

## IFRS® STANDARDS—APPLICATION AROUND THE WORLD



### JURISDICTIONAL PROFILE: **South Korea**

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This Profile provides information about the application of IFRS® Accounting Standards (Standards) in South Korea. The Standards are developed and issued in the public interest by the International Accounting Standards Board (IASB). The IASB is the standard-setting body of the IFRS Foundation (Foundation), an independent, private sector, not-for-profit organisation.

The Foundation has prepared this Profile based on information from various sources. The starting point was the answers provided by standard-setting and other bodies in response to surveys the Foundation conducted on the application of the Standards around the world. The Foundation drafted the profile and invited the respondents to the survey. The Foundation also invited others (including regulators and international audit firms) to review the drafts. Their comments are reflected in this Profile.

The purpose of the Foundation's Jurisdictional Profiles is to illustrate only the extent of implementation of the Standards across the globe. The Profiles do not reflect the intellectual property licensing status of the Standards within any given jurisdiction. The Standards are protected by copyright and are subject to licensing arrangements agreed upon within their jurisdiction. For further information, please contact [permissions@ifrs.org](mailto:permissions@ifrs.org).

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### RELEVANT JURISDICTIONAL AUTHORITY

Organisation	Korea Accounting Standards Board (KASB)
Role of the organisation	<p>The KASB plays the following two roles depending on the category of companies on which accounting standards are enforced:</p> <ol style="list-style-type: none"> <li>1. <b>Facilitating endorsement of IFRS Standards.</b> The KASB facilitates the Korean government's endorsement of every IFRS Standard issued by the IASB for the benefit of companies applying IFRS Standards. In broad terms, all listed companies and some unlisted companies are required to use IFRS, and all unlisted companies are permitted to apply IFRS Standards. Endorsed IFRS Standards are referred to as IFRS Standards as adopted in Korea, or K-IFRS for short. To date all IFRS Standards as issued by the IASB have been endorsed as K-IFRS without modification.</li> </ol>

2. **Setting the local accounting standards.** The KASB sets the accounting standards for companies not applying IFRS Standards, typically unlisted companies, and also provides authoritative interpretation of the standards.

Website	www.kasb.or.kr
Email contact	jjang@kasb.or.kr and hanster@kasb.or.kr

## COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
Has the jurisdiction made a public commitment towards IFRS Accounting Standards as that single set of high quality global accounting standards?	Yes.
What is the jurisdiction's status of adoption?	South Korea has already adopted IFRS Standards for all listed companies and some unlisted companies.
Additional comments provided on the adoption status?	<ol style="list-style-type: none"> <li>1. All listed companies on the Korea Exchange are required to apply IFRS Standards. This includes companies that intend to have their stock listed during the year or next year.</li> <li>2. IFRS Standards are required for financial institutions whether or not their securities are publicly traded (including banks, insurance companies, financial holding companies, credit card companies, investment traders, investment brokers, collective investment business entities, and trust business entities) and state-owned companies. However, application of IFRS Standards to mutual savings banks has been deferred until annual periods beginning on or after 1 January 2016.</li> <li>3. All other unlisted companies are permitted to apply IFRS Standards at their choice. If they do use IFRS Standards, there is no requirement to reconcile to Korean GAAP.</li> <li>4. The IFRS Standards that Korea has adopted are referred to as IFRS Standards since there is no carve-out or modifications.</li> </ol> <p>Unlisted companies may opt to apply IFRS Standards.</p> <p><b>June 2016 evaluation of IFRS Standards in Korea</b></p> <p>In June 2016, the Korea Accounting Standards Board published a report of its evaluation of the adoption of IFRS Standards after five years of use. Overall, the study found that IFRS Standards have had a positive impact on international financing for Korean firms.</p> <p>The research also shows that although accounting-related costs have increased for local firms and companies, the local preparers and users of financial statements have identified positive effects from IFRS adoption, including:</p>

- higher use of accounting information in decision-making, higher prioritisation of accounting and greater allocation of resources to accounting;
- lower risk perceptions among foreign banks in their credit and lending decisions to Korean firms;
- fewer incidences of the 'Korea Discount'; and
- greater attraction of foreign capital.

The report of the evaluation is available on the publications section of the KASB's website.

