

# Waking up to the realities of IFRS



**One year on from the announcement that Korea will adopt IFRS from 2011, Korean companies are 'waking up' to the realities of the change, according to a recent survey of CFOs and finance personnel conducted by PricewaterhouseCoopers in Korea.**

The majority of respondents acknowledged that transition to IFRS will enhance transparency and comparability of Korean company reporting in the global capital markets. Half the respondents expected IFRS to bring long-term benefits to their company, while 67% expected it will bring long-term benefits to the Korean economy.

However, many respondents were concerned about the challenges and complexities that the transition to IFRS presents. More than 64% of respondents said consolidation was the most significant challenge in making the change to IFRS. This is perhaps not surprising, as currently separate financial statements are the main source of financial information, and consolidated financial statements are supplementary. Under IFRS, this will be reversed. The matter is exacerbated by the fact that companies will have to revise the scope of their consolidations and subsidiaries, which is expected to increase volatility in reported earnings.

Another significant concern was the challenge of embedding IFRS into the day-to-day operations of their

organisation, including their people, systems and processes. Many respondents to the survey indicated that their systems and processes will require a significant overhaul.

Educating people about the changes within their organisations was another cause for concern. While almost 90% of financial personnel interviewed were aware that their company faces mandatory IFRS transition on 1 January 2011, there was less awareness outside the finance function – 64% of CEOs, 50% of board directors and 47% of audit committee members had knowledge of the new regulations. There was even less awareness among other employees, and respondents had significant concerns about the training that would be needed and the costs involved.

Inconsistencies between domestic regulations and IFRS were also a worry, despite some developments in harmonisation. Respondents called for Korea's regulatory body to harmonise domestic regulations with IFRS to smooth the transition process.

'Korean companies are realising the extent of planning, preparing and resources that they need to complete the change to IFRS,' said Kevin Kab Jae Lee, PwC's IFRS leader in Korea. 'I expect that IFRS transition will remain one of the hottest topics for CFOs in Korea over the next few years.'