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January 10, 2008

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH, United Kingdom

Re: Exposure Draft of Proposed Improvements to International Financial Reporting Standards

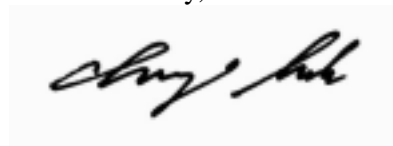
Dear Officer,

The International Financial Reporting Standards Review Committee (IFRSRC) of the Korea Accounting Standards Board (KASB) appreciates this opportunity to comment on the Exposure Draft of proposed Improvement to International Financial Reporting, and fully supports the IASB's continuous commitment and efforts to the development of high quality international accounting standards. Presented in Appendix are comments on specific questions.

The enclosed comments are those of the IFRSRC and do not represent official positions of the KASB. Official positions of the KASB are determined only after extensive due process and deliberation, to which this letter has not been subjected.

Please do not hesitate to contact us if you have any inquiries regarding our comments. You may direct your inquiries either to myself (cwsuh@kasb.or.kr) or to Ms. Kim, Won Jung (wonjungkim@kasb.or.kr), researcher of KASB.

Yours sincerely,



Dr. Chungwoo Suh
Chairman, International Financial Reporting Standards Review Committee
Vice Chairman, Korea Accounting Standards Board

Cc: Hyoik Lee, Chairman of KASB
Sungsoo Kwon, Director of Research Department

Comments on specific questions

Question 3

The Board proposes to amend paragraph IG13 of the guidance on implementing IFRS 7 Financial Instruments: Disclosures to resolve the potential conflict with IAS 1. Do you agree with the proposal? If not, why?

We suggest that additional guidance on total interest income be included in paragraph IG13.

Paragraph 20 (b) requires the disclosure of total interest income and total interest expense, and thus readers of this standard would expect that IG13 provides guidance about both of total interest income and total interest expense as the title of IG13 also indicates.

Therefore, a simple deletion of guidance on total interest income as proposed amendment to IG13 shows would be regarded as insufficient information for users because the users would still seek for guidance for the disclosure of total interest income.

Hence we suggest that the following additional sentence be included in IG13.

“...the disclosure of total interest income in accordance with paragraph 20(b) is a disclosure requirement in addition to the minimum requirement under IAS 1.”

Question 11

Do you agree with the proposal to amend paragraphs 14 and 15 of IAS 17 to eliminate a perceived inconsistency between the specific classification guidance for leases of land and buildings and the general lease classification guidance in IAS 17? If not, why?

- Unless paragraphs 14 and 15 would have resulted in different classification on the lease of land and buildings from what would result when applying general lease classification guidance, the guidance in paragraphs 14 and 15 need to be shown at least in the Appendix of IAS 17.

- If IASB believes that there is a conflict as written in BC2, IASB should show one practical case that shall result in different classification with paragraph 14 and 15 and general lease classification guidance.

Question 12

Do you agree with the proposal that contingent rent relating to an operating lease should be recognised as incurred? If not, why?

We agree with the proposal. However, we strongly recommend some changes on paragraph 33, 34, 50 and 51.

- (1) Par. 34 is one good example of redundancy. Only few words, which are far from critical, are different from the first sentence of paragraph 33.

We suggest that paragraph 34 be deleted and par. 33 be rewritten as follows.

33 Lease payments (excluding costs for services such as insurance and maintenance, taxes to be paid by and reimbursed to the lessor and contingent rent) under an operating lease shall be recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit, even if the payments are not on that basis.*
Contingent rent shall be recognised as an expense in the periods in which it is incurred.

- (2) Second sentence in paragraph 51 is another example of redundancy. Only few words, which are far from critical, are different from the first sentence of paragraph 50.

We suggest that par. 51 be deleted and par. 50 be rewritten as follows.

50 Lease income (excluding receipts for services provided such as insurance and maintenance, tax payments reimbursed by the lessee and contingent rent) from operating leases shall be recognised in income on a straight-line basis over the lease term even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.* Contingent rent shall be recognised as income in the periods in which it is earned.

Other comments: IAS 17 Paragraph 69A:

We cannot understand why amendments on IAS 17 should be early applied together with the amendments to other IFRSs. We believe that there will be practically no change in classification and/or measurement this amendment shall entail, which means that an entity can apply ideas of the amendment without saying that it actually early applied this amendment. Hence we suggest that 69A (a) be deleted.

