

**MINISTRY OF EDUCATION AND TRAINING    MINISTRY OF FINANCE**  
**ACADEMY OF FINANCE**

**HOANG THI MAI LAN**

**COMPLETE THE FINANCIAL STATEMENT SYSTEM  
IN VIETNAMESE IRRIGATION AND DRAINAGE  
MANAGEMENT COMPANIES**

*Major : Accounting*

*Code : 9.34.03.01*

**SUMMARY OF ECONOMIC THESIS**

**HANOI - 2020**

**The thesis has completed  
at Academy of Finance**

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***Reviewer 3:*** .....  
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**The thesis will be defended at the Council of thesis  
Academy level, meeting at the Academy of Finance  
at ..... hour ..... day ..... month ..... year 2020**

**The dissertation can be found at the National Library  
and Library of Finance Academy**

## INTRODUCTION

### **1. The urgency of the thesis topic**

Financial statements in an enterprise are the means of conveying an important information system to demonstrate the financial picture of a business in terms of capital, assets, income sources, value-added, revenue distribution methods, profits, consumption as well as goods and service reserves of the enterprise. Financial statements are the output product of an enterprise management information system that can be used by owners, managers, investors, and other entities to plan, evaluate activities, and awareness about the financial situation of the business, from which making appropriate economic decisions. Ensuring the quality of financial statements to provide useful information for users to help businesses operate effectively, thereby promoting sustainable economic development is always the concern of the State, related agencies, and the public. Therefore, there are many authors and research organizations on the financial statements system, but it is still necessary to continue to complete research to improve the quality of financial statements, as well as the responsibility of enterprises for financial statements to meet the demand for information on the financial statements of the enterprise and users of information in the conditions of a developed and integrated market economy.

Vietnamese Irrigation and Drainage Management Companies are enterprises (VIDMC) with the capital of the State and providing public services that use public funds and scarce resources of the State and provide essential services associated with agricultural production. VIDMC performs the mission of meeting the requirements of irrigated agriculture in the direction of increasing added value and developing sustainably, contributing to the supply and creation of water sources for industry and services to serve the economic development of the commune, improving people's lives, ensuring food security, preventing overcoming, limiting the harm caused by water, contributing to the development of agricultural production. To be able to fulfill its mission, VIDMC needs to operate effectively and transparently on an equal basis with other private enterprises. One of the basic principles is that VIDMC is responsible to the public as companies listed on the stock market treat shareholders. Therefore, the financial statements in VIDMC not only provide complete, appropriate, and timely financial information for State management agencies and VIDMC's leaders to improve

management efficiency but also as a tool for VIDMC to present transparent accountability to the public about VIDMC's goals, operations, and effectiveness.

Currently, VIDMC have gradually improved their accounting work, but the survey shows that the financial statements of VIDMC have not met the needs of information users in making management decisions, control and strategy, leading to the ineffectiveness of VIDMC. Up to now, there have been many studies on VIDMC focusing on reforming mechanisms, policies, management methods, decentralization of management, organizational management model. Many research results have been applied and gradually improved the efficiency of multi-purpose exploitation and the use of irrigation works. However, researches on the financial statements system in VIDMC for management and transparency are still limited, so it is necessary to focus on research to find solutions to improve the financial statements system in VIDMC aims to meet the information needs of the management board of VIDMC, the state, and interested parties.

The above analysis shows that the research topic of the thesis: "*Completing the financial statement system in Vietnamese Irrigation and Drainage Management Companies*" has current meaning and necessary significance in terms of both theory and practice to improve the quality of the financial statements system in VIDMC, contribute to improving the operational efficiency and management of VIDMC and enhancing the implementation of accountability for the use of resources by the people.

## **2. Overview of the research works related to the thesis topic**

A research overview of works related to the thesis topic helps the author systematizes and clarifies the researched issues, and find out the open-ended issues that need to be focused on research to achieve the goal that the thesis has set out.

### **2.1. Overview of the research situation of the topic**

The author has generalized the research related to the financial statements system, including the research directions which are detailed as follows:

- The research works on the vital of the financial statements system;
- The research works on factors affecting financial statements;
- The research works on the financial statements system include: Research works on recording and measuring elements of financial statements; Research works on preparing financial statements; Research works on corporate responsibility for financial statements and research on information quality on financial statements.
- The research works on Irrigation and Drainage Management enterprises.

***2.2. The conclusions are drawn from the research works related to the thesis topic***

***2.2.1. Researched results related to the thesis topic***

***2.2.2. Research gaps***

Firstly, there are not many research works mentioning the vital of financial statements in enterprises that demonstrate accountability for using resources to create enterprise value;

Second, researches on factors affecting financial statements focus on the factors affecting financial statements at a national scale, but little mention of the financial statements system in the scope of a specific type of enterprise. Moreover, for the scope of the specific type of enterprise, recent researches focus on the factors affecting information quality on financial statements. Besides, some researches have mentioned factors affecting financial statements within the scope of enterprises, but have not conducted actual surveys in specific companies;

Third, the researches on the financial statements system in enterprises are diverse, but the studies have not mentioned or mentioned preliminary about the following contents:

+ Domestic research works have not focused fully and comprehensively on the disclosure of financial statements to strengthen the responsibilities of enterprises for financial statements, thereby enhancing accountability and transparency of information on financial statements;

+ The research on financial statements is done for enterprises in general or a specific type of enterprise, but so far there has not been any published research that has fully and comprehensively researched about financial statements system in Vietnamese Irrigation and Drainage Management companies;

Fourth, the studies on enterprises responsibility for financial statements have not mentioned comprehensively and fully how enterprises can ensure their responsibility for financial statements, especially the responsibility of directors in the design and operation of internal controls to improve the quality of information on financial statements;

Fifth, researches on Irrigation and Drainage Management enterprises only focus on assessing the efficiency of irrigation operations and some studies on the cost of irrigation services, but there are no studies complete and comprehensive about the financial statements system of these companies.

