) by adapting IFRS to a public sector context when appropriate (IPSAS-Board, 2007, p. 5).

Authority and advantages of IPSAS standards

The IPSASB acknowledges the right of governments and national standard-setters to establish accounting standards and guidelines for financial reporting in their jurisdictions. Some sovereign governments and national standard-setters have already developed accounting standards that apply to governments and public sector entities within their jurisdiction. IPSAS may assist such standard-setters in the development of new standards or in the revision of existing standards in order to contribute to greater comparability. IPSAS are likely to be of considerable use to jurisdictions that have not yet developed accounting standards for governments and public sector entities. The IPSASB strongly encourages the adoption of IPSAS and the harmonization of national requirements with IPSAS (IPSAS-Board, 2007, *ibid*).

Standing alone, neither the IPSASB nor the accounting profession has the power to require compliance with IPSAS. The success of the IPSAS Board's efforts is dependent upon the recognition and support for its work from many different interested groups acting within the limits of their own jurisdiction (IPSAS-Board, 2007, *ibid*).

The adoption of IPSAS standards, together with disclosure of compliance with them will lead to a significant improvement in the quality of general purpose financial reporting by public sector entities. This, in turn, is likely to lead to better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability (IPSAS-Board, 2007, p. 6). The promotion of accountability through greater transparency is an explicit stated goal of IPSAS (Chan, 2006, p. 37). Full accrual-based accounting of the IPSAS will gain good governance or increase governmental financial accountability and transparency because accrual-based accounting provides information that is more comprehensive, comparable and consistent than information provided by cash accounting (Athukorala and Reid, 2003, p. 17). According to Christiaens et al. (2010, p. 552), the reasons on applying IPSAS are that it is more efficient to make use of the knowledge of the IPSASB and avoid to reinvent the wheel. They (*ibid*) also stated that IPSAS would enhance international comparability of financial information. Benito et al. (2007, p. 314) stated that in the near future countries will tend towards IPSAS more and more because of the necessity of minimizing the differences between public accounting systems and increasing the comparability of public sector accounting information demanded by academics and professionals and different international organizations. The IPSAS Board has developed a number of IPSAS standards in order to assist NPM reforms (Christiaens, 2010, p. 538). According to Benito et al. (2007, p. 311), the flexibility of IPSAS is high. For example, property and equipment can be valued at historical cost or fair value.

2.2.2. Presentation of financial statements

General Purpose Financial Statements

Financial statements which are issued for users that are unable to demand financial information to meet their specific information needs are general purpose financial statements. Examples of such users are citizens, voters, their representatives and other members of the public. Financial statements cover all statements and explanatory material which are identified as being part of the general purpose financial statements. In addition to preparing

general purpose financial statements, an entity may prepare financial statements for other parties (such as governing bodies, the legislature and other parties who perform an oversight function) who can demand financial statements tailored to meet their specific information needs. Such statements are referred to as special purpose financial statements. The IPSASB encourages the use of IPSAS in the preparation of special purpose financial statements where appropriate (IPSASB, p. 4).

When the accrual basis of accounting underlies the preparation of the financial statements, the financial statements will include the statement of financial position, the statement of financial performance, the cash flow statement, the statement of changes in net assets/equity and notes to financial statements (IPSAS 1.19, p. 32).

Purposes of financial statements (IPSAS 1.13-1.16, 2000, p. 31-32)

The objectives of general purpose financial statements are to provide information about the financial position, performance and cash flows of an entity that is useful for a wide range of users in making and evaluating decisions about the allocation of resources. Specifically, the objectives of general purpose financial reporting in the public sector should be to provide information useful for decision-making, and to demonstrate the accountability of the entity for the resources entrusted to it by:

- (a) Providing information about the sources, allocation and uses of financial resources;
- (b) Providing information about how the entity financed its activities and met its cash requirements;
- (c) Providing information that is useful in evaluating the entity's ability to finance its activities and to meet its liabilities and commitments;
- (d) Providing information about the financial condition of the entity and changes in it; and
- (e) Providing aggregate information useful in evaluating the entity's performance in terms of service costs, efficiency and accomplishments.

General purpose financial statements can also have a predictive or prospective role, providing information useful in predicting the level of resources required for continued operations, the resources that may be generated by continued operations, and the associated risks and uncertainties. Financial reporting may also provide users with information:

- (a) Indicating whether resources were obtained and used in accordance with the legally adopted budget; and
- (b) Indicating whether resources were obtained and used in accordance with legal and contractual requirements, including financial limits established by appropriate legislative authorities.

Besides financial statements, non-financial statements are reported to provide a more comprehensive picture of the entity's activities during the period.

Statement of financial performance

A statement of financial performance may be referred to as a statement of revenues and expenses, an income statement, an operating statement, or a profit and loss statement (IPSAS 1.20, p. 33). It should include a minimum of the following line items presented respectively (IPSAS 1.101 and 1.103, p. 52):

- Revenue from operating activities;
- Surplus or deficit from operating activities;
- Finance costs;
- Share of net surpluses or deficits of associates and joint ventures accounted for using the equity method;
- Surplus or deficit from ordinary activities;
- Extraordinary items;
- Minority interest share of net surplus or deficit; and
- Net surplus or deficit for the period.

The statement of financial performance shows the revenues, the expenses, and the surplus and deficit. Information on revenues helps both users and public sector entities themselves to assess whether current revenues are sufficient to cover the costs of current programs and services. Public sector entities need information about expenses in order to assess their revenue requirements, the sustainability of existing programs, and the likely cost of proposed activities and services. With information on the full costs of their activities, public sector entities can (IPSASB, 2011, p. 14, study):

- Consider the cost consequences of particular policy objectives and the cost of alternative mechanisms for meeting these objectives;
- Decide whether to fund the production of services within sub-entities, or whether to purchase goods and services directly from third party entities;
- Consider the costs of particular services in relation to user fees; and
- Allocate responsibility for managing particular costs.

A statement of financial performance may be classified by function or by nature. It may present two or three tiers such as operating activities, financial ones, and ordinary ones.

Statement of financial position

A statement of financial position may be called a balance sheet or statement of assets and liabilities. The statement of financial position comprises of the following items (IPSAS 1.89, p. 48):

- (a) Property, plant and equipment;
- (b) Intangible assets;
- (c) Financial assets [excluding amounts shown under (d), (f) and (h)];
- (d) Investments accounted for using the equity method;
- (e) Inventories;
- (f) Recoverable from non-exchange transactions, including taxes and transfers;
- (g) Receivables from exchange transactions;
- (h) Cash and cash equivalents;
- (i) Taxes and transfers payable;
- (j) Payables under exchange transactions;
- (k) Provisions;
- (l) Non-current liabilities;
- (m) Minority interest; and
- (n) Net assets/equity.

The IPSAS require a distinction between current and non-current assets and liabilities. Current assets and liabilities are due to be settled within one business cycle or 12 months or what are cash or cash equivalents.

This statement provides information for public sector entities with the following purposes (IPSASB, 2011, p.13):

- Demonstrate accountability to the public for their management of assets and liabilities
- Plan for future funding requirements of asset maintenance and replacement;
- Plan for the repayment of, or satisfaction of, existing liabilities; and
- Make decisions about the level of assets and debt held in the context of financing the services they wish to provide.

Statement of cash flows: An entity which prepares and presents financial statements under the accrual basis of accounting should prepare a cash flow statement present it as an integral part of its financial statements for each period for which financial statements are presented (IPSAS 2.1, p. 74). This statement presents the way cash and cash equivalents are generated and used. It should report cash flows during the period classified by operating, investing, and financing activities if using the direct method (IPSAS 2.18, p. 80).

Changes of net assets/equity and notes to the financial statements: IPSAS No.1 also requires the statement of changes in net assets/equity and notes to the financial statements.

2.3 IPSAS criticism

Besides the advantages of the IPSAS mentioned above, the IPSAS have disadvantages.

Firstly, IPSAS standards are issued on the basis of IAS/IFRS applied to enterprises without preparing a general framework for public sector entities that differ in many crucial aspects from for-profit organizations, thus it is quite a contradictory solution (Oulasvirta, 2008, p. 225). For example, in government sector, control of budget implementation matters and accountability concerns not only financial performance, but also operative and non-financial performance result (Christiaens and Skerbek, cited in Oulasvirta, 2008, p. 232). Barton (2005, p. 138) also found that the governments and the business sector are very different on operation environment and roles, and accounting standards must be tailored to suit the specific information needs of each sector for the accounting systems to provide relevant information. This would better enable accrual accounting information systems to assist in enhancing the efficiency and effectiveness of public sector operations and the accountability of governments to parliament and citizens. According to FEE (2007, p. 7), there has been much recent debate about the need for a public sector Conceptual Framework. Such a framework could assist preparers of accounts, particularly for situations where accounting standards do not cover such as the policy on the depreciation and valuation of assets, the recognition of gain and losses in the statement of performance, the recognition of variances against budgets in the financial statements, etc, and therefore support public sector administrations in preparing their financial statements. Improved consistency would also enhance one of the main objectives of any financial statements that accounts are comparable over time and among organizations, enabling an assessment of the performance of the public sector to be made. The IPSASB has initiated a project to develop a public sector conceptual framework since late in 2006.

Secondly, Christiaens et al. (2010, p. 552) concluded that the IPSAS are still relatively unknown, especially in comparison with accrual accounting, thus some jurisdictions chose not to apply IPSAS. Giving lectures, organizing conferences and writing brochures could help to overcome this problem. The IPSASB will need to continue its efforts to make governments more familiar with IPSAS. Benito et al. (2007, p. 314) stated that at present in

general most accounting systems are not adapted to IPSAS and it is a long road to achieve this because IPSAS have appeared recently.

Thirdly, it is a long way to the adoption of full IPSAS because many jurisdictions are quite familiar with using their country-specific business accounting rules rather than the IPSAS (Christiaens et al., *ibid.*). It takes a long time to attain international comparability of accounting systems because changing national standards is a slow process (Benito et al., 2007, p. 315).

Finally, the IPSAS have a limited contribution to institutional capacity building in developing countries for the following reasons (Chan, 2006, p. 38). The IPSAS are a relative newcomer to the domestic and international accounting standard-setting bodies. IFAC Public Sector Committee chose to focus on year-ended consolidated financial statements but this kind of reporting addresses only external accountability at best. IPSAS-based financial statements are really not designed to demonstrate the accountability of subordinates to their superiors, and of the executive to the legislature.

3 THE CURRENT VIETNAMESE GOVERNMENT ACCOUNTING REGIME AND ITS DIFFERENCES FROM THE IPSAS. EXPERIENCES ON APPLICATION OF THE IPSAS IN SOME COUNTRIES

3.1 The current Vietnamese government accounting regime

Vietnam has been moving away from a highly centralized planned economy towards a socialist market economy since 1986, and its accounting system was modified in 1995 (Phuong and Richard, 2011, p. 694). According to Hung (2003)², the Vietnamese accounting and auditing systems have been renovated for two periods: first one from 1988 to 1993, and second one from 1994 to now. In the first period, accounting rules were mainly ones amended from former accounting rules, and therefore they did not meet fully requirements of management of the market economy, were not comfortable to international general rules, but only satisfied requirements of the first stage of the economic reform. The second period is the period of fundamental reforms of accounting and auditing systems. The government firstly issued the accounting regime for enterprises in 1995, accounting regimes for public sector,

² http://www.mof.gov.vn/portal/page/portal/mof_vn/cttk?p_itemid=2660838&p_itemtype=2176921

Vietnamese accounting standards (VAS) in 2001, the 2003 Law on Accounting, etc. These accounting reforms have contributed to management of socio-economic activities in line with the market economy and international organizations, and control state budget.

