



IFRS Adoption: Lessons from Korea

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- 2. IFRS adoption Roadmap of Korea**
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Why Korea adopted IFRS?

2011, the year Korea adopted IFRS

2007, the year Korea decided to adopt IFRS

- Statistics of Korea
 - GDP: 13th in 2006
 - Export: 11th in 2006
- The analysis of 2006 business reports
 - Showed no material inadequacies
 - No serious problems
- Established the Korean Accounting Standards Board (KASB) and developed **phased convergence** with IFRS from 1999
 - By 2006, issuance of 28 statements by **adopting a substantial portion of IFRS**, replacing former standards
 - Korean GAAP was **almost equivalent (about 90%)** to IFRS except for a few modifications.

Why Korea adopted IFRS?

Transparent accounting information

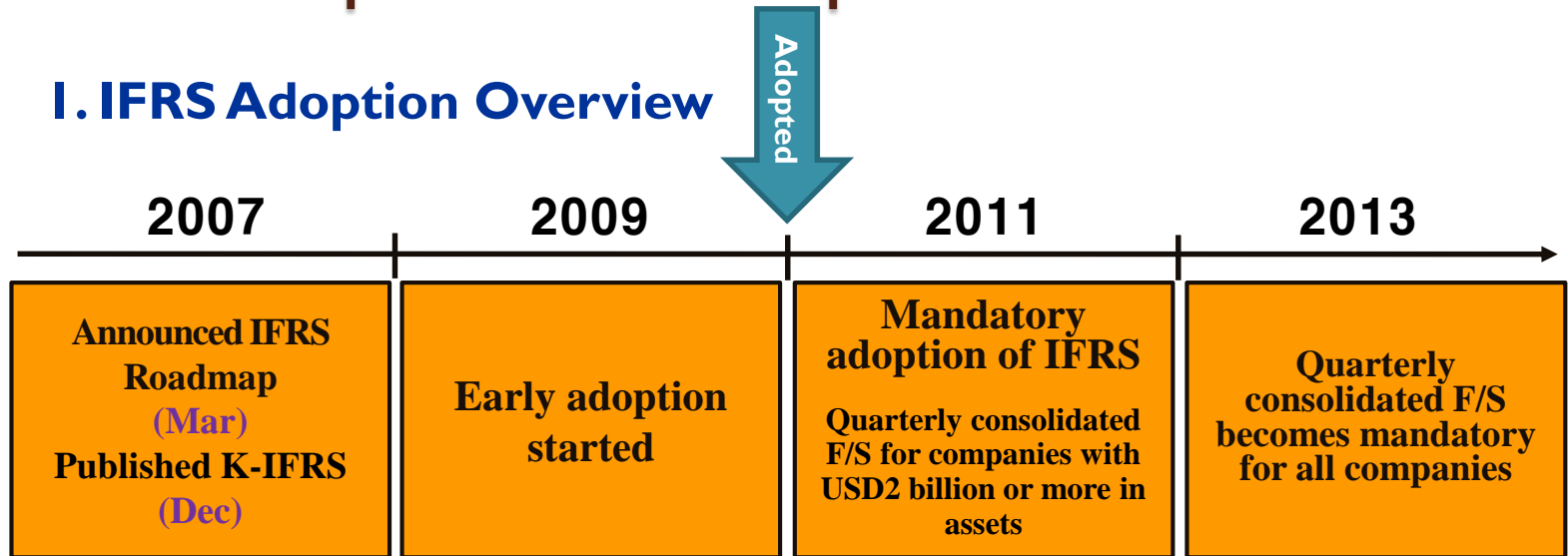
- IMD ratings of National Competitiveness for Korea
 - Rating for whole industries: 38th (2006)
 - Accounting Industry: 58th (2006)
- Accounting opacity ranking
 - Leuz et al. (2003), 31 countries 1990 -1999

rank	Country	Aggregated EM scores
2	Korea	26.8
10	Japan	20.5
12	Hong Kong	19.5
24	UK	7.0
31	USA	2.0

→ Mere convergence cannot gain the trust of the market.

IFRS Adoption Roadmap of Korea

I. IFRS Adoption Overview



- For Smooth and Successful Transition
 - Announced the roadmap for IFRS adoption in 2007 (Mar.)
 - Published K-IFRS in 2007 (Dec.)
 - Early adoption was allowed from 2009
 - 61 listed companies such as Samsung and LG
 - Consolidated quarterly and semiannual financial reporting was postponed for small listed companies for two more years.

IFRS Adoption Roadmap of Korea

2. Two Peculiar Characteristics

- **Big Bang approach**
 - All listed companies were required to adopt IFRS on January 1, 2011
 - Not convergence approach
- **Full adoption, not partial adoption**
 - International community's confidence relies on whether the standards are identical to IFRS, not on how similar the standards are to IFRS.

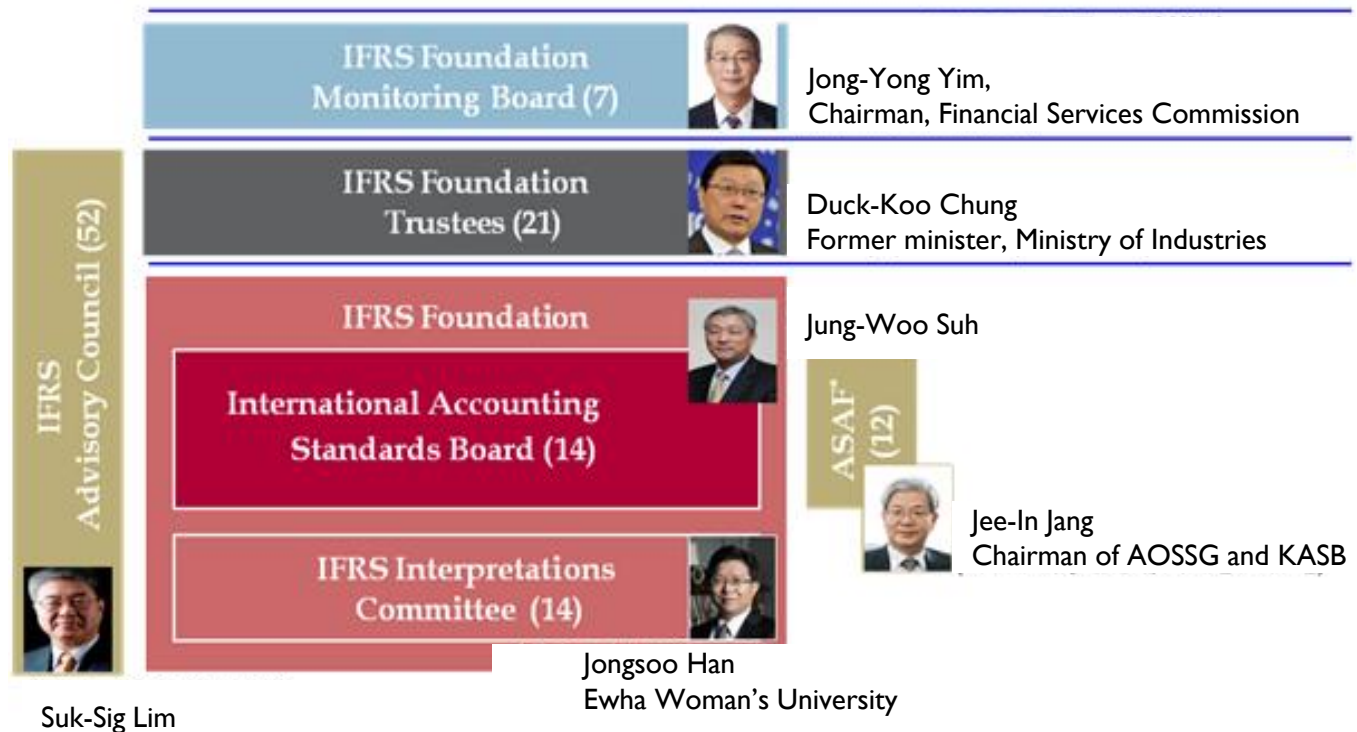
Positive Impact of IFRS Adoption

- **Enhanced international status and role**

- Korea stands as a representative of many emerging countries who are preparing for IFRS adoption.
 - Large economy
 - Full adoption of IFRS
- Chair country of Asian Oceanian Standard Setters Group (AOSSG) for 2015-2017
- KASB provides IFRS Education and Mentoring services to non-IFRS countries through IFRS COE (Center of Excellence) program
 - E.g., Nepal

