

COMPILATION OF MATERIAL FINDINGS
ON THE FINANCIAL STATEMENTS
COVERED BY THE **OGA** REVIEW PROJECT

FOUNDATIONS

COMPONENTS OF FINANCIAL STATEMENTS	2007 AFS FINDINGS¹	No. of Companies	2008 AFS FINDINGS²	No. of Companies
Statement of Management's Responsibility (SMR)	1. There is no SMR attached to the AFS. (SRC Rule 68, as amended).	3	1. The SMR is not signed by the required signatories as specified in the SRC Rule 68, as amended.	10
	2. The SMR is not signed by the required signatories as specified in the SRC Rule 68, as amended.	8		
COMPONENTS OF FINANCIAL STATEMENTS	2007 AFS FINDINGS	No. of Companies	2008 AFS FINDINGS	No. of Companies
1. Sworn Statement of its President and Treasurer on the following information as required by SEC Memorandum Circular No. 8, Series of 2006: a. Source and Amount of Funds; b. Program/Activity planned, ongoing and	The Foundation failed to submit the required certifications indicated in the SEC Memo Circular No. 8 (2006).	10	The Foundation failed to submit the required certifications indicated in the SEC Memo Circular No. 8 (2006).	17

¹ Covering twenty seven (27) companies (with total assets of P10 Million and above)

² Covering twenty seven (27) companies (randomly selected)

<p>accomplished;</p> <ul style="list-style-type: none"> • Complete name, address and contact number of project officer-in-charge; • Complete address and contact number of project office; and <p>c. Application of Funds.</p> <p>2. Certification from the Office of the Mayor, or the Office of the Barangay Captain, or the Head of either the Department of Social Welfare and Development or Department of Health, on the existence of the subject Program/Activity in the locality on which it exercises jurisdiction</p>				
COMPONENTS OF FINANCIAL STATEMENTS	2007 AFS FINDINGS	No. of Companies	2008 AFS FINDINGS	No. of Companies
Statement of Cash Flows	1. The Cash Flow Statement is not presented in accordance with SFAS 22.	1	-	-

Statement of Changes in Equity/ Contributions	<p>1. The Statement of Changes in Fund Balance is not submitted (PAS 1 and SRC Rule 68, as amended).</p> <p>2. The Statement of Changes in Fund Balance is not presented in the required 2-year comparative period (SRC Rule 68, as amended).</p>	1	-	
Notes to Financial Statements	2007 AFS FINDINGS	No. of Companies	2008 AFS FINDINGS	No. of Companies
Receivables	1. Incomplete disclosures on "Loans Receivables" which per Note 7(d) of the AFS were extended as financial assistance to "Other Institutions". This appears to be not in accordance with the primary purpose of the Foundation (SFAS 1).	1	<p>1. Incomplete disclosures on "Receivables", i.e., accounting policy and allowance for doubtful accounts (PAS 39 and PFRS 7).</p> <p>2. The accounting policy on Receivables is not in accordance with PAS 39.</p> <p>3.</p>	1
Inventories	-	-	1. There are no accounting policy and disclosures on Inventories (PAS 2).	1
Agriculture	1. There is no accounting policy on the recognition and measurement of "livestock" (PAS 41).	1	-	-
Financial Assets/Investments	-	-	1. Incomplete disclosures on financial instruments, i.e., accounting policy, financial risk management, etc. (PAS 39 & PFRS 7).	1
Investments in Associates	1. The accounting policy on the 28% investment on RISE Financing Co., Inc., is not in	1	-	-

	<p>accordance with SFAS/IAS 28.</p> <p>2. Incomplete disclosures on Investments in Associates, i.e., summarized financial info., fair value, etc. (PAS 28).</p>	2		
Property and Equipment	1. Incomplete disclosures on PPE, i.e., reconciling schedule of the additions and disposals for the year (SFAS/IAS 16).	2	<p>1. Incomplete disclosures on PPE, i.e., measurement basis to determine the gross carrying amount, estimated useful life of each PPE, reconciling schedule presenting the additions and disposals for the year. (PAS 16).</p> <p>2. There is no policy on recognition and measurement of the "Leasehold Improvements" (PAS 16).</p>	<p>6</p> <p>1</p>
Intangible Assets	1. Incomplete disclosures on Intangible Assets (SFAS/IAS 38).	1	-	-
Impairment of assets	1. There is no accounting policy on Impairment of Assets (SFAS/IAS 36).	1	1. There is no accounting policy on Impairment of Assets (PAS 36).	4
Liabilities	<p>1. There is no explanatory note on Other Payable despite materiality of amount (SFAS 1).</p> <p>2. Incomplete disclosure on Deferred Revenue, i.e., nature of donation, to support its classification as an "advance donation" (SFAS 1).</p> <p>3. There is no disclosure of the terms of Assignment of Assets/Credit and the Surety Agreements on loans. (SFAS 1 and SFAS/IAS 16).</p>	<p>1</p> <p>1</p> <p>1</p>	1. Incomplete disclosures on Loans Payable, i.e., interest rate, terms and condition, collateral used (PAS 1, 39 and PFRS 7).	1
Equity	-	-	1. There is no explanatory note on Accumulated Savings Hospital of P63	1

