Journal of Positive School Psychology http://journalppw.com
2022, Vol. 6, No. 7, 1633-1648

Factors Affecting The Application Of International Financial Reporting Standards Of Enterprises: A Literature Review

Pham Huy Hung

Hanoi University of Natural Resources and Environment , Email: phamhuyhung0302@gmail.com

Abstract
In view of the strong diffusion of International Financial Reporting Standards around the globe, the application of International Financial Reporting Standards is not only of any one group of countries but it is also a common goal of countries around the world. In order to apply International Financial Reporting Standards effectively, it is necessary to apply the most appropriate grounding theories in order to thoroughly solve theoretical problems. This article provides an overview of the factors influencing the application of international financial reporting standards through the compilation and analysis of data sources from predecessor studies to provide direction for future research. The overview study will provide a comprehensive review of academic research related to the factors that have been studied to help other researchers have a meaningful foundation and consider the impact factors that need to be further tested.

Key words: IAS, IFRS, Financial report, Vietnam.

1. Introduction

In the context of globalization and international economic integration, investors must compare information on financial statements of enterprises in different countries to make sound economic decisions to create the best portfolios. Individual accounting standards of each country create inconsistent information, difficult to compare, affecting the effectiveness of the world market, the ability to cooperate to find capital is reduced, costly (DeFond et al., 2011). Therefore, the need to use a common language for the business community through the application of the international accounting standards system (IAS/IFRS) in financial reporting is of utmost importance, helping to ensure transparent, clear and comparable information internationally, increasing the usefulness and facilitating analysts, managers and investors to make decisions.

IFRS Foundation (2020) statistics show that 166 countries have been or are on the road to applying IAS/IFRS with a total GDP of 98.8% of global GDP, of which the continent with the most countries applying IAS/IFRS is Europe with 44 countries (of 44 independent countries), followed by Africa (38 countries) and the Americas (37 countries), Asia and Oceania (34 countries) and the Middle East (13 countries) respectively. It can be seen that in the face of the general trend of globalization, it is urgent to find a uniform language in accounting, namely through the preparation of financial statements and the presentation of information.

The positive effects of IAS/IFRS are undeniable and have been demonstrated by studies over the past two decades on the application of IAS/IFRS in individual countries or by group of countries around the world, such as: Application of IAS/IFRS increases the comparability of information: Joshi et al., (2002), Li (2010); Application of IAS/IFRS increases the price and liquidity of shares: Daske et al., (2008), Barth et al., (2014); Barth et al., (2018). Not only do they provide benefits for large countries, IAS/IFRS also provide opportunities to improve the quality of information on financial statements for developing countries, such as the study by Wu et al., (2014), Palea (2014).

In addition, there are contradictory views, as well as delays in the application of IAS/IFRS in some countries such as the US, China or India, for example in his study, Verschoor (2010) raised concerns of the US Securities Commission about the application of IAS/IFRS, including: the suitability of IAS/IFRS for financial reporting; investors' understanding of IAS/IFRS and differences with respect to American accounting standards; IAS/IFRS's impact on tax laws and legal requirements; or IAS/IFRS's impact on businesses, which includes changes in contracts, or corporate governance, and potential litigation. In fact, currently the US has not formally adopted IAS/IFRS, so its concern is that there is absolutely no basis for other countries to refer to for the most adequate preparation, in the context of the coming IAS/IFRS to be implemented. This view is also supported by research by Lonergan (2003), Zeghal & Mhedhbi (2006), Peng et al., (2008).

A number of questions were asked to explore, such as: what factors motivate businesses in countries to adopt IAS/IFRS or what factors hinder businesses in countries to adopt IAS/IFRS? Many studies in the world are conducted in different countries and in different contexts to answer the above question, such as: Zeghal & Mhedhbi (2006) study focuses on the determinants of IAS/IFRS application in 32 developing countries and 32 other countries that do not apply IAS/IFRS. As a result of the study, developing countries with capital markets, higher education levels and higher economic growth tend to adopt IAS/IFRS. This study by Zehri & Chouaibi (2013) is an extension of the study conducted by Zeghal & Mhedhbi (2006) whose objective is to understand the main factors affecting the application of IAS/IFRS in 74 countries. The results of empirical analysis have shown that, the most favorable national development for the adoption of IAS/IFRS is that there is a high rate of economic growth, high level of education and common law based on a legal system. For other variables such as culture, the existence of a capital market, politics and internationality has an insignificant impact on the decision to adopt IAS/IFRS. Shima & Yang (2012) used data sources relating to 73 countries from 2000-2007, with an observation count of 527, including most countries in continents but excluding the European Union (EU). According to the authors, the EU is not included in this study because it has mandated the adoption of IAS/IFRS in member states, despite the business environment factors. The countries selected in this study were divided into 3 groups: disallowed (22 countries, including Vietnam), allowed or required (14 countries), mandatory (37 countries). The results of quantitative analysis show that, except for 2 factors negatively affecting tax and inflation, the remaining factors positively affect the application of IAS/IFRS including: the relationship between economy and politics, dependence on foreign debt, and the legal system, economic development, intellectual level, and risk aversion.

Thus, it can be seen that accounting is impacted by the environment in different countries. National selection of accounting standards, policies and regulations is the result of the interaction between environmental factors (Cooke & Wallace, 1990), which may be either micro-environmental factors or macro-environmental factors.

Therefore, research on factors affecting the application of IAS/IFRS by enterprises in countries is a matter of attracting attention and attention of academics and practical activities. The main purpose of this article is to identify the factors affecting the application of IAS/IFRS in enterprises of countries as the basis for the assessment and measurement of those factors in specific contexts.

2. Theoretical basis

The theoretical basis is the foundation to ensure the logic and science to identify and explain the factors affecting the application of IAS/IFRS in enterprises in countries. In this study, the author presents the following main theories:

2.1. Theory of mandate

The proxy theory emerged in the 1970s about owners and managers and was quickly applied to other areas related to the representation contract between the owner and the person acting on behalf of the owner operating the unit - called the representative (Jensen & Meckling, 1976). Theory of studying the relationship between the principal and the principal: managers - shareholders and shareholders - creditors. The mandate theory states that both the mandate holder and the mandate holder maximize their benefits. The question is how the creditor behaves in a way that maximizes the creditor's benefits.

