

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS IN DEVELOPING ECONOMIES: IMPLICATIONS FOR VIETNAM

Dr. Nguyen Manh Thieu¹, Dr. Nguyen Thi Kim Ngan^{2*}

¹Academy of Finance, Hanoi, Vietnam

²University of Tan Trao, Tuyen Quang Province, Vietnam

Email address: ntkngan@tqu.edu.vn

*Corresponding authors: Nguyen Thi Kim Ngan

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ARTICLE INFO	ABSTRACT
<i>Received:</i> 8/01/2026	The adoption of International Financial Reporting Standards (IFRS) has become an increasingly common trend in the context of global economic integration and the development of capital markets. However, the implementation of IFRS in developing economies often faces numerous challenges due to differences in institutional environments, human resource capacity, and the level of development of accounting systems. Based on a synthesis and analysis of previous studies, this paper identifies several key challenges associated with the implementation of IFRS in developing economies, including issues related to accounting and auditing human resources, technological infrastructure and accounting information systems, as well as the transition costs faced by enterprises. On that basis, the study discusses several implications for Vietnam in the process of implementing IFRS.
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<i>IFRS;</i> <i>International Financial Reporting;</i> <i>Standards;</i> <i>Developing economies;</i> <i>Financial reporting;</i> <i>Vietnam.</i>	

1. INTRODUCTION

In the context of economic globalization and the increasingly rapid development of international capital markets, the need for a unified set of accounting standards to enhance the transparency and comparability of financial reporting has become increasingly important. International Financial Reporting Standards (IFRS) were developed to provide a high-quality, transparent, and comparable financial reporting framework for enterprises operating across different countries (Eroglu, 2021). The adoption of IFRS is expected to reduce differences in accounting practices among countries, thereby facilitating investors and other stakeholders in evaluating and comparing corporate financial information on a global scale (Teixeira, 2023).

In recent years, the adoption of IFRS has expanded globally and become one of the most significant reforms in the international accounting system. Many countries have required or permitted listed companies to adopt IFRS in order to enhance the quality of financial information and improve the transparency of capital markets (Sultan, Mohamed, Abbas, & Kubiv, 2024). Previous studies also indicate that the adoption of IFRS can contribute to improving the quality of financial reporting, enhancing the comparability of accounting information, and increasing the efficiency of financial markets (Reymundo-Soto & Navarrete-Zambrano, 2024). Owing to these benefits, IFRS has increasingly been considered by many countries as an important tool for promoting international economic and financial integration.

Nevertheless, the adoption of IFRS in developing economies often faces more challenges compared to developed countries. Previous studies indicate that differences in institutional environments, legal systems, the level of financial market development, and the capacity of accounting professionals can significantly influence the effectiveness of IFRS adoption (Nguyen, Nguyen, & Van Nguyen, 2023). In addition, the transition to IFRS often requires enterprises to make substantial investments in human resource training, upgrading accounting information systems, and adjusting internal financial management processes. These requirements may become significant barriers for many firms in developing economies, particularly small and medium-sized enterprises with limited financial resources (Bui, Le, & Dao., 2020).

In addition to firm-level factors, the institutional environment and the state regulatory system also play an important role in the implementation of IFRS. In many developing countries, traditional accounting systems are closely linked to tax administration and government management objectives, whereas IFRS are primarily designed to provide useful information for investors and other participants in capital markets. This difference may create difficulties in the transition to international standards and requires countries to make significant adjustments to their legal frameworks as well as financial supervision mechanisms (Prather-Kinsey, De Luca, & Phan, 2022).

For Vietnam, the process of international economic integration and the development of the domestic capital market have created increasing demands for improving the quality and transparency of the financial reporting system. In order to gradually align with international accounting standards, the Ministry of Finance issued the roadmap for IFRS adoption in Vietnam under Decision No. 345/QD-BTC in 2020, which identifies the adoption of IFRS as an important step to enhance the transparency of financial information and strengthen Vietnamese enterprises' access to international capital markets. However, recent studies indicate that the transition to IFRS in Vietnam still faces several challenges, including differences between Vietnamese Accounting Standards and IFRS, the limited availability of accounting professionals with international expertise, as well as the cost pressures associated with the transition for enterprises (Thi, Anh, & Tu, 2020).

