



Evaluation of Profits of Securities Firms Listed on the Vietnam’s Stock Market

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ARTICLE INFO	ABSTRACT
Publication Online: 13 December 2021	The paper investigates gross profit, net profit and profit after tax of securities firms listed on the Vietnam’s stock market. The paper employs a set of aggregate data from 22 securities firms listed on the Vietnam’s stock market, and comments from experts in this research field. The authors used descriptive statistics, comparison with the support of Stata13 software to evaluate and measure gross profit (GP), net profit (NP) and profit after tax (PAT) of securities firms listed on the Vietnam’s stock market. The results show that there is a difference in the gross profit, net profit and profit after tax of securities firms listed on the Vietnam’s stock market. Enterprises had 10 years old posted up or more have a larger profit than the rest of firms.
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1. INTRODUCTION

Bookkeeping returns become more reliable and of higher quality when managers reduce opportunistic behavior due to the firm's use of strict monitoring systems (Wild, 1996; Dechow et al., 1996).

Gross profit shows the ratio of net revenue, such as from sales of goods and final products, investment properties and service sales, to costs incurred during the reporting period (Ministry of Finance, 2014).

Net profit of business activities reflects the result of the business within the reporting period. This entry is calculated by gross profit from goods and service sales plus (+) Revenue from financial activities minus (-) financial expenses, selling expenses and administrative expenses incurred during the reporting period (Ministry of Finance, 2014).

Profit after tax of a firm reflects the total net profit (or loss) of a firm’s activities incurred in the reporting year (after deducting corporate income tax) (Ministry of Finance, 2014). Profit is one of the most critical goals or any firm. Profitability is important not only to firms and industries, but also to the economy as a whole; as profit allows firms to reinvest and scale up, as well as upgrading technology. Thus, goods’ quality and quantity are improved, which consequently drive the economy forward (Ninh, 2011). Profit is also a powerful indicator to evaluate a firm. It helps firms to foster stability during operation as well as improving competitive advantages sustainably. A smart and flexible use

of different methods to increase profit can be the key factor to success for enterprises (Chi, 2019).

In the last 20 year since it first went into operation, Vietnam’s stock exchange market has witnessed many fluctuations, and so have the profits of securities firms. However, as a result of firm restructuring since 2013, their profits have become more and more stable. However, of 22 securities firms (<https://cophieu68.vn>) listed in Vietnam’s stock market, there are still firms with modest profit in comparison with others. The securities industry has its own characteristics and complexities, which requires strict management and high-level application of updated information technology. As the trend of globalization is accompanied by fierce competition, it is necessary for securities firms to evaluate their profitability.

2. THEORETICAL BACKGROUND AND LITERATURE REVIEW

Agency theory (Jensen & Meckling, 1976) suggested that directors would influence disclosed data in favor of the firm’s benefit, while external organizations, such as tax agencies, would maximize collection for the State’s budget, including tax compliance cost.

Watts and Zimmerman (1978) claimed that changes in State’s policies, prominently tax policies, influences firms’ profit. Hence the managers may employ accounting methods to manipulate the firm’s profit in favor of the firm’ benefit.

According to trade-off theory, the return that can be obtained from a risky decision will be equal to the expected return plus the impact of the risk (Phuong, 2015).

Among researchers regarding profit management, such as, Healey (1985) affirmed the relationship between the application of accrual variables in the accounting process with profit management when studying the reward policy for corporate managers. DeAngelo (1986) has provided evidence that showed manager’s influence on accrual profits and accounting activities, which is a sign of profit adjustments.

