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**IMPROVEMENT OF SEGMENT REPORT IN VIETNAM
NATIONAL OIL AND GAS GROUP**

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SUMMARY OF ECONOMIC DOCTORAL THESIS

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INTRODUCTION

1. Necessity of the topic

Along with the development and integration of the, Vietnamese businesses have many opportunities as well as challenges in their business activities. In order to create competitive strength as well as make the most of capital advantages and management capabilities,...more and more businesses tend to carry out business activities under the model of economic groups (parent companies - subsidiaries). In fact, in Vietnam, State-owned economic groups were formed on the basis of transformation and reorganization of State corporations under the Prime Minister's Decision 91 / TTg of July 1994; up to now, the model of State-owned economic group and model of private economic group are growing. Along with that development, the need for transparency of financial information of Economic Groups has been increasingly concerned by information users. Financial information of economic groups is provided to those using the information through the system of consolidated financial statements, which is a consolidated report on the financial situation and business results of the corporate group. That group of companies can operate in many business areas and geographic areas, so to be more useful for information users, the Notes to the Consolidated Financial statements need to provide more information of assets, liabilities, revenues, costs, and results of the business division of the group. Stemming from that need, the Segment Report was drafted and issued by IASB and on that basis, the Ministry of Finance of Vietnam researched and issued the Segment Report standard in 2005. The standard of the Segment Report was researched and amended in 2009 by IASB, but the standard of the Vietnamese Segment Report has not been updated to change according to international practices.

So, the Segment Report has been mentioned in the system of accounting regulations on an international scope as well as Vietnam scope. However, for various reasons, this is still a problem that businesses are still very much confused when the implementation requires systematic studies, assessments and recommendations for complete solutions both in terms of policies, accounting regime and practical issues in enterprises.

Vietnam National Oil and Gas Group is a large state-owned economic group operating in various business areas related to the oil and gas industry, structured into a multi-level corporation, financial information of the Group is provided through the system of consolidated financial statements of the parent companies in the group. In the consolidated financial statements, financial information about business divisions by geographic area or by business areas is presented in a focused manner by the parent companies but there are still limitations affecting the information users.

Stemming from the above reasons, with the desire to bring more insights into the BCBP on the theoretical as well as practical basis, the author decided to select the topic “*Improvement of Segment Report in Vietnam National Oil and Gas Group*” as thesis.

2. Research overview

Originating from the research objective, the author presents the research works abroad, focusing on four main contents, namely the study of the usefulness of Segment Report information, the degree of competitive disadvantage and its relationship with the Segment Report, the level of compliance of the Segment Report presentation and the factors that influence the presentation of the Segment Report, the change in quantity and quality of the Segment Report when the new standard is applied against the old one.

a. The study of the usefulness of Segment Report information

- The presentation of Segment Report information increases the quality of the financial statements information, the results of the studies of Suwaidan et al (2007), Hossain, (2000), Cooke, (1989), Karim, (1996) confirm that the level of presentation of Segment Report information in the financial statements in more detail will impact increases the value market value of enterprises and increase liquidity in the stock market.

- The presentation of Segment Report information supports the prediction of future results, analyzed through the studies of Ettredge et al (2005), Behn et al, (2002), Martin & Poli (2004).

b. The study of the degree of competitive disadvantage and its relationship with the Segment Report

The results of studies of Talha et al (2006), Tsakumis et al (2006), Ettredge & Smith (2005) all agree that enterprises providing segment information has potential competitive disadvantages, especially segment information by geographic area.

c. The study of the level of Segment Report information provision and assess the factors that affect the level of Segment Report information provision

Foreign scholars have used quantitative economic models to evaluate the main factors (factors related to the characteristics of enterprises, market factors) influence on the level of information presentation Segment Report for enterprises listed on the stock market and professional organizations (Pardal & Morais, 2010; Benjamin et al, 2010; Mishari & and Faisal, 2011; Raju & Kalyanshetti, 2011; Kabir Ibrahim & Hartini, 2013).

The study of domestic authors has been conducted an overview of the application of VAS 28 in Vietnam's listed businesses, giving specific assessments on the level of compliance in some contents presents Segment Report information in accordance with VAS 28. At the same time, the studies also use quantitative economic models to show the correlation between the level of presentation of BCBP information and factors such as firm size, auditing firms, and listing on stock market (Pham Thi Thu Thuy, 2012; Tran Thi Thuy An, 2013; Nguyen Thi Phuong Thuy, 2010; Le Thi Tu Oanh and Pham Thi Hong Hoa, 2016; Nguyen Thi Hong Van, 2018).

d. Research on the change in quantity and quality of Segment Report when applying the new standards compared to the old standards

Studies have shown that changing the BCBP standard actually gives users more benefits such as improving the ability to predict future enterprise profits for

users, through increased the total number of segments presented in the report and the number of items reported (Behn et al, 2002; Herrmann & Thomas, 2000; Tsakumis et al, 2006; Street et al, 2000; Street. & Nichols, 2002).

General assessment of the research done

- Provide assessments on the usefulness of providing Segment Report information in various aspects such as increasing the quality of financial statements information, helping to predict future results; most of the studies have proved by the positivist method to conclude that providing Segment Report information is meaningful for users of financial statements information, especially for investors on the stock market.

- Many studies also show that there is a relationship between the degree of competitive disadvantage and the presentation of Segment Report information, especially segment information by geographic area.

- Provide overview of the provision of Segment Report information of businesses in the country; assessments on the level of Segment Report information provision, the level of compliance with the standards of enterprises, as well as the evaluation of factors affecting the level of Segment Report information provision according to the characteristics and conditions of each country. All studies have proved the interaction between factors such as, firm size, profitability, auditing financial statements, ownership relations, ... with the level of providing Segment Report information.

- Many studies discuss the content of the new standards compared with the old standards and offer empirical evidence on the effect of applying the new standards to the quantity and quality of Segment Report.

- Suggesting a number of solutions to improve the provision of Segment Report information of businesses.

However, most studies still have some limitations such as:

- Theoretical: The studies before reviewing regulations on accounting standards, not yet associated with the requirements of integration international accounting as well as international accounting standards, namely the harmonization according to accounting standards International IFRS 8 - Segment Report has not been clearly studied.