On the basis of the proxy theory and empirical research, the proxy relationship is an important factor influencing the application of IAS/IFRS in enterprises. Applying IAS/IFRS to facilitate shareholders under loan agreements depends on the covenant because shareholders can transfer assets and cause losses. Therefore, they require covenant contracts to limit the opportunistic behavior of shareholders against the interests of creditors. This theory explains the impact of the Leverage factor on the IAS/IFRS adoption of the business. For example, if a shareholder pursues an excessive dividend policy, it may affect the share capital guaranteed to creditors. Applying IAS/IFRS will strengthen creditor confidence and increase external funding for businesses, especially banks. When enterprises borrow capital from abroad, the top requirement from financial institutions and foreign banks is to provide clear, comparable and transparent financial reporting information. Current preferences as businesses must establish financial statements under IFRS. Thus, the factor of foreign borrowing under the theory of mandate has an impact on the application of IAS/IFRS in enterprises.

The current trend is that the owner invites directors and financial experts to manage the administration to make the most of experience, transparency of reporting information, and optimization of resources. For countries, the participation of foreign experts in the Board of Directors is increasingly focused on the benefits of experience and executive management ability, catching up with the trend of global integration in providing financial information in accordance with IAS/IFRS. Based on that, the author determined the factor of the participation of foreigners in the Board of Directors affecting the application of IAS/IFRS.

Applying IAS/IFRS promotes the interests of managers because they have more power in choosing accounting options. To avoid opportunistic behavior against the interests of shareholders; The compensation rate of managers is established for financial activities of the enterprise. As a result, they are more likely to opt for IAS/IFRS when the standard impacts positively on book value, especially equity and profitability. If part of the compensation consists of stock options, they tend to use the option to increase the book value of equity. Therefore, in order to achieve the desired business efficiency for the owner (ROE), the manager has the ability to choose to apply IAS/IFRS to maximize the benefits.

Therefore, using the proxy theory to form a relationship between factors affecting the application of IAS/IFRS, such as capital markets, foreign listings, profitability, leverage, foreign loans, ownership of foreign investors, participation of foreigners in the Board of Directors.

2.2. Corporate Governance Theory

Mathiesen (2002) argues that corporate governance studies how to effectively manage enterprises by using contracts, organizational structures and rules. Corporate governance is often limited to improving financial performance, for example, how owners motivate business directors to deliver more effective investment returns. Charreaux (1997) defines corporate governance as a set of organizational mechanisms that act to delineate powers and influence management decisions (govern the behavior and minimize the misrepresentation of accounting items). Johnson et al., (1997) studied many issues related to corporate governance, such as the influence of institutions and laws, centralized ownership mechanisms, the role of senior managers to corporate values and shareholders.

IAS/IFRS improves the quality of published information by increasing transparency. In fact, most of the economic and financial information is reflected by the introduction of the concept of fair value. In order to achieve transparency, the IASB has decided to reduce accounting choices, using a single method for the group recognition process of operations and the requirement for dissemination of information previously available only to executives. Financial information disclosed under IAS/IFRS is more detailed because of special requirements for detailed data and related parties. For example, IFRS 8 (in place of IAS 14) requires the business to disclose sensitive information about the profitability of the operation (product or geographic area). IFRS 7 also requires information about the business risks (credit risk, liquidity risk, and market risk); how to manage risk, and investment strategies. This information is relevant to the investor, facilitating the assessment of how the business manages risk and the level of hypothetical risk of the investor.

Corporate governance theory contributes to explaining the impact of factors to the application of IAS/IFRS, including: foreign opening activities, enterprise size, economic growth, participation of foreigners in the Board of Directors... helping corporate administrators to improve the quality of financial reporting and reduce information asymmetry.

2.3. Signal theory

Teer (1973) introduces signal theory, describes the behavior of two parties accessing different information, the information provider must choose content and methods to convey information, the information receiver must find out how. In the accounting field, the degree of imperfection and information asymmetry is very high. Because accounting "creates" financial information, is the internal object that accesses internal information more clearly, sooner and knows the quality of information provided. While it is more difficult for users to access, identify and evaluate the quality of accounting information published by enterprises. The theory is applied to providing accounting information, accordingly, enterprises need to provide honest and transparent accounting information to the market so that external audiences properly evaluate the financial and business situation of enterprises.

Signal theory poses a fundamental problem when studying the factors affecting the application of IAS/IFRS which are related to the legal system, economics and audit quality. The issue of concern is that the drafter of the document needs to issue clear and uniform regulations on how to handle it, regulations from related fields need to be appropriate, information disclosure requirements and enterprises need to apply, comply with strict regulations to bring useful accounting information, meet the requirements of users. This theory helps explain the factors related to the access to information outside the enterprise are investors, creditors such as banks or other credit institutions. Therefore, the factors of foreign investment, foreign loans, profitability are also influenced by signal theory.

2.4. Institutional theory

According to North (1990), institutions are rules of the game created by humans to bind, regulate and shape their interactions. The institutional system consists of three important components: formal institutions (written as rules); informal institutions (written as customs and codes of conduct); mechanisms and sanctions. Throughout the 70s, North argued that, institutions, especially fully developed ownership systems, were important factors explaining changes in economic growth. When many groups of people in society see a higher chance of making a profit than the current institutional order, they will gather together and change the rules of the game to achieve a higher profit.

With the above characteristics, institutional theory is the appropriate theoretical framework and widely used in accounting research, especially the analysis of the application of IAS/IFRS and the change and improvement of accounting systems (Albu et al., 2011). Vellam (2012) acknowledges the adoption of IAS/IFRS as the institutionalized roadmap that enterprises respond to the pressure to change, and the adoption of IAS/IFRS is seen as a tool for enterprises to increase the image of international legitimacy and cooperation. Applying this theory, Aboagye -Otchere & Agbeibor (2012) identified the business as the most important agent affecting the successful applicability of IAS/IFRS. When the State mandates the application of IAS/IFRS from external pressure, if the enterprise is not aware of the challenges and benefits, does not have sufficient resources, the compliance is only formal and ineffective. In addition, the close connection between accounting regulations and legal documents, especially tax policies, has a major impact on the application of IAS/IFRS.