The main changes of the 1995 accounting regime for enterprises (or a Uniform Accounting System (UAS)) included the modification of accounting objectives in order to meet the information needs of new users; the emergence of a new concept of capital and new definitions of assets, income, revenues and expenses; the modification of valuation principles; the transformation of the chart of accounts; and the reshaping of financial statements. The 1995 new accounting system either conserved a large part of the old accounting structure under the Soviet accounting or modified according to Anglo-Saxon private accounting. Besides, Vietnam promulgated the first four of new accounting standards on 31 December 2001. From 2001 to 2006, 26 VAS standards were issued with the technical and economic assistance of the World Bank. VAS are aligned almost entirely with International Accounting Standards (IAS) (version 2003). The appearance of VAS proves the international harmonization of the Vietnamese accounting in the context of globalization. The progressive accounting reform has improved the quality of financial information, met requirements of the market oriented economic reform and “open-door” policy, and shed light on compromise among the members of the Vietnamese bureaucracy. However, it is inevitable for Vietnam to have contradictions between the type of accounting adopted and the reality of the accounting environment. In other words, Vietnam has faced difficulties in transition towards a new system of accounting including the coexisting of VAS and UAS, the lack of competent personnel and a unified accounting profession, and the strict links among rules of tax, financial control and accounting (Phuong and Richard, 2011, p. 710-721).

The accounting systems in the public sector of Vietnam mainly comprise of the accounting system of public sector corporations and the government accounting system. In addition, a number of accounting systems apply to specific sectors, such as the budget accounting system for Treasury³, the taxes statistics system, the customs accounting system, the accounting system for communal budget and finance, etc. Like private sector entrepreneurs, public sector corporations apply simultaneously the UAS and VAS which have an accrual basis of accounting and are in accordance with IAS and IFRS. After the 1995 Uniform Accounting System (the accounting system for enterprises) and the 1996 Law on State Budget were issued, Ministry of Finance promulgated the accounting regime for

³ Decision No.24/2006/QĐ-BTC dated 06/04/2006 of Minister of Ministry of Finance

administrative and public services provision-based agencies under Decision No.999/1996/QĐ-BTC dated 02/11/1996. In order to be appropriate to the Law on State Budget amended in 2002, the 2003 Law on Accounting, and other financial mechanisms and policies, Decision No.19/2006/QĐ-BTC dated 30/3/2006 of Ministry of Finance is issued⁴. So far, the government has not yet issued public sector accounting standards.

The current accounting regime for administrative and public services provision-based agencies or so-called the government accounting regime applies to entities including government bodies from central to district level; attached units to these state agencies being funded by state budget fully or partly and having revenues earned by providing public services such as schools, hospitals, centers, institutes, etc; social-political organizations; social-professional organizations; units operating on the principle self-balancing revenue and expenditure; and non-government organizations. The government accounting regime is affected by either accounting principles of the Uniform Accounting System (the accounting system for enterprise), or legislation of state budget management. It includes four components: the accounting record system; the system of accounts; the account book system and account form; and the financial and budget settlement statement system. These will be explained as below

3.1.1 The accounting record system

The accounting record system is composed of four components: first, salaries and employee benefits records; second, materials records; third, monetary records; and final, fixed assets records.

- All economic and financial transactions of the administrative and public services provision-based agencies must be set up accounting records clearly, faithfully, and sufficiently. Regularly, the accounting record only sets up once time over when an economic and financial transaction happens.

- All accounting records made internally by the entities or transferred from outside into entities have to gather totally at an accounting department. This department is responsible for checking those accounting records both legally and reasonably and then records them to the account book.

⁴ replaces Decision No.999/1996/QĐ-BTC dated 02/11/1996

- Accounting records which are used in order record to the account book and written in foreign language must be translated into Vietnamese. The translated ones and original ones are enclosure altogether as filing document.

3.1.2 The system of accounts

The system of accounts includes the accounts inside the balance sheet of accounts, which are recorded by method of double entry bookkeeping, and the accounts outside the balance sheet of accounts, single entry bookkeeping as recording method to the account book.

According to the regulation, the system of accounts is classified into the seven catalogues, and in each of them used the decimal classification system (detailed in Appendix 4). It follows the method of chart of accounts (CoA). The seven catalogues are described as following:

+ The catalogue 1 of money and commodities includes seven accounts of level 1, in which has ten accounts of level 2. It describes cash, cash equivalents and commodities.

+ The catalogue 2 of fix assets comprises of five accounts of level 1 and fourteen accounts of level 2. It shows some kinds of fixed assets such as tangible and intangible assets, depreciation and uncompleted capital construction.

+ The catalogue 3 of payments involves in twelve accounts of level 1, twenty accounts of level 2, and four smaller accounts, namely account level 3. It presents current payables and receivables, short-term employee benefits and provisions, settled activities but being paid next year, budget allocating a lower agency, and internal payments.

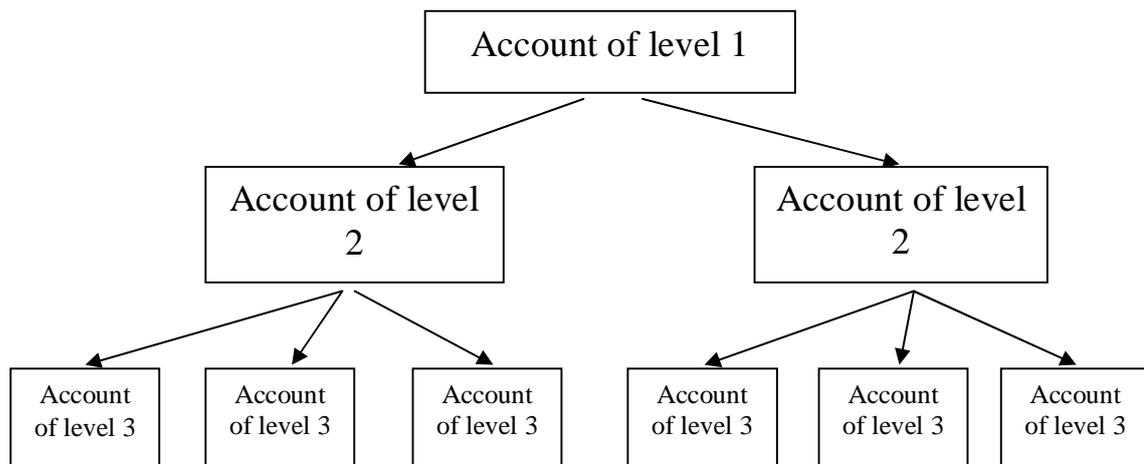
+ The catalogue 4 of equity and funds encompasses ten accounts of level 1, fifteen accounts of level 2 and six accounts of level 3. It illustrates all sources of money in accounting and funds.

+ The catalogue 5 of revenues includes three accounts of level 1 and five accounts of level 2. It demonstrates revenues namely fees, charges, cash and goods from aids, revenues from production and business activities, and other revenues.

+ The catalogue 6 of expenditures and expenses includes five accounts of level 1, five accounts of level 2, and six account of level 3.

+ And the final catalogue is outside accounts of the account balance sheet, comprises of nine accounts of level 1 and four accounts of level 2.

Structure of Vietnamese CoA as following:



3.1.3 The system of account books and account form

a. The system of account books

All administrative and public services provision-based agencies have to open the account books. They record, manage, maintain, and keep the account books according to regulations. Each accounting unit has one the system of account books including general account books and detailed account books. And there are differences among units in quantity of account books, content, order and recording method to account books depending on various account forms. For the general account book, regulations of book form, content, and method of recording are compulsory. For the detailed account book, those regulations are non-obligatory and guidelines.

The general account book includes a journal and a ledger. The journal is used to record economic and financial transactions arising under the order of time. The ledger is employed to record economic and financial transactions arising according to content of transactions (or classes of accounts).

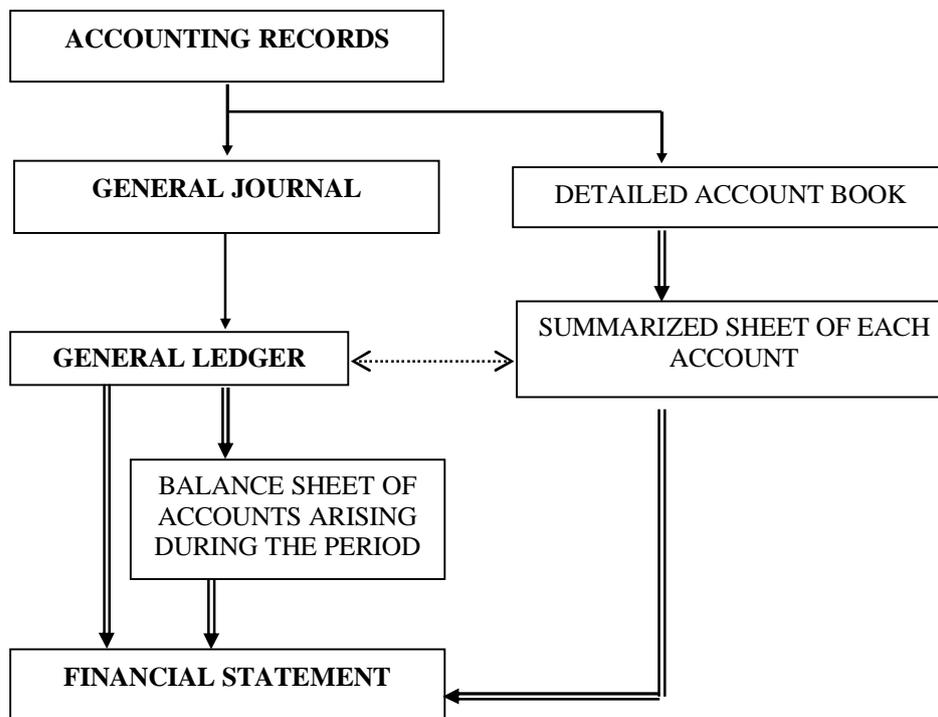
The detailed account book is used to record detailed economic and financial transactions related to specific accounting objects required to be managed, but those have not been yet illustrated in the ledger.

The account book has to be opened legally in the beginning of each accounting period or immediately after the entity has a decision of foundation and begins its operation. And it is closed in the end of each accounting period and before making financial reports.

b. Account form

The account form regulates kinds of account books, quantity, structure, relationship among them, the recording order and techniques. There are four account forms namely the general journal, the journal-ledger, the recording voucher and the form of accounting implemented on a computer. Entities choose one of these account forms depending on the quantity of transactions arising, the number of accountants, application of information technology, etc.