From this context, it can be seen that the adoption of IFRS in developing economies is a complex process influenced by various factors related to institutional frameworks, human resource capacity, and the business environment. Therefore, examining the experiences of IFRS implementation in developing countries is important for providing reference insights for nations that are in the process of transforming their accounting standard systems. Based on this rationale, this paper focuses on analyzing key issues arising in the adoption of IFRS in developing economies through a synthesis of existing studies, and discusses implications for Vietnam in the process of implementing International Financial Reporting Standards.

2. RELATED WORKS

International Financial Reporting Standards (IFRS) have been widely studied in the accounting literature due to their significant role in improving the quality, transparency, and comparability of financial reporting across countries. A large body of research has examined the impacts of IFRS adoption on financial reporting quality, capital market efficiency, and corporate transparency.

Previous studies suggest that the adoption of IFRS can enhance the quality and comparability of financial information. For example, Eroglu argues that IFRS provides a high-quality reporting framework that facilitates cross-country comparability of financial statements

(Eroglu, 2021). Similarly, Teixeira indicates that the use of IFRS contributes to improving the transparency of corporate financial reporting, thereby helping investors make more informed investment decisions (Teixeira, 2023).

Another stream of research focuses on the relationship between IFRS adoption and the development of capital markets. Sultan et al show that the implementation of IFRS can improve the credibility of financial information and strengthen investor confidence in capital markets (Sultan, Mohamed, Abbas, & Kubiv, 2024). In addition, Reymundo-Soto and Navarrete-Zambrano find that IFRS adoption may contribute to improving the efficiency of financial markets by enhancing the comparability and reliability of accounting information (Reymundo-Soto & Navarrete-Zambrano, 2024).

However, the literature also indicates that the benefits of IFRS adoption may vary depending on the institutional context of each country. Studies have shown that factors such as the legal environment, regulatory quality, and the level of financial market development can significantly influence the effectiveness of IFRS implementation. Nguyen, Nguyen, and Van Nguyen emphasize that institutional differences and the capacity of accounting professionals are important determinants affecting the success of IFRS adoption in developing countries (Nguyen, Nguyen, & Van Nguyen, 2023).

In addition, several studies have highlighted the challenges associated with IFRS implementation in developing economies. These challenges often include limited human resources with IFRS expertise, insufficient technological infrastructure, and the high costs associated with the transition process. Bui, Le, and Dao point out that the transition to IFRS may impose significant financial and operational burdens on enterprises, particularly small and medium-sized firms (Bui, Le, & Dao., 2020). Furthermore, differences between domestic accounting standards and IFRS may require substantial adjustments in regulatory frameworks and accounting practices (Prather-Kinsey, De Luca, & Phan, 2022).

Overall, previous studies provide important insights into both the benefits and the challenges of IFRS adoption. However, the implementation of IFRS in developing economies remains a complex issue that requires further examination, particularly in terms of identifying the specific challenges and deriving policy implications for countries that are in the process of adopting international financial reporting standards.

3. PROPOSED METHODOLOGY

The study is primarily conducted using a qualitative research approach through the synthesis and analysis of secondary data. The materials used in this study mainly consist of academic publications in scholarly journals and studies related to the adoption of International Financial Reporting Standards in different countries. Based on these sources, the research systematizes and analyzes previous findings in order to clarify the challenges associated with the implementation of IFRS in developing economies.

Based on the collected literature, the study further analyzes and synthesizes previous research results to clarify both theoretical and practical issues related to the implementation of IFRS in developing economies. The methods of analysis and synthesis are employed to identify the key challenges in the process of IFRS adoption, while also comparing the experiences of several countries in order to derive implications that may be relevant for Vietnam.

