

The East-Asia Accounting Leadership Retreat 2000

Summary: Networking Opportunities for Accountants in Eastern Asia and Korea

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After the 1997 financial crisis, the Korean economy is progressing from the government-regulated economy to the free-market-oriented economy. Business financing method has also changed from debt financing to equity financing (e.g., D/E ratio 200% guideline).

The stock market of Korea expands and provides a market for equity financing. The following table shows the size of the Korean stock market in comparison to the USA's.

Table 1: Key Statistics for Listed Stocks Market and KOSDAQ Market

	Korea		USA	
	KSE	KOSDAQ	NYSE	NASDAQ
No.	727	462	3,748	4,829
Volume(Mil.)	229	217	894	1,478
Day Trading Value(Bil.\$)	2.9	3.6	36.1	69.4
Market Value(Bil.\$)	281	75	12,290	5,200
GDP(Bil. \$)	321.3		8,510.7	

Source

GDP: 1998 year data (The Bank of Korea, 1999)

USA stock market data: 1999 year data (Financial Supervisory Service, 1999)

Korea stock market data: Feb. 8, 2000 (Joonang Daily News, 2000), 1999)

On the other hand, the world economy is becoming increasingly globalized and entering into a borderless economy. Korean business enterprises now engage actively in international finance. For free capital flow, Korean government has globalized market institutions and regulations.

The objectives of this paper are to identify major issues facing academic and professional accountants in Korea and Eastern Asia countries, to find ways to solve the issues together, to explore a networking opportunity among them.

In Korea, generally accepted accounting principles (GAAP) are currently developed by the private organization. The GAAP has been developed in the form of decrees and

regulations by the Ministry of Finance and Economy (MOFE) and the Securities and Exchange Commission (SEC). After the 1977 financial crisis, Korea established an accounting standards board in September 1999 (IASB Insight December 1999).

The Korea Accounting Institute (KAI) and its standards-setting arm, the Korean Accounting Standards Board (KASB) were established on September 1, 1999, to enhance the reliability and the utility of financial and accounting information created in Korea. The KASB (www.kasb.or.kr) is a private (nongovernmental) organization. Previously, accounting standards were the responsibility of the Financial Supervisory Commission of the Korean government.

The Korean Accounting Association (KAA) is the formal association of academic accountants in Korea. The KAA was founded in 1973, and has members of about 1,200. The KAA publishes two journals: *Korean Accounting Review*, and *Korean Accounting Journal*.

The Korean Institute of Certified Public Accountants (KICPA, www.kicpa.or.kr) is the formal association of professional accountants. The KICPA was founded in 1945, became a member of the IASB in 1975, and of the IFAC in 1978. At December 1998, the number of members was 4,578 (KICPA 1999).

In general, the interaction among academic, professional association, and government is active. However, there is still a lot of room to cooperate with each other.

Major issues facing professional accountants are getting international recognition of audit work and accounting information, managing legal risk and due diligence defense, and surviving in free competition among local accountants (Nam 1998).

Major issues facing academic accountants are establishing international transparency of accounting information, educating for prevention of another financial crisis, and securing business ethics.

Major research issues are examining the usefulness of accounting information in the Korean stock market and East Asian stock markets, international comparison of accounting standards and institutions, designing accounting control for preventing business failures, examining the effectiveness of new governance structure.

Demand for international help is sharing knowledge on corrective actions after financial crises, and cooperating with each other on setting international accounting standards.

Supply of international help is sharing Korean experience of financial crises, and providing Korean business data.

For developing an international network, we need to share knowledge and information, establish an official international regional organization, sponsor regular meetings, publish regional academic or practical journals, and publish regional accounting professional books.

In conclusion, we can save many resources through international cooperation among East Asia countries, and accumulate accounting knowledge with international cooperation. To realize a concrete cooperation, regional accountants should understand and respect each other more. Facilitation is needed for formal and informal interaction among regional accountants. The problem is always the funds for developing regional cooperation. So, we must develop the ways of funding.

References

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