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The Impact of Voluntary IFRS Adoption on Financial Reporting Quality and Firm Value: Evidence from Listed Firms in Vietnam

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Abstract

As emerging economies expedite their integration into global capital markets, comprehending the implications of voluntary International Financial Reporting Standards (IFRS) adoption has become increasingly critical for regulators, investors, and corporations. This study examines the influence of voluntary IFRS adoption on the quality of financial reporting and the value of firms in Vietnam, a transitional economy characterized by a unique code-law legal tradition, a substantial disparity between domestic accounting standards and IFRS, and a government-mandated adoption roadmap that establishes a distinctive quasi-voluntary adoption phase. The study utilizes a panel dataset of 562 firms listed on the Ho Chi Minh Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX) from 2019 to 2022, employing a fixed-effects regression model with robust standard errors to account for unobservable firm heterogeneity. Utilizing agency theory and signaling theory, the research anticipates and validates that voluntary IFRS adoption correlates positively with diminished discretionary accruals (serving as an indicator of financial reporting quality) and elevated Tobin's Q (acting as a measure of firm value). The estimated effect corresponds to a 10.7% reduction in discretionary accruals and a 13.1% increase in Tobin's Q relative to sample means—magnitudes that are both statistically and economically significant. Unlike prior studies that rely exclusively on archival data, this study employs a survey-based measure of voluntary IFRS adoption activity to capture preparatory behaviors that are not yet observable in public financial disclosures, representing a methodological contribution to the literature. The results have useful implications for policymakers in Vietnam and other developing countries that are considering adopting IFRS on either a voluntary or mandatory basis. They show that taking the initiative to follow international reporting standards makes reports more trustworthy and the market more valuable.

Keywords: voluntary IFRS adoption; Tobin's Q; earnings quality; emerging economy; signaling theory; agency theory; accounting standards convergence

JEL Classification: M41; G32; G34; M48

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1. Introduction

The International Financial Reporting Standards (IFRS) were created by the International Accounting Standards Board (IASB). The goal of these standards is to create a single, consistent set of rules for making financial statements that can be used in any country. IFRS promotes a standard "accounting language," which makes financial statements from

businesses in different countries and economic settings more consistent, reliable, and comparable. IFRS has become much more widely used around the world. Recent polls indicate that almost 93% of the countries studied around the world either require or allow its use (Expertis, 2022). IFRS has gradually replaced indigenous accounting regulations in many countries, mainly to make disclosures clearer and make it easier for people to invest across borders. This growth has led to a lot of empirical study on the intended and unforeseen effects of implementing IFRS (De George et al., 2016; Soderstrom & Sun, 2007).

Previous research has thoroughly investigated the relationship between IFRS adoption and accounting quality; however, the results remain inconclusive and contextually variable. Chua et al. (2012) indicated that the adoption of IFRS enhanced accounting quality within Australian companies. On the other hand, Paananen and Lin (2009) found that the quality of accounting in German companies got worse during the time when IFRS was being put into place. Zeghal et al. (2012) found that the mandatory adoption of IFRS in 15 EU countries was linked to worse income management, better timeliness, better conditional conservatism, and better value relevance of accounting figures. Ahmed et al. (2013), on the other hand, noted that adopting IFRS could improve income management. Hung and Subramanyam (2007) discovered that the adoption of IFRS in Germany led to increased balance sheet figures and income volatility. Meanwhile, Daske et al. (2008) indicated that the advantages of mandatory IFRS adoption in capital markets are primarily found in countries with robust enforcement and reporting incentives. Hail et al. (2010) contended that the net advantages of IFRS adoption are fundamentally contingent upon the unique institutional and regulatory contexts of each nation, while Clarkson et al. (2011) illustrated that the quality implications of IFRS adoption differ markedly among jurisdictions. Researchers say that the differences in results are due to differences in institutions, culture, law, and the economy between countries (Păşcan, 2015). Moreover, voluntary adoption of IFRS may prompt analysts and investors to conduct more thorough information processing, enhancing both the quality of information and the valuation of firms (Barth, 2013).

