

COMPILATION OF MATERIAL FINDINGS ON 2010 AFS OF REGISTERED (UNLISTED) CORPORATIONS

TOTAL NUMBER OF COMPANIES COVERED: 25

COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANY	PERCENTAGE (%) TO TOTAL
Statement of Management's Responsibility (SMR)	The Statement of Management's Responsibility (SMR) is not signed under oath (SRC Rule 68)	5	20%
	The Statement of Management's Responsibility (SMR) is not signed by the authorized signatories (SRC Rule 68)	2	8%
Auditors Report	The company engaged an external auditor who is not accredited by the Commission under Group B category. This is in violation of SEC Memorandum Circular No. 13, Series of 2009 (now in SRC Rule 68, as amended).	3	12%
	The company failed to adopt the appropriate financial framework, i.e., full PFRS (SRC Rule 68 and PSA 700, as redrafted)	1	4%
	The auditor's report did not specifically state the following: (a) Financial statement of the prior period were audited by another auditor; (b) Type of report issued by the predecessor auditor; and (c) The date of the report (PSA 700)	1	4%
	There is no emphasis of a matter paragraph that discusses the ability of the company to continue as a going concern due to capital deficiency (PSA 570, PSA 700, as redrafted)	1	4%
	The auditor's report failed to cover the following: (a) 2009 comparative Financial Statements (b) Statement of Income (c) Statement of Changes in Equity (PSA 700)	1	4%
COMPONENTS OF FINANCIAL STATEMENTS	The components of the financial statements and its corresponding disclosures are not presented in a two (2)-year comparative format (SRC Rule 68)	1	4%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANY	PERCENTAGE (%) TO TOTAL
Financial Assets/Liabilities	There are no accounting policies and disclosures on impairment of assets and liabilities (PAS 1, PFRS 7)	2	8%
Inventory	Incomplete disclosures on inventories, i.e., carrying amount of inventories carried at fair value less cost to sell, amount of inventories recognized as expense, explanatory note on property inventory (PAS 2)	1	4%
Property and Equipment	There are no disclosures on property and equipment (PAS 16)	1	4%
	The basis of valuation of land (zonal value) is not in accordance with PAS 16.	1	4%
Liabilities	Incomplete disclosures on Notes and Loans Payable, i.e., nature, terms and conditions, carrying amount of assets used as collateral, etc. (PFRS 7)	1	4%
	There is no explanatory note on "Accounts payable-others" and "Accounts payable-reserves" (PAS 1)	2	8%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANY	PERCENTAGE (%) TO TOTAL
Related Party Transactions	Incomplete disclosures on related party transactions, i.e., specific nature of relationship with affiliates, terms and conditions, detailed breakdown of each related party transaction (PAS 24)	6	24%
Deposit for Future Subscription	The classification of "Deposit for Future Subscription" as part of the Stockholder's Equity is not in accordance with PAS 32. Considering the absence of any pending increase for capital stock, it should not have been presented as "Deposit for future subscription" under Equity section of the financial statement but as "Advances from Officers" under Liabilities.	2	8%
	Incomplete disclosures, i.e., status of application with the SEC for the increase in capital stock, the reason for the delay of filing of the application with SEC (PAS 1)	1	4%
Revenue	There is no accounting policy on recognition of revenue (PAS 1, PAS 18)	1	4%
Cost and Expenses	There is no accounting policy on recognition of cost and expenses (PAS 1, PAS 18)	1	4%
Pre-operating Expenses	The accounting policy and the recognition of pre-operating expense as part of assets are not in accordance with PAS 38.	2	8%
Equity	Incomplete disclosures on "Appropriated Retained Earnings" i.e., description of the project and the timeline for its completion (PAS 1).	1	4%
Capital Management	There is no discussion on capital management (PAS 1)	1	4%
Financial Risk Management	There is no discussion on financial risk management (PFRS 7)	1	4%
	The company failed to provide a discussion on its existing negative liquidity position (PAS 1, PFRS 7)	1	4%