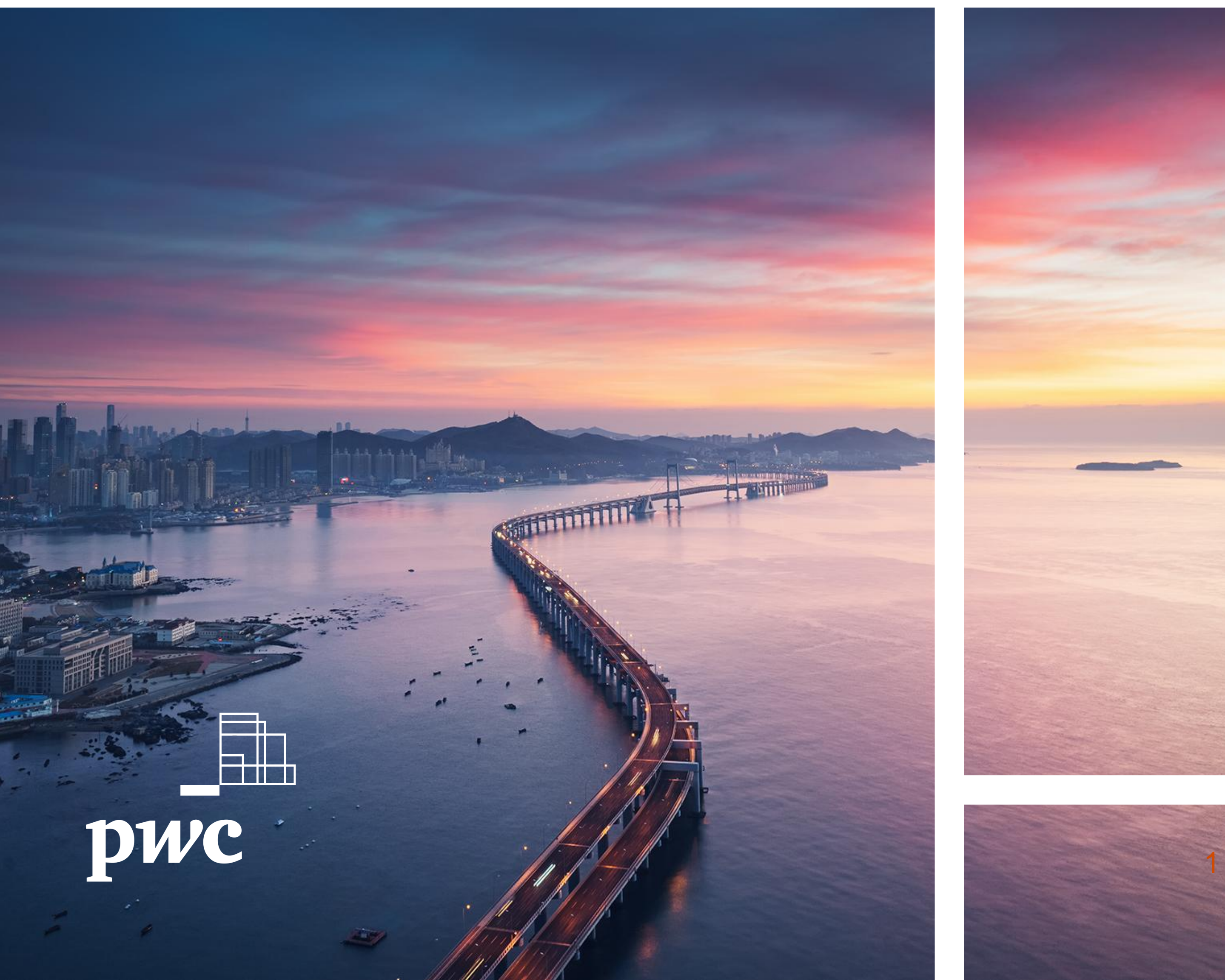
Newsletter

# IFRS Alert

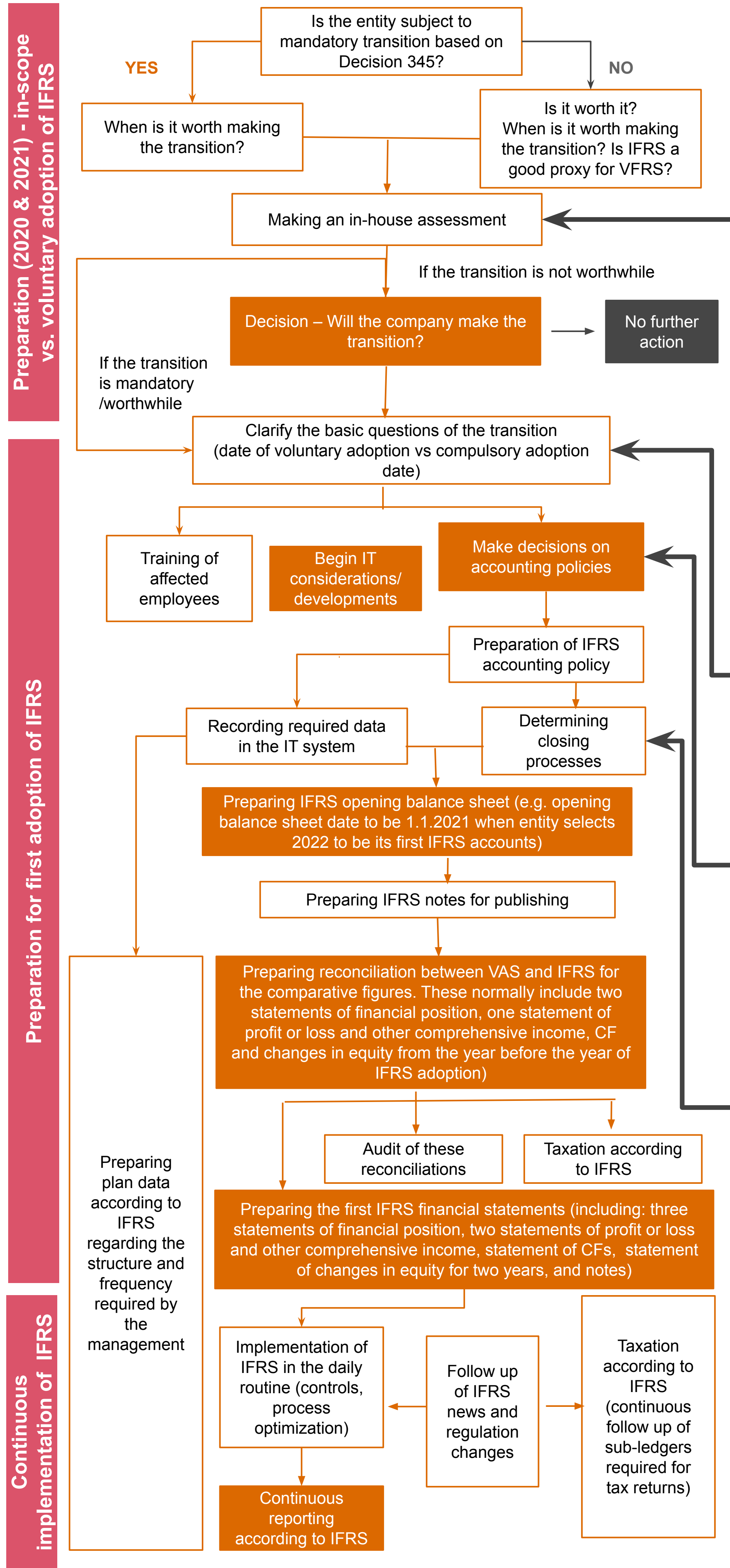
## Transition to IFRS with PwC
## Where to start?

2 November 2020



With the approval from the Ministry of Finance on the Vietnam Financial Reporting Standards roadmap in Decision 345/QD/BTC, it is now essential for eligible entities to begin preparations towards International Financial Reporting Standards (IFRS) compliance, and to be open to opportunities for business transformation.

This alert outlines the decision flow and recommendations for entities to determine their plans for the IFRS journey.




**Accounting impact assessment:**
- Identification of differences between VAS and IFRS.
- If relevant, identification of differences between group reporting and IFRS.
- IFRS 1 impact assessment (identification of exemptions).
- Valuation of relevant accounting decisions from an administration, taxation, and accounting point of view.

**Tax impact assessment:**
- Which taxes are affected by IFRS adoption at the Company?
- Which is the most suitable option to handle the taxation of the differences arising from the transition?
- Drawing up short, middle and long-term impacts.

**Assessment of other impacts:**
- Revision of employee training needs.
- Modification of information systems which support accounting processing.
- Compliance with supervision data requirements.
- Statistical data supply.
- Collaboration with stakeholders (bank, owner).

**Main basic questions:**
- What is the aim of the transition?
- What is the transition date?
- What is the timing of the transition process?

**Other considerations for creating accounting policy:**
- Selection of IFRS 1 exemptions.
- Identification of the main decision points regarding the financial statements.
- Taxation impact upon transition and later on.
- System level impact upon transition and during the following bookkeeping.
- Impact on the Company's indexes and financial statements.

**The impact of other departments on the closing process:**
Configuration of the Accounting department's closing process requires appropriate timing of information from many other areas (for example production, sales, HR, etc.)
