

Accrual Accounting System in Korean Government

Abstract

Due to eruption of some cases of tax fraud in local governments in mid-1990s and financial crisis in 1997, financial management scholars and civil activists demanded for more transparent and efficient accounting system in Korea.

The Korean accounting reform is unique case in that the Korean government introduced not only the accrual accounting system, but also introduced performance budgeting system, top-down budgeting system, and on-line real time budgeting and financial management system (digital brain) simultaneously.

The Korean central government introduced accrual accounting in FY2009 and submitted consolidated financial statements since FY2011.

Main characteristics of Korean Governmental Accrual Accounting System are as follows. By the way, there are some differences between the IPSAS & KNAS.

- The Korean government implemented both the accrual-based financial reports(Statement of Financial Position, Statement of Financial Operations, Statement of Changes in Net Assets, Notes) and cash-based revenue and expenditure reports.
- The Korean government does not report cash flows, audit opinions, and consolidate central and local government.
- The Board and Inspection(BAI) has the sole responsibility of audit(not audit opinion) of the central government.
- Central and local government operate a separate but similar accrual accounting system.

Despite the fact that the revenue and expenditure reports are preferred over financial statements by politicians and government officials, there are several achievements of the accrual information in Korean government.

- Transparent improvement of government finance via disclosure system
- Possible to identify the government assets and liabilities especially pension provisions
- Compilations of GFS and PSDS for international credibility
- Cost calculation of financial projects