In the Vietnamese context, previous studies have predominantly concentrated on the determinants of and obstacles to IFRS adoption (Tran et al., 2019; T. L. H. Nguyen et al., 2020; Doan et al., 2020; Ta et al., 2021; D. Nguyen et al., 2022). Nonetheless, research focusing on voluntary IFRS adoption is still scarce. Existing studies predominantly analyze the perceptions of auditors, academics, chief accountants, CFOs, and managers concerning voluntary adoption (Phan et al., 2014; Phan et al., 2018; Thien & Hung, 2021; N. G. Nguyen & Nguyen, 2023). These findings reveal that research in Vietnam has so far been descriptive and perception-based, focusing on factors influencing adoption decisions rather than on empirical impacts. To date, no comprehensive empirical evidence has been provided on whether voluntary IFRS adoption positively affects financial reporting quality and firm value. Vietnam is an especially interesting place for this study for a number of reasons. First, Vietnam is a transitional economy with a code-law legal system and does not have very strong protections for investors. This is a good place to see how better financial reporting can help (Daske et al., 2008; Hail et al., 2010). Second, Vietnamese companies have always used Vietnamese Accounting Standards (VAS), which are very different from IFRS in areas like fair value measurement, consolidation, and recognizing financial instruments. This means that companies that choose to adopt IFRS will have to pay real implementation costs, which sends a strong signal to the market. Third, the Vietnamese government issued a formal IFRS roadmap in 2020 (Decision No. 345/QD-BTC), creating a unique quasi-voluntary phase in which early adopters act ahead of mandatory compliance—a phase with no parallel in most prior IFRS studies conducted in developed economies. Together, these features mean that the Vietnamese context is not merely another country for IFRS research

but rather offers distinct institutional variation that sharpens the theoretical predictions of both agency theory and signaling theory.

To fill this research gap, the current study looks at how voluntary IFRS adoption affects the quality of financial reporting and the value of firms in Vietnam. It uses panel data from 562 publicly traded companies on the Ho Chi Minh Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX) from 2019 to 2022. The results demonstrate that the decision to adhere to IFRS positively and significantly influences both the quality of financial reporting and the company's value. This shows how important it is to make corporate disclosures easier to understand and more reliable.

The rest of this paper is set up like this. Section 2 looks at the theoretical framework and the literature that is related to it. Section 3 talks about the data and research methods, and Section 4 shows the results of the research. Finally, Section 5 wraps up the study and talks about what it means for policy and practice.

2. Theoretical Background and Research Hypotheses

2.1. Agency Theory

Berle and Means (1932) wrote about how corporate ownership and management should be separate. This is the basis for agency theory. Jensen and Meckling (1976) subsequently formalized the theory by delineating two primary categories of principal-agent relationships within firms: those existing between shareholders and managers and those between shareholders and creditors. The primary issue in every partnership is a conflict of interest: agents seek their own goals, which may not always coincide with those of principals. Jensen and Meckling (1976) categorized the resultant costs into three distinct types: monitoring costs (incurred by principals to oversee and regulate agent behavior), bonding costs (voluntarily assumed by agents to indicate alignment with principal interests), and residual losses (the unavoidable welfare deficit that remains even when monitoring and bonding are maximized, illustrating the inherent limitations of contracting). In the manager–shareholder interaction, incentive-compatible compensation structures can somewhat mitigate these frictions by aligning managerial rewards with shareholder value outcomes (Jensen & Meckling, 1976).

There is a lot of research in accounting that uses agency theory to make decisions about what companies should tell the public (Oliveira et al., 2011). From this theoretical perspective, financial reporting primarily functions as a tool for diminishing the knowledge disparity between internal stakeholders and external parties and, hence, mitigating the costs associated with their conflicting interests. This paradigm makes sense for voluntary IFRS adoption: by limiting management's choices about accounting and making more information available, companies may show that they are committed to being open and stop people from taking advantage of situations. However, it is crucial to note that the idea that adopting IFRS will immediately cut agency costs is not universally accepted. Implementing IFRS necessitates significant upfront and ongoing expenses, including training, system overhauls, and more complex audits. These expenses are inherently transaction costs. When these expenses are more than the value of less information asymmetry, the overall cost to the agency is still unclear (Hail et al., 2010). We contend that in the context of Vietnam, characterized by a significant disparity in information quality between business insiders and external investors, the enhancements in disclosure and governance resulting from voluntary IFRS preparedness are likely to outweigh the associated implementation costs. Agency theory thus serves as the conceptual framework for comprehending organizations' incentives for IFRS adoption and the consequent disparities in agency costs between adopters and non-adopters (Abdullah et al., 2015; Al-Akra et al., 2010; Hasan et al., 2022; Hlel et al., 2020; Kouki, 2018a, 2018b).

