Determinants of accounting quality of SMEs: Empirical study of individual investors in southern Vietnam

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ABSTRACT

Accounting quality is critical to any business's success, especially when it comes to meeting the expectations of stakeholders having a special interest in the firm. This study aims at evaluating the accounting quality of small and medium enterprises (SMEs) in Southern Vietnam to see if it is efficient, transparent, and adherent to various domestic and internal standards. Especially, this study focuses on additional aspects that can assist to enhance the quality of accounting and accounting data by examining certain key determinants of accounting quality among SMEs across different economic sectors in Southern Vietnam. Based on the data collected from 247 individual investors, this study finds that the accounting quality of investigated SMEs is affected by several major factors, including risk assessment, internal audit, internal control, and compliance as well as communication channels, among others. It is also found that the availability and utilization of high-quality, timely data in SMEs had a substantial impact on the accounting quality perceived by individual investors. From such findings, some managerial implications have been proposed to enhance its quality.

1. Introduction

The degree of accuracy connected with material information available to users can be used to characterize the quality of accounting practice. This may be ascribed to a number of variables that impact the performance of an organizational accounting system, daily operations, tools, and procedures (Ahluwalia et al., 2018). Quality accounting systems and information are important not only for accuracy but also for assisting various stakeholders in making future predictions, financial estimation, and budgeting for future investments. This is known as economic decisions (Archer, 2016). In practice, the goal of quality accounting is to reduce fraud and anomalies while still maintaining a high level of dependability in order to retain a positive reputation among shareholders. However, this study goes above and beyond to look at additional aspects that may not have been included in earlier research; for example, certain factors may be able to assist

enhance the quality of accounting and accounting data.

SMEs' compliance with international financial reporting and ethical norms is strongly promoted in Vietnam. Good governance, significant disclosures in final reporting, independent audits, and the improvement of internal control measures are all examples of ethical practices (Dong et al., 2017). It's worth noting that the majority of these guiding principles encompass both internal and external characteristics of an organization. As a result, the purpose of this research is to assess various internal characteristics such as performance, leverage, and internal audit. The study undertakes an empirical analysis of these variables to see how they may affect the accounting quality of accounting produced by SMEs. The Agency Theory (Jensen and Meckling, 1976) is one of the theoretical principles that underpin this research. The correctness of provided accounting data does not ensure absolute quality or financial reporting. It is heavily reliant on the determinants and transparent processes that SMEs follow and document as their regular practice (Fiala and Havranek, 2017). Basically, data quality varies on the objectives of various users in reviewing and inspecting the data. Due to the increasing number of corporate scandals, frauds, and collapsed and bankruptcy cases, users of accounting information such as creditors, customers, traders, businesses, and even governments and individuals are

increasingly questioning the quality of accounting practices and published financial statements over the past few years (Adhikari and Gårseth-Nesbakk, 2016). Previously, many concerned stakeholders looked to the collapse of large corporations in the United States between 1992 and 2002 as a key source of reference. As a result, they are compelled to demand a more open method for revealing information on quality accounting (Florio and Leoni, 2017).

As a result, the goal of this research is to evaluate the operations of SMEs in Southern Vietnam to see if they are efficient and transparent, as well as if they adhere to various domestic and internal standards. This study specifically looks at what factors impact the accounting quality of SMEs in Southern Vietnam and proposes managerial implications to enhance its quality.

2. Literature review

2.1. Accounting quality

Providing a considerable amount of information about the accurate and fair financial situation in a specific accounting year is among the major aims of ensuring that a business enhances the quality of its financial reporting (Arslanalp and Liao, 2014). The same goal guarantees that the accounting books are always up to date and free of errors, omissions, blunders, and anomalies (Briciu et al., 2014). Accounting quality has been studied extensively from the perspectives of fraud detection and accuracy. Accounting quality, according to Barton and Bruder (2014), is defined as the facts of a firm's past transactions that can be relied on to inform critical economic decisions made by users and stakeholders. According to Caratas and Spatariu (2014), company performance can change over time and over a length of time; therefore, it is advisable to prepare future and immediate investment plans in line with these changes to prevent risk. Market and commercial risks, decreased profitability, financial scandals, internal control problems, and inadequate governance are just a few of the most typical consequences of these developments.

