Print ISSN: 2288-4637 / Online ISSN 2288-4645
doi:10.13106/jafeb.2022.vol9.no9.0327

Factors Affecting Accounting Policy Choice: Evidence from Small and Medium Enterprises in Vietnam*

Anh Thi Thuy DOAN[1], Binh Thi Hai LE[2], Nguyet Thi My LE[3], Ly Ai DANG[4]

Received: July 15, 2022 Revised: October 08, 2022 Accepted: October 15, 2022

Abstract

The purpose of this study is to determine the direction and significance of variables influencing small and medium enterprises (SMEs) decisions regarding accounting policy in Vietnam. Research data was collected through a survey of 296 subjects, including chief accountants, accountants, managers, and lecturers with practical experience in accounting work at enterprises. With the help of specialized software SPSS, determining the impact of factors on the choice of accounting policy of enterprises is done through a multivariate regression model with control tools Cronbach's alpha determination, EFA factor analysis, and Pearson correlation analysis. Research results show that there are seven factors affecting the choice of accounting policy in Vietnamese SMEs; in which, the factors information technology, legal environment, information demand, manager's awareness, and accounting qualification have a positive impact; and two factors are tax pressure, and financial leverage have a negative impact on accounting policy choice. These results are consistent with most of the previously published studies. However, in contrast to many previous studies, our research shows that accounting's psychological factor does not affect the accounting policy choice. This is consistent with the characteristics of SMEs in Vietnam because the role of accountants is not appreciated in the business.

Keywords: Accounting Policy Choice, Accounting Qualification, Information Technology, SMEs, Vietnam

JEL Classification Code: G32, M41, M49

1. Introduction

Accounting policies are the principles and practices an entity uses to record, measure, and report economic transactions (Pham & Phi, 2020). Choosing an accounting policy to apply in an enterprise is an important job, helping an enterprise to accurately present its financial position and performance, and provide helpful information to users. A company's choice of accounting policies has implications for the market's understanding of a company's performance (Brown & Whittington, 2008). According to the IAS 1 (International Accounting Standards Committee, 2007) and VAS 21 (Minister of Finance, 2003), the financial statements must be prepared and present fairly and truly the entity's financial position, financial performance, and cash flows that are useful to the users in making economic decisions. To meet this requirement, enterprises must select and apply accounting policies for assets, liabilities, equity, revenue, income, and expenses following accounting standards, accounting regimes, and current regulations. Because accounting regulations only establish general principles, the choice of accounting policy depends on the specific operating characteristics of an enterprise and accounting judgments. Decisions about the accounting policy of enterprises have a substantial impact on the quality of financial information, and thus, on the interests of information users. An appropriate accounting policy not only increases the competitiveness of

***Acknowledgments:**
We would like to thank respected editors and reviewers for their valuable comments. We genuinely believe this has enhanced our results.

[1]First Author. Industrial University of Ho Chi Minh City, Vietnam. Email: doanthithuyanh@iuh.edu.vn
[2]Corresponding Author. Industrial University of Ho Chi Minh City, Vietnam. [Postal Address: 12 Nguyen Van Bao Street, Ward 4, Go Vap District, Ho Chi Minh City, 727900, Vietnam]
Email: lethihaibinh@iuh.edu.vn
[3]Industrial University of Ho Chi Minh City, Vietnam.
Email: lethimynguyet@iuh.edu.vn
[4]Industrial University of Ho Chi Minh City, Vietnam.
Email: huynhphuongscada@gmail.com

the business but also protects the business from financial risks, and builds the business's image in the community. Each accounting policy adopted produces different results from the information presented in the financial statements, leading companies to use accounting policies to reconcile profits (Inoue & Thomas, 1996).

Up to now, there have been studies on the choice of accounting policy and the factors affecting the choice of accounting policy of enterprises. The study of Dey (2007) on the choice of accounting policy in Greece shows that the choice of accounting policy aims to reduce the amount of tax payable. This result is also similar to the study of Cushing and LeClere (1992) and Hagerman and Zmijewski (1979) on the choice of the LIFO method over the FIFO method for inventory. Cullinan (1999) found that importers were more likely than non-importers to choose an accounting method to increase their income, while exporting was not related to this accounting choice. Cullinan and Knoblett (1994) examined the potential influence of collective bargaining considerations on accounting choices, and they found no relationship in a large sample, but in specific industries, they found a significant link between consolidation and inventory policy choices. Zubaidur Rahman and Scapens (1988) discussed the factors that can give rise to political costs and thus motivate multinational enterprises in developing countries to adopt accounting policies that reduce reported profits. They found that global enterprises do not use accounting policies to reduce earnings consistently. Morris (1987) studies the relationship between the theory of signals and the theory of agency with the choice of accounting policy. He proved that these are consistent theories, where a set of sufficient conditions of signal theory at least corresponds to a group of sufficient conditions of agency theory. Almeida and Lemes (2020) examined the association between the observable characteristics of a Chief Financial Officer (CFO) and accounting choices. They demonstrate that CFOs can use the flexibility inherent in accounting choices to adopt accounting policies that increase earnings and/or increase operating cash flow tailored to their characteristics.