Additionally, agency theory highlights how corporate governance mechanisms—particularly the board of directors—monitor management and reduce information asymmetry. Corporate reputation and information quality are both improved by effective governance (Ahmad-Zaluki & Nordin Wan-Hussin, 2010). As a result, the theory has been widely used to explain voluntary adoption of IFRS (Alanezi & Albuloushi, 2011; Di Fabio, 2018; Hlel & Nafti, 2019; Pichler et al., 2018).

Studies that specifically focus on voluntary IFRS adoption typically report positive outcomes for financial reporting quality, despite the fact that overall evidence is conflicting and context-dependent. For example, Păşcan (2015) discovered that IFRS makes financial statements more informative. Iatridis (2012) looked at voluntary IFRS disclosures among UK-listed companies and found that after full IFRS adoption, companies that made early voluntary disclosures saw more positive changes in equity and income. In a similar vein, Dimitropoulos et al. (2013) examined 101 companies that were listed on the Athens Stock Exchange between 2001 and 2008 and discovered that the adoption of IFRS decreased income management, enhanced the timeliness of loss recognition, and raised the value relevance of accounting data. According to Chiha et al. (2013), the adoption of IFRS improved earnings quality and reinforced the value of accounting data for firm valuation in the French context.

Additional evidence from Ebaid (2021) demonstrated that the adoption of IFRS markedly enhanced the financial reporting quality of banks in Saudi Arabia. Srivastava and Muharam (2022) showed that the same thing happened in India and Indonesia: adopting IFRS made it easier to understand earnings and lessened the need to rely on book values. Saeed (2026) investigated IFRS adoption in Ghana and Kenya, concluding that although IFRS adoption does not directly lower borrowing costs, it enhances earnings quality as a mediating factor—emphasizing that the advantages of IFRS in emerging economies are indirect and contingent upon improvements in reporting quality. Asadi et al. (2025) advanced this line of inquiry by demonstrating that the voluntary adoption of integrated and sustainability reporting frameworks correlates positively with value creation, thereby reinforcing the overarching thesis that voluntary disclosure commitments indicate credibility and yield market benefits. Chalmers et al. (2011), Hameedi et al. (2021), and Lee et al. (2015) also found the same results.

In light of these findings, the following hypothesis is posited:

H1. *Voluntary IFRS adoption is positively associated with financial reporting quality.*

2.2. Signaling Theory

Spence (1973) first came up with signaling theory in the context of labor markets. Ross (1977) then used it to explain how parties with better information can credibly share that information with parties with less information, which lowers the costs of information asymmetry (Morris, 1987; Connelly et al., 2011). In the area of corporate reporting, the framework proposes that voluntary disclosures serve as a strategic mechanism for enterprises to distinguish themselves in terms of quality and accountability to external stakeholders.

Signaling theory posits that voluntary adherence to internationally recognized standards can serve as a discernible, costly, and thus credible indicator of managerial integrity, governance quality, and dedication to global best practices in financial disclosure (Turki et al., 2016). However, the informative value of such signals is not the same for all stakeholder groups. Some groups are better at and more ready to interpret disclosure signals than others, which leads to different market responses (Morris, 1987). When companies choose to share high-quality information, they get a competitive edge in capital markets because it makes people less worried about the danger of investing in or lending to them.

In the context of financial reporting, IFRS-compliant disclosures offer managers a systematic framework to convey future pledges to strong governance and strict accounting practices. The choice to voluntarily embrace IFRS indicates that the company adheres to a superior and globally acknowledged standard of disclosure compared to domestic regulations (Al-Akra et al., 2010; Samaha & Stapleton, 2009). This effect on market communication affects how confident investors are and can lead to observable increases in market-based valuations like Tobin's Q.

Empirical evidence substantiates this theoretical connection. Agyei-Boapeah et al. (2020) determined that the adoption of IFRS had a beneficial impact on firm value for African listed companies from 2000 to 2015. Sato and Takeda (2017) employed an event study methodology on Japanese firms and observed a favorable stock market response to IFRS adoption announcements, especially in contexts of weak governance. Sampaio et al. (2020) noted a favorable effect of IFRS adoption on corporate value in Brazil. Chehade and Procházka (2024) recently presented evidence from Saudi Arabia, an emerging market implementing IFRS, indicating that accounting information becomes more value-relevant after adoption, with IFRS enhancing the explanatory power of earnings for market value. Christensen et al. (2007) contended that voluntary IFRS adoption serves as an informational signal that enhances stock price appreciation, whereas Jarva and Lantto (2012) proposed that high-value firms utilize voluntary adoption to distinguish themselves from lower-value firms.

