

Factors Affecting the Effectiveness of Applying Corporate Income Tax Accounting Standards at Vietnamese Enterprises

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Abstract: *This study evaluates factors affecting the effectiveness of corporate income tax (CIT) accounting standards at Vietnamese enterprises through direct interviews with 255 respondents who are subjects of the survey using the convenient sampling method of detailed questionnaires, the reliability analysis method through Cronbach's Alpha coefficient and the exploratory factor analysis EFA. The results of evaluating research scales indicate that: 27 observed variables are used to measure 08 research concepts (the effectiveness of applying CIT accounting standards and 7 factors affecting the effectiveness of applying CIT accounting standards). The testing results of the hypotheses show that: (i) the effectiveness of applying CIT accounting standards at Vietnamese enterprises is affected by 06 factors in descending order including: expertise of accountants, career advice and support, enterprise size, legal documents system, leadership vision and philosophy of enterprises, and compliance with accounting regulations.*

Keywords: corporate income tax (CIT) accounting standards; corporate income tax (CIT); EFA

Classifications: H25; O1

1. Introduction

Corporate income tax (CIT) accounting plays a very important role in corporate accounting, which is a link between enterprises and the state. The duty of tax accounting is to collect documents, process information accurately and lawfully in order to ensure precise and sufficient calculation and to make reports (Donna L. Street, Sidney J. Gray, 2002). Accordingly, this helps the state to manage the economy more easily and enterprises can conduct business in a stable manner as well as complete tax reports in accordance with state regulations in a clear and transparent manner. CIT accounting information plays a crucial, necessary and useful role for those in and outside of enterprises. This requires enterprises to disclose information clearly, honestly and accurately, especially when it comes to disclosure of business results and financial statements. In order to have such precise and sufficient information, CIT accounting must be based upon the current accounting regimes, accounting standards and tax policies. However, from the promulgation of accounting standards to the effectiveness of their application in practice, there are many barriers such as the legal system and the capability of accountants. In addition, the legal documents system in Vietnam related to accounting, including accounting standards and accounting regimes is different from that of other countries in the world; there are also differences between accounting regimes, accounting standards and tax policies. The inconclusive arguments have affected the determination and recording of corporate income tax (CIT).

Today, the global research on the effectiveness of applying CIT accounting standards has discussed in many aspects related to exploring the factors affecting the effectiveness of applying accounting standards - IAS/IFRS, with an aim of improving the quality of financial statements information (Al-Akra et al, 2009; Zehri & Chouaibi, 2013; Stainbank, 2014). In Vietnam, although accounting standards have been

established for a very long time, there haven't yet been many studies on the effectiveness of applying accounting standards in the case of CIT accounting. It's worth mentioning the two studies by Tran D. K. N (2011) and Dang N. H (2016), which show that the factors affecting the effectiveness of applying accounting standards are career advice and support, experience and capability of accountants, accounting regimes and guiding circulars, characteristics of enterprises. Most researches in Vietnam focus on accounting standards, with very little research on a specific standard. It can be noticed that up to now, researches on applying CIT accounting at enterprises are still limited and remain a big question. The reason is that as per the legal framework characteristics of the Vietnamese accounting system, accounting standards exist concurrently with accounting regimes, which creates inconsistencies due to differences in the purpose and the nature of accounting standards and accounting regimes (Nguyen C. P, 2012). In addition, according to the study by Nguyen C. P. (2012), in CIT accounting, those who use and prepare financial statements are not able to distinguish between accounting standards and accounting regimes. Very few people apply accounting standards when conducting accounting work and they do not pay enough attention to accounting standards, since those are too abstract while accountants do not have the habit of analyzing and making judgments when handling the situations. Rather, they rely upon available regulations and therefore when asked, most accountants in Vietnam indicate that they mainly rely on the accounting regimes and not until deeper research do they read about accounting standards.

2. Model

Through the summary of the research and background theory, the author offers a summary of the factors affecting the effectiveness of applying CIT accounting standards in Vietnam as follows:

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No.	Factors affecting the effectiveness of applying CIT accounting standards	Relevant researches
1	Legal documents system	Eierle & Haller, 2009; Otchere & Agbeibor (2012); Wyk & Rossouw (2009)
2	Career advice and support	Street & Bryant, 2000; Street & Gray, 2001; Glaum & Street, 2003
3	Tax pressure	Kirchler (2008); Freiberg (2010); Molm (1994); Tyler (2006)
4	Expertise of accountants	Hongjiang Xu, 2003; Daniel Zeghal & Mhedhbi, 2006; Ahmed Ebrahim & Tarek Abdel Fattah (2015)
5	Enterprise size	Eierle & Haller, 2009; Otchere & Agbeibor (2012); Wyk & Rossouw (2009)
6	Leadership vision and philosophy	Jong-Min Choe, 1996; Collis & Jarvis (2000)
7	Compliance with accounting regulations	Street & Bryant, 2000; P. Falkman, T. Tagesson (2008)

3. Methodology and Database

3.1 Database

In order to achieve a reliability estimate, according to Hair et al. (2006), if the maximum likelihood estimation method is used, the sample size must be at least 100 or more; in order to conduct exploratory factor analysis (EFA), it requires collecting a data set with at least 5 samples per observed variable. Therefore, with 30 observed variables used in the study, the minimum sample size is 150. To ensure reliability of the sample in the study, the sample size for this study is 300. However, after conducting surveys among Vietnamese enterprises through 300 “survey questionnaires” collected, the study eliminated faulty and unsatisfactory observations, the remaining sample is therefore 255 observations.