			Million despite materiality of amount (PAS 1).	
Revenue	1. There are no disclosures on specific Revenue Recognition policy (PAS 8).	3	1. There is no specific Revenue Recognition policy (PAS 8). 2. There is no specific policy on recognition of "Tuition and Other fees" and "Others" (PAS 8). 3. There is no specific accounting policy on recognition of grants, contribution, and interest income (PAS 8).	5 1 1
Costs and Expenses	-	-	1. There is no explanatory note and breakdown of Household Expense despite materiality of amount (PAS 1).	1
Leases	-	-	1. There is no accounting policy and disclosures on leases (PAS 17).	1
Related Party Transactions	1. There are no disclosures on related party transactions (SFAS/IAS 24).	2	1. There are no disclosures on related party transactions (PAS 24).	5
	2. Incomplete disclosures on related party transactions, i.e., interest rates applied, payment terms, specific nature of relationship, key management personnel compensation (PAS 24).	3	2. Incomplete disclosures on related party transactions, i.e., interest rates applied, terms and condition, specific nature of relationship, key management personnel compensation (PAS 24).	1
Financial Risk Management	-	-	1. There is no disclosure on financial risk management (PFRS 7).	1

BROKER-DEALER OF SECURITIES

COMPONENTS OF FINANCIAL STATEMENTS	2008 AFS FINDINGS³	No. of Companies	2009 AFS FINDINGS⁴	No. of Companies
Statement of Management's Responsibility (SMR)	1. The SMR is not signed by the required signatories as specified in the SRC Rule 68, as amended.	12	1. The SMR is not signed by the required signatories as specified in the SRC Rule 68, as amended.	4
Schedule on Reconciliation of Retained Earnings for Dividend Declaration	1. The schedule on Reconciliation of Retained Earnings for Dividend Declaration is not attached (SEC Memorandum Circular No. 11, Series of 2008).	1	-	-
Supplemental Written Statement of External Auditor	1. The Supplemental Written Statements of the External Auditor does not indicate the number of stockholders owning one hundred (100) or more shares each (SRC Rule 68, as amended)	1	-	-

Notes to Financial Statements	2008 AFS FINDINGS	No. of Companies	2009 AFS FINDINGS	No. of Companies
Cash and Cash Equivalentents	1. There is no indication that the company has established a "Special Reserve Account" to comply with Implementing Rules and Regulations (IRR) of the	3	-	-

³ Covering twenty (20) companies

⁴ Covering twenty five (25) companies

	Securities Regulation Code 49.2-1.			
Receivables	-	-	1. The accounting policy on Receivables is not in accordance with PAS 39.	3
Financial Assets/Investments	1. Incomplete disclosures on financial instruments, i.e., accounting policy, financial risk management, carrying value of collaterals used in borrowing, etc. (PAS 39 & PFRS 7).	8	1. Incomplete disclosures on financial instruments, i.e., accounting policy on initial and subsequent measurement basis, impairment policy, analysis of age of financial instruments, quantitative analysis of each financial risk, types and carrying amount of collaterals used (PAS 39 and PFRS 7). 2. The basis of the fair valuation of "Available-for-Sale Financial Assets" which represent club shares is not in accordance with PAS 39.	4 2
Investment Property	-	-	1. There is no accounting policy on recognition and measurement of "Investment Property". There is likewise no disclosure of its basis of fair value (PAS 40). 2. Incomplete disclosures on investment properties, i.e., fair value of the property and basis of such value (PAS 40).	1 1
Intangible Assets	-	-	1. The non-recognition of the cost of "PSE Trading Right" is not correct considering that the same was determinable at the time of the conversion in 2001 (PAS	1

			38).	
Equity	<p>1. The company failed to appropriate a portion of its retained earnings as "Reserve Fund", in violation of the requirements of Rule 49.1 of SEC Memorandum Circular No. 16, Series of 2004.</p> <p>2. The company reverted back its 2007 appropriations to its unappropriated retained earnings due to the net losses incurred in 2008. Said transfer is not in accordance with Rule 49.1 (B) under SEC Memorandum Circular No. 16, Series of 2004.</p> <p>3. There is no disclosure on "Deposits for future subscription", i.e., approval date of the Board of Directors and Stockholders on the proposed increase in capitalization, status of application on proposed increase in capitalization with SEC (PAS 1).</p>	<p>2</p> <p>1</p> <p>1</p>	<p>1. The company's Retained Earning exceeds 100% of its paid-up capital, in violation of Sec. 43 of the Corporation Code.</p> <p>2. The company failed to appropriate a portion of its retained earnings as "Reserve Fund", in violation of the requirements of Rule 49.1 of SEC Memorandum Circular No. 16, Series of 2004.</p> <p>3. There is no disclosure on "Deposits for future subscription", i.e., approval date of the Board of Directors and Stockholders on the proposed increase in capitalization, status of application on proposed increase in capitalization with SEC (PAS 1).</p>	<p>1</p> <p>1</p> <p>1</p>
Revenue	<p>1. There is no specific Revenue Recognition policy on "Other/Miscellaneous Income" and explanatory thereof (PAS 8).</p>	3	<p>1. There is no specific revenue recognition policy for each revenue sources under "other income" (PAS 8).</p>	1
Employee Benefits	<p>1. There is no accounting policy and disclosure on employee benefits (PAS 19).</p>	1	<p>1. There is no accounting policy and disclosure on employee benefits (PAS 19).</p>	1
Related Party Transactions	<p>1. Incomplete disclosures on related party transactions, i.e., interest rates applied, terms and conditions, specific nature of relationship, key management personnel compensation (PAS 24).</p>	6	<p>1. Incomplete disclosures on related party transactions, i.e., interest rates applied, terms and condition, specific nature of relationship, key management personnel</p>	6