Question 14(a)

Do you agree that IAS 19 should be amended to clarify that when a plan amendment reduces benefits for future service, the reduction relating to future service is a curtailment and any reduction relating to past service is negative past service cost? If not, why?

Basically, we consent to the proposed clarification. In addition, we believe that the paragraph 100 of IAS 19, which is closely related to the proposal, should also be made clearer. The paragraph says as follows:

100. Where an enterprise reduces benefits payable under an existing defined benefit plan, the resulting reduction in the defined benefit liability is recognised as (negative) past service cost over the average period until the reduced portion of the benefits becomes vested.

The requirements are focused on the negative past service cost in itself without addressing the relationship with ‘positive’ past service cost. In respect of this point, SFAS 87 provides an appropriate principle as follows:

28. A plan amendment can reduce, rather than increase, the projected benefit obligation. Such a reduction shall be used to reduce any existing unrecognized prior service cost, and the excess, if any, shall be amortized on the same basis as the cost of benefit increases.

According to the paragraph 28 of SFAS 87, negative past service cost is offset against existing positive past service cost, if any, and then the residual amounts are amortised on a systematic basis. Such principle need to be included the paragraph 100 of IAS 19.

Therefore, we suggest that the paragraph 100 of IAS 19 be complemented as follows;

100. Where an enterprise reduces benefits payable under an existing defined benefit plan, the resulting reduction in the defined benefit liability **shall be offset**

against existing past service cost, if any, and then the residual amounts shall be recognised as (negative) past service cost over the average period until the reduced portion of the benefits becomes vested.

Question 16

Do you agree with the proposal to replace in IAS 19 the term ‘fall due’ with the notion of employee entitlement in the definitions of short-term employee benefits and other long-term employee benefits? If not, why?

Basically, we consent to what the proposal intends to mean by the ‘employee entitlement’. As far as we understand the proposal, short-term employee benefits would be defined as employee benefits (other than termination benefits) to which the employee **is entitled to receive benefit payments** within twelve months after the end of the period in which the employee renders the related service.

However, we are concerned that the notion of the sole ‘entitle’ might provoke a significant mistake when it comes to the proposal. According to the definition of IFRS 2 *Share-based Payment*, ‘vest’ is defined as ‘to become an entitlement’. Such definition implies that the notion of ‘vest’ would be equivalent to the notion of the sole ‘entitle’. If then, it follows that the proposal would address the ‘vesting time’ of short-term employee benefits. That is to say, according to the proposal as it is worded, short-term employee benefits would be defined as employee benefits (other than termination benefits) **are vested** within twelve months after the end of the period in which the employee renders the related service.

Usually, we could assume that an employee is entitled to receive benefit payments as soon as the benefit is vested. In such case, the notion of the sole ‘entitle’ is equivalent to the notion of ‘entitle to receive benefit payments’. However, sometimes there might be a gap between the two notions. For example, a Korean company has a statutory obligation to operate a termination indemnity scheme under which employees who leave for any reason receive a lump sum of 1 one month's salary for each year of service based on the employee's salary at the leaving (subject to minimum service requirements, i.e. at least one-year service), so the benefits vest immediately after its employees has rendered related service. Payments of the vested benefits are usually deferred until employees leave, except for limited interim settlements.

In that case, according to the notion of the sole ‘entitle’ worded in the proposal, Korean termination indemnities might be, unacceptably, included in short-term employee benefits. We believe that Korean termination indemnities would be consistent with the ‘post-employment benefits’ as defined in IAS 19, and such an unacceptable result is attributable to

the incorrect wording in the proposal. Indeed, the notion of the sole 'entitle' is not appropriate in respect of drawing a distinction between short-term and long-term benefits.

In conclusion, we suggest that 'short-term employee benefits' be defined as follows:

'Short-term employee benefits' are employee benefits (other than termination benefits) to which an employee *is entitled to receive benefit payments* within twelve months after the end of the period in which the employee renders the related service.

In line with the suggestion, we also propose that the definition of the 'long-term employee benefits' be revised to be consistent with that of 'short-term employee benefits'.