Through the review of previous studies, this paper not only provides an overview of the challenges associated with implementing IFRS in developing economies but also helps identify important factors that should be considered in the process of developing a roadmap for IFRS adoption in Vietnam.

4. RESEARCH RESULTS

4.1. Theoretical Foundations of the Adoption of International Financial Reporting Standards

International Financial Reporting Standards (IFRS) were developed to establish a unified framework for the preparation and presentation of financial statements on a global scale. The core objective of this system of standards is to enhance the transparency, consistency, and comparability of financial information among enterprises operating in different economic environments. In the context of globalization and the increasing flow of cross-border investment, the existence of different accounting standards across countries may increase information costs and create difficulties for investors in evaluating corporate performance. Therefore, the development and dissemination of a globally recognized accounting standard system such as IFRS is considered an important step toward improving transparency and efficiency in international financial markets.

One of the most distinctive features of IFRS is its principles-based approach, in which standards are developed based on general principles that guide the recognition, measurement, and presentation of economic transactions. Unlike rule-based accounting systems, IFRS does not provide detailed regulations for every accounting situation but instead focuses on the objective of providing useful financial information to users of financial statements (Rowbottom, Locke, & Troshani, 2021). This approach allows preparers of financial statements to exercise professional judgment in reflecting the economic substance of transactions rather than merely complying mechanically with technical regulations. As a result, financial statements are expected to present a more faithful representation of a company's financial position and operating performance.

In addition to its methodological approach, IFRS is also designed to improve the quality of accounting information by requiring a higher level of disclosure and transparency. Previous studies indicate that the adoption of IFRS can enhance the reliability of financial reporting, reduce information asymmetry between firms and investors, and improve transparency in corporate financial activities (Nurunnabi, 2021). This is particularly significant for developing economies, where traditional accounting systems are often strongly influenced by government management objectives or tax regulations and may not fully address the information needs of investors. In this context, the adoption of IFRS is expected to improve the quality of financial reporting systems and enhance the credibility of accounting information.

Beyond its impact on the quality of financial information, IFRS is also considered to have positive effects on the development of capital markets. When companies in different countries use the same set of accounting standards, their financial information becomes more comparable for international investors. This helps reduce information analysis costs and facilitates investment decision-making. Empirical studies also suggest that the adoption of IFRS can enhance access to international capital markets and improve the efficiency of financial systems, particularly in developing economies (Ma, et al., 2022). By increasing transparency and comparability in financial reporting, IFRS is regarded as an important tool for promoting the integration of national financial markets into the global financial system.

However, despite its potential benefits, the adoption of IFRS also poses several requirements and challenges for enterprises as well as regulatory authorities. Since IFRS is based on general principles rather than detailed rules, preparers of financial statements must possess strong professional knowledge and the ability to apply professional judgment in addressing complex accounting issues. Moreover, IFRS standards generally require more extensive disclosure compared to many national accounting systems and require companies to develop appropriate accounting information systems and financial management processes to meet reporting requirements. These demands may increase

compliance costs and create significant challenges for enterprises, particularly in developing economies where financial resources and qualified accounting professionals may still be limited.

4.2. Challenges in Implementing IFRS in Developing Economies

Although International Financial Reporting Standards (IFRS) are considered an important tool for enhancing the transparency and comparability of financial reporting, many studies indicate that the implementation of IFRS in developing economies often faces numerous difficulties. These challenges mainly arise from differences in institutional environments, the level of development of accounting and auditing systems, as well as the capacity of enterprises to adapt to international standards. Previous studies generally identify four main groups of challenges, including the legal framework, accounting human resources, information technology infrastructure, and transition costs.

Legal framework and institutional environment

One of the major barriers to IFRS implementation in developing economies is the difference between international accounting standards and domestic accounting legal systems. In many developing countries, accounting systems are often designed primarily to serve government management and tax administration purposes, whereas IFRS are developed to provide useful information for investors and other stakeholders in capital markets. These differences in objectives and structures of accounting systems may create difficulties in the transition to international standards.

