

IFRS® STANDARDS—APPLICATION AROUND THE WORLD



JURISDICTIONAL PROFILE: **South Korea**

Disclaimer: The information in this Profile is for general guidance only and may change from time to time. You should not act on the information in this Profile, and you should obtain specific professional advice to help you in making any decisions or in taking any action. If you believe that the information has changed or is incorrect, please contact us at ifrsapplication@ifrs.org.

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.

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RELEVANT JURISDICTIONAL AUTHORITY

Organisation	Korea Accounting Standards Board (KASB).
Role of the organisation	<p>The KASB has two roles:</p> <ol style="list-style-type: none"> 1. Facilitating endorsement of IFRS Accounting Standards. The KASB facilitates the Korean government's endorsement of IFRS Accounting Standards issued by the IASB. In Korea, generally, all listed companies and some unlisted companies are required to apply IFRS Accounting Standards, and all other unlisted companies are permitted to apply them. Endorsed IFRS Accounting Standards are referred to as 'IFRS Accounting Standards as adopted in Korea', or 'K-IFRS' for short. As of October 2024 all IFRS Accounting Standards as issued by the IASB have been endorsed as K-IFRS without modification; Korean companies are, however, subject to some additional presentation and disclosure requirements.

2. **Setting local accounting standards.** The KASB also sets the accounting standards (Korean GAAP) for companies that are not required, and do not choose, to apply IFRS Accounting Standards. Such companies are typically unlisted. The KASB also provides authoritative interpretation of Korean GAAP.

Website	www.kasb.or.kr
Email contact	webmaster@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 Accounting Standards for all listed companies and some unlisted companies.
Additional comments provided on the adoption status?	<ol style="list-style-type: none"> 1. All companies listed on the Korea Exchange¹—including those that intend to have their stock listed during the current or following year—are required to apply IFRS Accounting Standards. 2. Additionally, the following entities are required to apply IFRS Accounting Standards, even if their securities are not publicly traded: banks (including merchant banks), insurance companies, financial holding companies, credit card business entities, investment traders, investment brokers, collective investment business entities and trust business entities. The same requirement applies to state-owned Korean companies. 3. All other unlisted companies are permitted to apply IFRS Accounting Standards. If such a company chooses to apply IFRS Accounting Standards, there is no requirement to reconcile to Korean GAAP. 4. The IFRS Accounting Standards that Korea has adopted are referred to as IFRS Accounting Standards because they have not been modified. <p>¹ Except for companies registered on the Korea New Exchange (KONEX). (KONEX was established in 2013 as a capital-raising platform for small and medium-sized enterprises.)</p>
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?

As noted above, IFRS Accounting Standards must be applied by state-owned companies and by the following entities, whether or not their securities are publicly traded: banks (including merchant banks), insurance companies, financial holding companies, credit card business entities, investment traders, investment brokers, collective investment business entities and trust business entities. IFRS Accounting Standards may be applied by 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 or require IFRS Accounting Standards for such companies in the future?

Not applicable.

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 Accounting 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 Accounting 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:</p> <ul style="list-style-type: none"> • 'in accordance with Korean IFRS'. • 'in accordance with Korean International Financial Reporting Standards'. • 'in accordance with K-IFRS'.
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 Accounting 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?	<p>The KASB staff translates every IFRS Accounting Standard issued by the IASB into Korean. After that draft translation has been approved by the KASB, the public is invited to comment on it. The KASB then investigates any issues that may concern the government—in particular, the Financial Services Commission (FSC). It is the government which finally decides whether to endorse a KASB translation. After a translation of an IFRS Accounting Standards has been endorsed by the government, it is integrated into Korea's domestic legal framework.</p> <p>More specifically, the process consists of nine steps:</p> <ul style="list-style-type: none"> • Step 1—The IASB issues a new or amended IFRS Accounting Standard. • Step 2—A translation of that new or amended IFRS Accounting Standard is drafted by the KASB staff. • Step 3—The KASB deliberates the draft translation. • Step 4—The draft translation, after it has been approved by the KASB, is exposed for public comment. • Step 5—The KASB redeliberates and considers any comments from respondents. • Step 6—The KASB concludes the translation. • Step 7—The KASB sends the final translation to the FSC for its endorsement. • Step 8—The FSC endorses the translation.