- Reality: The research works mainly focus on researching and evaluating the level of disclosure of Segment Report information and the factors affecting the disclosure of Segment Report information, ...etc.... of the enterprises listed in the stock market. No studies have thoroughly investigated the status of preparing and presenting Segment Report in specific businesses. Therefore, the proposed solutions to improve the presentation of Segment Report information are still general in terms of the legal framework, not specific enough to be applied in businesses.

Research orientation of the thesis:

- *Firstly*, the dissertation conducts specialized discussion to confirm the usefulness of Segment Report information in financial statements, based on financial statements information standards.

Secondly, the thesis assesses the reality of Vietnam's legal framework on Segment Report in order to find out the limitations of the current legal framework.

Thirdly, the thesis assesses the status of making and presenting BCBP information at Vietnam National Oil and Gas Group based on the provisions of VAS 28.

Finally, the thesis proposes a number of recommendations to increase the level and quality of Segment Report information in financial statements at Vietnamese enterprises in general and at the Vietnam National Oil and Gas Group in particular, to increase the usefulness of Segment Report information in financial statements.

3. Objectives of the study

The dissertation studies the theoretical basis of Segment Report in financial statements, actual situation of Segment Report in financial statements at Vietnam National Oil and Gas Group and proposes solutions to improve Segment Report in financial statements of the Group.

The research objectives are analyzed in detail as follows:

(1) *Firstly*, studying the theoretical basis of the segment, Segment Report in the financial statements of the economic group.

(2) *Secondly*, survey the reality of Segment Report in the financial statements of the Vietnam National Oil and Gas Group to assess the level of compliance with VAS 28 regulations on Segment Report, identify the limitations and difficulties that businesses encounter must when carrying out the preparation and presentation of Segment Report

(3) *Thirdly*, to survey the opinions of investors, auditors and enterprises of the Group on the usefulness of segment report information and their recommendations to complete the presentation of segment report in the financial statements.

(4) *Fourthly*, viewpoints, directions and goals to improve the provision of segment report information in financial statements at Vietnam National Oil and Gas Group; scientific and feasible solutions, based on the application of international accounting standards, in order to develop and perfect the compilation and presentation of segment report information in order to improve the quality of information on the financial statements, meeting the requirements international integration in Vietnam.

To achieve the above objectives, the thesis must answers the following questions:

(1) What is segment, segment report?

(2) Is segment report information in financial statements useful to information users?

(3) How segment report information is presented in the financial statements?

(4) How is the situation of segment report information presented in the financial statements of Vietnam National Oil and Gas Group in the past time?

(5) What should be done to make the segment report information presented in the financial statements of the group meet the requirements of the information users?

4. Subjects and scope of research

4.1. Subjects of research

The research object of the thesis is information about business division presented by segment report in the financial statements of Vietnam National Oil and Gas Group, the purpose is to provide financial information to entities outside the enterprise, not to The purpose of this service is to provide information for corporate governance.

4.2. Scope of research

Content: Through the study of segment report in the financial statements, the author would like to emphasize on issues such as the basic theory of segment report in the financial statements; situation of segment report at Vietnam National Oil and Gas Group; propose solutions to enhance the level and quality of segment report information, promote the usefulness of segment report information from research results in the reality content.

Space: The thesis selects to survey the presentation of segment report information in the consolidated financial statements of parent companies at Vietnam National Oil and Gas Group.

Time: The time for data collection is in the period of 2016-2018, from the parent companies at Vietnam National Oil and Gas Group.

5. Research methodology

The thesis uses qualitative research methods, specifically the following methods:

- *Method of document research:* On the basis of classifying, evaluating and selecting in-depth research documents both at home and abroad, common practices, regulations, experiences of a number countries in the world related to the preparation and presentation of segment report to conduct analysis, synthesis and clarification of theoretical issues on segment report according to accounting standards, international practices and identification of issues to be addressed, directions and solutions for implementation.

- *Methods of analysis, synthesis and comparison:* The author has used these methods individually or in combination with each content and specific objectives of the thesis. Accordingly, analytical and general methods have been used to systematize theoretical reasoning, make comments on segment report in accordance with accounting standards, international practices and the process of applying international accounting standards in countries, experience for Vietnam. The comparative method is used to compare the practice of presenting segment report at Vietnam National Oil and Gas Group with the provisions of VAS 28.

- *Statistical method:* Describing all the thing and the phenomenon on the basis of calculated data through the use of absolute and relative numbers. From there, the thesis presents the results presented in the form of tables, figures or paragraph conclusions to summarize the situation, analyze and highlight the real situation of segment report in the financial statements of enterprises of the Group.

- *Method of survey by questionnaire:* The author surveys by the form of direct interview or send to businesses by email or post. Subjects receiving survey

questionnaires are investors in the stock market, auditors who directly perform audits at parent companies of the Vietnam National Oil and Gas Group, its administrators and the accountants at the enterprises of the Group

6. Significance of the study

*** *Scientific significance***

The study clarifies the theoretical content about economic groups, about segment report in financial statements of economic groups, the usefulness of presenting information of segment report, content of presentation of information on segment report in financial statements of economic corporations.

*** *Practical significance***

- Analyze and assess the status of Vietnam's legal framework about segment report
- Analyze the usefulness of presenting segment report information from the perspective of 3 groups of investors, auditors and financial statements maker
- Analyze and evaluate the status of preparing and presenting the segment report in the Financial Statements at Vietnam National Oil and Gas Group.
- Through the results of the status assessment, propose solutions to enhance the level and quality of departmental reporting information in Vietnam enterprises in general and at the Vietnam National Oil and Gas Group in particular, meet the information usage requirements of the objects.

7. Structure of the thesis

In addition to the preamble and overview, the thesis is divided into three chapters:

Chapter 1: Theoretical background of segment report at economic groups.

Chapter 2: Actual reality of the segment report at Vietnam National Oil and Gas Group

Chapter 3: Solutions to complete the segment report at Vietnam National Oil and Gas Group

Chapter 1

THEORETICAL BACKGROUND OF SEGMENT REPORT AT ECONOMIC GROUPS

1.1. OVERVIEW ABOUT ECONOMIC GROUPS

1.1.1. Concept of Economic group

Linguistically, depending on the country, people can use many different words to talk about the concept of Economic group, but in fact, the use of words depends on the origin and nature characteristics of each type of Economic group; For example:

Consortium: From a linguistic perspective, "Consortium" is a Latin word meaning "partner, association or association", used to refer to the gathering of two or more entities for the purpose of participating in a joint activity or contribution of resources to achieve a common goal. When participating in a Consortium, companies retain their independent legal status.

