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EXAMINING THE EFFECTS OF FIRM CHARACTERISTICS ON ACCOUNTING CONSERVATISM AND FINANCIAL PERFORMANCE OF LISTED ENTERPRISES ON THE VIETNAM STOCK EXCHANGE

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CHAPTER 1
INTRODUCTION TO THE RESEARCH PROBLEM

1.1 The Necessity of the Research Topic

Accounting conservatism is one of the essential accounting principles that has been evidenced in both theory and practice across different periods. Before 2010, accounting conservatism was a recognized concept in the IASB's Conceptual Framework. However, when the IASB and FASB jointly developed the 2010 Conceptual Framework, the concept was removed on the grounds that it might cause misunderstanding, weaken neutrality, and potentially be misused as an excessive form of conservatism. This change triggered considerable debate within the international accounting and finance community.

Therefore, in 2018, the IASB officially reinstated accounting conservatism in the Conceptual Framework, reaffirming its indispensable role in enhancing the quality of financial information. The reintroduction of conservatism aimed to reflect accounting reality, improve information quality, and meet market expectations, with the condition that it must be interpreted as *neutral conservatism*, free from bias. In drafting the 2018 Conceptual Framework, the IASB exercised caution to avoid repeating past controversies related to overly conservative practices. Accounting conservatism was defined as exercising care when making judgments under uncertainty, with a clear distinction between neutral and non-neutral conservatism. The IASB emphasized that conservatism supports neutrality rather than contradicts it, representing a major shift from the view that led to the removal of the concept in 2010.

In practice, however, the degree of accounting conservatism applied across firms is far from uniform. Firm characteristics are believed to be important determinants influencing the application of accounting conservatism. Theoretical foundations and numerous empirical studies suggest that typical factors such as firm size, ownership structure, financial characteristics, and industry type may affect how firms assess risks and apply conservative practices in recognizing, measuring, and reporting accounting information. Each characteristic may involve different incentives and constraints, leading to variations in the level of conservatism reflected in financial

statements. To date, comprehensive and systematic studies clarifying the specific mechanisms through which each firm characteristic affects accounting conservatism remain limited, especially in emerging economies such as Vietnam, where the legal framework is still evolving.

Accounting conservatism is also considered a factor influencing a firm's financial performance. It helps reduce errors and fraud in the recognition of expenses and provisions, supports financial risk management, and enhances sustainable profitability. In the context of Vietnam's growing economic integration, firms operate in a diverse and highly dynamic environment, requiring financial information that is accurate and reliable for economic decision-making. Firms differ in organizational characteristics, ownership structures, and financial attributes, all of which directly influence how conservatism is applied in recognizing, evaluating, and presenting financial items. Understanding the factors that affect accounting conservatism helps firms improve the quality of financial statements, thereby strengthening investor and stakeholder confidence. Identifying and analyzing financial characteristics that influence conservatism further helps firms evaluate and manage risks more effectively, which is especially critical in a volatile economic environment where firms strive for stability and sustainability. Furthermore, as most firms move toward adopting International Financial Reporting Standards (IFRS), understanding the determinants of accounting conservatism becomes increasingly important for proper implementation and compliance.

Internationally and in Vietnam, several studies have explored the determinants of accounting conservatism; however, most of them focus on factors related to corporate governance, and their findings are relatively consistent. For example, Doan Thuy Duong (2022) examined corporate governance factors and the impact of accounting conservatism on stock prices. Similarly, Vo Thi Thuc (2023) focused on ownership structure and the influence of accounting conservatism on business performance. Most recently, Vu Quang Trong (2025) investigated the effects of ownership characteristics, CEO attributes, board characteristics, changes in accounting regimes, and the Covid-19 pandemic on the degree of accounting conservatism

Building upon the theoretical and practical foundations discussed above, the author has chosen the topic *"Examining the effects of firm characteristics on accounting conservatism and financial performance of listed enterprises on the Vietnam Stock Exchange"* as the subject of this doctoral dissertation.

1.2 Research Objectives

As presented in the section on the rationale for selecting the research topic, this dissertation focuses on: *Examining the effects of firm characteristics on accounting conservatism and financial performance of listed enterprises on the Vietnam Stock Exchange*.

To achieve the overall research objective, the dissertation specifies the following detailed objectives:

- To measure and assess the level of accounting conservatism in non-financial firms listed on the Vietnam Stock Exchange, and to examine differences in accounting conservatism across industry groups, stock exchanges, and the periods before and after the COVID-19 pandemic.

- To evaluate the effects of firm characteristics on accounting conservatism in listed enterprises on the Vietnam Stock Exchange.

- To assess the effects of firm characteristics and accounting conservatism on financial performance of listed enterprises on the Vietnam Stock Exchange, using book-value indicators (ROA, ROE) and market-value indicators (Tobin's Q and stock prices).

- To examine the impact of the COVID-19 pandemic on accounting conservatism and financial performance of listed enterprises on the Vietnam Stock Exchange.

- To propose recommendations for relevant stakeholders, including regulatory authorities, audit firms, auditors, enterprises, and investors.

1.3 Research Questions

To achieve the specific research objectives mentioned above, this study seeks to address the following research questions:

Question 1: What is the level of accounting conservatism practiced by non-financial firms listed on the Vietnam Stock Exchange during the period 2016–2023?

