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FACTORS AFFECTING THE QUALITY OF FINANCIAL STATEMENTS OF MANUFACTURING ENTERPRISES IN HO CHI MINH CITY

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Abstract

The purpose of this article is to determine the degree of influence of internal factors affecting the quality of financial statements of manufacturing enterprises in Ho Chi Minh City. Mixed research is used in the research paper, in which qualitative research is pre-used with the case method through discussion techniques, expert interviews and using saturation points, quantitative research is conducted through analytical techniques including: descriptive statistics, scale reliability testing, EFA analysis, linear regression. The results show that there are 7 influencing factors to build a theoretical model, with tax as a new finding, and the study shows that there are 4 factors affecting the quality of financial statements of manufacturing enterprises, sorted by the degree of decreasing influence: accounting apparatus, managers, accounting and tax documents. On that basis, the study makes a number of recommendations to improve the quality of financial statements at manufacturing enterprises in the study area, and at the same time propose research directions for the future.

Keywords: *financial statements, information quality, listed enterprises, accounting information*

1. Introduction

Financial statements are quantitative descriptions of the status and financial problems arising in the process of production business. Investors judge the value of a business based on the financial numbers and figures shown on the financial statements. For Bushman and Smith (2001), Healy and Palepu (2001),... The higher the quality of financial statements, the more effective the investment. Therefore, there are many studies on quality measurement through the identification of factors affecting financial statements.

For manufacturing enterprises, building a good information system plays an important role, making the supply process more efficient. Because errors in the financial statements cause discrepancies in the information provided to stakeholders, leading to wrong decisions that cause significant losses to businesses, especially manufacturing businesses (such as Enron's case, WorldCom, Global Crossing, Adelphia, Lehman Brothers... in the US or Bien Hoa Confectionery in 2002, Ha Long canned food in 2002, Bong Bach Tuyet in 2004-2008, Vien Dong Pharmacy in 2009, Truong Thanh Wood in 2016, ... in Vietnam). From the above situation, it is necessary to learn and study the factors affecting the quality of financial statements and make recommendations to improve the financial statements of manufacturing enterprises in a large economic center like Ho Chi Minh CityHo Chi Minh City.

2. The oretical basis

2.1. *The quality of accounting information on financial statements*

Information Quality

Information is useful with decision-making because it reduces uncertainty and increases knowledge of the issue at hand (Gelinas and Dull, 2008). In terms of information, information quality is defined as information that meets specifications or requirements (Kahn and Strong, 1988). In terms of users, Information quality is defined as information appropriate for information users (Wang and Strong, 1996).

In the field of accounting, quality is conceptualized in association with the needs of information users. In view of the harmony between the IASB and the FASB, the quality of accounting is reflected in the objective of providing useful financial information to existing and potential investors, lenders, and other creditors in making decisions about the provision of resources to an entity (IASB, 2010).

Quality of financial statements

Any financial statements of any company must have the characteristics of quality financial statements as prescribed by the IASB, FASB, or according to the accounting laws of each country. Biddle & CLG (2009) concept Information quality Financial statements are the accuracy with which financial statements convey information about a company's operations, especially its cash flow, to inform investors. According to the Law on Accounting of Vietnam No. 88/2015/QH13 and Vietnam Accounting Standard No. 01, the attributes of the quality of financial intelligence on financial statements are honest, objective, complete, timely, comparable and verifiable.

2.2. *Studies related to the quality of economic intelligence on financial statements*

Up to now, in order to find solutions to improve the quality and effective use of accounting information on financial statements, many domestic and foreign authors have conducted a lot of research and given many perspectives on factors affecting the quality of accounting information, concrete:

In the study "Key Issues Accounting Information Quality Management: Australian Case Studies", Xu & ctg (2003) identified factors based on attributes: accurate, timely, complete and consistent, thereby giving some factors affecting the quality of economic intelligence: internal factors (human and system factors), factors related to the organization (organizational structure, organizational culture, policies and norms) and external factors (global economy, technological developments, …).