Positive Impact of IFRS Adoption

- **Enhanced international status and role**
 - Korea's Involvement in the IASB and the IFRS foundation



Positive Impact of IFRS Adoption

- **Strengthened accounting independence from constituents**
 - 'Deprivation of accounting sovereignty' was the major concern.
 - IFRS adoption is equated to a transfer of the authority under which the KASB endorses local financial reporting standards over to the IASB
 - However,
 - Accounting independence means that standard-setters should be independent from undue pressure or political influence exercised by constituents
- **Relief of the burden to prepare dual financial statements**
 - Companies whose securities are listed in foreign public securities markets are relieved of the burden to prepare dual financial statements.

Positive Impact of IFRS Adoption

- **Expanded application of IFRS**
 - **Unlisted companies voluntarily** adopting IFRS
 - Aligning their accounting policy with that of their parent company
 - Boosting the image of the company.

Types		2011		2012		2013	
Applying IFRS	Mandatory	1,709	9.1%	1,677	8.6%	1,698	7.85%
	Voluntary	1,142	6.0%	1,479	7.6%	1,799	8.31%
	Sub-total	2,851	15.1%	3,156	16.2%	3,497	16.2%
Applying Simplified Accounting Standards		16,027	84.9%	16,366	83.8%	18,146	83.8%
Total		18,878	100%	19,522	100%	21,643	100%

- Knock-on effect on the **government sector**
 - Many government-owned companies adopted IFRS
 - Efforts to enhance the transparency of governmental accounting

However...

- **Research on the Effect of IFRS Adoption**
 - Research papers published in Korea
 - 2011-2014
 - Mixed results
 - Research on Income manipulation
 - Income manipulation has been reduced after 2011 for large companies
 - Income manipulation has been increased after 2011 for small companies
 - Research on Value relevance
 - No significant change in value relevance after 2011 for BV and NI

However...

- **Research on the Effect of IFRS Adoption**

- **5 Years Experience** of IFRS in Korea: **Empirical research** on the Effect of IFRS Adoption

- Persistence of Earnings

- $EARN_{i,t} = a_0 + a_1 EARN_{i,t-1} + e_{i,t}$

Equation (1)

- $CFO_{i,t} = a_0 + a_1 EARN_{i,t-1} + e_{i,t}$

Equation (2)

- Discretionary Accruals

- Modified Jones model

- $TA_{i,t} / ASSET_{i,t-1} = \alpha_1 I / ASSET_{i,t-1} + \alpha_2 (\Delta REV_{i,t} - \Delta AR_{i,t}) / ASSET_{i,t-1} + \alpha_3 PPE_{i,t} / ASSET_{i,t-1} + \varepsilon_{i,t}$ Equation (1)

- Kothari's Performance matched model

- $TA_{i,t} / ASSET_{i,t-1} = \alpha_1 I / ASSET_{i,t-1} + \alpha_2 (\Delta REV_{i,t} - \Delta AR_{i,t}) / ASSET_{i,t-1} + \alpha_3 PPE_{i,t} / ASSET_{i,t-1} + \alpha_3 NI_{i,t} / ASSET_{i,t-1} + \varepsilon_{i,t}$ Equation (2)

- Earning Response Coefficient

- $CAR_{d,t} = a_0 + a_1 \Delta EARN_{d,t} + e_{d,t}$

Equation (1)

- $CAR_{d,t} = b_0 + b_1 EARN_{d,t} + b_2 \Delta EARN_{d,t} + e_{d,t}$

Equation (2)

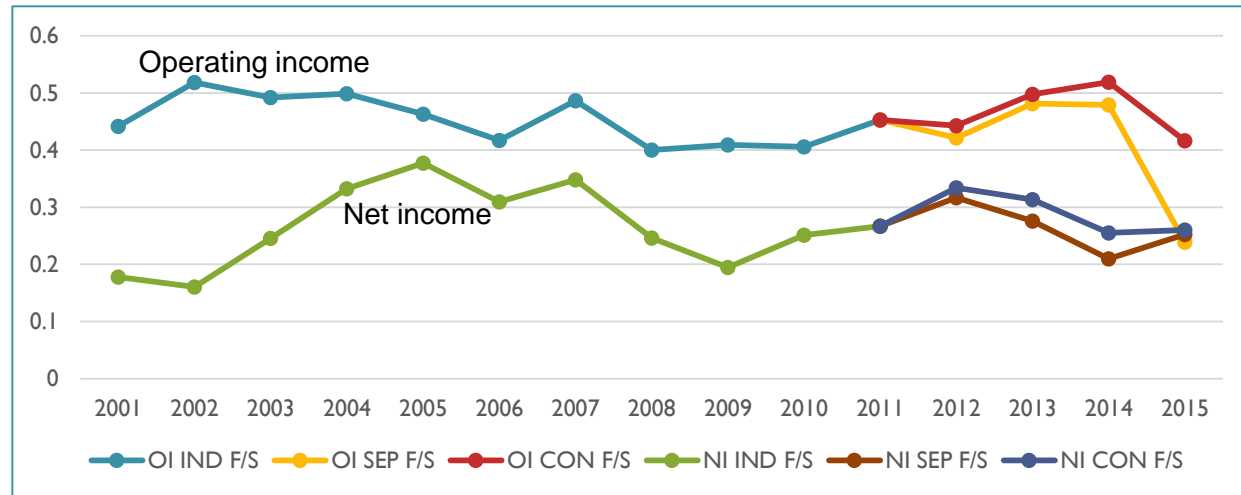
- $RET_{i,t} = a_0 + a_1 \Delta EARN_{i,t} + e_{i,t}$

Equation (3)

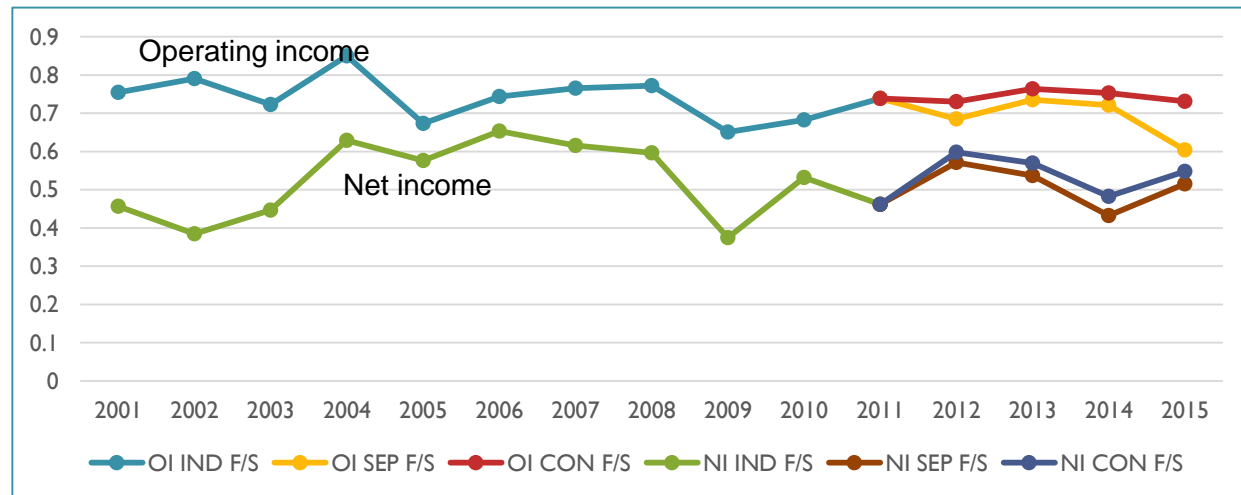
- $RET_{i,t} = b_0 + b_1 EARN_{i,t} + b_2 \Delta EARN_{i,t} + e_{i,t}$

