



THE CONVERSION OF VAS TO IFRS

Volume one – scoping the effort

January 2021



**DELOITTE
VIETNAM**

Making an impact since 1991

Content

Preface 05

Introduction 06

PART 1: BEGINNING THE CONVERSION JOURNEY

Where does your journey begin? 09

Scoping the effort: A question of priorities 13

IFRS 1 – First-time adoption of IFRS 15

Example IFRS conversion note 19

Terminology – An IFRS phrasebook 21

The financial reporting framework 22

PART 2: VIETNAMESE ACCOUNTING STANDARDS (VAS) TO IFRS - IMPORTANT STANDARDS TO BE CONSIDERED

VAS to IFRS - Important standards to be considered 28

VAS to IFRS – Group 1 Standards on financial statement presentation and disclosure 32

- IAS 1 Presentation of Financial Statements 33

- IFRS 7 Financial Instruments: Disclosures 36

- IFRS 17 Insurance contracts 39

VAS to IFRS – Group 2 Standards on the items of the financial statements 42

- IAS 12 Income Taxes 43

- IAS 16 Property, Plant and Equipment 46

Content

- IAS 19 Employee benefits 49
- IAS 36 Impairment of Assets 53
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets 55
- IFRS 9 Financial Instruments 57
- IFRS 13 Fair Value Measurements 62
- IFRS 15 Revenue from Contracts with Customers 65
- IFRS 16 Leases 69

[VAS to IFRS – Group 3 Standards on group accounting](#) 72

- IAS 27 Separate Financial Statements 73
- IAS 28 Investments in Associates and Joint Ventures 75
- IFRS 3 Business Combinations 77
- IFRS 10 Consolidated Financial Statements 80

PART 3: CONVERSION REVISITED - A COMPREHENSIVE VIEWPOINT

- Conversion revisited: A comprehensive viewpoint 84
- The path to IFRS Conversion 85
- A Well-Organized Conversion 86
- Learn from The Past Experiences from other countries 87
- Information Technology Impacts and Preparation 88

Content

PART 4: HOW DELOITTE VIETNAM CAN HELP

How Deloitte Vietnam can help	90
Examples of ways in which Deloitte can help you at each phase of IFRS convergence	91
Sample IFRS training offering	92
IFRS-ERP Implementation Engagement Overview	93
Post-Merge Integration Services - IFRS Transition	94
Where we have done this before	95
Contributors	96
Contact US	97
Our Offices	98



Preface

This publication is the first in a series of guides published by Deloitte Vietnam to assist Vietnamese organizations in the task of transitioning from Vietnamese Generally Accepted Accounting Principles (VAS) to International Financial Reporting Standards (IFRS).

The relatively long conversion period (2020 – 2025) means that entities will have time to approach the task in a deliberate fashion considering the scope of the exercise and all its ancillary consequences before plunging into the details of the conversion. Our series aims to provide guidance that is relevant to this deliberate approach, by first dealing with those matters that are in our judgment of a higher priority than others. Adopting IFRS is not a revolution. It is more like a transfer from one set of financial reporting standards, with which we are already comfortable, to another set that incorporates some changes, new concepts new language, and are often highly similar in form and content.

To prepare for this conversion, we use the travelling analogy as an example, beginning by thinking about what you need to take on the trip and the order of things to be packed. Things that are needed to be addressed first should not be left to last, while there are other important things that can be addressed later in the process.

This guide focuses on scoping and planning for the journey. In subsequent volumes, we will address other aspects of the road ahead in details, with more specific guidance on issues that are relevant to the timing of the process.



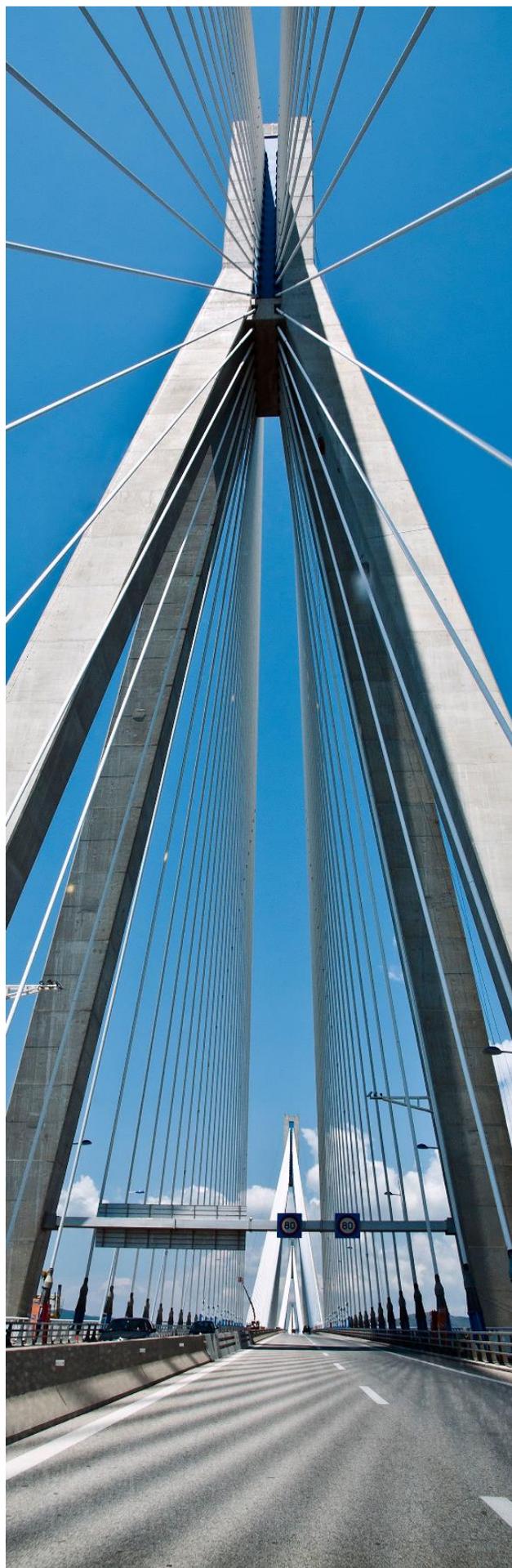
¹ The definition of target entities, to implement the Ministry of Finance (MOF) Strategic Plan to adopt IFRS under Decision 345/QĐ-BTC, will be based on the final definition provided by the MOF. The current definition encompasses all those companies not eligible for differential reporting. The final definition has yet to be confirmed.

Introduction

This guide aims to assist Vietnamese financial statement preparers in scoping out the significant tasks of the conversion from VAS to IFRS. Full convergence is anticipated after 2025 but several critical tasks need to be completed earlier either to satisfy financial reporting and regulatory requirements or to ensure that when mandatory application period arrives, everything is in place to ensure a smooth transition.

The objective of this guide is to help financial statement preparers in determining what conversion tasks are important now and which tasks can wait until later. By careful planning and through the implementation of a well-thought-out implementation strategy, the conversion to IFRS can be a smooth and cost-effective exercise.

This guide is divided into four parts as outlined in the next page. After finishing the final section, we hope you will have the tools, or the ability to access tools, to address the first phase of IFRS conversion – scoping the effort.



Part 1

Provides an overview on IFRS, key considerations for financial statement preparers in Vietnam, and an introduction to key terms and concepts.

Part 2

Focuses on important conversion issues. These are financial reporting areas that Deloitte has identified as being of importance at an early stage in the conversion process. This may be based on the existence of a significant technical difference between VAS and IFRS or it may be due to transitional or ongoing requirements to compile data that entities will need to plan for to implement on a timely and cost-effective basis.

Part 3

Reconsiders the overall conversion process after reviewing the important conversion issues raised in Part 2 of the guide. Part 3 also looks at the phases in the conversion process which follow the first phase, scoping the effort, and which will be the subject of future publications.

Part 4

Guidance and resources are available from Deloitte Vietnam. This includes a series of related publications, lists of our IFRS professionals in each Vietnamese province, and how to access training modules on each key subject matter, free of charge through our IFRS website www.iasplus.com.



This publication is provided as an information service and does not address all possible fact patterns and the guidance is subject to change. Information provided on conversion issues is based on our assessment of areas that may be important to many entities. We recognize that many further additional conversion issues exist and may have or greater importance to individual entity circumstances. Deloitte Vietnam is not, using the publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services.

This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consider consulting a qualified professional advisor. Deloitte Vietnam shall not be responsible for any loss sustained by any person who relies on this publication.

PART 1:

BEGINNING THE CONVERSION JOURNEY



Where does your journey begin?



“*Converting to IFRS from Vietnamese standards is a journey, not a revolution*”

Beginning the journey

In Decision No. 345/QĐ-BTC, The Ministry of Finance (“MOF”) has announced its intent to replace VAS with IFRS for all accountable entities (as defined by the MOF). According to the roadmap, the implementation of replacing VAS with IFRS after 2025. Between now and then, entities will have to manage the conversion from VAS to IFRS.

Does this mean that those who understand current VAS become obsolete after 2025? Does it mean that there will be a seismic shift on that date that will require overtime efforts to comply after 2025? The answer to both above is “No”.

This is not an accounting revolution, but a journey from one comprehensive basis of GAAP to another.

This new basis involves important conversion issues that should be addressed immediately, some that while important, may be addressed later in the conversion process and other items that are expected to be converged with VAS before the overall convergence date. Also, there are a whole host of details, including enhanced disclosure requirements that will need to be addressed before the conversion date. Beneficially, many areas are already closely aligned with the current Vietnamese financial reporting framework – and some Vietnamese standards will fall away.

Plan your route

Scoping

Enabling

Executing

Monitoring

What’s the destination?

The ultimate destination is a **complete conversion** of all financial statements from VAS to IFRS for fiscal years beginning after 2025, with a restatement of the immediately prior year’s results (including quarterly results).

The scenery at this destination includes all operations, resources, and systems converted. The market, including all stakeholders, will be fully aware of the change, as this will be communicated to them well in advance.

Key viewpoints along the way are **disclosures** of the likely effects, if known, in the financial statements for the years ended on or after 31 December 2024, 2025, and 2026.

How to get there?

With some careful route planning and a good map, any journey can be made more manageable. As we see it, there are essentially four phases to the journey to IFRS: scoping the effort, enabling the resources, executing the plan, and monitoring the process. This guide is the first in a series of annual travel guides on the journey to IFRS – focusing on the elements of conversion that are important at this initial stage.

The four phases of conversion

Scoping the effort

determining the scale and breadth of the exercise, setting deadlines and priorities, and assigning responsibilities

Enabling the resources

providing those responsible for the entity's financial reporting with the skills to execute timely and error-free conversion statements – and to prepare IFRS-compliant financial reports continuously thereafter

Executing the plan

drawing up specific plans and undertaking those activities to gather data, analyze transactions, measure, classify and disclose those transactions in accordance with IFRS

Monitoring the process

ensuring that the quality expected of the process is in fact achieved, providing assurance that internal controls – an important element of the Vietnamese public entity environment – are embedded in the process, and providing those in charge of governance with the ability to execute their oversight role of the process

A related and complementary Deloitte publications [“Unlock value through your Chart of Accounts”](#) and [“What firms need to know about IFRS compliance in ERP system”](#) outlines our views on making the journey as efficient and as effective as possible.

This guide addresses the first phase of the conversion – Scoping the Effort. It considers the factors that determine the scale and breadth of the exercise, provides advice on setting deadlines and priorities, and assigning responsibilities – as well as on acquiring the appropriate resources. Subsequent editions will focus on the enabling, execution, and monitoring elements as well as those areas of work effort that become more important as the conversion date approaches.



How much time will this journey take?

The first order of business is to determine what has to be physically prepared and by when. Specific items that will be required on the first-time adoption are as follows (timelines below assume a Company with a calendar year-end):

- 2023
 - Disclosure of expected effects of the conversion of the financial statements
- 2024
 - Disclosure and quantification of expected effects of the conversion of the financial statements
 - Preparation of opening IFRS balance sheet at the date of transition (1 January 2025)
- 2025
 - Preparation of comparative figures for annual and interim reporting periods
- After 2025
 - Preparation of the interim and annual conversion note required by IFRS 1 in the “conversion year” detailing elective accounting policy choices and the reconciliation of income statements and equity accounts for the prior fiscal year, and
 - Full implementation of an IFRS compatible financial reporting process, including financial statements.

Throughout the transition period, the Company’s IFRS reporting will be covered by disclosure controls and procedures.

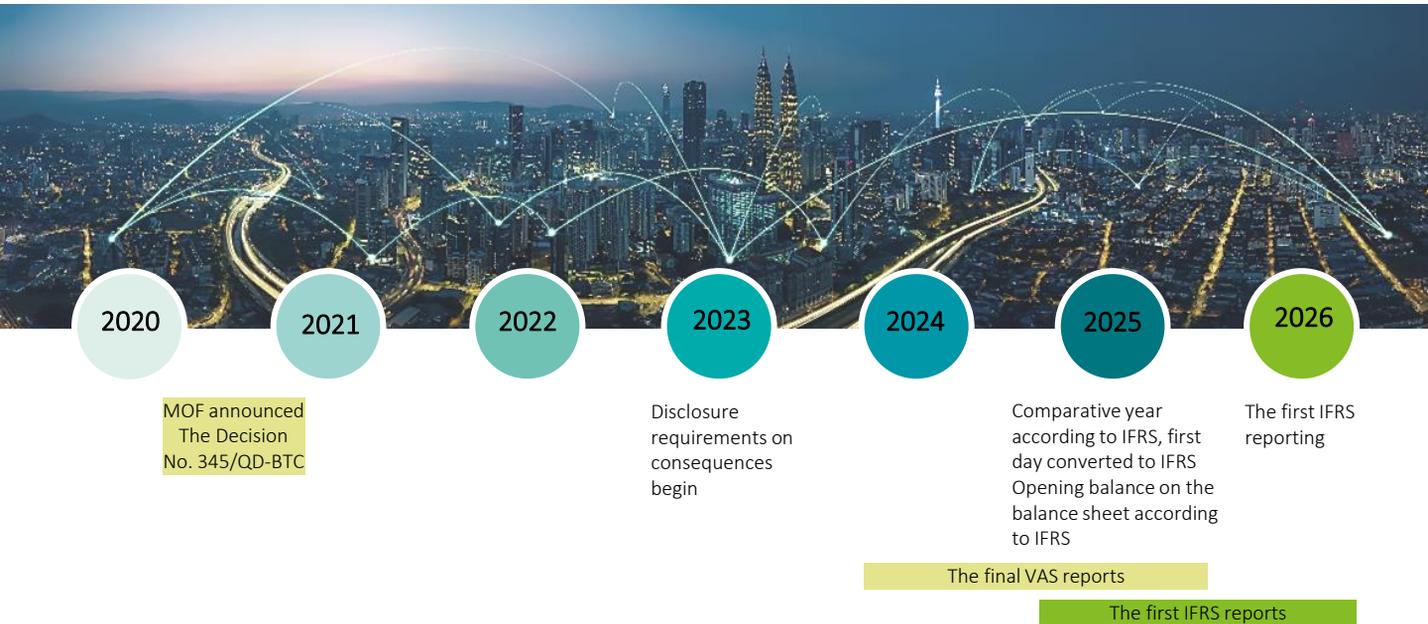
Later in this guide, we will provide some guidance on those areas where the work effort is expected to be the greatest, and thus the initial effort may be focused. Obviously, in any case, the issues may be more complex or simpler than they generally appear, the speed of execution may vary from expectations and aspects such as accounting standards, business models, financial conditions, and the like may change during the process. This guidance is not intended for a specific use but to illustrate general principles. The decisions on scoping, enabling, executing, and monitoring are yours alone to make – and for which you alone will be responsible.



Key departure dates

In determining the timing, you should look at two factors:

- Destination points – see the timeline below



Disclosure requirements for IFRS conversions begin in 2023, that is not too far away. The likely effects of conversion must be disclosed every year thereafter.

The consensus from the past experiences, for example from entities in Europe that have converted to IFRS, was that they did not start early enough, even though they were aware of the upcoming conversion date well in advance. Many also did not scope out their efforts well during the planning stage and did not address the more difficult issues first.

How long is conversion likely to take? There is probably no easy answer, but experience on conversions provides the following observations:



Conversion efforts that begin early and involve continuing personnel that will be responsible for the preparation of the conversion note and the financial statements preparation afterward will both reduce the expenses of involving others and produce benefits which may persist after the conversion date;



If impairment issues are lurking on the VAS horizon in any group of assets, then these issues are likely to be accelerated under an IFRS regime: determining their consequences early is the more prudent course of action than a surprising result on conversion that leaves little room for constructive responses from users of financial reports;



The more decentralized an organization's reporting functions, the greater degree of difficulty in ensuring compliance with a conversion program. This will be exacerbated with entities for which you do not exercise control, and which are under no compulsion to convert, such as private investees and joint ventures with non-converting entities;



Gathering data and preparing new spreadsheets or changing general ledger programs can be very time consuming as well as revealing. Many times, the opportunity or necessity will arise for changing process as well as measures;



Drafting disclosure may be as time-intensive as converting balances;



Significant lead times are required when resources other than those under the control of the financial reporting function are involved, such as information technology, financial process; and



Remember to think outside of the accounting box and consider such matters as the Management Discussion & Analysis (MD&A), non-GAAP measures, debt agreements, compensation, and stock option plans.

Scoping the effort: A question of priorities



The process of conversion: Management of the process may be ultimately as important as the selection of accounting principles.

Where there are reporting requirements by management on the internal controls over the process when new accounting principles are applied. When considering the scope of the task, experience has shown that it is often a challenge to assemble data on a timely basis from all the locations and entities that form the consolidated reporting entity. This means the conversion plan should include:



All divisions, branches, and locations that prepare inputs to the consolidation that might be affected by the change to IFRS;

All investees and joint ventures for which accounting and financial reporting data are included in the consolidated results; and

All off-balance-sheet entities, such as securitization trusts and variable interest entities that may be consolidated under IFRS.

Besides, a scoping exercise should consider the need for inputs from all providers of data inputs for reporting purposes, such as actuaries for pensions and benefits and business valuers for impairment testing. Standards should be reviewed with an eye to process to see if these individuals may need to prepare new inputs into the consolidated financial statements. Their lead times may significantly reduce the amount of lead time that you have available.

What needs attention now?

Scoping is determining the scale and breadth of the exercise, setting deadlines and priorities, and assigning responsibilities.

There are two main facets of conversion that need to be addressed in scoping the conversion efforts:

- The *process of conversion* involving such matters as the number of entities that are involved, their locations, the ability to get timely data for the reporting entity's purposes, the controls (both internal and quality over those processes) and having a plan to get people sufficiently knowledgeable about IFRS in time before conversion.
- The *accounting principles* and how they are applied in the conversion process – and identifying those principles that may need attention early from those that are not so urgent in the timing of things.



Accounting principles:

Where do you start? Not at first glance an easy task but made easier by identifying which areas are likely to be more problematic or challenging for your entity. And by that we mean which areas require more upfront planning, preparation, and more data gathering ahead of 2025.

This guide has been prepared with the VAS preparer in mind, and incorporates the following key elements:

- Vietnamese standards are identified as the starting point – the logical place for you to start your implementation process.
- The triage – used to prioritize your time:



Needs attention now

These areas are the subject of this publication and are important differences between VAS and IFRS which are either not expected to be converted before 2025 or will otherwise require significant time and preparation to fulfill the requirements of the new guidance. This includes some guidance that will have particular significance to certain industries. Related Deloitte publications will provide an industry-specific focus.



Needs attention later

These areas, while important, represent areas where the differences are less significant or widespread. Also, they may be tackled after other items since the preparation and upfront time required to address these areas is typically less than the preceding category.



To be converged

Areas where VAS is already or is expected to be converged with IFRS ahead of 2025. Efforts here may be contingent on the pace of these convergence activities.



There are also items where additional disclosure requirements apply under IFRS – that will require a separate stream of work effort and should not be overlooked in the planning process. Some of these are referred to in this guide where they relate to an item which in our view “Needs attention now”. A related Deloitte publication – **“IFRS model financial statements”** – provides a comprehensive review of disclosure requirements under IFRS.

This guide is focused on the items which in our view “Need attention now”. This is done to assist you in scoping your efforts at the start of your journey. As future guides are available, the other areas will become more prominent in our discussions.

IFRS 1 – First-time adoption of IFRS



Your map to successful conversion

Before you begin your journey from VAS to IFRS, your ultimate destination, you need to pick up a map that will guide you along the way and ensure that you reach your destination with minimal disruptions. Your “map” to successful conversion is IFRS 1 “First-time Adoption of IFRS” and it is full of directions, options, and requirements which if not reviewed will most certainly result in you losing your way – as well as time and money – on the road to conversion. Like any map, you need to take some time to study it carefully, etc. especially given its well over 90 pages long.

IFRS 1 shows several paths that you could take on your journey towards conversion. The paths come in the form of exemptions and exceptions and provide relief from the general principle of retrospective application. The exemptions are elective, thus providing you with several paths to choose from, and the exceptions, if applicable, are mandatory. You must study your “map” at the outset, plan your route and thus select which paths are best for you, especially those that reduce the work effort required.

In addition to planning your route, you need to plot your route so that a navigator can tell where your starting point is, where the stops are along the way, and where the path ultimately comes to an end. The plotting of your route comes in the form of disclosures and reconciliations.

To help you through the lengthy maze of IFRS 1, here is a summary of the standard, its requirements, and its importance on convergence to IFRS. It is important to note that the IFRS 1 map is subject to change itself.



IFRS 1 opening balance sheet is the starting point for accounting under IFRS

Adjustments from VAS to IFRS typically made through equity

Important to review exemptions from a retrospective application – will reduce the time and costs involved!

Overview

IFRS 1 is applicable for entities preparing financial statements following IFRS for the first time. Accordingly, it will be applicable for all Vietnamese entities who adopt IFRS under the MOF's Strategic Plan.

The objective of IFRS 1 is to guide financial statement preparers as to how to establish a starting point for accounting under IFRS. This is done through an opening balance sheet where opening balance sheet entries generally flow through equity to record adjustments necessary on the first-time adoption.

To arrive at a consistent starting point for all first-time adopters, the International Accounting Standards Board (IASB) included in the standard a fairly prescriptive list of “dos” and “don'ts” that are applicable when initially adopting IFRS.