Research by Komala (2012) - "The Influence Of The Accounting Managers Knowledge And Its Managements Support On The Quality Of Accounting Information System: A Case Of Zakat Institutions In Bandung" concluded that the quality factor of accounting information system has an impact on quality of economic intelligence. In particular, some factors affecting the quality of ICT include: Accounting Manager Knowledge, Top management support, commitment of management, company culture, organizational structure affecting the quality of ICT and these factors affect the quality of ICT.

Besides, this topic in Vietnam is also researched and evaluated by many authors, notably the studies:

According to Q. T. Pham's doctoral thesis (2016) – "Factors affecting the quality of financial statement information in enterprises in Vietnam", by appropriate tests, the research paper has confirmed the relationship of 10 factors affecting the quality of information on financial statements, These include as follows: internal factors (support from managers, capacity of accounting staff, staff training and retraining, effectiveness of internal control system, profit management behavior, quality of accounting software), factors outside the enterprise (pressure from tax, independent audit) and a group of factors reflecting enterprise attributes (stock listing, enterprise size).

Research by T. T. Pham (2016) shows that 6 factors such as accounting voucher system, accounting accounts, accounting books, accounting apparatus, managers and the preparation and presentation of financial statements.

3. Research methodology

3.1. Qualitative research methods

Conducted using case studies with discussion techniques and using saturation points (T. D. Nguyen, 2012).

Participants: Finance and accounting experts, university lecturers (draft discussion), accountants and managers at Manufacturing enterprises (formal discussion).

Number of samples: From 12 to 15 situations, if larger, the amount of information collected will be quite large, beyond the researcher's ability to monitor (Xu, 2003). Table 1 show a summary of situations in qualitative research:

Table 1: Templates for casing studies and data collection techniques.

Situation	Interview subject	Data collection techniques
S1	Accounting BA Production and Trading Co., Ltd	Group Discussion
S2	Accounting Thanh Dat Development Investment Trading Production Co., Ltd	Hand-to-hand discussion
S3	Accountant An Nhien Ice Cube Manufacturing Co., Ltd.	Hand-to-hand discussion
S4	Accountant Vietnam Import Food Trading and Production Co., Ltd	Group Discussion
S5	Payroll Accounting TCC Production Trading Services Co., Ltd	Group Discussion
S6	Chief Accountant of Dong Gia Phuc Production - Trading - Construction Co., Ltd	Group Discussion
S7	Chief Accountant of SKM Manufacturing Co., Ltd	Hand-to-hand discussion
S8	Accountant Thang Loi Paper Production Service Trading Limited	Hand-to-hand discussion
S9	Accountant DHT Manufacturing Trading Co., Ltd	Group Discussion
S10	Accountant KANGXIN Production Trading Service Co., Ltd.	Hand-to-hand discussion

Source: Compiled from research

Sampling process: the number of samples is determined at the level of information collected that is almost no different from previous samples. Then continue to choose one more sample to confirm the saturation point. If nothing new is discovered, it will stop. The procedure follows Figure 1