Equation (4)

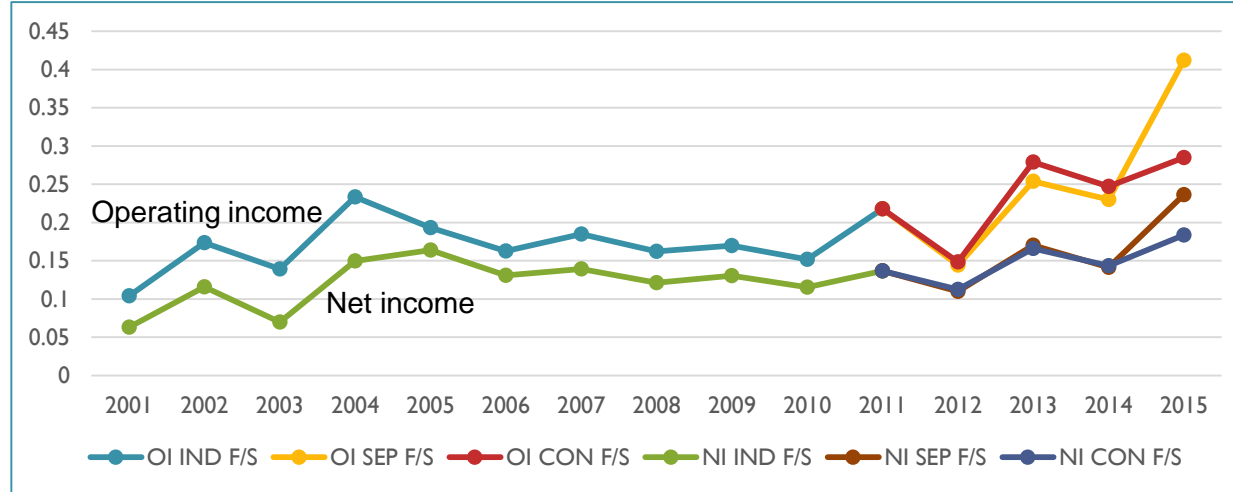
Persistence of Earnings: Adjust R-square by Years ($EARN_{i,t}=a_0+a_1EARN_{i,t-1}+e_{i,t}$)



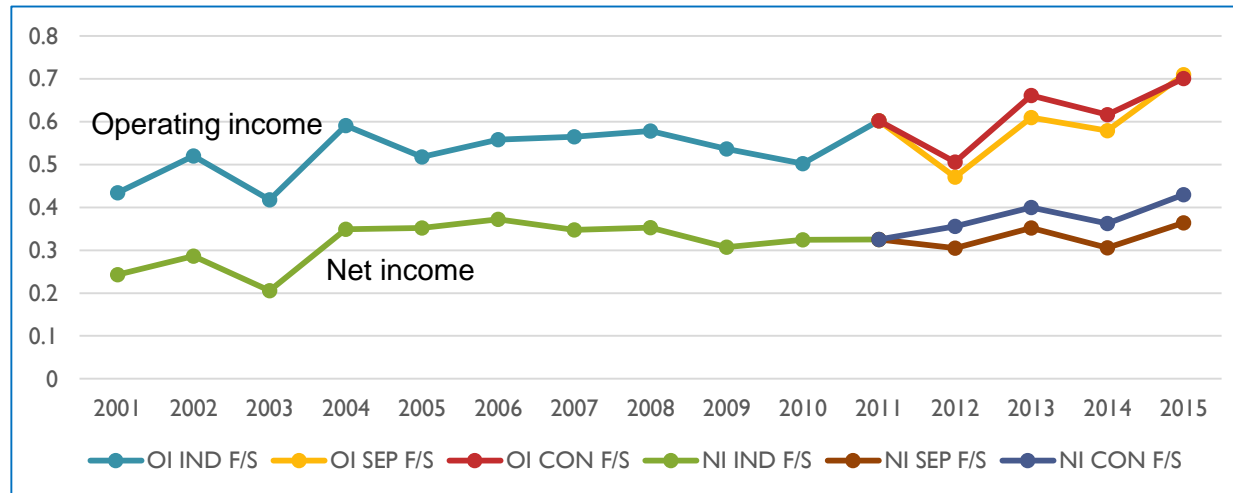
Persistence of Earnings: Coefficient by Years ($EARN_{i,t}=a_0+a_1EARN_{i,t-1}+e_{i,t}$)



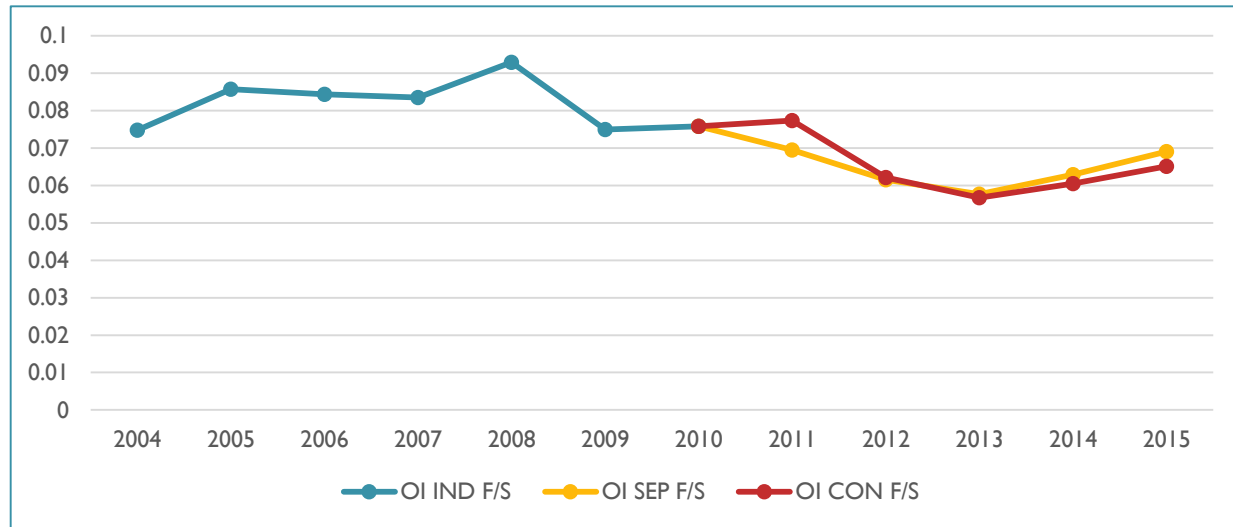
Persistence of Earnings: Adjust R-square by Years ($CFO_{i,t}=a_0+a_1EARN_{i,t-1}+e_{i,t}$)