This includes a list of disclosure requirements designed to ensure that not only is a consistent approach applied but also to ensure the impact of the first-time adoption of IFRS is communicated to financial statement users.

We have outlined the basic steps of IFRS 1 below. This is not a substitute for reading the standard itself but will hopefully help the interpretation of this important piece of guidance.

First-time implementation actions

Action	Details
1. Preparation of opening balance sheet	<ul style="list-style-type: none"> The starting point for IFRS is the preparation of an opening balance sheet at the “Date of Transition”. This is the first day of the first year for which comparatives are presented under IFRS (e.g. 1 January 2023 for calendar year-end companies). This must be prepared but does not have to be disclosed in the financial statements. However, reconciliations of equity reported under previous GAAP to equity under IFRS both (a) at the date of transition to IFRSs and (b) the end of the last annual period reported under the previous GAAP must be disclosed (see disclosure section below). The opening balance sheet will reflect all adjustments from Vietnamese GAAP to IFRS on the date of transition. These are typically made through retained earnings unless another account is specified. The opening balance sheet is typically prepared on the basis of retrospective application of all IFRS guidance that is in force on the final conversion date. However, there are a number of elective exemptions to the general rule. In addition there are a number of mandatory exceptions to the general rule.

Carefully monitor the status of IFRS 1 for Vietnamese entities throughout the conversion process as some exemptions or elections may be eliminated or amended by the MOF

Certain exceptions to a retrospective application must be compiled with

Action

Details

2. Identify elective exemptions retrospective application

- There are some further optional exemptions to the general restatement and measurement principles. The following exceptions are individually optional. They relate to:
 - business combinations,
 - share-based payment transactions,
 - insurance contracts,
 - fair value, previous carrying amount, or revaluation as deemed cost,
 - leases,
 - cumulative translation differences,
 - investments in subsidiaries, jointly controlled entities, associates and joint ventures,
 - assets and liabilities of subsidiaries, associated and joint ventures,
 - compound financial instruments,
 - designation of previously recognized financial instruments,
 - fair value measurement of financial assets or financial liabilities at initial recognition,
 - decommissioning liabilities included in the costs of property, plant and equipment,
 - financial assets or intangible assets accounted for in accordance with IFRIC 12 Service Concession Arrangements,
 - borrowing costs,
 - transfers of assets from customers,
 - extinguishing financial liabilities with equity instruments
 - severe hyperinflation,
 - joint arrangements, and
 - stripping costs in the production phase of a surface mine.



Adjustments from VAS to IFRS typically made through equity

Don't Forget! Interim, as well as annual, disclosures, are required in the year of convergence

Plan to gather data to meet these requirements

Action	Details
3. Identify exceptions to retrospective application	<ul style="list-style-type: none">• There are currently 5 exceptions on first-time adoption. These are as follows:<ul style="list-style-type: none">○ IAS 39 – De-recognition of financial instruments○ IFRS 9 – Hedge accounting○ IAS 27 – Non-controlling interest○ Full-costs oil and gas assets○ Determining whether an arrangement contains a lease
4. Prepare interim financial statement disclosures	<ul style="list-style-type: none">• The interim disclosure requirements are as follows:<ul style="list-style-type: none">○ A reconciliation from equity under Vietnamese GAAP to IFRS at the date of transition and at the last annual balance sheet date;○ A reconciliation from equity under Vietnamese GAAP to IFRS at the balance sheet date;○ A reconciliation from profit or loss under Vietnamese GAAP to IFRS for that period;○ This applies for both the period (i.e. quarter) and for the year to date;○ A reconciliation from profit or loss under Vietnamese GAAP to IFRS for the most recent annual period presented;○ Details of any material adjustments to the cash flow statement; and○ Details of any impairment losses or reversals of impairment on first-time adoption of IFRS.
5. Prepare annual financial statement disclosures	<ul style="list-style-type: none">• The annual disclosure requirements are as follows:<ul style="list-style-type: none">○ A reconciliation from equity under Vietnamese GAAP to IFRS at the date of transition (and at the last annual balance sheet date if different);○ A reconciliation from profit or loss under Vietnamese GAAP to IFRS for the most recent annual period presented;○ Details of any impairment losses or reversals of impairment on first-time adoption of IFRS; and○ Details of any material adjustments to the cash flow statement.

The disclosures are intended to clearly explain how your company is transitioning from VAS to IFRS. The following IFRS 1 example illustrates how long the process can take and emphasizes that careful planning is imperative from the outset.

Example IFRS conversion note

The following note provides an overview of the disclosures that are required on the first-time adoption of IFRS. Since the impact of conversion may vary considerably from one entity to another, no data has been included in this example. A Deloitte publication “International Financial Reporting Standards: Model financial statements and disclosure checklist” provides examples of financial statement presentation and disclosure requirements under IFRS.

Explanation of transition to IFRS

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under VAS were for the year ended December 31, 20YY and the date of transition to IFRS was therefore January 1, 20YY.

Reconciliation of equity at 1 January 20YY (date of transition to IFRS)

Key Items	Vietnamese GAAP	Effect of transition to IFRS	IFRS
Property, plant, and equipment			
Goodwill			
Intangible assets			
Financial assets			
Total non-current assets			
Inventories			
Other receivables			
Cash and cash equivalents			
Total current assets			
<u>1. Total assets</u>			
Interest-bearing loans			
Trade and other payables			
Employee benefits			
Restructuring provision			
Current tax liability			
Deferred tax liability			
Total liabilities			
<u>2. Total assets less total liabilities</u>			
Issued capital			
Revaluation reserve			
(Hedging reserve)			
Retained earnings			
Minority interest			
<u>3. Total equity</u>			

Notes to the reconciliation of equity at 1 January 20YY

Appropriate notes should be given to the reconciliation of equity to explain how the transition from VAS to IFRS affected the financial position of the entity. Sufficient detail should be given to enable users to understand the material adjustments. Some example notes are given in the Implementation Guidance to IFRS 1 but these would not necessarily apply to the circumstances of a Vietnamese company.

Reconciliation of equity at 31 December 20YY (date of last VAS financial statements)

The reconciliation, which is required by IFRS 1, would be like the one set out above except that the information would be at the end of the latest period presented in the most recent financial statements under VAS. The related notes are also required.

Explanation of transition to IFRS Reconciliation of profit or loss for 20YY

Note	Vietnamese GAAP	Effect of transition to IFRS	IFRS
Revenue			
Cost of Sales			
Gross profit			
Distribution costs			
Administrative expenses			
Financial income			
Financial cost			
Profit before tax			
Tax expense			
Net profit (loss)			

Notes to the reconciliation of profit or loss for 20YY

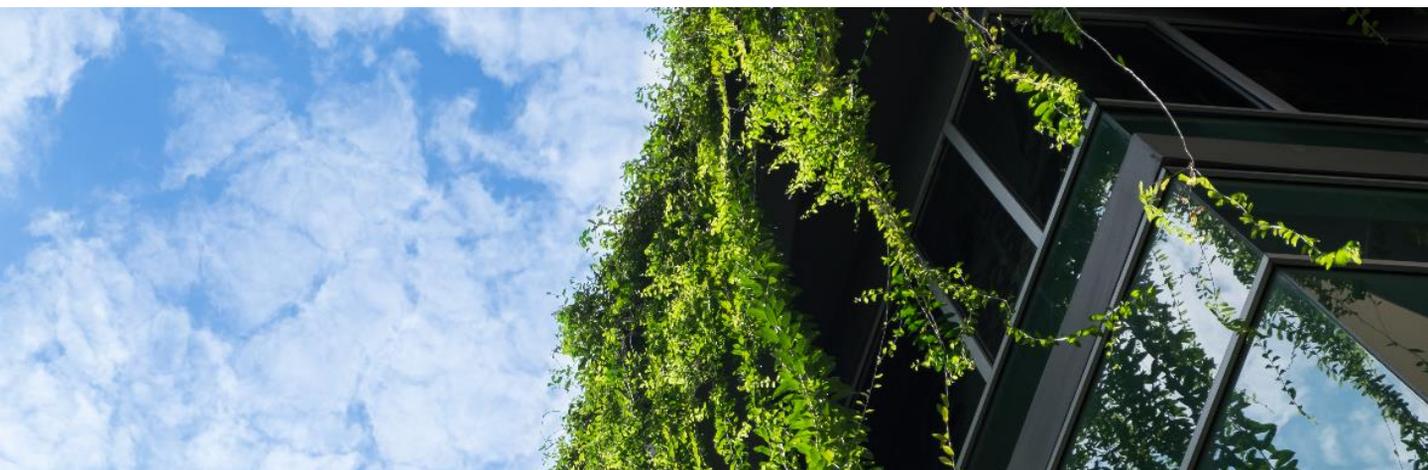
Appropriate notes should be given to the reconciliation of profit or loss to explain how the transition from VAS to IFRS affected the financial performance of the entity. Enough detail should be given to enable users to understand the material adjustments. Some example notes are given in the Implementation Guidance to IFRS 1 but these would not necessarily apply to the circumstances of a Vietnamese company.

Explanation of material adjustments to the cash flow statement for 20YY

Appropriate notes should be given to explain how the transition from VAS to IFRS affected the cash flow of the entity. Enough detail should be given to enable users to understand the material adjustments.



Terminology – An IFRS phrasebook



Acronym	Definition	Guidance
IAS	International Accounting Standards (e.g. IAS 1, IAS 2, etc..)	Standards pronounced by the predecessor body and which were approved and adopted by the IASB as the starting point for IFRS. Equal authority as standards introduced by the IASB
IFRS	International Financial Reporting Standards (e.g. IFRS 1, IFRS 2, etc.)	Standards pronounced by the current standard-setting body, i.e. the IASB, e.g. "IFRS 1"
IFRIC	International Financial Reporting Interpretations Committee or Interpretations of the IFRIC, e.g. "IFRIC 5"	Interpretations made by the Sub-committee of the IASB. Refer comments under "SIC"
Date of transition	The first day of the earliest period for which an entity presents full comparative information under IFRS in its first IFRS financial statements	For an entity with a 31 December year-end adopting IFRS in 2025, the date of transition is 1 January 2024
Opening balance sheet	An entity's balance sheet (published or unpublished) at the date of transition to IFRS	The IFRS compliant balance sheet which incorporates all IFRS 1 adjustments made at the date of transition
Retrospective application	Retrospective application means the application of IFRS as if they had been applied since the inception of the entity	Requires an entity to go back to inception and apply IFRS from that point onwards. Generally required for elective changes in accounting principles, IFRS 1 provides several options, exemptions, and prohibitions to this rule for first-time adopters

The financial reporting framework



Looking for directions? What's the difference between IFRS and IAS? Is there an IFRS equivalent to our VAS? We have mapped the financial reporting standards and interpretations for you below so that you have a better sense of direction.



IFRS



VAS 3

ASSETS	IFRS	VAS 3
Non-current assets		
Property, plant, and equipment	IAS 16	VAS 3
	IAS 20	No equivalent VAS
	IAS 23	VAS 16
	IAS 36	No equivalent VAS
Right-of-use assets	IFRS 16	VAS 6
Investment property	IAS 40	VAS 5
Goodwill	IFRS 3	VAS 11
Other intangible assets	IAS 38	VAS 4
	IAS 36	No equivalent VAS
Financial assets	IFRS 9	No equivalent VAS
Investments accounted for using the equity method	IAS 1	VAS 21
Contract assets	IFRS 15	VAS 14
Contract costs	IFRS 15	VAS 14
Current assets		
Biological assets	IAS 41	No equivalent VAS
Inventories	IAS 2	VAS 2
Trade receivables	IFRS 9	No equivalent VAS
Contract assets	IFRS 15	VAS 14
Contract costs	IFRS 15	VAS 14
Derivative financial instruments	IFRS 9	No equivalent VAS
Other current assets	IAS 1	VAS 21
Cash and cash equivalents	IAS 7	VAS 24
Assets held-for-sale	IFRS 5	No equivalent VAS
TOTAL ASSETS		

	IFRS	VAS
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital		
Share premium		
Retained earnings		
Other components of equity		
Non-controlling interest	IFRS 10	VAS 25
Total Equity		
LIABILITIES		
Non-current liabilities		
Long-term lease liability	IFRS 16	VAS 6
Long-term borrowings	IFRS 9	No equivalent VAS
Deferred tax liability	IAS 12	VAS 17
Long-term provisions	IAS 37	VAS 18
Deferred income - government grant	IAS 1	VAS 21
Contract liability	IFRS 15	VAS 14
Current liabilities		
Trade and Other payables	IFRS 9	No equivalent VAS
Current tax payables	IAS 12	VAS 17
Current portion of long-term lease liabilities	IFRS 16	VAS 6
Short-term borrowings	IFRS 9	No equivalent VAS
Current portion of long-term borrowings	IFRS 9	No equivalent VAS
Derivative financial instruments	IFRS 9	No equivalent VAS
Other financial liabilities	IFRS 9	No equivalent VAS
Short-term provisions	IAS 37	VAS 18
Deferred income - government grant	IAS 1	VAS 21
Contract liability	IFRS 15	VAS 14
TOTAL LIABILITIES		
TOTAL EQUITY AND LIABILITIES		

	IFRS	VAS
Revenue	IFRS 15	VAS 14
Cost of sales	IAS 1.99 - 103	VAS 21
Gross profit	IAS 1.85	VAS 21
Other income		
Distribution costs	IAS 1.99 - 103	VAS 21
Administrative costs	IAS 36	No equivalent VAS
Other expenses	IAS 1.99 - 103	VAS 21
Finance costs	IAS 23	VAS 16
Share of result of associate	IAS 1.82	VAS 21
Gains and losses arising from the de-recognition of financial assets measured at amortized cost	IFRS 7	No equivalent VAS
Gains and losses on the reclassification of financial assets from amortized costs to FVTPL	IAS 1.82	VAS 21
Gains and losses on the reclassification of financial assets from FVTOCI to FVTPL	IAS 1.82	VAS 21
Impairment losses and gains (including reversals of impairment losses) on financial assets	IAS 1.82	VAS 21
Other gains and losses		
Profit before tax		
Income tax expense	IAS 12	VAS 17
Profit for the year from continuing operations		
Loss for the year from discontinued operations (net of tax)	IFRS 5	No equivalent VAS
PROFIT FOR THE YEAR		
Other Comprehensive Income:		
Items that will not be reclassified to profit or loss		
Gains/(losses) on property revaluation	IAS 16	VAS 3
Re-measurement gains (losses) on DBS plans	IAS 19	No equivalent VAS
Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI	IFRS 7	No equivalent VAS
Fair value gain/(loss) on financial liabilities designated as at FVTPL attributable to changes in credit risk	IFRS 9, IFRS 7	No equivalent VAS
Share of gain (loss) on property revaluation of associates	IAS 28	VAS 7, VAS 8
Income tax relating to items that will not be classified	IAS 12	VAS 17
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations including reclassified adjustments	IAS 21	VAS 10
Cash flow hedges including reclassified adjustments	IFRS 9, IFRS 7	No equivalent VAS
Fair value gain/(loss) on investments in debt instruments measured at FVTOCI	IFRS 7	No equivalent VAS
Income tax relating to items that may be reclassified	IAS 12	VAS 17
Other Comprehensive Income for the year, net of tax		

Total comprehensive income for the year

	IFRS	VAS
Profit attributable to:		
Owners of the parent	IAS 1	VAS 21
Non-controlling interest	IAS 1	VAS 21
Total comprehensive income attributable to:		
Owners of the parent	IAS 1	VAS 21
Non-controlling interest	IAS 1	VAS 21
Earnings per share		
Basic and diluted	IAS 33	VAS 30



XYZ Group - Statement of Changes in Equity for the year ended 31 December 20xx

	Share capital	Share premium	Retained earnings	Translation of foreign operations	Investment in Equity Shares	Cash flow hedges	Revaluation and Surplus	TOTAL	Non-controlling interest	TOTAL EQUITY
	P&L + IAS 19			IAS 21	IFRS 9		IAS 16		IFRS 10	
	No equivalent VAS			VAS 10	No equivalent VAS		VAS 3		VAS 25	
Balance as at 1 January 20xx-1										
Changes in accounting policies										
Restated balance										
Changes in equity for 20xx-1										
Dividends										
Equity Share-based payment - IFRS 2										
Total comprehensive income for the year										
Balance as at 31 January 20xx-1										
Changes in equity for 20xx										
Issue of share capital										
Dividends										
Transfer of cash flow hedging (gains)/losses and costs of hedging to the initial carrying number of hedged items										
Transfer of credit risk reserve upon de-recognition of the related financial liabilities										
Transfer of investment revaluation reserve upon disposal of investments in equity instruments designated as at FVTOCI										
Own shares acquired in the year										
Total comprehensive income for the year										
Transfer to retained earnings										
Balance as at 31 January 20xx										

XYZ Group - Statement of Cash Flow for the year ended 31 December 20xx

	IFRS	VAS
Profit for the year		
Adjustments for:		
Share of profit of associates		
Share of profit of joint ventures		
Finance income		
Other gains and losses		
Finance costs		
Income tax expense		
Gain on disposal of discontinued operations		
Depreciation of property, plant and equipment		
Impairment loss on property, plant and equipment		
Depreciation of right-of-use assets		
Impairment losses, net of reversals, on financial assets		
Amortization of intangible assets		
Impairment of goodwill		
Share-based payment expense		
Fair value gain/loss on investment property		
Gain on disposal of property, plant and equipment		
Increase/(decrease) in provisions		
Fair value gain/loss on derivatives and other financial assets held for trading		
Difference between pension funding contributions paid and the pension cost charge		
Operating cash flows before movements in working capital		
Decrease/(increase) in inventories		
Decrease/(increase) in trade and other receivables		
Decrease/(increase) in contract assets		
Decrease/(increase) in contract costs		
Decrease/(increase) in right to returned goods assets		
Increase/(decrease) in trade and other payables		
Increase/(decrease) in contract liabilities		
Increase/(decrease) in refund liability		
Increase/(decrease) in deferred income		
Cash generated by operations		
Income taxes paid	IAS 7.35-36	VAS 24
Cash received from the settlements of the derivative financial instruments used to hedge interest rate risk		
Cash paid due to the settlements of the derivative financial instruments used to hedge interest rate risk		
Net cash (used in)/from operating activities	IAS 7	VAS 24
Investing activities		
Interest received	IAS 7.31	VAS 24
Dividends received from associates	IAS 7.38, IAS 24.19	VAS 24
Dividends received from joint ventures	IAS 7.38, IAS 24.19	VAS 24
Dividends received from equity instruments designated at FVOCI	IAS 7.31	VAS 24
Proceeds on disposal of equity instruments held at FVOCI		
Disposal of subsidiary	IAS 7.39	VAS 24
Proceeds on disposal of property, plant and equipment		
Purchases of property, plant and equipment		
Acquisition of investment in an associate	IAS 7.39	VAS 24
Purchases of equity instruments designated at FVOCI		
Purchases of patents and trademarks		
Acquisition of subsidiary		
Cash received from the settlements of the derivative financial instruments held for hedging purposes		
Cash paid due to the settlements of the derivative financial instruments held for hedging purposes		
Net cash (used in)/from investing activities		
Financing activities		
Dividends paid	IAS 7.31, 7.34	VAS 24
Interest paid	IAS 7.31, IFRS 16.50	VAS 24
Transaction costs related to loans and borrowings	IAS 7.21	VAS 24
Repayments of loans and borrowings	IAS 7.17(d)	VAS 24
Proceeds from loans and borrowings	IAS 7.17(c)	VAS 24
Repurchase of treasury shares	IAS 7.17(b)	VAS 24
Repayment of lease liabilities	IAS 7.17, IFRS 16.50	VAS 24
Proceeds on issue of convertible loan notes	IAS 7.17(c)	VAS 24
Proceeds on issue of shares	IAS 7.17(a)	VAS 24
Proceeds from sale of own shares		
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control		
Net cash (used in)/from financing activities		
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of year		
Effect of foreign exchange rate changes	IAS 7.28	VAS 24
Cash and cash equivalents at end of year	IAS 7	VAS 24

PART 2:

VAS to IFRS

Important standards to be considered



VAS to IFRS – Important standards to be considered

The objective of financial reporting is to monitor, support analysis, and report the business' income. The purpose of these reports is to examine resource usage, cash flow, business performance, and the financial health of the business. This helps the management and the investors make informed decisions about how to manage the business. The identified three main goals are as follow:



Provide information to investors

Investors will want to know how cash is being reinvested in the business, and how efficiently capital is being used. Financial reporting helps investors decide whether your business is a good place for their investment, any risk and uncertainty persist with the performance of the entity, and also their investment. Also, the financial report depicts the current investment status of the entity, evaluating its performance as individuals and as a Group consolidated aspect.



Monitoring cash flow

The source of the income generated by the business, the current status, and performance, comparing with other entities in the same industry and the market, the profit in terms of cash that the business currently generated – comparing to the costs of financing the activities.



Analyzing the financial health of the business

The Financial Statement presents the current level of Current and Non – current assets, also the level of debts and liabilities to finance it. By monitoring these, and any changes and fluctuation to them, managements and investors can work out the potential scenarios in the future, and what the management can change now to take advantage or prepare for the future difficulties and threats. This also shows the availability of resources for the future growth of the business.

IFRS standards set-out the globally accepted rule of financial statement presentation to most effectively identify and support the above purpose of the financial statement. In the era of Globalization, Vietnam is a potential Foreign Investment center, Business and Group should familiarize themselves with the global standard and the level of transparency, also making adequate preparation to take the advantage of the upcoming opportunities.

This guide assists you to obtain an overview of both VAS and IFRS in the financial statements, which are prepared following IFRS, and then, to focus on standards that may have a significant impact on your IFRS adoption journey. Our approach is to divide into three (03) groups, in which:

Group 1: Standards on financial statement presentation and disclosure: Point out basic guidance for the presentation structure of the Financial Statements under the requirement of IFRS. A clear view of overall changes with the level of information presented.

Group 2: Standards on the items of the financial statements: Giving the ideal changes related to the current performance/position recognition under IFRS requirements, what the differences between the performance and financial position under VAS and IFRS are, giving a picture of what the business will look like as if IFRS standard is applied.

Group 3: Standards on Group accounting: Depicts the differences related to the information presented to the investor as a Group of business as a whole. Significant differences related to the view of business as a Group in the idea of Investor under the current Local Regulations and the IFRS standards.