However, due to the characteristics of different economies and business sectors, business sizes, the factors, and trends affecting, the degree of influence of these factors on the choice of accounting policy will be different. The study of the impact of factors on the choice of accounting policy will help SMEs to understand the influencing factors along with the trend and influence of the factors. The results of this study can be used to help SMEs choose suitable accounting policies to improve the quality of their financial information.

2. Literature Review and Hypothesis

2.1. Tax Pressure Factor

SMEs in Vietnam do not have public accountability and disclose financial statements for general purposes; they only have to provide information to banks, tax authorities, investors, and managers of the enterprise. Tax pressure always weighs on businesses, causing businesses to pay attention to choosing accounting policies to reduce tax pressure. Fekete et al. (2010) analyzed the relationship between accounting and tax in the Romanian context and pay special attention to the issue of tax optimization, which has a significant impact on accounting, thereby offering options such as minimizing operating costs; reducing profits; minimizing taxes, and other contributions (except income), and minimizing financial taxes or contributions to shareholder income. Dey (2007) and Tzovas (2006) indicated that the tax factor is considered when enterprises choose accounting policies in Egypt and Greece. The analysis of accounting policy choice based on tax planning demonstrates the relationship between accounting policy choice and tax planning. Accepting these arguments, the paper hypothesizes:

H1: *Tax pressure has a negative impact on the choice of accounting policy of SMEs.*

2.2. Financial Leverage Factor

Financial leverage is mentioned in many different studies and is considered in relation to profitability (Lado-Sestayo & Vivel-Búa, 2018; Lemke & Page, 1992; Nguyen & Nguyen, 2020a; Pham et al., 2020; Qayyum & Noreen, 2019). According to Watts and Zimmnderman (1990), the higher a company's financial leverage, the more managers use accounting methods to increase earnings. Companies are more likely to default on loan agreements when this ratio is high, incurring default costs. Therefore, managers coordinate to prevent this by choosing an accounting policy that increases income. This hypothesis is also supported by Dey (2007) examining the use of accounting by Egyptian companies as a tool to increase earnings. Ali and Ahmed (2017) found that in listed companies in South Asia, financial leverage is a significant determinant of accounting policy choice. From the above, we make the following hypothesis:

H2: *Financial leverage has a positive influence on the choice of accounting policy of SMEs.*

2.3. Information Needs Factor

Fekete et al. (2010) found that the information needs of creditors, shareholders, tax authorities, and managers influence the accounting policies chosen by Romanian companies. To meet the needs of their stakeholders, enterprises will select accounting policies in line with the standard's requirements. Therefore, when designing accounting policies, SMEs must take into account the information needs of users. Based on the above argument, our hypothesis is as follows:

H3: *Information needs have a positive impact on the choice of accounting policy of SMEs.*

2.4. Information Technology Factor

The application of information technology has a significant impact on the choice of accounting policy of enterprises, bringing many benefits such as reducing workload, reducing staffing volume, reducing records, safe storage, and quick search. The quality of accounting software not only ensures compliance with accounting standards and current regulations on accounting but also helps accountants effectively process, record, and present information on financial statements, making the information on the financial statements clear, and accurate and ensuring truthfulness and fairness. Thottoli and Ahmed (2022) found that for SMEs, except for information technology (IT) costs, all other possible determinants (IT risk, staff IT skills, and theoretical knowledge of employees) have a significant influence on the practice of electronic accounting in SMEs. From there, we make the following hypothesis:

H4: *Information technology has a positive impact on the choice of accounting policy of SMEs.*

2.5. Accountant Qualification Factor

An accountant's qualifications affect their ability to choose the most beneficial accounting policies and practices that maximize the benefits of the business. The more knowledgeable accountants are in accounting and able to accurately detect and understand business-related events and processes, the more appropriate accounting policies will be established to maximize efficiency. The studies of Doan et al. (2020), Joshi and Ramadhan (2002), and Shima and Yang (2012) acknowledged that an accountant's qualification is a positive factor for IFRS adoption, and the more qualified the accounting team, the easier it is for them to grasp the standards, and the less difficult it is for them to put IFRS into practice than the less qualified team. Ebrahim and Fattah (2015) and Nguyen and Nguyen (2022b) emphasized the importance of training and professional development of accountants. Our next hypothesis is as follows:

H5: *Accountant qualification has a positive influence on the choice of accounting policy of SMEs.*