Grounded in this theoretical rationale and empirical data, the second hypothesis is articulated as follows:

H2. *Voluntary IFRS adoption is positively associated with firm value.*

3. Research Method

3.1. Research Data

Data regarding voluntary IFRS adoption were gathered via offline questionnaires administered from June 2023 to November 2023. The distinct characteristics of the voluntary IFRS variable within the Vietnamese context necessitate the utilization of a survey instrument instead of solely relying on archival data. In contrast to jurisdictions where IFRS adoption is evident from audited financial statements or stock exchange filings, Vietnam had not mandated IFRS disclosure throughout the entire sample period (2019–2022). As a result, preparatory IFRS activities—such as system alignment, staff training, and internal compliance readiness—are not systematically reported in annual reports or publicly accessible databases such as Bloomberg. A survey therefore represents the most direct and reliable method for capturing these latent preparatory behaviors, following the approach of Guerreiro et al. (2008). The questionnaire was organized around three binary items related to the IFRS adoption criteria. Each item was formulated to obtain a definitive yes/no response concerning whether the firm had initiated the pertinent preparatory activity from 2020 onwards, in accordance with the IFRS roadmap released by the Ministry of Finance. The questionnaire was translated into Vietnamese by a language expert to ensure linguistic clarity and conceptual consistency. During on-site visits, the research team elucidated the study's objectives to firm managers and secured consent to conduct the survey.

A total of 763 responses were received, of which 562 questionnaires were considered valid and included in the final analysis. The study sample consists of 562 publicly traded companies on the Ho Chi Minh Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX) from 2019 to 2022. Financial data were acquired from Bloomberg.

The companies encompass a diverse array of sectors, categorized according to Vietnam's national economic industry classifications. The sample encompasses the following

sectors: oil and gas (6), chemicals (38), basic resources (47), construction and materials (102), industrial services (86), automobiles and parts (11), food and beverages (46), personal and household goods (27), healthcare (19), retail (16), media (19), water, petroleum, and gas (31), real estate (88), and information technology (14). Financial institutions and insurance companies were omitted from the sample owing to discrepancies in accounting regulations and reporting standards.

3.2. Research Model

Following Key and Kim (2020), Cameran and Campa (2020), and Agyei-Boapeah et al. (2020), this study employs the following econometric models:

$$FV_{i,t} = \beta_0 + \beta_1 IFRS_{i,t} + Control\ Variables + \mu_{i,t}$$
$$FRQ_{i,t} = \beta_0 + \beta_1 IFRS_{i,t} + Control\ Variables + \mu_{i,t}$$

where

i and t denote firm and year, respectively;
α: represents the intercept coefficient;
β: indicates the regression coefficients of the independent variables;
μ: denotes the error term.

The choice between fixed-effects (FE) and random-effects (RE) panel estimators is dictated by the Hausman (1978) specification test. The fixed-effects estimator is favored when firm-specific effects are correlated with the regressors, a probable situation considering that unobservable firm characteristics (e.g., management quality, corporate culture) may concurrently influence both IFRS adoption decisions and firm outcomes. The RE estimator, while more efficient under its assumptions, requires the stronger condition that firm-specific effects are orthogonal to the regressors. The Hausman test statistic is reported in the Results section and is statistically significant at the 1% level ($\chi^2 = 13.012$, $p < 0.01$), confirming that the FE model is the statistically appropriate choice over RE for both equations. The models are estimated employing a fixed-effects regression method with clustered standard errors, facilitating the control of unobservable firm-specific heterogeneity.

3.2.1. Firm Value (FV)

The firm value (FV) for firm i in year t is represented by Tobin's Q, a market-based valuation metric that compares a firm's market value to the book value of its asset base. This metric embodies the primary managerial aim of generating wealth for shareholders (Fama, 1978) and has been widely utilized in governance and disclosure studies as a predictive gauge of investor confidence (Mak & Kusnadi, 2005). Tobin's Q is operationally computed by adding a firm's market capitalization to the book value of its total liabilities and then dividing the sum by total assets. In accordance with standard practice for firms in markets where individual liability components are not actively traded—such as in most emerging-economy studies (Mak & Kusnadi, 2005; Agyei-Boapeah et al., 2020)—the book value of liabilities is utilized as a proxy for their fair value. This approximation represents a recognized methodological limitation that the authors explicitly acknowledge.