**3. Research objectives**

*General research objectives:* Systematized, supplemented, and clarified the theory of the financial statements system in enterprises, surveyed and

analyzed the financial statements system in VIMDC to propose some solutions to complete the financial statements system in VIDMC, thereby improving VIDMC's responsibility to disclose information to better meet the need to use the information on the financial statements for VIDMC and related parties.

*Specific research objectives:*

- Systematize, supplement and clarify theories about the financial statements system in enterprises;
- Survey the financial statements system in VIDMC to determine the complete direction of the financial statements system in VIDMC, including the following specific aspects:
  - + Investigate the effects of the financial statements system in VIDMC;
  - + Surveying factors affecting financial statements in VIDMC to propose solutions to properly complete the financial statements system in VIDMC;
  - + Surveying and analyzing the current situation of the financial statements system in VIDMC, thereby assessing the advantages and limitations of the financial statements system in VIDMC;
  - + Surveying the situation of responsibility for preparing and presenting financial statements in VIDMC.
- Proposing a solution to complete the financial statements system in VIDMC to demonstrate transparent accountability of information and better meet the need to use the information on financial statements for VIDMC and related parties.

#### **4. Research questions and research framework**

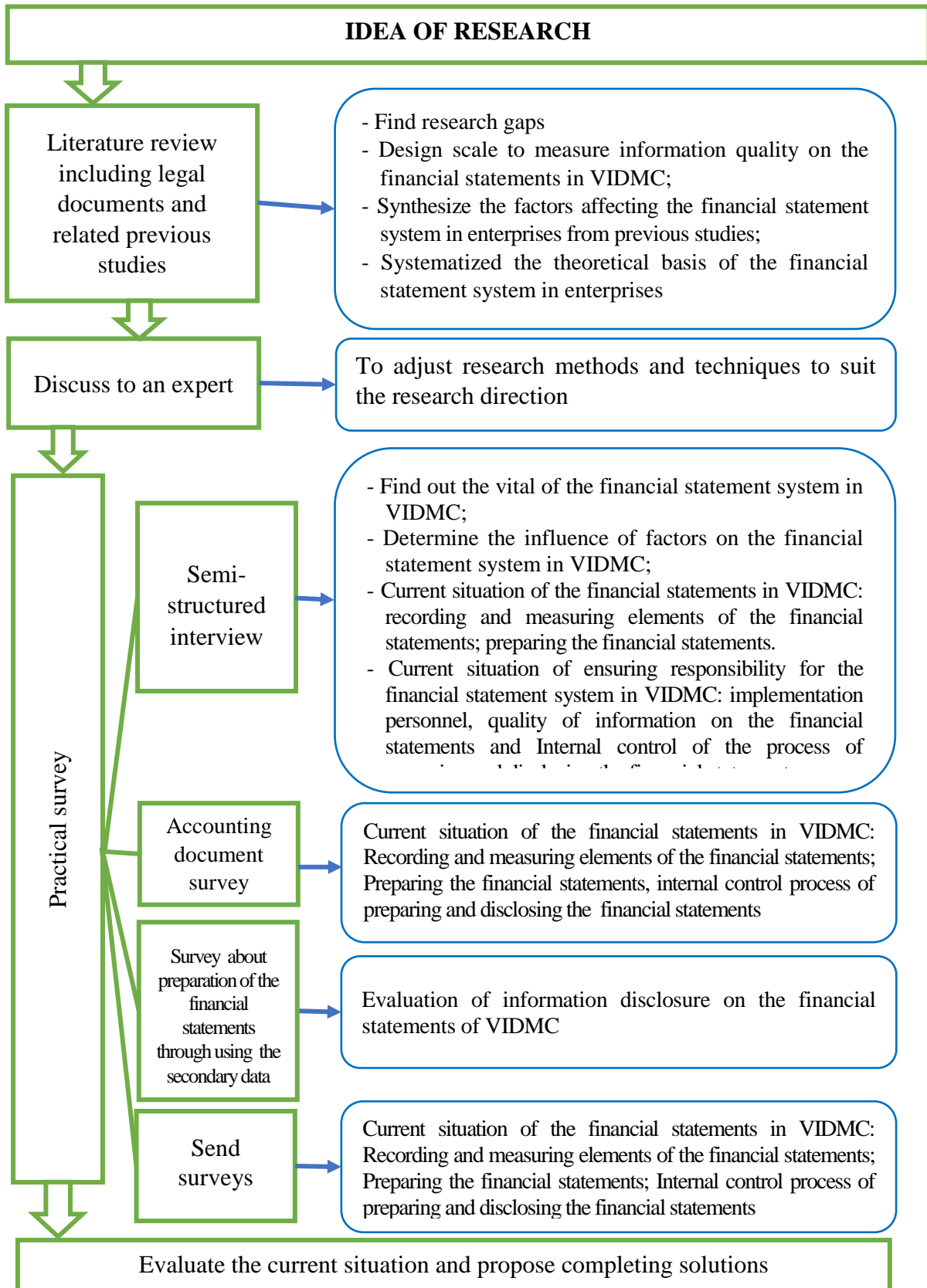
##### ***4.1. Research questions***

To achieve the above research objectives, the thesis raises some research questions as follows:

- How is the vital of the financial statements system in businesses in general and in VIDMC in particular?
- What factors affect the financial statements system in businesses in general, in VIDMC in particular?
- How is the financial statements system in enterprises and the situation of the financial statements system in VIDMC?
- How is the corporate responsibility for the financial statements and how is ensuring the responsibility for the financial statements system in VIDMC?
- What solutions to complete the financial statements system in VIDMC to demonstrate transparent accountability and better meet the need to use the information on financial statements for VIDMC and stakeholders?