In addition, many other research on profit adjustments have also been referenced in several research from Vietnam as well as internationally. Hepworth (1953) suggested behaviors and methods that managers could employ to evenly distribute profits among years in order to reduce the risk assessment of investors for the firm. Hung (2015) showed that in 2013, firms tended to report a lower level of profit, with a view to saving on corporate income tax; whereas, before and after the year 2013, firms tended to show increasing profits. Van (2019) examined the correlation between listed firms’ profit adjustment behaviours and tax rate fluctuations, based on the model of Kothari et al (2005). The result from 39 listed firms from 2007 - 2015 indicated that all examined firms had profit adjustment behaviours. Most adjustment behaviors tended to increase profit; however, adjustment seemed insignificant.

In the spirit of previous research, this research employs mixed research methods to assess gross profit (GP), net profit (NP) and profit after tax (PAT) of listed securities firms in the

period between 2017 and 2020. The outcome of the research contributes to the analysis of the profit status of securities firms, which helps enterprise managers to make effective business decisions.

3. RESEARCH METHODOLOGY

The study uses balance sheet data, data collected by subjects and by time – series. The secondary data collected from the audited financial statements of 22 securities firms listed on Vietnam’s stock market in operation by the end of the accounting year 2020 on such reputable website <https://finance.vietstock.vn/>. Thus, this study has 22 firms * 5 years = 110 observed variables, which have been processed and cleaned with Excel.

We choose Vietnam’s stock market, including the Hanoi Stock Exchange (HNX) and the Hochiminh Stock Exchange (HSX) because HNX and HSX are the two large stock exchanges in Vietnam. From 2012 up to now, market movements are stable and transaction value increases. The firms listed on the HNX and HSX are medium-sized ones, many of which come from equitized state-owned enterprises. The charter capital standards of firms listed on the HNX and HSX before 2011 was from 10 billion VND and after 2011 was from 30 billion VND or above.

Besides, we interviewed experts who are leading lecturers in finance and accounting; financial directors in securities enterprises.

4. RESULTS

Status of profits of securities firms listed on the Vietnam’s stock market

Table 1: Gross profit (GP) of securities firms listed on the Vietnam’s stock market

Unit: Million VND

Stock code	2016	2017	2018	2019	2020	Average
AGR	(322,214)	136,751	152,099	158,234	205,317	66,037
APG	5,213	14,601	13,554	35,048	34,514	20,586
BSI	253,334	355,883	369,961	236,393	289,277	300,970
CTS	151,522	183,995	286,051	242,582	280,485	228,927
FTS	210,954	238,030	559,371	279,071	260,278	309,541
HCM	475,482	812,858	1,021,213	715,991	874,890	780,087
SSI	1,369,128	1,760,681	2,021,808	2,063,970	2,465,005	1,936,118
TVB	30,702	16,068	27,776	39,406	112,007	45,192
TVS	107,247	273,099	277,736	252,581	420,702	266,273
VCI	631,369	1,094,234	1,339,301	1,078,381	1,207,587	1,070,174
VDS	94,715	179,775	136,691	93,112	254,599	151,778
VIX	104,232	172,779	303,077	200,075	433,728	242,778
VND	535,417	984,317	928,266	1,199,922	1,591,107	1,047,806
APS	17,019	25,415	14,693	(21,436)	73,472	21,833
BVS	173,173	221,561	200,821	256,561	256,561	221,735
HBS	7,181	4,459	4,097	7,775	6,110	5,924
IVS	12,205	10,171	12,790	(13,544)	16,598	7,644
MBS	194,684	307,828	483,722	549,804	625,281	432,264
PSI	29,099	44,397	29,270	39,201	70,830	42,559
SHS	254,534	636,733	662,467	607,595	1,214,786	675,223

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VIG	(18,807)	3,845	477	703	2,197	(2,317)
WSS	12,219	24,005	55,176	(69,045)	18,630	8,197

Sources: <https://finance.vietstock.vn/> and Authors synthesized

Table 1 shows that the firm with code VIG had the least significant gross profit, whose average in the period 2016 - 2020 was negative; the firm’s gross profit reported a negative gross profit in only 2016. Meanwhile, the firm coded SSI

reported the highest gross profit, whose average between 2016 and 2020 was VND 1,936,118 million. Besides, 4 firms reported negative annual gross profit, which are coded AGR (2016), APS (2019), IVS (2019) and WSS (2019).