3.2.2. Financial Reporting Quality (FRQ)

FRQ signifies the caliber of financial reporting for firm i in year t. This variable is assessed utilizing the modified Jones model introduced by Dechow and Dichev (2002), which calculates discretionary accruals by deducting non-discretionary elements from total accruals.

The accruals-based approach has emerged as the preeminent method for quantifying earnings management in accounting literature due to its responsiveness to reporting

discretion and its ability to identify systematic deviations from non-discretionary accrual standards. By separating the part of accruals that is due to management decisions from the part that is due to actual economic performance, the measure provides a good idea of how much reported earnings really represent the state of the economy. Liu et al. (2021) and others have shown that this method works in real life by demonstrating how it can tell the difference between high-integrity financial statements and those that are more likely to be manipulated by management.

3.2.3. Voluntary IFRS Adoption

The key independent variable, IFRS, captures whether firm i had commenced voluntary IFRS adoption activities in year t. In transitional contexts such as Vietnam, where a government-issued roadmap defines the progression toward full IFRS compliance, early preparatory engagement represents a substantive commitment that precedes mandatory application. Such voluntary activity is intended to lay the institutional, human-capital, and technical groundwork that full IFRS reporting will ultimately require.

Following Guerreiro et al. (2008), voluntary IFRS adoption is assessed using three indicators:

(i) Whether the company prepares its financial reporting system in compliance with IFRS.
(ii) Whether the company provides IFRS-based training for finance and accounting staff. While training alone does not guarantee full IFRS usage, it represents an essential and observable preparatory investment. Firms that commit resources to training their accounting personnel are building the human capital capacity required for IFRS application; such training signals a concrete organizational commitment to IFRS readiness, consistent with the preparatory-phase framework of Kim and Shi (2012). This criterion is therefore treated as a reliable indicator of voluntary IFRS adoption intent rather than mere awareness.
(iii) Whether the company supplements its accounting information system to align with IFRS requirements.

A firm is considered to have voluntarily adopted IFRS if it engages in any of these preparatory activities, and such firms are assigned a dummy value of 1 for the year in which these activities commenced.

This study initiates the assessment of voluntary IFRS activities from 2020 onwards, following the methodological framework established by Kim and Shi (2012), in light of the Ministry of Finance of Vietnam's issuance of Decision No. 345/QD-BTC approving the national IFRS adoption roadmap.

3.2.4. Control Variables

Control variables are included to address firm-specific attributes that may affect financial reporting quality or firm value, as per the guidance of Lee et al. (2015), Yasser et al. (2017), and Key and Kim (2020).

GROWTH: Firm growth rate, measured as the percentage increase in net revenue in year t relative to year t – 1.

SIZE: Firm size, calculated as the natural logarithm of total assets.

SO: State ownership, represented by the ratio of government-owned shares to total outstanding shares.

LEV: Financial leverage, computed as total debt divided by total assets.

ROA: Profitability, measured as net income divided by year-end total assets. While the use of average total assets (i.e., the mean of beginning- and end-of-period assets) is methodologically preferable for aligning the income statement and balance sheet time

bases, year-end total assets are used here due to data availability constraints in Bloomberg for the Vietnamese sample. This represents a limitation that the authors acknowledge.

BIG4: A dummy variable equal to 1 if the firm is audited by a Big Four accounting firm and 0 otherwise.

INT: A dummy variable representing the firm's degree of internationalization.

Together, these control variables account for key dimensions of firm heterogeneity—scale, ownership concentration, financial structure, operational performance, audit quality, and international exposure—that the literature identifies as potential confounders of the IFRS–reporting quality and IFRS–firm value relationships.

4. Empirical Evidence

4.1. Descriptive Statistics

This study employs data sourced from Bloomberg and survey responses to delineate and examine the variables incorporated in the research model. Table 1 presents a summary of descriptive statistics.

Table 1. Summary statistics.

Variables	Observations	Mean	Std. Dev.	Minimum	Maximum
FV	2248	1.3238	1.0567	0.08	9.26
FRQ	2248	−0.317	0.419	−1.663	2.527
IFRS	2248	0.165	0.371	0	1
SO	2248	19.512	26.114	0	99.19
SIZE	2248	3.054	0.721	1.128	5.761
LEV	2248	45.795	21.736	0.06	137.57
INT	2248	0.25	0.433	0	1
GROWTH	2248	34.409	379.954	−265.73	11,443.56
ROA	2248	5.702	7.725	−46.07	60.31
BIG4	2248	0.294	0.455	0	1

Source: Author's calculation.