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Accounting Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Accounting Standards in the jurisdiction.

Not applicable.

## EXTENT OF IFRS APPLICATION

*For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:*

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Accounting Standards in their consolidated financial statements?

Yes.

If YES, are IFRS Accounting Standards REQUIRED or PERMITTED?

Required.

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

Are IFRS Accounting Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?

Yes.

For instance, are IFRS Accounting Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?

Required.

For instance, are IFRS Accounting Standards required or permitted for companies whose securities do not trade in a public market?

IFRS Standards are required for financial institutions whether or not their securities are publicly traded (including banks, insurance companies, financial holding companies, credit card companies, investment traders, investment brokers, collective investment business entities, and trust business entities), and state-owned companies. IFRS Standards are permitted for all other companies whose securities are not publicly traded.

If the jurisdiction currently does NOT require or permit the use of IFRS Accounting Standards for domestic companies whose securities trade in a public market, are there any plans to permit

Not applicable.

or require IFRS Accounting Standards for such companies in the future?

*For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:*

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Accounting Standards in their consolidated financial statements?	Yes.
If YES, are IFRS Accounting Standards REQUIRED or PERMITTED in such cases?	Foreign companies must use one of IFRS Standards, K-IFRS, or US GAAP.
Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?	All.

## IFRS ENDORSEMENT

Which IFRS Accounting Standards are required or permitted for domestic companies?	IFRS Standards as issued by the IASB that have been translated into Korean and endorsed by the government.
The auditor's report and/or the basis of presentation footnote states that financial statements have been prepared in conformity with:	<p>All of the following are used in audit reports of large Korean companies:</p> <ul style="list-style-type: none"> <li>• 'in accordance with Korean IFRS'.</li> <li>• 'in accordance with Korean International Financial Reporting Standards'.</li> <li>• 'in accordance with K-IFRS'.</li> </ul>
Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Accounting Standards and the jurisdiction's GAAP)?	No.
Are IFRS Accounting Standards incorporated into law or regulations?	Yes.
If yes, how does that process work?	The Act on External Audit of Stock Companies provides the legal basis for IFRS Standards that are translated by the KASB and then endorsed by the government.
If no, how do IFRS Accounting Standards become a requirement in the jurisdiction?	Not applicable.
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Accounting Standards (including Interpretations) in place?	Yes.
If yes, what is the process?	The KASB translates every IFRS Standard issued by the IASB into the Korean language. The translation is drafted by the KASB staff and then exposed to the public with invitation to comment after approval by the KASB. The KASB carries out investigations into any issues that may concern the government, ie the Financial Services Commission (FSC), who is to make a final decision on the endorsement of the translation of the IFRS done by the KASB. Once the translation of the IFRS Standards is endorsed by the government, it is

integrated into the domestic legal framework. The procedure may be summed up in the following sequential steps:

- Step 1. The IASB issues a new or amended IFRS Standard.
- Step 2. The translation is drafted by the KASB staff.
- Step 3. The KASB deliberates the draft translation.
- Step 4. The draft translation agreed on by the KASB is exposed to the public.
- Step 5. The KASB re-deliberates and considers comments from respondents.
- Step 6. The KASB concludes the translation.
- Step 7. The KASB sends the final translation to the FSC for endorsement.
- Step 8. The FSC endorses the translation.
- Step 9. The KASB publishes the translated IFRS Standard.

If no, how do new or amended IFRS Accounting Standards become a requirement in the jurisdiction?

Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Accounting Standards and/or made any modifications to any IFRS Accounting Standards?

South Korea has added some presentation and disclosure requirements summarised below. Such additions are permitted under the written agreement with the IFRS Foundation and do not affect the full compliance with IFRS Standards as issued by the IASB.

If yes, what are the changes?

South Korea has added a presentation requirement to IAS 1 *Presentation of Financial Statements* to require disclosure of operating profit or loss on the face of the statement of profit or loss and other comprehensive income.

Korea has added to IAS 1 a requirement to present a Statement of Appropriations of Retained Earnings. This requirement was added to IAS 1 to be aligned with the Commercial Law.