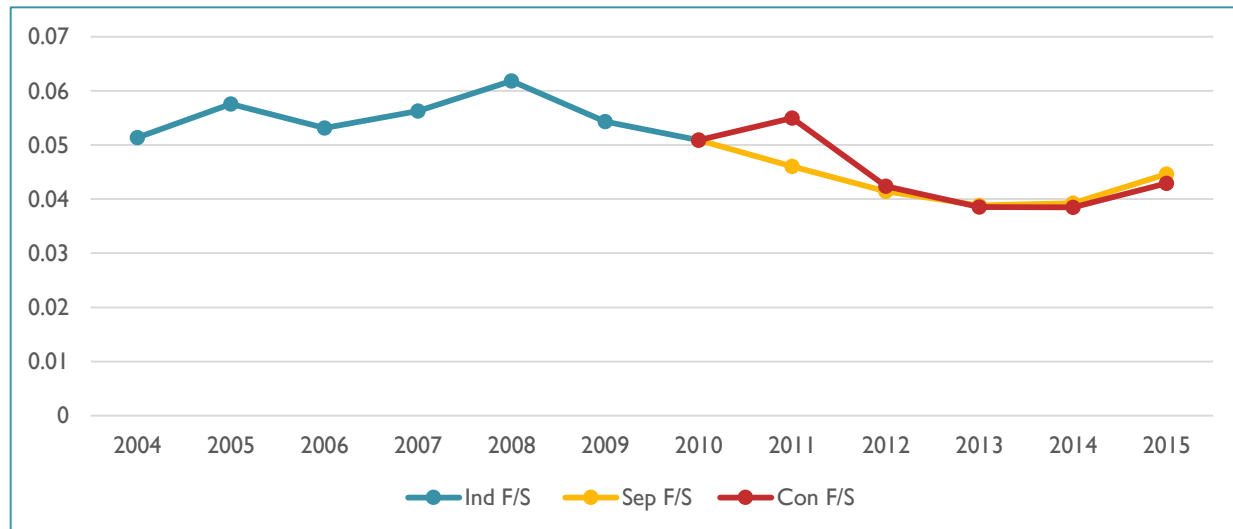
Persistence of Earnings: Coefficient by Years ($CFO_{i,t}=a_0+a_1EARN_{i,t-1}+e_{i,t}$)



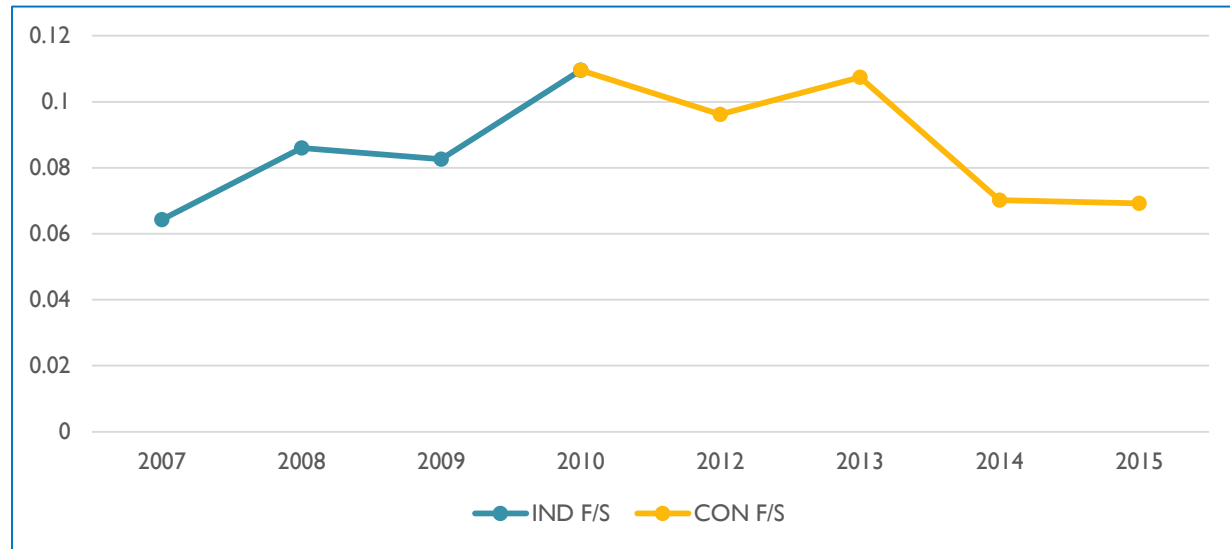
Discretionary Accruals: Mean of abDAMJ by Years



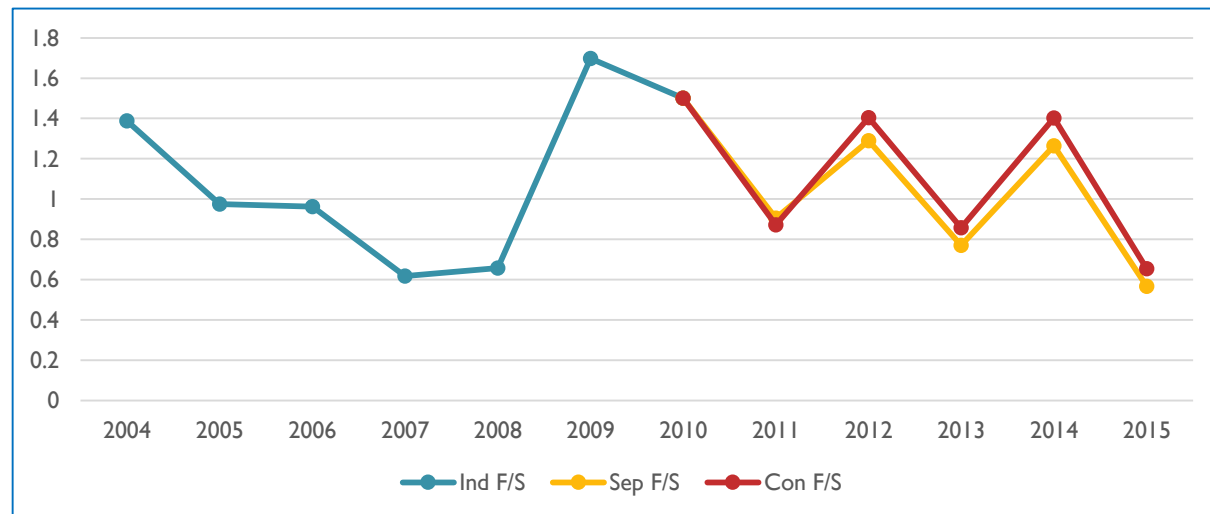
Discretionary Accruals: Median of abDAMJ by Years



Earnings Response Coefficients: by Years ($CAR_{d,l,t} = a_0 + a_1 \Delta EARN_{d,l,t} + e_{d,l,t}$)



Earnings Response Coefficients: by Years ($RET_{i,t} = a_0 + a_1 \Delta EARN_{i,t} + e_{i,t}$)



However...

- **Research on the Effect of IFRS Adoption**
 - **5 Years Experience** of IFRS in Korea: **Empirical research** on the Effect of IFRS Adoption
 - Mixed results
 - Persistence of Earnings
 - Earnings persistence for Net income or Operating income did not change significantly after 2011.
 - However, earning persistence for Cash flow improved significantly after 2011.
 - Discretionary Accruals
 - The absolute value of DA has been reduced significantly after 2011.
 - Earnings-Response Coefficient
 - Earnings-Response coefficient did not change significantly after 2011.

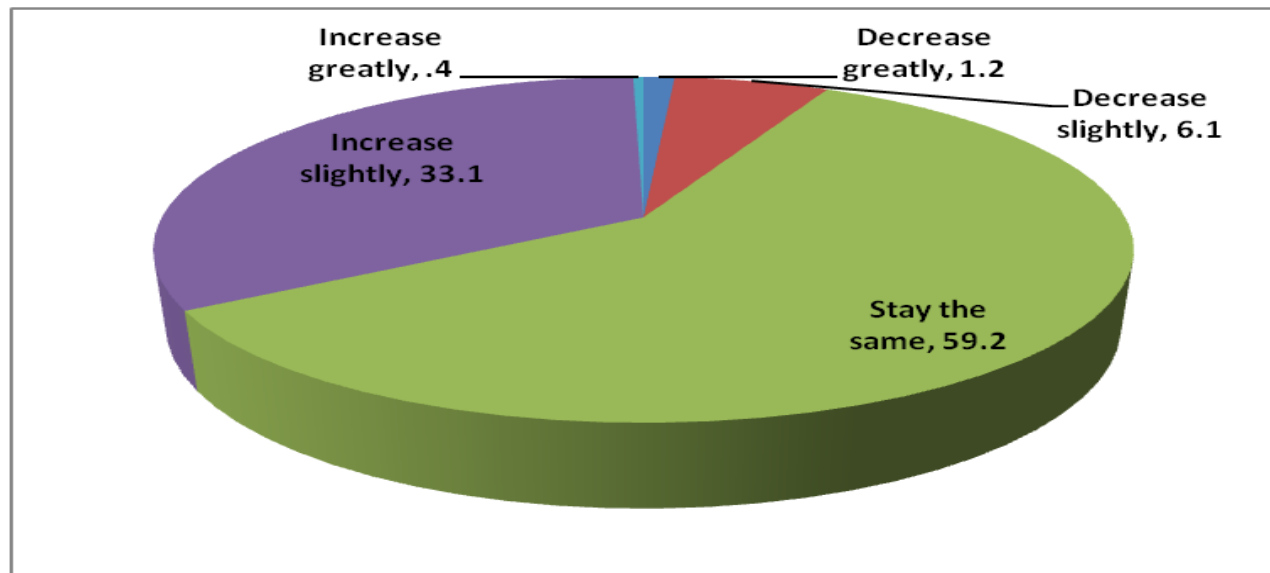
However...