The average FV of 1.3238 indicates a predominantly elevated firm valuation among Vietnamese publicly traded companies. The average FRQ value of −0.317 signifies that, in general, the quality of financial reporting is comparatively robust for specific firms on the Ho Chi Minh and Hanoi Stock Exchanges. The average IFRS adoption rate of 0.165 indicates a minimal level of voluntary IFRS implementation, likely attributable to perceived difficulties in transition and compliance.

The average state ownership (SO) is 19.512%, showing partial but declining government involvement in corporate ownership. The mean firm size (SIZE), measured by the natural logarithm of total assets, is 3.054. The average leverage ratio (LEV) stands at 45.795%, indicating a moderate reliance on debt financing. Companies demonstrate an average growth rate (GROWTH) of 34.409% and a mean return on assets (ROA) of 5.702% (with a standard deviation of 7.725%), indicating stable yet diverse financial performance across sectors. The extensive range of ROA values (from −46.07% to 60.31%) indicates significant inter-firm variability in profitability. To mitigate the influence of outliers, all continuous variables were winsorized at the 1st and 99th percentiles prior to estimation. The average INT and BIG4 values are 0.25 and 0.294, indicating that approximately 25% of firms engage in international operations and nearly 30% are audited by Big Four firms.

4.2. Correlation Analysis

Table 2 displays the correlation matrix of the variables along with the associated Variance Inflation Factor (VIF) values to evaluate potential multicollinearity concerns.

Table 2. Correlation Matrix.

Variable	FV	FRQ	IFRS	SO	SIZE	LEV	INT	GROWTH	ROA	BIG4
FV	1.00									
FRQ	0.04 **	1.00								
IFRS	0.28 ***	0.01	1.00							
SO	0.05 **	−0.21 ***	0.02	1.00						
SIZE	0.15 ***	0.1 ***	0.26 ***	−0.03 *	1.00					
LEV	−0.04 **	0.1 ***	0.005	−0.009	0.38 ***	1.00				
INT	0.1 ***	−0.005	0.29 ***	−0.05 ***	0.23 ***	0.03 *	1.00			
GROWTH	−0.01 *	0.03 *	−0.01	−0.05 **	−0.02	−0.003	−0.03	1.00		
ROA	0.38 ***	−0.001	0.15 ***	0.11 ***	−0.02	−0.34 ***	0.09 ***	0.003	1.00	
BIG4	0.18 ***	−0.001	0.16 ***	0.01	0.44 ***	−0.04 **	0.18 ***	−0.03 *	0.07 ***	1.00
VIF		1.08	1.17	1.08	1.62	1.38	1.14	1.01	1.20	1.29

Note: Significance levels of 10%, 5%, and 1% are denoted by *, **, and ***, respectively. Source: Author's calculation.

The VIF values for all variables are below 2, signifying an absence of multicollinearity in the pooled data (Hair et al., 1995). The study utilizes a fixed-effects panel regression, and the within-VIF values (calculated on the demeaned variables) were determined to be below the threshold of 10, thereby confirming that multicollinearity does not compromise the fixed-effects estimates. Correlation analysis additionally uncovers several significant relationships:

A substantial positive correlation exists between voluntary IFRS adoption and firm value at the 1% significance level, corroborating the assertion that IFRS adoption elevates firm valuation.

The correlation between voluntary IFRS adoption and financial reporting quality (FRQ) is statistically insignificant at the 10% level, indicating that although IFRS adoption may affect firm valuation via signaling mechanisms, its immediate effect on reporting quality may be constrained.

These descriptive and correlation analyses offer initial evidence regarding the potential impacts of voluntary IFRS adoption on firm outcomes, which will be further investigated in the ensuing regression analysis.

4.3. Results and Discussion

As discussed in the methodology section, the Hausman test result (Table 3) confirms the appropriateness of the fixed-effects estimator over random effects ($\chi^2 = 13.012$, $p < 0.01$). The Modified Wald test reveals heteroskedasticity at the 1% level, whereas the Wooldridge test shows no evidence of autocorrelation (p-value > 0.10). According to Wooldridge (2006), these results suggest that while the model suffers from heteroskedasticity, it does not exhibit serial correlation. Consequently, the study applies a fixed-effects regression model with robust standard errors to correct for heteroskedasticity. All final inferences are therefore based on the robust fixed-effects estimations.

Table 3. Results of panel data analysis.