Cartel: In English, the word "Cartel" is also very often used to refer to the concept of "Economic group". Cartels are a group of independent producers whose

goal is to increase overall profits by controlling prices, limiting the supply of goods, or other restrictive measures.

Meanwhile, words / phrases such as "Group", "Business group", "Corporate group", or "Alliance" often refer to the form of Economic group organized on the basis of combining the peculiarities of the group economic organization with market mechanism: in terms of characteristics, it is a group of companies with separate legal status but an associated management relationship. The relationship between companies in an Economic group may be formal or informal.

1.1.2. Basic characteristics of economic groups

Economic group is characterized by the association among the member companies in the group. Although there are different names in the form and organization, the content of associated activities is not the same but they have the same basic characteristics: economic group has no legal status, economic group is a combination large-scale enterprises, economic group is a collection of enterprises with legal status, multi-sector business, economic group diversity in organizational structure, economic group diversity in form of ownership, economic group diversified forms of association, economic group diverse operating methods, economic group has diverse functions.

1.1.3. Some types of economic groups

Although there are a number of different conceptions about economic groups, but the nature is the economic association of companies together for the benefit of the participating units themselves. Currently there are many classifications of economic groups, namely:

- Classification of economic groups by the mode of association: including horizontal links, vertical links, mixed links

- Classification of Economic group by nature of association: including soft link, hard link.

Economic groups are organized according to the model of parent company - subsidiary companies with common forms such as simple economic group, economic corporation with multi-level investment, and economic group mixed structure, the parent company is a subsidiary of several other companies

1.1.4. The role of economic groups in economic development

The establishment and development of an economic corporation has meaning and effects on key aspects such as: increasing the economic strength and competitiveness of both the corporation as well as of each member company, focusing on regulating capital, promoting the development of science and technology, applying and transferring technology effectively, economic corporations have the power to dominate when participating in international competition.

1.1.5. Relationship between enterprises in economic groups

Relations between enterprises in economic groups usually include business transactions, finance, benefit distribution, information exchange, personnel, corporate culture ... That is the relationship. between parent company and subsidiaries, between businesses in the group. Specifically: Business transaction

relations, Financial relations, Investment relations, Property relations and economic management, Accounting relations.

1.2. OVERVIEW ABOUT FINANCIAL STATEMENTS AND SEGMENT REPORTS AT THE ECONOMIC GROUP

1.2.1. General overview of financial statements in an economic corporation

1.2.1.1. Financial statements

Financial accounting statements are the final products of financial accounting, including those in which accounting information is presented in a holistic manner, mainly for the user of information outside the entity as the functional agencies of the State, the subjects have economic relationships with the unit. Common financial accounting statements are reports on the situation of assets, capital sources, income, expenses and business results, such as balance sheets, business results reports, saved reports money transfer. Financial statements are often referred to as CF.

1.2.1.2. Target users of financial statements

Target users of financial statements information are those inside or outside the enterprise, who have direct or indirect benefits.

Thus, based on the subjects using information outside the enterprise and their information needs from the financial statements to stipulate the design of the indicators that reflect the information on the financial statements appropriately.

1.2.1.3. Purpose and effect of financial statements

According to international accounting standards in IAS01 - Presentation of Financial Statements:

The financial statement reflects in a tight structure of financial situation, business results of enterprises. Purpose of the financial statements is to provide information on the financial status, business situation and cash flows of the enterprise that meets needs of large number of users in making economic decisions.

From the analysis of the purpose of the financial statements and the users of financial statements, it is found that in the market economy, the financial statement has a great effect on the economic management at enterprises as well as provides useful information to objects outside enterprises

1.2.1.4. Information quality requirements of financial statements

In order to achieve the purpose of the financial statements is to provide useful information to the information users, the quality of the financial statements information must meet the following basic requirements: *easy to understand, suitable, reliable, comparable, timely and complete*

IASB's point of view on the requirements of financial statements information: the basic characteristics of useful financial statements information are appropriate and presented truthfully. In addition, the advanced features of the useful financial statements are *generally comparable, verifiable, timely and easily understood.*

1.2.1.5. Financial statements system in economic groups

According to IASB, a full set of financial statements includes: Report on financial situation, Report on comprehensive income in the reporting period, Report on change in equity in the reporting period, Cash Flow Statement in the

reporting period, The notes for the financial statements, including the summary of accounting policies and details, the financial situation statement at the start of the first accounting period are comparable when the enterprise applies retrospectively accounting policies or reassess retrospectively items in the financial statements or reclassifying items in the financial statements.

In economic groups, the financial statements include the financial statements of each company called the independent financial statements and the financial statements for the group of companies called the consolidated financial statements of the whole corporation. Consolidated financial statements are the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent company and its subsidiaries are presented as an entity economy.

1.2.2. The relationship between information on financial statements and the establishment of financial statements

The purpose of the financial statements is to provide information about the financial situation, business situation, meeting the useful needs of the majority of users in making economic decisions. However, users of information for investment activities realize the need for another type of report, which provides information classified by each management department in the enterprise, especially when they want to invest in a multidisciplinary company, offering groups of products and services or operating in different geographical areas with different rates of profitability, growth opportunities, prospects, and risks. That is the reason for the establishment of segment report as well as the need to present segment report information as a content in the financial statements of enterprises.

1.2.3. Segment and segment report

1.2.3.1. Segment and classification of segment in the enterprise

Segment is a part, an aspect of operation, a unit or a segment within the organizational structure of an enterprise, a unit working together for purpose of the organization.

Based on the management method, it is divided into major and minor segments.

Based on the operation structure, an enterprise can be divided into segments according to business sector and geographic area.

Based on the governance decisions of administrators, it can be divided into sections according to business sector, geographical area and operation division.

1.2.3.2. Segment report

As Ijiri (1995) put forward the opinion: "BCBP is the separate financial data of units, subsidiaries, or different segments of a company"

Generally Accepted Accounting Principles (GAAP) define "Segment report is the report of a company's operating segment in a disclosure statement accompanying its financial statements".

According to Vietnam accounting standards, "Segment reports are statements that divide business activities into components or segments and present financial information of those segments."

Based on the operating structure of enterprises to divide into segment report by geographic area, segment report by business sector and segment report by activity.

Based on the management method of the enterprise to divide into main segment report and secondary segment report.

