

FINANCIAL REPORTING BULLETINS (REVISED AS OF 2022)

The Commission en *Banc*, in its meeting held on 06 January 2022, resolved to approve the updating of existing Financial Reporting Bulletins (FRBs) in view of the changes in the rules and regulations on financial reporting being implemented by the Commission, particularly, the passage of the Revised Securities Regulation Code (SRC) Rule 68, which took effect on October 18, 2019.

NOTE: The revised/amended portions are highlighted in bold font for ease of reference while those deleted were marked as such.

Bulletin No.	Date	Subject Matter	Clarification/Details
001 (as revised)	06 January 2022 <i>(the original FRB no. 01 was dated 16 February 2012)</i>	Revised Securities Regulation Code (SRC) Rule 68 Other documents and schedules to be filed with the financial statements	<p>(1) The other documents under Part I, Section 5, and schedules under Annex 68-J of the Rule that are submitted with the company's financial statements, forming part thereof, should necessarily be covered by the Statement of Management's Responsibility (SMR). Thus, the first paragraph of the SMR must partly read "<i>The management of (name of reporting company) is responsible for the preparation and fair presentation of the financial statements <u>including the schedules attached therein</u>, for the year(s) ended (date) xxx</i>".</p> <p>(2) The following documents and schedules, if applicable to the company, should be covered by a legal matter paragraph in the Auditor's Report or a separate report of the auditor on each component:</p> <p>(i) For Issuers of Securities to the Public, and Stock Corporations with Unrestricted Retained Earnings in Excess of 100% of Paid-In Capital Stock, a Reconciliation of Retained Earnings Available for Dividend Declaration, which shall present the prescribed adjustments in the prescribed Form per Annex 68 - D of the Rule (Part I, Section 5B);</p>

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			<p>(ii) <i>For Listed Companies</i>, a schedule in the prescribed Form per Annex 68-E of the Rule, showing financial soundness indicators in two (2) comparative periods, as follows: (i) current/liquidity ratios; (ii) solvency ratios, debt-to-equity ratios; (iii) asset-to-equity ratios; (iv) interest rate coverage ratios; (v) profitability ratios; and (vi) other relevant ratios as the Commission may consider necessary (Part I, Section 5C);</p> <p>(iii) <i>For Listed Companies and Investment Houses that are Part of a Conglomerate or Group of Companies</i>, a map showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates, wherever located or registered, shall be submitted with the annual AFS (Part I, Section 5G); and</p> <p>(iv) <i>For corporations covered by Part II of the Rule</i>, supplementary schedules in the prescribed Form per Annex 68-J of the Rule (Part II, Section 7D).</p>
002	16 February 2012	<p>Revised SRC Rules 68</p> <p>Material Uncertainty Related to Going Concern section – Part I, Section 3(E)(vi)</p>	<p><u>Request for Additional Ground for Exemption</u></p> <ul style="list-style-type: none"> If, other than those specific exemptions provided under subpar. (vi), items (1) to (3) of Part I, Section 3(E) of the Rule, the auditor believes that the audit report on a company with capital deficiency does not warrant an additional section for material uncertainty related to going concern, a confirmation must be obtained from the Commission through the submission of a position paper. A determination will be made by the Commission whether the circumstance/s described in the position paper will qualify under item

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			<p>(4) of the exemption list [i.e., such other cases which the Commission may consider as a valid ground for considering the company as a going concern].</p> <ul style="list-style-type: none"> For those availing of the exemption based on items (1) to (3) or pursuant to an additional exemption granted by the Commission, <u>the notes to the financial statements should include a disclosure of the basis for the exemption as prescribed under Part I, Section 3(E)(vii) of the Rule.</u> <p><u>Wordings of the Material Uncertainty Related to Going Concern section</u></p> <p>The external auditor of a company that has incurred a capital deficiency, shall provide in the audit report a Material Uncertainty Related to Going Concern section indicating the following information:</p> <ol style="list-style-type: none"> The fact that the company has incurred a capital deficiency that raises an issue on its going concern status; A brief discussion of a concrete plan of the company to address the capital deficiency and reference to the note to financial statements that provides a complete disclosure of the said plan; <u>A statement that the auditor conducted sufficient audit procedures to verify the validity of the aforementioned plan.</u> <p>Under PSA 570 (revised as of 2016), external auditors are required to perform additional procedures when material uncertainty exists as to the ability of the company to continue as a going concern. Thus, in lieu of the statement under item (c) above, the following provisions consistent with PSA 570, as revised, may be indicated: <u>that the auditor performed audit procedures to evaluate management's plans for such future actions as to likelihood to improve the situation and as to feasibility under the circumstances.</u></p>