Porter et al. (2014) also claimed that the absence of information technology and computerized accounting systems contributes to the risks in some practical cases of SMEs in Vietnam. As a result, accounting quality is critical for planning and arriving at appropriate economic decisions, which are frequently linked to financial consequences. According to Weber (2014), a firm's inability to provide quality accounting disclosure not only damages its reputation, but also causes significant losses to suppliers, creditors, workers, debtors, governments in terms of taxes, lenders, depositors, and the general public. As a result, poor accounting quality causes a great deal of annoyance to consumers and owners. Improving accounting quality has received a lot of attention over the previous decades, across all sectors, both public and private businesses, in order to avoid the re-occurrence of some of the past greatest financial crises (Afiah and Azwari, 2015).

Nowadays, international accounting standards such as the International Accounting Standard Board, the Basel Accord, and many other guidelines that regulate the operations of business organizations to ensure quality reporting exists to support and protect the interests of the general public when it comes to quality reporting. The Basel Accord, for example, requires openness in accounting reporting (Li et al., 2015). Dănescu et al. (2015) claimed that a robust internal control system improves accounting efficiency, compliance, and dependability. The Agency Theory (Jensen and Meckling, 1976) suggests that external auditors be used on a regular basis to verify compliance and consistency with due diligence because the business cannot guarantee transparency by assessing itself (Terdpaopong and Trimek, 2015). The Agency Theory also promotes good governance standards by requiring the board of directors to be independent, with the assistance of the audit committee, in order to serve the interests of the owners and other stakeholders.

As a result, accounting quality has traditionally been defined in terms of stakeholders' interests. Accounting quality is the accuracy with which accounting reports convey key elements of business and financial information to different types of users who are affiliated with the firm and rely on such information to make choices (Bromiley et al., 2015). According to Apergis et al. (2016), the amount of reliability that will provide investors with certainty determines the extent to which information can be of high quality.

2.2. Measuring accounting quality

Accounting data users come from a variety of professional backgrounds. Not everyone who uses them has a traditional professional accounting background, expertise in a field, job experience, or even a management position in their company. Because individual users may have backgrounds in both accounting and non-accounting, it is vital that accounting information given to them reflects not just the company's financial condition, but also other pertinent non-financial data that may be used to make economic decisions. Hence, while accrual and value relevance models might be used to assess financial reports, qualitative features are favored due to their comprehensiveness. Because accrual and value relevance metrics focus solely on financial statement information, assessing accounting quality without incorporating both financial and non-financial information in the annual financial report would be incomplete (Beest et al., 2009; Nichols and Wahlen, 2004). As a result, it is critical for researchers and practitioners to collect both financial and non-financial data in order to offer a comprehensive assessment of accounting quality as

stated in previous studies (Beest et al., 2009; Cohen et al., 2004).

As a result, this study uses a more comprehensive measure of accounting quality that includes financial position and performance information in terms of faithful representation and relevance, as well as non-financial information disclosures such as understandability, comparability, and timeliness. These are critical for individual users' decision-making. This technique is especially beneficial to a diverse set of users of accounting data provided in financial reports, such as the respondents in this study.