2.6. Accounting's Psychological Factor

The psychology of accountants strongly influences the choice of accounting policies. The general psychology of accountants is afraid of not meeting the job requirements if there is a change. Therefore, they often choose accounting policies based on their own experience or business in the same industry or suggested accounting policies applied in articles, magazines, and books (Fekete et al. 2010). The next hypothesis is as follows:

H6: *The psychology of accounting staff influences the choice of accounting policy for SMEs.*

2.7. Managers' Awareness Factor

Managers' perceptions and functions have a significant impact on an enterprise's compliance with accounting laws and its choice of accounting policy. The knowledge and interest of business managers have the most important influence on the organization of accounting work. Lybaert (1998) indicated that managers with experience, strategic vision, and enormous growth expectations would frequently use accounting information for future growth in small and medium-sized businesses. The next hypothesis is as follows:

H7: *Managers' awareness has a positive impact on the choice of accounting policy for SMEs.*

2.8. Legal Environment Factor

The legal environment influences the choice of accounting policy, and the accounting regulations affect the design of accounting policy for SMEs. Besides the difference between tax and accounting regulations, most businesses prefer to apply tax regulations in accounting, facilitating tax declaration (Braga, 2017). With that in mind, the hypothesis is the following:

H8: *The legal environment has a positive impact on the choice of accounting policy of SMEs.*

3. Research Model, Method, and Data

3.1. Research Model

Based on the research hypotheses, we propose the following research model (Figure 1).

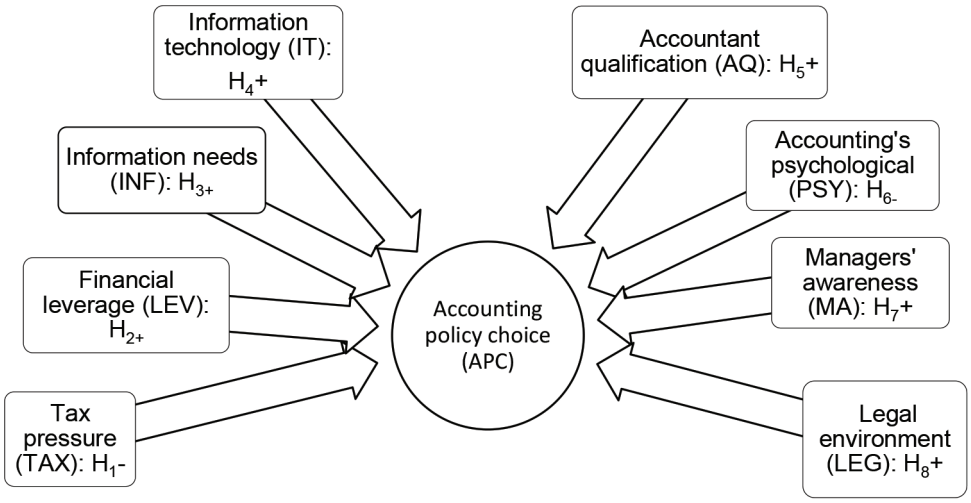

Figure 1: Overview of the Research Mode

The regression model has the following form:

$$APC = \beta_1 TAX + \beta_2 LEV + \beta_3 INF + \beta_4 IT + \beta_5 AQ + \beta_6 PSY + \beta_7 MA + \beta_8 LEG + \varepsilon$$

Where:
– Dependent variable: Accounting policy choice at SMEs (APC).
– The independent variables reflect the factors affecting the choice of accounting policy:
+ TAX: Tax pressure;
+ LEV: Financial leverage;
+ INF: Information needs;
+ IT: Information technology;
+ AQ: Accountant qualification;
+ PSY: Accounting's psychological;
+ MA: Managers' awareness;
+ LEG: Legal environment;
+ $\beta_1, \beta_2, \ldots, \beta_8$: normalised regression coefficient;
+ ε: Random errors.

3.2. Research Methods and Data

This study is conducted using the quantitative methodology, in which statistical analysis techniques are employed to determine the relationship and level of influence between the variables influencing the selection of accounting policy in SMEs, and involves the computation of Cronbach's Alpha, EFA factor analysis, and multiple regression.

To collect data, a survey is sent to chief accountants, accountants, managers, and lecturers with both teaching experience and practical experience in accounting at businesses. The pre-designed survey table contains respondent information as well as 31 scales for the independent variables and three scales for the dependent variable, using the Likert scale to assess the influence, with five levels: (1) Very strong disagreement; (2) Disagree; (3) Confused; (4) Agree; and (5) Strongly agree.