Table 2: Net profit (NP) of securities firms listed on the Vietnam’s stock market

Unit: Million VND

Stock code	2016	2017	2018	2019	2020	Average
AGR	(365,223)	81,560	84,522	85,123	120,486	1,294
APG	124	10,584	9,015	29,939	29,493	15,831
BSI	125,973	207,867	238,309	136,485	161,548	174,036
CTS	102,129	132,938	181,259	139,212	148,950	140,898
FTS	180,309	217,234	541,956	254,939	218,988	282,685
HCM	384,594	692,323	842,083	531,311	660,215	622,105
SSI	1,054,324	1,392,315	1,567,030	1,098,617	1,552,458	1,332,949
TVB	18,830	9,194	15,336	12,835	69,153	25,070
TVS	70,678	203,493	176,817	137,004	288,672	175,333
VCI	415,882	791,916	1,003,072	854,990	950,418	803,256
VDS	60,814	138,012	85,062	42,461	192,308	103,731
VIX	64,386	91,976	257,446	139,498	397,044	190,070
VND	226,743	570,822	437,474	455,968	863,444	510,890
APS	5,494	13,016	1,967	(37,424)	60,036	8,618
BVS	120,066	153,208	122,740	151,292	151,292	139,720
HBS	1,947	2,807	2,575	7,735	4,792	3,971
IVS	144	325	2,250	(58,336)	13,018	(8,520)
MBS	16,358	18,091	194,668	280,275	332,869	168,452
PSI	5,824	17,659	4,435	7,015	6,468	8,280
SHS	86,547	450,236	409,885	310,091	938,668	439,085
VIG	(25,030)	2,197	1,669	(23,578)	(3,221)	(9,593)
WSS	4,650	16,082	44,952	(80,245)	10,259	(860)

Sources: <https://finance.vietstock.vn/> and Authors synthesized

Table 2 shows that firms coded VIG, IVS and WSS reported the least significant net profit, whose average was negative in the period 2016 - 2020. The enterprise with code VIG during the 5 year period only reported positive net profit in the year 2017 and 2018; the enterprise coded IVS and WSS recorded negative average net profit in 2019, which was

significant enough to make the average of the period negative. Enterprises coded AGR, APS recorded negative net profit in one year. Meanwhile, the enterprise with stock code SSI recorded the highest net profit, which reached VND 1,332,949 million during the period 2016 -2020. The remaining firms recorded a medium level of net profit.

Table 3: Profit after tax (PAT) of securities firms listed on the Vietnam’s stock market

Unit: Million VND

Stock code	2016	2017	2018	2019	2020	Average
AGR	(405,398)	65,275	67,815	68,257	96,793	(21,452)
APG	124	8,283	7,281	23,881	25,248	12,963
BSI	115,042	174,973	193,514	113,442	127,385	144,871
CTS	83,181	109,854	150,438	114,805	128,187	117,293
FTS	146,573	179,218	489,980	214,296	170,549	240,123
HCM	304,531	554,059	675,480	432,565	530,452	499,417
SSI	874,997	1,161,105	1,302,937	907,097	1,255,932	1,100,414

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TVB	20,105	13,050	20,009	19,479	72,292	28,987
TVS	66,895	168,201	140,626	110,234	232,670	143,725
VCI	337,511	655,096	822,622	693,181	768,912	655,464
VDS	49,307	111,357	68,681	34,645	150,102	82,818
VIX	53,740	78,302	216,556	116,372	328,424	158,679
VND	186,288	472,107	373,136	382,659	692,767	421,391
APS	2,705	10,354	1,966	(34,383)	56,538	7,436
BVS	101,714	122,445	103,532	135,510	135,510	119,742
HBS	1,946	2,807	2,573	7,351	4,478	3,831
IVS	97	337	644	(58,153)	9,389	(9,537)
MBS	16,654	23,963	177,352	229,802	268,705	143,295
PSI	5,012	17,746	5,325	6,345	6,934	8,272
SHS	86,590	369,568	358,081	254,638	754,312	364,638
VIG	(25,047)	1,162	1,639	(23,956)	(3,496)	(9,940)
WSS	4,954	15,129	44,993	(79,905)	10,698	(826)