## 4.2. Research framework

The research framework of the thesis is presented in the form of an objective diagram, technique, and content as follows:



**Diagram 0.1. Research framework of the thesis**

*(Author's source)*

## **5. Research subject and scope**

\* **Research subjects:** The object of the thesis research is the financial statements system in the enterprise.

\* **Research scope**

➤ *Scope of content:*

+ In terms of theory, the thesis researches the theory of financial statements system in enterprises, including an overview of the financial statements system in enterprises on the conceptual aspects, the purpose and the vital of financial statements, the basic principles of presenting financial statements; Factors affecting financial statements in enterprises; Financial statements system on the aspects of recording and measuring the elements of the financial statements; Preparing financial statements; and corporate responsibility for financial statements.

+ In practice, the thesis researches the current situation of the financial statements system in VIDMC, including the vital of the financial statements system in VIDMC; Factors affecting financial statements in VIDMC; Financial statements system in VIDMC and VIDMC's responsibilities for financial statements.

➤ *Scope of space:*

+ In terms of theory, the thesis researches the theory of financial statements system through works and materials in Vietnam and the world.

+ In practice, the study was conducted for VIDMC. According to the Directorate of Water Resources, there are about 83 VIDMC in operation. With semi-structured interview studies and field research, the author conducted in 10 enterprises. For general research, the author sent surveys to all of VIDMC.

➤ *Scope of time:*

+ In terms of theory, the thesis focuses on researching the theoretical basis from scientific works, scientific papers, books, and monographs published from 1960 up to now.

+ In terms of practice, the thesis researches on the financial statements system of VIDMC has been published in the period of 2017 up to now.

## **6. Some foundation theory for the study of the thesis and Research methodology**

### ***6.1. Some foundation theory for the study of the thesis***

From the results of the review research, the author analysis relevant background theories, including decision Usefulness Theory, Information Theory, and Agency Theory.



## **6.2. Research methodology**

The research method used in the thesis is qualitative research. Qualitative research techniques are applied as follows:

### **6.2.1. Collecting, analyzing, and synthesizing research results from previous relevant researches and legal documents governing the financial statement system in Vietnamese irrigation management and operation enterprises**

To do this research, the author uses a research method which is to collect and look up documents such as published textbooks, monographs, dissertations, and scientific papers in Vietnam and the world at home and abroad which are relevant to the research topic. The author has access to electronic resources of some of the accounting journals and researches completed by professors and students at universities around the world from the university portal and portal of the Ministry of Education of Vietnam (<https://moet.gov.vn>). Also, the author collects documents at the National Library of Vietnam.

Legal documents governing the financial statements system in VIDMC include specific legal documents of the irrigation sector, legal documents for information disclosure of enterprises with the State capital, legal documents for reports serving the management and control purposes of the State budget and legal documents for the financial statements preparation framework.

### **6.2.2. Discuss with the expert**

The author discusses with experts including four accounting lecturers, three independent auditors, and three state auditors on research methods and design of semi-structured interview questions (*Appendix 2.1: List of experts participating in the discussion*). The discussion with lecturers is conducted directly, the experts who are independent auditors send their opinions by email because at the time the auditor is auditing the financial statements for customers. The discussions with lecturers are additionally carried out during the thesis (*Appendix 2.2: Exchanges with experts*).

The communications with experts are aimed at adapting research methods and techniques for the direction of research. After the discussions, the author synthesized the opinions and adjusted the interview outline.

### **6.2.3. Practical survey**

The author conducts practical surveys including semi-structured interviews, document reviews, and sending surveys.

\* *Semi-structured interview*

➤ Interview objectives: The author carries out semi-structured interviews to synthesize the assessments of the interviewees on the following contents (*Appendix 2.3. Semi-structured interview questions*):

- + Find out the vital of the financial statements system in VIDMC;
  - + Determine the influence of factors on the financial statements system in VIDMC;
  - + Current situation of financial statements in VIDMC in terms of recording and measuring elements of financial statements; preparing financial statements; and the responsibility assurance for the financial statements;
  - + Measure the quality of information on financial statements in VIDMC.
- How to do it

Semi-structured interviews are discussions in which the interviewer does not follow a formal list of questions. During the interview, there will be additional open-ended questions, allowing discussion with the interviewee. All interviewees were anonymous and encouraged to have a long talk about their perceptions. Before each interview, participants were emailed about the purpose and content of the interview. Each interview will last from 40 to 90 minutes, including selective and open-ended questions. Respondents were asked to evaluate the impact of factors on the financial statements system (the level of influence measured by the Likert scale from 1- No effect on 5 - Total influence) and give other factors if any. Interviews were conducted through face-to-face group discussions (for lecturers), face-to-face interviews (9 discussions), telephone (7 discussions), and email (16 discussions Comment). The author invites the interviewee to participate in interviews by phone and email, if there is no consent to answer, the author will choose another interviewee so that the response rate is 100%.

➤ Interviewees include (*Appendix 2.4. List of interviewees*): Accounting lecturers; Independent auditors, State auditors; specialist in province finance department managing VIDMC; Chief Accountant of VIDMC; Chairman of the Members' Council / Director of VIDMC; Water user.