1.2.4. Demand for segment information of users of financial statements and the development of regulations on segment report

1.2.4.1. Demand for segment information of users of financial statements

In an enterprise, different business divisions may have different profitability, growth opportunities, capital needs, levels and types of risks. Therefore the past performance of a company and its future potential can only be seen if the user has information on the performance of the segment.

All of these users are desired to have consolidated financial information as well as separate financial information. Such information is especially important for users when they can't afford to ask the business to provide that information.

1.2.4.2. Development of regulations related to segment report

The regulation on the presentation of BCBP was first issued in the US in 1969 when the SEC required to present business activity information in listed business registration papers.

American Accounting Standard SFAS 14 "Financial Reporting for Segments", which was first issued by FASB in 1976, has expanded the presentation requirements for segment information by business sector and geographic area.

Subsequently, Canadian and US standards agencies, together with IASC, implemented a joint project to revise the segment report standards and resulted in newly issued accounting standards including: Canadian accounting standards section 1700 (CICA Handbook Section 1700) and American accounting standards No. 131 (FASB, 1997). According to SFAS 131, the segments that are reported to the outside are used by administrators within the enterprise to serve for the consideration of decisions in regular management of the enterprise. Therefore, the main basis for identifying parts is not related to the characteristics of the external operating environment but instead is the structure of business activities of each enterprise.

Slower than the introduction of American accounting standards, it was not until 1981 that IASC issued an international accounting standard for BCBP IAS 14. This standard is quite similar to SFAS 14. Later in 1997 and 2003, IAS 14 was revised, though IAS 14R revisions have not been finalized like SFAS 131

Based on the convergence project between US GAAP and IFRS, on November 30, 2006, IFRS 08 was officially issued by IASB and took effect from January 1, 2009, replacing the existing IAS 14R. The content is similar to SFAS 131. The main difference is changing the approach to risk and benefits towards governance. At the same time, it requires businesses to report information about the revenue earned from trading in products and services, countries that generate revenue for the company, assets that the enterprise is holding and large customers.

1.3. PRESENTATION OF SEGMENT REPORT

1.3.1. Content of segment report

Segment information should be disclosed to help information users understand the financial situation and business performance of their segments. The financial information to be disclosed to segments is: revenues, segment costs, business results assets, liabilities.

1.3.2. Conditions for determining which segments to present

A segment presented is determined to be a segment when the majority of revenue is generated from sales out, and satisfies one of the following conditions:

- Total revenue of the segment from sale of goods to and from transaction with other segments must account for 10% or more of the total sales of all segments; or
- Business result of this segment regardless of profit (or loss) accounts for 10% or more of the total profit (loss) of all profit (loss) segments if any quantity has greater absolute value
- Assets of the segment account for 10% or more of the total assets of all segments.

Segments with less than 10% of the above can be disclosed if:

- If the information of the segment is needed for the user of the financial statement;
- If that segment can be combined with other equivalent segments;
- If the remaining segments are reported as a separate item.

1.3.3. Determining the criteria must be presented on the segment report

Key segment information

Enterprises must present "Segment revenue", "Segment results", "Total residual value of segment assets", "segment liabilities", "The total costs incurred during the year to purchase segment assets are expected to use more than one year", "Total depreciation expense of fixed assets and allocation of long-term prepaid expenses of the segment" according to each segment to be reported.

Secondary segment information

The enterprise must present "Segment revenue from sales to the outside", "The total residual value of a segment asset according to its location", "The total costs incurred during the year to purchase segment assets are expected to use more than one year" according to each department.

1.3.4. Factors for analyzing segment report information

Financial ratios are often used to evaluate the effectiveness of each department such as: Return on sales (ROS), Return on equity (ROE), Return on assets (ROA).

1.3.5. Benefits of segment report presentation

Segment report is essential for managers in controlling and analyzing the performance of segments in an enterprise; evaluating achievements of each segment and the whole enterprise. In addition, segment report facilitates report users to capture the business performance in each area, geographical area,.. etc... As a result, managers and users of information can come up with appropriate remedies, action plans, and economic decisions.

1.4. COMBINATION OF VIETNAMESE ACCOUNTING STANDARDS AND INTERNATIONAL ACCOUNTING STANDARDS ON SEGMENT REPORT

1.4.1. Vietnamese accounting standards on segment report

Vietnamese Accounting Standard No. 28 on the segment report was issued in accordance with the Minister of Finance's Decision No. 12/2005 / QD-BTC of February 15, 2005, promulgating six Vietnamese Accounting Standards (phase 4), effective from March 23, 2005.

1.4.2. International accounting standards on segment report

IAS 14 was first issued by IASC in 1981 and officially came into effect on January 1, 1983. IAS 14R was significantly revised in 1997 and 2003 to align with the revised and other new standards. In 2006, International Financial Reporting Standards IFRS 08 was officially issued and replaced IAS 14.

1.4.3. The similarities and differences between international accounting standards and Vietnamese accounting standards on segment report

The most obvious difference between VAS 28 and IFRS 8 is that IFRS 8 requires the presentation of information on segments based on the information that administrators use to run the business activities, while VAS 28 request to present information about the segment on the basis of financial information in accordance with financial accounting standards presented in the financial statements.

According to IFRS 08, improving information communication between investors and enterprises through reporting data from the perspective of administrators. Segment information according to VAS 28 is different from information used for internal management purposes. Therefore, it does not reflect the actual business situation of businesses. General information based on governance will be more useful and relevant for investor decision making, segment information will be more useful than compliance regulations such as VAS 28.

Chapter 2

REALITY OF SEGMENT REPORT IN VIETNAM NATIONAL OIL AND GAS GROUP

2.1. OVERVIEW OF VIETNAM NATIONAL OIL AND GAS GROUP

2.1.1. Formation and development of PVN

Vietnam Oil and Gas Corporation, formerly Vietnam Oil and Gas Directorate, was established on September 3, 1975. Vietnam's petroleum industry was formed rather late than many countries in the region and around the world. In 2006, according to the Decision No.198/2006/ QD-TTg signed August 29, 2006 by the Prime Minister of Vietnam, Vietnam National Oil and Gas Group established on the basis of reorganizing Vietnam Oil and Gas Corporation and its members. The structure of Vietnam National Oil and Gas Group includes the parent company - Vietnam National Oil and Gas Group and its subsidiaries.