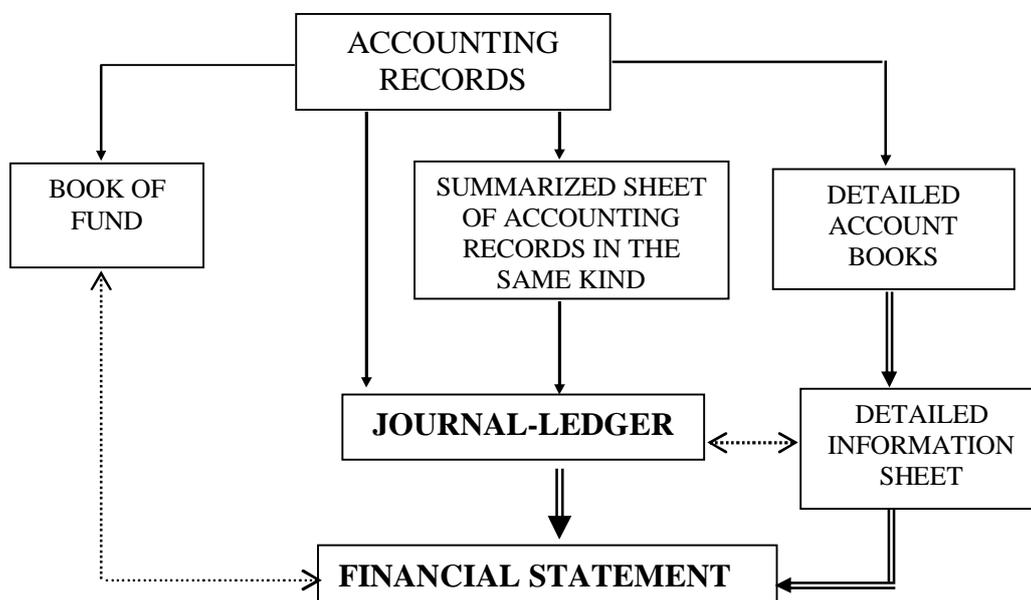
- **General journal account form:** Economic and financial transactions are recorded adequately in accordance with the order of time and the content of transaction (or kinds of accounts). Everyday, given accounting records, transactions are recorded to the General journal according to the order of time, and detailed account books. Simultaneously, same kinds of transactions which are synthesized from the General journal are recorded to the Ledger according to appropriate accounts. The ledger and detailed account books are closed at the end of month (or quarter or year). The figure from summarized sheet of each account which is made from detailed account books is compared with debt and credit arising, and remainder of each account on the closed ledger. If the compared figure is true, it is used to make balance sheet of accounts arising during the period and financial statements. Principally, total debt and credit arising of the balance sheet of accounts arising during the period are equal to those of the General journal. Sequence of recording to the account book in this form is described in the following figure:



NOTE:

- Daily recording
- ⇒ Recording at the end of month
- ↔ Comparing information altogether at the end of month

- **Journal-ledger account form:** Economic and financial transactions are recorded under the order of time and the content of transaction (or classes of accounts). Nevertheless, the journal-ledger presents all accounts relating each transaction, while the General journal of the account form mentioned above only shows one of accounts relating each transaction. This account form is described as following figure:



- **Recording voucher account form:** recording to the general account book directly relies on the summarized sheet of accounting records. This sheet can record one accounting record or many accounting records. Recording many accounting records applies to arisen transactions which have same contents (or same debt accounts or same credit accounts). This sheet is used to classify, systemize and determine the content of recording debt or credit of transactions arisen. Account recording based on this sheet would be separated into two processes differently. The first, recording relies on the order of time of economic and financial transactions arisen on the accounting voucher registering book. Second, recording is in accordance with economic and financial transactions arisen on the ledger.

- **Form of accounting on computer:** accounting work is implemented on accounts software which is designed according to principles of one of three above account forms. The

account books, accounting records, and accounts are kept in data based file. Using a computer in accounting will provide information promptly and exactly.

3.1.4 The financial statement system

Administrative and public services provision-based agencies have to make the financial and budget settlement statements as following.

a. List of statements: applying to the lowest agency which directly records activities

No.	Symbol of form	Statement name	Deadline of Statement	Distination of statement			
				<i>Financial entity</i>	<i>Treasury</i>	<i>Upper levele</i>	<i>Statistic entity</i>
1	2	3	4	5	6	7	8
1	B01- H	Balance sheet of accounts	Quarter, year			x	x
2	B02- H	Summary of budget settlement	Quarter, year	x	x	x	x
3	F02-1H	Detailed report of operating budget	Quarter, year	x	x	x	x
4	F02-2H	Detailed report of the project budget	Quarter, year	x	x	x	x
5	F02-3aH	Comparison sheet of budget estimates at Treasury	Quarter, year	x	x	x	
6	F02-3bH	Comparison sheet of advancing and advancing payment from budget at Treasury	Quarter, year	x	x	x	
7	B03- H	Statement of revenues, expenses from public services provision, production and business activities	Quarter, year	x		x	x
8	B04- H	Statement of increase and reduction in fixed assets	year	x		x	x
9	B05- H	Statement of money transferred from last year	year	x		x	x
10	B06- H	Financial notes	year	x		x	

b. List of summarized statements: applying to upper agencies

No	Symbol of form	Report name	Deadline of Statement	Distination of statement			
				<i>Financial entity</i>	<i>Financial entity</i>	<i>Financial entity</i>	<i>Statistic entity</i>
1	2	3	4	5	6	7	8
1	B02/CT-H	Summarized statement of budget settlement	year	X	X	x	x
2	B03/CT-H	Summarized statement of revenues, expenses from public services provision, production and business activities	year	X	X	x	x
3	B04/CT-H	Summarized statement of settling budget and other source	year	X	X	x	x

3.2 The advantages and disadvantages of the current Vietnamese government accounting regime

3.2.1 Advantages

As above mentioned, both quantity and quality of accounting legislation for public sector have changed considerably since 1994. The current government accounting regime is suitable for Vietnamese financial and socio-economic conditions. It has particular regulations and guidelines of accounting records, a chart of accounts, accounting books, financial and budget settlement statements. This helps accountants implement accounting easily and effectively. The present accounting system is also serving well financial managers as well as auditors in controlling and supervising financial activities.

Basically, the current government accounting regime has met the requirements of budget control, and has been suitable for government financial management policies. The system of financial and budget settlement statements detailed in part 3.1.4 shows that there are enough budget reports for budget accounting to control the budget. Again, as a result of using the modified cash-based accounting, it is simple, easy to implement for accountants. However, the current government accounting regime has also disadvantages.

3.2.2 Disadvantages

Generally, budget accounting is implemented by agencies simultaneously covering tax-agencies, customs offices, treasury, financial agencies, and spending agencies (or administrative and public services provision-based agencies). Hence, it is difficult to collect and classify budget-data of different agencies. In addition, with using modified cash basis of accounting, budget accounting is unable to evaluate financial performance and position because it only records cash receipts, cash payments through a cash flows statement and short-term receivables and payables.

The government accounting regime is based on modified cash accounting and modified accrual accounting depending on types of agencies and units. Pure administrative agencies and public services provision-based agencies units which are funded fully by state budget adopt a modified cash basis of accounting. Income-generating administrative and public services provision-based units which have revenues and are funded partly by state budget apply a modified accrual basis of accounting which recognizes cash receipts and payments, short-term receivables and payables, some assets, liabilities, revenues, expenditures and expenses. Revenues and expenditures from state budget are presented in the summary of budget settlement (Form B02-H), while revenues, expenses from public services provision, production and business activities are demonstrated in one other statement (Form B03-H). Therefore, financial statements provide very little information about financial performance and position of an entity. In other words, financial reports are rarely used to make decisions. The accounting information does not give enough foundation to evaluate if the government finances are sound and sustainable.

The Vietnamese government accounting is not able to make a consolidated government financial statement. There are inevitably differences in figures of financial reports made by different agencies/units due to the different bases of accounting. Furthermore, according to the present regime, the agencies submit the financial statements for the upper level units and for the departments in the region such as Department of Finance, Department of Planning and Investment, State Treasury, etc. Because each department has diverse forms of reports depending on its specific functions and missions, the data of each department is warping. Therefore, it is very difficult for the Ministry of Finance to synthesize these reports to set up the consolidated government financial statement. Moreover, financial statements do not

present financial information about net asset/liability, surplus and deficit, etc, thus the government cannot make the consolidated government financial statement. In turn, therefore, it is difficult to assess the performance of the government controlled wholeness.

Financial and budget accomplishment statements mainly provide information of appropriations and budget out-turns for administrative agencies, legislatures, authorizations, leaders and managers of agencies, and serves purposes of management of agencies and units. Hence, these statements have not yet met needs of stakeholders who are not government agencies including citizens, investors, debtors, etc in evaluation the financial position, performance and effectiveness of revenues and expenditures of government agencies.

3.3 Differences between the current Vietnamese government accounting regime and the IPSAS

In comparison with IPSAS standards, the current Vietnamese government accounting regime prescribed under Decision No.19/2006 of Ministry of Finance has differences as following.

In respect of scope, the current government accounting regime does not regulate to state entrepreneurs although they are supported with investment capital or subsidies regularly by the government. The IPSAS prescribe clearly the application to public sector corporations which are reliant on continuing government funding, though they have more than 50% of their revenues from market activities.

In terms of the basis of accounting, the Vietnamese government accounting applies either the modified cash-based accounting or the modified accrual-based accounting depending on kinds of agencies and units. IPSAS give separately two bases of cash and accrual accounting. Governments can only choose one of those bases together with modifications suitable with their conditions.

In terms of the consolidated government financial statement, the Vietnamese government accounting does not have the consolidated financial report, but only has summarized reports of budget and budget settlement from lower agencies and levels of government, and ones of revenues and expenses from public services provision, production and business activities. According to the IPSAS, government has to make two statements including the consolidated

financial statement of controlled entities by government and the statement of budget settlement of levels of government.

In terms of quantity of statements, as list of financial and budget settlement statements mentioned above *in part a of 3.1.4*, each lowest government agency in Vietnam has to make many financial and budget statements including eight reports and two tables, but not the statement of cash flows and the statement of changes in net assets/equity. IPSAS require one the statement of cash flows on the cash-based accounting, and five the financial statements on the accrual-based accounting included the statement of cash flows.

In terms of purpose, the Vietnamese government accounting regime does not regulate information users. Financial statements recommended by IPSAS are general purpose financial statements which mean they provide a wide range of users with information useful for decision making and demonstrate accountability of the entity for resources entrusted to it.

Besides general differences, the current government accounting regime has specific differences in content, form of financial statements compared to the IPSAS.

Some particular differences in statements

For pure administrative and public service provision-based agencies funded fully by state budget, because of implementing modified cash-based accounting, surplus and deficits are calculated based on revenues/expenditures, but not on revenues/expenses. In other words, revenues/expenditures are directly recorded to increase/decrease the equity, while IPSAS demand to recognize the increase/decrease of equity when revenues are higher/lower than expenses in the income sheet causing either a surplus/deficit.

According to IPSAS standards, agencies are economic units and they have to define surplus/deficit which is the difference between revenues (included in allocated state budget) and expenses. However, in Vietnam, pure administrative agencies are not seen as economic units. They have to comply with regulations of the Law on State budget that they are financed fully by state budget from the beginning of a financial year, and are not permitted to spend over the amount that has been allocated in the state budget, thus at the end of period there should not be surplus or deficit.

The Vietnamese government accounting regime requires that depending on kinds of revenues and expenses, they are showed in two different types of statements, namely the summary of budget settlement (Form B02-H) applied to revenues and expenditures from state budget, and the statement of revenues, expenses from public services provision, production and business activities (Form B03-H), while IPSAS regulate all revenues and expenses are recorded in one the financial statement – the statement of financial performance. Besides, the IPSAS-Board issued separately IPSAS No. 24 “Presentation of budget information in financial statements”. The standard applies to public sector entities that make their approved budget(s) publicly available. It requires such entities to make certain disclosures about budget and actual amounts in their financial statements or other reports. It does not require that public sector entities make publicly available their approved budgets, nor does it specify requirements for the formulation or presentation of approved budgets that are made publicly available. This standard requires that financial statements include a comparison of actual amounts with amounts in the original and final budget, an explanation of material differences between budget and actual amounts, and a reconciliation of actual amounts on a budget basis, with actual amounts presented in the financial statements when the accounting and budget basis differ.

Unlike IPSAS, the current government accounting does not have the statement of financial performance which presents comprehensively diverse types of activities covering pure administration, providing services but not having revenues, providing services but having revenues and being subsidized by state budget, and business activities having profit. Some expenses of fixed assets, inventories, and uncompleted capital construction are recognized in the period as soon as buying takes place and these expenses are not matched with revenues recorded.

Unlike IPSAS, the balance sheet of accounts prescribed according to the current government accounting regime does not illustrate types of assets and liabilities in order, and net assets/equity, but demonstrates accounts. Hence, it does not reflect an agency’ s financial position.

Besides, financial reports only reflect some elements and accounts of an accrual-based accounting, while IPSAS guideline financial statement reporting on a full accrual basis of accounting.