2.3. Accounting quality and performance of SMEs

Some existing literature suggests that there is a strong link between accounting quality and business profitability, efficiency, and quality operations (Pellegrini et al., 2017). Some have also argued that firm profitability does not always reflect the quality of the accounting system because it is difficult to uncover fraudulent and unethical business practices in firms that are impressively doing well in terms of higher profit margins unless there is a good internal control system in place to expose any fraud related activity or even cases where collusion is suspected unless there is a good internal control system in place to expose any fraud related activity or even cases where collusion is suspected. Thus, accounting quality may not be assured in instances where the profit margin is considered the key measure of organizational performance. Dong et al. (2017) performed research that supports this link; however, it is only feasible if the audit committee is effective in carrying out its responsibilities while Fiala and Havranek (2017) discovered a strong link between board effectiveness, management independence, and accounting quality. Because all management policies must be approved by the board, this indicates that the board plays a significant role in maintaining accountability. As a result, the efficacy of the board of directors, the audit committee, and internal controls have an impact on the firm's success.

2.4. Determinants of accounting quality

Accounting data is used for a variety of objectives, including management choices about profitability and cost-cutting measures, as well as investment decisions (Beirne and Friedrich, 2017). Its consumers include commercial clients, corporate entities, employees, governments, and civil society; each has particular requirements or expectations in relation to all accessible data. Some users are concerned about openness, while others are concerned about company profitability and sustainability (Arslanalp and Liao, 2014). Governments are concerned about legal compliance. To assist economic choices, selecting relevant factors to assess the degree of quality or the possibility of SMEs generating the most trustworthy accounting is important. The following determinants are

investigated in this study based on a thorough literature assessment.

2.4.1. Risk assessment

Risk assessment sets the groundwork for management to provide effective leadership based on enterprise risk management (ERM). Risk assessment is a technique for analyzing and monitoring performance (Sow et al., 2021). Risk assessment activities based on internal control variables, according to the study, are adequate enough to give acceptable assurance of quality accounting processes. Commitment to risk assessment is affected by several factors including integrity, codes of ethics, core values, and corporate culture in the management practice. By displaying dedication to risk initiatives, management sets a positive example. Management must prioritize risk and be prepared in terms of resources, policies, and programs to respond properly utilizing internal control actions when new risks surface (Sow et al., 2021). They can adjust objectives and priorities in response to risk to fit current internal control systems. Several empirical studies suggest that risk assessment systems should be matched with basic needs including accountability, openness, financial accounting standards' dependability, and resource utilization efficiency. Internal controls should not be established in isolation from enterprise risk management. As a support mechanism for the board, a combination of risk assessment and internal control will guarantee that the board takes rational actions to solve organizational issues and that everyone thinks similarly (Sow et al., 2021). It acts as a link between the board of directors and the rest of the organization's employees. It brings the board closer to the people and promotes competing viewpoints, exposing management to new approaches, particularly in terms of assessing and giving sound judgment on the overall organization's performance and how data is handled.

Hypothesis 1: Risk assessment positively enhances the accounting quality of SMEs in Vietnam.

2.4.2. Internal audit

Internal audit plays a critical role in guaranteeing compliance of a firm. They support good governance, transparency, and bookkeeping dependability in a variety of ways. Internal audit has been shown to be quite successful and dependable in its duties. Internal audit is critical to restoring transparency in any accounting system, but their independence is sometimes questioned, casting doubt on their ability to serve as the primary guardians of internal controls (Sow et al., 2021; Alzeban and Gwilliam, 2014). External auditors and the board of directors, through the audit committee, are two further elements that contribute to the internal audit's success. According to Asiedu and Deffor (2017), an effective internal audit can have a significant impact

on accounting quality because it ensures due process, verification, and approval, and in some cases, access to the accounting database of an organization must be approved by the internal audit in order to prevent fraud. The same cannot be true for very large corporations, where external auditors are extremely reliable and efficient. According to Caratas and Spatariu (2014), large organizations rely solely on external auditors for accounting quality, but smaller companies rely heavily on internal audits to ensure compliance. High audit costs, according to Chang et al. (2014), account for this discrepancy or one firm's decision to rely on an internal audit to assure compliance. According to Altamuro and Beatty (2010), it doesn't matter whether a company uses internal audits or frequently engages external auditors; the most important issue is the company's ability to improve accounting quality in order to avoid corporate scandals that damage the organization's reputation, loose investors' trust, and undermine stakeholders' confidence.