Thus, according to institutional theory and empirical research, the need to apply IAS/IFRS results from compulsive pressure, imitation pressure and normative pressure. Coercive pressure arises when the enterprise has investment from foreign investors, when the application of IAS/IFRS brings transparent, reliable and widely acknowledged financial information. Therefore, institutional theory provides the basis for the factors affecting the application of IAS/IFRS are culture, legal system, the connection between accounting and tax and the investment of foreign investors.

2.5. Theory of political influence

The theory is that state management makes decisions related to corporate interests (tax policies, monopoly restrictions, competition,...) based on published information. The political landscape impacts the level of wealth through tax collection or the imposition of new taxes (Watts & Zimmerman, 1986). Enterprises adopting IAS/IFRS will disclose more voluntary information to limit political costs. Enterprise size and profitability encourage enterprises to publish more information to reduce this cost. Larger businesses incur higher political costs, leading to greater levels of information disclosure.

This theory refers to the important content as the magnitude of political costs as measured by the size of the enterprise. Large enterprises may experience more pressure from the government than smaller enterprises. The cause of big business is more sensitive to political pressure than small business. In this case, applying IAS/IFRS is the solution to avoid additional political costs. Dumontier & Raffournier (1998) argue that the political cost and pressure from foreign capital markets to explain the voluntary application of international accounting standards by Swiss enterprises. The decline in the political cost of the larger business may be a factor in applying IAS/IFRS.

Based on the content and related research, the application of IAS/IFRS is the result of the impact of the Political Influence Theory that provides the basis to form the factor affecting the application of IAS/IFRS in countries is the political situation.

3. Factors affecting the application of IAS/IFRS by enterprises

Based on the theories mentioned above, the study identifies macro-environmental factors and micro-environmental factors that impact the application of IAS/IFRS in enterprises, specifically as follows:

3.1. Factors of the macro-environment

- **Culture**

Hofstede (1980) defines culture as "the collective spirit and a share with other members of peoples, regions, groups, and not with people of other countries, other regions". Culture is tested in many forms such as religion, language, and human behavior (Frank, 1979; Alsaeed, 2006; Neidermeyer et al., 2012). Hofstede (1980) identifies countries with four cultural tendencies that affect business: individualism/collectivism, power gaps, evasion/non-avoidance, and uncertainty. Based on Hofstede (1980), Gray (1988) has developed and formed factors affecting accounting value including: uniformity/flexibility, career development/statutory control, prudence/optimism and confidentiality/publicity. Therefore, culture is an important factor to explain the choice of accounting system of each country, especially the decision to apply IAS/IFRS.

Culture has an impact on the judgment of experts and the enforcement of accounting regulations. IAS/IFRS is built on principles rather than specific regulations (Alp & Ustundag, 2009); adopting standards requires judging the nature of the business rather than compliance with regulations. This is a difficulty for countries accustomed to accounting based on specific regulations (Phuong & Nguyen, 2012; Phan et al., 2014).

Kees & Zeff (2007) show that culture has a major impact on social and behavioral norms and values. The author argues that, over the past two decades, Anglo-Saxon culture has had a profound impact on national culture. Nobes (1998) states that countries affected by the same cultural values often apply the same IAS/IFRS. Hove (1986); Chamisa (2000); Zeghal & Mhedhbi (2006) chose the cultural scale as the country with Anglo-Saxon culture to assess the impact on the application of IAS/IFRS, the author concluded that the developing country with Anglo-Saxon culture will be easier to apply IAS/IFRS than other countries, which is also similar to Zeghal & Mhedhbi (2006) in the same topic study. In summary, through the research process conducted by many authors, the strong impact of cultural factors on the process of applying IAS/IFRS of countries around the world such as research by Nobes (1998), Zeghal & Mhedhbi (2006),...The authors selected the scale of cultural factors quite diverse such as Anglo-Saxon culture, language, cultural tendencies of Hofstede,etc.

- **Economic growth**

Economic growth is usually measured by the real output of the economy increasing over the period. The common measure is GDP growth or GDP per capita growth. In addition, there are the indicators Gross National Income (GNI), Gross National Product (GNP), Net National Product (NNP), Net National Income (NNI),... The above indicator is usually calculated in a year and can be used per capita.

Muller (1968) argues that the level of economic development and the type of economy impact on national accounting. Adkari & Tondkar (1992) show that economic growth positively impacts the development of accounting systems. Doupnik & Salter (1995), Chamisa (2000) concluded that the development of economics impacts the application of IAS/IFRS. In countries with poor economies, the accounting system is less developed because the social role of accounting standards depends on the level of economic growth. Zeghal & Mhedhbi (2006) argue that it is easier to apply IAS/IFRS to developing countries with strong economic growth rates.

Research on the impact of economic growth in developing countries has many different results. In the Asian context, Woolley (1998) concluded that there is no significant difference in economic growth between the country applying IAS/IFRS and the country not applying. Al-Akra et al., (2009) found that economic factors contributed mainly to the development of accounting system in Jordan. Economic growth has a positive impact on the development of accounting practices in this country.

The common scale for measuring the impact of economic growth on IAS/IFRS adoption in countries is the HDI and GDP. As such, economic growth factors impacting IAS/IFRS adoption in countries are demonstrated by many empirical studies. Accordingly, the country after applying IAS/IFRS can improve its economic growth rate as the quality of financial reporting is improved, increasing its competitiveness in the world market.

- **Financial market**

The capital market is an important part of the financial market, which is the market for trading financial instruments with maturities of more than 1 year. The capital market works to mobilize capital in society, focusing on long-term financing for enterprises and the government to develop production, economic growth or investment. Gray et al., (1997) argue that investors need information to analyze investment opportunities and optimize choices. The quality of financial information is an important component for the effective development of capital markets. Multinational enterprises listed on many stock markets should compel them to comply with their accounting and financial standards. This compliance has disadvantages in terms of information reliability and cost. The main objective of applying IAS/IFRS is to facilitate financial transactions and comparability. Chamisa (2000) studies the effect of improving the quality of financial information disclosed to capital markets when applying

IAS/IFRS in developing countries. As a result of the study, IAS/IFRS adoption is important for developing countries with emerging financial markets. Weissenberger et al., (2004) study 81 German enterprises showed that the decision to voluntarily adopt IAS/IFRS was driven by the goal of reducing the cost of access to foreign markets. Jemakowics et al., (2006) suggested that countries with open financial markets have more opportunities to apply IAS/IFRS because investors can compare information between different financial markets and thus reduce the cost of investment decisions.