3.2 Methodology

The study used quantitative research method through exploratory factor analysis EFA. This is an analytical method used to shorten a set of many interdependent measurement variables into a smaller set of variables (called factors) so that they are more meaningful but still contain most of the content and information of the initial variable set (Hair et al. 2009). EFA is often used in fields of management, economics, psychology, sociology, once the conceptual framework from previous theories or researches has been obtained. In order to identify the factors affecting the effectiveness of applying CIT accounting standards at Vietnamese enterprises, the multiple regression model has been formulated as follows:

$$HQAD = f(F1, F2, F3, F4, F5, F6)$$

In which: HQAD (Application effectiveness) is a dependent variable representing the effectiveness of applying CIT accounting standards at Vietnamese enterprises.

4. Empirical Results and Discussion

4.1 Testing results of exploratory factor - EFA

The purpose of EFA technique is to determine the factors that affect the effectiveness of applying CIT accounting standards at Vietnamese enterprises. EFA is performed through the following tests:

Table 4.1: KMO and Bartlett tests

Kaiser-Meyer-Olkin coefficient		.889
Bartlett test	Approx. Chi-Square	3056.977
	Df	325
	Sig.	.000

KMO coefficient = 0.889, which satisfies the condition of $0.5 < KMO < 1$, indicates that EFA is suitable for real data. Bartlett test results have a Sig significance level of less than 0.05, indicating that the observed variables are linearly correlated with the representative factor.

4.2 Testing the interpretation level of observed variables with respect to the factors

The Cumulative column in Table 4.9 shows the average variance extracted of 66.084%. This means that 66.084% of the change in representative factors is explained by the observed variables.

Table 4.2: Total variance explained

Factor	Eigenvalues target			Extraction sums of squared loadings		
	Total	Variance	Cumulative %	Total	Variance	Cumulative %
1	7.780	29.924	29.924	7.780	29.924	29.924
2	2.430	9.345	39.269	2.430	9.345	39.269
3	2.121	8.156	47.425	2.121	8.156	47.425
4	1.927	7.413	54.838	1.927	7.413	54.838
5	1.876	7.215	62.052	1.876	7.215	62.052
6	1.048	4.032	66.084	1.048	4.032	66.084
7	.939	3.613	69.697			
8	.669	2.572	72.269			
9	.614	2.361	74.630			
10	.563	2.165	76.796			
11	.508	1.954	78.749			
12	.491	1.889	80.639			
13	.477	1.835	82.474			
14	.464	1.784	84.258			
15	.427	1.642	85.900			
16	.416	1.600	87.500			
17	.402	1.545	89.046			
18	.379	1.460	90.506			
19	.362	1.391	91.897			
20	.357	1.372	93.269			
21	.337	1.298	94.566			
22	.323	1.242	95.809			
23	.314	1.207	97.016			
24	.292	1.123	98.139			
25	.253	.972	99.111			
26	.231	.889	100.000			

4.3 Testing regression coefficients

In table 4.3, the Sig significance level column shows that 6 factors including F1, F2, F3, F4, F5, F6 all have Sig. <less than 0.01, F3 factor has Sig. > 0.1. So, the regression coefficients of the variables F1, F2, F3, F4, F5, F6 are all

statistically significant; or factors including expertise of accountants, career advice and support, enterprise size, legal documents system, leadership vision and philosophy of enterprises and compliance with accounting regulations all have impact on the effectiveness of applying CIT accounting standards at Vietnamese enterprises.

Table 4.3: Regression coefficients

Variable name	Unstandardized regression coefficient		Standardized regression coefficient	t	Sig.
	Coefficient	Standard error	Coefficient		
Constant	1.314016	.041		.000	1.000
F ₁	.326	.041	.326	7.993	.000
F ₂	.354	.041	.354	8.685	.000
F ₃	.288	.041	.288	7.063	.000
F ₄	.296	.041	.296	7.268	.000
F ₅	.246	.041	.246	6.032	.000
F ₆	.355	.041	.355	8.705	.000

Through the exploratory factor analysis EFA using SPSS software, the regression model takes the form as follows:

$$HQAD = 0.326*TD + 0.354*TVNN + 0.288*QM + 0.296*$$

$$HTPL + 0.246*QD + 0.355*TTQD + \epsilon$$

HQAD: Application effectiveness

TD: Expertise

TVNN: Career advice and support

QM: Enterprise size

HTPL: Legal documents system

QD: Leadership vision and philosophy

TTQD: Compliance with accounting standards

So, the effectiveness of applying CIT accounting standards at Vietnamese enterprises is affected by 06 factors in descending order including: expertise of accountants, career advice and support, enterprise size, legal documents system, leadership vision and philosophy of enterprises, and compliance with accounting regulations.

5. Conclusion

The official study was conducted using quantitative method through direct interviews with 255 respondents who are subjects of the survey using the convenient sampling method of detailed questionnaires, the reliability analysis method through Cronbach's Alpha coefficient and the exploratory factor analysis EFA. The research results demonstrate that the effectiveness of applying CIT accounting standards at Vietnamese enterprises is directly affected by 06 components in descending order. The study helps Vietnamese enterprises understand the importance of complying with accounting regulations; career advice and support, expertise of accountants, legal documents system, enterprise size, leadership vision and philosophy of enterprises, from which there could be policies aimed towards the accounting work at enterprises. These could include enabling accountants to participate in training courses in order to improve knowledge related to CIT accounting standards in particular and accounting standards in general, not only for accountants but also for managers so that accounting work at enterprises can be conducted more effectively.

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