			compensation (PAS 24).	
Critical Accounting Estimates	-	-	1. There is no discussion on key estimates and judgments used by the Management (PAS 1).	1
Capital Management	-	-	1. Incomplete discussion on capital management, i.e., amount of prescribed minimum capital requirement, what management considers as components of capital, specific management plans to address the recognized deficit (PAS 1 and SEC Memorandum Circular No. 16, Series of 2004. 2. The company's paid-up capital is below the required capitalization under SEC Resolution Nos. 221 and 542, Series of 2009.	1 2

MUTUAL FUND COMPANIES

COMPONENTS OF FINANCIAL STATEMENTS	2008 AFS FINDINGS⁵	No. of Companies
Statement of Management's Responsibility (SMR)	1. There is no SMR attached to the AFS. (SRC Rule 68, as amended).	1
	2. The SMR is not signed by the required signatories as specified in the SRC Rule 68, as amended.	1

Notes to Financial Statements	2008 AFS FINDINGS	No. of Companies
Corporate Information	1. There is no disclosure of the ultimate parent or controlling individual of the company (PAS 1 and 24).	2
Financial Assets/Investments	1. There is no explanatory note on "unquoted debt security" (PAS 39 & PFRS 7).	1
Related Party Transactions	1. Incomplete disclosures on related party transactions, i.e., key management personnel compensation, terms of payment (PAS 24).	3
Capital Management	1. Incomplete discussion of capital management, i.e., external capital requirements, what management considers as capital (PAS 1).	1

⁵ Covering ten (10) companies

INVESTMENT HOUSES

COMPONENTS OF FINANCIAL STATEMENTS	2009 AFS FINDINGS⁶	No. of Companies
Statement of Management's Responsibility (SMR)	1. The SMR is not signed by the required signatories as specified in the SRC Rule 68, as amended.	8

Notes to Financial Statements	2009 AFS FINDINGS	No. of Companies
Receivables	1. Incomplete disclosures on Loans and Receivables, i.e., fair value of collaterals held, terms and condition associated with the collaterals held (PAS 39 & PFRS 7).	2
Financial Assets/Investments	1. Incomplete disclosures on financial instruments, i.e., accounting policy, quantitative analysis of each financial risk, carrying value of collaterals used in borrowing, etc. (PAS 39 and PFRS 7).	1
Liabilities	1. Incomplete disclosure on "Bills payable", i.e., whether or not secured, carrying amount of collaterals used if any, maturity dates (PAS 39 and PFRS 7).	1
Employee Benefits	1. There are no disclosures on employee benefits (PAS 19).	1
Investment in Associates	1. Incomplete disclosure on Investment in Associate, i.e., explanation on the non-reliability of the latest observable market data	1

⁶ Covering twenty five (25) companies

	as of 3/11/09 on its investment on EIB (PAS 36 and 28).	
Revenue	1. The direct recognition of "Gain on sale of inventories" in the Income Statement is not in accordance with PAS 18. The company failed to disclose the corresponding "Cost of Sales" relative to sales of real estate (PAS 8).	1
Related Party Transactions	1. There are no disclosures on related party transactions (PAS 24). 2. Incomplete disclosures on related party transactions, i.e., volumes and details of transactions, nature of consideration, specific nature of relationship, key management personnel compensation (PAS 24).	1 7
Capital Management	1. There is no discussion of capital management (PAS 1). 2. The company failed to comply with the prescribed capitalization under SEC. 3.iv. of Omnibus Rules and Regulations for Investment Houses and Universal Banks Registers as Underwriters of Securities.	1 2

FINANCING COMPANIES

COMPONENTS OF FINANCIAL STATEMENTS	2007 AFS ¹		2008 AFS ²		2009 AFS ³	
	Findings	No. of Companies	Findings	No. of Companies	Findings	No. of Companies
Statement of Management's Responsibility (SMR)	<ol style="list-style-type: none"> 1. There is no Statement of Management's Responsibility (SRC Rule 68). 2. The SMR is not signed by the prescribed signatories (SRC Rule 68). 3. The designation/position of the signatories on the SMR are not indicated (SRC Rule 68). 	<p>4</p> <p>15</p> <p>1</p>	<ol style="list-style-type: none"> 1. The SMR is not signed by the prescribed signatories (SRC Rule 68). 2. The Chief Executive Officer and Chief Financial Officer position of the company was held by one person which is not in accordance with Section 25 of the Corporation Code. 3. There is no Statement of Management's Responsibility (SRC Rule 68). 	<p>19</p> <p>1</p> <p>1</p>	<ol style="list-style-type: none"> 1. The declared signatory/ies in the Statement of Management's Responsibility is not consistent with the stated information in the submitted General Information Sheet with the Commission. 2. The SMR is not signed by the prescribed signatories (SRC Rule 68). 	<p>1</p> <p>5</p>
Auditor's Report	<ol style="list-style-type: none"> 1. The external auditor of the company is not accredited by the Commission under Group C category (SRC Rule 68 & SEC Memorandum Circular No. 13, Series of 2006). 2. The external auditor has no valid and effective BOA Registration number (SRC Rule 68). 3. The Auditor's Report is not in accordance with PSA 700 (revised). 4. The external auditor failed to sign the Auditor's Report (revised PSA 700/SRC Rule 68). 	<p>4</p> <p>2</p> <p>3</p> <p>1</p>	<ol style="list-style-type: none"> 1. There is no emphasis of matter paragraph in the Auditor's Report that highlights the existence of a material uncertainty relating to the event or condition that may cast significant doubt on the entity's ability to continue as a going concern (PSA 570). 2. The external auditor of the company is not accredited by the Commission under Group C category (SRC Rule 68 & SEC Memorandum Circular No. 13, Series of 2006). 	<p>2</p> <p>1</p>	<ol style="list-style-type: none"> 1. The external auditor of the company is not accredited by the Commission under Group C category (SRC Rule 68 & SEC Memorandum Circular No. 13, Series of 2009). 2. There is no emphasis of a matter paragraph in the Auditors' Report that highlights the existence of a material uncertainty relating to the event or condition that may cast significant doubt on the entity's ability to continue as a going concern and draws attention to the note in the financial statements that discloses the matters set out in paragraph 32 of the standard (PSA 570). 	<p>3</p> <p>1</p>