Question 2: How do firm characteristics affect the level of accounting conservatism in listed companies in Vietnam?

Question 3: How does the level of accounting conservatism affect the financial performance of listed companies in Vietnam?

Question 4: How has the COVID-19 pandemic affected the level of accounting conservatism and the financial performance of listed companies on the Vietnam Stock Exchange?

Question 5: What recommendations should be proposed regarding firm characteristics, the level of accounting conservatism, and financial performance in listed companies on the Vietnam Stock Exchange?

1.4 Research Objects and Scope

- Research Objects: The dissertation examines the effects of firm characteristics on accounting conservatism and the impact of accounting conservatism on the financial performance of non-financial firms listed on the Vietnam Stock Exchange.

- Research Scope:

➤ **In terms of content:** Examining the effects of firm characteristics on accounting conservatism and the impact of accounting conservatism on the financial performance of non-financial firms listed on the Vietnam Stock Exchange.

➤ **In terms of geographical scope:** Listed financial firms, due to their specific financial structures and the strict regulatory oversight imposed by the government, are excluded from this study. Therefore, the dissertation focuses on non-financial firms listed on the Ho Chi Minh City Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX).

➤ **In terms of timeframe:** The dissertation focuses on analyzing information from audited financial statements of non-financial companies listed on the Vietnam Stock Exchange over an eight-year period, from January 2016 to December 2023.

1.5 Structure of the Dissertation

The dissertation is structured into five chapters as follows:

Chapter 1: Introduction to the Research Problem

Chapter 2: Theoretical Framework and Literature Review

Chapter 3: Research Model and Research Methodology

Chapter 4: Research Findings

Chapter 5: Discussion of Research Findings and Recommendations

1.6. New Contributions of the Dissertation

1.6.1. Theoretical Contributions

- The dissertation has systematically clarified the concepts, nature, and measurement methods of the three main variables in the study, including: firm characteristics, accounting conservatism, and financial performance.

- The dissertation has developed and refined a theoretical framework that integrates agency theory, signaling theory, political cost theory, and information asymmetry theory, forming the foundation for the research model:

+ The effect of firm characteristics on accounting conservatism

+ The effect of accounting conservatism and firm characteristics on financial performance.

- The dissertation also develops a Structural Equation Modeling (SEM) research model to test the relationships among firm characteristics, accounting conservatism, and financial performance. This approach is still relatively uncommon in this research field in Vietnam, providing a basis for conducting more in-depth quantitative studies in future research.

1.6.2. Practical Contributions

- The dissertation provides empirical evidence based on 620 non-financial listed firms during the period 2016–2023. The results show that accounting conservatism is applied at a certain level and varies across industries (real estate, manufacturing, services, consumer goods, and materials). In addition, the findings indicate a significant increase in accounting conservatism in the post-COVID-19 period, reflecting its role as a mechanism to mitigate financial risks in a volatile economic environment.

- Based on the empirical results, the dissertation highlights the differential effects of firm characteristics on accounting conservatism across the entire study period and

the full sample of 620 firms. The analysis also considers differences by year, industry groups, and the two periods before and after the COVID-19 pandemic. It shows that the impact of firm characteristics on accounting conservatism is not uniform across industries, and the effects of certain firm characteristics on accounting conservatism have been adjusted by the COVID-19 pandemic.

- The dissertation further demonstrates that accounting conservatism positively affects financial performance, both in terms of book-value indicators (ROA, ROE) and market-value indicators (stock prices, Tobin's Q). Accounting conservatism helps firms enhance financial transparency, attract investment, and sustain long-term financial performance. These results supplement previous studies and affirm the risk management role of accounting conservatism in the context of Vietnam.

- Based on these findings, the dissertation provides practical recommendations for regulatory authorities, auditors and audit firms, enterprises, and investors.

CHAPTER 2

THEORETICAL FOUNDATIONS AND LITERATURE REVIEW

2.1. Theoretical Foundations of Accounting Conservatism, Firm Characteristics, and Financial Performance

2.1.1. Theoretical Foundations of Accounting Conservatism

Conservatism is one of the fundamental accounting principles, which constitute the most basic guidelines, including rules and standards that accountants must follow and apply when processing accounting transactions. To date, accounting conservatism has been defined by numerous standard-setting organizations and scholars worldwide.

➢ **Conditional Application of the Conservatism Principle**

Conditional conservatism refers to the application of the conservatism principle under certain conditions, such as when assessing the impact of economic information or events on the recognition and measurement of economic transactions. Negative economic information affects a firm's profits, for example, by prompting the recognition of expenses or liabilities earlier than positive economic information, such as the recognition of revenues, income, or assets.

➢ **Unconditional Application of the Conservatism Principle**

Conditional conservatism depends on economic events and news, whereas unconditional conservatism occurs when accountants apply accounting estimates cautiously and reliably to process and recognize financial information. The unconditional application of the conservatism principle means that accountants evaluate, measure, and record transactions prudently, but independently of economic events or news.