2.1.2. Operational organization, management organization and accounting system organization characteristics in PVN

2.1.2.1. Operational organization characteristics

Vietnam National Oil and Gas Group's enterprises are independent accounting businesses, have legal status, have their own accounts, and operate in different business areas. However, they can be divided into two categories: production and business enterprises such as enterprises operating in the fields of search and exploration, oil and gas exploitation, and technical services for oil and gas search and exploration, oil and gas exploitation, gas industry and gas product distribution, petrochemical industry, scientific and technological activities; and enterprises operating in the fields of finance, banking and real estate.

Influences of technical and economic characteristics of oil and gas activities in the Vietnam Oil and Gas Group on the preparation and presentation of segment report in the financial statements:

- As a national oil and gas corporation, in order to perform the functions of oil and gas search, exploration, exploitation and processing, the organizational structure of the Group is designed into a system of affiliated entities, each of which performs a stage in the whole system. Thus, the presentation of the segment report is mainly carried out on the consolidated financial statements of the parent companies of the Group because the differences in risks and benefits between divisions according to business areas and geographic areas are only available at these entities.

- Oil and gas activities are a diversified activity with many auxiliary services closely related to the main activities of oil and gas exploration and exploitation. The products and services in addition to serving the whole industry can also be supplied to foreign oil contractors. Therefore, there are differences in risks and benefits between the Group's products and services according to the field of production and business and the geographical position of customers that the Group is providing products and services; thereby affecting the identification of the reporting segments by business sector and geographic area when preparing a segment report.

- Oil and gas operations are of a large scale and highly international in nature. That's why the scope of activities of the Vietnam National Oil and Gas Group not only extends within the provinces and regions in the country but also extends abroad, so there is a difference in risks and benefits between the geographical areas where the Group is carrying out production and business activities; thereby affecting the identification of the reporting segments by geographical area when preparing a segment report.

2.1.2.2. Management organization characteristics

Corresponding to each different development period, the management organization structure of the Group has been adjusted and supplemented to meet the objective requirements of production and business activities. Currently, the management structure of the Vietnam National Oil and Gas Group includes: the Board of Members, the Supervisory Board, the Board of General Directors, the office and 22 functional boards.

**** The organization of the accounting apparatus:***

Most of the enterprises of the Vietnam National Oil and Gas Group have applied the centralized accounting work form to organize the accounting work and organize the accounting apparatus in accordance with the sizes, characteristics of business activities, qualifications and management requirements as well as professional qualifications of accountants and the qualifications of financial accounting information processing facilities of each enterprises. In these enterprises, the accounting department is usually in charge of both accounting and finance, so the head of the accounting system is called the chief accountant or CFO.

The accounting apparatus (accounting department) of enterprises of the Vietnam National Oil and Gas Group performs the organization of accounting work according to a combined model of financial accounting and management accounting work. However, these enterprises mainly focus on collecting, processing, systematizing and providing information for financial statements.

**** The application of accounting regime and policies***

Most of the enterprises engaged in production and business activities of Vietnam National Oil and Gas Group have fully applied the Vietnamese accounting standards issued, the accounting regime issued by the Ministry of Finance according to Circular No.200/2014/TT- BTC and Circular No.202/2014/TT-BTC dated 22/12/2014. The member entities operating in the field of science and technology have applied the administrative accounting regime. In addition, there is an entity that has applied accounting regime for businesses operating in the field of credit issued under Decision No.479/2004/QD-NHNN dated 29/4/2004.

2.2. REALITY OF REGULATIONS ON FINANCIAL STATEMENTS AND SEGMENT REPORT IN VIETNAM

2.2.1. Regulations relating to financial statements in Vietnam

The reform of the accounting system in general, requirements of information presented in the financial statement in particular in Vietnam, the period from 1995 to now has achieved remarkable results. Information in the Financial Statements is not only to serve the State but also serve investors, banks, creditors, partners and the public; complex objects and transactions of the market economy are fully reflected in the financial statements.

2.2.2. Regulations relating to segment report information in Vietnam

The regulation on presentation of segment information are set out in VAS 28 “Segment Report. VAS 28 issued in 2005, using IAS 14 as basis but not updated according to IFRS 8. By principle, method of establishing financial information by segments (business area, geographical area), VAS 28 marks the important effort of Vietnam in the process of international integration, facilitating the beneficiaries use information to assess the risks and benefits of the enterprise and have a more comprehensive assessment of the enterprise.

2.2.3. General issues in Vietnam's legal framework on segment report.

Firstly: Regarding segments division and conditions to identify segments to be reported in Vietnam's legal framework on segment report.

According to VAS 28, segments division is determined by two criteria: business sector and geographical area. The condition for identifying a segment that needs to be reported is that when the segment meet only one of the three quantitative thresholds for the outbound sales of the segment, the segment's result or the segment's assets occupied from 10% in total ones of all segments.

Secondly: Regarding the content of a segment report and information presentation in segment reports.

Financial information to be presented relating to a segment includes revenue, costs, business results, assets and liabilities of the segment. These contents are presented on the primary segment report and the secondary segment report.

Thirdly: Regarding the comparison with figures of the whole enterprises.

VAS 28 requires enterprises to present a comparison between figures of segments and total figures in the financial statements of enterprises or consolidated financial statements. The figures that do not belong to the any reporting segments are added in one column.

2.3. REALITY OF SEGMENT REPORT IN PVN

2.3.1. Reality of the usefulness of segment report information and the need for segment report information

The segment report information presentation is useful to information users, particularly information on profitability and segmental revenue, which are significant indicators for decision making, besides information from the financial statements. Experts stand on the basis of different information users, giving reasons for not disclosing segment report information because of loss of competitive advantages, making it difficult to make and present this information.

2.3.2. Overview of the reality of segment report presentation in PVN

The research results show that only 55% of enterprises present segment reports information on their financial statements, mainly focus on business sector (87%), and most of them choose to present primary segment information (73%). This proves that the enterprises do not pay enough attention to the disclosure of segment information in compliance with the regulations, the segment reports rarely presents segment information by geographic area and fully includes primary and secondary segment reports.

2.3.3. Reality of segment division

**** The division of segments by business sector***

For the purpose of management, the organizational structure of the Group, the Corporations and its subsidiaries is often divided into activities. Thus, the division of segments by business sectors is mainly based on the operating structure of enterprises. The basis of segment division by business sectors is on the difference nature of goods and services nature (91%).