¹Covering a total of 52 financing companies

²Covering a total of 45 financing companies

³Covering a total of 50 financing companies

COMPONENTS OF FINANCIAL STATEMENTS	2007 AFS		2008 AFS		2009 AFS	
	Findings	No. of Companies	Findings	No. of Companies	Findings	No. of Companies
Balance Sheet					1. Incorrect account name for "Deposit for Future subscription". It should be accounted as "Advances from stockholders" since there is still no proposed increase in capital stock.	1
Statement of Changes in Equity/ Contributions					1. There is no Statement of Changes in Equity (PAS 1, as revised and SRC Rule 68).	1
Cash Flow Statement	1. There is no Cash Flow Statement (PAS 7).	1				
Supplemental Written Statement of External Auditor	1. There is no Supplemental Written Statement of External Auditor (SRC Rule 68);	7	1. There is no Supplemental Written Statement of External Auditor (SRC Rule 68).	1		

Notes to Financial Statements	2007 AFS		2008 AFS		2009 AFS	
	Findings	No. of Companies	Findings	No. of Companies	Findings	No. of Companies
Corporate Information	1. Incomplete disclosures on corporate information, i.e., domicile and legal form of the entity, its country of incorporation, the address of its registered office, description of the nature of the entity's operations and its principal activities (PAS 1).	1	1. There is no or incomplete discussion on going concern issue, i.e., management's concrete plans to deal with the capital deficiency (PAS 1).	3	1. There is no discussion on going concern issue despite capital deficiency for the year 2009 (PAS 1, as revised).	1
Basis of Preparation of FS	1. The company failed to adopt Philippine Financial Reporting Standards (PFRS) as its basis of preparation of its financial statements. It does not qualify as a Non-Publicly Accountable Entity (NPAAE) under PAS 101 because it is a	7	1. The company failed to adopt Philippine Financial Reporting Standards (PFRS) as its basis of preparation of its financial statements. It does not qualify as a Non-Publicly Accountable Entity (NPAAE) under PAS 101 because it is a financing company imbued	5	1. The company failed to adopt Philippine Financial Reporting Standards (PFRS) as the basis of preparation of its financial statements. As a financing company licensed by the Commission to operate as such, it is a publicly accountable entity	3

Notes to Financial Statements	2007 AFS		2008 AFS		2009 AFS	
	Findings	No. of Companies	Findings	No. of Companies	Findings	No. of Companies
	<p>financing company imbued with public interest, and regulated by the SEC. It is therefore not allowed to defer compliance with PFRS.</p> <p>2. The basis of preparation of the financial statements is not disclosed (PAS 1).</p>	2	with public interest and regulated by the SEC. It is therefore not allowed to defer compliance with PFRS.		under PAS 101 which must fully adopt PFRS.	
Receivables	<p>1. Based on note 3 of the AFS, it appears that the company is using a combination of allowance method and direct write off method in the impairment of its Loans and Receivables. Under PAS 39, the carrying amount of the asset shall be reduced either directly or through use of an allowance account.</p> <p>2. The company determines impairment loss on the basis of the difference between the carrying amount and the estimated cash flows discounted at the original effective interest rate. This is not consistent with PAS which mandates the use of present value of estimated future cash flows.</p> <p>3. The accounting policy on Loans and receivables is not in accordance with PAS 39.</p> <p>4. There is no or incomplete accounting policy on Loans and receivables, i.e., measurement at initial recognition (PAS 39).</p> <p>5. The presentation of Unearned Interest Income under liabilities instead of a deduction from Loans and</p>	<p>3</p> <p>2</p> <p>9</p> <p>5</p> <p>4</p>	<p>1. The accounting policy on Loans and receivables is not in accordance with PAS 39.</p> <p>2. As required under Section 9 (f) of the Rules and Regulations to Implement the Provisions of Republic Act No. 8556 (The Financing Company Act of 1998), a 100% allowance for probable losses should be set up for the following:</p> <p>a) Clean loans and advances past due for a period of more than six (6) months;</p> <p>b) Past due loans secured by collateral such as inventories, receivables, equipment and other chattels that have declined in value by more than 50%, without the borrower offering additional collateral for the loans;</p> <p>c) Past due loans secured by real estate mortgage title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;</p> <p>d) When the borrower, and his co-maker or guarantor, is insolvent or where their whereabouts is unknown, or their earning power is permanently impaired;</p>	<p>9</p> <p>30</p>	<p>1. The amount of "Receivables from directors, officers & stockholders" exceeded fifteen percent (15%) of the company's networth which is not in accordance with Section 9 (c) of the Rules and Regulations to Implement the Provisions of Republic Act No. 8556 (The Financing Company Act of 1998).</p> <p>2. Under Section 9 (f) of the Rules and Regulations to Implement the Provisions of Republic Act No. 8556 (The Financing Company Act of 1998), a 100% allowance for probable losses should be set up for the following:</p> <p>a) Clean loans and advances past due for a period of more than six (6) months;</p> <p>b) Past due loans secured by collateral such as inventories, receivables, equipment and other chattels that have declined in value by more than 50%, without the borrower offering additional collateral for the loans;</p> <p>c) Past due loans secured by real estate mortgage title to</p>	<p>1</p> <p>34</p>