➤ Data collection and processing of semi-structured interview:

Interviews are recorded and the transcription is replaced in case interviewees disagree with recording. The raw interview data was analyzed and summarized by the author, then classified into the main topics synthesizing the views of the interviewees. The author conducted an in-depth analysis of the collected data to

consider the similarities and differences between the responses, from which the results of qualitative research were conducted. (*Appendix 2.5 Summary of interview results*).

For the questions assessing information quality on financial statements and the influence of factors on the financial statements system, the author synthesizes the evaluation results and processes the data by statistics described by the SPSS20 software.

*\* Document review*

➤ Field survey: The author review accounting document at 10 VIDMC to study the current situation of recording and measuring elements of financial statements, preparing financial statements and VIDMC's responsibilities for financial statements (*Appendix 2.6 Field survey enterprises list*). The author observes the process of preparing and disclosing financial statements, meeting accountants, accessing accounting software, reviewing documents, and collecting financial statements.

➤ Survey the financial statements system by secondary data: The secondary data is the financial statements system of VIDMC which is publicized on the media:

+ Objective of the survey: To assess the level of preparing and disclosing of information on VIDMC's financial statements.

+ How to proceed: The author searches for VIDMC's financial statements that are publicized on the media, including the company's website, the provincial People's Committee portal, and the DN portal [http:// www .business.gov.vn /](http://www.business.gov.vn/) (*Appendix 2.10: Audit reports and financial statements of Bac Can Irrigation Management Company Limited*)

*\* Distribute the complete investigation form VIDMC*

The author sends surveys to all these 83 enterprises (*Appendix 2.8: List of enterprises sending the surveys*) to find out the current situation of the financial statements system in all VIDMC. The surveys were sent directly and via email, Zalo, Facebook by Google Docs application, and by post, in case of not responding to the survey, the author will call directly (*Appendix 2.7. survey, online survey link <https://forms.gle/x3koJJ6cM8KPwtdh9>*). The survey responses were synthesized and described statistically by the author using SPSS20 software (*Appendix 2.9. Synthesize the survey results*).

## **7. Contribution of the thesis in theory and practice**

➤ In theory: The thesis systematized, clarified, and supplemented the theory of the financial statements system in enterprises, including analysis of

factors affecting the financial statements system in enterprises; Factors of financial statements, recording and measuring elements of financial statements; Preparing financial statements and corporate responsibility for financial statements.

➤ In practice: The thesis analyzes, assesses the current situation of the financial statements system in VIDMC, analyzes the factors that influence and points out the achieved results, existing limitations, and causes of limit. From there, the thesis proposes solutions to perfect the financial statements system in VIDMC. Full and detailed solutions on all major aspects that the thesis researches, such as: Completing the recognition and measurement of financial statements factors; Complete the preparation of financial statements; Raising responsibility for financial statements statistics in VIDMC and other solutions.

The contributions of the thesis contribute to clarify and supplement the theory of the financial statements system in enterprises, contribute to improving the quality of the financial statements system as well as the responsibility of preparing the financial statements truthfully and reasonably, thereby improving accountability and information transparency in the use of State resources at VIDMC. The thesis is a reference in learning and researching the financial statements system in enterprises in Vietnam.

### **8. Structure of the thesis**

In addition to the Introduction, conclusions, the table of contents, and Appendixes, the thesis includes three chapters:

*Chapter 1:* Theories foundations for the financial statement system in enterprises;

*Chapter 2:* Current situation of the financial statement system in Vietnamese Irrigation and Drainage Management Companies;

*Chapter 3:* Solutions to complete the financial statement system in Vietnamese Irrigation and Drainage Management Companies.

## Chapter 1

# THEORIES FOUNDATIONS FOR THE FINANCIAL STATEMENT SYSTEM IN ENTERPRISES

## 1.1. OVERVIEW OF FINANCIAL STATEMENTS IN ENTERPRISES

### 1.1.1. Concept and purpose of financial statement in enterprises

#### *1.1.1.1. Concept*

Financial statements in an enterprise are a set of reports on the financial situation, business activities, and cash flow or other information affecting decisions of information users in a certain period, prepared base on complying with common standards that serve the majority of information users.

#### *1.1.1.2. Purpose of financial statements*

### 1.1.2. The vital of financial statements in enterprises

#### *\* The vital of financial statements on information providers*

Enterprises are the provider of financial statements to related partner, financial statements have the following vitals:

- Assisting enterprises to prove that the company has complied with technical expertise and relevant legal regulations in the process of preparing and disclosing financial statements

- Assisting enterprises to fulfill their responsibility to provide truthful and reasonable information for information users as required by law and general practices as well as economic relations of enterprises. Thereby, the company achieves the following goals:

- + Raising capital from lenders, investors, participate in the bidding, ...

- + Implementing the enterprise accountability and transparency of information to relevant agencies and the public.

#### *\* The vital of financial statements on users of information*

In the market economy, there are many parties interest in using financial statements to make decisions related to enterprises.

### 1.1.3. Basic requirements and principles of preparing financial statements

#### *1.1.3.1. Requirements for preparing financial statements*

#### *1.1.3.2. Basic principles of preparing financial statements*

## **1.2. FACTORS AFFECTING FINANCIAL STATEMENTS IN ENTERPRISES**

### **1.2.1. Legal factor**

Factors of legal regulations affecting the financial statement system include legal system, tax system, and accounting regulations.

### **1.2.2. Characteristics of the enterprise**

Four characteristics of the enterprise affect the financial statements system, including Business lines, Equity model, Financial mechanism, and Enterprise size.