Models for Measuring the Implementation of Accounting Conservatism in Firms

Measuring the level of accounting conservatism remains challenging, as it involves judgment and consideration of financial information, economic events, and the construction of evaluation indicators across multiple dimensions. Currently, global research measures the implementation of accounting conservatism in firms using one of seven main models, including: the book-to-market value approach of Feltham and Ohlson (1995), later refined by Beaver and Ryan (2000); the negative

accrual-based approach of Givoly and Hayn (2000), improved by Ahmed and Duellman (2007); the conservatism measurement model based on hidden reserves by Penman and Zhang (2002); the time-asymmetry approach of Basu (1997), extended by Khan and Watts (2009); and the cash flow-based method of Ball and Shivakumar (2005). In addition, there are other models, but they are less commonly used in international research and thus are not presented in this dissertation.

2.1.2. Theoretical Foundations of Firm Characteristics

Firm characteristics refer to the fundamental factors that reflect the nature, structure, and operations of a company. Analyzing these characteristics helps identify the firm's role, capabilities, and development strategies within a market economy context. In research, firm characteristics are commonly categorized into organizational and ownership structure characteristics, financial characteristics, and operational and managerial characteristics.

2.1.3. Theoretical Foundations of Financial Performance

Financial Performance Based on Book Value

From the book value perspective, financial performance reflects a firm's success in managing its assets and equity through accounting indicators reported in the financial statements. This is a fundamental and traditional approach, providing firms and stakeholders with a detailed view of internal financial conditions. Book value-based financial indicators offer crucial data for firms to assess their profitability and maintain financial stability.

Financial Performance Based on Market Value

From the market value perspective, financial performance reflects a firm's success in creating value and maximizing shareholder benefits through the market value of its assets and equity. This approach focuses on the firm's value as determined by external factors such as market supply and demand, investor expectations, and macroeconomic conditions. It is commonly used in investment analysis and company valuation, with indicators reflecting the firm's ability to generate profits or maintain financial stability based on its market value.

2.2. Literature Review on the Impact of Firm Characteristics on Accounting Conservatism and Financial Performance

2.2.1. Literature Review on the Impact of Firm Characteristics on Accounting Conservatism

Firm characteristics influence the level of accounting conservatism because they determine how a firm approaches and manages financial risks, internal controls, and ensures transparency in financial reporting. Accounting conservatism reflects how firms recognize assets and liabilities, anticipate potential losses, and avoid overstating profits.

In this dissertation, the author selects eight firm characteristic factors, including two related to ownership structure (state ownership ratio and foreign ownership ratio) and four related to financial characteristics (capital intensity, liquidity, financial leverage, and financial distress), as well as firm size and age, to examine their impact on the level of accounting conservatism. These factors are theoretically grounded, and empirical studies have shown that they can affect accounting conservatism. For example, research by Basu (1997), Watts (2003), and other empirical studies across various countries have demonstrated the relationship between these factors and accounting conservatism in firms.

Moreover, these factors can be measured directly from firms' financial statement indicators, enhancing the practical relevance and objectivity of the study. Additionally, listed non-financial firms in Vietnam are increasingly adopting International Financial Reporting Standards (IFRS) while still complying with national regulations. Therefore, these eight factors are pertinent to the Vietnamese corporate environment and can inform practical recommendations for listed firms in Vietnam regarding the application of accounting conservatism.

2.2.2. Literature Review on the Impact of Accounting Conservatism on Financial Performance

The evaluation and measurement of corporate financial performance have attracted significant attention from researchers both domestically and internationally. The selection of criteria to measure financial performance plays an important role. While there is a wide variety of indicators, the most commonly used

measures in research can be divided into two main groups. The first group includes book value-based indicators such as return on assets (ROA), return on equity (ROE), return on sales (ROS), and return on investment (ROI). The second group includes market value-based indicators such as Tobin's Q, economic value added (EVA), earnings per share (EPS), and the market price of the firm's shares.

2.3. Research Gaps

First, regarding the research content:

Previous studies in Vietnam have initially identified several factors affecting accounting conservatism, as well as the impact of accounting conservatism on firms' financial performance, notably those by Nguyen Thi Bich Thuy (2019), Doan Thuy Duong (2022), Vo Thi Thuc (2023), and Vu Quang Trong (2025). However, most current studies still focus primarily on corporate governance and ownership structure, while other intrinsic firm characteristics, such as firm size, age, capital intensity, financial leverage, or financial distress, have not been fully examined in relation to accounting conservatism.

Moreover, previous studies often examine individual relationships separately, whereas integrating the relationships among firm characteristics, accounting conservatism, and financial performance within a single analytical model remains limited. This gap leaves the indirect mechanism through which firm characteristics affect financial performance via accounting conservatism largely unexplained.

Therefore, this study aims to develop and test a structural equation modeling (SEM) framework to comprehensively evaluate the relationships among firm characteristics, accounting conservatism, and financial performance. This approach not only clarifies the mediating role of accounting conservatism but also provides empirical evidence supporting foundational theories such as information asymmetry theory, agency theory, and signaling theory in the context of listed firms in Vietnam, an emerging economy strongly affected by external shocks such as the COVID 19 pandemic. This perspective has not been addressed in previous research in Vietnam.

Second, regarding the research context: Some previous studies, such as Vo Thi Thuc (2023), limited their analysis to listed non-financial firms on the Ho Chi Minh City Stock Exchange (HOSE), which reduces the generalizability of the findings. Therefore, expanding the research context to include both stock exchanges, HOSE and HNX, is necessary to provide a more comprehensive picture of the Vietnamese Stock Exchange.