The research conducted a survey with 310 ballots distributed, 305 votes collected, and 296 valid answer sheets. Among 296 valid votes, the number of lecturers with practical knowledge is 9, accounting for 3.04%; the director is 32, accounting for 10.81%; chief accountant is 52, accounting for 17.57%; accountants is 183, accounting for 61.82%; the other is 20, accounting for 6.76%. If by several years of working experience, there are 18 people under two years, accounting for 6.08%; from two years to five years, there are 139 people, accounting for 46.96%; from six years to ten years, there are 78 people, accounting for 26.35% and over ten years there are 61 people, accounting for 20.61%. If based on salary, there are 41 people with a salary under 5 million VND, accounting for 13.85%; from 5 to 10 million VND, there are 139 people, accounting for 46.96%; from 10 to 15 million VND, there are 73 people, accounting for 24.66%; from 15 to 20 million VND 27 9.12% and over 20 million VND there are 16, accounting for 5.41%.

The scale for each factor is as follows:

Tax pressure

Tax pressure is quantified by the following four observed variables:
+ TAX1: When choosing accounting policies, enterprises prioritize policies to minimize taxes and other contributions.
+ TAX2: The tax authority confirms the enterprise's economic strategy selected.

+ TAX3: When choosing accounting policies, enterprises will prioritize policies to reduce taxes and contributions to shareholder income.
+ TAX4: Take advantage of tax incentives.

Financial leverage

Financial leverage is measured debt based on three observed variables:

+ LEV1: The information disclosed in financial statements creates advantages for enterprises when applying for loans.
+ LEV2: Minimize financial costs.
+ LEV3: The company's desire to accurately reflect the characteristics of the organization's resources through debt accounting influences its choice of accounting policy.

Information needs

Information needs are measured by the following four observed variables:

+ INF1: The need to use the information of managers.
+ INF2: Information needs of shareholders.
+ INF3: Create a favorable impression with potential investors.
+ INF4: The need to use the information of creditors.

Information technology

The information technology scale is measured by three observed variables:

+ IT1: Software meets the application of accounting policies when businesses want to choose.
+ IT2: The software is designed by the operational characteristics of the enterprise.
+ IT3: The software conforms to current accounting regulations.

Accounting qualifications

The scale of accounting qualifications reflects the qualifications of accountants and is measured by five observable variables:

+ AQ1: Accountants have received proper training in accounting.
+ AQ2: Accountants with experience in accounting.
+ AQ3: Accountants can correctly recognize and comprehend events arising at the enterprise when applying accounting policies.
+ AQ4: Accountants receive training when the entities install or upgrade the accounting information system.
+ AQ5: Accountants are kept abreast of changes to accounting-related policies and laws.

Accounting's psychological

The accounting's psychological scale is measured by four observable variables:

+ PSY1: Accountants are afraid to spend a considerable amount of time processing transactions based on their economic nature rather than their form.
+ PSY2: The applied accounting policy has been advocated in periodicals, textbooks, and the media;
+ PSY3: Accounting policies are utilized by businesses within the same industry.
+ PSY4: When selecting accounting policies for businesses, they frequently rely on the habits and experiences of accountants out of anxiety about adopting new procedures.

Managers' awareness

Five observed variables were used to measure managers' awareness:

+ MA1: Managers comprehend the significance of selecting accounting policies.
+ MA2: Managers possess accounting expertise.
+ MA3: Managers are frequently interested in knowing about accounting work's organization and operation within the entity.
+ MA4: Managers encourage accounting personnel to participate in training classes and expand their accounting knowledge.
+ MA5: Managers plan and conduct training programs.

Legal environment

The legal environment is measured by three observable variables:

+ LEG1: Choosing an accounting policy that complies with tax law regulations.
+ LEG2: There is a distinction between regulations of accounting and tax.
+ LEG3: There is a distinction between accounting laws, accounting standards, and accounting regimes.

For the accounting policy selection variable (the dependent variable), the study uses three observed variables as the basis for the scale as follows:

+ APC1: Choose an accounting policy that corresponds to the economic nature of the enterprise's transactions and events.
+ APC2: The financial statements are presented fairly in all material respects.
+ APC3: Choose an accounting policy that adheres to current accounting regulations.

4. Results and Discussion

4.1. Descriptive Statistics Results

The results of descriptive statistics reflected in Table 1 show that most of the observed variables of the factor are greater than 3. This proves that the survey respondents agree with the observed variables of the qualitative research.