Sources: <https://finance.vietstock.vn/> and Authors synthesized

Table 3 shows that the enterprise coded SSI recorded the highest level of profit after tax, averaged at VND 1,100,414 million in the period 2016 - 2020. Four firms with codes AGR, IVS, VIG and WSS had negative profit after tax. The remaining firms recorded a medium level of profit after tax.

Descriptive statistic

Table 4 shows that profits includes 3 observed variables. Each observed variable is described by 110

observations. Basic indicators such as mean, max, min, standard deviation (sd), variance, skewness coefficient of variation, sum of variables, range, coefficient of variation (p50), coefficient of variation of each observed variable (cv) has been identified and these basic indices accurately reflect the current state of profits of listed securities firms.

Table 4: General descriptive statistics and detail descriptive statistics

General descriptive statistics					
Variable	Obs	Mean	Std. Dev.	Min	Max
Gross profit (GP)	110	358151.4	498818.1	-322214	2465005
Net profit (NP)	110	233059.1	349272.9	-365223	1567030
Profit after tax (PAT)	110	191436.7	288290.2	-405398	1302937
Detail descriptive statistics					
Stats	Gross profit (GP)		Net profit (NP)		Profit after tax (PAT)
N	110		110		110
sum	3.94e+07		2.56e+07		2.11e+07
range	2787219		1932253		1708335
variance	2.49e+11		1.22e+11		8.31e+10
cv	1.392758		1.498645		1.50593
skewness	2.018426		1.955104		1.892364
kurtosis	7.107503		6.719364		6.718295
p50	197379.5		120276		99253.5

Sources: Authors synthesized and Stata Software 13

Next, we compared profits of listed securities firms between listed securities firms had 10 years old posted up or more and the rest of firms.

Period of posted up (YO): The dummy variable is 1 if firms had 10 years old posted up or more and the rest is zero (0).

Table 5, table 6 and table 7 show that, there are 45 times of enterprises had 10 years old posted up or more.

Enterprises had 10 years old posted up or more have a larger gross profit than others do. The difference of gross profit between enterprises had 10 years old posted up or more and the remaining enterprises is statistically significant (p-value = 0.0252 < 0.05, difference value 215461.4).

Enterprises had 10 years old posted up or more have a larger net profit than others do. The difference of net profit between enterprises had 10 years old posted up or more and

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the remaining enterprises is statistically significant (p-value = 0.0293 < 0.05, difference value 146971.7).

Enterprises had 10 years old posted up or more have a larger profit after tax than others do. The difference of net

profit after tax between enterprises had 10 years old posted up or more and the remaining enterprises is statistically significant (p-value = 0.0295 < 0.05, difference value 121192.4).

Table 5: Comparison gross profit (GP) between firms had 10 years old posted up or more and the rest of firms ttest GP, by(YO)
Two-sample t test with equal variances

Group	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf. Intervall]
0	65	270008.1	42337.55	341336.3	185429.1 354587.1
1	45	485469.5	96478.94	647200.4	291028.9 679910
Combined	110	358151.4	47560.44	498818.1	263888.1 452414.6
Diff		-215461.4	94942.65		-403654.2 -27268.59
diff = mean (0) – mean (1)				t = -2.2694	
Ho: diff = 0				degrees of freedom = 108	
Ha: diff < 0		Ha: diff != 0		Ha: diff > 0	
Pr (T < t) = 0.0126		Pr (T > t) = 0.0252		Pr (T > t) = 0.9874	