Third, regarding the uncertainty factor – the COVID-19 pandemic:

In this dissertation, the research sample covers an eight-year period from 2016 to 2023, divided into two phases: the pre-COVID-19 period (2016–2019) and the post-COVID-19 period (2020–2023), each spanning four years. This timeframe allows for an assessment of changes in accounting conservatism and the effects of accounting conservatism and firm characteristics on financial performance before and after the COVID-19 pandemic, thereby providing valuable empirical evidence for stakeholders.

Furthermore, through the structural equation modeling (SEM) approach, the dissertation not only evaluates the impact of the COVID-19 pandemic on accounting conservatism alone but also conducts SEM regressions separately for the pre- and post-COVID-19 periods to examine how the pandemic affects the influence of firm characteristics on accounting conservatism and financial performance. In addition, the study includes regression analysis with a COVID-19 interaction variable to assess whether the pandemic alters the effects of firm characteristics on accounting conservatism and financial performance.

2.4. Foundational Theories

2.4.1. Agency Theory

Agency theory is employed in this dissertation to explain the relationship among firm characteristics, accounting conservatism, and financial performance. The dissertation applies agency theory to develop hypotheses regarding the impact of firm characteristics such as state ownership ratio, foreign ownership ratio, firm age, capital intensity, financial leverage, and financial distress on accounting conservatism. Furthermore, agency theory helps to explain the role of accounting conservatism in financial performance, as well as the indirect effect of firm

characteristics on financial performance through the mediating role of accounting conservatism.

2.4.2 Signaling Theory

Signaling theory is applied in this dissertation to explain how firms use accounting conservatism to send positive signals to the market, thereby reducing information asymmetry between managers and investors. When information is asymmetrically distributed, firms may adopt accounting conservatism policies to demonstrate credibility, transparency, and enhance investor confidence. In this dissertation, signaling theory is used to develop hypotheses regarding the impact of foreign ownership ratio, financial leverage, and financial distress on the level of accounting conservatism.

2.4.3. Political Cost Theory

Political cost theory helps the dissertation explain the motives of firms in disclosing information conservatively to avoid scrutiny or intervention from regulators and the public. In this dissertation, political cost theory is used to develop hypotheses regarding the impact of firm size and liquidity on the level of accounting conservatism, which in turn indirectly affects financial performance through the extent of conservatism applied.

2.4.4. Information Asymmetry Theory

Information asymmetry theory helps the dissertation explain the motives for firms to use accounting conservatism as a tool to mitigate risks arising from information opacity. In this dissertation, the author applies this theory as a basis to explain the hypotheses concerning the impact of accounting conservatism on financial performance, as reliable information enables investors to more accurately value firms, thereby enhancing financial performance.

CHAPTER 3

RESEARCH MODEL AND METHODOLOGY

3.1. Research Hypotheses and Research Model

The dissertation conducts a two-part research model: the first part examines the impact of firm characteristics on the level of accounting conservatism within firms, while the second part focuses on the influence of accounting conservatism and firm characteristics on corporate financial performance.

Hypotheses:

H1: State ownership has a positive impact on accounting conservatism in listed non-financial firms on the Vietnam Stock Exchange.

H2: Foreign ownership has a positive impact on accounting conservatism in listed non-financial firms on the Vietnam Stock Exchange.

H3: Firm size has a positive impact on accounting conservatism in listed non-financial firms on the Vietnam Stock Exchange.

H4: Firm age has a positive impact on accounting conservatism in listed non-financial firms on the Vietnam Stock Exchange.

H5: Capital intensity has a positive impact on accounting conservatism in listed non-financial firms on the Vietnam Stock Exchange.

H6: Liquidity has a positive impact on accounting conservatism in listed non-financial firms on the Vietnam Stock Exchange.

H7: Financial leverage has a positive impact on accounting conservatism in listed non-financial firms on the Vietnam Stock Exchange.

H8: Financial distress has a positive impact on accounting conservatism in listed non-financial firms on the Vietnam Stock Exchange.

H9: Accounting conservatism has a positive impact on financial performance in listed non-financial firms on the Vietnam Stock Exchange.

H10: State ownership has a negative impact on financial performance in listed non-financial firms on the Vietnam Stock Exchange.

H11: Foreign ownership has a positive impact on financial performance in listed non-financial firms on the Vietnam Stock Exchange.

H12: Firm size has a positive impact on financial performance in listed non-financial firms on the Vietnam Stock Exchange.

H13: Firm age has a positive impact on financial performance in listed non-financial firms on the Vietnam Stock Exchange.

H14: Capital intensity has a negative impact on financial performance in listed non-financial firms on the Vietnam Stock Exchange.

H15: Liquidity has a negative impact on financial performance in listed non-financial firms on the Vietnam Stock Exchange.

H16: Financial leverage has a negative impact on financial performance in listed non-financial firms on the Vietnam Stock Exchange.

H17: Financial distress has a negative impact on financial performance in listed non-financial firms on the Vietnam Stock Exchange.