These departments have to know the impact of the information they provide on the Company's financial statement.

**Regulation amendments affecting the IFRS transition process:**
- Decision 345 sets out the need to amend existing regulations in order to support the IFRS adoption process.
- Watch out for those amendments which are expected to be issued and assess their impacts.

# Early assessment of IFRS conversion would provide entities with competitive advantages and would help avoid negative impacts

Decision 345 specifies entities subject to mandatory adoption of IFRS after 2025 (state-owned enterprises, listed entities, public interest entities), and entities entitled to voluntary IFRS adoption (from 2022 for 100% FDIs, and all entities after 2025).

**Key areas for consideration are:**


**Date of transition to IFRS**

IFRS requires smooth linkage between VAS and IFRS data at the time of transition. Selecting a date of transition to IFRS would help entities to determine the specific period in which they need to have parallel information under VAS and IFRS.

**IFRS is not just accounting**

The impact of business process changes and other stakeholders is as important as accounting compliance.

**VFRS is IFRS in substance**

Entities will need to adopt VFRS from 2025 if they do not adopt IFRS. Therefore, they should practice with IFRS now for a smooth conversion to VFRS in 2025.

**IFRS is principle-based**

The old mindset of waiting for detailed guidance for compliance under VAS would no longer be feasible. Entities need to assess their specific circumstances in order to comply with IFRS.

**It is “cheaper” to prepare early**

Early preparation will help ensure that businesses are well-prepared for the unfavourable areas, and that they are ready for the compliance date.

# Contact us

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. For further information, please reach out to us.

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