Sources: [Authors synthesized](#) and Stata Software 13

Table 6: Comparison net profit (NP) between firms had 10 years old posted up or more and the rest of firms ttest NP, by(YO)
Two-sample t test with equal variances

Group	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf. Intervall]
0	65	172934.4	31594.75	254725	109816.6 236052.1
1	45	319906	65789.95	441332.4	187315.1 452497
Combined	110	233059.1	33301.86	349272.9	167055.9 299062.3
Diff		-146971.7	66559.66		-278904.5 -15038.89
diff = mean (0) – mean (1)				t = -2.2081	
Ho: diff = 0				degrees of freedom = 108	
Ha: diff < 0		Ha: diff != 0		Ha: diff > 0	
Pr (T < t) = 0.0147		Pr (T > t) = 0.0293		Pr (T > t) = 0.9853	

Sources: [Authors synthesized](#) and Stata Software 13

Table 7: Comparison profit after tax (GP) between firms had 10 years old posted up or more and the rest of firms ttest PAT, by(YO)
Two-sample t test with equal variances

Group	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf. Intervall]
0	65	141858	26360.64	212526.3	89196.55 194519.4
1	45	263050.4	54019.51	362373.9	154181.2 371919.5
Combined	110	191436.7	27487.39	288290.2	136957.6 245915.8
Diff		-121192.4	54940.83		-230094.6 -12290.12
diff = mean (0) – mean (1)				t = -2.2059	
Ho: diff = 0				degrees of freedom = 108	
Ha: diff < 0		Ha: diff != 0		Ha: diff > 0	
Pr (T < t) = 0.0148		Pr (T > t) = 0.0295		Pr (T > t) = 0.9852	

Sources: [Authors synthesized](#) and Stata Software 13

5. DISCUSSION AND IMPLICATIONS

After 20 years of the stock market’s development, securities firms have had major progress, and have become an important intermediary in the market, providing almost all services, including brokerage, underwriting, issuance, consulting, etc. However, firms with low capacities or suffered too much loss would be dissolved or merged. Hence, only resourceful securities firms which can provide the best services to meet customers demand could remain to compete.

The accrual basis of accounting is one of the most basic principles for specific accounting methods; all economic transactions involving assets, liabilities, equity, revenue and expenses are recognized at the time of transaction, regardless of the actual receipt or payment of money (Ministry of Finance, 2006). The accrual basis is also considered as one of the basic accounting principles for determining corporate profits and preparing financial statements. Profit is the difference between revenue and expenses, whereby the

recognition of revenue and expenses affects the profit statement of the business for a period. This gives managers the opportunity to implement methods of profit management through non-cash transactions in order to achieve the set goals and plans.

On March 9, 2018, Vietnam officially signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPCPP). For Vietnam, the Agreement took effect on January 14, 2019. As a result, a series of tax reforms, especially tax rate policies and corporate income tax incentives for new technology fields, and the tendency to reduce tax rates are inevitable and consistent with progress of Asian countries. Therefore, businesses have many changes in determining and evaluating profit after tax.

100% of business owners are affected by Parkinson's law, i.e. the habit of spending within the resources they have. The reason for this phenomenon is because businesses use the formula: Profit equals (=) Revenue minus (-) expenses, which makes them tend to focus on revenue and every activity in the business helps to increase revenue. Expenses are just a tool to increase revenue, so if there are no controlling factors, they always spend within the available resource (Chi, 2019). However, besides resolutions to increase revenue, securities firms listed on Vietnam's stock market also need to control and reduce costs in order to improve their profits more sustainably.

Based on research results, the current status of securities firms and experts’ opinion, securities firms should increase their revenue and capital scale, because the revenue factor has a positive relationship with the profit, and capital size also positively affects revenue growth. On the contrary, costs must be reduced because costs have an inverse relationship with profits.

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