3.2. Determining the Level of Accounting Conservatism in Listed Firms on the Vietnam Stock Exchange

First, estimate the timeliness of good news using **G_SCORE** and bad news using **C_SCORE** according to the following two formulas:

$$G\_SCORE_{i,t} = \beta_0 = \mu_1 + \mu_2 SIZE_{it} + \mu_3 MTB_{it} + \mu_4 LEV_{it}$$

$$C\_SCORE_{i,t} = \beta_1 = \lambda_1 + \lambda_2 SIZE_{it} + \lambda_3 MTB_{it} + \lambda_4 LEV_{it}$$

Where:

SIZE: Market capitalization (natural logarithm of equity) at the end of the year.

MTB: Market-to-book ratio of equity at the end of the fiscal year

LEV: Leverage ratio (total liabilities and market value of equity) at the end of the fiscal year.

Substitute the formulas for **G_SCOREit = β_0** and **C_SCOREit = β_1** into Basu's (1997) model, while simultaneously including the interaction variables in the parentheses at the end. These interaction variables consist of the interactions between stock returns and firm characteristics:

$$X_{it}/P_{i,t-1} = = \alpha_0 + \alpha_1 DR_{it} + R_{it} (\mu_1 + \mu_2 SIZE_{it} + \mu_3 MTB_{it} + \mu_4 LEV_{it}) + DR_{it} \times R_{it}$$
$$(\lambda_1 + \lambda_2 SIZE_{it} + \lambda_3 MTB_{it} + \lambda_4 LEV_{it}) + (\delta_1 SIZE_{it} + \delta_2 MTB_{it} + \delta_3 LEV_{it} + \delta_4 SIZE_{it} \times DR_{it} +$$
$$\delta_5 MTB_{it} \times DR_{it} + \delta_6 LEV_{it} \times DR_{it}) + e_{it}$$

Measurement of Variables in the Model

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Model 1: The Impact of Firm Characteristics on Accounting Conservatism

Cscore = f (STATE, FRG, SIZE, AGE, CI, LIQUIDITY, LEV, FD)

Model 2: The Impact of Accounting Conservatism and Firm Characteristics on Financial Performance

Financial Performance = f (Cscore, STATE, FRG, SIZE, AGE, CI, LIQUIDITY, LEV, FD)

Model 3: The Impact of the COVID-19 Pandemic on the Effect of Firm Characteristics on Accounting Conservatism and Financial Performance.

Cscore = f (STATE, FRG, SIZE, AGE, CI, LIQUIDITY, LEV, FD, COVID-19)

Financial Performance = f (Cscore, STATE, FRG, SIZE, AGE, CI, LIQUIDITY, LEV, FD, COVID-19)

Where:

Cscore: Accounting conservatism is measured using the model of Khan and Watts (2009)

Financial Performance: Financial performance is measured through book value-based indicators (ROA, ROE) and market value-based indicators (stock market price, Tobin's Q)

STATE: State Ownership

FRG: Foreign Ownership

SIZE: Firm Size

AGE: Firm Age

CI: Capital Intensity

LIQUIDITY: Liquidity

LEV: Financial Leverage

FD: Financial Distress

COVID-19: COVID-19 Pandemic

3.3 Research Methodology

3.3.1 Research Data

The research sample consists of 620 firms with 4,510 observations (unbalanced across years) over an 8-year period from 2016 to 2023. The data from these 4,510 observations are used to calculate the values of independent and

dependent variables. The author classifies the listed firms in the research dataset into five main industry groups according to the Global Industry Classification Standard (GICS), including real estate, services, industrials, materials, and consumer sectors.

3.3.2 Data Processing Method

In this dissertation, the analysis is conducted using Structural Equation Modeling (SEM) in Stata to test hypotheses and assess the relationships among variables in the model, rather than using individual regression models.

CHAPTER 4

RESEARCH FINDINGS

4.1. Determining the Level of Accounting Conservatism in Listed Companies on the Vietnamese Stock Exchange.

To assess the level of accounting conservatism in listed firms in Vietnam, the dissertation employs the Khan and Watts (2009) model. This model is appropriate as it provides a rigorous approach to measuring accounting conservatism in financial reporting, particularly in emerging markets such as Vietnam.

Average Accounting Conservatism from 2016 to 2023
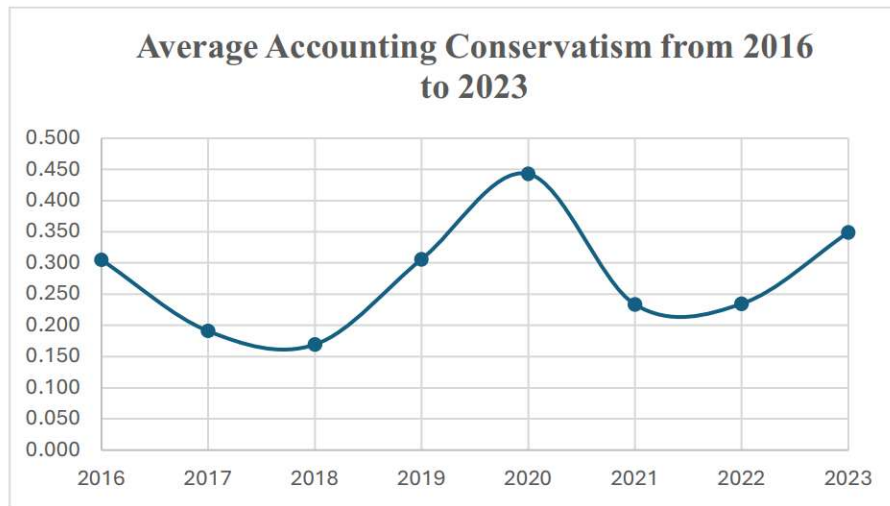
4.2. Hypothesis Testing Results on the Impact of Firm Characteristics on Accounting Conservatism and Financial Performance