Figure 1. The procedure for selecting a theoretical sample for a case study

Data collection and analysis: Conducted using a discussion outline, the questions in the discussion outline are inherited from previous research and the theoretical basis.
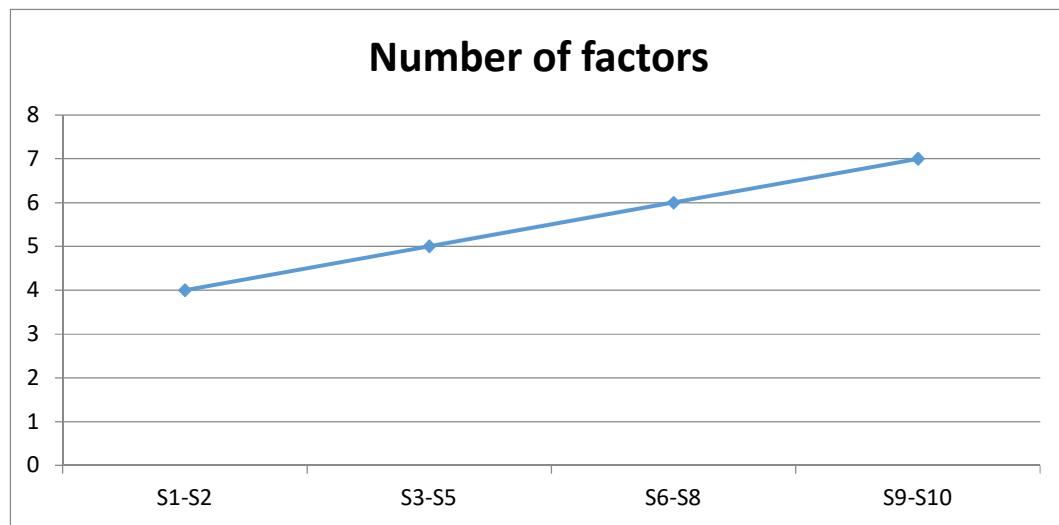
Based on the degree of approval of situations, formal factors and scales are incorporated into the theoretical research model. After collecting feedback, the survey questionnaire was revised and ready for quantitative research.

3.2. Quantitative research methods

Subjects of data collection: accountants and management executives (Xu, 2003; T. T. Pham, 2016).

Research samples size: According to T. D. Nguyen (2012), sample size depends on many factors such as data processing method or reliability required to perform EFA exploratory factor analysis, the sample size will be determined by the formula: n = k*number of observed variables (where, k is the ratio of observations/variables of observation, k is usually 5/1 or 10/1). So, with the number of observed variables of the study model is 40 and the coefficient k is 5/1, the minimum sample size is 200.

To topically perform a multiplicity regression analysis, the sufficient sample size is typically determined by the formula: n 50 + 8k (where k is the number of independent variables of the model). In this study, with the number of independent variables of the study model being 7, the sample size was at least 106. Thus, considering the requirements of EFA analysis as well as multiple regression analysis, and considering time constraints, the number of observations of the study of 134 would be appropriate.

Sampling method: The study uses a non-probability sampling method because of its convenience of time and cost. The non-probability form of sampling that the study performs is convenient sampling, meaning that the study will select manufacturing enterprises that are easily accessible.

Data collection: This is done through survey questionnaires. 134 questionnaires were distributed to manufacturing enterprises' accountants, chief accountants and managers. Table 2 shows a summary of the manufacturing enterprises surveyed as follows:

Table 2: List of surveyed manufacturing enterprises in Ho Chi Minh City HCM

Sequence number	District	Number of Manufacturing Enterprises	Number of surveys	Average Votes/Manufacturing Enterprise
1	District 1	11	31	2.8
2	District 2	1	4	4
3	District 3	8	19	2.4
4	District 7	3	10	3.3
5	District 10	2	5	2.5
6	Binh Thanh	9	26	2.9
7	Phu Nhuan	4	17	4.3
8	Tan Binh	6	22	3.7
Total		**44**	**134**	**3.2**

Source: Compiled from research

Data analysis: Performed through descriptive statistics, Cronbach's Alpha scale reliability testing, EFA discovery factor analysis, and multivariate linear regression with the support of SPSS 22.0 software.

Scale: 5-degree Likert scale for measuring the value of variables. Research findings and Research results

3.2.1. Qualitative research results

Through the discussion from elements S1 to S12, the collected data is sufficient to identify factors that affect the quality of economic intelligence of SMEs. The sample sizes for the case study was n = 12, the saturation point was S10, the sample collected satisfies the condition of the number of suggestions from previous researchers.

The factors affecting the quality of economic intelligence through formal discussion are presented in Table 3.