- **Educational**

Mueller (1968) argues that national educational attainment influences current accounting practices. The evaluation of the accounting concept is not the same between experienced and inexperienced members. Therefore, the level of educational development has a significant impact on the application of IAS/IFRS to the country. Doupnik & Salter (1995) argue that the adoption of IAS/IFRS is a strategic decision because understanding and application requires a higher level of education and professional skills. IAS/IFRS countries require qualified professionals to understand, interpret and apply certain levels of higher education and training. IAS/IFRS is complex and requires extensive knowledge of accounting and other disciplines (analysis, insurance, finance,...) and practical experience (Alsaeed, 2006). IAS/IFRS is based on the tendency to be complex and requires accounting judgment. Hegarty et al., (2004) refer to certain requirements for competence (appropriately qualified individuals) when applying IAS/IFRS.

Choi & Meek (2011) affirmed that accounting standards and regulations are increasingly complex, so the applicability depends on the level of education. It is less expensive for a country with a developed education system to adopt IAS/IFRS than for a country with a higher level of education. Therefore, based on the national literacy level, the author demonstrates that education has a positive impact on the application of Management Accounting CM. Zeghal & Mhedhbi (2006) adopted a scale of literacy rates which suggested that developing countries with the highest literacy rates were a high incentive to adopt IAS/IFRS.

- **Foreign operations**

External pressures from foreign investors, multinational corporations, international auditing firms, and world financial institutions are key drivers behind the development and impact of IAS/IFRS adoption. Cooke & Wallace (1990) pioneered a review of the degree of openness of the economy to the outside world to the accounting system of each country. The author concludes that the country with a high degree of economic openness will face higher external pressure. Therefore, countries with foreign activities apply IAS/IFRS favourably to international transactions. Zeghal & Mhedhbi (2006) affirmed that this factor negatively impacts the application of IAS/IFRS because of fears from world market pressure. The author uses FDI/GDP scale in 74 developing countries. Pressure from competition in the world prevents developing countries from adopting IAS/IFRS. Kolsi & Zehri (2013) showed similar results when studying in 74 developing countries.

It can be seen that the impact of foreign operational factors on the process of applying IAS/IFRS in countries is still controversial among research in the world.

- **Legal system**

The legal system is a collection of all legal norms and documents that form a whole structure, divided into parts with internal unity according to certain criteria such as nature, content and purpose. Countries differ in the legal system and the degree to which the government governs the impact on accounting standards and different accounting activities (Otchere & Agbeibor, 2012). Therefore, the application of the whole, partial application or non-application of IAS/IFRS depends on the conditions and needs of each country. One of the difficulties in applying IAS/IFRS is that the role of the national accounting standards issuing agency is impaired, losing the ability to establish independent accounting standards, transferring control of issuing standards to the International Accounting Standards Council (Lonergan, 2003; Peng et al., 2008).

The quality of government management, the way the government operates, and the impact on the appropriateness of countries' application of IAS/IFRS (Chamisa, 2000). Doupnik & Salter (1995) demonstrate that the law has an important impact on accounting because it is directly related to the issuance of regulations. Applying IAS/IFRS becomes the only market benefit when there are greater incentives for better disclosure (Daske et al., 2008; Li, 2010). Nobes & Stadler (2014); Baig & Khan (2016), Baker et al., (2006) argue that national accounting differences must be mentioned as legal factors. This is an important and decisive factor in the selection of policies and development strategies of the national accounting standards system. Some authors present empirical evidence that IAS/IFRS adoption is more robust in countries with well-functioning legal systems.

- **Politics**

Belkaoui (1983) examines the impact of the political system on the development of accounting through the degree of political freedom. He said that the country has a low level of political freedom, citizens cannot choose government members due to lack of democracy. These people are deprived of all forms of freedom when choosing accounting policies. Therefore, the level of political freedom is an important factor affecting the accounting standards of each country. Peng et al., (2008) makes the same statement when many countries encounter obstacles due to the specificity of political institutions, the state takes control, governs or directly issues legal documents to manage accounting activities, accounting regulations in a specific direction, not according to the principles as IAS/IFRS should apply in countries with difficulties.

Political factors depend on the extent to which the state intervenes in the economy in the form of political institutions (Kantor et al., 1995). Perera & Baydoun (2007) assessed the relationship between economics and politics, considering the policy of securing national interests when integrating the world. Kees & Zeff (2007) evaluated political relations between the United States, the EU and the IASB when deciding on accounting convergence. Ramanna & Sletten (2014) affirmed that Canada, China and India when selecting and recognizing the IAS/IFRST approach depend on the relationship with the IASB. Political factors strongly affecting the application of IAS/IFRS represent the impact in the development strategy, orientation associated with the process of international integration. Active, globally integrated countries tend to adopt IAS/IFRS more quickly, more cautious countries have limited application. Zeghal & Mhedhbi (2006), Kolsi & Zehri (2013) selected the Gistel Index to assess the impact of politics on IAS/IFRS adoption in developing countries. Both studies concluded that the level of political freedom had an insignificant impact on the application of IAS/IFRS in these developing countries.

3.2. Factors of the micro-environment

The micro-environment is the immediate or immediate environment of the business and is unique because it is unique to each business or industry. This environment has a direct impact on the business. This study examines the impact of a number of micro factors including leverage, enterprise size, profitability, audit quality... on the application of IAS/IFRS.

- **Listed in foreign markets**

Dumontier & Raffournier (1998) identified that globalization promotes multinational enterprises listed abroad to find resources, internationalize brands, expand operations abroad and raise capital. Enterprises need to disclose clear, transparent and comparable information to attract international investors. The study found that offshore operations impact the voluntary application of IAS/IFRS by enterprises because they can save capital costs with better financial resources.