The dissertation aims to test the impact of firm characteristics on accounting conservatism while simultaneously examining the effect of accounting conservatism on financial performance in listed firms in Vietnam. Firm characteristics are also factors that may influence financial performance; therefore, they are included as control variables when assessing the impact of accounting conservatism on financial performance. Structural Equation Modeling (SEM) is employed in this dissertation as it is more suitable for analyzing the complex and multidimensional relationships among variables in the model. SEM allows for testing both direct and indirect effects between variables and analyzing their mediating relationships. Additionally, SEM provides model fit indices, such as CFI and RMSEA, which help evaluate the adequacy of the model.

Summary of Hypothesis Testing Results on the Impact of Firm Characteristics on Accounting Conservatism

Hypothethis	Hypothesis Content	Expected Results	Test Results
H1	State ownership has a positive impact on accounting conservatism in listed firms on the Vietnam Stock Exchange	+	+
H2	Foreign ownership has a positive impact on accounting conservatism in listed firms on the Vietnam Stock Exchange	+	+
H3	Firm Size has a positive impact on accounting conservatism in listed firms on the Vietnam Stock Exchange	+	+
H4	Firm Age has a positive impact on accounting conservatism in listed companies on the Vietnam Stock Exchange	+	-
H5	Capital intensity has a positive impact on accounting conservatism in listed companies on the Vietnam Stock Exchange	+	+
H6	Liquidity has a positive impact on accounting conservatism in listed companies on the Vietnam Stock Exchange	+	+
H7	Financial leverage has a positive impact on accounting conservatism in listed non-financial firms on the Vietnam Stock Exchange	+	-

Hypothethis	Hypothesis Content	Expected Results	Test Results
H8	Financial distress has a positive impact on accounting conservatism in listed non-financial firms on the Vietnam Stock Exchange	+	-

Summary of the results of hypotheses on the impact of accounting conservatism on financial performance (ROA, ROE, Share price, Tobin's Q)

Hypothethis	Expected Results	ROA	ROE	Share price (SP)	TOBIN'Q
H9 (Cscore)	+	+	+	+	+
H10 (STATE)	-	0	0	0	0
H11 (FRG)	+	+	-	+	+
H12 (SIZE)	+	+	+	+	+
H13 (AGE)	+	+	+	+	+
H14 (CI)	-	-	-	-	-
H15 (LIQUIDITY)	-	+	-	-	+
H16 (LEV)	-	-	-	+	+
H17 (FD)	-	-	-	-	-

Summary of the impact of accounting conservatism on financial performance before and after the COVID-19 pandemic

Variable Name	ROA		ROE		SP		Tobin'Q	
	Before	After	Before	After	Before	After	Before	After
Cscore	+	+	+	0	+	+	+	+
STATE	0	+	0	+	-	0	0	0
FRG	0	+	0	+	0	+	+	+
SIZE	+	+	+	+	+	+	+	+
AGE	+	+	+	+	+	+	+	+
CI	-	-	-	-	-	-	-	-
LIQUIDITY	+	0	-	-	0	0	+	0
LEV	-	-	0	-	+	+	0	+
FD	-	-	-	-	-	-	0	-

4.3. Regression with a moderating variable

The COVID-19 pandemic not only had an independent impact on firm characteristics and financial performance but also altered firms' internal factors, thereby affecting accounting conservatism and financial performance. To specifically assess the pandemic's impact on the relationship between firm characteristics and accounting conservatism, as well as between accounting conservatism and financial performance, the author conducted a regression including an interaction term with COVID-19.

The COVID-19 pandemic may alter how various factors influence accounting conservatism. For example, before the pandemic, large firms typically exhibited higher conservatism in financial reporting due to strong financial management capabilities. However, in the post-COVID-19 period, this relationship could become even stronger, as large firms have greater incentives to manage risks. Conducting a regression with an interaction term between COVID-19 and firm characteristics allows the identification of whether firm characteristics change their influence on accounting conservatism under the impact of the pandemic.

CHAPTER 5

DISCUSSION OF RESEARCH FINDINGS AND RECOMMENDATIONS

5.1. Discussion of research findings

5.1.1. Discussion on Accounting Conservatism in Listed Companies on the Vietnam Stock Exchange

The descriptive statistics presented in Section 4.2 of Chapter 4 indicate that non-financial listed companies on the Vietnam Stock Exchange have exhibited a certain level of accounting conservatism during the period 2016–2023. Specifically, when comparing the average level of conservatism with previous studies in markets such as Tunisia, Taiwan, and Russia, the results show that the average level of accounting conservatism in Vietnam is higher.