Notes to Financial Statements	2007 AFS		2008 AFS		2009 AFS	
	Findings	No. of Companies	Findings	No. of Companies	Findings	No. of Companies
	<p>receivables is not in accordance with PAS 1, 18 & 39.</p> <p>6. There is no recognition of Unearned Interest Income as a deduction from Loans and receivables (PAS 18 & 39).</p>	2	<p>e) Accrued interest receivable that remain uncollected after six (6) months from the maturity date of such loans to which it accrues; and</p> <p>f) Accounts receivable past due for 361 days or more.</p>	2	<p>which is subject to an adverse claim rendering settlement through foreclosure doubtful;</p> <p>d) When the borrower, and his co-maker or guarantor, is insolvent or where their whereabouts is unknown, or their earning power is permanently impaired;</p> <p>e) Accrued interest receivable that remain uncollected after six (6) months from the maturity date of such loans to which it accrues; and</p> <p>f) Accounts receivable past due for 361 days or more.</p>	12
			<p>The company should have provided an analysis of the age of receivables presented reflecting the said conditions.</p>		<p>There are no disclosures showing that the existence of any of the aforementioned conditions were considered in the provisioning for probable losses.</p>	
			<p>3. The accounting policy on impairment of Loans and receivables is not in accordance with PAS 39.</p>		<p>3. There is no or incomplete accounting policy on Loans and receivables, i.e., initial and/or subsequent measurement, derecognition, impairment (PAS 39).</p>	
			<p>4. The presentation of "Unearned Interest" account in the Balance Sheet as a liability instead of a deduction from Loans and receivables is not in accordance with PAS 39.</p>		<p>4. The measurement policy of Loans and receivables is not in accordance with PAS 39.</p>	
					<p>5. The recognition of "Loss on fair value adjustments on Direct Loans Receivables" for the year 2008 as a deduction of "Cumulative Earnings" in the Statement of Changes in Equity is not in accordance with PAS 39 and PFRS 1.</p>	
					<p>6. The presentation of "Unearned Interest" account in the Balance Sheet as a liability instead of a</p>	

Notes to Financial Statements	2007 AFS		2008 AFS		2009 AFS	
	Findings	No. of Companies	Findings	No. of Companies	Findings	No. of Companies
					deduction from Loans and receivables is not in accordance with PAS 39.	
Financial Assets/ Investments	<ol style="list-style-type: none"> 1. There is no disclosure of the fair value of each class of financial assets and financial liabilities in a way that permits it to be compared with its carrying amount. It likewise did not disclosed the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities (PFRS 7). 2. The basis of the fair value of the "Investments", i.e., prevailing market rates, is misleading since such investments are on unquoted shares of stock (PAS 39). 3. There is no accounting policy on impairment of financial assets (PAS 39). 4. There is no or incomplete accounting policy on financial assets, i.e., derecognition (PAS 39). 5. There is no accounting policy on investment under "Other Assets" (PAS 27/28/32 & 39 & PFRS 7). 	<p>18</p> <p>1</p> <p>4</p> <p>7</p> <p>1</p>	<ol style="list-style-type: none"> 1. There is no disclosure of the fair value of each class of financial assets and financial liabilities in a way that permits it to be compared with its carrying amount. It likewise did not disclose the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities (PFRS 7). 2. The accounting policy and presentation on investment in stocks are not in accordance with PAS 39. 3. There are no or incomplete accounting policies on financial assets, i.e., derecognition, impairment (PAS 39). 	<p>2</p> <p>1</p> <p>11</p>	<ol style="list-style-type: none"> 1. There are no accounting policies and disclosures on "Investments" (PAS 27/28/39/40/PFRS 7). 2. There are no or incomplete accounting policies on financial assets and impairment thereof, i.e., initial and/or subsequent measurement policies, impairment policy (PAS 39). 	<p>3</p> <p>3</p>
Investments in Joint Venture	<ol style="list-style-type: none"> 1. There are no accounting policy and disclosures on "Investment in Joint Venture". Likewise, the required account under PAS 31 are not complied with. 	1				
Investment in Associates	<ol style="list-style-type: none"> 1. Incomplete disclosures on investment in associate, i.e., 	1				

