

Examining how the local ‘rules’ the global in IFRS implementation and enforcement: A longitudinal case study of R&D accounting in Korea

Miri Kim, Thomas Schleicher & Christopher Humphrey *

31 May 2025

* The authors are, respectively, Doctoral Student, Senior Lecturer in Accounting & Finance, and Professor in Accounting, at the Alliance Manchester Business School, University of Manchester, UK. They acknowledge valuable comments from Chunlei Yang & Bob Scapens. Correspondence should be addressed to Miri Kim, Alliance Manchester Business School, Booth Street West, Manchester, M15 6PB, UK. Email: miri.kim@postgrad.manchester.ac.uk; thomas.schleicher@manchester.ac.uk; chris.humphrey@manchester.ac.uk.

Examining how the local ‘rules’ the global in IFRS implementation and enforcement: A longitudinal case study of R&D accounting in Korea

Abstract

International Financial Reporting Standards (IFRSs) have been widely adopted across the globe, but their impact is said to depend on how such standards are applied and enforced in each country, with local factors argued to be highly instrumental. This paper assesses the pertinence of such arguments through a longitudinal analysis of the implementation of R&D accounting in Korea’s rapidly developing pharmaceutical industry. While R&D capitalisation rates are evidently affected by local factors, the significance of local factors rests not just in their multiplicity, but in the scale of their interconnectedness and temporal nature (which impact their predictability and persistence) and in how they dominate the reasoning behind R&D capitalisation decisions at the expense of formal IFRS capitalisation criteria (which are rarely referenced). Enforcement action struggles to garner any substantial respect for such capitalisation criteria. In contrast to claims that enforcement is a vital stimulus to a principles-based accounting regime, regulatory interventions in Korea, in an attempt to counter uneven local implementation, are found to have reinvigorated Korea’s traditionally strong rules-based mindset.

Keywords: Enforcement, IAS 38, IFRS, Korea, Pharmaceutical Industry, R&D