Table 1: Descriptive Statistics of Variables Included in the Model

Variable	*N*	Mean	Standard Deviation
TAX1	296	2.848	1.412
TAX2	296	2.936	1.335
TAX3	296	2.970	1.429
TAX4	296	2.889	1.463
LEV1	296	2.777	1.396
LEV2	296	2.902	1.412
LEV3	296	2.875	1.400
INF1	296	3.777	0.919
INF2	296	3.838	0.968
INF3	296	3.828	0.932
INF4	296	3.790	0.896
IT1	296	3.459	1.060
IT2	296	3.513	1.051
IT3	296	3.517	1.153
AQ1	296	3.503	1.092
AQ2	296	3.632	1.087
AQ3	296	3.848	1.015
AQ4	296	3.578	0.836
AQ5	296	3.858	1.001
PSY1	296	3.578	1.038
PSY2	296	3.486	1.061
PSY3	296	3.530	1.067
PSY4	296	3.547	1.004
MA1	296	3.497	0.935
MA2	296	3.570	0.954
MA3	296	3.557	0.951
MA4	296	3.507	1.120
MA5	296	3.591	0.952
LEG1	296	3.878	0.991
LEG2	296	4.027	0.949
LEG3	296	3.868	0.953
APC1	296	3.574	0.950
APC2	296	3.723	1.000
APC3	296	3.642	0.978

4.2. Evaluation of the Reliability of the Scale using Cronbach's Alpha Reliability Coefficient

The concept scale reliability for the independent and intermediate variables is shown in Table 2.

After testing the reliability of Cronbach's Alpha, the Cronbach's Alpha coefficient for all variables is less than 0.6, and the correlation coefficient with the sum of all factors is less than 0.3. This result proves that the scale is reliable and suitable for analysis in the following step.

4.3. Evaluation of Scale Value - Exploratory Factor Analysis by EFA

The results of the KMO test and Bartlett test show: The KMO value (Kaiser-Meyer-Olkin) is 0.823. This value > 0.5 indicates that factor analysis is suitable for grouping variables and data is suitable for factor analysis. The results of the Barlett test show that there is a correlation between the variables in the population (sig = 0.000 < 0.05; Chi-Square value: 4189,379; Degree of freedom: 465).

The results of the KMO test and the Bartlett test for the dependent variable (APC) also show that the data is suitable for factor analysis, and there is a correlation between the variables in the population. At the same time, the results of the Matrix value of the dependent variable show that the value of APC is relatively high (> 50%), so the collected data can be used for factor extraction and subsequent regression analysis steps.

The results of Table 3 show that, according to the Eigenvalue > 1 standard, there are eight factors drawn. So the eight factors extracted from the EFA are meaningful for summarising the observed variables' information. Rotation Sums of Squared Loadings (Cumulative percent) = 67.833% greater than 50%. This indicates that eight variables explain 67.833 percent of the variance in the data.

Table 4 shows that the extracted variance reached 67.833%; because the required factor loading of the variables is greater than 0.5, all variables met the requirements, and the scales are suitable for research. Key factor extraction method, varimax rotation to rotate factors: rotate the whole factor angle to reduce the number of variables with significant coefficients at the same factor, thereby improving the capacity to explain factors.

4.4. Validating the Appropriateness of the Research Model

After obtaining the independent and dependent representative variables from the EFA factor analysis, the research team performed a Pearson correlation analysis to determine the linear relationship between these variables.

Table 2: Testing the Scale by Cronbach's Alpha Reliability Coefficient

Observable Variables	Scale Mean If Item Deleted	Scale Variance If Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha If Item Deleted
Tax Pressure (TAX), Cronbach's Alpha = 0.933				
TAX1	8.794	15.201	0.846	0.911
TAX2	8.706	15.761	0.846	0.912
TAX3	8.672	15.197	0.832	0.916
TAX4	8.753	14.830	0.847	0.911
Financial Leverage (LEV), Cronbach's Alpha = 0.912				
LEV1	5.777	6.879	0.850	0.850
LEV2	5.652	6.906	0.829	0.867
LEV3	5.679	7.175	0.789	0.901
Information Need (INF), Cronbach's Alpha = 0.864				
INF1	11.456	5.896	0.690	0.836
INF2	11.395	5.508	0.743	0.815
INF3	11.405	5.652	0.745	0.814
INF4	11.443	6.037	0.676	0.842
Information Technology (IT), Cronbach's Alpha = 0.712				
IT1	7.030	3.569	0.519	0.636
IT2	6.976	3.535	0.540	0.613
IT3	6.973	3.226	0.536	0.618
Accountant Qualification (AQ), Cronbach's Alpha = 0.797				
AQ1	14.915	9.047	0.588	0.756
AQ2	14.787	8.839	0.631	0.741
AQ3	14.570	9.358	0.598	0.752
AQ4	14.841	10.148	0.611	0.754
AQ5	14.560	10.023	0.485	0.787
Accounting's Psychological (PSY), Cronbach's Alpha = 0.819				
PSY1	10.564	6.782	0.632	0.777
PSY2	10.655	6.633	0.645	0.771
PSY3	10.611	6.564	0.655	0.766
PSY4	10.594	6.933	0.632	0.777
Manager's Awareness (MA), Cronbach's Alpha = 0.740				
MA1	14.226	7.898	0.593	0.662
MA2	14.152	7.973	0.558	0.674
MA3	14.165	8.328	0.484	0.702
MA4	14.216	7.994	0.417	0.733
MA5	14.131	8.325	0.484	0.702