Table 3: The situations have confirmed the factors affecting the quality of economic intelligence on the financial statements of the manufacturing enterprise

Sequence number	Discovery factor	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	Total
1	Accounting accounts	1	1	1	1	1	1	1	1	1	1	**10**
2	Accounting documents	1	1	1	1	1	1	1	1	1	1	**10**
3	Bookkeeping	1	1	1	1	1	1	1		1	1	**9**
4	Accounting apparatus	1		1	1	1	1	1	1	1	1	**9**
5	Managers		1		1		1	1	1	1	1	**7**

Sequence number	Discovery factor	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	Total
6	Financial Reporting Objectives					1	1		1	1	1	5
7	Tax			1				1	1	1	1	5
Total factors (each element)		4	4	5	5	5	6	6	6	7	7	

Source: Compiled from research data

In order to have a basis for selecting factors to include in the theoretical research model, the study continues to rely on the discussion outline of each subject and synthesize and arrange the discovery factors according to the degree of impact on the quality of the economic intelligence:
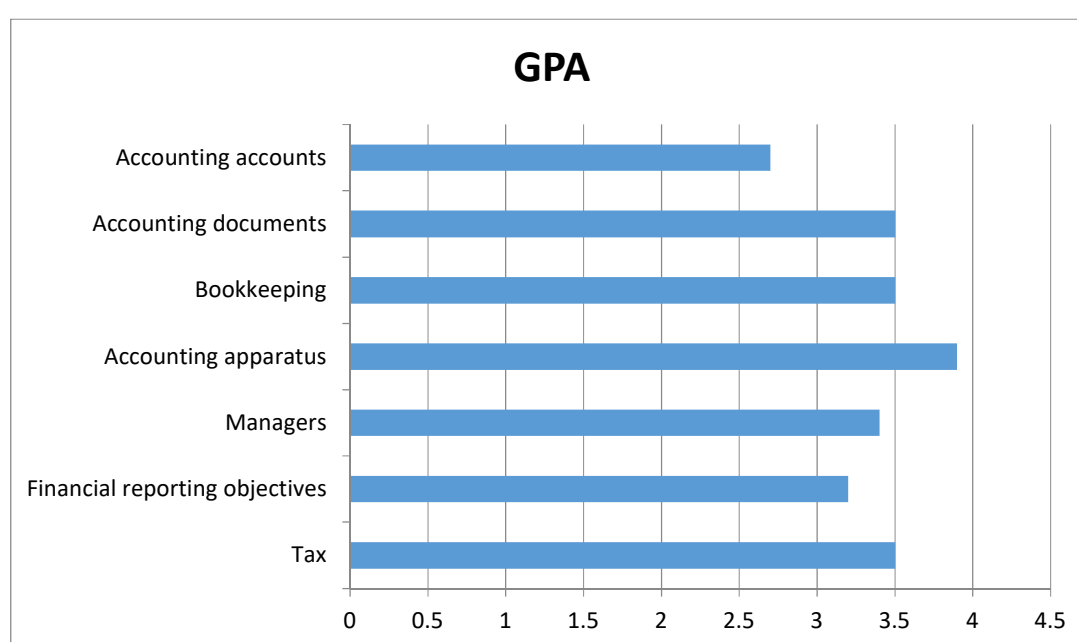
Source: Compiled from research data

Figure 2. Factors affecting the quality of economic intelligence according to the degree of impact

In terms of the impact in Figure 2, the highest impact factor is the Accounting Apparatus with 3.92 points. Next is the Manager (3.38 points), two factors Vouchers and Bookkeeping with a score of 3.31. Tax, Financial Statement Objective and Accounting Account have an average impact with scores of 3.23 respectively; 3.08 and 2.85.

To be selected for the study model, the discovery factors must be approved by experts with an impact level of 2.5 points or more. Through the results of qualitative research, the study determined:

New Finder: Tax. This is considered a specific factor after conducting qualitative research in Ho Chi Minh City. HCM, which is different from previous studies. Tax here is considered an internal factor in terms of the application of tax policies, taxes, and tax rates present on the accounting books of Manufacturing enterprises.