The below context contains standards that will impact most significantly to the information presented by business in Vietnam, focus mainly on the Framework of the Presentation, Value of Asset controlled by a business under the view of Global standards, and what is required for a consolidated Group report.

I. Presentation and Disclosure		
IFRS	Equivalent VAS	Contents
IAS 1	VAS 21	Presentation of Financial Statements
IAS 7	VAS 24	Statement of Cash Flows
IAS 8	VAS 29	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	VAS 23	Events after the reporting period
IAS 20	No equivalent VAS	Accounting for Government Grants and Disclosure of Government Assistance
IAS 29	No equivalent VAS	Financial reporting in hyperinflationary economies
IAS 32	No equivalent VAS	Financial Instruments: Presentation
IAS 24	VAS 26	Related Party Disclosures
IAS 33	VAS 30	Earnings per Share
IAS 34	VAS 27	Interim Financial Reporting
IFRS 1	No equivalent VAS	First-time adoption of IFRS
IFRS 7	No equivalent VAS (partly addressed in VAS 22 & Circular No. 210/2009/TT-BTC)	Financial Instruments: Disclosures
IFRS 8	VAS 28	Operating Segments
IFRS 17 (replace IFRS 4)	VAS 19	Insurance Contracts

II. Accounting for Financial Statements Items		
IFRS	Equivalent VAS	Contents
IAS 2	VAS 2	Inventories
IAS 12	VAS 17	Income Taxes
IAS 16	VAS 3	Property, Plant, and Equipment
IAS 19	No equivalent VAS	Employee Benefits
IAS 23	VAS 16	Borrowing Costs
IAS 36	No equivalent VAS	Impairment of Assets
IAS 37	VAS 18	Provisions, Contingent Liabilities, and Contingent Assets
IAS 38	VAS 4	Intangible Assets
IAS 40	VAS 5	Investment Property
IAS 41	No equivalent VAS	Agriculture

IFRS 2	No equivalent VAS	Share-based payment
IFRS 5	No equivalent VAS	Non-current assets held for sale and discontinued operations
IFRS 6	No equivalent VAS	Exploration for and evaluation of mineral resources
IFRS 9 (replace IAS 39)	No equivalent VAS	Financial Instruments
IFRS 13	No equivalent VAS	Fair value measurement
IFRS 15 (replace IAS 11&18)	VAS 14	Revenue from Contracts with Customers
IFRS 16 (replace IAS 17)	VAS 6	Leases

III. Group accounting		
IFRS	Equivalent VAS	Contents
IAS 21	VAS 10	The effects of changes in foreign exchange rates
IAS 27	No equivalent VAS	Separate financial statements
IAS 28	VAS 7, VAS 8	Investments in associates and joint ventures
IFRS 3	VAS 11	Business combinations
IFRS 10	VAS 25	Consolidated financial statements
IFRS 11	VAS 8	Joint arrangements
IFRS 12	No equivalent VAS	Disclosure of interests in other entities

We then will outline in additional detail of some standards that we believe are the significant differences between VAS and IFRS, with specific on reference on the effort required to convert existing balances to IFRS compliant balances by conversion date. In any specific circumstances, other standards may be equally challenging: this is not a definitive list, and users are reminded that they alone are responsible for their decisions.

Group 1: Standards on financial statements presentation and disclosure



IAS 1 – Presentation of Financial Statements

General Impact

IAS 1 presents the requirement of the Statement of Comprehensive Income into two parts: Other Comprehensive Income (OCI) and the statement of Profit or Loss (P/L).

With the recognition of Other Comprehensive Income, IAS 1 also presents an item on the Equity of the Balance Sheet, which is known as the “Other Components of Equity”. The recognition of Other Comprehensive Income suggests that some items which were originally recognized as Profit or Loss under the current standard will now be recorded to Other Comprehensive Income, giving a stable trend of Financial Performance results of the company.

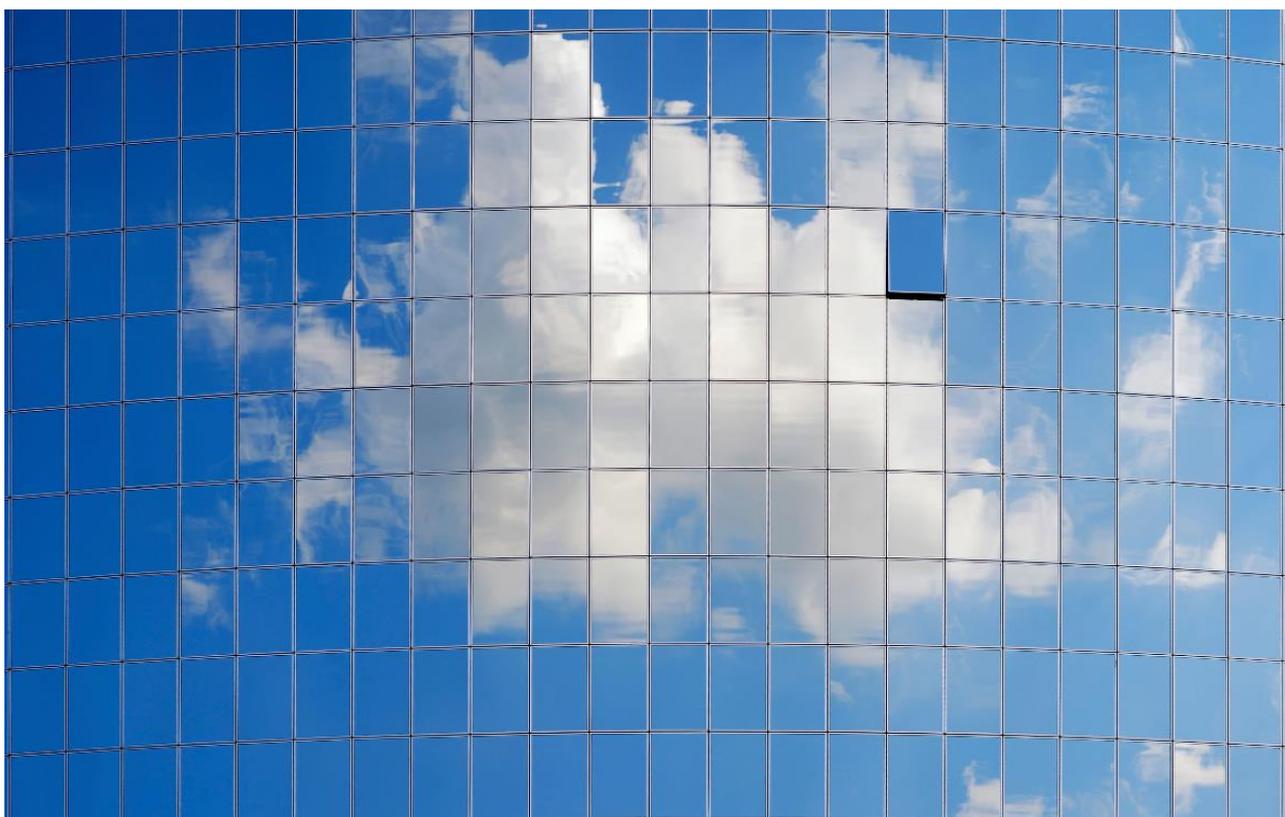
As a requirement of the IAS 1 – *Statement of Profit or Loss* presents all incomes and expenses of the entity during the period, except for the circumstances where incomes or expenses arising from the change in the carrying amount of an asset or liability should be included in Other Comprehensive Income, and “Other Components of Equity” on Balance Sheet. Items recorded in “Other Components of Equity” shall be transferred to the Profit or Loss statement in the subsequent accounting period where they meet the condition to be recognized in the statement of Profit or Loss.

By this requirement, the current Profit or Loss statements will change, some gain/loss will be excluded and transferred to Others Comprehensive Income statement.

Illustrative examples:

Actual Other Comprehensive Income statements:

For The Year ended 31 December 2020			
Items	Notes	2020	2019
Other Comprehensive Income, net of tax:			
Items that will not be reclassified to profit or loss:			
Re-measurement of post-retirement obligations	a	xx	Xxx
The net change in fair value through OCI investments	a	xx	Xxx
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	a	xx	Xxx
Change in fair value of net investment hedges	a	xx	Xxx
Change in fair value of cash flow hedges	a	xx	Xxx
Cash flow hedges reclassified to profit or loss	a	xx	Xxx
The net change in fair value through OCI investments	a	xx	Xxx
Cost of hedging	a	xx	Xxx
Share of Other Comprehensive Income of associates/joint ventures	a	xx	Xxx
Other Comprehensive Income, net of tax	a	xx	Xxx
Total comprehensive income	a	xx	Xxx
Attributable to:			
Shareholders of the Company	a	xx	Xxx
Non-controlling interests	a	xx	Xxx
Total comprehensive income	a	xx	xxx



Statement of OCI presenting two specific categories:

- An item that subsequently be re-classed to Profit or Loss statements – which includes the Currency transaction differences, Changes in fair value (except for the revaluation of PPE), Cash-flow hedge, etc.
- An item that subsequently not be reclassified to Profit or Loss statement: Revaluation of PPE, Gains and losses from financial assets, etc.

Overview

IAS 1 - *Presentation of Financial Statements* sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their contents and overriding concepts such as going concern, the accrual basis of accounting, and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and Other Comprehensive Income, a statement of changes in equity and a statement of cash flows.

Conversion issues

Topic	IFRS	VAS
IAS 1 vs VAS 21 - Presentation of Financial Statements		
Components of financial statements	<p>Minimum statements require:</p> <p>a) a statement of financial position at the end of the period,</p> <p>b) a statement of Profit or Loss (P/L) and Other Comprehensive Income for the period (separated or combined),</p> <p>c) a statement of changes in equity for the period,</p> <p>d) a statement of cash flows for the period,</p> <p>e) notes, comprising a summary of significant accounting policies and other explanatory information,</p> <p>f) comparative information in respect of the preceding period, and</p> <p>g) a statement of financial position as of the beginning of the earliest comparative period (when applying change/retrospective in accounting policy, restatement, reclassify items).</p>	<p>Minimum statements require:</p> <p>a) balance sheet,</p> <p>b) income statements,</p> <p>c) statement of changes in equity is presented as a note in financial statements,</p> <p>d) statement of cash flows for the period, and</p> <p>e) notes to financial statements.</p>
The current/ non- current distinction	<p>An entity shall present current and non- current assets and current and non-current liabilities as separate classification in its financial statements.</p> <p>Except when a presentation based on descending order of their liquidity provides information that is reliable and more relevant.</p>	<p>An entity should present current and non-current assets and current and non-current liabilities as separate classification in its financial statements.</p> <p>When the entity is unable to classified, a presentation based on descending order of their liquidity.</p>

Maturities date of assets and liabilities	An entity should disclose the realization dates of both assets and liabilities to assess its liquidity and solvency.	Different requirements for each element of the financial statement, which depend on the original term or the remaining liquidity period.
Statement of financial position/balance sheet format	No order required on presentation.	The balance sheet is presented in applicable regulations and guidance.
Income statements/ Statement of Comprehensive Income	2 options of the report: a) In a single Statement of Comprehensive Income b) In 2 separate statements: Income statement (P/L) and Other Comprehensive Income (OCI) Classification: Function of expense or the nature of expense (whichever is reliable and relevant).	In a single Statement of Comprehensive Income. Classification: Function of expense then nature of the expense.
Dividends disclosure	Disclose in the notes or the statement of changes in equity.	An entity should disclose the amount of dividend per share declared or proposed for the period. This information is allowed to disclose in the notes.
Change in Equity	Disclosure should include (4): a) the net P/L, b) capital transactions with owners and distribution to owners, c) the balance of accumulated profits or losses at the beginning of the period and the end of the period and any movement, and d) A reconciliation between the carrying amount of each class of contributed equity capital, share premium, and each reserve at the beginning of the period, separately disclosing each movement.	As a note to financial statements.

What must be done?

- To include Statement of Changes in Equity at the transition date;
- To understand the nature and requirements of Other Comprehensive Income statements, clearly classify the differences between “non-reclassified items” and “subsequent reclassify items”;
- To identify items under Other Comprehensive Income at the transition date;
- To estimate the impact of applying the changes to Profit or Loss and Other Comprehensive Income, and
- Identify key differences between Short-term and Long-term Balance Sheet items, impact on the financial ratios, and Loan covenants condition.

IFRS 7 – Financial Instruments: Disclosures

General Impact

IFRS 7 - *Financial Instruments: Disclosures* requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required relating to transferred financial assets and several other matters.

Overview

IFRS 7 requires disclosure of (a) the significance of financial instruments for an entity's financial position and performance and (b) qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, and market risk. The qualitative disclosures describe management's objectives, policies, and processes for managing those risks. The quantitative disclosures provide information about the extent to which an entity is exposed to risk, based on information provided internally to the entity's key management personnel.

Conversion issues

In Vietnam, there is no VAS equivalent to IFRS 7. However, on 06 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC which requires those entities to disclose financial instruments under IFRS 7. The requirements in Circular No. 210 become optional under Circular No. 200, which is applicable from the financial year commencing on or after 01 January 2015.

Topic	IFRS
IFRS 7 - Financial Instruments: Disclosures	
Objective	<p>To prescribe disclosures that enable financial statement users to evaluate the significance of financial instruments to the financial position and results of an entity, the nature and extent of its risks, and how the entity manages those risks. IFRS 7 and Circular No. 210 are the same.</p> <p>However, in reality, the notes to the financial statements under Circular No. 210 do not provide sufficient information because the VAS do not provide for the recognition and measurement of financial instruments and fair value accounting.</p>
Scope	<p>IFRS 7 is applied to all types of financial instruments, except for those specifically excluded from their scope.</p> <p>IFRS 7 applies to both recognized and unrecognized financial instruments.</p>

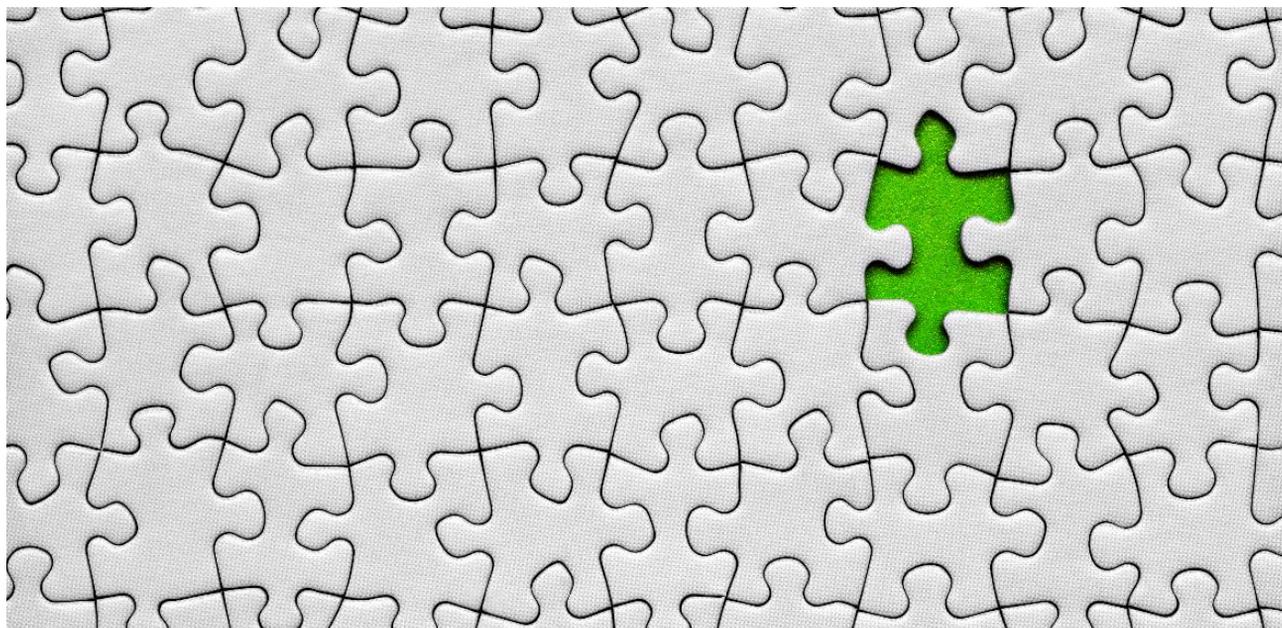
<p>Key principles</p>	<p>When this IFRS requires disclosures by the class of financial instruments, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position.</p> <p>IFRS 7 requires entities to provide disclosures that enable users to evaluate:</p> <ul style="list-style-type: none"> • The significance of financial instruments for the entity’s financial position and performance. • The nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks.
<p>Significance of financial instruments</p>	<p>a. Disclosures for the statement of financial position:</p> <ul style="list-style-type: none"> • Carrying amounts of your financial instruments by their categories; • Financial assets or financial liabilities measured at fair value through profit or loss (FVTPL); • Investments in equity instruments designated at fair value through Other Comprehensive Income (“FVOCI”); • Reclassifications; • Offsetting financial assets and financial liabilities; • Collaterals; • Allowance account for credit losses; • Compound financial instruments with multiple embedded derivatives; or • Default and breaches. <p>b. Disclosures for the Statement of Comprehensive Income:</p> <ul style="list-style-type: none"> • Net gains or net losses on each category of the financial instruments; • Total interest in revenues and total interest expenses; • Fee incomes and expenses; or • Analysis of the gains or losses in the Statement of Comprehensive Income from the de-recognition of financial assets at amortized cost. <p>c. Other disclosures:</p> <ul style="list-style-type: none"> • Accounting policies; • Hedge accounting disclosures (risk management strategies, effect of hedge accounting, etc.); or • Fair value (how it was determined, fair values of financial assets and liabilities, explanations when the fair value cannot be determined).

<p>Nature and extent of risks from financial instruments</p>	<p>a. Credit risk: relates to your financial assets and simply speaking, it is a risk that you will suffer a financial loss due to counterparty failing to pay its obligations:</p> <ul style="list-style-type: none"> • Credit risk management practices; • Information about amounts arising from expected credit losses; • Credit risk exposure; or • Collateral and other credit enhancements obtained. <p>b. Liquidity risk: relates to your financial liabilities and it is a kind of “opposite” to the credit risk:</p> <ul style="list-style-type: none"> • Maturity analysis of financial liabilities with remaining contractual maturities (separately for non-derivative and derivative); or • How to manage the liquidity risk. <p>c. Market risk: is the risk that either the fair value or future cash flows from your financial assets or financial liabilities will fluctuate due to changes in market prices:</p> <ul style="list-style-type: none"> • Currency risk: the risk that foreign exchange rate changes cause the fluctuations in cash flows or fair values; • Interest rate risk: fluctuations are caused by the changes in interest rates; or • Other price risks: Fluctuations are caused by changes in other market prices, such as commodity prices, equity prices, etc.
---	---

What must be done?

- Apply the recognition and measurement requirements of its previous GAAP to comparative information about assets within the scope of IFRS 9;
- Review all financial instruments issued for appropriateness of classification and measurement;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of transactions, other events, and conditions on the entity’s financial position and financial performance; or
- Possible re-measurement of related party transactions.

IFRS 17 – Insurance contracts



General Impacts

IFRS 17 - *Insurance contracts* may impact Statement of Financial Positions, Statement of Other Comprehensive Income, Statement of Cash Flow, and Notes to the Financial Statements.

IFRS 17's measurement models will have different impacts on certain financial statement line items, mainly "premiums" and "insurance contract liabilities".

Premiums: the recognition is no longer based on due premiums or premiums received but will mainly include changes in the liability for remaining coverage and release of insurance acquisition cash flows.

Insurance contract liabilities: according to both IFRS 4 and IFRS 17, insurance contract liabilities include the liability for incurred claims and the liability for remaining coverage. The most striking difference in IFRS 17 is that the liability for remaining coverage includes contractual service margin.

Thus, contractual service margin can be seen as the key factor to reflect the current and future development of insurance companies through premiums and insurance contract liabilities.

Overview

In May 2017, the IASB issued IFRS 17 - *Insurance contracts* and prepared a new accounting standard for insurers. While the current standard, which is IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements and the impacts on global size. IFRS 17, when effective, will replace IFRS 4.

IFRS 17 is applicable for annual periods beginning on or after 01 January 2023. Early application is permitted for entities that apply IFRS 9 - *Financial instruments* and IFRS 15 - *Revenue from contracts with customers* at or before the date of initial application of IFRS 17.

The standard can be applied retrospectively under IAS 8, but it also contains a "modified retrospective approach" and a "fair value approach" for transition, depending on the availability of data.

Conversion issues

In Vietnam, there is only VAS 19 which was comparable with IFRS 4. About IFRS 17, there is none at the issuance of this publication.

Topic	IFRS	VAS
	Insurance contracts – IFRS 4	Insurance contracts – VAS 19 & Other MOF guidance’s related to life and non-life insurances
Scope and definition	<p>IFRS 4 - <i>Insurance Contracts</i> guides on accounting for insurance contracts to perform in local GAAP.</p> <p>IFRS 4 applies to all insurance contracts that an entity issues and reinsurance contracts that it holds. It does not apply to other assets and liabilities of an insurer, such as financial assets and financial liabilities within the scope of IAS 39 - <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>Other than permitting an insurer in specified circumstances to reclassify some or all their financial assets at fair value through profit or loss and containing temporary exemptions relating to the application of IFRS 9.</p> <p>Insurance contracts are contracts where an entity (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.</p>	<p>VAS 19 - <i>Insurance Contracts</i> is based on IFRS 4 and is consistent with IFRS 4 other than those subsequent amendments in IFRS 4.</p> <p>However, as there is no guidance by the Ministry of Finance for the implementation of VAS 19. Hence, insurance companies apply specific accounting guidance rather than VAS 19, including accounting guidance in Circular No. 199/2014/TT-BTC dated 19 December 2014 of the Ministry of Finance (for life insurance entities and reinsurance entities) and in Circular No. 232/2012/TT-BTC dated 28 December 2012 of the Ministry of Finance (for non-life insurance entities and reinsurance entities).</p> <p>As a result, commonly used accounting policies for insurance contracts have several areas that are different from IFRS 4, such as the requirements to account for catastrophe reserve and provisions for a future claim, or the omission of liability adequacy test, impairment of insured assets and the disclosure of embedded values.</p>

Topic	IFRS	
	Insurance contracts – IFRS 17 (No VAS equivalent)	
Recognition	<p>Risk transferred in the contract must be insurance risk except for financial risk.</p> <p>It allows entities to continue with their existing accounting policies for insurance contracts if those policies meet certain minimum criteria.</p> <p>One of the minimum criteria is that the amount of insurance liability is subject to a liability adequacy test. This test considers current estimates of all contractual and related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees. If the liability adequacy test identifies that the insurance liability is inadequate, the entire deficiency is recognized in profit or loss.</p>	<p>These include, among other enhanced requirements, the disclosure of information on insurance risks such as:</p> <p>Firstly, a sensitivity analysis that shows how profit or loss and equity would have been affected by the relevant risk variable (e.g. mortality and morbidity, interest rates, etc.).</p> <p>Then, the methods and assumptions used in preparing the sensitivity analysis.</p> <p>Lastly, qualitative information about sensitivity and information about those terms and conditions of insurance contracts that have a material effect on the amount, timing uncertainty of the insurer’s future cash flows.</p>

Recognition

Under IFRS 17, the “general model” requires entities to measure an insurance contract, at initial recognition, at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows, and a risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are re-measured on a current basis in each reporting period. The unearned profit (contractual service margin) is recognized over the coverage period.