- **Research on the Effect of IFRS Adoption**
 - Costs and Benefits of IFRS Adoption in Korea: **Preparer's perspective,**
 - June 2015
 - **Survey study**
 - Data were collected by means of a **questionnaire,**
 - Subjects: accounting personnel (manager level) of Korean listed companies
 - Out of 1,755 (listed companies) questionnaires sent out, received 245 (13.19%) completed answers

Q1. Accounting Transparency

- How did the accounting transparency (accuracy of accounting information) change, as a result of the adoption of IFRS?

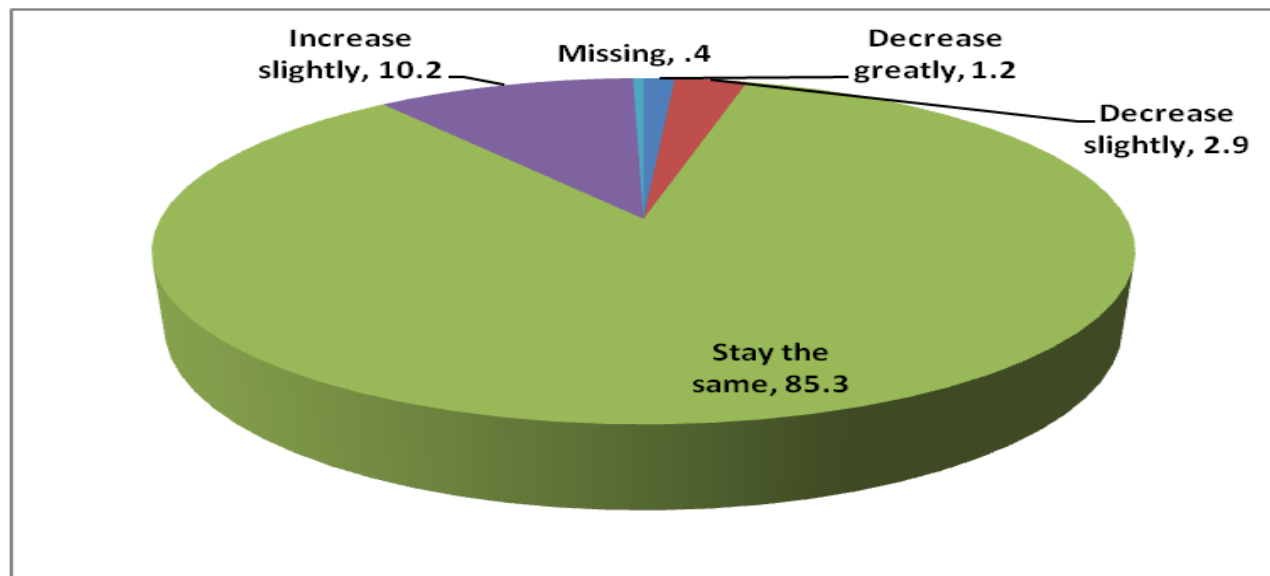
AI. Overall Summary : Marginally positive



Q2. Cost of Capital

- How did the costs of capital change in the capital market, as a result of the adoption of IFRS?

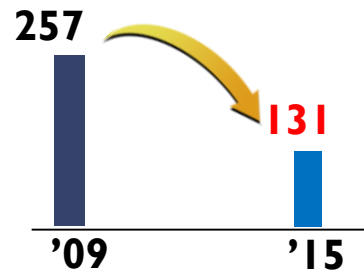
A4. Overall Summary : Less obvious



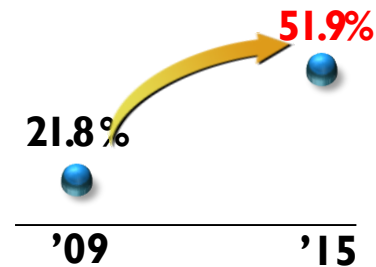
However...

- **Inspection by Financial Supervisory Service (SEC in Korea)**
 - Number of violations found in the review of **audited financial statements**

Number of F/S reviewed



% of violations found



- **IMD Ratings of National Competiveness for Korea**
 - Rating for whole industries: 38th (2006) → 29th (2016)
 - Accounting Industry: 58th (2006) → 41st (2012) → 58th (2013) → 61st (2016)

Challenges

- **Principle-based standards**

- **Change:**

- Principles not Rules
 - Economic substance vs. Comparability
 - Code law country adopts common law

- **Effects & Challenges:**

- Preparers & Auditors: Growing burden in preparing financial statements
 - Exercising **professional judgment** for accounting treatments
 - Users: Incomparability between financial statements
 - Information users should be equipped with **higher-level of financial acumen and analytical skills**

Challenges

- **Many areas with no accounting standards or not enough guidance**
 - **Change:**
 - Areas with No standards: e.g. BCUCC
 - Areas with Not enough guidance: e.g. Equity method
 - IFRS interpretations committee
 - Slow in interpretations
 - E.g., Classification of Liability for a Prepaid Card with No Expiry Date
 - Submitted in November 2012
 - Concluded in March 2016
 - Many drops in agenda decisions
 - Agenda Criteria
 - The issue must be wide-spread or material effect
 - The solution developed should be effective for a reasonable time period
 - IASB
 - Slow in revisions
 - E.g., IFRS 9 : March 2008 – July 2014 (macro hedging ???)
 - Seems to be selective in determining what standards should be revised or newly developed.

Challenges

- Effects & Challenges:
 - Depend on Accounting firms
 - Different guidance on IFRS standards among Big 4s
 - Interpretation/application of IFRS standards by a local interpretation committee
 - More issues are submitted to the local IC.
 - What interpretation should be submitted to the local IC or the IFRS IC.

Challenges

- **Consolidated financial statements**

- Changes

- Primary financial statements

- K-individual financial statements → Consolidated financial statements
 - Higher Importance of Consolidated financial statement

- Change in the scope of consolidation

- Change in the scope of consolidation has a big impact on the consolidated financial statements

- Effects & Challenges

- Preparers

- Should be able to **prepare the consolidated financial statements**
 - Should be able to **properly represent their economic substance** with the consolidated financial statements

- Users

- Should **understand how to use** the consolidated financial statements

Challenges

- Examples: The effect of the change in the scope of consolidation

	Number of subsidiaries consolidated
Samsung Electronics	98 → 116
Hanwha	90 → 40

		K-GAAP	K-IFRS	Effect	(%)
Samsung electronics	Assets	1,182,815	1,081,613	-101,202	-8.6%
	Liabilities	452,272	378,544	-73,728	-16.3%
	Equity	730,543	703,069	-27,474	-3.8%
	net income	102,299	98,462	-3,837	-3.8%
Hanwha	Assets	894,032	146,243	-747,788	-83.6%
	Liabilities	803,902	95,167	-708,735	-88.2%
	Equity	90,129	51,076	-39,053	-43.3%
	net income	7,059	11,723	4,664	66.1%