The remaining elements of the model: Accounting accounts, Accounting documents, Accounting books, Accounting apparatus, Managers and Objectives of preparing financial statements are similar to previous studies on the theoretical basis. This reflects the intersection of this research with previous studies in the same field.

There are 3 factors that are not used in the model: "Manager's Support, Profit Management Behavior, and Accountant's Competence." Experts did not confirm these factors in the situational analysis despite being present in previous studies in the same field. The reason is that the impact of these factors is unclear or difficult to measure, or some factors have been mentioned in the exploratory factors of the study such as: Profit management behavior has been mentioned in the Objective factor of financial statements; Management support is mentioned in the Manager factor and Accounting staff competence mentioned in the Accounting Apparatus.

Thus, the formal research model has 7 factors (independent variables) as follows:
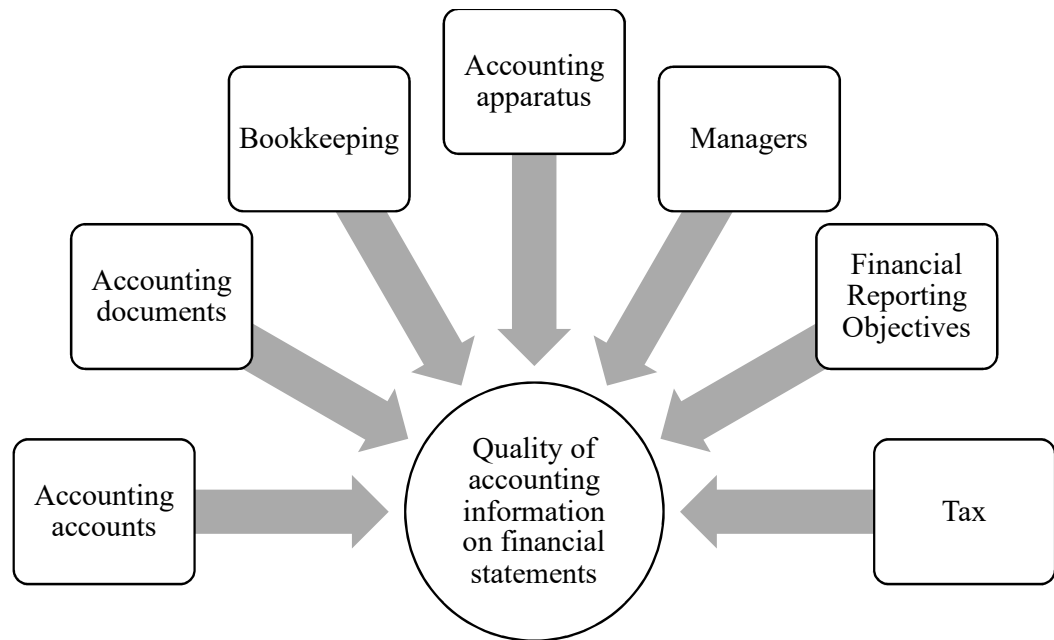
Source: Building from qualitative research results

Figure 3. Formal research model

After determining the research model, through the discussion outline of each subject, the data continues to be analyzed, compared and connected to build hypotheses, adjust the scale of factors to suit the enterprises in Ho Chi Minh City, and prepare for the next quantitative research.

Accounting account: The accounting account system is based on the accounting regime, suitable to the type and business field of the enterprise, fully and in detail. The Accounting Accounts scale is a tier 1 scale, measured by 4 observed variables.

H1: Accounting accounts have a positive influence on the quality of financial statements

Accounting documents: Accounting documents used at enterprises in accordance with current prescribed forms, arising economic transactions must have complete and timely documents. Documents are organized and circulated in a reasonable way and arranged conveniently and scientifically. The Accounting Voucher scale is a tier 1 scale, measured by 3 observed variables..