If no, how do new or amended IFRS Accounting Standards become a requirement in the jurisdiction?	<ul style="list-style-type: none"> Step 9—The KASB publishes the translated IFRS Accounting Standard. <p>Not applicable.</p>
Has the jurisdiction eliminated any accounting policy options permitted by IFRS Accounting Standards and/or made any modifications to any IFRS Accounting Standards?	The KASB has added some presentation and disclosure requirements which are summarised below. Such additions are permitted under the KASB's written agreement with the IFRS Foundation and do not otherwise affect the jurisdiction's full compliance with IFRS Accounting Standards as issued by the IASB.
If yes, what are the changes?	<p>The KASB has added presentation and disclosure requirements to IAS 1 <i>Presentation of Financial Statements</i> to require:</p> <ul style="list-style-type: none"> (a) the presentation of operating profit or loss on the face of the statement of profit or loss and other comprehensive income. (b) the presentation of a Statement of Appropriations of Retained Earnings. This requirement was added to IAS 1 in order to align it with the jurisdiction's commercial law. (c) the disclosure of the carrying amounts of financial liabilities at initial recognition and at the end of the reporting period, and the disclosure of unrealised valuation gains and losses from the conversion rights or warrants (or financial liabilities including them) when all or part of a financial instrument is classified as a financial liability due to a condition that the exercise price is adjusted according to changes in the issuer's stock price. (d) the disclosure by holders, custodians and issuers of cryptoassets of material information for users of financial statements, including details of an entity's accounting policies and the impacts of holding and issuing cryptoassets on its financial statements. <p>The KASB has added a disclosure requirements to IFRS 15 <i>Revenue from Contracts with Customers</i> and IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>. The added disclosures require entities to provide additional information on recognising revenue when using a cost-based input method for measuring progress.</p> <p>The entities are also required to disclose more information about operating segments. Additional detailed disclosures, on a per-contract basis, are also required for contracts where the transaction price exceeds a certain level.</p> <p>The KASB has renumbered the IFRS Accounting Standards as follows:</p> <ul style="list-style-type: none"> 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.
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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?

The KASB sends translated IFRS Accounting Standards in MS Word format to the IFRS Foundation after they are published in Korea. This procedure is in accordance with the copyright agreement between the KASB and the IFRS Foundation.

Appendix B to the copyright agreement between the KASB and the IFRS Foundation sets out the translation process as follows: 'The purpose of the translation of IFRS Accounting 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 syntactical adaptations to improve the readability of the text in the language in question are acceptable.'

The translation process (set out below) ensures an ongoing translation of new and amended IFRS Accounting Standards.

1. The Coordination Committee provides a translator with a list of relevant terminology. The terminology list includes all the terms in the IFRS Foundation's terminology list; but, if necessary, it may also include further terms added by the Committee. The translator uses the list to aid his or her translation, adding any suggested new terms, which he or she sends to the Coordination Committee for its review.
2. The Coordination Committee reviews any new terminology, and provides the reviewed list to all of its translators to use as a basis for their translations.
3. The translator delivers his or her translation—in the form of a comparative table to provide a side-by-side comparison of English and Korean—to the 'peer reviewer'.
4. The peer reviewer examines the comparative table and sends any findings to the translator.
5. The translator discusses any findings with the peer reviewer and, if necessary, the translator implements the findings that they both agreed on and forwards the revised translation to the KASB's 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 any corrections made by the Review Committee. If, after discussing a correction, the translator and the Committee are in disagreement, the matter is forwarded to the Coordination Committee for resolution.
8. The translator forwards his or her revised translation to a proofreader.
9. The proofreader reviews the text for grammatical accuracy and sends any corrections to the translator.
10. The translator forwards a revised version of the comparative table mentioned in Step 3 to the Coordination Committee after implementing any 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 its 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 also described as 'Accounting Standards for Non-Public Entities') unless they choose to apply full IFRS Accounting Standards.

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

None.