### **1.2.3. Information technology in accounting**

### **1.2.4. Internal control**

### **1.2.5. The capacity of accountants**

## **1.3. FINANCIAL STATEMENT SYSTEM IN ENTERPRISE AND RESPONSIBILITY OF ENTERPRISE FOR FINANCIAL STATEMENTS**

### **1.3.1. Financial statement system**

#### ***1.3.1.1. An overview of the financial statement system***

##### *\* The concept of the financial statement system*

A financial statement system is a collection of accounting reports presenting financial position, business results, and other non-financial information to provide useful information to users.

##### *\* Types of financial reports*

- A statement of financial position as at the end of the period;
- A statement of comprehensive income for the period;
- A statement of changes in equity for the period
- A statement of cash flows for the period
- Notes containing a summary of significant accounting policies and other explanatory information

#### ***1.3.1.2. Elements of financial statements***

##### *\* Defines elements of financial statements*

##### *\* Recognition elements of financial statements*

##### *\* Measure elements of financial statements*

#### ***1.3.1.3. Preparing financial statements***

## **1.3.2. Responsibility of enterprise for financial statements and the method of ensuring responsibility for financial statements**

### ***1.3.2.1. Responsibility of enterprise for financial statements***

#### *\* Responsibility of enterprise for financial statements*

To demonstrate accountability and transparency of information, enterprises are responsible for preparing and disclosing their financial statements faithfully

and reasonably, especially for public enterprises and state-owned enterprises. At the same time, the Director representing the business is accountable to the law, the owners, and the public for this responsibility.

*\* Requirements for information quality on financial statements*

A specific manifestation of corporate responsibility for financial statements is the preparation of financial statements that meet the quality requirements of information on financial statements.

***1.3.2.2. The method of ensuring responsibility for financial statements***

The establishment and maintenance of the internal control system for the preparation and disclosure of financial statements is necessary to ensure the responsibility of enterprises in providing faithfully and reasonable financial statements.

Internal control of the financial statements is done in each step of the process of preparing and disclosing the financial statements.

**1.4. INTERNATIONAL EXPERIENCE IN FINANCIAL STATEMENT SYSTEM AND LESSONS FOR VIETNAM**

**1.4.1. International experience in financial statement system**

***1.4.1.1. International experience in financial statement system in general enterprise***

Experience in financial statements system of enterprises in several countries around the world including Australia, UK, Malaysia, and Singapore.

***1.4.1.2. International experience in the financial statement system of state-owned enterprises***

Experience in financial statement system in state-owned enterprises in several countries around the world including India, Korea, Malaysia, and Thailand.

**1.4.2. Lessons learned about the financial statement system for Vietnamese enterprise**

***1.4.2.1. Lessons learned about the financial statement system for Vietnamese businesses in general***

***1.4.2.2. Lessons learned about the financial statement system for Vietnamese state-owned equity firms***

**Chapter 2**  
**CURRENT SITUATION OF THE FINANCIAL STATEMENT**  
**SYSTEM IN VIETNAMESE IRRIGATION AND DRAINAGE**  
**MANAGEMENT COMPANIES**

**2.1. OVERVIEW OF VIETNAMESE IRRIGATION AND DRAINAGE**  
**MANAGEMENT COMPANIES**

**2.1.1. Overview of the development in Vietnamese Irrigation and**  
**Drainage Management Companies**

**2.1.2. Managerial and accounting organization characteristics of**  
**Vietnamese Irrigation and Drainage Management Companies**

*2.1.2.1. Managerial organization characteristics*

*2.1.2.2. Accounting organization characteristics of Vietnamese Irrigation*  
*and Drainage Management Companies*

**2.1.3. The vital of financial statements in Vietnamese Irrigation and**  
**Drainage Management Companies**

**2.1.3.1. The vital of financial statements on Vietnamese Irrigation and**  
**Drainage Management Companies**

The financial statements system helps businesses fulfill their responsibility to provide faithfully and reasonable information to users, thereby implementing accountability and information transparency and compliance with accounting standards and legal regulations.

*2.1.3.2. The vital of financial statements in Vietnamese Irrigation and*  
*Drainage Management Companies on information users*

The people who regularly use the information on VIDMC's financial statements are the enterprise management board and the owner's representative agency.

**2.2. FACTORS AFFECTING FINANCIAL STATEMENTS IN VIETNAMESE**  
**IRRIGATION AND DRAINAGE MANAGEMENT COMPANIES**

**2.2.1. Legal factor**

**2.2.2. Characteristics of Vietnamese Irrigation and Drainage**  
**Management Companies**

*2.2.2.1. Business*

➤ VIDMC provides public services, so the financial statements system needs to have more information about creating values for the society of businesses.

➤ VIDMC are enterprises that manage and operate irrigation works, so they have assets in a large area, difficult to manage, monitor, stocktaking, record, and evaluate the value of fixed assets.



➤ VIDMC not only provides public services but also provides other services for-profit purposes, so the financial statements need to provide full details on revenue and expenses from these activities.

➤ The process of providing irrigation services also affects the recognition and cost measurement of financial statements in VIDMC.

#### ***2.2.2.2. Equity model***

VIDMC is the enterprise owned by the State, using the State's assets to carry out production and business activities, so the information on the financial statements should meet the following:

➤ VIDMC's financial statements must be disclosed internally and externally.

➤ Published financial statements not only provide financial information but also non-financial information.

➤ VIDMC's financial statements system must perform the function of public explanation and information transparency.