Aside from this general model, the standard provides, as a simplification, it can be named as a “premium allocation approach”. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the “variable fee approach” applies.

The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity’s share of the fair value changes of the underlying items is included in the contractual service margin.

Therefore, the fair value changes are not recognized in profit or loss in the period in which they occur but over the remaining life of the contract.

What must be done?

- Identify the terms of the insurance contract;
- Re-plan key activities and project timeline;
- More test activities are to be expected;
- Reevaluate retrospectively under IAS 8;
- Optional scope exclusion for loan contracts and certain credit card contracts;
- Extension of the risk mitigation option to include investment contracts; or
- Interface with IFRS 9, IFRS 15.



Group 2: Standards on the items of the financial statements



IAS 12 – Income Taxes

General impact

IAS 12 - *Income Taxes* may impact the Statement of Financial Positions, Statement of Profit or Loss, Statement of Cash Flows, and Notes to the Financial Statements.

The difference between IAS 12 and VAS 17 is the tax loss record that can be carried backward. Loss carry-back rules provide businesses with the choice to carry-back all or part of a tax loss from an income year – or the preceding year - against unutilized income tax payable in either of the previous years. Generally speaking, businesses can carry back losses to previous years as an alternative to carrying them forward.

Illustrative examples:

ABC Pty Ltd has been operating for several years and paid a tax of \$75,000 in the 20X8 income year (i.e., the taxable income of \$250,000). The company had no carried forward tax losses at the end of the 20X8 year.

In the 20X9 year, the company has a tax loss of \$200,000 due to significant investment in new plant and equipment and weaker trading conditions. The company has a franking account balance of \$400,000.

The company's refund under the loss carry-back rules is limited to the lesser of the following amounts:

The tax value of the current year loss (i.e., $20\% \times \$200,000 = \$40,000$)

The tax paid in the carry-back period (i.e., \$75,000).

In this case, the company can carry back its full tax loss for the 20X9 year against the tax paid in the prior year and will receive a cash refund of \$40,000.



Overview

IAS 12 - *Income Taxes* deals mainly with deferred tax. It requires that deferred tax is recognized for temporary differences. IAS 12 implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. The differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

Conversion issues

Topic	IFRS	VAS
IAS 12 vs VAS 17 - Income Taxes		
Objectives	The amount payable to the tax authority relating to the trading activities of the period. Current tax is measured at the amount expected to be paid to (or recovered from) the tax authorities.	
Recognition of current tax liabilities/assets	Tax-loss that can be carried back to recover the current tax of the previous period shall be recognized as an asset in which tax losses incurred.	Tax-loss cannot carry backward.

<p>Recognition of deferred tax liabilities</p>	<p>The general principle in IAS 12 is that a deferred tax liability is recognized for all taxable temporary differences. There are three exceptions to the requirement to recognize a deferred tax liability, as follows:</p> <ul style="list-style-type: none"> • liabilities arising from the initial recognition of goodwill, • liabilities arising from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit, and • liabilities arising from temporary differences associated with investments in subsidiaries, branches, and associates, and interests in joint arrangements, but only to the extent that the entity can control the timing of the reversal of the differences and, probably, the reversal will not occur in the foreseeable future. (liabilities from undistributed profits). 	<p>An exception for not recording deferred tax arising from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit.</p>
<p>Measurement of deferred tax assets and liabilities</p>	<p>When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit (tax loss) of the periods in which the temporary differences are expected to reverse.</p>	<p>VAS does not provide a guideline on the measurement of deferred tax assets and liabilities.</p>
<p>Recognition of tax expense or income</p>	<p>Current and deferred tax is recognized as income or expense and included in profit or loss for the period, except to the extent that the tax arises from:</p> <ul style="list-style-type: none"> • transactions or events that are recognized outside of profit or loss (Other Comprehensive Income or equity) - in which case the related tax amount is also recognized outside of profit or loss. • a business combination - in which case the tax amounts are recognized as identifiable assets or liabilities at the acquisition date, and accordingly effectively taken into account in the determination of goodwill when applying IFRS 3 - <i>Business Combinations</i>. 	<p>VAS does not provide a guideline on the recognition of current tax in case of tax arising from a business combination.</p>

<p>Tax consequences of dividends</p>	<p>An entity shall recognize the income tax consequences of dividends as defined in IFRS 9 when it recognizes a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or event.</p> <p>Possible future dividend distribution or tax refund cannot be foreshowed while measuring deferred tax asset and liabilities.</p>	<p>VAS does not provide a guideline on tax consequences of dividends</p>
<p>Presentation</p>	<p>Current tax assets and current tax liabilities can only be offset in the statement of financial position if the entity has the legal right and the intention to settle on a net basis.</p> <p>Deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.</p>	

Scope note

IAS 12 notes the following:

- It is inherent in the recognition of an asset or liability that that asset or liability will be recovered or settled, and this recovery or settlement may give rise to future tax consequences which should be recognized at the same time as the asset or liability.
- An entity should account for the tax consequences of transactions and other events in the same way it accounts for the transactions or other events themselves.

What must be done?

- List out the temporary differences that recorded during the year;
- Multiply the differences with the tax rate to have an adjustment to the deferred tax account; or
- Add the adjustments with the opening balance to have the ending balance of deferred tax account.



IAS 16 – Property, Plant and Equipment



General Impact

IAS 16 - *Property, Plant and Equipment* removes the minimum value criteria for an asset to be recorded as a tangible asset, this would lead to a significant increase in the balance of Non-current asset on the financial statement.

Revaluation model – if applicable may increase or decrease the value of the Tangible asset of the entity – reflecting the fair value of the asset at the date of revaluation. The impact of the revaluation model will be presented on the Statement of Other Comprehensive Income (then P/L to the extent) (as introduced in IAS 1 - *Presentation of Financial Statement*). Fair value assessment using the revaluation is presented in IFRS 13 - *Fair value measurement*.

By applying IAS 16 - *Property, Plant and Equipment* shall not be carried at more than recoverable amount (which is the higher of the asset's fair value less costs to sell and its value in use). This regulation is required to perform when the asset does not reach the capacity production level or the reduction in profitability of the service or products generated from the assets, etc.

Accounting policy for amortization expenses related tools and other physical assets currently recording as Prepayments will change under the application of the IAS 16 - *Property, Plant and Equipment*.

Illustrative example:

Entities operating in warehouse management service may have a large amount of barcode scanning machines – which recorded as prepayment under the requirement of current accounting standards. By applying IAS 16, these barcode scanning machines can be recorded as Equipment and depreciating for a longer useful life depend on the future benefit generated from the asset – while the current accounting standards only permits the amortization in maximum 03 years for prepayment expenses.

Overview

IAS 16 - *Property, Plant and Equipment* outlines the accounting treatments for most types of Property, Plant, and Equipment. Property, Plant, and Equipment is initially measured at its cost, subsequently measured either using a costs or revaluation model and depreciation so that its depreciable amount is allocated on a systematic basis over its useful life.

Conversion issues

Topic	IFRS	VAS
IAS 16 vs VAS 3 - Property, Plant and Equipment		
Recognition of tangibles assets	No threshold for recognition of fixed assets is set.	Current requirements regarding value are met, which the threshold for recognition of fixed asset is VND 30 million.
Depreciation of asset components	Specific requirements to depreciate major parts of an asset separately. May have different useful lives for the same assets.	Limited guidance but the notion of parts is recognized.
Measurement After initial recognition	Permits 2 accounting models: Cost model: The asset is carried at costs less accumulated depreciation and impairment. Revaluation model: The asset is carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment, provided that fair value can be measured reliably.	Only costs model allowed. Property, Plant, and Equipment are permitted to be evaluated in a limited case.
New definition and requirement of IAS 16		
Initial measurement – Cost	An item of Property, Plant, and Equipment should initially be recorded at cost, which includes all costs necessary to bring the asset to working condition for its intended use. If payment for an item of Property, Plant, and Equipment is deferred, interest at a market rate must be recognized or imputed.	
Treatment of revaluation movement	If a revaluation increases in value, it should be credited to Other Comprehensive Income and accumulated in equity under the heading "revaluation surplus" unless it represents the reversal of a revaluation decrease of the same asset previously recognized as an expense, in which case it should be recognized in profit or loss. A decrease arising as a result of a revaluation should be recognized as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset.	
Treatment of revaluation reserve	When a revalued asset is disposed of, any revaluation surplus may be transferred directly to retained earnings, or it may be left in equity under the heading "revaluation surplus". The transfer to retained earnings should not be made through profit or loss.	

Impairment	<p>Property, Plant, and Equipment require impairment testing and, if necessary, recognition for Property, Plant, and Equipment. An item of Property, Plant, and Equipment shall not be carried at more than a recoverable amount. Recoverable amount is the higher of the asset's fair value minus costs to sell and its value in use.</p> <p>Any claim for compensation from third parties for impairment is included in profit or loss when the claim becomes receivable.</p>
Disclosure	Detailed disclosure requirements relating revaluation model are provided.

What must be done?

- The entity should ensure that the accounting team is well – trained for the upcoming application of IAS 16;
- The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively as a change in estimate under IAS 8 (VAS 3 only mentions about useful life and depreciation method review);
- Elect accounting policy for each class of assets – costs or revaluation model;
- For the assets mentioned above, the entity needs to perform stock-taking to ensure the existence and the current quantity of these assets;
- The entity also needs to develop the appropriate method to measure the fair value of its assets (such as through professional valuation services) to meet the regulation of the standard; or
- Develop the forecast of impact to cash-flow, the financial position under the application of the new standards.



IAS 19 – Employee benefits

General Impact

IAS 19 - *Employee benefits* may impact on Statement of Financial Positions, Statement of Profit or Loss and Notes to the financial statements.

Performing a high-level impact on the financial statements as the change from the immediate P&L method or the corridor method to the immediate OCI method could have a significant impact on the company's financial statements:

- Profit-Sharing Agreement: Profit-sharing agreements may be impacted by the new accounting treatments.
- The following commonly used ratios may be impacted: Dividend Yield, Gross Profit Percentage, Net Profit Percentage, Return on Assets, Debt/Equity, etc.
- As a result of the changes to the ratios, debt covenants may be impacted. Consideration will need to be given to potential renegotiation of debt covenants.
- Certain aspects of employee remuneration and benefits may be dependent on a certain item within the financial statements, for example, revenue or profit. The implementation of IAS 19 may change these items and so employee benefit structures may need to be revised.

Overview

IAS 19 - *Employee benefits* contain the requirements for accounting for employee benefits. Employee benefits are all forms of consideration given by an entity in exchange for service rendered by the employees or for the termination of employment. The most complex of these is the accounting for post-retirement benefit plans where the employer has guaranteed the number of benefits to be paid out to employees. Such plans require actuarial valuations and result in actuarial gains or losses being recognized in the financial statements. There were previously three methods of accounting for such actuarial gains or losses.

As a basic rule, the standard states the following:

- A liability should be recognized when an employee has provided a service in exchange for benefits to be received by the employee sometime in the future, and
- An expense should be recognized when the entity consumes the economic benefits from a service provided by an employee in exchange for employee benefits.

IAS 19 applies to (among other kinds of employee benefits):

- i. Short-term employee benefits including, if expected to be settled wholly before 12 months after the year ended in which the employees render the related services:
 - wages and salaries,
 - social security contributions,
 - compensated absences (paid vacation and sick leave),
 - paid maternity/paternity leave,
 - paid jury service,
 - paid military service,
 - medical and life insurance benefits during employment, and
 - non-monetary benefits such as houses, cars, and free or subsidized goods or services.
- ii. Post-employment benefits, e.g. retirement benefits (pensions or lump sum payments), life insurance, and medical care.
- iii. other long-term benefits, e.g. profit sharing and bonuses or deferred compensation programmed later than 12 months after the year ended, long service or sabbatical leave.
- iv. Termination benefits, e.g. early retirement payments and redundancy payments.

Conversion issues

Topic	IFRS
IAS 19 – Employee benefits	
Objectives	The objective of IAS 19 is to prescribe the accounting and disclosure for employee benefits, requiring an entity to recognize a liability where an employee has provided service and an expense when the entity consumes the economic benefits of employee service.
Short-term employee benefits	<ol style="list-style-type: none"> 1. Recognition and measurement <ul style="list-style-type: none"> • Unpaid short-term employee benefits should be recognized as an accrued expense. Any payment in advance should be recognized as a prepayment; or • The costs of short-term employee benefits should be recognized as an expense in the period when the economic benefit is given. 2. Short-term paid absences <ul style="list-style-type: none"> • Short-term accumulating paid absences are absences for which an employee is paid, and if the employee’s entitlement has not been used up at the end of the period, they are carried forward to the next period; • Short-term non accumulating paid absences are absences for which an employee is paid when they occur, but not accumulated; or • The costs of accumulating paid absences should be measured as the additional amount that the entity expects to pay as at the end of the reporting period. 3. Profit-sharing or bonus plans <ul style="list-style-type: none"> • Profit shares or bonus payable within 12 months after the end of the accounting period should be recognized as an expected costs when the entity has a present obligation to pay it. The measurement of the constructive obligation reflects the possibility that some employees may leave without receiving a bonus.
Post-employment benefits	<p>IAS 19 requires an entity to classify such a plan as a Defined Contribution Plan (DCP) or a Defined Benefit Plan (DBP), depending on its terms:</p> <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;"> <div data-bbox="288 1162 743 1245" style="background-color: #76b82a; color: white; padding: 5px; border-radius: 5px;">Defined contribution</div> <div data-bbox="288 1259 743 1384" style="background-color: #a2d4c9; padding: 10px; border-radius: 5px; margin: 5px;">Employer contributions into the pension plan are fixed</div> <div style="margin: 5px 0;">▼</div> <div data-bbox="288 1442 743 1524" style="background-color: #a2d4c9; padding: 10px; border-radius: 5px;">Pensions paid out are variable</div> </div> <div style="text-align: center;"> <div data-bbox="855 1162 1310 1245" style="background-color: #76b82a; color: white; padding: 5px; border-radius: 5px;">Defined benefit</div> <div data-bbox="855 1259 1310 1384" style="background-color: #a2d4c9; padding: 10px; border-radius: 5px; margin: 5px;">Employer contributions into the pension plan are variable</div> <div style="margin: 5px 0;">▼</div> <div data-bbox="855 1442 1310 1524" style="background-color: #a2d4c9; padding: 10px; border-radius: 5px;">Pensions paid out are a guaranteed amount</div> </div> </div>

<p>Post-employment benefits (cont.)</p>	<p>1. Defined contribution plans (DCP)</p> <ul style="list-style-type: none"> • The employer (and possibly current employees too) pay regular contributions into the plan of a given or defined amount each year. The contribution is invested, and the size of the post-employment benefits paid to former employees depends on the plan’s investment performance; • If the investments perform well, the plan will be able to afford higher benefits than if the investments performed less well; • After fulfilling contributions, the entity has no further liability and no exposure to risks related to the plan’s asset performance; • Contributions to a DCP should be recognized as an expense in the period that they are payable (except to the extent that labor costs may be included within the costs of assets); or • Any liability/excess for unpaid contributions/ contributions paid as at the end of the period should be recognized as a liability (accrued expense)/ an asset (prepaid expense). <p>2. Defined benefit plans (DBP)</p> <ul style="list-style-type: none"> • The size of the post-employment benefits is determined in advance. • If the assets in the fund are insufficient, the employer will be required to make additional contributions. If the fund’s assets appear to be larger than they need to be, the employer may be allowed to take a “contribution holiday”. • The entity is taking further liability and exposure to risks related to the plan’s asset performance. • The future employee benefits must be estimated by an actuarial technique and discounted to arrive at the present value of the defined benefit obligation and the current service cost. • The present value of discounted future benefits will incur interest over time, and an interest expense should be recognized. • The fair value of any plan assets should be deducted from the present value of defined benefit obligation to arrive surplus or deficits. <p>The surplus or deficit may have to be adjusted if a net benefit asset has to be restricted by the asset ceiling.</p>
<p>Disclosure</p>	<p>The following must be disclosed:</p> <ul style="list-style-type: none"> (a) Characteristics of the plans and the risk associated with them; (b) Identify and explain the amount of the plan presented in the financial statements; or (c) Describe how the plan may affect the amount, timing, and uncertainty of the entity’s future cash flow.
<p>Other issues</p>	<p>Accounting for employee benefits had been problematic in the following respects:</p> <ul style="list-style-type: none"> • Income statement treatment. The complexity of the presentation makes the treatment hard to understand. • Fair value and volatility. The FV of plan assets may be volatile, and values in the statement of financial position may fluctuate. • Fair value and economic reality. FV may not reflect economic reality, because the FV fluctuates in the short-term, while pension scheme assets are held for the long term. • Problems in determining the discounted rate.



Scope note

IAS 19 (2011) does not apply to employee benefits within the scope of IFRS 2 *Share-based Payment* or the reporting by employee benefit plans (see IAS 26 *Accounting and Reporting by Retirement Benefit Plans*).

This standard does not deal with reporting by employee benefit plans (see IAS 26 *Accounting and Reporting by Retirement Benefit Plans*).

What must be done?

- Identify all legal and constructive obligations under benefit arrangements.
- Appoint actuaries who are IAS 19 qualified.
- Determine employee future benefits obligation/liability under IAS 19 at the date of transition and thereafter at all reporting dates.
- Decide whether to apply election to recognize cumulative unamortized actuarial gains and losses in equity on conversion to IFRS.
- Select accounting policy for future treatment of actuarial gains and losses (e.g. discounted rate).

IAS 36 – Suy giảm giá trị tài sản

General Impact

IAS 36 *Impairment of Assets* seeks to ensure that an entity's assets are not carried at more than their recoverable amount (i.e. the higher of fair value less costs of disposal and value in use). Except for goodwill and certain intangible assets for which an annual impairment test is required, entities are required to conduct impairment tests where there is an indication of impairment of an asset, and the test may be conducted for a 'cash-generating unit' where an asset does not generate cash inflows that are largely independent of those from other assets.

The concept of a cash-generating unit ("CGU") is that the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Applying IAS 36 may substantially impact on the asset value of the entity, especially on the Property, Plant, and Equipment, with the change of the fair value of assets, future amortization and depreciation will need to be adjusted as well.

The impairment loss is recognized as an expense (unless it relates to a revalued asset where the impairment loss is treated as a revaluation decrease). The recognition of asset impairment will significantly impact the performance of the entity for the accounting period, present not only the current operating performance but also the anticipated future downfall of the business

Overview

The objective of IAS 36 *Impairment of Assets* is to make sure that the entity's assets are carried at no more than their recoverable amount.

The Standard also defines when an asset is impaired, how to recognize an impairment loss, when an entity should reverse this loss, and what information related to impairment should be disclosed in the financial statements.

Conversion issues

Topic	IFRS
IAS 36 - Impairment of Assets	
Identifying an asset that may be impaired	<p>An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.</p> <p>Irrespective of whether there is any indication of impairment, an entity shall also perform impairment test for an indefinite useful life or an intangible asset not yet available for use, goodwill acquired in a business combination by comparing it's carrying amount with its recoverable amount.</p> <p>If there is any indication that an asset may be impaired, the recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an entity shall determine the recoverable amount of the cash-generating unit to which the asset belongs.</p>
Impairment loss recognition	<p>An impairment loss is recognized whenever the recoverable amount is below carrying amount and should be recognized as a reduction of assets' carrying amount and an expense in the income statement accordingly. Depreciation of assets will be adjusted for future periods.</p> <p>If it is not possible to determine the recoverable amount for an individual asset, then the recoverable amount of the asset's cash-generating unit is determined.</p> <p>The impairment test for goodwill is performed at the lowest level within the entity at which goodwill is monitored for internal management purposes, provided that, unit or group of units to which goodwill is allocated is not larger than an operating segment under IFRS 8.</p>

Measurement of impairment loss	<p>The recoverable amount of an asset or a cash-generating unit is the higher of its fair value subtracts costs of disposal and its value in use.</p> <p>Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.</p> <p>Costs of disposal are incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense.</p> <p>Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.</p> <p>If the carrying value of the asset is greater than its recoverable amount, it is impaired and should be written down to its recoverable amount.</p>
Reversal of an impairment loss	<p>If there is an indication that an impairment loss may have decreased, the recoverable amount will be recalculated. The increased carrying amount due to reversal should not be more than what the depreciated historical costs would have been if the impairment had not been recognized. Reversal of an impairment loss is recognized in the profit or loss unless it relates to a revalued asset. Depreciation will be adjusted for future periods. However, the unwinding of discount will be not reversed and the reversal of an impairment loss for goodwill is prohibited.</p>

Scope

IAS 36 Impairment of assets		
NOT APPLY to		APPLY to
<ul style="list-style-type: none"> • Inventories (IAS 2) • Financial assets (IFRS 9) • Deferred tax (IAS 12) • Employee benefits (IAS 19) • Construction contracts (IFRS 15) 	<ul style="list-style-type: none"> • Investment property at FV (IAS 40) • Agricultural assets at FV (IAS 41) • Insurance contracts (IFRS4 or IFRS 17) • Non-current asset held-for-sale (IFRS 5) 	<ul style="list-style-type: none"> • Land, building, machinery (IAS 16) • Investment property at costs (IAS 40) • Intangible assets (IAS 38) • Goodwill • Subsidiaries, Associates, Joint Ventures at cost

What must be done?