Notes to Financial Statements	2007 AFS		2008 AFS		2009 AFS	
	Findings	No. of Companies	Findings	No. of Companies	Findings	No. of Companies
	presentation of cost, equity earnings (losses) and summarized financial information of the associate (PAS 28).					
Investment Property	1. There are no or incomplete accounting policy and disclosures on investment properties, i.e., amount for each class of property, methods and significant assumptions applied in determining the fair value of the properties, depreciation method, useful lives, reconciliation of the addition, depreciation and disposal for each, amount of fair value (PAS 40).	6	1. The total investment of the company in real estate exceed 25% of its net worth which is a violation of Section 9 (The Financing Act of 1998). 2. Based in note 8 of the AFS, equipment for lease is included under investment property. This is not in accordance with PAS 40 which defines investment property as property (land or a building-or part of a building-or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both. 3. There are no or incomplete accounting policy and disclosures on investment property, i.e., fair value and basis thereof (PAS 40).	2 1 2	1. There is no or incomplete accounting policy and disclosures on investment property, i.e., type of property, measurement after recognition, derecognition, methods and significant assumptions applied in determining the fair value of investment property, extent to which the fair value of investment property is based on a valuation by an independent valuer, amount of rental income, direct operating expenses, information required under the cost model or fair value model depending on the model used by the entity (PAS 40). 2. There is failure to recognize depreciation expense covering the investment property for the year 2008 (PAS 40). 3. The total investment of the company in real estate exceeded 25% of its net worth which is a violation of Section 9 (a) of the Rules and Regulations to Implement the Provisions of Republic Act No. 8556 (The Financing Company Act of 1998).	5 1 1
Property and Equipment	1. Incomplete disclosures on property and equipment, i.e., accounting policy, carrying amount of property used as collateral on the secured	6	1. Incomplete disclosures on property and equipment, i.e., depreciation method, estimated useful lives for each, derecognition policy,	4	1. Incomplete disclosures on property and equipment, i.e., estimated useful life for each, reconciliation of the carrying amount at the beginning and	4

Notes to Financial Statements	2007 AFS		2008 AFS		2009 AFS	
	Findings	No. of Companies	Findings	No. of Companies	Findings	No. of Companies
	<p>loan, and estimated useful lives (PAS 16).</p> <p>2. There is no depreciation expense recognized for the year 2006 (PAS 16).</p>	2	reconciliation of the addition, depreciation, impairment losses and disposal for each (PAS 16).		<p>end of the period showing the changes, existence and amounts of restrictions on title, and properties pledged as security for liabilities, required information of the standard for each property and equipment stated at revalued amounts (PAS 16).</p> <p>2. Incomplete accounting policy on plant, property and equipment, i.e., measurement at initial and subsequent recognition, derecognition policy (PAS 16).</p> <p>3. There are no recognized amounts of depreciation expense for "Office Equipment" and "Furniture & Fixtures" for the year 2008. This is not in accordance with PAS 16.</p>	3 1
Real and Other Properties Owned and Acquired (ROPOA)	1. Incomplete disclosures on "Real & Other Property Owned & Acquired", i.e., accounting policy and terms and conditions (PAS 1, 16, 40).	4	1. Incomplete disclosures on "Real and Other Property Owned and Acquired", i.e., accounting policy, description of the non-current asset, and a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal (PFRS 5).	1	1. There are no accounting policy and disclosures on ROPOA (PAS 16/40 / PFRS 5).	2
Intangible Assets	1. Inadequate disclosure on intangible assets (PAS 38).	1				
Impairment of assets	<p>1. There is no discussion on the events and circumstances that led to the recognition of impairment loss in 2006 (PAS 36 par. 130).</p> <p>2. There is no accounting policy on impairment of non-financial assets (PAS 36).</p>	1 7	1. There is no accounting policy on impairment of non-financial assets (PAS 36).	5	1. There is no or incomplete accounting policy on impairment of non-financial assets, i.e., determination of recoverable amount, and reversal of impairment loss (PAS 36).	9

Notes to Financial Statements	2007 AFS		2008 AFS		2009 AFS	
	Findings	No. of Companies	Findings	No. of Companies	Findings	No. of Companies
Liabilities	1. There are no or incomplete accounting policies and disclosures on financial liabilities, i.e., derecognition, nature and terms and conditions (PAS 1, 39 & PFRS 7).	12	1. There are no or incomplete accounting policies and disclosures on financial liabilities, i.e., recognition, derecognition, initial and subsequent measurement, nature, interest rates, security, guarantee, defaults and breaches (PAS 39 & PFRS 7). 2. "Loans Payable" are stated at its face value without any interest earned which is not in accordance with PAS 39.	14 1	1. There are no or incomplete accounting policies and disclosures on financial liabilities, i.e., initial and/or subsequent measurement policies, derecognition, nature, terms and conditions including whether they are secured and the nature of the consideration to be provided in settlement, guarantee, defaults and breaches (PAS 39 & PFRS 7). 2. The accounting policy on financial liabilities is not in accordance with PAS 39.	16 1
Equity	1. There is no explanatory note on "Deposit for subscription" (PAS 1).	1	1. There is no reconciliation of retained earnings required under Annex "A" of SEC Memorandum Circular No. 11, Series of 2008.	2	1. There is no description of the nature and purpose of the Appropriated Retained Earnings (revised PAS 1). 2. There are no disclosures on cash dividends declared for the year 2008 (PAS 1, as revised);	1 1
Revenue	1. There is no specific revenue recognition policy on all or some significant income account (PAS 18). 2. The revenue recognition policy stated is not in accordance with PAS 18.	13 3	1. There is no specific revenue recognition policy on all or some significant income account (PAS 18). 2. The revenue recognition policy stated is not in accordance with PAS 18.	11 2	1. There is no specific revenue recognition policy on all or some significant income account (PAS 18). 2. The revenue recognition policy stated is not in accordance with PAS 18.	8 9
Costs and Expenses					1. There is no accounting policy on cost and expenses (PAS 18).	19
Leases	1. There are no or incomplete accounting policies and disclosures on leases, i.e., significant leasing arrangements, and future minimum lease payments (PAS 17).	12	1. There are no or incomplete accounting policies and disclosures on leases, i.e., accounting policy, significant leasing arrangements, and future minimum lease payments (PAS 17).	10	1. There are no or incomplete accounting policy and disclosures on leases, i.e., amount, accounting policy, significant leasing arrangements, future minimum lease payments (PAS 17).	18
Related Party Transactions	1. There are no or incomplete disclosures on related party	36	1. There are no or incomplete disclosures on related party	27	1. There are no or incomplete disclosures on related party	35