➤ Financial statements must be audited by an independent auditor

➤ Users of financial statements include: Enterprise managers, owner's representative agencies, and the public

#### ***2.2.2.3. Financial mechanism***

### **2.2.3. Information technology in accounting**

#### **2.2.4. Internal control**

#### **2.2.5. The capacity of accountants**

## **2.3. SITUATION OF THE FINANCIAL STATEMENT SYSTEM AND ENSURING RESPONSIBILITY FOR FINANCIAL STATEMENTS IN VIETNAMESE IRRIGATION AND DRAINAGE MANAGEMENT COMPANIES**

### **2.3.1. Situation of the financial statement system in Vietnamese Irrigation and Drainage Management Companies**

#### ***2.3.1.1. Situation of Recognition and measure elements of financial statements***

\* *The situation of recognition elements of financial statements*

\* *The situation of measure elements of financial statements*

#### ***2.3.1.2. The situation of preparing financial statements***

### **2.3.2. Situation of ensuring responsibility for financial statements in Vietnamese Irrigation and Drainage Management Companies**

#### ***2.3.2.1. Situation of enterprise responsibility for financial statements***

#### ***2.3.2.2. Situation of ensuring responsibility for financial statements in Vietnamese Irrigation and Drainage Management Companies***

Through the survey of documents and the interview with the chief accountant, VIMDC's internal audit mostly reached the basic presence. Interview

results showed that (Appendix 2.5) the internal control procedures are not specified in writing, but are usually done according to the habit and experience of the predecessors and adjusted if not appropriate.

The actual situation of internal control for each work step in the process of preparing and disclosing the financial statements is as follows:

- \* *Apply a framework for preparing and presenting financial statements*
- \* *Collect information*
- \* *Select accounting policy and accounting estimates*
- \* *Check and compare data, adjust errors*
- \* *Prepare financial statements*
- \* *Disclosure of the financial statements*

## **2.4. ASSESSMENT OF SITUATION OF THE FINANCIAL STATEMENT SYSTEM IN VIETNAMESE IRRIGATION AND DRAINAGE MANAGEMENT COMPANIES**

### **2.4.1. The achievements**

### **2.4.2. Limitations and causes leading to limitations**

#### **2.4.2.1. Limitations**

- \* *Regarding the recognition and measure elements of financial statements*

➤ Some VIDMC has errors in recording such as tangible fixed assets, depreciation costs of fixed assets, receivables from customers, payables, revenue, and management expenses of enterprises ...

➤ The concept of "Fair value" has not been applied to the recognition of the financial statements in VIDMC.

➤ Surveying the audited financial statements of VIDMC shows that many companies do not conduct inventory at the end of the period.

- \* *Regarding the preparing Balance sheet*

➤ The State budget for subsidizing irrigation fees is being presented in different criteria, there is no consensus among VIDMC.

➤ Instruments and tools that are used for a long time and have great value are not shown on the long-term prepayment ratio and amortized by each period but are immediately included in the expenses in the period.

- \* *Regarding the preparing Income statement*

Some income and expenses are not recognized in the correct accounting period, the amounts incurred in this period but not yet paid or paid are recognized in the following period.

- \* *Regarding the preparing Cash flow statement*

At some VIDMC, there are still errors from the collection of data from the accounting books to the items of cash flow statements and there are mistakes in the classification of cash flows

*\* Regarding the preparing Notes to the financial statements*

. Notes to the financial statements in VIDMC are mainly general, listing, do not show the specificity of enterprises with state capital providing public services

*\* Regarding the responsibility of VIDMC for the financial statements*

➤ Director's responsibility for financial statements is not high.

➤ The financial statements have not met the expectations of the owner's representative agency.

➤ Internal control in each step of the process of preparing and disclosing financial statements is limited.

#### **2.4.2.2. Causes leading to limitations**

*\* Objective causes*

➤ State regulations and policies:

➤ The control and pressure of the owner's agent

➤ Specialties in business lines

*\* Subjective causes*

➤ Limitations on the application of information technology in accounting

➤ Limit the effectiveness of internal control

➤ Limit the qualifications of accountants

### CONCLUSION OF CHAPTER 2

## Chapter 3

### **SOLUTIONS TO COMPLETE THE FINANCIAL STATEMENT SYSTEM IN VIETNAMESE IRRIGATION AND DRAINAGE MANAGEMENT COMPANIES**

#### **3.1. DEVELOPING ORIENTATION AND REQUIREMENT, PRINCIPLES OF COMPLETE THE FINANCIAL STATEMENT SYSTEM IN VIETNAMESE IRRIGATION AND DRAINAGE MANAGEMENT COMPANIES**

##### **3.1.1. Developing orientation of Vietnamese Irrigation and Drainage Management Companies**

##### **3.1.2. Requirements to complete the financial statement system in Vietnamese Irrigation and Drainage Management Companies**

### **3.1.3. Principles of complete the financial statement system in Vietnamese Irrigation and Drainage Management Companies**

## **3.2. SOLUTIONS TO COMPLETE THE FINANCIAL STATEMENT SYSTEM IN VIETNAMESE IRRIGATION AND DRAINAGE MANAGEMENT COMPANIES**

### **3.2.1. Solution to complete the financial statement system in Vietnamese Irrigation and Drainage Management Companies**

#### ***3.2.1.1. Solution to complete recognition and measure elements of financial statements in Vietnamese Irrigation and Drainage Management Companies***

*\* Recognition elements of financial statements need to meet both recognition criteria*

*\* Improved the way of measuring elements of financial statements*

- Comply with physical property inventory
- Manage and monitor receivable debts to make provisions for bad debts

#### ***3.2.1.2. Solution to complete the content of the financial reporting system***

*\* Complete preparing Balance sheet*

*\* Complete preparing Income statement*

*\* Complete preparing Cash flow statement*

*\* BCTC Complete preparing Notes to the financial statements*

- Characteristics of business operations:

In addition to the information under the guidance of the accounting regime on the form of capital ownership, the business sector, the line of business, the normal business cycle and the enterprise structure, it is necessary to explain in detail about business operation characteristics in the fiscal year, plans and strategic objectives of enterprises affect their financial statements.