Table 2: (Continued)

Observable Variables	Scale Mean If Item Deleted	Scale Variance If Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha If Item Deleted
Legal Environment (LEG), Cronbach's Alpha = 0.740				
LEG1	7.895	2.684	0.566	0.652
LEG2	7.746	2.725	0.599	0.613
LEG3	7.905	2.886	0.528	0.695
Accounting Policy Choice (APC), Cronbach's Alpha = 0.771				
APC1	7.365	3.182	0.530	0.770
APC2	7.216	2.706	0.661	0.626
APC3	7.297	2.854	0.627	0.666

Table 3: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.931	19.133	19.133	5.931	19.133	19.133	3.421	11.035	11.035
2	3.118	10.056	29.190	3.118	10.056	29.190	2.918	9.414	20.449
3	2.649	8.545	37.734	2.649	8.545	37.734	2.819	9.093	29.542
4	2.442	7.877	45.611	2.442	7.877	45.611	2.660	8.581	38.124
5	2.198	7.089	52.701	2.198	7.089	52.701	2.649	8.544	46.668
6	1.884	6.076	58.777	1.884	6.076	28.777	2.542	8.199	54.866
7	1.539	4.966	63.743	1.539	4.966	63.743	2.050	6.614	61.481
8	1.268	4.090	67.833	1.268	4.090	67.833	1.969	6.352	67.833

Table 4: Rotated Component Matrix

	1	2	3	4	5	6	7	8
TAX1	0.897							
TAX2	0.895							
TAX4	0.888							
TAX3	0.878							
INF3		0.868						
INF2		0.851						
INF1		0.819						
INF4		0.798						
AQ2			0.796					
AQ3			0.766					
AQ4			0.763					

Table 4: (Continued)

	1	2	3	4	5	6	7	8
AQ1			0.743					
AQ5			0.564					
PSY3				0.817				
PSY1				0.795				
PSY2				0.789				
PSY4				0.763				
LEV1					0.899			
LEV2					0.899			
LEV3					0.878			
MA1						0.762		
MA3						0.714		
MA2						0.711		
MA5						0.644		
MA4						0.543		
LEG2							0.822	
LEG1							0.745	
LEG3							0.682	
IT1								0.793
IT2								0.732
IT3								0.721

The results of the Pearson correlation analysis showed that the sig of the independent variables TAX, LEV, INF, IT, AQ, PSY, MA, and LEG and the dependent variable APC = 0.000 < 0.05. Therefore, there is a linear relationship between the independent and dependent variables.

The results of ANOVA analysis with the Sig test also gave $F = 0.00 < 0.05$, so the regression model is significant and consistent with the collected data.

4.5. Regression Results

To conduct an accurate measurement of the impact of independent variables on dependent variables (accounting policy selection - APC), the study uses the help of SPSS 26 software. Regression results for the APC model are shown in Table 5.

The regression results in Table 5 show that the APC model is statistically significant. The results of the regression indicate that the variables (1) Tax pressure, (2) Financial leverage, (3) Information needs, (4) Information technology, (5) Accountant qualification, (6) Managers' awareness, (7) Legal environment have an effect on the dependent variable, as each independent variable's *t*-test Sig is less than 0.05. Because Sig is greater than 0.05, the accountant's behavior factor does not affect the dependent variable.

Based on the results in Table 5, the APC model is defined as follows:

$$\begin{aligned} APC = &-0.351 * TAX + 0.187 * IT + 0.147 * LEG \\ &+ 0.135 * INF - 0.133 * LEV + 0.129 * MA \\ &+ 0.119 * AQ + \varepsilon \end{aligned}$$

Based on the magnitude of the normalized regression coefficient Beta, there are 5 factors that have a positive relationship with APC in order of impact from strongest to weakest as follows: IT (0.187) > LEG (0.147) > INF (0.135) > MA (0.129) > AQ (0.119).

Two factors that have a negative relationship with APC in order of strongest to weakest impact are TAX (−0.351) > LEV (−0.133).

