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## —Implementing IFRS 15 in Korea—

“World Accounting Report”は、公認会計士を中心とした各国の会計実務家の方々に、自国における会計基準を取り巻く動向について説明していただくことを目的としています。

第3回目は、韓国会計基準委員会 (KASB) のシニア・テクニカル・マネージャーのChun-Ho Lee氏に、韓国におけるIFRS第15号「顧客との契約から生じる収益」の導入状況等についてご説明いただきます。なお、我が国におけるIFRS第15号の導入状況については、本誌2017年5月号掲載のWorld Accounting Report Vol.1をご参照ください。

※ 本稿中の意見にわたる部分は筆者の私見であり、日本公認会計士協会の見解と異なる可能性があります。

**Q1** Are there any companies which have already adopted IFRS 15 in Korea?

**A1** There appears to be no early-adopter of IFRS 15 in Korea.

**Q2** The final countdown for implementing IFRS 15 has started. Do you think that stakeholders are well-prepared?

**A2** In the case of auditors, large accounting firms appear to be preparing for the introduction of IFRS 15 in cooperation with its global partners. However, in the case of entities, there are concerns that the preparation for IFRS 15 is not proceeding smoothly, except for large companies. In order to address these concerns, the Korean Accounting Standards Board, together with large accounting firms, the regulator, and related associations, organized an "IFRS 15 Technical Supporting Task Force (TF)" on July 2016. Through the activities of the TF, we are trying to support smooth application of IFRS 15 by proactively discussing and analyzing possible accounting issues related to IFRS 15 and seeking solutions thereto.

**Q3** Which step or topic is the most difficult to address? Please give us the brief example.

**A3** One of the most controversial issues in relation to the application of IFRS 15 in Korea is whether the revenue from the contract to transfer residential complex should be recognized over time.

**[Example]**

According to the contract, the customers are required to pay 10% of the contract price as a down payment at the beginning of contract and pay the several middle payments over the construction period. Also, it requires that the customers cannot terminate the contract without the consent of the housing builders

(the entity) after the first middle payment is made by customers, except for occurrence of the entity's faults.

**[Reference : IFRS 15 paragraphs 35]**

**Performance obligations satisfied over time**

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- (b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The contract does not seem to satisfy the criteria (a) and (b) of IFRS 15 paragraphs 35, in order to determine whether to recognize revenue over time for the contract. However, it is necessary to review whether the contract meets the criterion (c) of paragraphs 35 (especially, the right to payment for performance to date). There are diverse views among stakeholders regarding the existence of the enforceable right to payment for performance to date. When the customer requests to terminate the contract after the first payment, if the entity has the option to refuse the request and maintain the contract, the entity can have a right to payment for performance completed to date according to IFRS 15 paragraphs

B11<sup>1</sup>. However, there are conflicting views as to whether this option is actually guaranteed by law.

**Q4** Korea decided to fully adopt IFRS in a “Big Bang”-style simultaneous transition instead of taking a phased-in or convergence approach and amend domestic laws to avoid any conflict between pre-existing domestic laws and IFRS. Could you please tell us briefly how you have addressed the issue?

Furthermore, 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. Will the KASB introduce the concepts of IFRS 15 into Korean GAAP?

**A4** We reformed Act on External Audit of Stock Companies<sup>2</sup> that governs the accounting for companies in Korea to: lay a legal foundation so that K-IFRS, i.e., direct Korean translation of IFRS, would become effective accounting standards in Korea; set out the scope of entities subject to mandatory application of IFRS; and align the composition and names of the basic financial statements with those of IFRS. In addition, we amended Financial Investment Services and Capital Markets Act regarding the period of submission for business reports and more, and Corporation Tax Law in a manner that would neither undermine tax burden equality nor increase tax burdens on entities.

With regard to introduction of the concept of IFRS 15, we have not yet decided to introduce it in Korean GAAP.

1 [Reference: IFRS 15 paragraphs B11]

In some contracts, a customer may have a right to terminate the contract only at specified times during the life of the contract or the customer might not have any right to terminate the contract. If a customer acts to terminate a contract without having the right to terminate the contract at that time (including when a customer fails to perform its obligations as promised), the contract (or other laws) might entitle the entity to continue to transfer to the customer the goods or services promised in the contract and require the customer to pay the consideration promised in exchange for those goods or services. In those circumstances, an entity has a right to payment for performance completed to date because the entity has a right to continue to perform its obligations in accordance with the contract and to require the customer to perform its obligations (which include paying the promised consideration).

2 Act on External Audit of Stock Companies (Republic of Korea) By Ministry of Legislation (<http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN011484.pdf>)