3.4 The experiences on application of the IPSAS in some countries

The extent of applying the IPSAS is different between countries because each country has particular conditions of economics, politics, and legislation, especially, relating to financial management. In Western style democracies there are three styles of public management: Anglo-America, Nordic, and European Continental (Hood, 1995, cited in Pina and Torres, 2003, p. 335). The accrual accounting and IPSAS are mainly adopted in these groups of countries. And there are many studies of accrual accounting and IPSAS implemented in these countries. Anglo-America countries (Australia, New Zealand, UK, the United States, and Canada) already adopt full accrual accounting and apply accounting standards broadly consistent with IPSAS requirements. Nordic countries Finland included and European Continental countries France included apply modified accrual accounting. Otherwise, developing countries virtually apply cash accounting or are in process of adopting IPSAS. Besides, there are not many researches of IPSAS made in these countries. Hence, I choose experiences of Finland and France on applying accrual-based IPSAS standards.

3.4.1 Experiences of France

The French government is changing to accrual basis of accounting and has issued public sector accounting standards that are based on IFRS, IPSAS, and French accounting rules (IPSASB, 2007). At the end of the 1990s, France developed accrual accounting at the State level. The decision to adopt accrual accounting was made in 2001 and by January 2006, general accounts were prepared on an accrual basis of accounting (IFAC PSC, 2003, p. 19).

The Constitutional Bylaw on Budget Acts (LOLF) enacted in 2001 and effective date 01 January 2006 includes the innovations of general public sector financial management. Firstly, the government has moved from input-based budget to performance-based budget management. Commitments are paid more attention. The government is required to present multiyear strategies with particular objectives and norms of performance evaluation of programs. These requirements of budget management reform provide a legal basic for making the transition to accrual accounting (IFAC PSC, 2003, p. 13-14).

Secondly, public sector accounting is also one of the contents of general public sector financial management reform. The new Constitutional Bylaw is based on a clearly drawn distinction between (IFAC PSC, 2003, p.17):

- The budget, an authorization act for which execution is traced on a modified cash basis (i.e., cash basis modified by the “continuing period”); and
- The government accounts, which are presented on an accrual basis based on the principles of the French general chart of accounts.

The government promulgated the system of public sector accounting standards in 2004, effective date 01/01/2006. This public sector accounting standards system is drafted and issued based on commercial accounting principles which are regulated in the French general accounting and International Accounting Standards (IAS), and in the IPSAS. The government applies modified accrual-based accounting.

Experiences of French’ public sector financial management reform can be applied to Vietnam.

Firstly, the government needs to improve the government accounting with moving to the accrual basis of accounting to meet requirements of budget management reform. Indeed, currently, the Vietnamese government accounting uses the modified cash-based accounting thus apart from cash receipts and payments, and advances, revenues, expenses, assets and liabilities are not recognized and recorded. Further, the government has been reforming public financial management such as making appropriations according to programs and the medium-term expenditure framework (MTEF) (Decision No. 432/QD-TTg dated 21/4/2003 of Prime Minister on the project “Reform of public financial management”). These improvements in budget management require information of outputs, outcomes, influences of governmental activities. Unlike cash or modified cash-based accounting, accrual-based accounting recognizes both short-term and long-term assets and liabilities which are future obligations or outputs and effects of transactions. Hence, the present basis of accounting will become unreasonable.

Secondly, the government adopts accrual-based IPSAS standards with adjustments or issues own public sector accounting standards suitable for the current status and the long-term orientations of public financial management, economic and social conditions, politics, culture, etc.

Thirdly, the government can apply accrual basis for accounting and cash basis for budgeting.

3.4.2 Accrual-based accounting model are applied in the Finnish central government accounting

Finland is the unitary state without intermediate levels of government (Pina and Torres, 2003, p. 336), while Vietnam is the unitary state with intermediate levels. The public sphere consists of the state (central), and local and regional councils. The Finnish government accounting has had a dual accounting system consisting of two parts since 1998 with a reform of administrative double-entry bookkeeping. The new parts include of a commercial double-entry bookkeeping (commercial accrual accounting) which presents performance accounts in the form of an income statement (an operating statement or a statement of revenues earned and expenses incurred) and a comprehensive balance sheet. The other part consists of a single-entry budgetary bookkeeping. This part performs the budgetary control function with a statement of budget accounts (an annual statement of budget accomplishment). The State Treasury is responsible for merging the ledgers of all accounting entities, except government funds, government enterprises and state owned companies, to a consolidated central government financial statement (Oulasvirta, 2008, p. 226-227).

The government accounting uses different bookkeeping principles for various kinds of transactions. For example, the recognition of exchange transactions is made according to the realization principle which means recording when services or goods are delivered or when factors of productions are received. Non-exchange transactions apply the short-term liability principle which means recording when the individualized legal obligation has risen for the government to pay a transfer to the recipient (Oulasvirta, 2008, p. 228).

Information on employee pension benefits and social policy commitments and liabilities can be given in government annual reports to the Parliament, in the notes to the financial statements and in the government budget plans and budget outturn reports. It is not necessary to include this information in the balance sheet because it would also contain subjectivity and prediction, and this could impair the information usefulness of the official financial statements (Oulasvirta, 2008, p. 232).

In comparison with information recommended in IPSAS No 1 including 25 items on balance sheet and income statement of the period 2000-2001, the Finnish central government accounting is based on modified accrual accounting, and total level of compliance is 80% (20 items). Indeed, the government does not provide such general information in the balance sheet as contingent assets and liabilities, methods of providing for pension and retirements plans, etc. It does disclosure information about accumulated depreciation on the balance sheet

notes and information about yearly depreciation on the income statement. All current assets, current and long-term liabilities are provided. In Finland, the introduction of the accrual basis in governmental accounting could be explained by the high degree of independence of agencies from ministries – management devolution (Pina and Torres, 2003, p. 340, 345).

From applying the basis of accrual accounting of the Finnish central government accounting, some experiences can be applied to the Vietnamese government accounting. Indeed, depending on financial mechanisms and policies, the Vietnamese government accounting needs to define level of accrual information. In other words, it can apply accrual-based accounting gradually. For example, the government first only needs to present current assets, liabilities and some long-term assets, except items which it is difficult to measure, and record assets and liabilities symmetrically. The government accounting can use a dual accounting system with a system of financial statements based on a commercial double-entry bookkeeping (commercial accrual accounting) and a statement of budget accounts based on a single-entry budgetary bookkeeping. The government needs to perform management devolution in order to implement the IPSAS with high level.

The government accounting needs to determine bookkeeping principles applied to transactions because these principles are basis to record revenues, expenses, assets, and liabilities in financial statements. For some long-term assets and liabilities and commitments, it is not necessary to include them in the balance sheet, but information can be given in notes to financial statements, in budget plans and outturns.

The government can also assign State Treasury responsible for making a consolidated government financial statement. In reality, the Vietnamese government mandated State Treasury to develop the model and implement the General State Accounting Function in a foreseeable future at Decision No.108/2009/QĐ-TTg dated 26/08/2009 of the Prime Minister. And currently, State Treasury is building and implementing the TABMIS (is short for “Treasury and Budget Management Information System”) project which is the most important component of the project of public financial management reform, and is a modern system of budget management information among levels of Treasury, Treasury and governmental agencies, Treasury and financial agencies (http://taichinh.danang.gov.vn/public_evt_article.do;jsessionid=385346397720EE1AB5ED2381194EE42F?method=details&idArticle=383).

4 METHODOLOGIES AND DATA

This study uses qualitative research methods with research instruments including document analysis and questionnaire to collect data. Qualitative methodology affords a means of providing distinct data and qualitative evaluation of problems and approaches so as to explore the theory involved. It enables stakeholders and project recipients to highlight and reflect upon what worked and how this came about, and affords an opportunity to chart and reconcile multiple stories of a project (Tim, 2002).

4.1 Document analysis

Document analysis focuses on reconstructing processes and events; evaluating documents in terms of author, target group, authenticity and clarity; identifying main topics; and comparing the document for internal consistency and coherence. The document analysis is the convenient, quick and effective way to collect the data for doing research. According to Berg (1989; cited in Truong, 2011, p. 37), content analysis will provide data triangulation for the questionnaire results. Despite its ineffectiveness in testing casual relationships between variables, it will be supported by data gained from questionnaires.

Types of documents analyzed in this research include not only articles, papers, books of public financial management, public sector accounting and IPSAS, but also the current Vietnam laws involving public finance management, accounting regimes, policies of public finance, commitments between Vietnam with international financial organizations such as WB, reports of public financial management reform, and minutes of seminars.

4.2 Questionnaire

Monette et al. (1994, cited in Truong, 2011, p. 38) stated that the research survey has some advantages. First, data can be gathered more low-cost and much more than in interviews. Second, the questionnaire can be sent by email, which helps the research to solve the problem that it is difficult to directly meet respondents who are often busy. Third, the respondents may tend to provide more accurate and honest responses when they do not have to face with the researcher. For example, respondents at Department of Auditing and Accounting Regimes, Ministry of Finance may hesitate to say difficulties of applying IPSAS, that is the costs of

implementation the IPSAS. Finally, in comparison with interviews, data obtained from questionnaire may not be distorted by what the interviewer says or her tone or voice, etc.

Questionnaire comprises of open-ended and closed-ended or multiply-choice questions. Open-ended questions are also referred to as free-response or free-answer questions. Closed-ended or multiple choice questions ask the respondent to choose an answer from list of alternatives. Multiple-choice questions limit respondents' input into the wording of answers but ensure that the interviewer or anyone else is not influencing the answer by randomly encouraging elaboration or making suggestions for answers. Multiple-choice questions are easier for respondents to answer. They are also easier to analyze and tabular than open-ended questions (<http://businessmanagement.wordpress.com/2008/04/24/open-ended-multiple-choice-and-likert-scales-items-in-surveys>, Monette et al, 1994, cited in Truong, 2011, *ibid*). Closed-ended questions are suitable to this research because theoretical relevant responses to the questions are determined in advance and the number of possible responses is limited. Yet, since the research may not predict all of possible responses to a question in advance, in this case open-ended questions are used rather than closed-ended ones, or if using closed-ended questions, the option of "Others, please specify" is also employed in the questionnaire. This option is actually a nice request for respondent to write more. The respondents, especially who are well-educated professionals may find this option satisfying (Monette et al., 1994, cited in Truong, 2011, p. 39).

Questionnaire of this research includes total thirteen questions: eleven closed-ended ones and two open-closed ones. First four closed-ended questions require respondents to provide information of their approach to IPSAS standards and level of understanding of the IPSAS. Next two closed-ended ones aim to understand the status of research of the IPSAS. Subsequent two open-ended questions ask respondents about differences of financial statements between the current Vietnamese government accounting regime and the IPSAS and advantages and disadvantages of the present Vietnamese government accounting regime, with aims to specify more the part of the status of the current Vietnam government accounting presented in the thesis and to make recommendations to apply the IPSAS to the Vietnamese government accounting. Final five closed-ended or multiply choice questions explore issues covering whether or not the Vietnamese government accounting should apply the IPSAS, reasons, hurdles, favorable conditions and recommendations to adopting the IPSAS to the Vietnamese government accounting.

For closed-ended question of reasons for applying the IPSAS, the researcher mainly uses reasons which were employed in the studies of Anessi-Pessina and Steccolini (2007); Benito

et al. (2007); Bossert (2005); Brusca and Condor (2002) and Groot and Budding (2008), cited in Christiaens et al. 2010, p. 543. Closed-ended questions are measured in either nominal type in which answers are sorted into categories without any order or structure, or ordinal level in which respondents choose their answers from the provided continuum scale. The former is employed to measure questions: two, three, four, five, six and nine. The latter is used to measure questions: one, ten, eleven, twelve, and thirteen. Respondents only choose one scale in each opinion. The Likert scale is used in this research because it is one of the most widely used itemized scales. The end-points of a Likert scale are typically ranged from 1 “strongly disagree” to 5 “strongly agree”. The respondents are asked to indicate their degree of agreements by checking one of five response categories: strongly disagree, disagree, neither agree nor disagree, agree, and strongly agree. The Likert scale has several advantages. It is easy for the researcher to construct and administer this scale, and it is easy for the respondent to understand

(<http://businessmanagement.wordpress.com/2008/04/24/open-ended-multiple-choice-and-likert-scales-items-in-surveys>). Details of the questionnaire in English are provided in appendix 2.

