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Press Release

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Road Map for the Adoption of International Financial Reporting Standards

The Financial Supervisory Commission held a ceremony together with Korea Accounting Institute on Thursday, March 15, to mark the announcement of the road map for the adoption of International Financial Reporting Standards (IFRS). Mr. Yoon Jeung-Hyun, Chairman of the FSC, gave the keynote address at the ceremony and noted that the road map marked a milestone in Korea's embrace of global accounting standards. A number of dignitaries, including Sir David Tweedie, Chairman of the International Accounting Standards Board (IASB), and Mr. Tatsumi Yamada, a member of the IASB Board, also attended the ceremony to offer congratulatory remarks.

Background of the IFRS road map

Much progress has been made with the efforts to improve the accounting standards and strengthen the oversight of corporate financial reporting in the years following the 1997 financial crisis. But it has been generally assumed that the level of confidence of foreign investors and others in Korea's corporate accounting has not matched the efforts undertaken thus far, in part because of accounting standards that differ from IFRS and other globally prevailing standards. With the globalization of capital markets and a growing need for accounting consistency worldwide, the road map the FSC announced on March 15 represents a major step forward that will significantly improve the comparability, the reliability, and the transparency of Korea's corporate financial reporting in many meaningful ways.

Outline of the IFRS road map

- Financial reporting under IFRS will be made mandatory for all listed companies.
- Simplified accounting procedures will be permitted for unlisted companies to avoid any undue compliance cost. Unlisted companies may also elect to issue financial statements under IFRS, but once IFRS is elected it may not be rescinded and replaced.
- Financial statements under IFRS may be reported beginning in 2009 (excluding financial service companies) and will be made mandatory for all listed companies beginning in 2011.



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- Consolidated quarterly and semiannual financial reporting is to be phased in to ensure smooth transition. For companies with assets of more than KRW2 trillion, the effective year is 2011; for others, the effective year is 2013.
- Consolidated financial statements must be prepared in accordance with IFRS and presented by the controlling parent company. If a subsidiary with controls over sub-subsidiaries is a listed company or a financial service provider, separate consolidated financial statements under IFRS are to be prepared and presented.
- Non-financial items must be disclosed quarterly and semiannually on a consolidated basis.
- A company that holds 50% equity or more in another company or exercises effective control over the company will be obligated to issue consolidated financial statements (currently, the equity threshold for consolidated reporting is 30%).

Expected benefits of IFRS

With the announcement of IFRS road map, Korea reaffirms its commitment to embracing globally accepted accounting standards and improving the comparability, the reliability and the transparency of corporate financial reporting. The adoption of IFRS will mean that investors at home and abroad will be able to readily access globally consistent and comparable accounting information on Korean companies at sharply lower information cost.

Under IFRS, accounting for consolidated financial reporting will also be fully aligned and harmonized with the prevailing global accounting practices and thus will mean more and better information to investors. For Korean companies, particularly those that are internationally active or whose shares are traded in overseas markets, financial reporting with one consistent rule under IFRS will also mean reduced compliance cost and other cost-savings.

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