Notes to Financial Statements	2007 AFS		2008 AFS		2009 AFS	
	Findings	No. of Companies	Findings	No. of Companies	Findings	No. of Companies
	transactions, i.e., nature, terms and conditions, key management personnel compensation (PAS 24).		transactions, i.e., nature, terms and conditions, guarantees, key management personnel compensation (PAS 24).		transactions, i.e., nature of the related party relationship, amount of transactions, outstanding balances, terms and conditions, guarantees, key management personnel compensation (PAS 24).	
Income Taxes	1. The disclosure requirements under PAS 12 on Income Taxes are not complied with.	15	1. There is no accounting policy on income taxes (PAS 12);	4	1. There are no or incomplete accounting policy and disclosures on income taxes, i.e., explanation of the relationship between tax expense (income) and accounting profit in numerical reconciliation, and explanation of changes in the applicable tax rate (s) compared to the previous accounting period (PAS 12). 2. The recognition of the Minimum Corporate Income Tax (MCIT) for the year 2008 as an income tax expense for the said year instead of a deferred tax asset is not in accordance with PAS 12.	14 1
Employee Benefits	1. There are no or incomplete accounting policies and disclosures on employee benefits, i.e., retirement benefit plan (PAS 19).	17	1. There are no or incomplete accounting policies and disclosures on employee benefits, i.e., retirement benefit plan (PAS 19).	14	1. There are no or incomplete accounting policies and disclosures on employee benefits, i.e., required information under paragraph 120A of PAS 19. 2. Note 19 of the AFS states that "All other benefits such as for short term and for individual employee are not recognized when no actual payment is made". This is not in accordance with PAS 19.	23 1
Prior Period Adjustments	1. The recognition and presentation of prior period adjustment is not in accordance with PAS 8.	2			1. The recognition and disclosures of "Prior-period adjustments" in the AFS are not in accordance with PAS 8.	2

Notes to Financial Statements	2007 AFS		2008 AFS		2009 AFS	
	Findings	No. of Companies	Findings	No. of Companies	Findings	No. of Companies
	2. There are no disclosures on prior period adjustment (PAS 8).	2				
Critical Accounting Estimates	1. There is no discussion on critical accounting estimates and judgements used (PAS 1).	10	1. There is no discussion on critical accounting estimates and judgements used (PAS 1).	5	1. There is no discussion on critical accounting estimates and judgment used (revised PAS 1).	6
Financial Risk Management	1. There is no or incomplete discussion on financial risk management, i.e., qualitative and/or quantitative analysis on each financial risk (PFRS 7).	26	1. There is no or incomplete discussion on financial risk management, i.e., qualitative and/or quantitative analysis on each financial risk (PFRS 7).	24	1. There is no or incomplete discussion on financial risk management, i.e., qualitative and/or quantitative analysis on each financial risk (PFRS 7).	34
Capital Management	1. There is no or incomplete discussion on capital management, i.e., how it is meeting its objectives for managing capital, externally imposed capital requirements and summary quantitative data about what it manages as capital (PAS 1).	15	1. There is no or incomplete discussion on capital management, i.e., processes for managing its capital, externally imposed capital requirements, and summary quantitative data about what it manages as capital (PAS 1).	19	1. There is no or incomplete discussion on capital management, i.e., qualitative information about its objectives, policies and processes for managing capital, summary quantitative data about what it manages as capital, externally imposed capital requirements (revised PAS 1).	36

LENDING COMPANIES

COMPONENTS OF FINANCIAL STATEMENTS	2008 AFS ¹	
	Findings	No. of Companies
Statement of Management's Responsibility (SMR)	1. The SMR is not signed by the prescribed signatories (SRC Rule 68).	8
	2. The Chief Executive Officer and Chief Financial Officer position of the company was held by one person which is not in accordance with Section 25 of the Corporation Code.	1
Auditor's Report	1. The external auditor the company is not accredited by the Commission under Group C category (Rule 8 (a) of the Implementing Rules and Regulations of Lending Company Regulation Act of 2007 (Republic Act No. 9474) and SEC Memorandum Circular No. 13, Series of 2006).	14
	2. The external auditor of the company has no valid and effective BOA Registration number (SRC Rule 68).	1