There are two kinds of samples namely probability and non-probability samples. Probability samples are chosen of the population randomly, while non-probability ones are chosen relating to certain aspects in the population. This study uses non-probability samples. Questionnaire are sent to five people including regulators who are head or vice-chief and some experts at the Department of Auditing and Accounting Regimes, Ministry of Finance, and are responsible for building auditing and accounting regimes and standards. They are well-informed about accounting and are taking part in the project of researching and building a system of Vietnamese public accounting standards financed by WB. Vietnam has about fifty universities educating accounting, but most of them are specialized in business accounting. Lecturers at Financial Academy and National Economic University which are big public-owned universities located in Hanoi and have the faculty of public accounting or public finance are also subjects of the survey. Questionnaire is sent to six people per university. Besides, these participants are also members of Vietnam association of accounting and auditing. They can be considered the representative of the whole Vietnam experts in accounting population.

The data are synthesized and analyzed either manually or by using MS Excel because the number of respondents is small. Descriptive statistics, sums, tables, and bar charts are used to illustrate the research statistical results. Bar charts are designed by the MS Excel. Besides, the

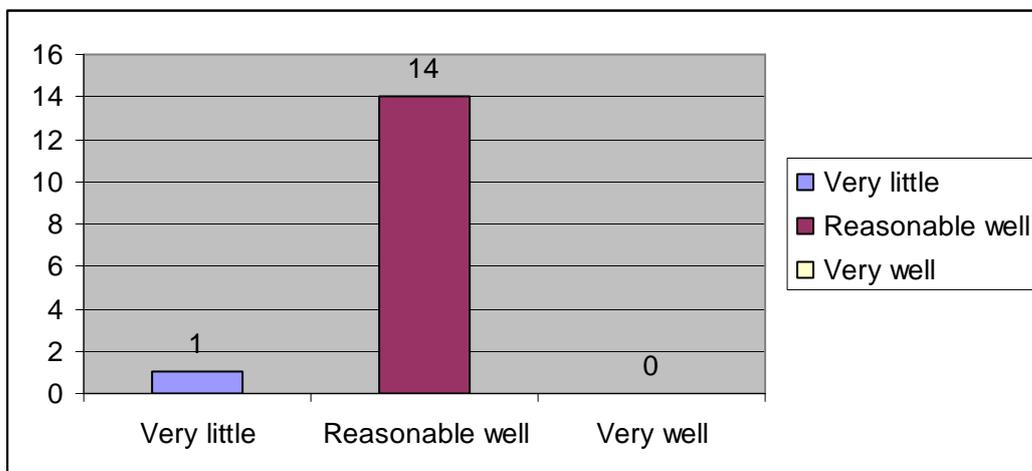
two open-ended questions and some “Others, please specify in details” items are analyzed by the researcher.

5 RESULTS OF THE SURVEY

Total questionnaires sent are 17 ones. The survey received 15 completed questionnaires in which include six ones from the National Economic University, five ones from the Financial Academy, and four ones from the Department of Auditing and Accounting Regimes, Ministry of Finance. This section presents the results of the questionnaire survey in detail.

In Vietnam, Department of Accounting and Audit – Ministry of Finance implemented the project “Introduction of IPSAS to Vietnam” supported by World Bank in 2005. In 2007, the Department firstly organized the seminar of IPSAS with delegations mainly including regulators of departments belonging Ministry of Finance, lectures, and some foreign experts⁵.

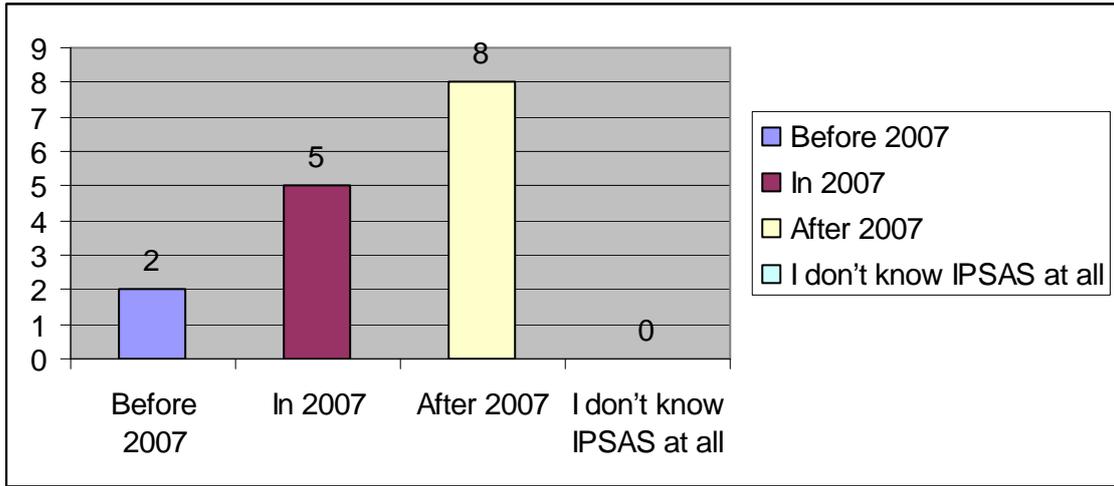
The bar chart 1 illustrates that 14 people know the IPSAS reasonable well, while only one respondent knows the IPSAS very little.



Bar chart 1: Level of understanding of the IPSAS

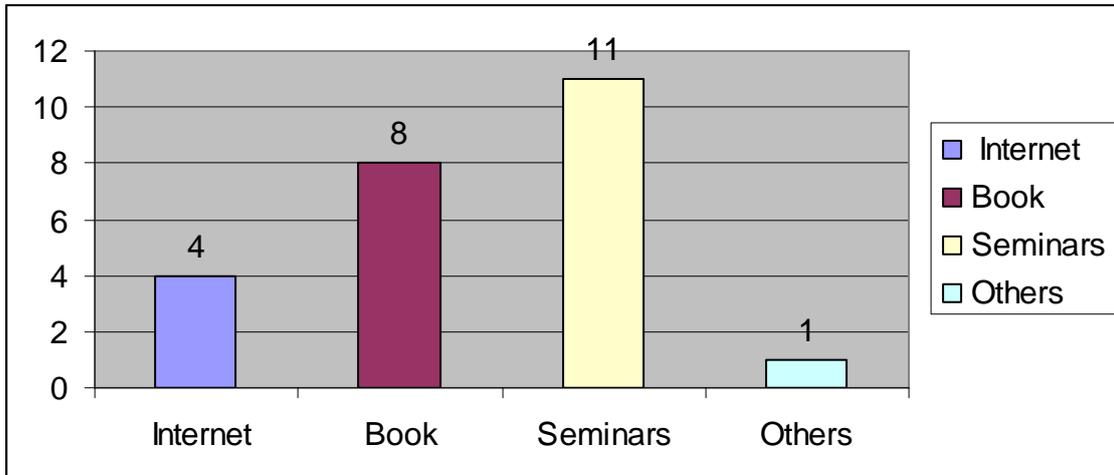
The bar chart 2 shows that the number of people knowing the IPSAS after 2007 is the highest with eight people respectively, while the opposite trend is true of before 2007 (only two people). The quantity of people knowing the IPSAS in 2007 is five people higher than before 2007.

⁵ Seminar was organized in April, 23, 2007



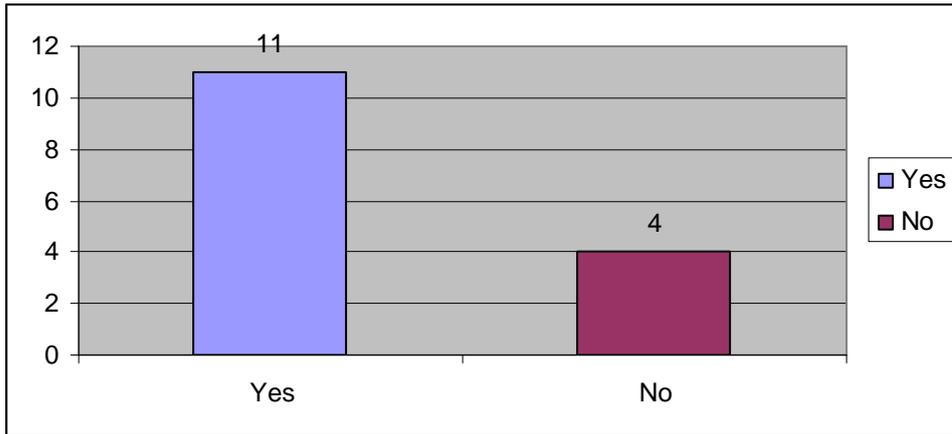
Bar chart 2: The time that respondents gained information of the IPSAS

The bar chart 3 presents that most of respondents got information about IPSAS standards through a seminar (eleven people) and a book (eight people), while four people knew the IPSAS in the internet. There is only one person who knew the IPSAS due to learning at the university.

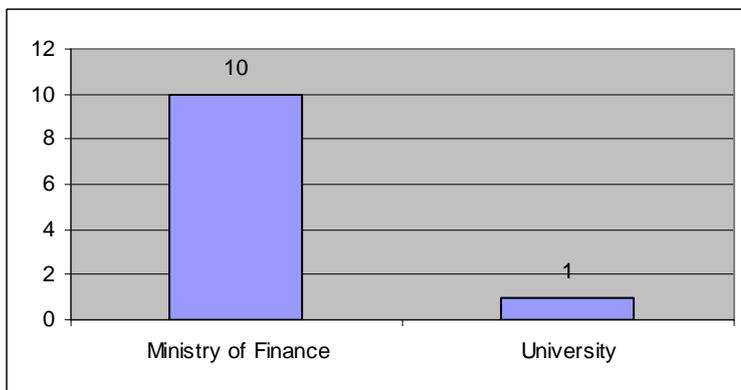


Bar chart 3: Sources of information of the IPSAS

The bar chart 4 a, and 4 b illustrate that 11 out of 15 respondents have taken part in seminars of IPSAS organized by Ministry of Finance or by the university, while only four ones have not participated in any seminar up to now. Interestingly, the number of respondents having taken part in seminars organized by Ministry of Finance is ten-time higher than that of by the university.

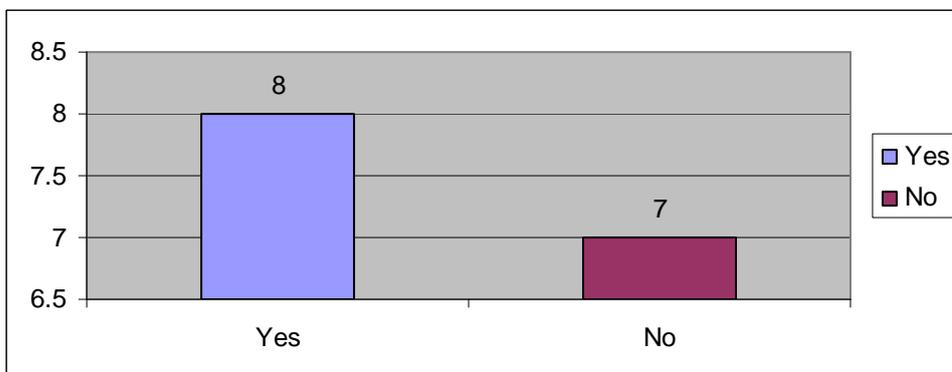


Bar chart 4 a: Participating in seminars of the IPSAS

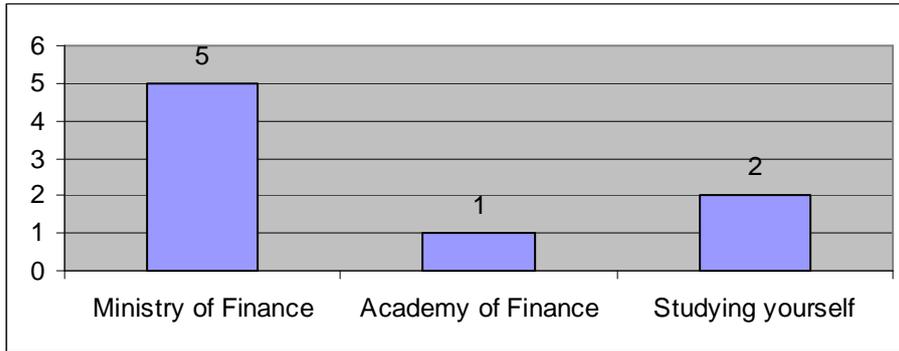


Bar chart 4 b: The agency organizing seminars of the IPSAS

As can be seen from bar chart 5 a, and 5 b, the number of respondents who have been taking part in the research of the IPSAS is total 8 out of 15 people. Particularly, the research organized by Ministry of Finance accounts for five people higher than by the Academy of Finance, and by themselves independently.