- annually assess indications of impairment from external and internal sources;
- identify cash-generating units in correlation with the nature of business operations;
- test goodwill for impairment at the date of transition;
- choose whether to restate other long-lived assets (including intangibles) to deemed costs (fair value or revalued amount) at the date of transition;
- generate potential impacts assessment to the financial statements under the requirement of the financial standards, coordinate with a suitable financial responsibility to ensure the feasibility of the business's objectives; or
- improving information technology system, develop costs center and function, detailing to cash-generating unit for performance measurement and cash flow generation monitoring.

IAS 37 Provisions, Contingent Liabilities, and Contingent Assets



General Impact

IAS 37 Provisions, Contingent Liabilities, and Contingent Assets may impact on Statement of Financial Positions, Statement of Profit or Loss and Notes to Financial Statements.

The financial statements at the reporting date will reflect the potential outcome of future events, which may affect the amount required to settle the enterprise obligation. Besides, the financial statements are also impacted by the results of prior estimates which were recorded in prior years (ex: a reversal of probable contingent liabilities).

Overview

The nature of financial accounting is such that material decisions taken presently often have future implications beyond the current reporting date. This means that at the reporting date, uncertainties may exist concerning the outcome of decisions or transactions. Where these can be clarified before the date that financial statements are approved by the Board of Directors, the figures may be altered as mentioned in IAS 10 Events after the end of the reporting period. However, if enough information is still not available by the approval date then personal (professional) judgment is required due to future uncertainties, leading to the creation of provisions and contingencies.

IAS 37 defines and specifies the accounting for and disclosure of provisions (liabilities of uncertain timing or amount), together with contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable), and contingent assets (possible assets).

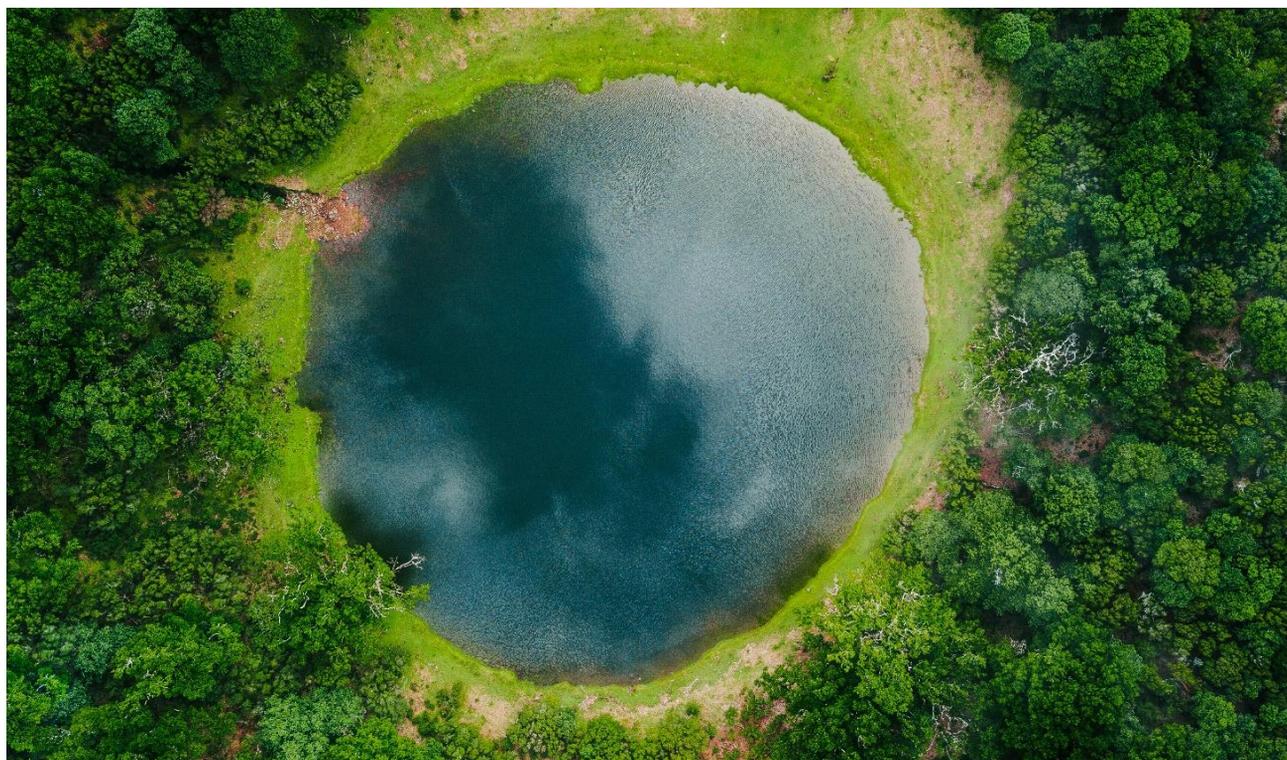
IAS 37 Provisions, Contingent Liabilities, and Contingent Assets, issued in 1998, substantially improved financial reporting at that time. Prior to its issue, there was significant scope for earnings manipulation as, for example, entities could make provisions for future costs that were not present obligations. IAS 37 only allows provisions that meet the definition of a liability.

On 14 May 2020, Amended by Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) specify which costs a company includes when assessing whether a contract will be loss-making and is effective for annual periods beginning on or after 1 January 2022. In the Amendment, the 'costs of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be (1) incremental costs of fulfilling that contract (examples would be direct labor, materials) or (2) allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of Property, Plant, and Equipment used in fulfilling the contract).

Both IAS 37 and IAS 18 have similarities in recognition, measurement, and presentation of provisions, contingent liabilities, and contingent assets.

Conversion issues

Topic	IFRS	VAS
IAS 37 vs VAS 18 – Provisions, Contingent Liabilities, and Contingent Assets		
Scope	This Standard shall not be applied for provisions, contingent liabilities and contingent assets resulting from executory contracts (being contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent), except where the contract is onerous.	Not mention
Recognition and measurement rules	In rare cases, when it is not clear whether there is a present obligation to recognize provisions, a past event is deemed to give rise to a present obligation if, taking account of all available evidences, it is more likely than not that a present obligation exists at the end of the reporting period.	In the same case, criteria to recognize provision under VAS 18 shall be based on a certain threshold that could be different from “more likely than not” under IAS 37.



What must be done?

- consider if any onerous contracts need to be recognized;
- at the transition date, the effect of adopting this standard shall be reported as an adjustment to be the opening balance of retained earnings for the period in which the standard is first adopted. entities are encouraged, but not required, to adjust the opening balance of retained earnings for the earliest period presented and to restate comparative information; or
- if comparative information is not restated, this fact shall be disclosed.

IFRS 9 Financial Instruments



General Impact

IFRS 9 Financial Instruments should be recognized in the balance sheet when the entity becomes a party to the contractual provisions of the instrument. As a rule, an entity should recognize all its contractual rights and obligations that result in financial assets or financial liabilities on its statement of financial position when the entity becomes a party to the contract rather than when the transaction is settled. Hence, it also impacts on Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash flow.

Overview

IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, de-recognition, and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase.

IFRS 9 does not replace the requirements for portfolio fair value hedge accounting for interest rate risk (often referred to as the 'macro hedge accounting' requirements) since this phase of the project was separated from the IFRS 9 project due to the longer-term nature of the macro hedging project which is currently at the discussion paper phase of the due process. Consequently, the exception in IAS 39 for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply.

Conversion issues

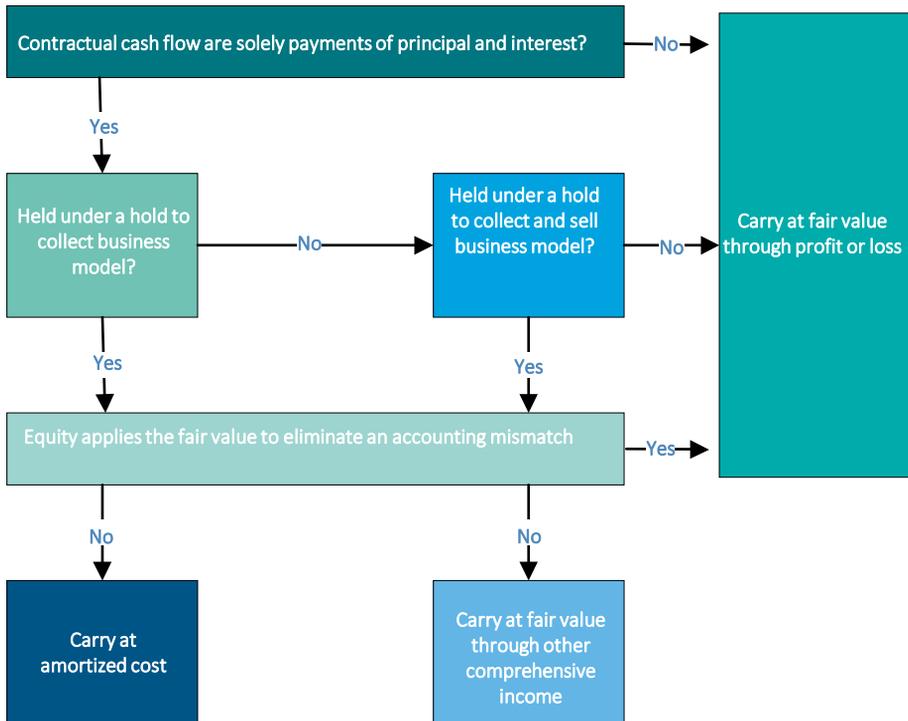
Topic	IFRS
IFRS 9 - Financial Instruments	
Objective	The part of IFRS 9 completed to date sets out recognition and de-recognition, classification and measurement requirements for financial assets and financial liabilities. Eventually, IFRS 9 will be a comprehensive standard on accounting for financial instruments.
The initial measurement of financial instruments	All financial instruments are initially measured at plus or minus fair value , in cases where a financial asset or financial liability is not measured at fair value through profit or loss, transaction costs.
Subsequent measurement of financial assets	<p>IFRS 9 classifies all financial assets into two categories:</p> <ul style="list-style-type: none"> • those measured at amortized costs, and • those measured at fair value. <p>The classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.</p>
Debt instruments	<p>A debt instrument that meets the following two conditions can be measured at amortized costs (net of any write-down for impairment):</p> <p>(a) Business model test:</p> <p>The objective of the entity's business model is to hold the financial assets to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes).</p> <p>(b) Cash flow characteristic test:</p> <p>The requirements of the cash flows' characteristics include the contractual terms of the financial asset that gives rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal outstanding.</p> <p>All other debt instruments must be measured at fair value through profit or loss ("FVTPL").</p>
Fair value option	Even if an instrument meets the two requirements to be measured at amortised cost or FVTOCI, IFRS 9 contains an option to designate, at initial recognition, a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.



<p>Equity instruments</p>	<p>All equity investments in the scope of IFRS 9 are to be measured at fair value in the balance sheet, with fair value changes recognized in profit or loss, except for equity investments for which the entity has elected to report value changes in "Other Comprehensive Income". There is no "costs exception" for unquoted equities.</p> <p>If an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to measure it at fair value through Other Comprehensive Income ("FVOCI") with only dividend income recognized in profit or loss.</p> <p>Despite the fair value requirement for all equity investments, IFRS 9 contains guidance on when costs maybe the best estimate of fair value and when it might not be representative of fair value.</p>
<p>Subsequent measurement of financial liabilities</p>	<p>Two measurement categories continue to exist:</p> <ul style="list-style-type: none"> • fair value through profit or loss ("FVTPL"), and • amortize cost. <p>Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortized costs unless the fair value option is applied.</p> <p>IFRS 9 requires gains and losses on financial liabilities designated as at fair value through profit or loss to be split into:</p> <ul style="list-style-type: none"> • the amount of change in the fair value attributable to changes in the credit risk of the liability, be presented in Other Comprehensive Income, and • the remaining amount of change in the fair value of the liability to be presented in profit or loss. <p>Amounts presented in Other Comprehensive Income shall not be subsequently transferred to profit or loss, the entity may only transfer the cumulative gains or losses within equity.</p>

<p>De-recognition of financial assets</p>	<p>The basic premise for the de-recognition model in IFRS is to determine whether the asset under consideration for de-recognition is:</p> <ul style="list-style-type: none"> (a) an asset in its entirety; (b) specifically identified cash flows from an asset (or a group of similar financial assets); (c) a fully proportionate (pro rata) share of the cash flows from an asset (or a group of similar financial assets); or (d) a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets). <p>An asset is transferred if either:</p> <ul style="list-style-type: none"> - the entity has transferred the contractual rights to receive the cash flows, and - the entity has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass that cash flows on under an arrangement that meets the following three conditions: <ul style="list-style-type: none"> a) the entity has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset, b) the entity is prohibited from selling or pledging the original asset (other than as security to the eventual recipient), and c) the entity is obliged to remit those cash flows without material delay.
<p>De-recognition of financial liabilities</p>	<p>A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or canceled or expires.</p>
<p>Derivatives</p>	<p>All derivatives, including those linked to unquoted equity investments, are measured at fair value. Value changes are recognized in profit or loss unless the entity has elected to treat the derivative as a hedging instrument under IFRS 9.</p>
<p>Reclassification</p>	<p>For debt instruments, reclassification is required between FVTPL and amortized cost, or vice versa, if and only if the entity's business model objective for its financial asset changes so its previous model assessment would no longer apply.</p> <p>If reclassification is appropriate, it must be done prospectively from the reclassification date. An entity does not restate any previously recognized gains, losses, or interest.</p>
<p>Disclosures</p>	<p>IFRS 9 amends some of the requirements of IFRS 7 <i>Financial Instruments: Disclosures</i> including added disclosures about investments in equity instruments designated as at FVOCI.</p>

The following chart shows how non-equity financial assets are classified under IFRS 9:



What must be done?

- apply the recognition and measurement requirements of its previous GAAP to comparative information about assets within the scope of IFRS 9;
- disclose this fact together with the basis used to prepare this information;
- treat any adjustment between the statement of financial position at the comparative period's reporting date (i.e.. the statement of financial position that includes comparative information under previous GAAP) and the statement of financial position at the start of the first IFRS reporting period (i.e.. the first period that includes information that complies with IFRS 9 and IFRS 7) as arising from a change in accounting policy and give the disclosures required by paragraph 28(a)–(e) and (f)(I) of IAS 8. paragraph 28(f)(I) applies only to amounts presented in the statement of financial position at the comparative period's reporting date;
- apply paragraph 17(c) of IAS 1 to provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; or
- possible re-measurement of related party transactions.

IFRS 13 Fair Value Measurement

General Impact

IFRS 13 *Fair Value Measurement* may impact on Statement of Financial Position, Statement of Other Comprehensive Income, and Notes to the Financial Statements. The adoption of this standard would apply only when an existing IFRS already requires an asset or liability to be measured at fair value (“FV”).



Relationship between IFRS 13 and other standards

IFRS	REQUIRED	PERMITTED	DETAILS
IFRS 3	✓		The acquisition-date to fair value of consideration transferred and of most assets and liabilities acquired
IFRS 5	✓		Use of fair value less costs to selling for non-current assets held-for-sale and disposal groups
IAS 16		✓	Option to revalue plant, property, and equipment at fair value
IAS 19	✓		Defined benefit plan assets are measured at fair value
IAS 28 & IFRS 11	✓		Option to measure investments in subsidiaries, associates or jointly controlled entities at fair value
IAS 36	✓		Use of fair value less costs to selling when necessary to establish the recoverable amount
IAS 38	✓		Option to revalue intangible assets (in limited circumstances)
IFRS 9	✓		Use of fair value depends on the type of financial instrument
IAS 40	✓		Option to value investment property at fair value
IAS 41	✓		Biological assets and agricultural produce are measured at fair value

Overview

IFRS 13 *Fair Value Measurement* was issued in May 2011 and defines fair value, establishes a framework for measuring fair value, and requires significant disclosures relating to fair value measurement. A key point to highlight is that the standard addresses how to measure fair value, not when to measure it.

IFRS 13 becomes effective for annual reporting periods beginning on or after January 1, 2013. The standard is applied prospectively, and early adoption is permitted. A single source of guidance for all fair value measurements is provided in IFRS 13, which helps to:

- to reduce complexity and improve consistency in the application of fair value measurement principles by having a single set of requirements for all fair value measurements;
- to communicate the measurement objective more clearly by clarifying the definition of fair value;
- to improve transparency by enhancing disclosures about fair value measurements, and
- to increase the convergence of IFRS Standards.

Conversion issues

Topic	IFRS
IFRS 13 - Fair Value Measurement	
Objective	<p>To replace the guidance on fair value measurement in existing IFRS accounting literature with a single standard.</p> <p>IFRS 13 is a new standard that defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.</p> <p>However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.</p>
Key definition	<p>(a) Fair value: The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.</p> <p>(b) Active market: A market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.</p> <p>(c) Principal market: The market with the greatest volume and level of activity for the asset or liability.</p> <p>(d) Most advantageous market: The market that maximizes the amount that would be received to sell the asset or paid to transfer the liability, after considering transaction and transport costs.</p>
Fair value hierarchy	<p>(a) Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.</p> <p>(b) Level 2: Price which is derived from inputs that are observable on the market for the asset or liability, either directly or indirectly.</p> <p>(c) Level 3: Price which is derived from inputs that are unobservable on the market for the asset or liability.</p>



<p>The objective of a fair value measurement</p>	<p>To estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.</p>
<p>Valuation technique</p>	<p>(a) Market approach: uses prices and other relevant information generated by market transactions involving identical comparable (similar) assets, liabilities, or a group of assets and liabilities.</p> <p>(b) Cost approach reflects the amount that would be required currently to replace the service capacity of an asset.</p> <p>(c) Income approach: Converts future amounts (cash flows or incomes and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts.</p> <p>In some cases, a single valuation technique will be appropriate, whereas in other multiple valuation techniques will be appropriate.</p>
<p>Disclosure</p>	<p>IFRS 13 requires an entity to disclose information that helps users of its financial statements assess:</p> <p>(a) For assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements.</p> <p>(b) For fair value measurements using significant unobservable inputs, the effect of the measurement on profit or loss or Other Comprehensive Income for the period.</p> <p>(c) IFRS 13 requires specific disclosures for the fair value measurement at the end of the reporting period, level of the fair value hierarchy.</p>

What must be done?

- In terms of where to start in the determination of fair value, it is useful to consider three broad steps that should be taken before delving into the details that inevitably will follow. These steps are important in illustrating the relationship between the primary IFRS that dictates when fair value measurement is required and IFRS 13 which is the “how” IFRS:

Step 1: Identify the balance or transaction that must (may) be measured or disclosed at fair value and when such measurement (disclosure) is necessary.

Step 2: Consult IFRS 13 for guidance on how to determine fair value upon initial recognition.

Step 3: Consult the “when” IFRS to determine if the subsequent measurement of the account balance is at fair value and/or if fair value disclosures are required..

IFRS 15 Revenue from Contracts with Customers



General Impact

Impact over accounting treatments:

+ IFRS 15 *Revenue from Contracts with Customers* contains fundamentally new rules on revenue recognition. The standard requires entities reporting under IFRS to provide useful information on the nature, amount, timing, and uncertainty of revenue and cash flows from a contract with a customer.

+ Under the requirement of IFRS 15, revenue is recognized when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied. The entity operates in the Telecommunication industry, Software development and Real estate shall be greatly affected by the new accounting standard.

+ IFRS 15 also requires the changes in the accounting treatments for special transaction nature, such as rights of return, slotting fee, warranty, etc.

Illustrative example:

For Software development entity, Software licenses are commonly sold in a bundle that includes updates, also known as post-contract customer support. Commonly, the software is a distinct 'right to use' license, with revenue recognized at the point in time when "the right to use" is transferred, while the "Post contract support" is delivered over time. The entity will need to identify the separate transaction price for each performance obligation in the contract and recording revenue upon the completion of each performance obligation. However, there might be limited circumstances where the license and software updates are combined into a single performance obligation.

Overview

IFRS 15 introduces a five-step model of revenue recognition, for common to all types of transactions, to all companies and industries. This model will be applied in two versions, depending on how performance obligation is satisfied:

- (1) over a period of time;
- (2) at a point in time (in a given moment)

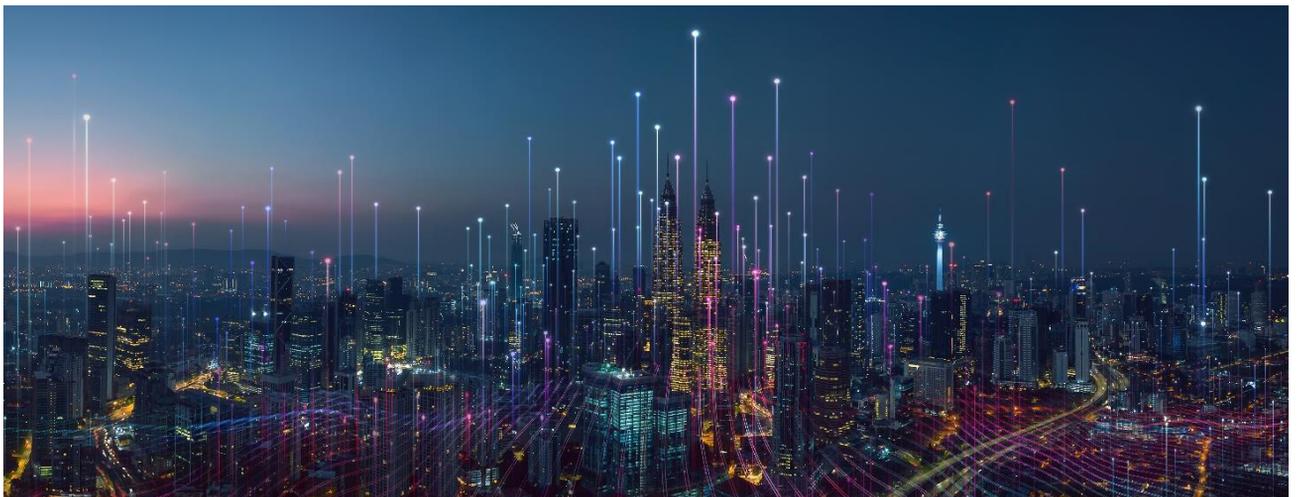
The moment of revenue recognition under the basic principle of IFRS 15 when the control over a product/service is being transferred to the client. Control is a broader term than the previously used criterion of risk and rewards, which determines when the revenue will be recognized.