COMPONENTS OF FINANCIAL STATEMENTS	2008 AFS	
	Findings	No. of Companies
Supplemental Written Statement of External Auditor	1. There is no Supplemental Written Statement of External Auditor (SRC Rule 68).	1

Notes to Financial Statements	2008 AFS	
	Findings	No. of Companies
Corporate Information	1. There is no discussion on going concern issue despite the capital deficiency (PAS 1).	2
Basis of Preparation of FS	1. The company failed to adopt Philippine Financial Reporting Standards (PFRS) as the basis of preparation of its financial statements. As a lending company licensed by the Commission to operate as	6

¹Covering a total of 25 lending companies

Notes to Financial Statements	2008 AFS	
	Findings	No. of Companies
	<p>such, it is a publicly accountable entity under PAS 101 which must fully adopt PFRS.</p> <p>2. The basis of preparation of the financial statements is not disclosed (PAS 1).</p>	1
Receivables	<p>1. There is no or incomplete accounting policy on Loans and receivables, i.e., initial measurement, derecognition, and reversal of impairment loss (PAS 39).</p> <p>2. The accounting policy on Loans and receivables is not in accordance with PAS 39.</p> <p>3. The determination of impairment loss is not in accordance with PAS 39.</p> <p>4. The presentation of "Unearned Interest" account in the Balance Sheet as a liability instead of a deduction from Loans and receivables is not in accordance with PAS 39.</p>	5 5 2 1
Financial Assets/Investments	<p>1. There are no or incomplete accounting policies on financial assets and impairment thereof, i.e., derecognition, determining the amount of impairment, reversal of impairment loss (PAS 39).</p> <p>2. There are no disclosures of the fair value of "Club shares" and "Loans Payable" in a way that permits it to be compared with its carrying amount. It likewise did not disclose the methods and, when a valuation technique is used, the assumptions applied in determining fair values of the said financial instruments (PFRS 7).</p> <p>3. The recognition of "Club shares" under the Investment Properties account is not in accordance with PAS 39.</p>	9 1 1
Investment Property	<p>1. There is failure to recognize depreciation expense for the investment properties (PAS 40).</p> <p>2. There are no or incomplete accounting policy and disclosures on investment properties, i.e., measurement after recognition of non-depreciable properties, disclosures required whether the non-depreciable properties are carried at cost or fair value, estimated useful life, reconciliation of the carrying amount at the beginning and end of the year which shows the additions, disposal for each, methods and significant assumptions applied in</p>	1 2

Notes to Financial Statements	2008 AFS	
	Findings	No. of Companies
	determining the fair value of each, extent to which the fair value of said properties is based on a valuation by an independent valuer, and fair value of investment properties (PAS 40).	
Property and Equipment	1. Incomplete accounting policy and disclosures on property and equipment, i.e., method of depreciation, estimated useful life for each, and reconciliation of the carrying amount at the beginning and end of the periods which shows the additions, disposal, depreciation and impairment for each (PAS 16).	4
	2. There is failure to recognize depreciation expense for property and equipment (PAS 16).	2
Real and Other Properties Owned and Acquired (ROPOA)	1. There are no accounting policy and sufficient disclosures on ROPOA (PAS 1).	2
Impairment of assets	1. There is no accounting policy on impairment of non-financial assets (PAS 36).	2
Liabilities	1. There are no or incomplete accounting policies and disclosures on financial liabilities, i.e., initial and/or subsequent measurement and derecognition on receivables, measurement, derecognition, purpose, terms and conditions, collateral, and defaults and breaches (PAS 39 & PFRS 7).	13
	2. The accounting policy on "Payables" is not in accordance with PAS 39.	1
Equity	1. There are no disclosures on "Deposit for Future Stock Subscription" (PAS 1).	1
Revenue	1. There is no specific revenue recognition policy on all or some significant income account (PAS 18).	16
	2. The revenue recognition policy stated is not in accordance with PAS 18.	3
Leases	1. Incomplete disclosures on leases, i.e., amount, accounting policy, significant leasing arrangements, and future minimum lease payments (PAS 17);	9
Related Party Transactions	1. There are no or incomplete disclosures on related party transactions, i.e., nature, terms and conditions, guarantees, key management personnel compensation (PAS 24).	16

Notes to Financial Statements	2008 AFS	
	Findings	No. of Companies
Income Taxes	1. There are no or incomplete accounting policy and disclosures on income taxes, i.e., explanation of the relationship between tax expense (income) and accounting profit in numerical reconciliation (PAS 12).	3
Employee Benefits	1. There are no or incomplete accounting policies and disclosures on employee benefits, i.e., retirement benefit plan (PAS 19).	8
Prior Period Adjustments	1. There are no disclosures on prior period adjustments (PAS 8).	1
Critical Accounting Estimates	1. There is no discussion on critical accounting estimates and judgements used (PAS 1).	11
Financial Risk Management	1. There is no or incomplete discussion on financial risk management, i.e., qualitative and/or quantitative analysis on each financial risk (PFRS 7).	21
Capital Management	1. There is no or incomplete discussion on capital management, i.e., externally imposed capital requirements and summary quantitative data about what it manages as capital (PAS 1).	24