Challenges

- **Continuous changes in IFRS Standards**

- Recent IFRSs

- Major Projects

- IFRS 16 Leases Effective date: 1/1/2019
 - IFRS 9 Financial Instruments Effective date: 1/1/2018
 - IFRS 14 Regulatory Deferral accounts Effective date: 1/1/2016
 - IFRS 15 Revenue from Contracts with Customers Effective date: 1/1/2018

- Narrow scope Amendments

- Accounting for Acquisition and interests in Joint Operations Effective date: 1/1/2016
 - Clarification of Acceptable Methods of Depreciation and Amortization Effective date: 1/1/2016
 - Agriculture: Bearer Plants Effective date: 1/1/2016
 - Equity method in Separate Financial Statements Effective date: 1/1/2016
 - Changes in methods of disposal Effective date: 1/1/2016
 - Applicability of the Amendments to IFRS 7 to Condensed Interim Financial Statements Effective date: 1/1/2016
 - Discount rate: recognized market issue Effective date: 1/1/2016
 - Disclosure of Information Elsewhere in the interim Financial Report Effective date: 1/1/2016
 - Investment Entities: Applying the Consolidated Exception Effective date: 1/1/2016

Challenges

- Recent Activities of IFRS IC
 - Draft Interpretations
 - Uncertainties of Income Tax Treatments: IAS 12 Income Taxes
 - Foreign Currency Transaction and Advance Consideration: IAS 21
 - Narrow scope Amendments
 - Classification and measurement of Share-based payment Transactions: IFRS 2
 - Remeasurement of previously held interests – Obtaining control or joint control in a joint operation that constitutes a business: IFRS 3
 - Recognition of deferred tax assets for unrealised losses : IAS 12
 - Transfers of investment property: IAS 40
 - Availability of refunds from a defined benefit plan: IFRIC 14 IAS 19
 - Remeasurement on a plan amendment, curtailment or settlement: IAS 19

Challenges

- Work Plan – as at 22 January 2016

	Current activity	Within 3 months	Within 6 months	After 6 months
Upcoming Standards				
Insurance Contracts	Analysis			Issue IFRS
Published Exposure Drafts				
Conceptual Framework [Comment period ended 25 November 2015]	Analysis	Decide Project Direction		
Disclosure Initiative—Materiality Practice Statement [Comment period ends 26 February 2016]	Public Consultation		Decide Project Direction	
Published Discussion Papers				
Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging	Analysis			Publish DP
Rate-regulated Activities	Analysis			Publish DP
Upcoming Discussion Papers				
Disclosure Initiative—Principles of Disclosure	Analysis		Publish DP	

Challenges

- Research Projects – as at 22 January 2016

Assessment stage	These projects are assessing possible practice issues to understand if there is a financial reporting problem and, if so, how to address it.
Discount Rates	The IASB has begun reviewing the staff findings from the research and will decide on the next steps following the review.
Goodwill and Impairment	The IASB has begun discussions. This project was started as a result of the post-implementation review of IFRS 3 <i>Business Combinations</i> .
Income Taxes	IASB discussions are planned for early 2016.
Pollutant Pricing Mechanisms	The IASB has begun discussions and the next step is likely to be a DP in 2016.
Post-employment Benefits (including Pensions)	The IASB has reviewed the staff findings from the research. The next steps are on hold, awaiting feedback on the Agenda Consultation.
Primary Financial Statements (previously Performance Reporting)	To develop more detailed plans for the current project, the initial work will involve: <ul style="list-style-type: none"> reviewing approaches explored in the old Financial Statement Presentation project, to assess which of them merit further investigation; and initial informal outreach to identify the gaps and perceived deficiencies in existing requirements and practices.
Provisions, Contingent Liabilities and Contingent Assets	The IASB has reviewed the staff findings from the research. The next steps are on hold, awaiting developments in the <i>Conceptual Framework</i> project.
Share-based Payment	The IASB has reviewed the staff findings from the research. The next steps are on hold, awaiting feedback on the Agenda Consultation.
Development stage	The IASB has completed its assessment work and is developing proposals to respond to the problem(s) identified.
Business Combinations under common control	IASB discussions about the staff findings from the 2015 research are expected to commence early in 2016 and the next step is likely to be a DP later in 2016.
Disclosure Initiative—Principles of Disclosure (including Standards-level Review of Disclosures)	The IASB has begun discussions and a DP on the Principles of Disclosure is expected to be published in early Q2 2016 (see the Major Projects tab). The Standards-level Review is a component of the Disclosure Initiative—Principles of Disclosure project. The principles identified through that project will be used as the basis for the Standards-level Review.
Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging	The IASB has begun discussions and the next step is likely to be a DP (see the Major Projects tab).
Equity Method of Accounting	The IASB will discuss in Q1 2016 how to proceed with the project, in light of feedback on the Agenda Consultation and from the Accounting Standards Advisory Forum (ASAF). Later research will consider whether there is a need for a fundamental review of the equity method.
Financial Instruments with Characteristics of Equity	The IASB has begun discussions and the next step is likely to be a DP.
Inactive projects	
Extractive Activities / Intangible Assets / R&D	The IASB is not currently working on this project.
Foreign Currency Translation	The IASB has completed its assessment work on this project and has no plans to undertake additional work. It plans to remove this project from the research programme, subject to feedback in the current Agenda Consultation.
High Inflation	The IASB has completed its assessment work on this project and has no plans to undertake additional work. It plans to remove this project from the research programme, subject to feedback in the current Agenda Consultation.

Challenges

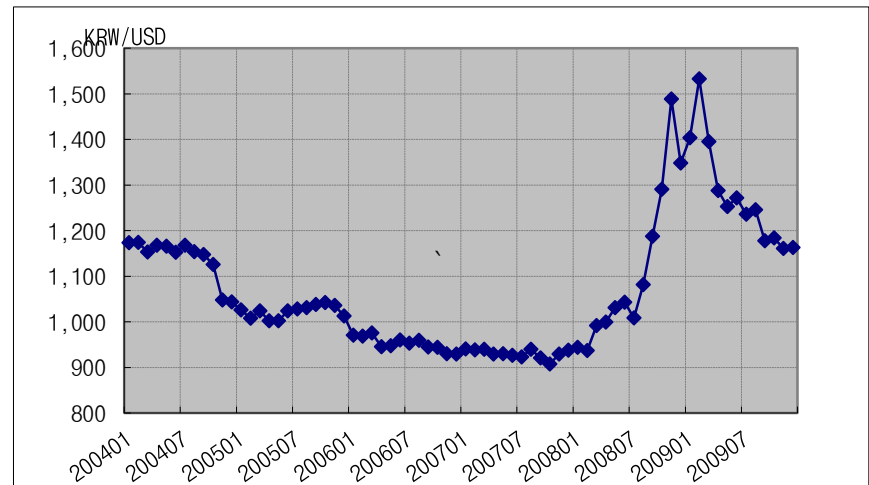
- **Extensive application of Fair Value accounting**
 - Changes
 - Financial assets/liabilities designated at fair value
 - Post-employment benefit plan assets
 - PP&E, Intangibles, and Investment properties
 - Effects & Challenges
 - Provide more relevant financial information
 - Companies are exposed to **higher level of volatility**
 - External factors could have a greater impact on a fair value measurement than the company's operation results
 - Quality of fair value measurement
 - Establishment of solid **fair value measurement system/infrastructure**
 - Importance of independent valuation experts
 - Improvement on regulatory system

Challenges

- **Accounting standards not suitable to certain jurisdictions**
 - An Example: Foreign currency Accounting
 - Translating foreign currency monetary items at **the closing rate**
 - **Reserve Currency vs. Local Currency**
 - **Local currency's closing rate might not** reflect the economic substance in rare circumstances such as financial crises
 - Exchange rates that have significantly fluctuated during the financial crises tend to recover after a certain period of time.