Only Vietnam National Oil and Gas Group bases on the nature of the production process in the oil and gas sector to divide its segments by business sector.

However, there are a number of entities that tend to limit the information they present to avoid drawing more competitors into profitable businesses. The selection of

segments depends on the hiding of highly profitable segments. Some entities choose to combine these segments with many others, especially those that are less profitable to reduce the pressure from the entry into the industry of potential competitors.

*** *The division of segments by geographic area***

The division of segments by geographic area varies across enterprises. There are enterprises divided into 2 segments: domestic and foreign. There are enterprises divided into 3 segments according to 3 regions of the country: North, Central and South. There are enterprises divided into segments according to the countries in which it has business operations.

The basis of dividing segments by geographic area of 2 out of 4 enterprises having segment reports according to position of customers geographical areas is the location of the market and enterprises' customers (50%). There is one entity chooses the division basis according to the location of the asset that is the location of production or service formation of the enterprise (25%). And one entity chooses to combine both mentioned bases (25%).

2.3.4. Reality of determining reporting segment

Most of the enterprises selected the conditions to define the reporting segment by business sector is the quantitative threshold of revenue (accounting for 90%). In addition, there are some segments that have not yet reached more than 10% of the quantitative threshold, but many enterprises still report because they have realized that the information of such segment is necessary for the financial information users. Similarly, the condition to define the reporting segment by geographic area that the majority of enterprises choose is also the threshold of quantitative revenue (accounting for 75%).

It can be seen that most enterprises only focus on identifying the reporting segment according to the revenue quantitative threshold, which leads to the situation that the reporting segments are presented in a single segment because they do not reach the quantitative threshold in terms of revenue, although it may meet the requirements of other quantitative thresholds or lead to the phenomenon of many enterprises avoiding the presentation of segment report information.

2.3.5. Reality of preparing and presenting information in the segment report

Reconciling VAS 28 with the current reality of the segment report information presentation, in addition to the segment's revenue and profit, the remaining items have not been fully presented, especially the items of segment's assets, payables, depreciation, costs of purchasing fixed assets, which are all mandatory to be presented items as prescribed. Many enterprises explain the cause of this situation due to not tracking segments individually, or because there are no geographic areas.

When preparing these items on the segment reports, most enterprises aggregate the data in each segment from the data of subsidiaries and affiliates to submit in designed forms of the consolidated financial statements.

When presenting segment report information, all enterprises present information of each department in separate column and add the consolidated exclude data column and the total column according to the consolidated results.

Thus, this total figure is the data to compare with the corresponding items on the consolidated statement of financial position and consolidated statement of comprehensive income.

2.4. ASSESSMENT ON THE REALITY

2.4.1. Assessment on the reality of Vietnam's legal framework on segment report

In the current legal framework, there are still some shortcomings, namely:

First: About division of segments.

VAS 28 prescribes the division of segments only by business sector and geographic area. However, the fact proves that many enterprises intentionally evade the presentation of segment report information with the reason that there is only one business area and only operates in one geographical area.

Second: Regarding conditions to identify reporting segment

According to VAS 28, the condition for identifying a reporting segment is that when it meets one of the three quantitative thresholds of the segment's outbound sales, segment's result or segment's assets account for 10% or more of the total of all segments. However, the fact shows that in the economic corporations, intra-group transactions are very popular, so the revenue provided to internal segments in some entities of the Group accounts for a large proportion, leading to Sales to external customers may be very low and not eligible to reach the specified threshold. This reduces the number of segments to be reported.

Third: Regarding segment report information presentation

Currently, VAS 28 has a rather rigid regulation of items presented on the segment report, so the segment report information is different from the information used for internal management purposes. Thus, it does not reflect the actual business situation of enterprises.

2.4.2. Assessment on the reality of segment report in PVN

In general, the enterprises have initially implemented the preparation and presentation of segment information in the financial statements in compliance with the provisions of current accounting standards and regime, in accordance with the characteristics of production and business activities of each enterprise. However, according to the research results, the number of enterprises presenting segment information in the financial statements is rather small, even with listed company. In addition, segment reports in most enterprises are segment information according to their business sector, and they mainly choose to present primary segment information.

The quality of segment report information of the Group is still poor. Segment report is prepared in a sketchy manner. The level of compliance with VAS 28 standards is still low and unmatched with the needs of information users. Enterprises often tend to reduce the number of reporting segments. That's why they combine many segments in many different fields of activity to present in the same reporting segment. Many items have not been presented with sufficient information, although they are required by VAS 28.

The causes of these limitations include: The legal documents on accounting standards are still incomplete, the regulations are still general, unclear, and inconsistent. For the enterprises themselves, the capacity of accountants in the enterprises of the Group is still limited, the level of expertise is low, the practical experience in management accounting is not abundant and that makes many difficulties in data processing for segment reports.

In addition, the enterprise management does not want to publish a lot of segment information, due to concerns that this information will affect the competitive advantage and development of the enterprise. Even for the external users, the demand for information on segment report and the ability to use segment information in the financial statements are not high.

2.5. EXPERIENCE IN SEGMENT REPORT DISCLOSURE IN SOME OIL AND GAS GROUP ALL OVER THE WORLD AND LESSONS FOR VIETNAM

Studying the experience of presenting segment report at oil and gas corporations in the world such as Chervon, Total and Eni, has drawn some lessons for Vietnam as follows:

- Sales departments at oil and gas companies are usually divided into three segments and combined with the geographic area where the companies operate, simultaneously based on the internal reports that the operational decision maker reviews.

- When presenting segment reports, to provide understandable information to the users, the disclosure of segment measures that the administrator used in the presentation of segment report is very necessary and helpful.

- Oil and gas companies often present segment information not only of the reporting year but also comparative figures of previous years. There is also an analysis of the change in segment information from year to year by both absolute and relative numbers, and the subjective and objective causes of these results.

- As required by the new IFRS 08 standard, the segment report will be based on the internal reports that the operational decision maker reviews. If applicable, no other listed company can evade the presentation of segment report anymore because of the management reporting method.

Chapter 3

COMPLETING SEGMENT REPORT INFORMATION DISCLOSURE IN THE FINANCIAL STATEMENTS SYSTEM AT PETROVIETNAM

3.1 THE NEED TO COMPLETE SEGMENT REPORT INFORMATION DISCLOSURE AT PETROVIETNAM

The author provides objective and subjective evidence from development orientation of the Group and the capital market development orientation in the future leading to the requirement to complete the preparation and presentation of segment report at the Group as well as benefits to the enterprise itself from disclosure of financial statements and segment report information disclosure on financial statements.