- Additional information for items presented in the Balance Sheet

Notes to items include the following information: item context, item details, item change information, notable non-financial information on the item.

- Additional information for the items presented in the income statement

+ Net revenue from sale of goods and rendering of services

- Context of sales

- Presenting detailed revenue figures for each activity. For revenue from providing irrigation services, it is necessary to detail each main customer group.

- Supplement the revenue from the provision of irrigation services and the State's supports recorded on a cash flow basis

- + Cost of goods sold

- Context of Cost of goods sold

- Changes in the value and structure of the cost of goods sold, the reasons for the change, factors and risks that may affect the cost of the enterprise.

- Presenting detailed cost price data by each activity. For each activity, the cost of goods sold is detailed for each type of cost that constitutes the cost of goods sold.

- Data on cost of goods sold from irrigation service provision is added and recorded on a cash flow basis.

- Additional information for the items presented in Cash flow statement

- + Details cash in from sale according to the amount received right after the sale, the amount advanced by the customer and the amount paid by the customer;

- + Present separately increase in cash to maintain the operating capacity of the business

- + Details Cash paid to suppliers for goods and services according to the amount paid immediately upon purchase, Cash paid to suppliers in advance, and after the purchase.

- + Details Cash paid to employees according to the amount paid immediately in the salary period, the amount the employee advances, and the amount owed to the employee after payment

- + For borrowers, it is necessary to disclose the amount of the loan collected during the period and the amount paid off during the period.

- Other information

In addition to other information as in the guidance of circular 200/2014/TT-BTC, VIDMC needs to disclose information: Analysis of performance results, results of public duty performance and responsibility, governance situation, and risk management.

- + Analysis of performance results

VIDMC is a public-utility enterprise operating for social purposes, so the evaluation of VIDM's activities should aim at assessing the economy, efficiency, and effectiveness of business operations.

- Economy: Indicators that need to be published include:

- . The cost of electricity for the drainage pump / per irrigation area

- . Direct labor costs / irrigation area

- . Cost of materials, fuel for operating machinery / area for irrigation

- . Cost of repair and maintenance of works and machines / total revenue

- . Enterprise management costs / irrigation area

- . Actual cost / planned cost

- Effectiveness: Effectiveness evaluation indicators to be published include:

- . Property performance index: Measured by the total fixed assets of the enterprise / Total irrigated area. This index is to evaluate the efficiency of using fixed assets of enterprises serving irrigation service provision.

- . Index of irrigation service delivery: This indicator is measured by the area of irrigated land / the area of land that needs to be irrigated. This index is to evaluate the level of completion of the tasks that enterprises must undertake

- . Service quality index is measured by total flooded area not being drained on time / Total drainage area; Total drought area not timely irrigated / Total irrigated area

- Efficiency is measured by the number of feedbacks about unsatisfactory service quality / Total number of households and enterprises using irrigation services.

- + Results of the performance of public duties and social responsibility

- Results of implementing public services: The level of provision of irrigation services to meet the needs, the level of satisfaction of water users, the activities of businesses have taken to improve the satisfaction of water users, activities of enterprises to ensure safety and improve irrigation quality, ways for water users to give feedback on irrigation quality with enterprises.

- Results of social responsibility performance

Another way of presenting measuring the results of the whole company and the performance of public and social responsibility tasks from different angles is to use the balanced scorecard.

- + Current situation of risk management

### **3.2.2. Solutions to improve responsibility for financial statements in Vietnamese Irrigation and Drainage Management Companies**

#### ***3.2.2.1. Solutions to improve the responsibility of the director for financial reporting***

- \* Raising awareness about financial statements disclosure for the Board of Members and the Board of Directors of VIDMC

- \* VIDMC director needs to improve his financial knowledge

- \* VIDMC Director needs to increase the level of attention and prudence when participating in the process of preparing and disclosing the financial statements

- \* Improve the efficiency of internal control over the financial statements preparation process

- \* Complete general controls in internal controls

- Build a cultural environment that emphasizes integrity and ethical values;

➤ Develop a clear written operating procedure and control process that ensures the principles of authorization and approval, assignment of assignment principles, and the principle of non-conciliation. At the same time, widely communicate these processes within the enterprise;

➤ All members of the enterprise from the Board of Management, BOM to employees must comply with the internal control system;

➤ Board of Directors and business leaders need to establish a process of risk assessment and regularly perform risk assessments as well as measures to deal with risks;

➤ All transactions and events need to be performed under the right authority and appropriately approved;

➤ All transactions and events need to be presented in documents and documents and recorded in a complete, accurate, reasonable, and timely manner;

➤ Implement independent inspection periodically or irregularly.

### ***3.2.2.2. The solution to improve the efficiency of internal control over the preparing financial reporting process***

*\* Improve specific controls in the process of preparing and disclosing the financial statements as follows:*

➤ Complete internal controls over information collection and processing

➤ Complete internal control over the choice of accounting policies and accounting estimates: The enterprise director needs to participate in this process through approval. When approving, the enterprise director should ask the chief accountant to provide evidence as a basis for that selection.