Hypothesis 2: Internal audit positively enhances the accounting quality of SMEs in Vietnam.

2.4.3. Internal control

Literally, internal control is usually defined as a procedure developed by the board of directors to ensure that the company moves in a certain path that will assure the attainment of the strategic goal, operational goals, efficiency, and legal and regulatory compliance (Sow et al., 2021; Babatunde and Dandago, 2014). Internal controls are in place to ensure accuracy in accounting records, proper bookkeeping, and continuous updating of financial records, which translates into reliable financial reporting to shareholders, owners, creditors, debtors, employees, and other stakeholders who rely on financial data to make economic decisions (Callahan and Soileau, 2017). Internal control and accounting quality are linked when safeguards are in place to ensure that fraud and financial irregularities are revealed, as well as to identify and prevent such events from affecting operational efficiency. Internal control also guarantees that risk management procedures are in place inside the company (Kong et al., 2018). Internal controls also guarantee that all of the company's divisions and activities are properly integrated, as well as provide a way for the board to evaluate the organization. Management will enforce ethical behaviors since internal control is a continual activity.

Hypothesis 3: Internal control positively enhances the accounting quality of SMEs in Vietnam.

2.4.4. Compliance

According to studies, one of the ways a company may sustain accounting quality is if its directors are given the power to ask external evaluators to examine its internal control systems and confirm its operations (Sow et al., 2021). This duty should be backed up with a separate financial budget overseen by a separate management team. This is one of the key duties of maintaining accounting quality and one of the methods to accomplish reliability reporting. This will halt a widespread practice in which management hires its own external assessors who are unable to conduct independent evaluation and auditing. Management participation in such an exercise compromises the work of the supervisory committee and external assessors, who may be able to influence the audit's conclusion and miss any wrongdoings (Sow et al., 2021). When management sets the compensation and allowances as well as other financial advantages for external evaluators, investors tend to raise questions about the quality and objectivity in evaluating the internal control processes. The senior management should have excellent judgments on internal control effectiveness (Sow et al., 2021). Policymakers must guarantee that senior management diversity is preserved in terms of knowledge, competence, industry, educational qualifications, political affiliation, and a range of cultural origins. This leads to innovation, broadens management's overall understanding, and includes all aspects of management issues.

Hypothesis 4: Compliance with regulations positively enhances the accounting quality of SMEs in Vietnam.

2.4.5. Communication channels

Practically, investors tend to concern more about the nature, kind, and quality of the internal organization presented in relevant reports. First, it examines the current channels of communication inside the company, as well as the lines of communication and modes of communication accessible. The accounting quality is usually determined by its clarity and timeliness (Collins, 2008; COSO, 1992; 2004). It means that management directions, instructions, and policies that are implemented in accordance with the board's directives must be conveyed to the whole company in a timely and accurate manner. The current communication channels allow fast input to management and the board on performance and policy adaptation (COSO, 1992; 2004). These suggestions would then be incorporated into the plan and used to guide structural adjustments. When accurate data on transactions and all business information is maintained, decision-making is improved because the input level receives accurate data on transactions and all business information that will go into the final accounts that will inform stakeholders about the organization's performance (Sow et al., 2021). This feature of improved input quality will earn consumers' trust and, as a result, increase the value of accounting data. The higher the information quality, the better the accounting data and completeness (Brown et al., 2014).

Hypothesis 5: Communication channels positively enhance the accounting quality of SMEs in Vietnam.

3. Research methods

The data used in this study were collected from a self-completed questionnaire with three particular phases; including (1) constructing a self-completed questionnaire; (2) collecting data with the designed questionnaire, and (3) analyzing the data collected to provide foundations for proposing managerial implications. Specific works in each phase include:

3.1. Questionnaire construction

The author first listed some affecting factors attained from the comprehensive reviews of the literature. They include Risk assessment, internal audit, internal control, compliance, and communication channels as discussed in Section 2. Then, qualitative research is conducted with individual investors in Ho Chi Minh City in order to corroborate the relevance of the factors and explore other potential ones in the contemporary context of Vietnam. The qualitative research results show that the surveyed investors agreed with mentioned determinants.