H2: Accounting documents have a positive impact on the quality of financial intelligence on financial statements

Accounting books: Accounting books is used to record, systematize and store all economic and financial transactions that have arisen related to accounting unit. The book number must be recorded timely, clearly and fully according to the contents of the number, ensuring continuity from the time the book is opened to the time the number is closed. The Bookkeeping scale is a 1st order scale, measured by 4 observed variables.

H3: Accounting machine: the organization of the accounting apparatus is the accounting staff of the unit along with the means and equipment used to record, calculate and the process all information related to accounting work at the unit from the stage of collection, inspect, process to the stage of synthesis, provide economic information about the unit's activities. Accountants are responsible for complying with the provisions of the law on accounting, performing assigned tasks and taking responsibility for their professional skills during their working as accountants. The Accounting Apparatus scale is a 1st order scale, measured by 5 observed variables.

H4: The accounting apparatus has a positive influence on the quality of financial statements

Managers: Managers must have a certain understanding of the field of financial accounting, be able to read and understand information on financial statements, pay attention to the accounting work of the enterprise, and use the information on the financial statements to make economic decisions. The Manager scale is a 1st order scale, measured by 4 observed variables.

H5: Managers have a positive influence on the quality of financial information on financial statements

Objectives of preparing financial statements: Define clear financial statements and diversify user information; show information on the use of assets, capital sources, risk levels of the enterprise; assessment of financial strength, profitability and development prospects of the enterprise; serving state agencies and the needs of users in making economic decisions. The financial statement target scale is a tier 1 scale, measured by 6 variables.

H6: The objective of preparing financial statements has a positive impact on the quality of financial statements

Tax: Depending on the type of production and business, each enterprise applies relevant tax policies to its situation. Accountants regularly update tax policies, record related operations clearly on books, organize the storage of invoices and vouchers for inspection and inspection. The payment of taxes to the budget in full and on time is an obligation, demonstrating the financial capacity of the enterprise. The Tax Scale is a 1st order scale, measured by 4 observed variables.

H7: Tax has a positive effect on the quality of the economic intelligence on financial statements

The quality of financial intelligence on financial statements (dependent variable factor): The quality of financial information presented on financial statements directly affected the economic decision-making efficiency of users. Therefore, accounting information must be presented honestly, objectively, fully, timely, comparable, verifiable, especially information related to the increase and decreased of equity, profit distribution, basic profit on shares. The economic intelligence quality scale is a 1st order scale, measured by 5 observed variables.

Quantitative research results

It garnered 134 votes but only 130 were valid. Including 5 invalid votes due to the same answers to all question items or lack of information. As a result, 130 valid questionnaires were used to make data for the study. Data is entered, encrypted, cleaned and analyzed through SPSS 22.0 software.

Scale reliability rating

Cronbach's Alpha confidence coefficient eliminates unsatisfactory observed variables. According to Hoang Trong and Chu (2008), when Cronbach's Alpha is from 0.8 to close to 1, the scale is good, from 0.7 to nearly 0.8 is usable. Dinh (2011) said that the scale is of good quality when Cronbach's Alpha coefficient> 0.6.

Table 4: Cronbach's Alpha coefficient

STT	Variale name	Scale	Cronbach's Alpha of the scale
1	Accounting accounts	AAC	0.911
2	Accounting documents	AD	0.869
3	Bookkeeping	BKP	0.911
4	Accounting apparatus	AAP	0.899
5	Managers	MNG	0.939
6	Financial reporting objectives	FRO	0.874
7	Tax	TAX	0.897
8	Quality of accounting information	QOAI	0.925

Source: SPSS analysis results

The results of assessing the reliability of observed variables of the AAC, AD, BKP, AAP, MNG, FRO, TAX, QOAI scale have Cronbach's Alpha> 0.8; The total variable correlation coefficient of the observed variables in AAC, AD, BKP, AAP, MNG, FRO, TAX, QOAI > 0.3. Thus, these scales are satisfactory for further analysis in the following steps.