Durbin-Watson estimates also show that the correlation coefficient is 0.723, greater than 0.5. Therefore, this model is suitable for evaluating the relationship between dependent and independent variables. The coefficient of determination of the adjusted R^2 regression model is 0.523. This indicates about a 52.3% chance of factors affecting the choice of

Table 5: Coefficients Model

Model		Unstandardized Coefficients		Standardized Coefficients	*t*	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.504	0.364		4.131	0.000		
	TAX	−0.221	0.028	−0.351	−7.795	0.000	0.818	1.223
	LEV	−0.083	0.027	−0.133	−3.050	0.003	0.874	1.144
	INF	0.140	0.044	0.135	3.206	0.001	0.933	1.072
	IT	0.174	0.042	0.187	4.160	0.000	0.826	1.211
	AQ	0.128	0.047	0.119	2.706	0.007	0.866	1.155
	PSY	0.079	0.041	0.082	1.911	0.057	0.897	1.115
	MA	0.151	0.053	0.129	2.834	0.005	0.807	1.238
	LEG	0.152	0.049	0.147	3.099	0.002	0.734	1.362

accounting policy in SMEs. The analysis results also suggest that the Durbin-Watson coefficient d = 1.478 (1 < d < 3), which implies that the model has no autocorrelation in the residuals of the linear regression model. The research model meets the evaluation criteria and the appropriateness to produce research results. In summary, hypotheses H1, H2, H3, H4, H5, H7, and H8 for the formal theoretical research model are accepted.

5. Conclusion

The results of the study indicate that the following factors influence the choice of accounting policy in SMEs: (1) Tax pressure, (2) Financial leverage, (3) Information demand, (4) Information technology, (5) Accounting qualification, (6) Manager's awareness, (7) Legal environment; in which tax pressure has the most significant dimensional effect. It shows that when determining its accounting policies, SMEs will choose an accounting policy to minimize taxes and other contributions from the enterprise and its shareholders. This accounting policy must be approved by the tax authorities and enjoy maximum tax incentives. This is appropriate when the tax authority is the primary information user for SMEs. This result is entirely consistent with the study of Pham and Phi (2020). Based on the research results, we believe that to be able to choose an accounting policy suitable for businesses, SMEs should focus on training and fostering to improve the level of information technology; qualifications of managers and accountants. This requires improving the performance of educational institutions, and accounting professional organizations, developing accounting consulting services and financial reporting consulting services. SMEs need to set up an appropriate accounting apparatus and apply information technology in the entire process of collecting and processing accounting data. In addition, the State should soon improve accounting policies, legal environment as well as tax policies, and sanctions in tax compliance.

The study provides insight into Vietnamese SMEs' accounting policy selection. However, due to data limitations, some factors influencing the appointment of an accounting policy may be overlooked. In addition, a deeper examination of each specific accounting policy's choice is required to analyze their relationship in greater depth. This may be the direction that research will take shortly.

References

Ali, M. J., & Ahmed, K. (2017). Determinants of accounting policy choices under international accounting standards: Evidence from South Asia. *Accounting Research Journal, 30*(4), 430–446. https://doi.org/10.1108/ARJ-02-2015-0020

Almeida, N. S. de, & Lemes, S. (2020). Determinants of accounting choice: do CFOs' characteristics matter? *Management Research Review, 43*(2), 185–203. https://doi.org/10.1108/MRR-02-2019-0076

Braga, M. (2017). Effects of IFRS adoption on tax avoidance. *Revista Contabilidade e Financas, 28*(75), 407–424. https://doi.org/10.1590/1808-057x201704680

Brown, M., & Whittington, T. (2008). Financial statement analysis and accounting policy choice: What history can teach us. *Journal of Applied Accounting Research, 8*(3), 1–47. https://doi.org/10.1108/96754260880001053

Cullinan, M. (1999). International trade and accounting policy choice: Theory and Canadian evidence. *The International Journal of Accounting, 34*(4), 597–607. https://doi.org/10.1016/S0020-7063(99)00022-9

Cullinan, M., & Knoblett, R. (1994). Unionization and accounting policy choices: An empirical examination. *Journal of*

Accounting and Public Policy, 13(1), 49–78. https://doi.org/10.1016/0278-4254(94)90012-4

Cushing, C. R., & LeClere, K. (1992). Evidence on the determinants of inventory accounting policy choice. *The Accounting Review, 67*(2), 355–366. http://www.jstor.org/stable/247729

Dey, E. A. (2007). Determinants of accounting choices in Egypt. *Journal of Applied Accounting Research, 8*(3), 48–92. https://doi.org/10.1108/96754260880001054

Doan, D. T., Thi Nguyen, L. N. T., & Thanh, H. T. (2020). Factors affecting the application of IFRS through the perceptions of business managers and auditors in Vietnam. *Problems and Perspectives in Management*, *18*(1), 371–384. https://doi.org/10.21511/ppm.18(1).2020.32

Ebrahim, A., & Fattah, T. A. (2015). Corporate governance and initial compliance with IFRS in emerging markets: The case of income tax accounting in Egypt. *Journal of International Accounting, Auditing, and Taxation*, *24*, 46–60. https://doi.org/10.1016/j.intaccaudtax.2015.02.003

Fekete, S., Yau, Y. M., Mustata, R., Matis, D., & Popa, I. (2010). Explaining accounting policy choices of SMEs: An empirical research on the evaluation methods. *European Research Studies Journal*, *13*(1), 33–48. https://doi.org/10.35808/ersj/256