Murphy (1999) approved the listing of enterprises on foreign capital markets to consider the impact on the application of IAS/IFRS. The study concludes that the level of activity with foreign countries is a factor to distinguish enterprises that have adopted IAS/IFRS voluntarily and enterprises that do not. Guerreiro et al., (2008) analyzed the application of IAS/IFRS on a sample of 56 large enterprises listed in Portugal showing that enterprises investing abroad are more likely to apply IAS/IFRS. The process of listing on international markets impacts on enterprises applying IAS/IFRS through many studies. El-Gazzar et al., (1999), Guerreiro et al., (2008) determined by the ratio of total foreign revenue to total revenue. Affes & Callimaci (2007) measured by the binary variable between large enterprises listed on only one market (Cota = 0) and enterprises listed on multiple markets (Cota = 1). In addition, El-Gazzar et al., (1999), Cuijpers & Buijinik (2005) examined the characteristics of 174 enterprises voluntarily applying IAS/IFRS or American accounting standards. The results show that enterprises listed on foreign stock markets tend to prepare financial statements according to IAS/IFRS rather than applying American accounting standards.

- **Leverage**

Leverage is instrumental in increasing profitability but also increases business risk including business leverage and financial leverage. Financial leverage represents the use of borrowed capital to increase income per share through debt ratio. Enterprises with high debt ratio have high financial leverage and vice versa. Business leverage represents the extent to which enterprises use fixed business expenses to increase profit before interest and taxes. Some studies confirm the leverage that impacts the adoption of IAS/IFRS by enterprises. Meek et al., (1995) suggested that a highly indebted, highly financially leveraged business would provide more useful information to creditors, trying to establish good relations with creditors by disclosing quality assurance information. In the process of applying IAS/IFRS to create quality financial statements, the enterprise applies IAS/IFRS to improve credibility with creditors. Affes & Callimaci (2007) used the ratio of total debt to total assets of 106 enterprises in Germany and Austria. As a result, the debt ratio has a (very little) impact on the application of IAS/IFRS because it is possible that the creditor only requires compliance with certain specific covenants.

Murphy (1999) uses a scale of total debt to equity, showing that debt does not affect the application of IAS/IFRS in 44 large companies listed on the Swiss stock exchange (22 companies apply IAS/IFRS and 22 do not apply IAS/IFRS). Kolsi & Zehri (2013) studied 700 enterprises of 74 developing countries (32 countries applying IAS/IFRS and 32 countries not applying IAS/IFRS) for similar results, the scale is the ratio of long-term debt divided by total assets. Ibiamke & Ateboh-Briggs (2014) studied 60 large enterprises listed in Nigeria to assess the impact of leverage (total debt and total debt-to-equity ratio) before and after applying IAS/IFRS. Leverage results do not impact the application of IAS/IFRS.

Thus, it can be seen that the impact of the Leverage factor on the application of IAS/IFRS in the country through the study of the authors is heterogeneous. The scale of the variable Leverage is often used as total debt, total debt on equity, or total debt on total assets....

- **The size of enterprise**

Scale plays a very important role in developing and implementing the strategy of the business. Enterprises can be classified as: Micro enterprises, small and medium enterprises, large enterprises and very large enterprises based on: number of employees, charter capital, annual revenue, total assets,...

Leuz & Verrechia (2000) study on the selection of accounting standards of listed German enterprises based on the DAX index for 1998. Applying IAS/IFRS increases the level of disclosure of financial statements, reduces information asymmetry and reduces capital costs. Empirical research shows that enterprise size, financing needs and financing activities positively impact the adoption of IAS/IFRS. Gassen & Sellhorn (2006) used a logistic model for a sample of 354 German enterprises, the results of the study showed that the decision to apply IAS/IFRS was influenced by the size of the enterprise with a scale of total assets at the time of the study. Affes & Callimaci (2007) emphasized that, 106 large German and Austrian listed enterprises decided to adopt IAS/IFRS more and more as the size of the enterprise grew. Guerreiro et al., (2008) based on 56 large enterprises listed on the Portuguese stock exchange, showed that smaller enterprises tend to continue to apply national accounting standards. Large enterprises apply high quality accounting policies even before the official application of IAS/IFRS because enterprises rely heavily on external capital and seek to differentiate themselves in the market by providing quality financial statements. There are many ways to measure this factor, usually through indicators such as number of employees (Francis et al., 2008), turnover (Eierle & Haller; 2009; Aboagye - Otchere & Agbeibor, 2012; Baig & Khan, 2016; Senyii, 2014), total assets (Kolsi & Zehri, 2013) or coordinating multiple indicators at the same time (Haller & Wehrfritz, 2013).

- **Profitability**

Profitability is the analytical content that is of interest to many subjects, from financial administrators, investors to lending institutions, because it is associated with their interests in the present and the future, is the reference basis for making investment decisions, loans or other financial decisions. Profitability is closely related to the operating capacity and solvency of the enterprise. To assess profitability, analysts can use a variety of indicators that are common to profitability, rate of return on revenue (ROS), rate of return on assets (ROA), and rate of return on equity (ROE). Profitable businesses tend to have higher political costs, and they need to increase the reliability of their published financial statements by aligning them with IAS/IFRS. Commonly used Profitability factor scales are profit, ROA and ROE. Iatridis (2010), Kim et al., (2011) found a significant impact between IAS/IFRS compliance and profitability. Affes & Callimaci (2007) also obtained similar results. Guerreiro et al., (2008) argue that enterprises with high profitability when applying IAS/IFRS to display that profitability is reliably determined. In contrast, Guerreiro et al., (2012) found negative effects. Dumontier & Raffournier (1998) show no association between IAS/IFRS adoption and business performance (profitability).

Thus, the Profitability factor can have an impact on the application of IAS/IFRS through the conducted studies.