EFA Discovery Factor Analysis

When conducting scale reliability testing using Cronbach's Alpha coefficients and validating scale values by EFA analysis for 7 independent variables and 1 dependent variable, there is a variable disturbance resulting in a change in the number of variables. Therefore, the grouping of variables with variation, specifically from 7 independent variables (AAC, AD, BKP, AAP, MNG, FRO, TAX) combined to 4 independent variables (TAX, AAC, AAP, FRO) and naming the variable group remains unchanged from the original factor name.

Results of inspections: KMO = 0.794; Bartlett's test has Sig.= 0.000 <0.05. The study also showed % cumulative = 56.666%> 50%. Thus, the results of the above tests are satisfactory for exploratory factor analysis…

Table 5: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.794
Bartlett's Test of Sphericity	**Approx. Chi-Square**	3297.6471
	Df	253
	Sig.	0.000

Source: SPSS analysis results

Table 6: Multivariate linear regression analysis

Coefficients[a]									
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
		B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	,539	,259		2,080	,000			
	FRO	,391	,084	,400	4,630	,000	,301	3,324	
	AAP	,057	,079	,056	,721	,000	,372	2,685	
	AAC	,079	,068	,078	1,160	,000	,502	1,992	
	TAX	,363	,070	,398	5,164	,000	,378	2,645	

Source: SPSS analysis results

The multivariate linear regression equation is rewritten as follows:

$$IQ = 0.4*FRO + 0.56*AAP + 0.078*AAC + 0.398*TAX$$

The variables TAX, AAC, AAP, FRO have Sig. <0.01, so the correlation is significant with IQ, reliability is 99%. The VIF coefficient is <5, so there is no linear multi-addictiveness.

Adjusted R Square = 0.710 is shown in Table 7, indicating that 71% of the change in the dependent variable is explained by the independent variables. The remaining 28% were due to other impact factors not studied in this model. Durbin Watson index = 1.554 <3 so there is no self-correlation.

Table 7 **Model Summary[b]**					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,848[a]	,719	,710	,19402	1,554

a. Predictors: (Constant), TAX, AAC, AAP, FRO

b. Dependent Variable: Information quality (IQ)

Source: SPSS analysis results

The results of the ANOVA analysis show that the value F = 80.008 with Sig. < 0.01, it can be concluded that the given model is consistent with the actual data. In other words, the variables TAX, AAC, AAP, FRO are linearly correlated with the variable IQ (99% confidence). The correlation analysis shows that TAX, AAC, AAP, FRO all have a Sig significance level > 0.05. Thus, this test shows that the balance variance does not change.

Through coefficients such as adjusted R2 = 0.710, Sig.F is very small, there is no change balance variance, no linear multi-additive phenomenon, so it can be concluded that the model is suitable to explain the factors affecting the quality of economic intelligence on financial statements of enterprises in Ho Chi Minh City.

3.3. *Discussion*

The regression model shows that there are 4 factors affecting the quality of economic intelligence on financial statements of enterprises in Ho Chi Minh City. Specifically: FRO with β = 0,4; AAP with β = 0,56; AAC with β = 0.078 and TAX with β = 0.398.

The goal of preparing financial statements has the strongest influence on the quality of financial statements of enterprises with β = 0,4, because this is the basis of preparing financial statements and making strategic decisions to help enterprises orient development in line with the trend and transformation of the economy. This result is consistent with research by Q. T. Pham (2016).

Next, the second factor that has a strong influence on the quality of financial statements is taxed with β = 0.398. In this study, tax is understood as the application of tax policy to accounting at enterprises. When recording and preparing financial statements, compliance with tax policies will reflect the nature of accounting information. This is supported by Q. T. Pham (2016) with β (tax) = 0.167.