Then, the author created a primary self-completed questionnaire which consists of 24 statements used for the five independent factors and the other 5 statements used to measure the dependent factor "Accounting quality." Explicitly, each participant was asked to assess their agreement level of each aspect based on a 5-point Likert scale (from 1-Totally disagree to 5-Totally agree). The author conducted a pilot test with the primary questionnaire to improve the lucidity of the word usage as well as the meaning of each statement. The feedback obtained from 12 participants in Bien Hoa City, Dong Nai province was judiciously considered to improve the questionnaire before it was officially used in a formal survey in early April 2021. In the official survey, the author asked each participant to evaluate all of the 29 listed factors and statements briefly presented in Table 1. The questionnaire takes about 5 min for a participant to fill in his/her responses. To make this paper concise and brief, the author will provide the complete questionnaire upon request.

Table 1: Briefs of the final questionnaire and coding

No.	Factor (Code)	No. of items	Item codes
1	Risk assessment (RA)	5	RA1→RA5
2	Internal audit (IA)	4	IA1→IA4
3	Internal control (IC)	6	IC1→IC6
4	Compliance (CO)	5	CO1→CO5
5	Communication channels (CC)	4	CC1→CC4
6	Accounting quality (AQ)	5	AQ1→AQ5

3.2. Data collection

The author officially conducted the survey in April 2021 by directly delivering hard copies of the questionnaire to individual investors in Southern Vietnam. Totally, the author delivered 386 and collected 293 copies; among them, there are 46 copies invalid because several statements were left unchecked. As a result, this study has 247 valid responses to be used in the next phase. The recorded data were analyzed with the computational software SPSS V22.

3.3. Data analysis

In this phase, the author deployed three typical analysis approaches, such as (1) scale reliability with Cronbach's Alpha coefficient, (2) exploratory factor analysis (EFA), and (3) regression analysis. Basically, the EFA approach is deployed in this study to discover the underlying structure and possible relationships among the statements in the official questionnaire. The EFA is conducted with the extraction method Principal Axis Factoring and rotation method Varimax. In the EFA approach, it is required to satisfy the following criteria: Eigenvalue should be at least 1.00; KMO should be at least 0.5; Significance (Sig.) coefficient of KMO test should be no more than 0.05; factor loadings of all observed variables should be at least 0.50; the total variance explained (TVE) should be at least 50%, and weight difference between the loadings of two factors should be larger than 0.3 (Hair et al., 2014). Moreover, in the field of social science, scale reliability analysis requires a corrected item-total correlation of the observed variables on a scale greater than 0.3 and a Cronbach's Alpha coefficient of at least 0.6 (Nunnally and Bernstein, 1994).

4. Empirical results

4.1. Descriptive statistics

Among the 247 respondents, males account for 78.14%; while 42.10% are more than 40 years old, 54.25% are more than 50 years old; and 79.35% have more than 10 years of experience in making investment portfolios in SMEs across different economic sectors.

4.2. Exploratory factor analysis of independent factors

The questionnaire officially used in the formal survey includes 24 observed variables which are used to measure the five independent factors mentioned in Table 1. The statements were randomly listed. Therefore, the results from EFA

show that the 24 statements are categorized into five factors with the TVE of 72.53%; the obtained KMO is 0.83 with the Sig. value less than 0.1%; hence, it is appropriate to use the EFA approach in this study. In addition, all factor loadings of the extracted factors are larger than 0.5, and the weight discrepancy among the obtained loadings is also more than 0.3 as briefly presented in Table 2. These figures indicate

that the extracted factors can be further deployed in the next phase of data analysis.

The factors extracted from the EFA are then investigated for their scale reliability tests by using Cronbach's Alpha coefficients. The test results shown in the last three columns of Table 2 clearly indicate that the extracted factors are also reliable to be further deployed in the next phase of data analysis.