Empirical studies in several developing countries provide evidence of this issue. For instance, research on IFRS adoption in Bangladesh shows that inconsistencies between international standards and domestic legal regulations have created significant obstacles to IFRS implementation (Nurunnabi, 2021). Similarly, in Indonesia, the convergence with IFRS has been carried out gradually due to substantial differences between national accounting standards and international standards (Maradona & Chand, 2018). These cases indicate that the adoption of IFRS is not merely a change in accounting regulations but also requires comprehensive adjustments to the legal framework and financial regulatory mechanisms.

Accounting and auditing human resources

Accounting and auditing human resources are critical factors determining the effectiveness of IFRS implementation. Unlike many traditional rule-based accounting systems, IFRS are developed based on a principles-based approach, which requires preparers of financial statements to apply professional judgment in recognizing and presenting economic transactions.

However, in many developing economies, accounting education systems are still largely based on domestic accounting standards, resulting in a shortage of professionals with expertise in IFRS. Recent studies indicate that the lack of accountants with adequate knowledge and experience in IFRS is one of the key barriers to the adoption of international standards in emerging economies (Nurunnabi, 2021). In addition, research on the readiness for IFRS adoption in Vietnam suggests that training and professional capacity of accounting staff play an important role in the process of implementing international standards (Ho, Hoang, & Pham, 2025).

This indicates that IFRS adoption depends not only on legal regulations but also significantly on the professional capacity of accountants and auditors.

Technological infrastructure and accounting information systems

In addition to human resources, information technology systems and accounting infrastructure also play a crucial role in the implementation of IFRS. Many IFRS standards require companies to collect and process financial data at a more detailed level compared with traditional accounting systems, particularly in areas such as fair value measurement, revenue recognition, and consolidated financial reporting.

Recent studies show that the adoption of IFRS often requires enterprises to upgrade their accounting information systems and financial management software to meet new reporting requirements. These requirements arise because IFRS demand a higher level of disclosure and more complex financial data processing compared with many traditional accounting standards (Ghouma, Becha, Kalai, Helali, & Ertz, 2023).

Transition costs and firms' adaptability

Transition costs associated with IFRS adoption also represent a significant challenge for enterprises in developing economies. The transition process typically involves various activities, including staff training, hiring professional consultants, upgrading information technology systems, and adjusting internal accounting procedures. These costs may become substantial barriers, particularly for small and medium-sized enterprises with limited financial resources.

Research by Reymundo-Soto and colleagues indicates that the cost of transitioning to IFRS can be particularly high for companies that have not previously been exposed to international accounting standards (Reymundo-Soto & Navarrete-Zambrano, 2024). Furthermore, firms' ability to adapt to IFRS also depends on their level of international integration and their need to access foreign capital markets. Companies with international investment activities or those listed on stock exchanges tend to have stronger incentives to adopt IFRS compared to firms operating primarily in domestic markets.

4.3. Implications from International Experience for Vietnam

International experiences regarding the adoption of International Financial Reporting Standards (IFRS) in developing economies indicate that the transition to IFRS is not merely a matter of changing accounting standards but also involves systematic adjustments in institutional frameworks, human resources, and information infrastructure. Challenges observed in many developing countries include differences between domestic legal systems and international standards, limitations in accounting professionals with IFRS expertise, as well as transition costs and the need to upgrade accounting information systems. These issues provide important references for Vietnam in the process of implementing IFRS.

First, with regard to the legal framework and institutional environment, many studies show that the adoption of IFRS in developing countries often faces difficulties because traditional accounting systems are closely linked to government management regulations and tax objectives. A similar situation exists in Vietnam, where the Vietnamese Accounting Standards (VAS) have historically been developed primarily to serve financial management and regulatory compliance purposes. Therefore, the transition to IFRS requires coordinated adjustments within the legal framework and accounting–auditing regulatory mechanisms to ensure consistency in the preparation and presentation of financial statements. The IFRS adoption roadmap issued by the Ministry of Finance in 2020 demonstrates Vietnam's efforts to gradually converge with international standards; however, the implementation process still requires further improvements in the legal framework and enforcement mechanisms.

