

518 | 2 | 0  
Views | CrossRef citations to date | Altmetric

Original Articles

# The impact of IFRS adoption on management of bad debt expense and real operational activities: evidence from South Korea\*

Hyun-Ah Lee ✉

Pages 434-456 | Received 05 Sep 2016, Accepted 09 Nov 2017, Published online: 17 Nov 2017

🗨️ Cite this article 🔗 <https://doi.org/10.1080/16081625.2017.1404921>



Sample our  
Economics, Finance,  
Business & Industry Journals  
>> **Sign in here** to start your access  
to the latest two volumes for 14 days

📄 Full Article

📊 Figures & data

📖 References

🗨️ Citations

📊 Metrics

📄 Reprints & Permissions

Read this article

🔗 Share

## Abstract

This study examines whether the adoption of International Financial Reporting Standards in Korea affects earnings management behavior by focusing on the allowance for doubtful accounts. Adopting IFRS implies a change in approach whereby firms are required to build up an allowance only for incurred losses. Using a sample of 3817 firm-year observations of Korean listed companies covering 2000–2014, I find evidence that the discretionary portion of the allowance is decreased and that the opportunistic management of bad debt expense to meet crucial earnings targets is mitigated after the adoption of IFRS. Further, I find partial evidence that a shift from accrual-based to real earnings management may occur when the management of a specific accrual account is constrained by the adoption of IFRS.

## Notes

\* Accepted by Jeong-Bon Kim upon recommendation by Haina Shi.

1. The goal of the International Accounting Standards Committee and its successor body the International Accounting Standards Board is to develop an internationally acceptable set of high-quality financial reporting standards. To achieve this goal, they have issued principles-based standards and taken steps to remove allowable accounting alternatives (Barth, Landsman, and Lang [2008](#)).
2. The flexibility inherent in principles-based standards could provide greater opportunity for firms to manage earnings, thereby decreasing accounting quality (Ahmed, Neel, and Wang [2013](#); Barth, Landsman, and Lang [2008](#); Langmead and Soroosh [2009](#)).
3. The Impairment and Uncollectibility of Financial Assets section of K-IFRS 1039 describes the relevant standards for the recognition of the allowance based on the incurred loss approach. A detailed description of the regulation is presented in Section [2.5 Hypothesis Development](#).
4. Some researchers suggest a method of analyzing a specific account because aggregate measures such as discretionary accruals often fail to detect earnings management and thus provide little insight into how it is achieved in practice (Beneish [2001](#); Marquardt and Wiedman [2004](#); McNichols and Wilson [1988](#)).
5. The K-IFRS comprises eight IFRS, 29 International Accounting Standards (IAS), 11 Interpretations by the International Financial Reporting Interpretation Committee (IFRIC), and 10 Interpretations by the Standing Interpretations Committee (SIC) (Financial Supervisory Commission [2007](#)).
6. K-IFRS 1039 is equivalent to ISA 39.

7. The discretionary portion of the allowance for doubtful accounts can be affected by the management of bad debt expense, the income statement counterpart of the allowance.
8. A difference-in-differences analysis has been used in a number of recent studies on the effects of IFRS adoption in an attempt to address identification problems (Daske et al. [2008](#); Doukakis [2014](#)).

## Related research

People also read

Recommended articles

Cited by  
2

[Incentives or Standards: What Determines Accounting Quality Changes around IFRS Adoption? >](#)

Hans B. Christensen et al.  
European Accounting Review  
Published online: 25 Feb 2015



## Information for

[Authors](#)

[R&D professionals](#)

[Editors](#)

[Librarians](#)

[Societies](#)

## Opportunities

[Reprints and e-prints](#)

[Advertising solutions](#)

[Accelerated publication](#)

[Corporate access solutions](#)

## Open access

[Overview](#)

[Open journals](#)

[Open Select](#)

[Dove Medical Press](#)

[F1000Research](#)

## Help and information

[Help and contact](#)

[Newsroom](#)

[All journals](#)

[Books](#)

## Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2026 Informa UK Limited [Privacy policy](#)

[Cookies](#) [Terms & conditions](#) [Accessibility](#)

Registered in England & Wales No. 01072954  
5 Howick Place | London | SW1P 1WG



**Taylor & Francis**  
by **informa** •••