South Korea has added a disclosure requirement to IAS 11 and IFRIC 15 (Blue Book), and IFRS 15 and IAS 37 (Red Book) which requires entities to provide additional disclosures relating to recognising revenue under the percentage of completion method when using the particular method set out in paragraph 30 (a) of IAS 11 *Construction Contracts* (the so-called 'cost-to-cost' method). The additional disclosure requirement is applicable to a listed entity when the entity's contract revenue in the preceding year exceeds a certain level. Such entities are required to provide more detailed disclosures of each contract and additional disclosures about the operating segment.

Korea has renumbered the standards as follows:

- IAS XX → K-IFRS 10XX
- IFRS XX → K-IFRS 11XX
- SIC XX → K-IFRS 20XX
- IFRIC XX → K-IFRS 21XX

Other comments regarding the use of IFRS Accounting Standards in the jurisdiction?

None.

## TRANSLATION OF IFRS ACCOUNTING STANDARDS

Are IFRS Accounting Standards translated into the local language? Yes.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Accounting Standards?

1. The KASB sends translated IFRS Standards in MS Word format to the IFRS Foundation after they are published in Korea. This procedure is in accordance with the copyright waiver agreement between the KASB and the IFRS Foundation.
2. Appendix B of the copyright waiver agreement between the KASB and the IFRS Foundation sets out the translation process as follows: The purpose of the translation of IFRS Standards is not to interpret or explain the Standards, but merely to render the meaning of the English text in another language. Consequently, personnel for translation may not add, reduce or alter in any way the substance and content of the Standards and interpretations as approved by the International Accounting Standards Board, although grammatical and syntax adaptations to improve the readability of the text in the language in question are acceptable.
3. The translation process ensures an ongoing translation of the continuous updates to the standards.

### Translation Process

1. The Coordination Committee provides the Translator with the list of terminology. The terminology list is to include at a minimum all terms in the IFRS Foundation's terminology list, but may also include additional terms that are considered necessary. The Translator uses it for translation, makes a list of new terms that need to be included in the list of terminology, and sends it to the Coordination Committee.
2. The Coordination Committee reviews any new terminology, and provides the reviewed list to the translators to use as a basis for translation.
3. The Translator delivers translation as a form of comparative table of English and Korean language to the Peer Reviewer.
4. The Peer Reviewer examines the comparative table and sends any findings to the Translator.
5. The Translator discusses the findings with the Peer Reviewer and then the Translator implements the findings that they both agreed on and forwards the revised translation to the Review Committee. The translator also sends any findings where agreement could not be reached to the Coordination Committee for further discussion.
6. The Review Committee examines the accuracy and consistency of the translation and notifies the translator of any corrections.
7. The Translator considers the corrections made by the Review Committee and the Translator may discuss the corrections with the Review Committee if necessary. Any items where agreement could not be reached are forwarded to the Coordination Committee.
8. The Translator forwards the revised translation to the Proofreader.
9. The Proofreader reviews accuracy of grammar and expressions and sends any corrections to the Translator.

10. The Translator forwards the revised comparative translation table of English language and Korean language to the Coordination Committee after implementing the corrections from the Proofreader.
11. The Coordination Committee examines the accuracy and consistency of the translation through discussions with the Translator and the Peer Reviewer.
12. The Coordination Committee updates the list of terminology.

## APPLICATION OF THE IFRS FOR SMEs ACCOUNTING STANDARD

Has the jurisdiction adopted the *IFRS for SMEs* Accounting Standard for at least some SMEs?

No.

If no, is the adoption of the *IFRS for SMEs* Accounting Standard under consideration?

No.

Did the jurisdiction make any modifications to the *IFRS for SMEs* Accounting Standard?

Not applicable.

If the jurisdiction has made any modifications, what are those modifications?

Not applicable.

Which SMEs use the *IFRS for SMEs* Accounting Standard in the jurisdiction, and are they required or permitted to do so?

Not applicable.

For those SMEs that are not required to use the *IFRS for SMEs* Accounting Standard, what other accounting framework do they use?

Unlisted companies that are subject to external audit are required to use Korean GAAP (which is Accounting Standards for Non-Public Entities) unless they choose to use full IFRS Standards. Also, new SME Accounting Standards for unlisted companies other than those subject to external audit will come into effect on 1 January 2014.

Other comments regarding use of the *IFRS for SMEs* Accounting Standard?

None.