Hagerman, R. L., & Zmijewski, M. E. (1979). Some economic determinants of accounting policy choice. *Journal of Accounting and Economics*, *1*(2), 141–161. https://doi.org/10.1016/0165-4101(79)90004-1

International Accounting Standards Committee. (2007). *IAS: Presentation of financial statements*. https://www.iasplus.com/en/standards/ias/ias1

Inoue, T., & Thomas, W. B. (1996). The choice of accounting policy in Japan. *Journal of International Financial Management and Accounting*, *7*(1), 1–23. https://doi.org/10.1111/j.1467-646X.1996.tb00061.x

Lado-Sestayo, R., & Vivel-Búa, M. (2018). Profitability in the hotel sector: A PLS approach. *Journal of Hospitality and Tourism Technology*, *9*(3), 455–470. https://doi.org/10.1108/JHTT-10-2017-0118

Joshi, P. L., & Ramadhan, S. (2002). The adoption of international accounting standards by small and closely held companies: Evidence from Bahrain. *International Journal of Accounting*, *37*(4), 429–440. https://doi.org/10.1016/S0020-7063(02)00190-5

Lemke, K. W., & Page, M. J. (1992). Economic determinants of accounting policy choice. *Journal of Accounting and Economics*, *15*(1), 87–114. https://doi.org/10.1016/0165-4101(92)90013-R

Lybaert, N. (1998). The information used in an SME: Its importance and some elements of influence. *Small Business Economics*, *10*(2), 171–191. https://doi.org/10.1023/A:1007967721235

Minister of Finance. (2003, December 30). Decision No. 234/2003/QD-BTC on the issuance and publication of six Vietnamese standards on accounting (batch 3). *Thuvienphapluat.* https://thuvienphapluat.vn/van-ban/Ke-toan-Kiem-toan/Quyet-dinh-234-2003-QD-BTC-cong-bo-sau-06-Chuan-muc-ke-toan-Viet-Nam-dot-3-53084.aspx

Morris, R. D. (1987). Signaling, agency theory, and accounting policy choice. *Accounting and Business Research*, *18*(69), 47–56. https://doi.org/10.1080/00014788.1987.9729347

Nguyen, T. N. L., & Nguyen, V. C. (2020a) The determinants of profitability in listed enterprises: A study from Vietnamese stock exchange. *Journal of Asian Finance, Economics, and Business*, *7*(1), 47–58. https://doi.org/10.13106/jafeb.2020.vol7.no1.47

Nguyen, T. T., & van Nguyen, C. (2022b). The relationship between environmental disclosure and influencing factors in an emerging market: Evidence from Vietnamese enterprises. *International Journal of Business Excellence, 16*, 54–63.

Pham, C. D., & van Phi, T. V. (2020). Factors influencing the choices of accounting policies in small and Medium Enterprises in Vietnam. *Journal of Asian Finance, Economics, and Business*, *7*(10), 687–696. https://doi.org/10.13106/jafeb.2020.vol7.no10.687

Pham, K. X., Nguyen, Q. N., & van Nguyen, C. V. (2020). Effect of working capital management on the profitability of steel companies on Vietnam stock exchanges. *Journal of Asian Finance, Economics, and Business*, *7*(10), 741–750. https://doi.org/10.13106/jafeb.2020.vol7.n10.741

Qayyum, N., & Noreen, U. (2019). Impact of capital structure on profitability: A comparative study of Islamic and conventional banks of Pakistan. *Journal of Asian Finance, Economics, and Business*, *6*(4), 65–74. https://doi.org/10.13106/jafeb.2019.vol6.no4.65

Shima, K. M., & Yang, D. C. (2012). Factors affecting the adoption of IFRS. *International Journal of Business*, *17*(3), 276–298.

Thottoli, M. M., & Ahmed, E. R. (2022). Information technology and E-accounting: Some determinants among SMEs. *Journal of Money and Business*, *2*(1), 1–15. https://doi.org/10.1108/JMB-05-2021-0018

Tzovas, C. (2006). Factors influencing a firm's accounting policy decisions when tax accounting and financial accounting coincide. *Managerial Auditing Journal*, *21*(4), 372–386. https://doi.org/10.1108/02686900610661397

Watts, R. L., & Zimmerman, J. L. (1990). Positive accounting theory: A te= year perspective. *Accounting Review*, *65*(1), 131–156. http://www.jstor.org/stable/247880

Zubaidur Rahman, M., & Scapens, R. W. (1988). Financial reporting by multinational enterprises: Accounting policy choice in a developing country. *Journal of Accounting and Public Policy*, *7*(1), 29–42. https://doi.org/10.1016/0278-4254(88)90003-8