The basic problem with VAS is the fact that there are few guidelines on the practical approach to the complicated questions such as an allocation of remuneration to specific sales elements, recognition of variable remuneration, recognition of customer acquisition costs, etc. IFRS 15 introduces a new quality in this respect.

Conversion issues

Topic	IFRS	VAS
IFRS 15: Revenue from Contracts with Customers - VAS 14: Revenue		
Scope	<p>A contract with a customer will be within the scope of IFRS 15 if all the following five (5) conditions are met:</p> <ul style="list-style-type: none"> a) the contract has been approved by the parties to the contract, b) each party's rights relating to the goods or services to be transferred can be identified, c) the payment terms for the goods or services to be transferred can be identified, d) the contract has commercial substance, and e) the probability that the consideration to which the entity is entitled to in exchange for the goods or services will be collected. 	<p>Recognition is the process of incorporating an item that meets the definition of revenue in the income statement when it meets the following criteria:</p> <ul style="list-style-type: none"> a) the economic benefits associated with the item of revenue will probably flow to the entity, and b) the amount of revenue can be measured reliably.
Key principle	<p>The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p>	<p>Not covering this matter</p>
The five-step model framework**	<p>This core principle is delivered in a five-step model framework:</p> <ol style="list-style-type: none"> 1. Identify the contract(s) with a customer. 2. Identify the performance obligations in the contract. 3. Determine the transaction price: using the most likely amount or expected value approach. 4. Allocate the transaction price to the performance obligations in the contract. 5. Recognize revenue when (or as) the entity satisfies a performance obligation. 	<p>Revenue should be recognized as follows:</p> <ul style="list-style-type: none"> a) Sales of goods: <ul style="list-style-type: none"> when significant risks and rewards have been transferred to the buyer, the seller has lost effective control, and costs can be reliably measured. b) Rendering of services: <ul style="list-style-type: none"> percentage of completion method. c) Interest: <ul style="list-style-type: none"> recognized on the allocation basis. d) Royalties: <ul style="list-style-type: none"> on an accrual basis under the substance of the agreement. e) Dividends: <ul style="list-style-type: none"> when the shareholder's right to receive payment is established.

<p>Specific implementation guidance</p>	<p>This standard includes the following useful implementation guidance:</p> <ul style="list-style-type: none"> (a) Performance obligations satisfied over time. (b) Methods for measuring progress towards complete satisfaction of a performance obligation. (c) Sale with a right of return. (d) Warranties. (e) Principal versus agent considerations. (f) Customer options for additional goods or services. (g) Customer's unexercised rights. (h) Non-refundable upfront fees. (i) Licensing. (j) Repurchase arrangements. (k) Consignment arrangements. (l) Bill-and-hold arrangements. (m) Customer acceptance. (n) Disclosures of disaggregation of revenue. 	<p>Not covering this matter</p>
--	---	---------------------------------



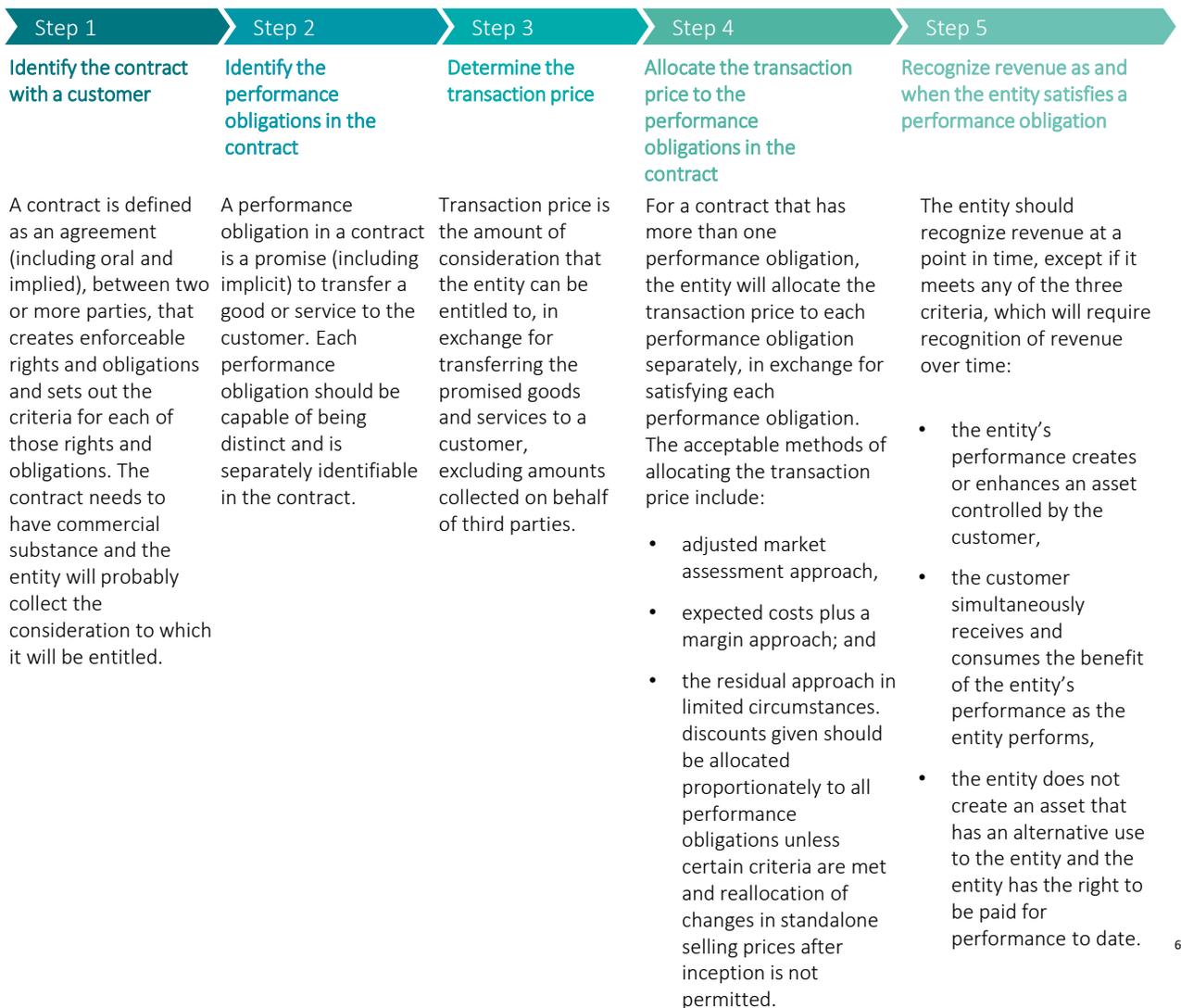
****The five-step model framework:** This 5-step model framework applies for all types of contracts to customers, except for leases within the scope of IFRS 16 Leases, financial instruments and other contractual rights or obligations within the scope of IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, insurance contracts within the scope of IFRS 4 *Insurance Contracts*, and non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers. On the other hand, the VAS 14 describes criteria for revenue recognition depending on each kind of revenue (i.e. goods, services provision, interests, royalties, dividends).

What must be done?

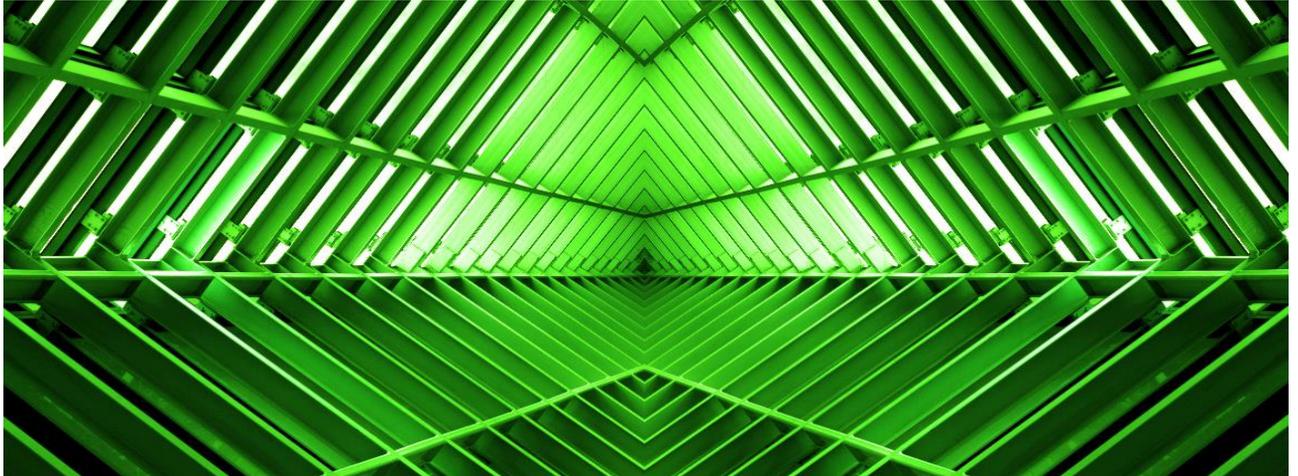
An IFRS 15 impacts assessment should be performed, which would include among others, the review of existing contracts with customers and its related accounting treatments, contract renegotiations, and modifications, to appropriately reflect the economic terms of the transaction, the engagement of legal and accounting advisors to better interpret the terms of the agreement and the applicability of IFRS 15, reconfiguration of front and back-end IT systems to adhere to the standard's requirements, and other necessary changes to ensure readiness for IFRS 15 adoption.



A five-step model framework:



IFRS 16 Leases



General Impact

Impact on accounting treatments: IFRS 16 *Leases* make a significant change in the accounting treatments for Operating lease, financial lease, and other complex transaction such as sales and leaseback accounting, etc.

+ For the Lessee: The new standard eliminates a lessee's classification of leases as either *Operating lease* or *Finance lease*. Instead, almost all leases are 'capitalized' by recognizing a lease liability and Right-Of-Use (ROU) asset on the balance sheet – accompanied by a depreciation of the asset and financial interest over the lease liabilities.

+ For the Lessor: The new standard requires the lessor to classify each lease as an *Operating lease* or a *Finance lease*. Upon lease commencement, a lessor shall recognize assets held under a *Finance lease* as a receivable at an amount equal to the net investment in the lease, and recognize finance income over the lease term of a *Finance lease*, based on a pattern reflecting a constant periodic rate of return on the net investment. For *Operating lease*, the lessor recording the lease payment as income on a straight-line basis.

Impact on Financial Ratios:

With the recognition of lease liabilities (including long-term and short-term liabilities) and the Right-Of-Use asset, the current financial ratio of the entity may vary when the application of the new standard takes place. – Which mainly includes ROCE / ROI / LIQUIDITY, etc. These changes may affect the financial measurement result of the entity, also with the current Loan covenants condition.

Illustrative example:

+ Sales and Leaseback between VAS and IFRS (A sale and leaseback transaction occurs when 1 entity (seller) transfers an asset to another entity (buyer) who then leases the asset back to the original seller (lessee)):

Sales and leaseback activity are familiar transactions for entities in Aviation and Hotel industry. Under the requirement of IFRS 16 and IFRS 15 'Revenue from Contracts with Customers', the seller-lessee records a Right-Of-Use asset arising from the leaseback, sales, and loss arising from the transaction are split into: an unrecognized amount relating to the rights retained by the seller (lessee) and a recognized amount relating to the buyer/lessor's rights in the underlying asset at the end of the leaseback.

Overview

The objective of IFRS 16 is to report information that faithfully represents lease transactions and provides a basis for users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognize assets and liabilities arising from a lease.

Conversion issues

Topic	IFRS	VAS
IFRS 16 vs VAS 6 - Leases		
Lessee accounting - initial recognition	<p>Recognize the Right-Of-Use asset as an intangible fixed asset and lease-payment liability correspondingly.</p> <p>Right-Of-Use asset measured at the amount of the lease liability plus any initial direct costs incurred by the lessee (Lease liability, initial direct costs, estimated costs for dismantling, payments subtracts any incentives before commencement date)</p> <p>The lease-payment liability is valued at the present value of all future lease payments discounted by an effective interest rate.</p>	<p>The operating lessee only accounts for periodical rental as an expense.</p> <p>The financial lessee should recognize financial lease assets and financial lease liabilities, correspondingly.</p>
Lessee accounting - subsequent measurement	<p>The Right-Of-Use asset should be amortized throughout the rent period.</p> <p>The lease-payment liability is subject to amortized costs with the financial expense to P&L.</p>	<p>Not available for operating lessee.</p> <p>For financial lessee: to amortize financial lease assets and account for the Finance lease liability using the amortized costs method.</p>
New definition and requirement under IFRS 16		
Scope	<p>IFRS 16 applies to all leases, including subleases, except for:</p> <ul style="list-style-type: none"> (a) leases to explore for or use minerals, oil, natural gas, and similar non-regenerative resources; (b) leases of biological assets held by a lessee (see ias 41 <i>agriculture</i>); (c) service concession arrangements (see ifric 12 service concession arrangement); (d) licenses of intellectual property granted by a lessor (see ifrs 15 <i>revenue from contracts with customers</i>); and (e) rights held by a lessee under licensing agreements for items such as films, videos, play manuscripts, patents, and copyrights within the scope of ias 38 <i>intangible assets</i>. 	
Exemption	<p>The following instances are eligible for exemption of IFRS 16:</p> <ul style="list-style-type: none"> (a) leases with a lease term of 12 months or under and containing no purchase options; and (b) leases when the underlying asset has a low value when new (according to management judgment). 	
First adoption	<p>Two first adoption methods allowed by IFRS 16 included:</p> <ul style="list-style-type: none"> • fully retrospective approach: restate all numbers for the comparative period; and • modified retrospective approach: no restatement for the comparative period. 	
Discounting factor determination	<p>Discounting factor is the rate of interest that a lessee would have to pay to borrow the funds to obtain:</p> <ul style="list-style-type: none"> • an asset of a similar value to the underlying asset; • over a similar term; • with similar security; and • in a similar economic environment. <p>Initially, the entity can identify observe rate, for example, the rate on your past similar borrowings, or the actual offers from your bank for the loans with a similar amount, security and term, then adjust for the implicit risk specific to the lease, which causes differences in discounting factors between different lease assets.</p>	

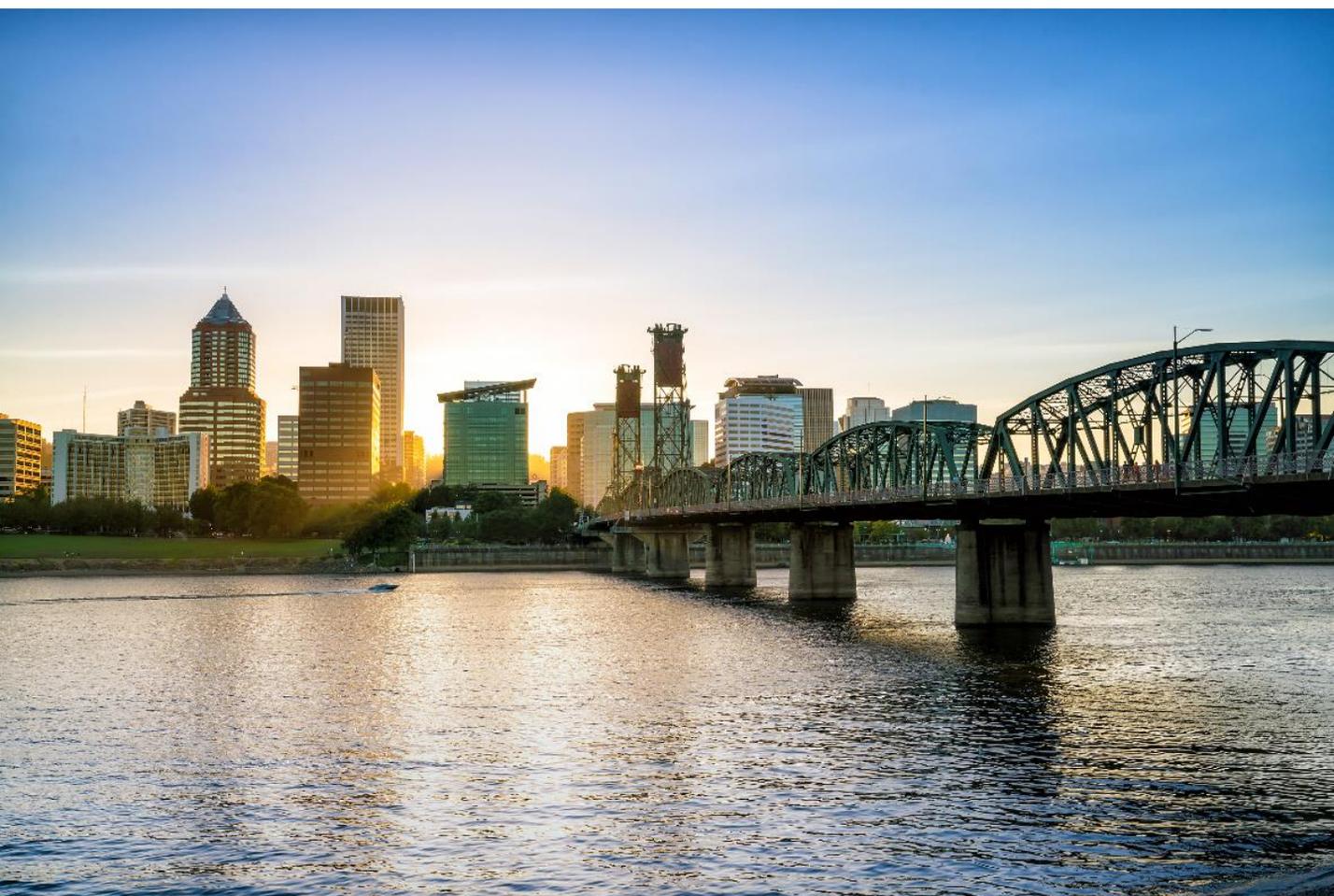
Impairment	If there are indicators of impairment of leased assets, IAS 36 shall be applied for the impairment test of the Right-Of-Use asset.
Sale and leaseback transaction	IFRS 16 requires the assessment of the nature of transactions, whether the "sale" is qualified for IFRS 15, before determining appropriate accounting treatments.
Change/modification of the lease contract	IFRS 16 requires the assessment of whether the changes/modifications might cause the lessee to independently account for this change/modification as a separate lease contract.



What must be done?

- The entity should prepare for the application of the standard, including staff training to execute the accounting requirements of the standard and improving the internal system to effectively capture the currently exist lease contract.
- The entity also needs to estimate the impact of changes to the financial data, which the company currently uses for performance measurement, budgeting, and loan activities.
- Improving the technology systems to effectively monitor the current requirement of the standard.
- Identify the impact of addition expenses and depreciation, identify key differences between account expense and actual cash flow expenses.
- Estimate potential impact on current financial ratios, including debt covenants conditions.
- Renegotiation for lease contract – identify key contract terms that impact the financial position making changes to meet the business targets.

PART 3: CONVERSION REVISITED - A COMPREHENSIVE VIEWPOINT



IAS 27 Separate Financial Statements

Overview

IAS 27, *Separate Financial Statements*, addresses issues related to accounting for investments in subsidiaries, joint ventures, and associates when the entity elects or is required by local regulations to prepare separate financial statements under IFRS.

An entity preparing its separate financial statements may account for investments in subsidiaries, joint ventures, and associates either:

- at cost; or
- under IFRS 9, or
- using the equity method as described in IAS 28.



Conversion issues

Topic	IFRS	VAS
IAS 27 - Separate Financial Statements		
Objective	To prescribe how to account for investment in subsidiaries, joint ventures, and associates in separate financial statements.	No equivalent VAS
Requirements for separate financial statements	<p>IAS 27 does not mandate which entities produce separate financial statements available for public use. It applies when an entity prepares separate financial statements that comply with IFRS.</p> <p>The financial statements in which the equity method is applied are not separate financial statements. Similarly, the financial statements of an entity that does not have a subsidiary, associate, or joint venture's interest in a joint venture are not separate financial statements.</p>	No equivalent VAS
Accounting method	<p>In a parent's separate financial statements, investment in subsidiaries, joint venture, and associates should be either:</p> <ul style="list-style-type: none"> • at cost; • in accordance with IFRS 9 <i>Financial Instruments</i>, or • using the equity method as described in IAS 28 <i>Investments in Associates and Joint Ventures</i>. <p>The entity should apply the same accounting for each category of investments.</p>	VAS 25 only allows cost method to recognize investments in subsidiaries, joint ventures, and affiliated company on parent company's financial statements



<p>Recognition of dividends</p>	<p>An entity recognizes a dividend from subsidiaries, joint venture, or associates in profit or loss in its separate financial statement when its right to receive the dividend is established.</p>	<p>VAS 14 also applies the same principle for dividend recognition of all investments.</p>
<p>Group reorganization</p>	<p>Specified accounting methods apply in separate financial statements when a parent reorganizes the structure of its group by establishing a new entity as its parent in a manner satisfying the specified criteria:</p> <ul style="list-style-type: none"> • The new parent accounts for its investment in the original parent at cost. • The new parent measures the carrying amount of its share of the entity items shown in the separate financial statements of the original parent at the date of the reorganization. 	<p>No equivalent VAS</p>

What must be done?

- Choice of accounting method.
- The entity applies the same accounting for each category of investments.
- Apply to the establishment of an intermediate parent within a group.
- Apply to an entity that is not a parent entity and establishes a parent in a manner that satisfies the IAS 27's criteria.

IAS 28 Investments in Associates and Joint Ventures

Overview

IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011) outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of "significant influence", which requires power to participate in financial and operating policy decisions of an investee (but not joint control or control of those policies).