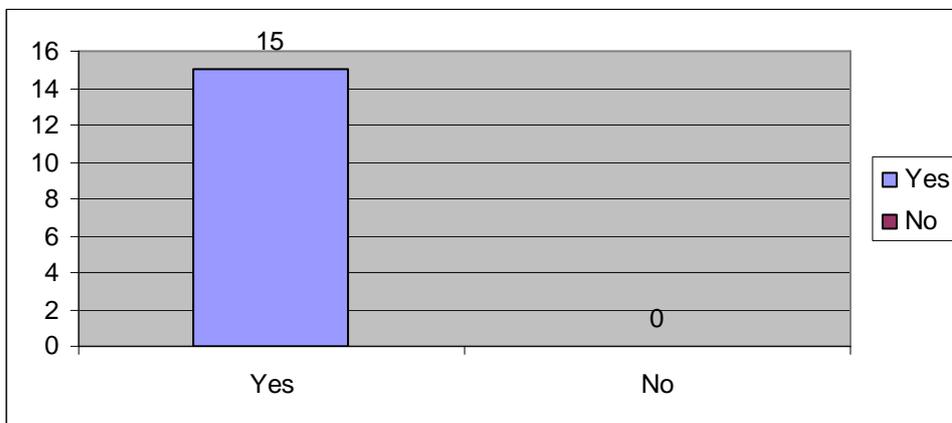


Bar chart 5 a: Taking part in any research of the IPSAS



Bar chart 5 b: Agencies organizing the research of the IPSAS

The bar chart 6 displays that all of 15 respondents agree that the Vietnamese government accounting should apply IPSAS standards.



Bar chart 6: Application of the IPSAS to the Vietnamese government accounting

The table 1 presents incentives to apply the IPSAS to the Vietnamese government accounting. In general, the numbers of respondents agreeing relatively and strongly with reasons given in the table are high and nearly same. An exception is reason three which most people disagree more than agree and some can not say.

To specify, the number of people agreeing relatively with reason two that accrual accounting gives a better financial integrity assurance compared to cash or modified cash based accounting is the biggest one, 10 out of 15 respondents, respectively. In comparison with the quantity of people agreeing strongly, that of people fairly agreeing with this reason is two-time higher. Regarding reason nine that IPSAS facilitate the consolidation of financial statements better than the present accounting system, 9 out of 15 people fairly agree with it, while 6 out of 15 people agree strongly with it. Conversely, motivator eight that IPSAS enhance (inter)national comparability of financial information of the Vietnamese government

with other governments makes up 9 out of 15 respondents, which is the highest number of people agreeing strongly. But this reason accounts for 5 out of 15 people in the number of people fairly agreeing. Although the numbers of people agreeing fairly and strongly with motivators two, nine and eight follow such a contrary pattern, respondents all agree that those are important motivators for adopting a full accrual-based accounting according to IPSAS.

Motivator one that accrual accounting is more effective than cash or modified cash based accounting in giving information of the financial position and performance of government, motivator four that IPSAS conform to international organizations or development aid providers, and motivator six that IPSAS enhance information transparency and accountability of government to citizens, voters, their representatives and the general public have the same numbers of respondents fairly agreeing, 8 out of 15 respondents. The number of respondents agreeing strongly with these reasons is also high, with the former reason having 6 out of 15 respondents, and the latter two ones at 7 respondents. Reason seven that the IPSAS are a benchmark for evaluating and improving government accounting in the world has a similar pattern as reasons one, four and six. Particularly, the numbers of people agreeing relatively and strongly are 7 and 6 out of 15 people, respectively.

9 out of 15 respondents disagree more than agree with reason three that the fight against corruption is easier with accrual accounting than with cash or modified cash based accounting, and three respondents cannot say for this reason. Regarding motivator five that it is more efficient to make use of the knowledge of the IPSAS Board than to create own accrual standards in the Vietnamese government, the numbers of people disagree, quite agree, and strongly agree are 4, 3, and 5 out of 15 people respectively.

Interestingly, most legislators in Department of Auditing and Accounting Regimes, Ministry of Finance answer “cannot say” with some reasons such as reason three and five.

Table 1: Reasons for applying a full accrual-based accounting according to the IPSAS

No	Reasons	Scales				
		Do not agree at all	Disagree more than agree	Quite agree	Agree strongly	Cannot say
1	Accrual accounting is more effective than cash or modified cash based accounting in giving information of the financial position and performance of government	0	1	8	6	0

2	Accrual accounting gives a better financial integrity assurance compared to cash or modified cash based accounting	0	0	10	5	0
3	The fight against corruption is easier with accrual accounting than with cash or modified cash based accounting	0	9	2	1	3
4	IPSAS conform to international organizations or development aid providers	0	0	8	7	0
5	It is more efficient to make use of the knowledge of the IPSAS Board than to create own accrual standards in the Vietnamese government.	1	4	3	5	2
6	IPSAS enhance information transparency and accountability of government to citizens, voters, their representatives, and the general public.	0	0	8	7	0
7	IPSAS are a benchmark for evaluating and improving government accounting in the world.	0	1	7	6	1
8	IPSAS enhance (inter)national comparability of financial information of the Vietnamese government with other governments.	0	0	5	9	1
9	IPSAS facilitate the consolidation of financial statements better than our present accounting system.	0	0	9	6	0
	Total	1	15	60	52	7

The table 2 shows difficulties in adoption the IPSAS to the Vietnamese government accounting. Overall, respondents all argue that these are obstacles. For a challenge of big implementation costs of the IPSAS, 5 out of 15 respondents argue that it is a minor challenge, while 6 out of 15 ones think that it is a big obstacle. Especially, 4 people at Department of Auditing and Accounting Regimes answer “cannot say” with this obstacle. As to the hurdle of human resources not available enough to understand and follow IPSAS standards, 12 out of 15 people believe that this is a big obstacle, while only 3 people claim that this is not an

obstacle at all. 8 out of 15 people argue that the development of government IT-accounting systems not good enough to make IPSAS standards possible in the Vietnamese government accounting is a big problem. Only 3 and 4 out of 15 respondents think that this is not an obstacle at all, and a minor obstacle, respectively.

Table 2: Obstacles affecting the extent of applying the IPSAS to the Vietnamese government accounting

No	Obstacles	Scales			
		Not an obstacle at all	A minor obstacle	A big obstacle	cannot say
1	Big implementation costs of IPSAS	0	5	6	4
2	Human resources not available enough to understand and follow IPSAS	3	0	12	0
3	The development of government IT-accounting systems not good enough to make IPSAS possible in the Vietnamese government accounting	3	4	8	0
	Total	6	9	26	4

Table 3 presents favorable conditions that would encourage the Vietnamese government accounting to adopt the IPSAS. The overview is that respondents all claim that these are favorable conditions. Being supported from financial sponsors such as WB is thought to be a strongly favorable condition by 12 out of 15 respondents. This is the highest figure. Condition two that the government has implemented the public financial management reform which includes a government accounting innovation is ranked second in strongly favorable conditions, 8 respondents, respectively. But 6 out of 15 people state that this condition is a slightly favorable one. Finally, 6 out of 15 respondents claim that Vietnam's experience in issuing Vietnamese accounting standards for private sector entrepreneurs is a strongly favorable condition, while 8 respondents think that this is a slightly favorable condition.

Table 3: Favorable conditions for applying the IPSAS to the Vietnamese government accounting

No	Conditions	Scales			
		Not a favorable condition at all	Slightly a favorable condition	A strongly favorable condition	cannot say
1	Being supported from financial sponsors such as WB	0	3	12	0
2	The government has implemented the public financial management reform which includes a government accounting innovation.	1	6	8	0
3	Vietnam's experience in issuing Vietnamese accounting standards for private sector entrepreneurs.	0	8	6	1
	Total	1	17	26	1

As can be seen from the table 4, almost all respondents argue that five recommendations given are very important, while only some respondents claim that they are slightly important. To specify, all of 15 respondents think that recommendation two on reforming more public sector financial management is very important. For recommendations one and three, 14 out of 15 respondents agree that they are very important, while only 1 out of 15 people believe that they are slightly important. Likewise, recommendations four and five have the same number of respondents with 13 out of 15 people respectively. They all state that those are very important. And only total four people think that they are slightly important.

Table 4: Recommendations to apply the IPSAS successfully and to make the IPSAS useful and feasible for the Vietnamese government accounting and financial statements

No	Recommendations	Scales			
		Not at all important	Slightly important	Very important	cannot say
1	Implementing reforms in public sector management (such as classifying and remodeling public sector activities and entities, managerial decentralization)	0	1	14	0

2	Reforming more public sector financial management (such as modifying Budget Law and financial mechanisms for public entities, medium-term and performance-based budgeting and more real decentralization in budget management)	0	0	15	0
3	Training high qualified and professional accountants in public sector.	0	1	14	0
4	Building and developing an accounting information processing system together with information technology.	0	2	13	0
5	Choosing a suitable accrual-base accounting degree between the scales from modified accrual to full accrual	0	2	13	0
	Total	0	6	69	0

6 SUMMARY AND DISCUSSION, RECOMMENDATIONS AND LIMITATIONS

6.1 Summary of survey results

The survey result illustrates that almost all respondents know the IPSAS reasonably well. They knew them after 2007 through the seminar which were organized by Ministry of Finance and from books. Most of them have taken part in seminars organized by Ministry of Finance. Little more than half of respondents have been taking part in researches of the IPSAS. Further, most of them have been participating in the research organized Ministry of Finance.

All respondents think that the Vietnamese government accounting should apply accrual based IPSAS standards. And most of them fairly and strongly agree with the reasons given, except the reason that the fight against corruption is easier with accrual accounting than with cash or modified cash based accounting. Some respondents agree that the Vietnamese government accounting should adopt the IPSAS because it is more efficient for the Vietnamese government to make use of the knowledge of the IPSAS Board than to create own accrual

standards, but some disagree with this motivation. Accrual accounting giving a better financial integrity assurance compared to cash or modified cash based accounting, and IPSAS facilitating the consolidation of financial statements better than the present accounting system are two motivations which most of respondents quite agree, but only some of them agree strongly. Regarding the reason that IPSAS promote (inter)national comparability of financial information of the Vietnamese government with other governments, most of respondents agree strongly with this incentive, while some of them fairly agree with.

In terms of big difficulties, lack of high qualified and professional accounting human resource is the biggest obstacle when the Vietnamese government applies the IPSAS. There are also big challenges as to the development of government IT accounting systems not good enough and the big implementation costs of the IPSAS. Regarding these latter two obstacles, some of respondents think that they are minor difficulties, while some of them argue that they are big ones.

The survey result demonstrates that being supported from financial sponsors is the most strongly favorable condition, and then the conditions of having implemented the public financial management reform and having experience in issuing VAS are also important. Regarding these latter two conditions, some of respondents think that they are slightly favorable conditions, while some of them claim that they are strongly favorable ones.

Respondents virtually agree that in order to apply IPSAS standards successfully and make them useful and feasible for the Vietnamese government accounting and financial statements, the government needs to implement following things.