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003	16 February 2012	<p>Revised SRC Rule 68</p> <p>Disclosures of receivables/payables with related parties eliminated during consolidation (Annex 68-J)</p>	<p>Information on receivables/payables with related parties that are eliminated during consolidation may be incorporated in the applicable schedules under Annex 68-J of the Rule.</p> <p>The subject information need not be comparative. It shall cover only those transactions eliminated at the reporting entity's level.</p> <p>This disclosure requirement applies only to companies covered under Part II of the Rule.</p>
004	16 February 2012	<p>Companies not covered under Revised SRC Rule 68</p>	<p>The financial statements of companies not covered by Revised SRC Rule 68 should be accompanied by a certification under oath by the company's Treasurer or Chief Finance Officer. Such financial statements should have at least a Statement of Financial Position (Balance Sheet) or a Statement of Fund Balance, Statement of Profit or Loss and Other Comprehensive Income (Income Statement) or a Statement of Receipts and Disbursements, and applicable explanatory notes.</p>
005	16 February 2012	<p>Companies with no operation but are covered under Revised SRC Rule 68</p>	<ul style="list-style-type: none"> • If no operation only for one (1) year: a complete set of audited financial statements must be submitted by the company despite its non-operation. • If no operation for the last two (2) years: The Statement of Profit or Loss and Other Comprehensive Income need NOT be included in the audited financial statements.
006 <i>(as revised)</i>	<p>06 January 2022</p> <p><i>(The original FRB No. 6 was dated 16 February 2012. The same was revised on 24 January 2013 and 11 May 2017.)</i></p>	<p>Deposits for Future Subscriptions</p>	<p>(1) FRB No. 6 dated 11 May 2017 provides that:</p> <p>With the adoption of "one-day processing" policy of applications to increase authorized capital stock (ACS), the Commission, in its meeting held on 11 May 2017, approved the amendments in this guideline, as follows:</p> <p><i>"...an entity shall classify a contract to deliver its own equity instruments under equity as a separate account (e.g., Deposit</i></p>

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			<p>for Stock Subscription) from “Outstanding Capital Stock” if and only if, all of the following elements are present as of the end of the reporting period:</p> <ul style="list-style-type: none"> (i) The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract; (ii) There is Board of Directors’ approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation); (iii) There is stockholders’ approval of said proposed increase; and (iv) <u>The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.</u> (emphasis supplied) <p>To deter abuse of the Rule, it is expected that the approval of the application to increase ACS be obtained within one (1) year from the date the said application was presented to the Commission through Company Registration and Monitoring Department.</p> <p>(2) Following the issuance of SEC Memorandum Circular No. 33, series of 2020, which took effect on 20 December 2020, an investment company is no longer required to comply with the minimum subscribed and paid-up capital relative to the increase in its authorized capital stock. Thus, an investment company is no longer allowed to accept any deposits for future stock subscription starting 20 December 2020.</p> <p>Any DFFS recognized as equity in the financial statements are still acceptable provided that all the elements above are present as of the end of the reporting period and the application for an increase in authorized capital stock has been filed with the Commission prior to 20 December 2020.</p>

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007 (as revised)	06 January 2022 (the original FRB no. 02 was dated 3 April 2012)	Statement of Management's Responsibility (SMR)	<p>(1) The Regional or Area Headquarters (RHQ) established in the Philippines with total assets of Six Hundred Thousand (P600,000.00) or more is also covered by Revised SRC Rule 68. Likewise, Paragraph (vi) of Part I, Section (2)(B) of the Rule shall also be applied to RHQ. Thus, the SMR shall be signed by its local manager who is in charge of its operations within the Philippines.</p> <p>(2) Pursuant to Part I, Section 2(B)(iii) of Revised SRC Rule 68, if the entity's financial statements for filing are comparative, the SMR has to be comparative, even if the independent auditors for the comparative periods are different.</p> <p>The following is an illustration on how the last paragraph of the SMR may be worded in such a case:</p> <p><i>“(name of audit firm) and (indicate prior year auditor), the independent auditors appointed by the stockholders for the periods 31 December 2021 and 2020, respectively, have audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders (or members), have expressed their opinion on the fairness of presentation upon completion of such audit.”</i></p>
008	3 April 2012	Small and Medium-sized Entities (SMEs)	<p>Under Part I (2)(A)(ii)(b) of the Rule, certain types of SMEs may be exempted from the mandatory adoption of the Philippine Financial Reporting Standard (PFRS) for SMEs and may instead apply, at their option, full PFRS. SMEs that availed of the exemption and applied the full PFRS are not considered as large and/or publicly-accountable entities, and therefore are not required to file the tabular schedule of all effective standards and interpretations under the PFRS as of year-end, as required under Part I (4)(J) of the Rule.</p>