Question 23

Do you agree with the proposal to amend paragraph 33 of IAS 28 to clarify the circumstance in which an impairment charge against an investment in an associate should be reversed? If not, why?

Disagree.

Under IAS 36 *impairments of Assets*, after the recognition of an impairment loss, the depreciation(amortization) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value(if any), on a systematic basis over its remaining useful life(see paragraph 63). The cost of the investments in associate, generally, consists of goodwill and other assets. In other words, the cost of investments in an associate consists of the associate's depreciable assets and non-depreciable assets(ie. goodwill).

Therefore, it would be necessary to establish a criterion of allocation of impairment loss to the goodwill and other assets included in the investments in the associate. Because depreciable assets' revised carrying amount could be unknown and depreciation(amortization) charges for the asset couldn't be adjusted after the recognition of an impairment loss, unless allocation of impairment loss to the goodwill and other assets included in the investment in the associate.

If the impairment loss was allocated to the goodwill and other assets, reversing the impairment loss of goodwill should not be permitted in accordance with IAS 36. Accordingly, we suggest a counterproposal of ED by IASB.

“Impairment loss recognized shall be allocated, first of all, to the goodwill, non-identified, and residual impairment loss recognized shall be allocated to other depreciable assets included in the investment pro rata with the investor’s carrying amounts of those assets. Accordingly, any reversals of those impairment losses shall be allocated to the depreciable assets included in the investment, except for goodwill, pro rata with the investor’s carrying amounts of those assets.”

Question 30

Do you agree with the proposal to amend IAS 39 by removing from the definition of a derivative the exclusion relating to contracts linked to non-financial variables that are specific to a party to the contract? If not, why?

Fundamentally, we agree the proposed amendment which excludes contracts linked to non-financial variable specified to a party to the contract from the definition of derivatives. However, we believe that some explanations may be provided for the reason why the Board did not propose the same amendment for the definition of financial risk on IFRS 4. According to IFRS 4, insurance risk is the risk, other than financial risk and financial risk caused by the non-financial variable is restricted to the risk that changes in variable not specified to a party to the contract. In this regard, insurance risk may be interpreted to include only the risk of the contract linked to non-financial variable that are specific to a party to the contract. The contract linked to non-financial variable that are specific to a party to the contract can be classified as derivatives and as insurance contract, simultaneously. Therefore, we believe that the Board needs to explain the reason not amending the definition of financial risk on IFRS 4.

Question 31(b)

Do you agree with the proposal to insert in IAS 39 paragraph 50A to clarify the change in circumstances that are not reclassifications into or out of the fair value through profit or loss category? If not, why?

We support the Board's intention to insert paragraph 50A to clarify the meaning of paragraph 50. However, we think that more detailed explanations may be needed regarding the basis for the inclusion of paragraph 50A. The derivatives that were designated but no longer effective hedging instruments under paragraph 88 of IAS 39 can be reclassified as at fair value through profit or loss. In addition, derivatives can be designated as hedging instruments during which derivatives remain outstanding and financial instrument at fair value through profit or loss can be reclassified as hedging instrument. We think the explanation above may be more helpful to users of the IFRSs in understanding the basis of the conclusion.

Other Comments

We fully understand the Board did not request comments on the questions not addressed in the ED. But we request the Board to consider our comments on IAS 34 paragraph 28 and propose an amendment to the paragraph 28. We believe that this amendment can provide a way to solve conflicts between IAS 34 paragraph 28, and IAS 36 paragraph 124, and IAS 39 paragraph 66 and 69.

Our rationales for the amendment proposal are as follows:

1. Basically, an Interpretation should be issued to provide further clarifications or additional guidance on a specific Standard. However, Standards should be amended when there are conflicting requirements or guidance between two or more Standards. Therefore, conflict between two or more Standards should not be resolved merely by issuing an Interpretation.
2. There may exist or arise other conflicts between paragraph 28 of IAS 34 and other Standards. The revision of IAS 34 paragraph 28 may also be able to resolve those conflicts other than those already addressed in IFRIC 10.

Hence, we propose to amend the paragraph 28 of IAS 34 as follows:

...However, the frequency of an entity's reporting (annual, half-yearly, or quarterly) shall not affect the measurement of its annual results, *unless other Standards contain special guidance requiring other accounting treatments....*