3.1.1. Development orientation of Petrovietnam

To achieve the goal of building a comprehensive oil and gas industry, becoming a strong and multi-industry group and taking the lead in the movement for regional and international cooperation, it requires business and production activities must ensure high efficiency, tightly costs control and improvement in competitiveness. Indeed, businesses ought to make every effort in manufacturing, inviting foreign partners to accessing and acquiring modern technology and attracting investment capital to expand their production scale... Moreover, according to the current general policy of the Government in the process of reorganizing and renovating state-owned economic groups, the trend of divestment in the Group's units has been strongly implemented. As a consequence, presence in the capital market is an indispensable trend of state-owned economic corporations in general and Vietnam National Oil and Gas Group in particular.

3.1.2. Objectives and development orientation of Vietnam's capital market

The purpose is to develop Vietnam's capital market rapidly, synchronously and firmly, in which the securities market plays a leading role and gradually makes the capital market a crucial component of the financial market contributing effectively to raising capital for investment and economic reform; ensure publicity, transparency, maintain order, safety and efficiency, strengthen market management and supervision; protecting the rights and interests of investors; deliberately improve the competitiveness and actively integrate into the international financial market.

Besides, the promotion of enterprises' information disclosure, performing well in business management, application of technical expertise and international auditing will increase their images, in other words, it means attracting investment will be more accessible.

3.2. VIEWPOINTS, PRINCIPLES OF COMPLETION OF SEGMENT REPORT AT PETROVIETNAM

3.2.1. Viewpoint of completion

The process of make and presentation the segment report information disclosure in financial statements must be from the following points of view: it must be in line with international accounting standards and practices and be suitable to market economy development and economic integration conditions in Vietnam.

3.2.2. Principle of perfection

The principle of completing the presentation of the segment report information in the financial statements is to: (i) comply with the international norms on the segment report information presentation; (ii) meet requirement of the information users, (iii) consistent with the operating characteristics of the Group and (iv) on the basis of efficient savings.

3.3. SOLUTIONS TO PERFECTING SEGMENT REPORTING AT PVN

3.3.1. Perfecting the legal framework

3.3.1.1. With respect to accounting law

The Accounting Law should supplement the provisions of itself to improve the quality of information on the financial statements, which is more useful for readers, as well as prefer the importance of presenting financial information rather than

technical regulations of accounting. In order to have a legal basis for issuing the technical system, in the Accounting Law, it is essential to clearly distinguish the content and accounting activities of different sizes enterprises, specify the differences in the content, how to present and disclose information and the need to use information for businesses, thereby giving regulations on the establishment of technical systems applicable to each type of business.

3.3.1.2. Completing accounting standards segment reporting

The application of IFRS 8- operating segment in make and presentation of segment report information is necessary. The make and presentation of the segment report information under IFRS 8 should be in accordance with certain procedures.

*** Identifying the operating segments and reporting segment**

Operating segment and reporting segment

Operating segment is a part of the enterprise, determined by the following grounds: First, engagement in business activities that generate revenue and cost, including revenue and expenses related to operations arising with other segments within the same enterprise; Second, the segment whose performance is regularly reviewed by the chief executive (CODM) to make decisions about the resources allocated to the segment and to evaluate the performance of that segment, and third, the segment has separated information for each operating segment.

Reporting segment is a segment that meets two conditions: satisfying conditions of operating segment and satisfying combined conditions of two or more operating segments.

Conditions of the segment which needs to present information

An enterprise, when presenting its own information on each operating segment must meet the quantitative conditions of its revenue and assets when compared to the total value of the enterprise

Steps to identify the reporting segment

To identify the reporting segment, enterprises need to answer the following questions in turn:

- Who is the decision maker?
- Determine whether the segment generates revenue and incurs expenses from its activities.
- Is the segment's performance regularly reviewed by CODM as basis for allocation of resource and performance evaluation?
- Is there separate financial information for the segment?
- Determine whether the operating segment is qualified as a reporting segment.
- Has the reporting segment been identified on the segment report?

*** Segment information should be presented**

Enterprises should present detailed information in each reporting period, to determine their reporting segment, as the basis for the organization within the enterprise according to each reporting segment. The published indicators will provide information to the user about how the organization is organized and the necessity to clearly indicate the segment division based on products, services, geographic areas,

legal environment, or all of these factors, and whether the different components have the same economic factor that can be synthesized.

In summary, the application of the corporate governance approach in IFRS 8 improves the usefulness of segment report information for information users, especially investors.

3.3.2. Perfecting segment reporting at PVN

The Group's businesses often operate in a variety of geographical areas and produce a wide range of items from many sectors. The core principle of segment reporting is to provide information for financial statements users to allow them to assess the economic environment and financial efficiency of the business operations. Thus, completing segment report in the Financial Statements at the Group should follow these upcoming contents:

3.3.2.1. Division of operating segments

In regards to determination of operating segments

The conclusion conducted in Chapter 2 illustrates the way how many businesses determine the operation segments is still inappropriate and there are signs of dishonest evasion of preparation and presentation of segment reporting in the financial statements. Referring to the segment report by geographical areas, the results indicate that most enterprises do not properly understand the concept of it, they explain the reasons for not presenting this kind of segment information is that they only operate in the territory of Vietnam, not overseas. In fact, geographical area is understood as a criterion of segment division whether the risks and interests among regions are different rather than territorial areas.

Enterprises often tend to reduce the number of segments reporting so they merge many segments in different fields to present in one report. The author proposes that determination of operation segments should be associated with the decision of the business managements, both to reduce expenses incurred and to avoid the evasion of preparation and presentation of segment report in the Financial Statements.

In regards to the conditions of determination of operating segments

The results in chapter 2 expose that enterprises do not pay much attention to this regulation, there are many segments which have reached a quantitative threshold, but they still have not reported as a separate segment. In other cases, a lot of enterprises only identify segment reporting based on the quantitative threshold of revenue, hence, they take this reason as an excuse to not present segment report. Consequently, enterprises must determine all three quantitative thresholds of revenue, results and assets to classify what segments need reporting. In addition, from the corporate administrator's point of view, operating segments that do not meet any of the above conditions may still be considered as a separate component if he believes these information is helpful for financial statements users.