Paragraph 23 of IAS 21

- ✓ *At the end of each reporting period:
(a) foreign currency monetary items
shall be translated using the
closing rate*



Challenges

- **Translation of IFRS standards**
 - Importance of Translation in Korea
 - Korean-version IFRS (IFRS translated into Korean) is a national accounting standard in Korea
 - Original translation
 - Completed in 2007
 - First in the Asia-Pacific region to translate IFRS into the national language
 - Word-to-word translation
 - Recent Survey in 2014, 344 respondents

Question 1: Why is K-IFRS difficult to understand?	
① The content of IFRS itself is difficult.	81% (277)
② There are many problems in the current translation.	73% (250)
③ Both ① and ②	53% (183)

Challenges

- Retranslation of IFRS standards
 - Sentence-to-sentence translation vs. word-to-word translation
 - Use more 'Easy,' 'Modern,' or 'Everyday' expressions
- English expressions in the IFRSs
 - Expressions that could cause problems in understanding/interpreting IFRSs for non-English speaking countries
 - Difficult expressions
 - Unusual expressions
 - Very similar but different expressions
 - E.g., Probability expressions

Challenges

- Hierarchy of terms of likelihood (probability expressions)

Level	Terms in English	Current Translation (as of 2014.10.29.)
1	virtually certain	거의 확실한(하게)
2	no realistic alternative	현실적인 대안이 없는
3	highly probable - significantly more likely than probable	(발생)가능성이 매우 높은
4	reasonably certain	거의 확실한
5	substantially all (risks and rewards, recover, difference)	대부분
6	substantially enacted	실질적으로 제정된
7	highly effective	높은 효과를 (기대할 수 있는)

Challenges

- Hierarchy of terms of likelihood (probability expressions)

8	principally	주로
9	significant	유의적인
10	major part	상당부분
11	reasonably assured (*)	<u>합리적인 확신</u>
	=probable, but not virtually certain	가능성은 높지만 거의 확실하지는 않다
12	probable - more likely than not	가능성이 높다
12=	expected	향후
14	more likely	가능성이 (~보다) 더 높은
15	become probable	가능성이 높은 상태가 되다
16	likely	가능성이 높은
17	may, but probably will not	될 수는 있지만 가능성이 높지 않은
17=	not probable	가능성이 높지 않다
19	reasonably possible	<u>합리적으로 발생 가능한</u>

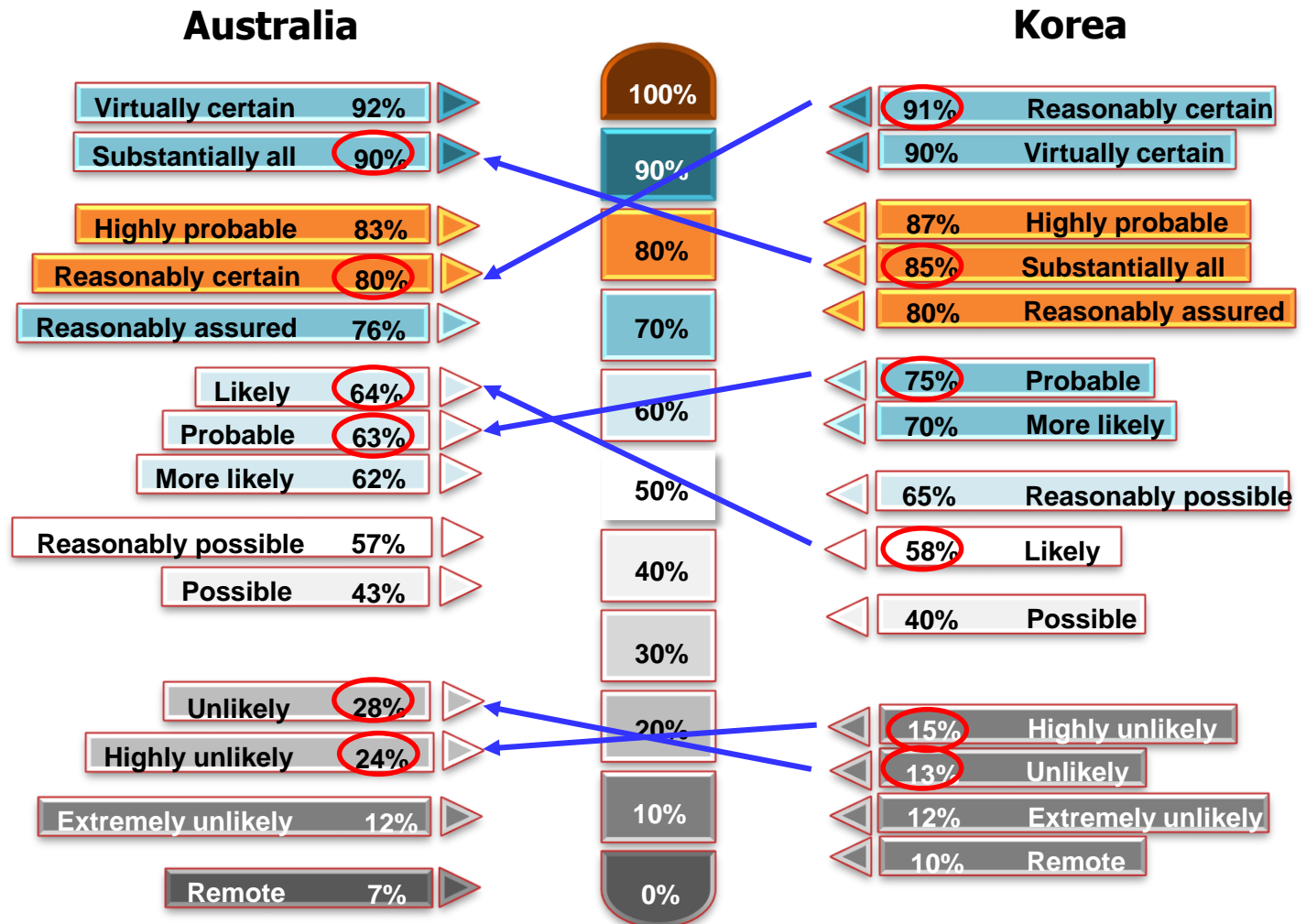
Challenges

- Hierarchy of terms of likelihood (probability expressions)

20	possible	잠재적(의무) 예상되는(수수료) 발생 가능한
21	uncertainty	명백히 알 수 없는
22	unlikely	가능성이 낮은
23	highly unlikely	가능성이 매우 낮은
24	extremely unlikely	매우 낮은
25	minimal probability	최소의 확률
26	sufficiently lower	충분하게 낮을
27	insignificant portion	부분이 경미한
28	insignificant	경미한
29	remote	아주 낮은 희박한
30	extremely rare	극히 드문
31	virtually none	
32	not genuine (highly abnormal and extremely unlikely to occur)	실질적으로 유효하지 않은

Challenges

- Accounting Judgments on Terms of Likelihood in IFRS: Korea and Australia (AASB-KASB Joint Research Project)



Lessons Learned: for Constituents

- **Importance of Education**

- IFRS Adoption

- A code-law country's application of a principle-based (common-law) accounting.
 - Fair value accounting
 - Transition to disclosure and regulatory policies based on Consolidated F/S
 - Continuous changes in IFRS standards ...

- Needs for changing the way of Education

- **change our way of thinking**, which is a gradual process
 - Education for **Judgment ability**
 - More emphasis on basic accounting concepts and theories
 - More emphasis on non-accounting disciplines.
 - More advanced accounting subjects (e.g., valuation)
 - Practice-oriented/case-based education
 - Education for Communication ability
 - Education for **Business Ethics**
 - Education for **Self-learning Ability**

→ Key for the successful implementation of IFRS

Lessons Learned: for Constituents

- Building up an Infrastructure for Education
 - KASB as a control tower for Education
 - Participation of multi-organizations:
 - KASB, KICPA, FSS, KLCA, KOSDAQCA, KCCI
 - Providing continuing systematic education
 - Mandatory Education: e.g., at least 3 hours per year for CFOs
 - Multi-year systematic education systems
 - Developing teaching methods based on the Conceptual Framework:
FBT (Framework-based teaching) Education
 - Similar to IFRS Education Initiative by the IASB
 - But reflects more of Korean situation and environment
 - 2015: Assets
 - 2016: Liabilities and A comprehensive case
 - 2016: Financial Instruments...

