

# Implementing Accrual Basis National Accounting System in Korea

Paris, March. 2010

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# I. Current Status

## 1. Progress After the Adoption of Accrual Accounting and Double-Entry Bookkeeping

### ● National Accounting Act enacted in Oct. 2007

- Accrual accounting and double-entry bookkeeping implemented for the entire government finance from 1 Jan. 2009
- Introducing financial statements based on accrual basis in addition to revenue and expenditure reports

### ● National Finance Act and National Accounting Act revised in Dec. 2008

- Duplicated or fragmented settlement-related policies overhauled and financial report framework established
- FY 2011 general purpose accounting and special purpose accounting financial statements to be submitted to National Assembly

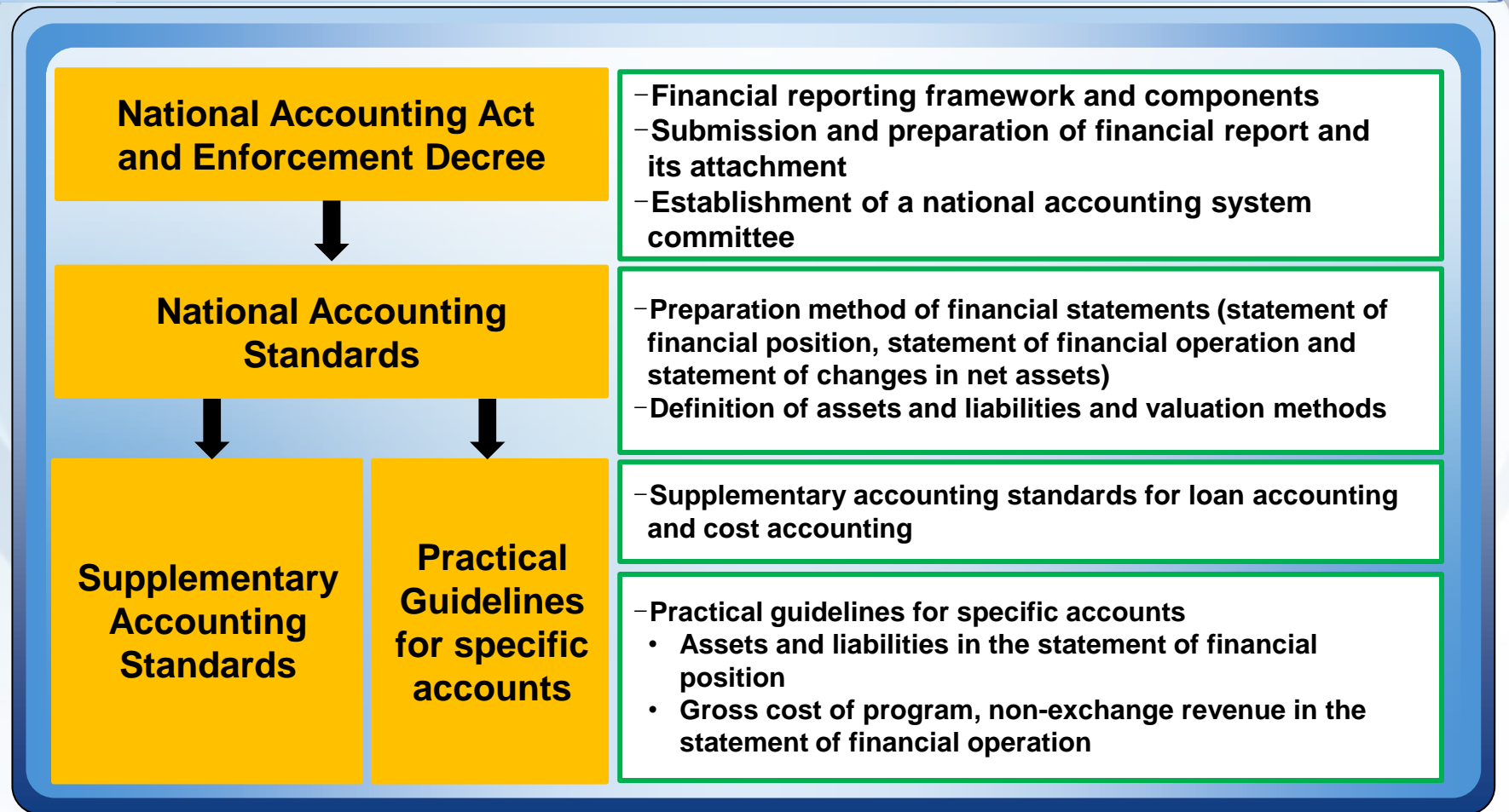
### ● National Accounting Standards enacted in March 2009

- Standards set for accrual-based accounting and valuation of assets and liabilities



# I. Current Status

## 2. National Accounting Regulatory Framework



# I. Current Status

## 3. Implementation Results of National Accounting System in 2009

- **Completion of national accounting regulatory framework**
  - National Accounting Standards enacted in March 2009
  - Two supplementary accounting standards and 12 practical guidelines for specific accounts
- **Construction of the linkage system(dBrain) between budget and accounting**
  - Automated journal entries and linkage system for agencies that do not use the dBrain system
- **Physical inspection on public assets and preparation of opening statement of financial position**
  - Physical inspection completed on government property, commodities and state claims (Nov. 2008 – Jun. 2009)
  - Opening statement of financial position prepared and reconciled (Aug. – Dec. 2009)
  - Physical inspection started on infrastructure (Sep. 2009 – present)
- **Enhancement of national accounting and settlements expertise**
  - Extensive trainings conducted for accounting and settlements personnel and dBrain users (Aug. – Nov. 2009)



## II. Future Plans

### 1. Support the preparation of central government's financial statements

- **Need to support each central government agency's financial statement preparation and to review their accounting treatments**
  - Implement and operate an accounting and settlement support team consisting of private sector experts during settlement period

### 2. Establish a National Accounting Standards Center

- **Need to conduct in-depth research on national accounting system**
  - providing interpretations of national accounting standards and inquiry service, development of financial indicators for accrual basis accounting and developing financial indicators for accrual basis accounting
  - \* Commission the tasks of National Accounting Standards to professional organization



## II. Future Plans

### 3. Develop Accounting Treatments on Provisions, etc.

- **Need to determine accounting treatments on provisions, which have been suspended in financial reporting based on the National Accounting Standards**
  - Plan to develop the accounting treatment through public hearings with private-sector experts within 2010
    - \* Determine the overall scope of provisions of pensions, insurances and guarantees as well as their valuation and accounting treatments

### 4. Enhance national accounting and settlement expertise

- **Need to further develop national accounting and settlement expertise**
  - Conduct in-depth education programs on national accounting for government officials in charge of accounting and settlement
  - Make a new post of accounting officer in recruiting government officials
  - Foster an expert pool in the private sector on national accounting by inserting national accounting into a CPA exam



## II. Future Plans

### 5. Develop a Verification System for Government Financial Information

- **Need to develop a system to verify government financial information using private-sector accounting experts in order to produce more transparent and reliable financial reporting**
  - Consider preliminary review of government accounting treatments and financial statements, if necessary

### 6. Complete Physical Inspection on Infrastructure

- **Need to perform valuation by type of asset based on physical inspection on infrastructure**
  - Plan to reflect valuation results on financial statements (statement of financial position)
    - \* Determine the adequacy of physical inspection through on-spot observation