- Choosing a suitable accrual-base accounting degree between the scales from modified accrual to full accrual.
- Reforming public sector management such as classifying and remodeling public sector entities into businesslike units, managerial decentralization, etc.
- Improving more public sector financial management such as modifying Budget Law and financial mechanisms for public entities, medium-term and performance-based budgeting and more real decentralization in budget management.
- Training high qualified and professional accountants in public sector.
- Building and developing an accounting information processing system together with information technology.

6.2 Discussion

The International Public Sector Accounting Standards (IPSAS) issued by the IPSAS Board are mainly full accrual-based IPSAS standards. IPSAS and accrual-based accounting will have positive impacts on government accounting. However, it is not easy to apply full accrual-based IPSAS for governments at the moment. The implementation of the IPSAS could vary between countries because of differing degrees of development of accounting information systems, of measurement techniques, of markets and of the training and culture of financial information users (Navarro and Rodriguez', 2007, p. 414).

Why should the Vietnamese government accounting apply the accrual basis of accounting and IPSAS rather than the current modified cash-based accounting?

Cash-based accounting only recognizes the transactions and events only when cash or cash equivalents is received or paid. Compared to cash-based accounting, modified cash-based accounting recognizes additionally receivables and payables within a specific period from period end such as advances. Future liabilities are not reflected in the official budgets and statements until payment is made. There is not a full balance sheet, only cash receipts, cash disbursements, and advances are recognized in the balance sheet. Cash or modified cash-based systems offer simplicity and objectivity in terms of the demands they place on preparers of financial reports. Cash or modified cash-based information is credited with being useful for assessing compliance with cash budgets, and for monitoring and estimating a government's cash resources. However, it is also contended that cash or modified cash-based information fails to show a proper picture of financial position and performance. In contrast, accrual-based accounting reflects financial position and performance because it recognizes assets, liabilities, revenues and expenses.

A government is responsible for its payables owned to lenders, suppliers, employees, grantees, and others creditors. The lack of complete, reliable, and timely information about these financial obligations, non-cash financial resources such as investments, taxes receivable, accounts receivable, and loans receivable weakens the debtor government's ability and incentive to discharge its responsibility, hampers the government's collection effort, and reduces its ability to convert these resources into cash to pay off the liabilities. The inability to match financial assets and liabilities in terms of amounts and timing is a fundamental cause of liquidity and solvency problems, which can become full-blown fiscal crises. Governments in poor developing nations have a need for accrual information (Chan, 2006, p. 36).

One of the main accounting reforms proposed in the IPSAS is the use of fair value (FV) measures for public sector assets, rather than historical cost accounting (HCA) (IPSAS No 15, 16 and 17). HCA is the traditional valuation criterion in governmental accounting (Navarro and Rodriguez', 2007, p. 414). HCA is based on input values, whereas fair value accounting (FVA) is based on exit values. Fair value reflects the current cash equivalent of the entity's assets and liabilities rather than the price of a past transaction. FVA appears to be a better measurement basis than HCA to provide relevant information for public managers to assess solvency through financial resources that could be generated by the sale of assets. Nonetheless, as fair value measures are built on presumptions of sale, these measures could be more difficult to test and to confirm, which could be an important drawback for financial audits (Navarro and Rodriguez', 2007, p. 477-4478). According to Oulasvirta (2008, p. 232), the IPSAS based on IAS/IFRS standards are not good theoretical foundation for presentation of financial statements of public sector entities. For example, the IAS/IFRS standards are based on a balance sheet approach which market values of assets and liabilities are decisive. This leads to volatility in balance sheet items. It would also complicate the work of auditors. Accountants used to take general the position that the best indicator of the future is past performance and that reporting anticipated gains involves an element of subjectivity in the calculation that could reduce the usefulness of financial statements. Bergmann (2009, p. 105) also stated that the IPSAS consider cautiously using fair value. The IPSAS Board gives governments the flexibility in valuating assets, may be used historical costs or fair value.

In fact, countries have been adopting the IPSAS or accrual accounting principles with different levels of information disclosure and varying valuation practices in the context of public sector. Again, at present, discussions considering a framework for governments are taking place. Therefore, in my opinion, reasonable application of accrual-based IPSAS standards to the Vietnamese government accounting will provide information of the financial position and performance more effectively than using the current modified cash-based accounting. This benefit is one of reasons on adopting the IPSAS which all respondents agree with.

The IPSAS Board acknowledges the right of governments and national standard-setters to establish accounting standards and guidelines for financial reporting in their jurisdictions (IPSASB, 2007, p. 6). Governments are not obliged to adopt the IPSAS and thus their adoption depends on a free choice. But it is efficient to make use of the knowledge of the IPSASB (Christianens et al., 2010, p. 552). Further, so far Vietnam has not yet developed

accounting standards for governments and public sector entities. Nevertheless, the accounting system of each country has particular characteristics because of differences in the legal system, the organization of the public sector, specific objectives of public financial reporting, principal users of the financial reporting, suppliers of financial resources, the political and administrative environment, etc (Benito et al., 2007, p. 297). Moreover, the IPSAS do not take care of the regulations of financial statements in a particular jurisdiction (Benito et al., 2007, *ibid*). The survey result shows that respondents either agree or disagree with the benefit of adopting the IPSAS that it may be more efficient for the Vietnamese government to make use of the knowledge of the IPSAS Board than to create own accrual standards. In my opinion, the Vietnamese government accounting can take advantage of the IPSAS but it should adapt them to its real conditions of Vietnam.

One of objectives of financial reporting is to allow accurate comparison to be made between different organizations (FEE, 2007, p. 9). The objectives of the IPSASB are to serve the public interest by developing high quality public sector financial reporting standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of financial reporting throughout the world. Adoption of the IPSAS will improve the international comparability of financial information (Christianens et al., 2010, p. 552). Benito et al. (2007, p. 314) stated that in the near future countries will tend to move towards IPSAS more and more because of the need of increasing the comparability of public sector accounting information demanded by academics and professionals and different international organizations. In Vietnam, due to differences in accounting bases, agencies have diverse figures of financial reports. Further, the current government accounting regime is much different from the IPSAS. Hence, the Vietnamese government accounting should adopt the IPSAS to obtain consistent, standardized and comparable financial information among the agencies as well as countries. Many respondents agree strongly with this benefit of applying IPSAS. I also agree strongly with this motivator, though it takes a long time to gain international comparability of accounting systems because changing national standards is a slow process (Benito et al., 2007, p. 315).

The World Bank endorses the use of the IPSAS in accounting for its financial assistance to developing countries. The IPSAS are held up as the best government accounting ideas that the global accounting profession has to offer. Thus the IPSAS have become recognized benchmark for evaluating and improving government accounting in developing countries

(Chan, 2006, p. 35). Governments have a greater need to improve their record of financial accountability and transparency, but they are more reluctant and less able to adopt the IPSAS because the costs of change overweight the benefits to governments. Due to lack of enforcement power, the IPSAS-Board has prudently allied itself with development aid providers which have incentive and ability to demand good accounting and informative financial reporting by their beneficiaries because IPSAS serve as a common instrument for fostering transparency and accountability of the programs and activities they finance and of the government at large.

Vietnam has been participating in multilateral and bilateral organizations in the context of the increasing international economic integration. Besides, the result shows that the Vietnamese government accounting is motivated in adopting the IPSAS for purpose of conforming to demands of international organizations or development aid providers. The IPSAS as a benchmark for evaluating and improving government accounting is also one of motivators illustrated in the result. I agree strongly with these reasons.

Government accounting reforms by adopting accrual-based accounting, especially, full accrual-based accounting of IPSAS will gain good governance or increase governmental financial accountability and transparency because accrual-based accounting provides information that is more comprehensive, comparable and consistent than information provided by cash-based accounting. The promotion of accountability through greater transparency is an explicit stated goal of the IPSAS. The adoption of IPSAS, together with disclosure of compliance with them will lead to a significant improvement in the quality of general purpose financial reporting by public sector entities. This, in turn, is likely to lead to better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability (IPSASB, 2007, p. 6).

Vietnam has reformed its economy shifting from planned economy into Socialist-oriented market economy since 1986. In the context of the market economy, the government needs to implement public management reforms and public sector accounting reforms in order to meet the increasing requirements of transparency and accountability. In other words, public sector accounting needs to be reformed to provide information for users fully and comprehensively. Moreover, financial statements made according to the current Vietnamese government accounting regime have not yet met stakeholders who do not belong to government agencies. As such, I agree strongly with the argument that applying IPSAS promotes transparency and accountability.

With accrual accounting, government accounting ensures financial integrity because of availability of good quality financial information. Soundly based financial reporting by governments may help to avert undesirable spending behavior by preventing governments from providing a distorted picture of the government's finances. It is argued that the adoption of accrual accounting can be expected to improve financial transparency, and the integrity and reliability of reported information (PSC, 1996, p. 3). However, numbers in financial statements may be distorted depending on unethical behavior and fraud (Chan, 2006, p. 39). The research results show that most of respondents agree with this motivator of financial integrity. In my opinion, I also agree with this benefit.

In comparison with cash-based accounting, accrual-based financial information also reduces opportunities for fraud and corruption, particularly as regards stewardship of assets. However, most of efforts of improving basic governmental financial management have failed, or at least failed to deliver significant improvements, in the face of corruption. Particularly, attempts to improve government transparency and accountability directly threaten the income sources of politicians and bureaucrats (Athukorala and Reid, 2003, p. 23, 55). According to the survey results, one benefit of adopting the IPSAS, which many respondents disagree, is that the fight against corruption is easier with accrual accounting than with cash or modified cash based accounting. In my opinion, I agree with respondents that it is not easy to fight against corruption irrespective of any accounting system. Corruption can undermine efforts of improving government financial management. Again, it is a sophisticated and inveterate problem in developing countries, requiring much time and effort of all government system.

As mentioned above, the Vietnamese government accounting regime does not demand a consolidated government financial statement. Moreover, each agency makes financial statements with diverse purposes, methods, subjects, contents and criterion of reporting because the current government accounting is on a modified cash-based accounting. And statements are only one component of budget settlement reports. IPSAS 6 guides how to make a consolidated government financial statement. Although national accounting figures play the most important role for international macro-economic comparisons, harmonized government accounting information could be synthesized into aggregated amounts more easily and reliably. Further, comparable accounting reports may make possible the direct use of consolidated financial reports, a more reliable and useful tool than estimations taken from

national accounts. Yet, whether or not making consolidated financial statements depends on each country's regulations (Benito et al., 2007, p. 297, 309). Besides, year-ended consolidated financial statements make building institutional capacity limited in developing countries because they only address external accountability at best (Chan, 2006, p. 38). I agree strongly with this argument that making consolidated financial statements as applying IPSAS is better than the current government accounting regime.

With accrual-based accounting, government accounting will provide fully information, cash flows included for public financial management including planning, budgeting, budget execution, auditing, controlling, and evaluation, which leads to improvements in public financial management, thereby contributing to a country's socioeconomic development, especially, poverty reduction in developing countries. The IMF contends that accrual financial statements provide a richer set of information on current and non-current liabilities, payment arrears, liquidity, intergenerational fairness for analyzing the sustainability of fiscal policy and the quality of fiscal decision-making (Athukorala and Reid, 2003, p. 19). The Vietnamese government has been reforming public sector financial management such as medium-term expenditure framework, making appropriations under programs, etc. Accrual-based accounting will enhance these reforms because it provides comprehensively and fully. I agree strongly that this benefit of applying accrual-based accounting that improving public financial management. .

With aim at promoting efficiency, effectiveness and accountability of public sector, NPM emphasizes a wide range of changes such as decentralization, deregulation, replacement of input control by output control, management by results, the introduction of private sector management techniques, etc. The transition to business accounting is an important element of NPM because modernized governmental management needs useful financial information (Christianens et al, 2010, Navarro and Rodriguez', 2007, p. 414). Accrual accounting which is accepted worldwide for the business sector is used in NPM reforms in order to gain useful information about liabilities, debts, usage of assets, and the cost of public services. Accrual-based reporting helps governments to measure the performance of their policies, manage by results and manage resources (FEE, 2007, p. 8). Besides, Navarro and Rodriguez' (ibid) stated that changes to financial reporting systems, including professionally determined accounting standards, are vital in implementing NPM reforms. The Vietnamese government has been improving public sector management in accordance with the market economy.