The descriptive statistics in Section 4.2 of Chapter 4 also reveal significant differences in accounting conservatism across five industries, including real estate, services, industrials, materials, and consumer sectors. These differences reflect the nature of business activities, varying risk levels, and the specific financial management requirements of each industry.

The analysis results indicate a clear difference in accounting conservatism between the pre- and post-COVID-19 periods. Specifically, the level of conservatism during the post-COVID-19 period (2020–2023) is higher than that of the pre-pandemic period (2016–2019).

5.1.2. Discussion of Research Findings on the Impact of Firm Characteristics on Accounting Conservatism

Firstly, Discussion of the Results for the Ownership Structure Factor

The research results confirm that both the State ownership (STATE) and the foreign ownership ratio (FRG) have a positive impact on accounting conservatism in listed non-financial companies on the Vietnam Stock Exchange, supporting hypotheses H1 and H2. These findings are consistent with the results of Bushman and Piotroski (2016) and Mohammed et al. (2017).

Secondly, Discussion of the Results for Firm Size and Age Factors

The research results indicate that firm size and age have opposite effects on accounting conservatism. Specifically, the coefficient for firm size (SIZE) is 0.122

with a p-value of 0.000, indicating a positive relationship between size and accounting conservatism, supporting hypothesis H3. This finding is consistent with Handam (2011). In contrast, firm age (AGE) has a coefficient of -0.002 with a p-value of 0.000, reflecting a negative relationship between firm age and accounting conservatism, thus rejecting hypothesis H4. This result is similar to the findings of Wati et al. (2020) in Indonesia.

Thirdly, Discussion of the Results for Financial Characteristics

The regression analysis results indicate that all four financial characteristics significantly affect accounting conservatism in listed non-financial companies on the Vietnam Stock Exchange, although the magnitude and direction of their effects differ. Financial leverage (LEV) has the strongest negative impact on accounting conservatism, with a regression coefficient of -0.751 and statistical significance at the 1% level, thus rejecting hypothesis H7. Financial distress (FD) also negatively affects accounting conservatism, with a coefficient of -0.440 and a p value of 0.000, rejecting hypothesis H8. In contrast, two variables, capital intensity (CI) and liquidity (LIQUIDITY), positively influence accounting conservatism. The coefficient of CI is 0.007 with a p-value of 0.000, supporting hypothesis H5. The coefficient of LIQUIDITY is 0.007 with a p-value of 0.002 at the 5% significance level, supporting hypothesis H6; this result is contrary to the findings of Lara, Osma, and Penalva (2009).

5.1.3. Discussion of Research Findings on the Impact of Accounting Conservatism and Firm Characteristics on Financial Performance

Firstly, Discussion of the Impact of Accounting Conservatism on Financial Performance

Accounting conservatism is expected to have a positive impact on financial performance through both book value measures (ROA, ROE) and market value measures (stock market price, Tobin's Q). The analysis results show that accounting conservatism significantly and positively affects financial performance across all four measures. These findings are consistent with the studies of Aminu and Hassan (2016), Mold et al. (2020), Ali et al. (2021), and Vo Thi Thuc (2022). This positive effect arises because accounting conservatism enhances the quality of financial

information, strengthens stakeholder confidence, and encourages better corporate governance, thereby improving financial performance.

Secondly, Discussion of the Impact of Ownership Structure on Financial Performance

The analysis indicates that state ownership (STATE) and foreign ownership (FRG) have different impacts on firms' financial performance. While state ownership generally does not have a significant effect on financial performance across all measures during the period 2016–2023, thereby rejecting hypothesis H10, this finding is consistent with Nguyen Huu Huan and Duong Trong Doan (2019). In contrast, foreign ownership positively affects most indicators, such as ROA, stock market value, and Tobin's Q, supporting hypothesis H11. This result is similar to the findings of Estrin et al. (2009).

Secondly, Discussion of the Impact of Firm Age and Size on Financial Performance

The regression analysis results indicate that both firm size (SIZE) and firm age (AGE) positively affect financial performance, although the intensity and mechanism of their effects differ. Firm size has a positive impact on financial performance across both book value measures (ROA, ROE) and market value measures (stock price, Tobin's Q), supporting hypotheses H12 and H13. These findings are consistent with those of Phan Thuy Duong et al. (2023) and Coad et al. (2018).

Secondly, Discussion of the Impact of Financial Characteristics on Financial Performance

The study results indicate that financial characteristics such as capital intensity (CI), liquidity (LIQUIDITY), financial leverage (LEV), and financial distress (FD) all have significant impacts on financial performance, although the magnitude and direction of their effects differ.

5.2. Recommendations

5.2.1. Ministry of Finance and the Government

The test results indicate that certain firm characteristics, such as ownership structure, firm size and age, and financial characteristics, significantly affect

accounting conservatism. Specifically, ownership structure, firm size, liquidity, and capital intensity have a positive impact on accounting conservatism, whereas firm age, financial leverage, and financial distress exert a negative impact.

Based on these findings, the dissertation proposes recommendations for regulatory authorities, particularly the Ministry of Finance, including: *improving regulations on the application of accounting conservatism; enhancing supervision and enforcement mechanisms; and strengthening coordinated management and transparency of information.*

5.2.2. Audit Firms and Auditors

The research results indicate that the level of accounting conservatism is influenced by firm characteristics such as ownership structure, firm size and age, and financial characteristics. Auditors play a key role in assessing, verifying, and monitoring the application of accounting conservatism by firms through the financial statement audit process.