- **Audit quality.**

Al-Basteki (1995) examined the characteristics of 26 large enterprises listed on the Bahrain Stock Exchange and information disclosure enterprises according to IAS/IFRS, showing that the decision to apply IAS/IFRS was strongly influenced by the type of auditor (Big4). Joshi & Ramadhan (2002) examined accounting practices and the application of IAS/IFRS to 36 small and medium enterprises in Bahrain. As a result, 86% of enterprises applying IAS/IFRS were audited by Big4 Odia (2016) studied the financial statements of 50 large companies listed in Nigeria from 2011 to 2013 before and after applying IAS/IFRS. The selected scale is a dummy variable that receives a value of 1 if audited by Big4 and receives a value of 0 if not audited by Big4. Research results show that there is an impact (although not significant) of this factor on the application of IAS/IFRS in Nigerian enterprises.

In summary, audit quality factors impacting the application of IAS/IFRS have been demonstrated by empirical studies.

- **Qualifications of accountants**

Xu (2003) said that the qualification of accountants is a factor related to the skills and knowledge of employees in the field of finance, accounting and business allowing them to fulfill their responsibility for accounting work. The level of awareness and ability of accountants has a great impact on the application of IAS/IFRS because according to many studies, accountants and their professional capacity are very important, in which professional judgment and judgment is the key issue. Baig & Khan (2016) affirmed that the application of IAS/IFRS in the country is complicated by differences from national accounting standards. In addition, the language used in IAS/IFRS is not easy to understand as it includes technical terms, definitions and measurement methods. Therefore, even professional accountants still struggle to apply IAS/IFRS. Therefore, it is necessary to organize training by a specialized agency or government to introduce and ensure that IAS/IFRS is properly understood and applied (Albu et al., 2011). Many studies show that the low level of knowledge and awareness of accountants is a barrier to applying IAS/IFRS (Alp & Ustundag, 2009; Albu & Albu, 2012; Ghio & Verona, 2015).

In summary, accounting qualification factors impact on the application and implementation of IAS/IFRS in enterprises. Whether this process is effective or not depends on the qualifications of accountants, who directly perform professional work and prepare financial statements.

- **Foreign capital**

Research on the application of IAS/IFRS recognizes the benefits of enterprises when preparing financial statements according to IAS/IFRS that bring reliable information to creditors, especially banks. Research by Ploybut (2012), Eierle & Haller (2009), Aboagye - Otchere & Agbeibor (2012) all confirmed that enterprises borrow more easily and quickly when preparing and presenting financial statements according to IAS/IFRS. From a banking perspective, the adoption of IAS/IFRS results in more reliable and appropriate financial reporting, thereby assessing the credit quality of the business more accurately.

- **Investments of foreign investors**

The study specifies the reliability of information on listed large enterprises, as well as the financial market in general, the stock market in particular in the countries that apply IAS/IFRS is highly appreciated by foreign investors. Enterprises applying IAS/IFRS emit positive signals on transparency and integration of global financial accounting information to attract domestic and foreign investment. Saudagaran & Diga (2003); Lee & Fargher (2010),... recognizing the application of IAS/IFRS increases the competitiveness of international capital markets, reducing asymmetric information. The theory of mandate and the theory of signals specify that foreign investors need unified accounting information without being dominated by the political, cultural or legal system of each country. Therefore, foreign investors often require enterprises to prepare and present financial statements in accordance with IAS/IFRS for economic decisions.

- **The participation of foreigners in**

Active participation of foreign managers in the enterprise is considered a good method to improve profitability. This process strengthens foreign investment and the transfer of management experience, implementation operation, market expansion opportunities, learning operation methods (Ball et al., 2015). Active participation of foreign managers is a quick and effective way to improve corporate governance, integrate quickly with world development trends. Foreign managers promote the application of international accounting standards to find resources, expand business, improve the reliability of information on financial statements.

4. Conclusion

In the context of deepening international integration, especially in the field of accounting, auditing, in the face of the strong diffusion of IAS/IFRS globally, the application of IAS/IFRS is not only the private business of any country but also the common goal of countries in the world. For the business community, the application of IAS/IFRS is a necessary solution to increase the reliability and comparability of financial reporting information.

Research has focused on synthesizing and pointing out the main factors influencing the theoretical application of IAS/IFRS. However, the limitation of that study is that it has not been possible to assess the specific impact of these factors on the practical application of IAS/IFRS in specific contexts. In the future, the authors can expand the objectives and scope of the study and apply appropriate research methods to obtain more comprehensive and correct results.

References

1. Aboagye-Otchere, F., & Agbeibor, J. (2012). The International Financial Reporting Standard for Small and Medium- sized Entities (IFRS for SMES): suitability for small businesses in Ghana. Journal of Financial Reporting and Accounting. 10 (2), 190 – 214.
2. Adhikari, A., & Tondkar, R. H. (1992). Environmental factors influencing accounting disclosure requirements of global stock exchanges. Journal of International Financial Management & Accounting, 4(2), 75-105.
3. Affes, H., & Callimaci, A. (2007). Les déterminants de l'adoption anticipée des normes comptables internationales: choix financier ou opportunisme? Comptabilité contrôle audit, 13(2), 149-166.
4. Al-Akra, M., Ali, M. J., & Marashdeh, O. (2009). Development of accounting regulation in Jordan. The International Journal of Accounting, 44(2), 163-186.
5. Al-Basteki H. (1995). The voluntary adoption of international accounting standards by Bahraini corporations. Advances in International Accounting, 8, 45-64.
6. Albu, N., & Albu, C. N. (2012). International Financial Reporting Standards in an emerging economy: lessons from Romania. Australian accounting review, 22(4), 341-352.
7. Albu, N., Albu, C. N., Bunea, Ş., Calu, D. A., & Girbina, M. M. (2011). A story about IAS/IFRS implementation in Romania. Journal of Accounting in Emerging Economies.
8. Alp, A., & Ustundag, S. (2009). Financial reporting transformation: The experience of Turkey. Critical perspectives on Accounting, 20(5), 680-699.
9. Alsaeed, K. (2006). The association between firm-specific characteristics and disclosure: The case of Saudi Arabia. Managerial Auditing Journal.
10. Baig, M., & Khan, S. A. (2016). Impact of IFRS on earnings management: Comparison of pre-post IFRS era in Pakistan. Procedia-Social and Behavioral Sciences, 230, 343-350.
11. Baker, M., Nagel, S., & Wurgler, J. (2006). The effect of dividends on consumption. Brookings Paper On Economic Activity, 279-291.
12. Ball, R., Li, X., & Shivakumar, L. (2015). Contractibility and transparency of financial statement information prepared under IFRS: Evidence from debt contracts around IFRS adoption. Journal of Accounting Research, 53(5), 915-963.
13. Barth, M. E., Landsman, W. R., Lang, M. H., & Williams, C. D. (2018). Effects on comparability and capital market benefits of voluntary IFRS adoption. Journal of Financial Reporting, 3(1), 1-22.
14. Barth, M. E., Landsman, W. R., Young, D., & Zhuang, Z. (2014). Relevance of differences between net income based on IFRS and domestic standards for European firms. Journal of Business Finance & Accounting, 41(3-4), 297-327.
15. Belkaoui, A. (1983). Economic, political, and civil indicators and reporting and disclosure adequacy: Empirical investigation. Journal of Accounting and Public Policy, 2(3), 207-219.
16. Chamisa, E. E. (2000). The relevance and observance of the IASC standards in developing countries and the specific case of Zimbabwe. The International Journal of Accounting, 35(2), 267-286.
17. Charreaux, G. (1997). Le gouvernement des entreprises: Corporate Governance, théories et faits (pp. 421-469). Paris: Economica.
18. Cooke, T. E., & Wallace, R. O. (1990). Financial regulation and its environment: A review and further analysis. Journal of Accounting and Public Policy, 9(2), 79-110.
19. Cuijpers, R., & Buijink, W. (2005). Voluntary adoption of non-local GAAP in the European Union: A study of