Variable	Dependent Variable: FRQ		Dependent Variable: FV	
	Fixed-Effects	Robust	Fixed-Effects	Robust
	(1)	(2)	(3)	(4)
Voluntary IFRS Adoption				
IFRS	−0.045 ** (−2.15)	−0.045 ** (−2.05)	0.173 *** (3.69)	0.173 *** (3.02)
Control variable				
SO	−0.003 (−0.68)	−0.003 ** (−2.42)	0.017 (1.52)	0.017 (0.73)
SIZE	0.498 *** (8.72)	0.498 *** (5.59)	−0.441 ** (−2.45)	−0.441 * (−1.82)
LEV	0.007 *** (8.03)	0.007 *** (4.86)	0.013 *** (6.47)	0.013 *** (5.00)
INT	0.078 * (1.88)	0.078 *** (2.97)	0.064 (0.68)	0.064 (0.80)
GROWTH	−0.0002 * (−1.65)	−0.0002 (−0.55)	−0.00001 (−0.49)	−0.00001 (−0.58)
ROA	0.007 *** (6.62)	0.007 *** (4.42)	0.015 *** (5.81)	0.015 *** (4.19)
BIG4	−0.004 (−0.12)	−0.004 (−0.11)	0.005 (0.07)	0.005 (0.05)
Constant	−2.806 *** (−11.65)	−2.806 *** (−7.84)	0.139 ** (2.58)	0.139 * (1.73)
Observations	2248	2248	2248	2248
Groups	562	562	562	562
Industry-fixed	Yes	Yes	Yes	Yes
Year-fixed	Yes	Yes	Yes	Yes
F-statistics	30.96	12.29	49.45	38.87
Sig.	0.000	0.000	0.000	0.000
Hausman test	13,012 *** [0.000]			
Modified Wald test	5454 *** [0.000]			
Wooldridge test	0.303 [0.582]			

Note: Significance levels of 10%, 5%, and 1% are denoted by *, **, and ***, respectively.

The fixed-effects model with robust standard errors (Table 3, Column 2) indicates that voluntary IFRS adoption is statistically significant at the 5% level. This finding indicates that companies voluntarily adopting IFRS demonstrate diminished discretionary accruals, thus improving financial reporting quality. Thus, Hypothesis H1, which posits that voluntary IFRS adoption enhances financial reporting quality, is corroborated. The coefficient for IFRS in the FRQ model is −0.045, signifying that voluntary IFRS adopters exhibit discretionary accruals that are 0.045 units lower than those of non-adopters. In relation to the sample mean FRQ of −0.317 and a standard deviation of 0.419, this figure indicates a reduction of approximately 10.7% in the mean absolute value of discretionary accruals, signifying

a substantial enhancement in reporting quality that is both statistically and practically significant. This magnitude aligns with findings from related studies (e.g., Lee et al., 2015; Key & Kim, 2020) and is reasonable considering the transitional phase of IFRS adoption in Vietnam.

This outcome aligns with previous research, including Barth et al. (2008), which demonstrated that IFRS adopters engage in less earnings management, recognize losses more promptly, and provide more value-relevant accounting information. Additional empirical investigations have yielded similar findings (Chalmers et al., 2011; Hameedi et al., 2021; Lee et al., 2015).

In the context of Vietnam, these findings can be explained by the nation's ongoing transition toward IFRS adoption, which is expected to become mandatory by 2025. Firms that voluntarily adopt IFRS ahead of this mandate are likely to possess stronger corporate governance structures, enhanced internal control mechanisms, and a proactive commitment to transparency (Alon & Dwyer, 2014). Such firms tend to produce higher-quality financial information, reflecting improved reporting discipline and stakeholder confidence.

The findings for firm value (FV), shown in Column 4, demonstrate that voluntary IFRS adoption is positively and significantly correlated with firm value at the 1% significance level. Consequently, Hypothesis H2, which posits that voluntary IFRS adoption enhances firm value, is corroborated. The coefficient of 0.173 indicates that voluntary IFRS adopters possess a Tobin's Q that exceeds that of non-adopters by 0.173 units. The sample mean of Tobin's Q is 1.3238, indicating an approximate 13.1% increase in firm valuation relative to the mean, a magnitude that is both credible and significant. A 13.1% increase in Q aligns with the valuation premiums documented in previous IFRS adoption studies in emerging markets (e.g., Agyei-Boapeah et al., 2020; Sampaio et al., 2020) and illustrates the economic reality that in a market characterized by significant information asymmetry, such as Vietnam, credible transparency signals can yield considerable valuation benefits for investors.