Lessons Learned: for Constituents

- Teaching methods based on the Conceptual Framework: **FBT (Framework-based teaching) Education**

목 차

Chapter 1 국제회계기준의 특징과 개념체계 기반 회계교육

Chapter 2 재무보고를 위한 개념체계와 FBT

Chapter 3 FBT 구조의 적용(유형자산)

Chapter 4 사례를 활용한 FBT 전달방법

Chapter 5 사례교육방법에 의한 FBT 사례(부채)



Lessons Learned: for Constituents

- **Building up Infrastructures**

- Long process of amending laws and regulations
 - Act on External Audit of Listed Companies
 - Capital Markets Act
 - Corporate Tax Law
- Building up valuation industry for fair value evaluation
 - Establishment of solid fair value measurement system
 - Knowledgeable independent valuation experts
- Improvement on regulatory system
 - Preventive inspection system rather than Detective inspection system

Lessons Learned: for Constituents

- **Importance of Communication and Research**
 - 'Principles-based' feature of IFRS highlights the importance of good communication among constituents
 - Communication to constituents within Korea
 - Accounting Standards Research Committee, KICPA
 - Issued books on Practical accounting issues and Alternative accounting principles
 - Consolidated financial statements and Separate Financial Statements
 - Business Combination Under Common Control (BCUCC)
 - Asset Impairments
 - Communication with the IASB
 - Communication with the **IASB in the early stage of IFRS development** and implementation, and then gradually, expanded opportunities for communication with the international community (e.g. founding of AOSSG and active participation therein)
 - **Be a member of co-developing a better set of single global accounting standards**
 - Importance of Research
 - Research on BCUCC, Equity Method...

Lessons Learned: for Constituents

- **Translation of IFRS**

- Sentence-to-sentence translation vs. word-to-word translation
 - IFRS is already too difficult
- Use English-version IFRS as a national accounting standards
 - Accurate translation is extremely difficult

- **Have a sufficient preparation period**

- Korea had a **four-year** preparation period before the IFRS adoption, but has still encountered various issues – training, system changes, law changes, etc.

Lessons Learned: for IASB

- **Consistent application of Principle-based Accounting**
 - Inconsistencies
 - Between and/or within standards
 - Between accounting firms
 - Between jurisdictions
 - IASB: Timely Revision and Development of standards without hurting the Due process
 - Could utilize local standard setters for developing alternatives/theories
 - Strengthen the role of the IFRS Interpretations Committee
 - The role of the IFRS IC is particularly essential for new adopters of IFRS
 - Faster response without hurting the due process
 - Operate the IFRS IC on a full-time basis
 - Increase the number of IC staff
 - More active search for areas that need interpretations
 - Develop an official process in which the IASB considers the suggestions of the IFRS IC

Lessons Learned: for IASB

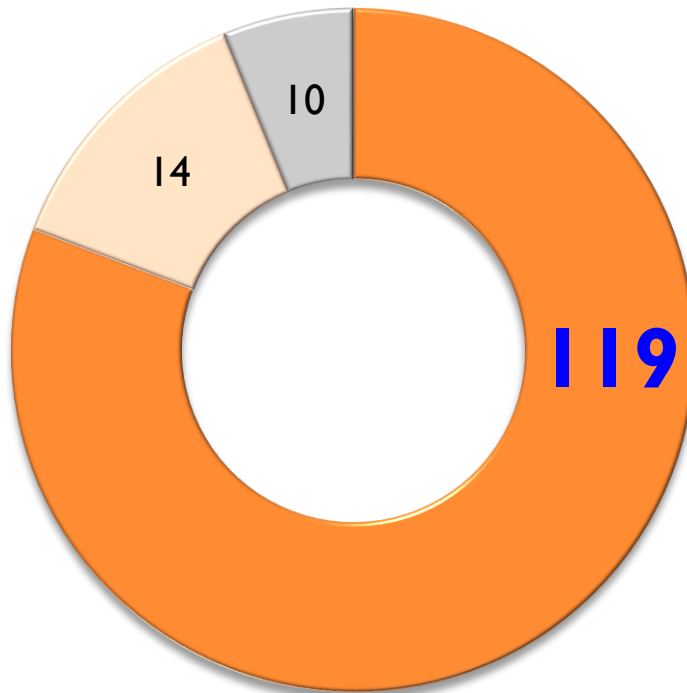
- **A more globally accepted Accounting Standards.**
 - IFRS is already too much complex.
 - Make IFRS more straight forward and simple.
 - English expressions in the IFRS
 - Unusual or complex expressions / similar or different expressions are difficult for non-English speaking countries
 - E.g., Probability expressions
 - IASB should
 - Use more structured/non-culture dependent/non-language dependent/ simpler English expressions
 - Consult with non-English speaking countries
 - Listens more carefully to the voice of each constituents

Lessons Learned: for IASB

- What is principle-based accounting?
 - Consistency within/between standards vs. Economic Substance
 - E.g., classification of liability for a prepaid card with no expiry date
- Less reliance on Accounting firms
 - Biased toward Big-4 biases
- Less reliance on EU
 - Need more self-sustaining financial plan

Conclusion

- **IFRS adoption is a must.**



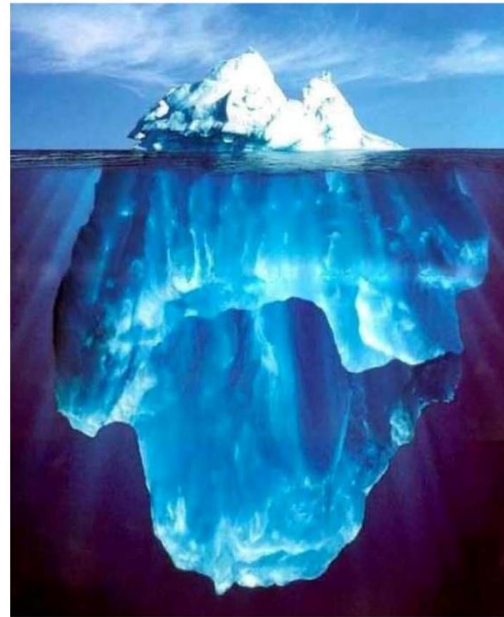
- **Out of 143 Jurisdictions included in the Analysis of IFRS profiles (as of 3/22/2016)**
- 133: supported a single set of global accounting standards
- **119 (83%): require IFRS for all or most domestic entities.**
- 14: permit or require IFRS for some domestic entities
 - e.g., Japan, India, Switzerland...
- 10: neither require nor permit IFRS
 - E.g., Bolivia, China, Egypt, USA, Vietnam...
- 58% of world's GDP: receive IFRS financial statements
- Japan (as of June 2016)
 - 141 companies (30% of TSE Market capitalization) adopted or plan to adopt IFRS.
 - Additional 233 companies (19% of TSE Market capitalization) are considering the adoption of IFRS

Conclusion

- However, IFRS adoption is more than just adopting a set of accounting standards

IFRS is ...

*... bigger and
more effort
than you think*



Conclusion

- However, IFRS adoption is more than just adopting a set of accounting standards
 - Design a careful IFRS roadmap and continue to move toward the high-quality IFRS-based financial reporting

Fine-tune laws and regulations

Reform accounting education

Active participation in standard setting process

Improve accounting infrastructure

Reinforce international cooperation



- Identify difficulties of companies as well as users
- Monitor IFRS-based F/S

Successful Transition to IFRS
Better globally accepted accounting standards



Thank you

Special thanks to

Korea Accounting Standards Board

Financial Supervisory Services

Financial Supervisory Commission