Conversion issues

Topic	IFRS	VAS
IAS 28 - Investment in Associate and Joint Ventures		
Objective	IAS 28 applies to all entities that are investors with joint control of, or significant influence over , an investee (associate or joint venture)	This issue is covered in VAS 7 and VAS 8. The objective of this Standard is to prescribe the accounting policies and procedures about investments in associates, including recognition of investments in associates in the separate financial statement of investor and consolidated financial statement as the basis for bookkeeping, preparation, and presentation of financial statements.
Significant influence	Significant influence is assumed when the investor has the power to participate in the financial and operating policy decisions of the investee, but it does not control or joint control over those policies (usually when holding ownership of 20% or more but less than 50%).	
	The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether an entity has significant influence .	Not covering this matter
Discontinuing the equity method	The use of the equity method should cease from the date that significant influence or joint control ceases . If the investor shares too much losses from the associates and the balance of the investment in the associates are reduced to zero, the investor should discontinue including its shares of future losses. Additional losses shall only be recognized if the investor is obliged to make payment to a third party on behalf of the associates (e.g. guarantee the account payable for the associates).	The standard requires to treat the carrying amount of the investment at the date equity method ceases to be used as the new cost basis.
Changes in ownership interests	If an entity's interest in an associate or joint venture is reduced , but the equity method is continued to be applied, the entity reclassifies to profit or loss the proportion of the gains or losses previously recognized in Other Comprehensive Income <u>relative to that reduction</u> in ownership interest.	Not covering this matter

<p>Exception for applying equity method for investment in associates</p>	<p>(a) An investment in an associate or a joint venture held by, or is held indirectly through, a venture capital organization or a mutual fund (or similar entity) and that upon initial recognition is designated as held for trading under IFRS 9;</p> <p>(b) The investment is classified as held for sale under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations; or</p> <p>(c) The exception in IFRS 10 or all of the following four conditions are met:</p> <p>i. The investor is itself a wholly-owned subsidiary or is a partially owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the investor not applying the equity method.</p> <p>ii. The investor's debt or equity instruments are not traded in a public market.</p> <p>iii. The investor did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization to issue any class of instruments in a public market.</p> <p>iv. The ultimate or any intermediate parent of the investor produces consolidated financial statements available for public use that comply with IFRS.</p>	<p>(a) The investment is acquired and held exclusively with a view to its disposal in the near future (under 12 months), or</p> <p>(b) The associate operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor. In this case, an investment in the associate is accounted for using the costs method in the consolidated financial statements.</p>
<p>Separate financial statements</p>	<p>An investment in an associate or a joint venture shall be accounted for in the entity's separate financial statements under IAS 27 - Separate Financial Statements.</p>	<p>Only costs method is allowed.</p>

What must be done?

- The entity should ensure that the accounting team is well – trained for the upcoming application of IAS 28.
- Consider whether your Investments in Associates and Joint Ventures' interests will implement IFRS before or after you. For ease of transition, you may consider aligning year-ends.
- Ensure your Investments in Associates and Joint Ventures' interests prepare financial statements under IFRS when you need them!

Consider whether new reporting arrangements need to be put in place for Investments in Associates and Joint Ventures, because of the anticipated change in accounting

Group 3 Standards on group accounting



IFRS 3 Business Combinations

General Impacts

IFRS 3 *Business Combinations* may impact on Statement of Financial Position, Statement of Profit or Loss and Notes to the Financial Statements.

What is the difference between IFRS 3 and IFRS 10?

Although it may seem that the IFRS 10 *Consolidated Financial Statements* and IFRS 3 *Business Combinations* deal with the same thing, that's not the whole truth.

Both standards deal with business combinations and their financial statements.

But while IFRS 10 defines control and prescribes specific consolidation procedures, IFRS 3 is more about the measurement of the items in the consolidated financial statements, such as goodwill, non-controlling interest, etc.

If you need to deal with the consolidation, then you need to apply both standards.

Overview

IFRS 3 *Business Combinations* outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). The objective of this IFRS is to improve the **relevance, reliability, and comparability** of the information that a reporting entity provides in its financial statements about a business combination and its effects. To accomplish that, this IFRS establishes principles and requirements for how the acquirer:

- (a) Recognizes and measures in its financial statements **the identifiable assets acquired, the liabilities assumed** and any **non-controlling interest** in the acquire.
- (b) Recognizes and measures the **goodwill acquired** in the business combination or a gain from a **bargain purchase**, and
- (c) Determines what information to **disclose** to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

IFRS 3 requires that assets and liabilities acquired need to constitute a business, otherwise it's not a business combination and an investor needs to account for the transaction in line with other IFRS.

A business consists of 3 elements:

- **Input:** any economic resource that creates or can create outputs when one or more processes are applied to it, e.g. non-current assets, etc..
- **Process:** any system, standard, protocol, convention, or rule that when applied to the input(s), creates outputs, e.g. management processes, workforce, etc.
- **Output:** the result of inputs and processes applied to those inputs that provide or can provide a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners.

Conversion issues

Topic	IFRS	VAS
IFRS 3 vs VAS 11 - Business Combinations		
Recognizing and measuring goodwill	<p>The acquirer shall recognize goodwill as of the acquisition date measured as the excess of (a) over (b) below:</p> <p>(a) the aggregation of:</p> <p>i. The acquisition-date fair value of the consideration transferred</p> <p>ii. The amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3. and</p> <p>iii. In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.</p> <p>(b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this IFRS.</p>	<p>The acquirer shall, at the acquisition date as an asset in a business combination, initially measure that goodwill at its cost, being the excess of the costs of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.</p>
Requirements for full goodwill on consolidation	<p>IFRS 3 requires the application of full goodwill on consolidation. That means, now, the goodwill attributable to non-controlling interest (NCI) should be considered on consolidation, leading to the inclusion of the corresponding part of goodwill in NCI.</p> <p>IFRS 3 requires the determination of NCI basing on fair value (in many cases, market value) of the minor shareholders' stake in the acquiree.</p>	Not covering this matter
Goodwill amortization	<p>IFRS 3 prohibits the amortization of goodwill. Instead, goodwill must be tested for impairment at least annually under IAS 36 Impairment of Assets.</p>	<p>Goodwill may be expensed in full or be allocated over a period not exceeding 10 years.</p>
A business combination achieves in stages	<p>IFRS 3 requires the re-measurement of the costs of investment previously incurred using fair value if there is an additional acquisition giving the acquirer control right over the acquiree's financial and operating policies. The fair value of the previously acquired investment should be based on information available on "acquisition date".</p>	<p>A business combination may involve more than one exchange transaction, for example when it occurs in stages by successive share purchases. If so, each exchange transaction, for example when it occurs in stages by successive share purchases. If so, each exchange transaction shall be treated separately by the acquirer, using the costs of transaction and fair value information at the date of each exchange transaction, to determine the amount of any goodwill associated with that transaction. This results in a step-by-step comparison of the costs of the individual investments with the acquirer's interest in the fair values of the acquiree's identifiable assets, liabilities, and contingent liabilities at each step.</p>

Determining what is part of the business combination transaction	The standard provides examples of separate transactions that are not to be included in applying the acquisition method.	Not covering this matter
Acquisition-related costs	IFRS 3 mentions the exclusion of expenses such as consulting fees, etc. from purchase consideration. These expenses should be immediately charged to the Statement of Comprehensive Income .	VAS 11 allows including directly related costs as part of the purchase consideration.
Contingent consideration	IFRS 3 requires the immediate inclusion of contingent consideration in purchase consideration on consolidation. Then, if changes arise, they would be treated as follows: (a) If the change results from additional information related to conditions on the acquisition-date and it is discovered within one year from the acquisition date, adjustments are allowed to make against goodwill. (b) If the change results from information related to after-acquisition conditions or it is discovered after one year from the acquisition-date, adjustments will be made to be Statement of Comprehensive Income.	Not covering this matter
Tax benefit consideration	IFRS 3 allows for the inclusion of tax benefit on losses of acquiree into the fair value of acquiree's net assets.	Tax benefit on losses of the acquiree should not be considered as part of the acquiree's fair value of net assets because Vietnamese tax regulation does not allow netting off a loss against profit among legal entities within a group.

What must be done?

Monitor changes in IFRS during the conversion period – may result in effective convergence prior to the conversion date. Otherwise, see below:

IFRS 1 provides a **choice** between retrospective and prospective application:

- **Remember** retrospective application unlikely to be practical – would require restatement under IFRS 3 of all prior business combinations.
- **Prospective application** results in limited work required on adoption.
- **Goodwill impairment** test required at the date of transition. Timing of the current test may alleviate additional work required!
- **Recognizes and measures** the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.
- **Recognizes and measures** the goodwill acquires in the business combination, or gain benefits owing to bargain purchase.
- **Determines** what information to disclose about the business combination.

IFRS 10 Consolidated Financial Statements

Overview

IFRS 10 *Consolidated Financial Statements* outlines the requirements for **the preparation and presentation of consolidated financial statements**, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.

IFRS 10 replaces those parts of IAS 27 that relate to consolidated financial statements (IAS 27 revised now concentrates on separate financial statements only) and SIC 12 *Consolidation – Special Purpose Entities in its entirety* and is effective for annual periods beginning on or after 1 January 2013. Early application is permitted.

IFRS 10 was issued, with the target to develop a **single consolidated model** applicable to all investees. Since started in 2007, the global financial crisis highlighted the **lack of transparency** about the risks to which investors were exposed from their involvement with “**off-balance-sheet vehicles**”, including those that they had set up or sponsored. As a result, the G20 leaders, the Financial Stability Board, and others asked IASB to review the accounting and disclosure requirements for such “off-balance-sheet vehicles”.

In this single control model, power is not defined as a legal or contractual right to direct relevant activities but is based on the ability to direct relevant activities unilaterally. The consolidation model is not quantitative (based on risks and rewards) but qualitative (based on power, returns, and a link between the two elements). The control model is built on the principles (of three elements) rather than on bright lines.

As such, the application of this model will require judgment by considering the relevant facts and circumstances in making consolidation decisions. In the IASB view, this consolidation model will better reflect the economic substance of relationships with other entities.

Conversion issues

Topic	IFRS	VAS
IFRS 10 vs VAS 25 - Consolidated Financial Statements		
Control	<p>An investor controls an investee if and only if the investor has all of the following three (3) elements:</p> <ul style="list-style-type: none"> (a) Power over the investee, i.e. The investor has existing “rights” that give it the ability to direct the relevant activities (the activities that significantly affect the investee's return). (b) Exposure, or rights, to variable returns from its involvement with the investee. (c) The ability to use its power over the investee to affect the number of the investor's returns. 	<p>Where an entity holds more than 50% or more of the voting power (directly or through subsidiaries) on an investee, it will be presumed the investor has control over its investee.</p> <p>Below are three (3) conditions where the control also exists even when the parent company has less than one half of the voting power of an entity:</p> <ul style="list-style-type: none"> (a) Power of governing the financial and operating policies of the entity under a statute or an agreement. (b) Power to appoint or remove the majority of the members of the Board of Management or equivalent governing body, or, (c) Power to cast the majority of votes at meetings of the Board of Management or equivalent governing body.

<p>Investment entity</p>	<p>An entity that:</p> <ul style="list-style-type: none"> (a) Obtains funds from one or more investors to provide those investor(s) with investment management services. (b) Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and, (c) Measures and evaluates the performance of substantially all its investments on a fair value basis. 	<p>Not covering this matter</p>
<p>Consolidation exemption for investment entities</p>	<p>IFRS 10 contains special accounting requirements for investment entities. Where an entity meets the definition of an "investment entity", it does not consolidate its subsidiaries or apply IFRS 3 <i>Business Combinations</i> when it obtains control of another entity.</p> <p>The exemption from consolidation only applies to the investment entity itself. Accordingly, a parent company of an investment entity is required to consolidate all entities that it controls, including those controlled through an investment entity subsidiary, unless the parent itself is an investment entity.</p>	<p>Not covering this matter</p>
<p>Not required to present consolidated financial statements</p>	<p>A parent company does not need to present consolidated financial statements if it meets all the following four (4) conditions:</p> <ul style="list-style-type: none"> (a) It is a wholly-owned subsidiary or is a partially owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements. (b) Its debt or equity instruments are not traded in a public market. (c) It did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization to issue any class of instruments in a public market. and (d) Its ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with IFRS. 	<p>A parent company that is a wholly-owned subsidiary or is virtually wholly-owned with the approval from minority interest.</p>

Consolidated procedures	Non-controlling interests shall be presented in the consolidated statement of financial position with equity, separately from the equity of the owners of the parent.	The term " minority interest " is used in place of " non-controlling interest " and shall be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parents.
	Changes in a parent's ownership interest in a subsidiary that does not result in a loss of control are accounted for as equity transactions (i.e. Transactions with owners in their capacity as owners).	Not covering this matter
Changes in ownership interests (no control loss)	<p>The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.</p> <p>Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.</p>	Not covering this matter
Changes in ownership interests (no control loss)	The standard provides accounting treatments when a parent loses control of a subsidiary with or without a change in absolute or relative ownership levels.	Not covering this matter

What must be done?

- Consider whether your subsidiaries, joint ventures, and equity-method investees implemented *before* or *after* you. For ease of transition, you may consider aligning year-ends.
- Ensure your subsidiaries (and any special purpose entity (SPE)) prepare financial statements under IFRS when you need them.
- In order to apply the control model, several initial steps are necessary before the assessment of whether each of the three elements of control is present. These steps are:
 - ✓ Identify the investee.
 - ✓ Understand the purpose and design of the investee.
 - ✓ Identify the relevant activities of the investee and how decisions about these relevant activities are made.

Part 3:

CONVERSION REVISITED

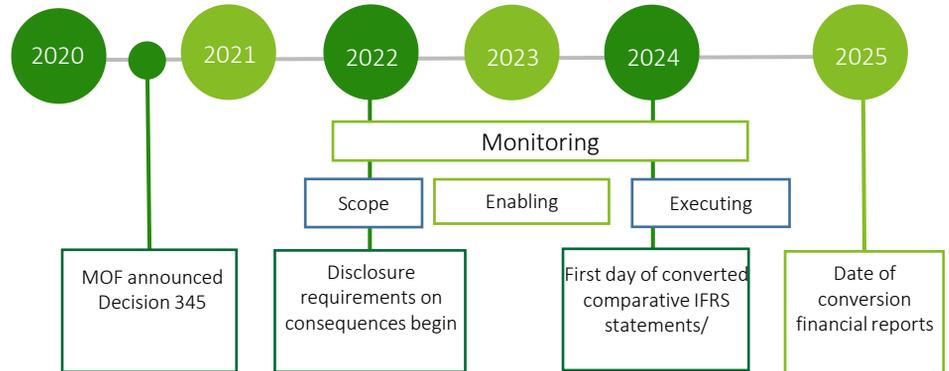
A COMPREHENSIVE VIEWPOINT



Conversion revisited: A comprehensive viewpoint

First Step - Plan your Route:
Identify what needs to be done and when it needs to be done by

Xây dựng lộ trình



What's next? You have an idea of what your destination is on your journey to IFRS and so the next step is determining the most efficient and effective route to get there.

Are the words "Are we there yet" familiar to you? Have you ever been horrendously lost on a trip of a lifetime? Likely, we can all relate to at least one of these, combined possibly also with an empty fuel tank and a carload of passengers who are complaining about where you took a wrong turn.

Experience in Canada, Europe, and the Asia Pacific shows that the same pitfalls may lie ahead for IFRS implementation: comments include "excessively expensive for the benefit", and "the process took too long."

Some entities arrived at the IFRS implementation date with literally minutes to spare. However, for those companies that planned and started the process early, the journey was much smoother and there was even some fuel left in the tank at the end of it!



Step 1: Scoping the effort

- **Identify** a competent and responsible IFRS Leader/Team.
- **Determine** key timelines - where do you need to be at the key milestone dates?
- **Scoping the Task** – implement a mechanism to capture the complete scope of IFRS: Branches and Divisions, Investees, Joint Ventures, Special-Purpose Entities.
- **Identify** specialized accounting principles and information gathering requirements.
- **Things to considering** include the preparation of an opening balance sheet one year ahead of the implementation date, disclosure of one year of full comparatives, including interim financial statement needs



Step 2: Enabling the resources

- **Identify** conversion note needs as well as pre-conversion required disclosures.
- **Plan for** long term financial statement and reporting needs.
- **Assess** IFRS knowledge needs by staff level and implement staff IFRS education program.
- **Determine** associated requirements – Internal Controls, IS/IT, Treasury, Taxation.



Step 3: Executing the plan

- **Prepare** required pre-conversion note disclosures in 2023 and 2024.
- **Prepare** IFRS 1 opening balance sheet at the date of transition.
- **Record** IFRS 1 entries at the date of transition.
- **Prepare** IFRS 1 conversion note including reconciliations of equity and net income.
- **Don't forget** interim requirements – reconciliation requirements apply in quarterly financial statements too.
- **Prepare** MD&A and other investor communications.
- **Finalize** and Implement IFRS accounting policies.

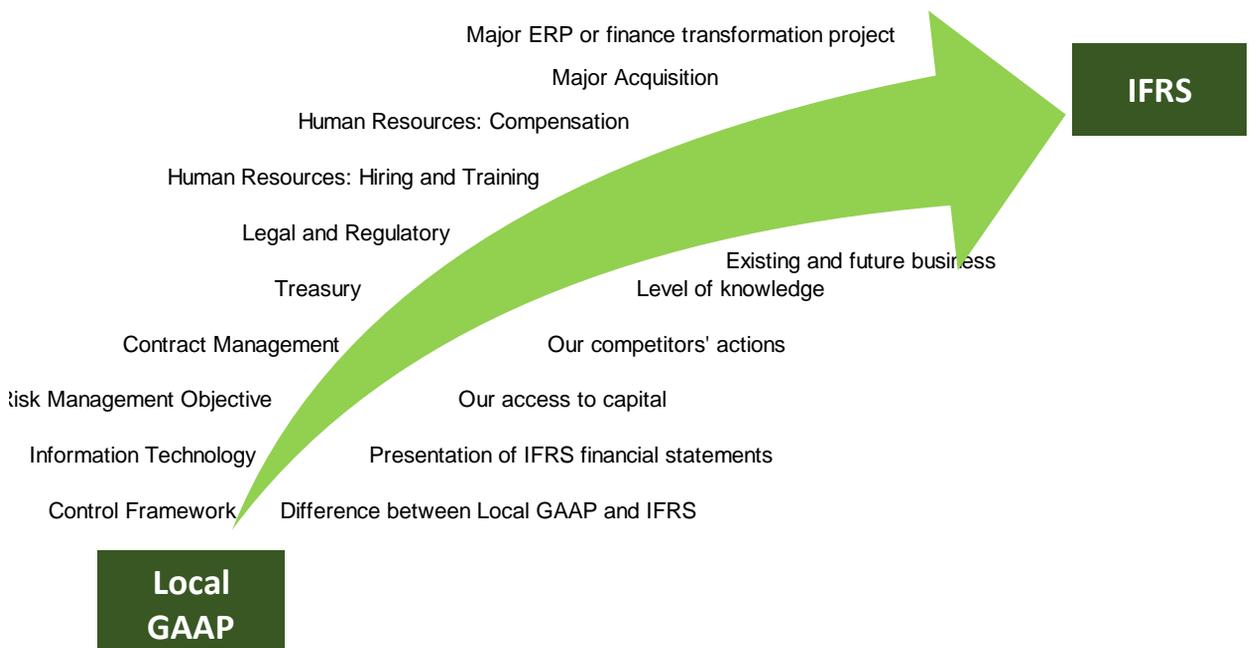


Step 4: Monitoring the process

- **Keep** ahead of changes – ongoing training and education requirements, internal control processes, and informing those in charge of the governance of your progress.

As you can see, the journey is manageable, and you will reach your destination, including key stopovers, with careful planning. The time commitment is also manageable as long as you start now.

The path to IFRS Conversion



GAAP: Generally Accepted Accounting Principles

A Well-Organized Conversion

If your institution decides an accelerated IFRS conversion is desirable, here are a few suggestions for creating a well-organized conversion:

Leverage existing projects: If already going through — or recently completed — an ERP or finance transformation project, now may be the time to consider IFRS adoption. Recent versions of major ERP systems are designed to accommodate IFRS, which can be mapped in, usually with significant costs savings.

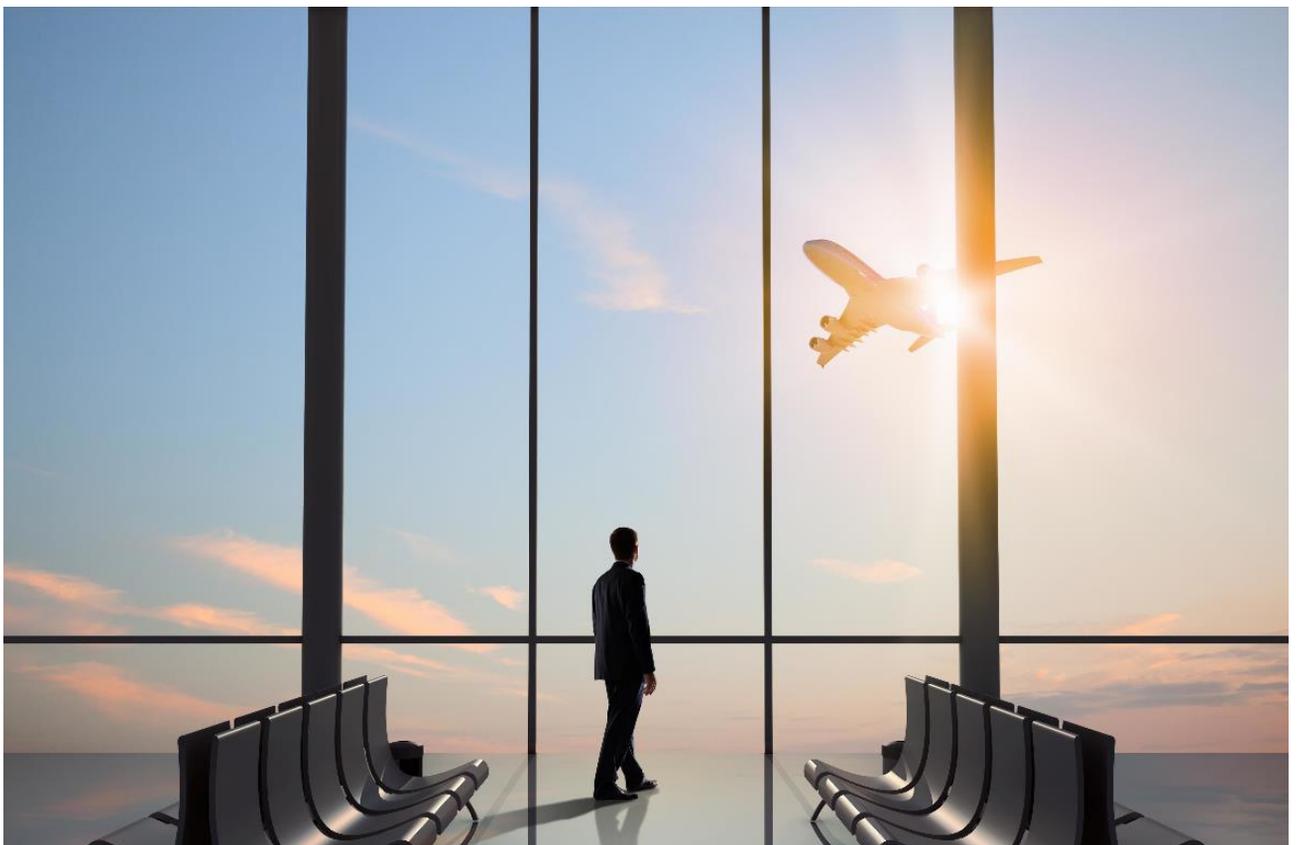
Conduct a trial run: Implementation might be easier if starting with a single country or reporting entity. Use existing reporting requirements and local country IFRS requirements to your institution's advantage.