Hence, the Vietnamese government accounting should apply accrual based IPSAS standards, which will enhance NPM reforms. I agree strongly with the benefit of adopting IPSAS.

The adoption of accrual accounting does not occur in isolation and the style of transition is affected by the context within which it occurs. This means that there are many factors affecting the move to accrual-based accounting.

To what extent can the Vietnamese government accounting apply IPSAS standards?

Performing accrual IPSAS standards requires other reforms simultaneously, and thus costs are big. It is acknowledged that the costs of developing information systems can be high. There are a number of new processes that governments must adopt in order to move from a cash-based system to an accrual-based system and changes are needed throughout the government, from the agency or departmental level to the whole of government level. The change also involves human costs. Some people will resist change because it involves an effort and may move them from the familiar to the unfamiliar (PSC, 1996, p. 4). The Vietnamese government has been receiving aid from WB in government accounting reform, so the pressure of cost may decline. But it is inevitable to have differences in methods and objectives between sponsors and recipients, which would affect other reforms and lead to damages. “There is a danger that the coherence of reform efforts will be undermined by conflicting methodologies and objectives” (Athukorala and Reid, 2003, p. 55). The survey results illustrate that some of respondents think that this obstacle is a minor one but some of them argue that this is a big obstacle. I think that implementation costs of IPSAS can be a small or big difficulty depending on other involved changes in human resource, finance, structure of organization, etc.

In many developing countries, the lack of technical personnel imposes a severe constraint, thus human resources are an obstacle to overcome in government accounting reform (Chan, 2006, p. 35). Qualified accountants are essential for the successful adoption of accrual accounting (Bergmann, 2009, Athukorala and Reid, 2003). The IPSAS are a relative newcomer to the domestic and international accounting standard-setting bodies (Chan, 2006, p. 38). The survey result indicates that most respondents only had good enough knowledge of the IPSAS. The knowledge of the IPSAS could have been better amongst the respondents. Moreover, most respondents agree that the lack of high qualified and professional accounting human resource is the big difficulty in application the IPSAS to the Vietnamese government accounting. I agree that it is a big challenge.

The development of government IT-accounting systems is not good enough to make IPSAS possible in the Vietnamese government accounting. According to the survey result, this is an obstacle. Indeed, at the level of government, with the purpose of building a Treasury and Budget management information system, the Vietnamese government is implementing the TABMIS project at stage of pilot. So at present, the Vietnamese government accounting faces the problem of government IT-accounting systems not good enough, but in the near future, it will address this problem. At the level of agency/unit, at the moment, agencies and units are virtually equipped with accounting software. Moreover, they have accountants skilled at doing computer work. However, some agencies/units have difficulties in applying IT to accounting system because they are not supported by leaders and are short of qualified and skilled accountants. In my opinion, this obstacle depends on diverse situations.

What are favorable conditions for applying IPSAS standards to the Vietnamese government accounting?

The Vietnamese government has been receiving aid from WB in government accounting reform in particular and in public financial management reform in general. This is one of favorable conditions to reduce the costs of implementing IPSAS. However, the amount and types of assistance may influence the transition path. The survey result illustrates that this is the most strongly favorable condition. I also agree with this opinion.

The Vietnamese government has been implementing innovations of public financial management with financial and accounting policies suitable to the process of market oriented economy reform and integration such as shifting from input-based to output-based management, from one-year to medium and long-term budget, decentralization of budget, and financial mechanisms for different types of public agencies and units, issuing public sector accounting standards, etc (Decision No. 432/QD-TTg dated 21/4/2003 of Prime minister on the project “Reform of public financial management”). I argue that this is a strongly favorable condition.

The Vietnamese government has had experience in issuing private sector accounting standards. Furthermore, IPSAS standards are based IFRS/IAS standards which are international accounting standards used for private sector enterprises. However, due to differences between public sector and private sector, drafting and issuing public accounting

standards are not the same. I think that this is a slightly favorable condition for the Vietnamese government accounting to apply the IPSAS.

6.3 Recommendations

Recommendations for successfully applying the IPSAS and making the IPSAS useful and feasible for the Vietnamese government accounting are made by analyzing theory, experiences of some countries in the previous parts, and using the information collected from respondents as reference.

Recommendation 1: The Vietnamese government accounting should choose a suitable level of accruals

In several countries, there is considerable debate about the scope and format of accrual accounting systems. There are many different ways accrual-based financial information can be reported in financial statements ranging from simple list of assets, liabilities, revenues, and expenditures to financial statements that show the financial position, changes in that position, operating results, and cash flows. How financial information is presented can determine the extent to which accrual accounting is developed (Pina and Torres, 2003, p. 335-336). There are multiple intermediary degrees of accruals because governments hold diverse kinds of financial resources of varying liquidity, and have different types of economic resources. And governments have financial obligations of varying definitiveness and maturity. It is misguided to insist on the cash versus accrual dichotomy. There are degrees of accrual, ranging from mild to moderate to strong. With mild level, only current financial resources and current liabilities are recognized and measured accurately. For next level, long-term financial resources and liabilities could be added. With strong level, all long-term assets, and long-term and contingent liabilities can be recognized and reported. This gradual symmetrical approach is preferable for developing countries. Gradualism takes into account cost considerations, the need to accumulate experience, secure political support, and build systems and human resource capacity. Symmetrical recognition of assets and liabilities of similar nature and similar timing prevents incomplete and distorted presentation of financial position (Chan, 2006, p. 36).

“Strong accrual” should be done cautiously, in the light of the many conceptual and measurement problems (Chan, 2006, p.37). Caution is required before considering the implementation of a full accrual accounting system because full accrual accounting requires a comprehensive registration of assets and a sound cost measurement system (Schiavo and

Tommasi, 1999, p. 28). A high compliance with accrual accounting principles can not be implemented at once. Countries which have been implementing accrual accounting for many years have a high compliance with accrual accounting principles (FEE, 2007, p. 22). IPSAS standards are mainly full accrual-based ones. Currently, mainly some Anglo-Saxon countries which apply the same standards as the business sector have a high level of homogeneity with IPSAS (Benito et al. 2007, p. 314). As such, the Vietnamese government accounting can apply accrual-based accounting gradually and implement a dual accounting system same as the Finnish central government accounting. It cannot adopt the full accrual-based IPSAS at once.

Recommendation 2: Implementation reforms in public sector management

While many OECD countries have moved their accounting systems from a cash to an accrual basis, such a shift is perhaps only worthwhile in the context of adopting much wider public sector management reforms (Athukorala and Reid, 2003, p. 52). Adoption of full accrual model according to the IPSAS is only, perhaps, possible in developed countries. Anglo-American countries which have been creating administrative units within government that conform as closely as possible to private competitive business firms have a higher degree of implementation of accrual accounting. All countries such as Anglo-American countries, Sweden and Finland with a high degree of managerial decentralization show developments towards the implementation of accrual accounting (Pina and Torres, 2003, p. 345). FEE (2007, p. 22-23) stated that Northern countries were generally more advanced in NPM style reforms, and are currently ahead in the implementation of accrual accounting. The move to accrual accounting is normally part of a wider set of their reforms. Those reforms are that delegation is increased, departments are governed in order to provide a service for citizens rather than follow set rules and there is increased openness of public sector in terms of reporting and performance measurement. Although the Vietnamese government accounting cannot apply the IPSAS with so high level as some developed countries, in order to feasibly transfer to the basis of accrual accounting, the government should implement public sector management under NPM principles. For instance, it should classify and remodel current public sector service provision-based units to become factual economic units which balance themselves revenues and expenses.

Recommendation 3: Implementation more reforms in public financial management

Government accounting is one of the functions of public financial management. Public financial policies and mechanism affect scope, subject and method of government accounting. The Vietnamese government needs to improve more the existing financial management mechanism and policy to enable accrual-based accounting and IPSAS to be implemented. Firstly, the Parliament needs to amend Law on State Budget with clearly regulation of expenses, revenues, budget decentralization, commitments, etc. Secondly, it is required to grant more autonomy and discretion to the spending units so that the spending unit managers can manage their own units. Finally, the government needs to improve more medium-term and performance budgeting, and medium-term budget allocations so as to provide information of outputs, outcomes, influences for accounting because accrual-based accounting recognizes short-term assets and liabilities, and long-term ones which are future obligations and effects of transactions.

Recommendation 4: Training high qualified and professional accountants as well as building and developing accounting information system together with information technology.

The success of government accounting reform depends on political and management support, in addition to the availability of budgetary and human resources, and information technology (Chan, 2006, p. 38). Public sector accountants are used to cash-based accounting. Therefore, when moving to accrual-based accounting which is a new method and requires accountants many skills as well knowledge, the government accounting needs to train high qualified and professional accountants. Moreover, the government needs to build and develop an integrated financial management information system (IFMIS) together with information technology to gain financial information promptly, timely and exactly.

6.4 Limitations of the survey research

There are some limitations in the survey with questionnaire research instrument. First, there is one factor that may limit the scope of analysis of survey results. It is language. The questionnaire is originally prepared in English and subsequently translated into Vietnamese. Responses are translated from Vietnamese into English. Moreover, accounting concepts, terms, and notions are very difficult to translate. Therefore, there might be some mistakes in interpretation and the results must be taken with some prudence and reserve. Second, the

questionnaire is sent at the end of the year, which may affect data collection timeframe. In spite of such limitations, the information on opinions and perceptions of the IPSAS collected provides a useful and important basic for reflection because the lack of research on the IPSAS, especially under the Vietnamese context and developing countries, and on the status of the Vietnamese government accounting system.

7 CONCLUSION

One important characteristic of public sector accounting during recent years is the dynamism of the International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting body designated by, and operating under the auspices of, the International Federation of Accountants (IFAC). The IPSAS can be a reference for national governments. Most national reforms are moving towards the introduction of accrual accounting and the accounting practices generally accepted in the business sector.

The Vietnamese government accounting will be improved with gradually applying accrual based IPSAS standards. The IPSAS will bring many advantages to the government accounting including providing financial position and performance, assuring a better financial integrity, meeting requirements of international financial organizations or sponsors such as WB, ADB, etc, being more efficient to make use of the knowledge of IPSASB, improving accountability and transparency for resources, being a benchmark for evaluating and improving government accounting, enhancing (inter)national comparability of financial information of the Vietnamese government with other governments, facilitating the consolidation of financial statements better than the present accounting system, improving public financial management, implementing NPM reforms.

The Vietnamese government accounting encounters obstacles affecting level of application IPSAS standards namely big costs of implementation, shortage of high qualified and professional accountants, and the not good enough government IT-accounting system. The shortage of trained human resources is the biggest challenge.

The Vietnamese government accounting has favorable conditions to implement the IPSAS including being supported from donors, having implemented the public financial

management reform which includes a government accounting innovation, and having experience in issuing VAS. The aid from donors such as WB is the most strongly favorable condition.

With current conditions of socio-economic framework, culture and politics, legal system, financial mechanism and policies, human and physical resources, requirements of full accrual IPSAS standards, etc the Vietnamese government accounting cannot adopt the IPSAS fully at the moment, but apply with modifications in order to efficiently make use of benefits of the IPSAS, may be moderate accrual level. Moreover, a change to accrual accounting rarely occurs in isolation-often the introduction of accrual accounting will be merely a subset of a much larger reform project. Therefore, the Vietnamese government needs to implement more reforms of public sector management and public financial management, to train high qualified and professional accountants, and to build and develop accounting information system together with information technology applied. These are important recommendations so as to enable the IPSAS to be useful and feasible for the Vietnamese government accounting.

This study can be regarded as the first attempt to explore the usefulness and feasibility of IPSAS standards for the Vietnamese government accounting.

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