Table 2: Rotated component matrix of independent factors

	Component					CITC[a]	α If Del[b]	α
	1	2	3	4	5			
IC1	0.964					0.842	0.809	
IC2	0.887					0.832	0.823	
IC5	0.870					0.808	0.826	0.837
IC6	0.856					0.775	0.830	
IC3	0.839					0.789	0.829	
IC4	0.812					0.733	0.835	
CO1		0.922				0.865	0.810	
CO5		0.883				0.802	0.825	
CO4		0.833				0.730	0.811	0.829
CO3		0.803				0.691	0.819	
CO2		0.771				0.662	0.815	
RA1			0.897			0.823	0.857	
RA4			0.852			0.756	0.872	
RA5			0.847			0.689	0.887	0.897
RA3			0.811			0.757	0.872	
RA2			0.798			0.704	0.884	
CC2				0.913		0.841	0.869	
CC4				0.903		0.807	0.881	0.882
CC1				0.895		0.826	0.875	
CC3				0.835		0.720	0.811	
IA1					0.802	0.611	0.709	
IA4					0.797	0.628	0.700	0.788
IA3					0.763	0.558	0.737	
IA2					0.730	0.532	0.750	
Eigen[c]	4.661	3.629	3.559	3.159	2.399			

Extraction Method: Principal component analysis; Rotation Method: Varimax with Kaiser Normalization
Notes: [a]Corrected item-total correlation; [b] Cronbach's Alpha if item deleted; [c]Eigenvalues

4.3. Exploratory factor analysis of dependent factor

By using a similar approach, the author also used EFA for the statements in the dependent scale "Accounting Quality" (AQ). It was also found that the 5 statements are clustered into one group, with a TVE of 69.17%; the obtained KMO is 0.88 with the Sig. value less than 0.1%; thus, it is appropriate to use the EFA approach in this study. Moreover, all

factor loadings of the extracted factor are more than 0.5, and the weight discrepancy among the obtained loadings is also more than 0.3, indicating that the factor can be further deployed in the next phase of data analysis. The results shown in Table 3 also show that the extracted factor is reliable to be further deployed in the next phase of data analysis in this study.

Table 3: Rotated component matrix of dependent factor

	Component	CITC[a]	α If Del[b]	α
AQ4	0.882	0.677	0.875	
AQ5	0.861	0.650	0.881	
AQ3	0.848	0.750	0.859	0.888
AQ1	0.793	0.799	0.847	
AQ2	0.770	0.768	0.855	
Eigen[c]	3.459			

Extraction Method: Principal component analysis; Rotation Method: Varimax with Kaiser Normalization
Notes: [a]Corrected item-total correlation; [b] Cronbach's Alpha if item deleted; [c]Eigenvalues

4.4. Regression analysis

The results shown in Table 4 and Table 5 indicate that the accounting quality of SMEs in Vietnam is significantly affected by five factors. Based on the standardized coefficients, their impact levels are ranked in descending order as the following: Risk assessment (β_{RA}=0.402), Compliance (β_{CO}=0.369), Internal control (β_{IC}=0.344), Communication

channels (β_{CC}=0.207), and Internal audit (β_{IA}=0.195). The regression model presents a convincing variation in the dependent variable at R^2=72.26%, while the adjusted R^2 recorded 71.05%. These values are very significant enough to conclude that, the model has done a good job of explaining the accounting quality at all significant levels less than 0.5%. The regression model indicates that the relationship between accounting quality and the

identified determinants is very dependable, implying that policymakers in Vietnam as well as those of SMEs in the Southern Vietnam industry might make decisions based on these findings.