➤ Complete internal control over data reconciliation and error correction

➤ Improve internal control over financial statements preparation

➤ Improve internal control over financial statements disclosure

### ***3.2.3. Other solutions to facilitate the completion of the financial reporting system and improve the responsibility for financial statements in Vietnamese Irrigation and Drainage Management Companies***

***3.2.3.1. Solutions for amending and supplementing the Vietnamese Accounting Law and Accounting Standards in the direction of converging with international accounting standards***

***3.2.3.2. The solution to establish legal regulations allows enterprises to build flexible financial reporting systems***

*\* Allows the use of a combination of measurement basis factors of financial statements to increase the relevance of information on financial statements.*

*\* Restructuring financial statements by changing the way of presentation and layout of financial statements increases the efficiency of communicating information to users.*

➤ Change the layout for improved clarity

➤ Encourage businesses to use graphs, diagrams, and tables to summarize long, detailed, and comparative information.

➤ Attached with a glossary of specific accounting terms and specialized terms related to the production and business activities of the company used in the report.

➤ E-financial statements need to use the links in the reports and link with other documents for users to easily access information.

*\* Provide detailed information on revenue, expenses, profits, and losses for each production and business activity on the income statement.*

*\* Specifically and standardize information in notes to financial statements*

➤ The explanation of applicable accounting policies must be complete and clear, including presenting the accounting policies that the enterprise has chosen to apply; Reasons for choosing accounting policy; The consistency of the choice of accounting policy; The impact of the selected accounting policy on the financial statements.

➤ Supplement a separate explanation on recognition elements of the financial statements base on cash flow for enterprise with income and expenses from the State budget.

➤ Changes affecting each item on the financial statements should be announced and explained on a detailed basis according to the nature of the transaction and event content.

➤ Increase disclosures to cash flow statements

*\* Expanding and standardizing non-financial information disclosure to increase the usefulness of information on financial statements*

### **3.3. CONDITIONS FOR IMPLEMENTING SOLUTIONS TO COMPLETE THE FINANCIAL STATEMENT SYSTEM IN VIETNAMESE IRRIGATION AND DRAINAGE MANAGEMENT COMPANIES**

#### **3.3.1. On the State side**

##### **3.3.1.1. On the Government side**



*3.2.1.2. On the side of the Ministry of Agriculture and Rural Development / Provincial People's Committee*

**3.3.2. On the side of Vietnamese Irrigation and Drainage Management Companies**

CONCLUSION OF CHAPTER 3

## CONCLUSION

VIDMC plays an important role in the economy by ensuring irrigation and drainage, contributing to the development of agricultural production and industry. VIDMC's provision of irrigation products and services has a great impact on ensuring the goal of sustainable agricultural development and stabilizing civil's lives. To achieve that goal, the State and the management of VIDMC need to be provided with quality financial information to make reasonable operational decisions. Moreover, VIDMC is a state-owned enterprise, using money, assets, and other resources from civil's contributions, so using those resources need to be disclosed for civil to monitor and evaluate. Financial information is transmitted to state management agencies, enterprise management boards, and the people through the financial statements system, so the financial statements system that provides useful financial information is of great importance for the development and achievement of the socio-economic goals of VIDMC.

In the past time, there are many scientists interested in researching and clarifying the theory and practice of the financial statements system in enterprises, but so far there have not been any works focusing on researching fully and comprehensively about the financial statements system in VIDMC. In practice, the financial statements system in VIDMC has been gradually improved to enhance the quality of financial information following the current regulations and technical expertise. However, the financial statements system in VIDMC still has limitations, does not promptly respond to the needs of information users in the economy, has not improved the accountability of information in the use of resources. Therefore, it is necessary to focus on improving and perfecting the financial statements system in VIDMC.

The above analysis shows that the topic of the thesis: *"Completing the financial statements system in enterprises managing and exploiting the irrigation works in Vietnam"* has topical meaning and is necessary both in theory and practice. Intending to systematize, clarifying the theory, and researching to improve and perfect the financial statements system in VIDMC, the thesis achieves the following main results:

1. The thesis has researched overview of domestic and foreign studies related to the thesis topic including studies on the vital of the financial statements system; Studies of factors affecting financial statements; Researches on the financial statements system (including studies on recording and measuring

financial statements elements; and studies on preparing financial statements, research on corporate responsibility for financial statements); and researches on irrigation and drainage management enterprises. Thereby, the author indicates the results achieved by previous studies and the gaps that need clarifying the thesis topic.

2. The thesis systematized and clarified the theory of the financial statements system in enterprises, including an overview of the financial statements system in terms of conceptual aspects, purposes, the vital of financial statements, requirements and basic principles of preparing financial statements; factors affecting financial statements in enterprises; recording and measuring elements of financial statements, preparing financial statements and corporate responsibilities for financial statements. This is the theoretical foundation for the author to research the reality and propose solutions according to the research scope.

3. The thesis has researched and synthesized international experience on financial statements system in enterprises, experiences in enhancing corporate responsibility for financial statements, especially experience on financial statements system in state-owned enterprises. On that basis, the author draws a lesson for Vietnam.

4. The thesis has presented an overview of the formation and development of VIDMC, characteristics of the organization, management, and organization of the accounting system in VIDMC; research on the vital of financial statements in VIDMC; Research on factors affecting financial statements, especially the characteristic factors of VIDMC. At the same time, the dissertation has described fully, clearly, and specifically about the current situation of the financial statements system in VIDMC, thereby analyzing, evaluating, and pointing out the achievements, limitations, and causes leading to limitations in the financial statement system of VIDMC.

5. The thesis has presented the development orientation of the Vietnamese irrigation industry, analyzing the requirements and principles of completing the financial statements system in VIDMC. The thesis has fully and clearly described and specific hypotheses about the system of solutions to improve the financial statements system in VIDMC including recording and measuring the elements of the financial statements, preparing financial statements, enhancing responsibility for financial statements in VIDMC, and other solutions.

*Thank you very much!*

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