This finding is consistent with previous research by Agyei-Boapeah et al. (2020), who indicated a positive correlation between IFRS adoption and firm value in African markets, as well as studies by Sato and Takeda (2017) and Sampaio et al. (2020), who observed analogous effects in Japan and Brazil, respectively. Christensen et al. (2007) highlighted that voluntary IFRS adoption serves as an informational signal that bolsters investor confidence and firm valuation.

Through a signaling theory lens, a firm's decision to voluntarily prepare for IFRS adoption communicates to outside investors that it prioritizes accounting rigor, governance discipline, and long-run credibility—attributes that markets reward with higher valuations (Morris, 1987). Firms that proactively commit to international reporting norms distinguish themselves from peers who defer compliance, reducing perceived investment risk and thereby justifying a valuation premium as captured by Tobin's Q. This evidence is consistent with the broader argument that reducing information opacity through credible disclosure signals generates tangible market rewards in the form of higher firm valuations.

The results for the control variables align generally with previous theoretical expectations. Firm size (SIZE) exhibits a notable positive correlation with financial reporting quality, yet a negative correlation with market valuation, corroborating the findings of Lee et al. (2015) and Agyei-Boapeah et al. (2020), who propose that larger firms possess organizational complexity that may diminish their relative valuation premiums. Financial leverage (LEV) and profitability (ROA) exhibit a positive and significant correlation with the dependent variables at the 1% level, suggesting that firms with enhanced debt utilization and superior earnings potential are likely to present higher-quality financial information and achieve greater market valuations concurrently.

5. Conclusions

This study analyzes the determinants of voluntary IFRS adoption and assesses its effects on the quality of financial reporting and firm valuation. This study utilizes data from 562 publicly listed companies in Vietnam from 2019 to 2022, offering substantial empirical evidence on the impact of voluntary IFRS adoption on information quality and firm valuation enhancement.

Evidence indicates that voluntary participation in IFRS preparatory activities correlates with significantly enhanced financial reporting quality. Although Vietnam lacked a compulsory IFRS requirement during the study period, a significant number of firms proactively pursued adoption prior to the 2025 compliance deadline, reflecting a sincere organizational commitment to transparent governance rather than mere adherence to regulations. The data affirm a strong positive correlation between early IFRS readiness and market valuation, indicating that investors acknowledge and incorporate the credibility signal inherent in voluntary adoption behavior.

These results align with the theoretical expectations of agency theory and signaling theory. From an agency standpoint, voluntary IFRS readiness diminishes the information disparity between company insiders and external stakeholders, thereby limiting opportunistic managerial conduct and lowering monitoring and contracting costs. Companies that invest in IFRS readiness demonstrate their commitment to a higher standard of accountability, thereby enhancing the quality and decision-relevance of their financial disclosures.

From the signaling perspective, voluntary IFRS adoption functions as a credible signal of transparency, accountability, and long-term strategic orientation. By proactively aligning with international standards, firms convey a positive image of reliability and integrity to investors and stakeholders. This finding aligns with Campbell et al. (2001), who emphasize that high-quality signals enhance perceptions of corporate credibility. Similarly, Connelly et al. (2011) argue that trustworthy signals help mitigate information asymmetry, leading to improved investor trust and firm reputation. The evidence from this study confirms that voluntary IFRS readiness strengthens corporate reputation and fosters positive valuation effects in the market.

Notwithstanding its contributions, the study recognizes multiple limitations that present opportunities for future research. The analysis period (2019–2022) may inadequately reflect temporal variations in macroeconomic conditions or regulatory changes influencing IFRS adoption. The COVID-19 pandemic (2020–2021) markedly disrupted Vietnam's economy and corporate operations, potentially affecting firms' IFRS adoption behaviors. Future research ought to integrate contextual and temporal economic variables to yield a more nuanced comprehension of the determinants and impacts of IFRS adoption.

The assessment of voluntary IFRS adoption initiatives depends on survey-derived data, which may be influenced by response bias and discrepancies in respondents' comprehension of IFRS-related preparatory activities. Future research may enhance data reliability by integrating survey responses with secondary data, including corporate disclosures, annual reports, or auditor evaluations, to more precisely assess the extent and depth of voluntary IFRS implementation.

As Vietnam progresses toward full IFRS implementation, further research is warranted to monitor the transition from voluntary to mandatory adoption and to evaluate its long-term impacts on corporate governance, capital market efficiency, and accounting transparency.

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