The factor of accounting accounts with β = 0.078 has the third strongest influence on the quality of financial statements. Accounts in accounting are very important, are a factor in recording and tracking operations occurring during the year of the enterprise in terms of accounting objects and scientific and complete storage. The influence of accounting accounts on the quality of financial intelligence is also confirmed in the study of T. T. Pham (2016) with β = 0.121.

Multiply the accounting apparatus with β = 0,56 because this is the department that directly records and prepares financial statements. The capacity of accountants and the use of apparatus suitable to the scale and characteristics of the business are important factors for operations to be properly accounted for and create quality financial statements. This result is consistent with the research of Q. T. Pham (2016) and Abdullah et al. (2015).

The research has built a theoretical model of the quality of financial intelligence in enterprises, including the goal of tabulating financial statements, accounting apparatus, accounting accounts, and tax, in which, tax is considered a new factor. Quantitative research validates the theoretical model and determines the specific degree of influence of each factor. In addition, the results of the study help confirm the results of previous studies through the other 3 factors. From there, propose recommendations to improve the quality of economic intelligence at enterprises in the area.

However, the quantification of the quality of financial statements on financial statements in this study mainly with respondents who are informants such as accountants and managers inside Manufacturing enterprises. Although the study is theoretically meaningful, it has limitations in terms of sample coverage (limited to Ho Chi Minh City) and lacks detailed analysis of potential differences in economic intelligence quality among enterprises with different accounting regimes. Coefficient R^2 = 0.719, i.e. only 71.9% of the change in the quality of financial intelligence while the remaining 28.1% can be attributed to other factors such as the quality of accounting software, accounting staff, training, and retraining.,... The above limitations are also the basis for future research.

4.   Conclusions and recommendations

4.1.   *Conclusions*

The preparation of financial statements is extremely important to help managers understand the financial position of their business. In new businesses, financial reporting is often conservative and close to the management of the company's financial performance. Or, if the company does not use financial statements for planning, it must still prepare and maintain these reports. Investors will consider whether or not to invest if the company does not have these reports

In order to apply the previous research results on the quality of the economic intelligence, this study collects data samples, conducts analysis, draws from qualitative research and builds theoretical models of factors affecting manufacturing enterprises in Ho Chi Minh City. Quantitative research to validate the model through Cronbach's Alpha, EFA and regression analysis indicates that there are four factors that

positively affects the quality of financial statements on financial statements: Accounting apparatus, Accounting accounts, Financial statement preparation objectives and Tax. These factors thrive in a positive way, the quality of economic intelligence will increase. Taxes are a new — unique factor in this study. Based on that, the study proposes recommendations to improve the quality of economic intelligence on financial statements of enterprises in Ho Chi Minh City.

4.2.   Recommendations

Accounting apparatus: A well-organized accounting apparatus will help the administrative procedures of the enterprise operate effectively. Therefore, enterprises need to prioritize the selection of the form of organization of the scientific and reasonable accounting apparatus; Accountants must ensure expertise, complete the assigned work well, thereby promoting the role of the accounting department in economic and financial management of the enterprise.

Objectives of preparing financial statements: A quality and reliable financial statement must always be presented truthfully, in accordance with the business situation, avoiding fraud by increasing short revenues, reducing costs to increase profits or raising 'lacking' capital while the size of assets does not increase.

Accounting accounts: The organization of a good accounting account system has a great influence on bookkeeping, checking figures on financial statements. This must be done scientifically, in accordance with the characteristics of business activities, ensuring clarity, transparency and ease of control. At the same time, it is necessary to record accounting objects to the account in accordance with prescribed principles and standards.

Taxes: Tax policy changes frequently. Therefore, accountants must be trained and updated in tax knowledge. Compliance with tax policies and instructions of tax authorities will ensure the accounting of related operations and clearly presented on financial statements. Depending on the type of business, the types of goods and services subject to tax exemption and reduction must be managed, monitored and recorded separately to fulfill their obligations to the State. It is necessary to systematically and fully store relevant invoices and documents to serve the inspection work of tax authorities.

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