For example, subsidiaries in countries adopting IFRS over the next three years may be good candidates for a trial run since IFRS-based reporting will be required there as of 2011. Learn from this initial conversion exercise, and apply the lessons learned to the global rollout down the road.

Consider shared services centers: IFRS provides a compelling reason to establish shared services centers to potentially consolidate dozens of local GAAPs down to a single reporting standard. Geographically dispersed finance offices could be drastically reduced or even eliminated in favor of a central finance function, strategically located to take advantage of tax incentives, payroll savings, and facilities costs reductions. In many cases, this concept is already aligned with the strategic direction banks and capital markets institutions have taken or are currently considering relative to their finance function.

Strengthen controls: Many banks and capital markets institutions have operations located across the globe. A decentralized structure can sometimes lead to reduced oversight and weakened controls. IFRS offers the opportunity to implement standardized frameworks and processes to enhance the overall control environment.

Refresh your institution's policies: Conversion to IFRS drives a need to revisit revenue recognition, impairment, share-based payments, costs capitalization, and other accounting policies. In other words, IFRS provides a refreshing exercise for accounting policy implementation, with the aim of more accurate and timelier financial reporting.



Learn from The Past Experiences from other countries

Among the lessons learned from the experience were the following:



The effort was often underestimated. The original perception that conversion was solely an accounting issue was replaced with a growing realization that the initiative was much larger and more complex.



Projects often lacked a holistic approach. Because of the limited view cited above, companies frequently did not consider the collateral effects, such as the effects on IT, HR, and tax.



A late start often resulted in an escalation of costs. Those few companies that anticipated conversion and took steps to prepare for it were in much better shape than those that did not. Companies that delayed their response paid a price for it, in terms of higher costs and greater diversion of Resources.



Many companies did not achieve a “business as usual” state for IFRS reporting. The highest quality financial data is obtained when companies fully integrate IFRS into their systems and processes. The compressed timeframes precluded this possibility. Instead, first-year financials were often produced using extraordinary, labor-intensive, and unsustainable measures.



It’s hard to get it right the first time. Even under ideal circumstances of time, resources, and knowledge, a conversion process will often be difficult and error-prone. Several Vietnam companies are only now starting to explore benefits from IFRS implementation. Due to multiple constraints, the first-year effort in the Vietnam was focused more on “getting it done.” Potential benefits in terms of reducing complexity, increasing efficiency, decreasing costs, and improving transparency had to be deferred.

Information Technology Impacts and Preparation



IFRS is expected to have wide-ranging effects at different levels of the IT systems architecture. The realignment of an institution's information systems will pose a real challenge for IT (along with the rest of the organization). Virtually all applications and interfaces in the system architecture can be affected, from the upstream or source of data to the farthest end of the reporting tools. As such, time and resource needs may be significant. As you plan changes to your IT systems, you will need to consider external factors such as local and international regulations, financial consolidation of subsidiaries, stock markets, and external auditors. This business transformation should not be considered as a one-step project. It may be necessary to implement short-term initiatives strategically designed to institute an effective long-term solution for your institution.

Potential Technology Impacts			
Upstream Source Systems and Transformation Layer	General Ledger and Financial Applications	Reporting Data Warehouse Planning and Calculation Engines	Downstream Reporting Capabilities
Differences in the accounting treatment between current accounting standards and IFRS will create a need for new input data.	Differences in the accounting treatment between current accounting standards and IFRS will likely drive changes to general ledger design, chart of accounts, as well as sub-ledgers and feeds.	IFRS has much more extensive disclosure requirements, requiring regular reporting and usage of financial data that may not be standardized in current data models.	The differences that arise in the accounting treatment between current accounting standards and IFRS will create a need for changes in reporting.
Data and transactions that are captured, stored and ultimately sent to the financial systems may not have all the needed attributes or qualities.	Multinational companies may ultimately realize a need to re-develop general ledger platforms or additional sets of books to ensure compliance with multiple financial reporting requirements.	Increased need for documented assumptions, sensitivity analyses; potential factors that could affect future development may expand the scope of information managed by financial systems.	Assumption changes from period to period can introduce significant volatility and require detailed support for derivation and rationale for changes, requiring design of additional reports.
Sub ledgers within the ERP may have additional functionality to support IFRS that is currently not being utilized but could be implemented.	Multi-ledger accounting functionality within newer releases of ERP's may be considered for long-term solutions.	Reporting warehouse feeds to calculation engines may need to be adjusted in a standardized way to support reporting processes.	External reporting templates will likely require revisions to reflect IFRS requirements.
Transformation layer not likely to have been designed with IFRS in mind; data sender/receiver structures may need to be adjusted.	Changes to IFRS will likely necessitate redesigned accounting, reporting, consolidation, and reconciliation processes, which may impact configurations of the financial applications.	Data governance functions and meta data repositories (potentially including data dictionary, ETL and business intelligence tools) may need to be adjusted to reflect revised data models.	Increased disclosures such as sensitivity tests and roll forwards may require additional ad hoc query capabilities.
Over time the potential for acquisitions of companies using IFRS will increase; altering source systems and Extract, Transform and Load (ETL) tools to provide all needed data elements will make integrations significantly more efficient.	Differences that arise in accounting treatment between current accounting standards and IFRS may create a need for new expense allocations and other calculations.	Current valuation systems may not have functionality to handle IFRS requirements.	

Part 4:

HOW DELOITTE VIETNAM CAN HELP



How Deloitte Vietnam can help

Deloitte has numerous IFRS professionals across the Asia Pacific able to help you convert from VAS to IFRS. Also, we have a global network of IFRS professionals who have been extensively involved in IFRS conversions all over the world. The services we offer address the broad spectrum of conversion challenges you may need to consider. Whether it's a training course for your conversion team, specific identification of key conversion issues or assistance in addressing the non-accounting side effects of conversion, we have a team that can find a solution that fits your specific needs.

Due to independence requirements, the scope of the services we can provide may be limited for audit clients and audit committee pre-approval will be required.

Deloitte Business Assurance services offering

- Complex Accounting Assurance: Implementation for existing and new accounting standards (IFRS9, IFRS15, IFRS16, and IFRS 17...) GAAP Conversion and other accounting matters.
- Disruptive Event Assurance: IPO Readiness, M&A and Divestitures Services,
- Accounting Operating Assurance: Assess, Review and provide insight on Accounting, Financial and Internal Controls
- Business Assurance: Media & Advertising Assurance Services, Blockchain Assurance services, Algorithm Assurance, Corporate Reporting Transformation Assurance

Deloitte Vietnam IFRS Advisory services

Deloitte has a team of IFRS professionals across the Asia Pacific who are focused on assisting companies with all aspects of conversion from VAS to IFRS including training, project management, and change management.

Examples of ways in which we can help you, at each phase of the conversion process identified earlier in this document, are provided on the next pages.

Additional details and examples of some of our service offerings are also included for your information.

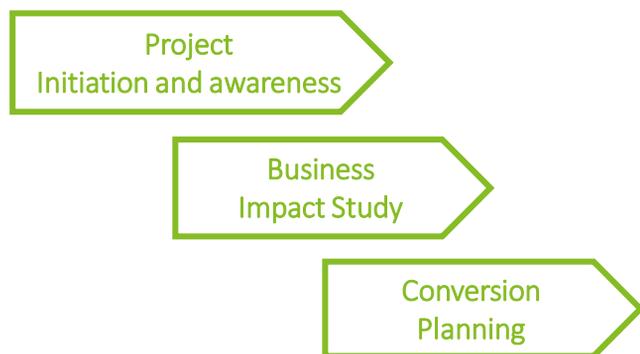
- Business Impact Study/IFRS VAS Gap analysis
- IFRS Implementation Services (end-to-end services)
- IFRS Executive Workshop and Working Level Training
- Accounting Manual development
- Chart-of-Account Redesign
- IFRS-ERP Implementation with dual reporting IFRS VAS
- Deloitte IFRS E-learning modules (including self-tests)

We can tailor our IFRS conversion services to meet your specific IFRS conversion needs.

Assurance clients

If Deloitte provides audit services to an entity, the protocols that govern the maintenance of independence between client and assurance providers must be followed. These include: obtaining audit committee pre-approval. ensuring that management makes the decisions. using the auditor to provide information on the source of guidance and examples of its application, rather than determining its application in the first instance. and establishing internal controls that will be in some circumstances subject to the auditors' review.

Examples of ways in which Deloitte can help you at each phase of IFRS convergence

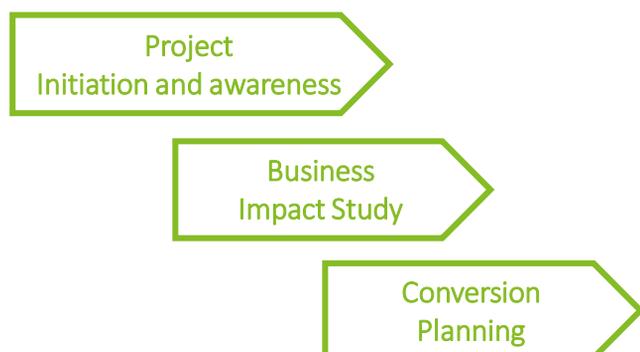
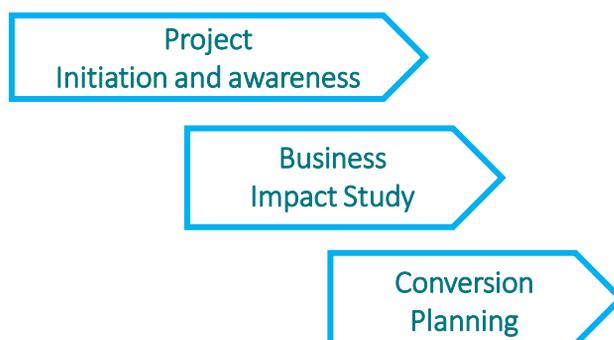


Phase 1: Scoping of the efforts

- Assess with the development of a Business impact to identify and prioritize IFRS conversion issues - what needs attention now ?
- Assist with the development of the draft project plan that consider all aspect of IFRS convergence (financial and operational)
- Provide membership on your IFRS steering committee
- Develop and deliver focused training programs to your IFRS team and other employees
- Provide access to Deloitte E-learning and publications to build IFRS awareness

Phase 2: Enabling the resources

- Assess with the development of "early warning" type internal and external communications which address the estimated impact of IFRS on the financial results of the entity?
- Assist with the development of samples of IFRS financial statements which consider industry - specific issues
- Identify new disclosure requirements and nature of information requirements.
- Review alternative IFRS accounting policy choices with management.
- Assist with the design and implementation of new systems and accounting policy manual
- Assist with the analysis of the pros and cons for the various IFRS 1 exemptions.



Phase 3: Enabling the resources

- Assess with the development of the opening balance sheet format and review IFRS opening balance sheet entries prepared by management.
- Review the proposed IFRS adjustments and consider impact of alternative policy elections.
- Assist with development of inventory of date of transition action steps.
- Help you implement a system/process to capture ongoing data and disclosure requirement.
- Work with you in address on going internal controls requirements.

Sample IFRS training offering

Day one	
9:00-10:00	Overview of IFRS Convergence in the Asia Pacific -Vietnam
10:00-10:45	IAS 16 – Property, Plant and Equipment
	IAS 23 – Borrowing Costs
10:45-11:00	Break
11:00-12:15	IAS 40 – Investment Property
	IFRS 8 – Operating Segments
	IAS 36 – Impairment of Assets
12:15-1:15	Lunch
1:15-2:45	IFRS 3 – Business Combinations
	IAS 37 – Provisions
2:45-3:00	Break
3:00-4:45	IAS 12 – Income Taxes
	IFRS 16 – Leases
	IAS 19 – Employee Benefits
4:45-5:00	Question and Answer Session

Day Two	
9:00-10:00	VAS vs IFRS - Harmony or Hardship Ahead?
10:00-10:45	SIC 12 - Consolidation of SPEs
	IAS 31 - Interest in Joint Ventures
	IAS 33 - Earnings per Share
10:45-11:00	Break
11:00-11:45	IAS 32/IFRS 7/IFRS9 - Financial Instruments
	IAS 21 - Foreign Currency Translation
	IAS 34 - Interim Financial Reporting
11:45-12:15	How do you solve a problem under IFRS?
	Where to look and how to research?
12:15-13:15	Lunch
13:15-14:00	IFRS 1 - First-time adoption of IFRS
14:00-14:45	Effective Implementation of IFRS
14:45-15:00	Break
15:00-16:00	Question and Answer Session

IFRS-ERP Implementation of Engagement Overview

	Description	Ideal Format	Impact
Chart of Accounts	The chart of accounts (CoA) is the hub through which financial data is recorded and reported within an ERP system.	A well-designed CoA: <ul style="list-style-type: none"> • Supports all the organization's information, reporting, and accounting needs • Is built on a foundation of consistent definitions for business attributes and data elements, and • Facilitates efficient reporting capability, enabling finance staff to spend more time on analysis 	ERPs must be configured for the designed CoA structure.
Accounting Policies	Accounting Policies is the guidance to capture transactions incurred into the CoA. These policies are based on IFRS Standards and the Choice of business	A properly selection of Accounting policies: <ul style="list-style-type: none"> • Ensure the transaction being accounted based on its nature • Reflect the business performance based on the best practice and comparable with similar companies • Enhance the efficiency and effectiveness of the accounting and reporting team 	The accounting policies must be available to facilitate the design of business process.
Financial Process	The design of finance processes looks to capture current finance processes and/or future state finance processes. The engagement will look to document key process steps, process integration, key controls, and dependencies.	Generally, the objective of a finance process engagement will be to optimize finance processes and to better leverage new technologies.	<ul style="list-style-type: none"> • Inform system requirements for the design integration. • Inform system-based control enablement.

Post-Merge Integration Services - IFRS Transition



Transition approach for Opening Balance



4. Alignment with auditor

Alignment on adjustment procedures, materiality thresholds as well as timeline for final computations subject to audit



3. Identified adjustment needs

Impact calculation and assessment of necessary process/system changes



2. Applied analysis: GAAP comparison

Comparison of concrete application of buyer and seller standard per Balance Sheet and P&L category



1. Theoretical background: GAAP comparison

Differences between IFRS and (seller) Group GAAP which are expected to have an impact at target

Where we have done this before



IFRS first time adoption & IFRS Implementation

- Report under IFRS for the first time
- Transform to IFRS based accounting and reporting.
- Sustain the VAS statutory reporting



IFRS-SAP Implementation

- Moving from Local GAAP to IFRS Framework
- COA Redesign
- Financial Process Redesign
- Opening balance
- Sustain VAS



IFRS in M&A

- Deliver difference between IFRS and Local GAAP for management's decision making purpose.
- Apply IFRS transition for opening balance after merger.

Red River Project

- P.M.I Project



Application of IFRS 16

- Successfully apply IFRS 16 in practice



Analyze the impact of IFRS 17

- Evaluate the impact and provide IFRS 17 implementation service
- Provide consultation service on Financial Evaluation Method



Analyze the impact of IFRS 17

- Evaluate the impact and provide IFRS 17 implementation service
- Provide consultation service on Financial Evaluation Method



- Accounting principles and policies
- Hedging

Contributors

We wish to thank the following Deloitte people for their contributions to this report.

Editor in Chief:

Phan Vo Dang Khoa

CPA, CFA, MBA, FP&A
Manager
Audit & Assurances Services

Editors:

Bui Van Trinh

Partner
Audit & Assurances Services

Do Duc Hai

Senior Consultant
Audit & Assurances Services

Ninh Quoc Hoang

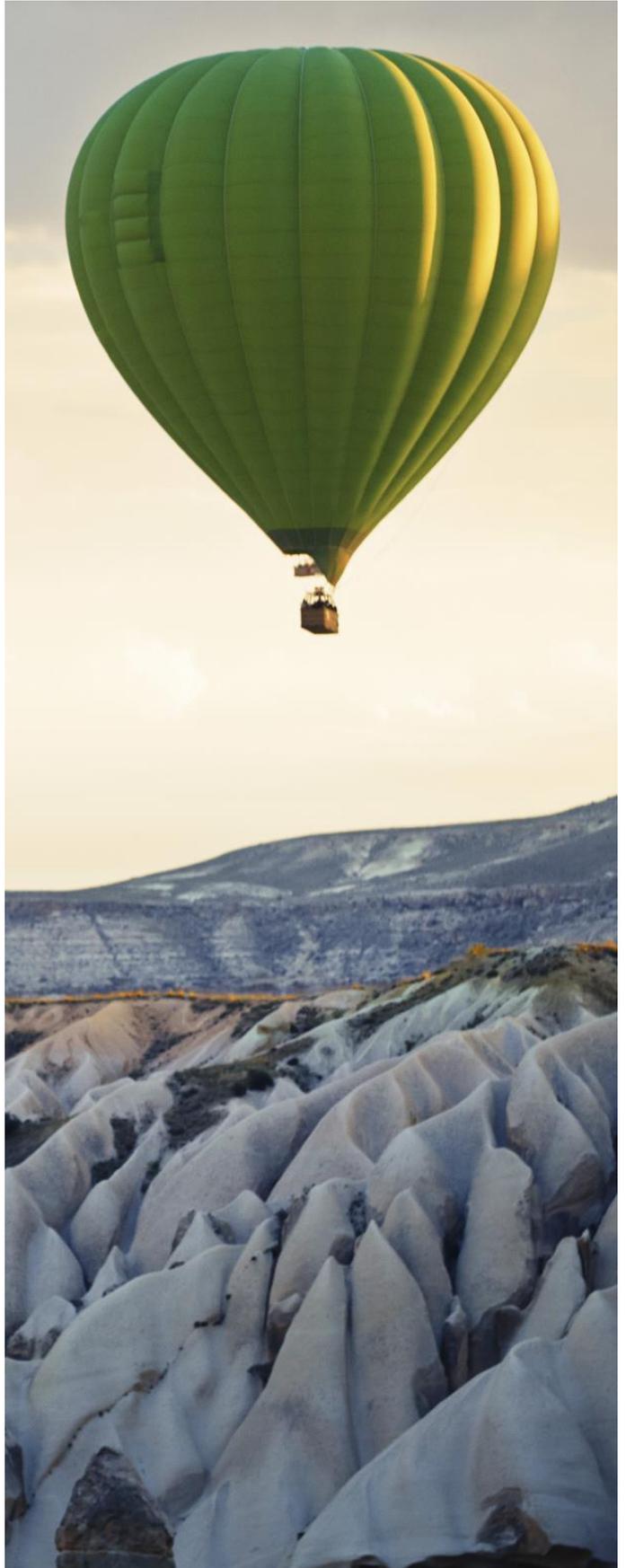
Senior Consultant
Audit & Assurances Services

Deloitte Vietnam IFRS taskforces

Audit & Assurances Services (A&A)

Business Process Services (BPS)

Business Tax Services



Contact us – Our IFRS Experts

As your organization considers the need to implement IFRS, reflect on how these best practice principles could be incorporated in your approach. The Journey for IFRS adoption for your organization is complex but critical if you want better insights into your organization’s performance and desire alignment through a common information foundation.

If your organization is considering converse to IFRS, or has already started on the IFRS adoption journey, and would like to discuss possible approaches, please contact us for more information.



Bui Van Trinh
Partner

Audit & Assurances Services
+84 28 7101 4025
trabui@deloitte.com



Pham Hoai Nam
Partner

Audit & Assurances Services
+84 24 7105 0599
npham@deloitte.com



Nguyen Thi Thu Sang
Partner

Audit & Assurance Services
+84 28 7101 4027
sangnguyen@deloitte.com



Do Hong Duong
Director

Audit & Assurance Services
+84 24 7105 0317
duongdo@deloitte.com



Phan Vo Dang Khoa
Manager

Audit & Assurance Services
+84 28 7101 4076
khoaphan@deloitte.com



Doan Yen Chau
Manager

Audit & Assurance Services
+84 28 7101 4101
chaudoan@deloitte.com



Ho Pham Kim Ngan
Manager

Audit & Assurance Services
+84 28 7101 4284
nganho@deloitte.com

Our Offices



Hanoi Office

15 Floor, Vinaconex Tower,
34 Lang Ha Street, Lang Ha Ward, Dong Da District, Hanoi,
Vietnam
Tel : +84 24 7105 0000
Fax: +84 24 6288 5678

Ho Chi Minh City Office

18th Floor, Times Square Building,
57-69F Dong Khoi Street, Ben Nghe Ward, District 1,
Ho Chi Minh City, Vietnam
Tel: +84 28 7101 4555
Fax: +84 28 3910 0750

Connect with us for more information:

Website : www.deloitte.com/vn

Email : deloittevietnam@deloitte.com

Facebook





Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

About Deloitte Vietnam

In Vietnam, services are provided by separate and independent legal entities, each of which may be referred to or known as Deloitte Vietnam.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.