Second, experiences from developing economies show that accounting and auditing human resources play a decisive role in the effectiveness of IFRS adoption. As discussed earlier, IFRS are developed based on a principles-based approach, which requires preparers of financial statements to apply professional judgment when recognizing and presenting economic transactions. However, in Vietnam, many enterprises are still accustomed to applying rule-based accounting standards with detailed regulations, which may create certain difficulties when transitioning to a principles-based system. Some studies indicate that the level of IFRS expertise among accounting and auditing professionals in Vietnam remains limited, particularly in small and medium-sized enterprises. Therefore, strengthening education and professional training for accounting professionals is a crucial condition to ensure the effective implementation of IFRS.

Third, international research also suggests that the adoption of IFRS often requires enterprises to upgrade their accounting information systems and technological infrastructure to meet the requirements for measurement, recognition, and disclosure of financial information. In the context of Vietnam, although many large enterprises have invested significantly in information technology systems and accounting software, a considerable number of firms still rely on relatively simple accounting systems. This situation may create difficulties in collecting and processing financial data in accordance with IFRS requirements. Therefore, in addition to improving the legal framework and developing human resources, upgrading information technology systems should also be an important priority in the implementation of IFRS in Vietnam.

Finally, transition costs are another factor that should be considered in the adoption of IFRS in Vietnam. Experiences from developing countries indicate that transition costs may include expenses related to staff training, professional consulting services, and the upgrading of accounting systems. For many Vietnamese enterprises, particularly small and medium-sized enterprises, these costs may represent a significant barrier to the adoption of international standards. Therefore, the implementation of IFRS in Vietnam should follow an appropriate roadmap, prioritizing listed companies and enterprises seeking to raise capital in international markets, and then gradually expanding the scope of adoption to other enterprises.

International experience indicates that the adoption of IFRS in developing economies is influenced by various factors related to institutional frameworks, human resources, and the capabilities of enterprises. For Vietnam, the implementation of IFRS should be carried out cautiously and in accordance with an appropriate roadmap, combined with comprehensive measures such as improving the legal framework, developing accounting human resources, and upgrading accounting information systems. These measures will help facilitate the adoption of IFRS and enhance the quality of financial information in the context of international economic integration.

5. CONCLUSION AND FUTURE DEVELOPMENT

In the context of international economic integration and the rapid development of global capital markets, the adoption of IFRS has become an increasingly common trend worldwide. Based on a synthesis and analysis of previous studies, this paper clarifies several theoretical issues related to the implementation of IFRS in developing economies and identifies the main challenges associated with this process. These challenges include differences between domestic accounting standards and international standards, limitations in accounting and auditing professionals with IFRS expertise, the need to upgrade accounting information systems, and the transition costs faced by enterprises. The findings suggest that the adoption of IFRS is not merely a technical change in accounting practices but also involves institutional factors, the development of financial markets, and the capabilities of relevant organizations.

Drawing on international experiences, the study highlights that the implementation of IFRS should follow an appropriate roadmap and be accompanied by improvements in the legal framework, the enhancement of professional capacity among accounting and auditing practitioners, and greater support from regulatory authorities. These efforts are essential to ensure the effective adoption of IFRS and to improve the quality and transparency of financial reporting. The findings of this study may provide useful reference insights for Vietnam as it gradually implements IFRS and seeks to strengthen the transparency and sustainability of its financial reporting system.

For future research, empirical studies could further examine the readiness of Vietnamese enterprises to adopt IFRS, as well as the impact of IFRS implementation on financial reporting quality and capital market development. Such research would provide more comprehensive evidence to support the ongoing process of IFRS adoption in Vietnam.

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