determinants and consequences. European accounting review, 14(3), 487-524.
20. Daske, H., Hail, L., Leuz, C., & Verdi, R. (2008). Mandatory IFRS reporting around the world: Early evidence on the economic consequences. Journal of accounting research, 46(5), 1085-1142.
21. DeFond, M., Hu, X., Hung, M., & Li, S. (2011). The impact of mandatory IFRS adoption on foreign mutual fund ownership: The role of comparability. Journal of accounting and economics, 51(3), 240-258.
22. Doupnik, T. S., & Salter, S. B. (1995). External environment, culture, and accounting practices: a preliminary test of a general model of international accounting development.
23. Dumontier, P., & Raffournier, B. (1998). Why firms comply voluntarily with IAS : an empirical analysis with Swiss data. Journal of International Financial Management and Accounting, 9(3), 216-245.
24. Eierle, B., & Haller, A. (2009). Does size influence the suitability of the IFRS for small and medium-sized entities?–Empirical evidence from Germany. Accounting in Europe, 6(2), 195-230.
25. El-Gazzar, S. M., Finn, P. M., & Jacob, R. (1999). An empirical investigation of multinational firms' compliance with international accounting standards. The International Journal of Accounting, 34(2), 239-248.
26. Francis, J., Nanda, D., & Olsson, P. (2008). Voluntary disclosure, earnings, quality and cost of capital. Journal of accounting research, 46(1), 53-99.
27. Frank, W. G. (1979). An empirical analysis of international accounting principles. Journal of Accounting Research, 593-605.
28. Gassen, J., & Sellhorn, T. (2006). Applying IFRS in Germany: Determinants and consequences. Germany: Determinants and Consequences (July 2006). 58(4), 365-386.
29. Ghio, A., & Verona, R. (2015, June). Accounting harmonization in the BRIC countries: A common path?. In Accounting Forum (Vol. 39, No. 2, pp. 121-139). No longer published by Elsevier.
30. Gray, S. (1988). Towards a Theory of Cultural Affects on the Development of International Accounting Systems. ABACUS, 24, 1-15.
31. Gray, S. & Lee, Radebaugh. 1997). International Accounting and Multinational Enterprises
32. Guerreiro, M. S., Rodrigues, L. L., & Craig, R. (2008, March). The preparedness of companies to adopt International Financial Reporting Standards: Portuguese evidence. In Accounting Forum, 32(1), pp. 75-88.
33. Guerreiro, M.S., Rodrigues L. L. & Craig, R. (2012). Voluntary adoption of international financial reporting standards by large unlisted companies in Portugal – institutional logics and strategic responses. Acc Organ Soc, 37, 482 – 499.
34. Haller, A., & Wehrfritz, M. (2013). The impact of national GAAP and accounting traditions on IFRS policy selection: Evidence from Germany and the UK. Journal of International Accounting, Auditing and Taxation, 22(1), 39-56.
35. Hofstede, G. (1980). Culture's Consequences. London, UK: Sage Publications.
36. Hove, M. R. (1986). Accounting practices in developing countries:Colonialism's legacy of inappropriate technologies. International Journal of Accounting, 22(1), 81-100.
37. Iatridis G. (2010). International Financial Reporting Standards and the quality of financial statement information. International review of financial analysis, 19(3), 193-204.
38. Ibiamke, N. A., & Ateboh-Briggs, P. B. (2014). Financial ratios effect of