3.3.2.2. Completing the presentation of the segment report in order to increase the utility of information

With the goal of increasing the utility of information on the Group's Financial Statements and assisting users, especially investors, the author recommends that the

information reported on segment report should be similar to the information used for internal users who are the key operators in assessing performance and allocation resources (example in PVN).

3.4. CONDITIONS FOR IMPLEMENTING SOLUTIONS TO PERFECTING SEGMENT REPORTING AT PETROVIETNAM

3.4.1. On the side of the State and functional agencies

The first is, establishing, standardizing and promulgating regulations on segment information presentation in the financial statements

In Vietnam, the Ministry of Finance is the agency issuing accounting standards. In order to ensure that the segment report nature is accurately reflected and to develop the Vietnam accounting standards in the direction of IFRS 8, the Ministry of Finance should coordinate with professional organizations such as the Vietnam Accounting Association (VAA), The Vietnam Association of Certified Public Accountants (VACPA), train professional knowledge and human resources, ensuring professional qualifications in accounting work.

The second is, strengthening propaganda

In order to enhance the enterprise's awareness of following regulations on disclosure of information, the propaganda on the importance of information disclosure on the financial statements, annual reports by state management agencies is very necessary. The role of providing information through the financial statements, including the part information in the financial statements, not only serves users outside the enterprise but also brings direct benefits (increasing the prestige and promoting the image of enterprises.) for the enterprise itself.

The third is, establishing specific sanctions

From macro-economic management viewpoint, the intervention of the State with an effective tool which is the law, the issuance of legal documents, sanctions and guiding documents is necessary for enterprises to strictly comply with regulations on transparent information, segment report information.

3.4.2. For enterprises of Vietnam National Oil and Gas Group

3.4.2.1. Strengthening the sense of responsibility of listed companies in increasing the information disclosure level in accordance with regulations

Enterprises need to pay more attention to transparency of financial information and disclosure of information, in order to increase the accuracy of information disclosed and disclose information in accordance with regulations. Listed companies need to understand that foreign investors often require their enterprises in which they invest have high-quality information, high-transparency or segment results and risks related information disclosure

3.4.2.2. Developing an accounting system that is in lien with needs of the enterprise

Enterprises must have a reporting system structure in which the whole enterprise or group is divided into several segments (costs, revenues, profits, etc.), this is very significant in financial analysis and performance measurement of segments. The accounting system in addition to recording and preparing financial

statements must be well organized and organized for the purpose of monitoring and allocating financial indicators for each segment with appropriate methods, significant for analyzing and assessing performance, developing a management reporting system, providing information to managers to make decisions related to internal operations and provide information for presentation of segment report.

3.4.2.3. Application of information technology in accounting and business management

The development of information technology in accounting and management enables the data warehouse on activities in the enterprise have connection between segments. Data can be monitored and processed according to each segment, organizational structure of the enterprise so as to have necessary and timely information and reports at the request of the users. When the enterprise develops, business expansion, application of information technology into accounting and management is necessary, especially the development and deployment of ERP system (Enterprise, Resource Planning) - "planning resources", which is especially important for large enterprises.

3.4.2.4. Improving qualification and profession of accounting segment staff

Enterprises should focus on specialized training for staff of the accounting segment to improve the quality of work, create conditions for employees to participate in advanced courses, update professional knowledge.

3.4.2.5. Changing the management board's view of segment report information disclosure.

There must be a multifaceted impact, including regulators, professional associations, the State Securities Commission as well as auditing and accounting enterprises. The pressure and requirement for transparency of financial information from shareholders, investors and financial analysts also contribute to the board of directors' change of view on the presentation of segment report.

3.4.3. On the side of financial reporting users

It is necessary to enhance the roles and responsibilities of those using financial statements. Like investors, financial analysts and independent auditors.

3.5. LIMITATIONS OF THE THESIS AND FURTHER STUDY

This research has certain limitations on scope and time. The information of segment report in the financial statements of the parent companies at the Vietnam National Oil and Gas Group was studied by the author on the basis of collected data in the fiscal year 2018 and the period from 2016 to 2018.

From the above limitations, the author would like to give some directions for the next study if able:

- Research on segment reports at other economic groups in Vietnam.
- Expand the research sample
- Advance analysis of indicators from the segment information.

CONCLUSION

Despite the fact that Vietnam National Oil and Gas Group and its subsidiaries continue to maintain a key position in Vietnam's energy industry, with the process of transforming the economic management to market orientation, the government has taken steps to promote equitization in the Group. However, most divestment plans of PVN are delayed, one of the reasons for the delay is the transparency and honesty in the information of units. Information on financial statements in general and information on segment reports in particular is the official source to evaluate financial status, business performance and likewise forecast potentiality and development trend of enterprise as well as each operating segment. Furthermore, the segment report information disclosure in accordance with regulations is not only convenient for users but also creates a transparent investment environment, reduces social costs, etc. Through research, the thesis has gained these following results:

- In chapter 1, the thesis focuses on clarifying theories on information on financial statements, segment report information and the segment report information disclosure in order to perfect the segment report information disclosure in the economic groups on the fundamental theoretical aspects. Based on the harmonization of Vietnamese accounting standards and international accounting standards, the thesis has clearly pointed out the basic differences between these two standards on segment reporting.

- In chapter 2, the thesis' analysis, synthesis and verification make general assessment of compliance with regulations on the segment report information disclosure of the Group based on the survey of reality of the segment report information disclosure together with judgments from the information users which are investors, auditing experts and enterprises who make financial statements. The basic shortcomings of the current segment report information disclosure are lack of information, subjective information, not really helpful for users, not compliant with regulation on information disclosure of management agencies ... The research on the current situation of the legal framework on segment reporting and the situation of segment report disclosure in the Group's Financial Statements are the basis for proposing solutions to complete the framework and the disclosure of segment reporting to improve the utility for information users.

- Based on the principles of segment report completion, in chapter 3 the thesis has suggested these following solutions:

- + First of all, enterprises must obey the legal framework for segment reporting regulations in line with international practices in order to improve the utility of segment report information for users.

- + Moreover, the thesis suggests perfecting segment report disclosure in the financial statements in the Vietnam National Oil and Gas Group. The recommendations are concretized by data of the Group and some Corporations so it is feasible and can be applied immediately in practice.

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