Table 4: Results of ANOVA analysis

Model	Sum of squares	df	Mean square	F	Sig.
Regression	17.976	5	3.595	48.060	0.000[b]
Residual	18.028	241	0.075		
Total	36.003	246			

Note: Dependent Variable: AQ; b. Predictors: (Constant), CC, CO, RA, IA, IC

Table 5: Regression coefficients

	Unstandardized coefficients		Standardized coefficients (Beta)	Sig.	VIF[b]
	B	SE[a]			
(Const.)	0.612	0.200		0.002	
RA	0.159	0.018	0.402	0.000	1.001
IA	0.121	0.028	0.195	0.000	1.005
IC	0.186	0.025	0.344	0.000	1.005
CO	0.234	0.029	0.369	0.000	1.002
CC	0.091	0.020	0.207	0.000	1.007

Notes: [a] Standard error; [b] Variance Inflation Factor

5. Conclusion and managerial implications

5.1. Conclusion

This study used scale reliability analysis with Cronbach's Alpha coefficients, exploratory factor analysis (EFA), and linear regression to evaluate the impacts of the determinants of accounting quality in SMEs in Vietnam. This study contributes to the body of knowledge, particularly where the findings show that internal control, internal audit, communication channels, compliance, and risk assessment are good determinants of accounting quality. These factors further agree with those proposed by Bhaskar et al. (2019). Our findings suggested that these elements should be strictly enforced, and accounting methods should be closely monitored. The report also recommends that the supervisory committee be provided with a technical infrastructure that allows it to validate a high number of transactions in a short amount of time. This will decrease the number of risks, mistakes, and accounting fraud that are likely to arise between audit periods. This study finds that risk assessment processes must also be created and presented to all members of the company. This will raise awareness of internal control deficiencies that pose a danger to the organization.

5.2. Managerial implications

Based on the empirical findings mentioned above, to enhance the accounting quality of SMEs in Southern Vietnam in particular and in Vietnam in general, the following managerial implications are accordingly proposed.

First, relating to the compliance factor, it is important for Government bodies to provide detailed guidance on the provisions for the SMEs to effectively implement professional ethical standards to assure accounting quality. It is also critical to ensure uniformity between the Government's Decree and the ethical standards of the professionals. In addition, the scheme of accounting standards and professional ethical standards for an accounting must be continuously updated to improve the quality and utility of accounting information so that financial statements of SMEs must provide useful information to users in compliance with international practices.

Second, to diminish the possible risks and to improve the performance of internal audit, internal control as well as communication channels, it is suggested to promote the application of IT in accounting activities to meet the provisions of the law in general and associated with improving the accounting quality in particular as we can trace the originality for reported data/information.

Third, to improve the accounting quality, the leaders of SMEs should encourage their accountants to raise their awareness of professional ethical standards for accounting and auditing as well as their sense of responsibility, integrity, and accountability. Accountants and auditors in SMEs participate in the preparation and reporting of information including either financial or management information that may be revealed to the community or used by other parties relating to the SMEs. Therefore, the reports must be well prepared or presented to provide truthful and reasonable information in accordance with professional standards and legal regulations. Specifically, such financial statements must be prepared and presented in accordance with applicable legal standards and relevant regulations. Accountants must always follow the basic principles of professional ethics, integrity, and accountability, i.e., professional accountants are expected to be candid and authentic in their relationships and/or transactions.

Last but not least, it is highly suggested that the leaders of SMEs provide good opportunities for their accountants to take more training programs to constantly update their professional knowledge and skills. Consequently, it is also important for universities and colleges to actively benchmark their training programs with those offered by renowned universities to improve their training programs in accordance with contemporary international accounting standards to ensure accounting quality in terms of relevance, reliability, and comparability.

5.3. Limitations and future research

This study only investigates the accounting quality of a small number of SMEs in Southern Vietnam. It is, therefore, suggested to expand the research scope to a larger number of SMEs not only in Southern Vietnam but also in other provinces across Vietnam to further validate the findings. Moreover, further accounting quality research should concentrate on the function of audit committees and boards of directors, as well as the effects of their independence and qualification on accounting quality.

Compliance with ethical standards

Conflict of interest

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

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