To strengthen oversight and support the implementation of accounting conservatism, the following recommendations are proposed for auditors and audit firms: *enhancing professional competence and awareness of accounting conservatism; focusing audits on accounting estimates with high uncertainty; and clearly demonstrating their supervisory role in detecting errors related to accounting conservatism.*

5.2.3. State Securities Commission

As the supervisory and regulatory authority of the stock market, the State Securities Commission is responsible for establishing the legal framework, issuing regulations, and monitoring the disclosure of financial information by listed firms. The research results indicate that the level of accounting conservatism in listed firms is influenced by firm characteristics and varies across industries and between the periods before and after the COVID-19 pandemic.

Therefore, the State Securities Commission needs to take specific actions to enhance transparency, financial information quality, and compliance with accounting conservatism. Recommended measures include: improving the legal framework related to accounting conservatism; strengthening supervision, post-

audit monitoring, and enforcement of violations; and enhancing information transparency and implementing tiered risk warnings for investors.

5.2.4. Business Entities

The test results indicate that accounting conservatism positively affects firms' financial performance. Therefore, listed non-financial companies should proactively apply conservatism principles in the preparation and presentation of financial statements, including: enhancing the level of accounting conservatism in financial reporting; improving transparency and aligning reporting with international financial reporting standards (IFRS); optimizing capital use and financial structure; and providing clear disclosures of accounting policies and commitments to accounting conservatism

5.2.5. Investors

The regression results indicate that accounting conservatism and firm characteristics significantly affect firms' financial performance. Therefore, investors should consider these factors when analyzing and selecting firms for investment in order to optimize returns and minimize risks. Recommended actions include prioritizing companies that apply accounting conservatism principles, paying attention to foreign ownership in the shareholder structure, and taking firm age into account.

5.3. Limitations of the Dissertation and Directions for Future Research

5.3.1. Limitations of the Dissertation

First, the dissertation measures accounting conservatism using only the Khan and Watts (2009) model, without employing multiple alternative models for comparison. Using additional models could provide more robust conclusions and more persuasive recommendations.

Second, while firm characteristics are reflected through multiple criteria, the dissertation selects only eight criteria, which may not fully capture the comprehensive influence of firm characteristics on accounting conservatism and financial performance.

Third, financial performance is measured based on book-value indicators (ROA, ROE) and market-value indicators (stock price and Tobin's Q). Beyond

these four indicators, there are other metrics that could be used to measure financial performance, but the dissertation does not cover them comprehensively.

Fourth, the dissertation does not consider lagged or lead variables in the model, and therefore may not fully reflect the delayed effects of firm characteristics on accounting conservatism and financial performance. This limitation could restrict the ability to explain causal relationships among the studied variables.

5.3.2. Directions for Future Research

Regarding the research methodology: Future studies could expand the spatial scope of the research in order to obtain more robust and convincing results

Regarding the measurement of research variables: Future studies could assess accounting conservatism using multiple models for comparison, thereby providing more accurate and reliable conclusions.

SCIENTIFIC PUBLICATION

Research Article:

[1]   Nguyen Thi Hong, Nguyen Thi Xuan Hong, Pham Duc Cuong (2023). The impact of accounting conservatism on return on assets in construction and real estate enterprises listed in Vietnam. *Journal of Economics and Development*, No 311, page 23-32, 2023.

[2]   Nguyen Thi Hong, Nguyen Thi Xuan Hong, Pham Duc Cuong (2024). The impact of capital intensity on financial performance of manufacturing enterprises listed in Vietnam. *HaUI Journal of Science and Technology*, No 60, page 75-80, 2/2024.

[3]   Nguyen Thi Hong (2024). Factors Affecting the Financial Distress of Construction and Real Estate Companies Listed in Vietnam. *Journal of Finance & Accounting Research*, No. 259, page 54–58, Issue 1, March 2024.

[4]   Nguyen Thi Hong, Nguyen Thi Xuan Hong, Pham Duc Cuong (2024). The factors impact on accounting conservatism of listed companies in Vietnam stock exchange. *Journal of Finance & Accounting Research*, No. 05 (30) – 2024, page 97-102.

[5]   Nguyen Thi Hong, Nguyen Thi Xuan Hong (2025). The Factors Affect Financial Performance of Companies Listed On Ho Chi Minh Stock Exchange in Vietnam. *Quality - Access to Success*, Vol. 26, No. 205/ Mar 2025, page 99-106.

[6]   Nguyen Thi Hong, Nguyen Thi Xuan Hong, Pham Duc Cuong. The impact of accounting conservatism on market value financial performance of listed enterprises in Vietnam. Journal of Economics – Law and Banking (JELB), No 278, page 78-90, 6/2025.

Full Paper Published in the Conference Proceedings:

[1]   Nguyen Thi Xuan Hong, Nguyen Thi Hong, Pham Duc Cuong (2022). Literature Review of Accounting Conservatism and Its Measurements. *The 5th International Conference on Finance, Accounting and Auditing (ICFAA 2022)*, December 28th - 29th, 2022, Hanoi City, Vietnam.