international financial reporting standards (IFRS) adoption in Nigeria. Journal of Business and Management Invention, 3(3), 50-59.
39. Jensen, M. C., & Meckling, W. H. (2019). Theory of the firm: Managerial behavior, agency costs and ownership structure. In Corporate Governance (pp. 77-132). Gower.
40. Jermakowicz, E. K., & Gornik-Tomaszewski, S. (2006). Implementing IFRS from the perspective of EU publicly traded companies. Journal of international accounting, auditing and taxation, 15(2), 170-196.
41. Joshi, P. L., & Ramadhan, S. (2002). The adoption of international accounting standards by small and closely held companies: evidence from Bahrain. The International Journal of Accounting, 37(4), 429-440.
42. Johnson, S., Kaufmann, D., Shleifer, A., Goldman, M. I., & Weitzman, M. L. (1997). The unofficial economy in transition. Brookings papers on economic activity, 1997(2), 159-239.
43. Kantor, J., Roberts, C. B., & Salter, S. B. (1995). Financial reporting practices in selected Arab countries: An empirical study of Egypt, Saudi Arabia, and the United Arab Emirates. International studies of management & organization, 25(3), 31-50.
44. Kees, Camfferman & Stephen, A. Zeff. 2007). Financial Reporting and Global Capital Markets A History of the International Accounting Standards Committee, 1973-2000. Oxford University Press.
45. Kim, J. B., Tsui, J. S., & Yi, C. H. (2011). The voluntary adoption of International Financial Reporting Standards and loan contracting around the world. Review of Accounting Studies, 16(4), 779-811.
46. Kolsi, M., & Zehri, F. (2013). The determinants of IAS/IFRS adoption by emergent countries. In Working paper, Emirates College of Technology, Abu Dhabi.
47. Lee, G., & Fargher, N. L. (2010). Did the adoption of IFRS encourage cross-border investment?. Available at SSRN 1686571.
48. Li, S. (2010). Does mandatory adoption of International Financial Reporting Standards in the European Union reduce the cost of equity capital?. The accounting review, 85(2), 607-636.
49. Leuz, C., & Verrecchia, R. (2000). The economic consequences of increased disclosure. Journal of accounting research, 91-124.
50. Lonergan, W. (2003). The valuation of enterprises, shares and other equity. Allen & Unwin Australia.
51. Lonergan, W. (2003). The valuation of enterprises, shares and other equity. Allen & Unwin Australia.
52. Mathiesen, H. (2002). Managerial Ownership and Finance Performance (Doctoral dissertation, Dissertation presented at Copenhagen Business School).
53. Meek, G. K., Roberts, C. B., & Gray, S. J. (1995). Factors influencing voluntary annual report disclosures by US, UK and continental European multinational corporations. Journal of international business studies, 26(3), 555-572.
54. Elina Moustaira N. (2004). Comparative Law: University Courses (in Greek), Ant. N. Sakkoulas Publishers, Athens, ISBN 960-15-1267-5.
55. Mueller, G. G. (1983). Accounting principles generally accepted in the United States versus those generally accepted elsewhere. In International Accounting and Transnational Decisions (pp. 57-69). Butterworth-Heinemann.
56. Murphy, A. B. (1999). Firm characteristics of Swiss companies that utilize International Accounting Standards. The International Journal of Accounting, 34(1), 121-131.
57. Neidermeyer, P. E., Dorminey, J., & Wilson, A. J. (2012). Cultural factors, economic affiliations and the adoption of

international financial reporting standards. Journal of Applied Business Research (JABR), 28(5), 815-824.
58. Nobes, C. (1998). Towards a general model of the reasons for international differences in financial reporting. Abacus, 34(2), 162-187.
59. Nobes, C. W., & Stadler, C. (2015). The qualitative characteristics of financial information, and managers' accounting decisions: evidence from IFRS policy changes. Accounting and Business Research, 45(5), 572-601.
60. North, D. C. (1990). Institutions, institutional change and economic performance. Cambridge University Press.
61. Odia, J.O. (2016). The determinants and Financial Statement effects of IFRS adoption in Nigeria. Economics and political implications of International Financial Reporting Standards, 319 – 334.
62. Palea, V. (2014). Fair value accounting and its usefulness to financial statement users. Journal of Financial Reporting and Accounting, 12(2), 102-116.
63. Peng, S., Tondkar, R. H., van der Laan Smith, J., & Harless, D. W. (2008). Does convergence of accounting standards lead to the convergence of accounting practices?: A study from China. The International Journal of Accounting, 43(4), 448-468.
64. Perera, H., & Baydoun, N. (2007). Convergence with international financial reporting standards: the case of Indonesia. Advances in International Accounting, 20, 201-224.
65. Phan, D., Mascitelli, B., & Barut, M. (2014). Perceptions towards international financial reporting standards (IFRS): The case of Vietnam. Global Review of Accounting and Finance Journal, 5(1), 132-152.
66. Phuong, N. C., & Nguyen, T. D. K. (2012). International harmonization and national specificities of accounting: Recent accounting development in Vietnam. Journal of Accounting & Organizational Change. 8(3), 431- 451.
67. Ploybut, S. (2012). Financial reporting by small and medium enterprises in Thailand (Doctoral dissertation, University of Portsmouth).
68. Ramanna, K., & Sletten, E. (2014). Network effects in countries' adoption of IFRS. The accounting review, 89(4), 1517-1543.
69. Senyiite, Y. B. (2014). Determinants of voluntary IFRS adoption. Accounting and Information Management Systems, 13(3), 449.
70. Shima, K. M., & Yang, D. C. (2012). Factors affecting the adoption of IFRS. International journal of business, 17(3), 276.
71. Saudagaran, S. M., & Diga, J. G. (2003). Economic integration and accounting harmonization options in emerging markets: adopting the IASC/IASB model in ASEAN. Research in Accounting in Emerging Economies, 5, 239-266.
72. Teer, F., & Spence, J. D. (1973). Political opinion polls (Vol. 189 London: Hutchinson.
73. Vellam, I. (2012). The adoption of IFRS in Poland: an institutional approach (Doctoral dissertation, University of Greenwich).
74. Verschoor, C. C. (2010). IFRS would escalate ethical challenges for accountants. Strategic Finance, 92(1), 13-16.
75. Zeghal, D., & Mhedhbi, K. (2006). Analysis of the factors affecting the international accounting standards adopted by developing countries. The International Journal of Accounting, 41(4), 52-73.
76. Zehri, F., & Chouaibi, J. (2013). Adoption of determinants of the International Accounting Standards IFRS by the developing countries. Journal of Economics Finance and Administrative Science, 18(35), 56-62.

77. Watts, R. L., & Zimmerman, J. L. (1986). lý thuyết kế toán thực chứng
78. Weißenberger, B. E., Stahl, A. B., & Vorstius, S. (2004). Changing from German GAAP to IFRS or US GAAP: A survey of German companies. Accounting in Europe, 1(1), 169-189.
79. Woolley, R. L. (1998). International accounting standards and economic growth: an empirical investigation of their relationship in Asia. Research and Development Unit, RMIT Business.
80. Wu, G. S. H., Li, S. H., & Lin, S. (2014). The effects of harmonization and convergence with IFRS on the timeliness of earnings reported under Chinese GAAP. Journal of Contemporary Accounting & Economics, 10(2), 148-159.
81. Xu, H., Nord, J. H., Nord, G. D., & Lin, B. (2003). Key issues of accounting information quality management: Australian case studies. Industrial Management & Data Systems.