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009 (as revised)	06 January 2022 (the original FRB no. 02 was dated 3 April 2012)	Micro Entities	<p>Micro entities which have previously adopted full PFRSs in accordance with SEC's Notice of Implementation Guidelines on PFRS for SMEs dated 09 February 2010 are allowed to continue the use of full PFRS. Nevertheless, micro entities may also choose to change their financial reporting framework to one of the options made available under the Rule. Such change should be accounted for in accordance with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.</p> <p>Micro entities are not required to disclose in the notes to the financial statements their rationale for choosing a particular financial reporting framework available to them.</p>
010 (as revised)	06 January 2022 (the original FRB no. 02 was dated 3 April 2012)	Entities in the process of filing their financial statements for the purpose of issuing any class of instruments (whether shares of stock or bonds) in a public market	<p>"Financial statements to be filed by entities for the purpose of issuing any class of instruments (whether shares of stock or bonds) in a public market are required to comply with the provisions of Part II of the Revised SRC Rule 68, including the supplementary schedules in Annex 68-J.</p> <p>Likewise, the following documents are to be filed with the financial statements, as required by Part I, Section 5 of the Revised Rule:</p> <ol style="list-style-type: none"> (1) A Reconciliation of Retained Earnings Available for Dividend Declaration which shall present the prescribed adjustments as indicated in Annex 68-D of the Rule. (2) A schedule in the prescribed Form per Annex 68-E of the Rule, showing financial soundness indicators in two (2) comparative periods, as follows: (i) current/liquidity ratios; (ii) solvency ratios, debt-to-equity ratios; (iii) asset-to-equity ratios; (iv) interest rate coverage ratios; (v) profitability ratios; and (vi) other relevant ratios as the Commission may consider necessary. (3) If an entity is part of a conglomerate or group of companies - A map showing the relationships between and among the companies and its ultimate parent

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			<p>company, middle parent, subsidiaries or co-subsiidiaries, and associates.</p> <p>The above documents and schedules should be covered by an Auditor's Report. For item No. 2, the requirement that the schedule be covered by an Auditor's Report only applies to Listed Companies.</p>
011	3 April 2012	Non-stock and non-profit organizations	The provision of Part I Section 3(E)(v) of the Revised SRC Rule 68 , regarding capital deficiency, shall not be applicable to non-stock and non-profit organizations with negative fund balance.
012	3 April 2012	Annex 68-J – Schedule A. Financial Assets (For Issuers of Securities to the Public)	<p>The schedule shall be applicable for Financial Instruments at Fair Value through Profit or Loss (FVPL), Financial Instruments at Fair Value through Other Comprehensive Income (FVOCI), and Financial Instruments at Amortized Cost. Financial Instruments at Amortized Cost shall be included in the schedule only if the information requirements are applicable.</p> <p>For example, trade receivables of a reporting entity need not be included in this Schedule A but Long-term Commercial Papers classified under Financial Instruments at Amortized Cost shall be included.</p>
013	24 January 2013	Presentation of Related Party Disclosures	<p>Philippine Accounting Standard (PAS) 24 provides that an entity should disclose information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. At a minimum, the disclosures shall include:</p> <ul style="list-style-type: none"> (a) the amount of the transactions; (b) the amount of outstanding balances, including commitments, and their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement, and details of any guarantees given or received;

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			<p>(c) provisions for doubtful debts related to the amount of outstanding balances; and</p> <p>(d) the expense recognized during the period in respect of bad or doubtful debts due from related parties.</p> <p>PAS 24 also provides that the said disclosures shall be made separately for each of the following categories: (a) the parent; (b) entities with joint control of, or significant influence over, the entity; (c) subsidiaries; (d) associates; (e) joint ventures in which the entity is a venturer; (f) key management personnel of the entity or its parent; and (g) other related parties.</p> <p>To attain the objective of PAS 24 of providing an understanding of the potential effect of the relationship on the financial statements, the following requirements under the said standard must be observed by corporations:</p> <p>(1) The required disclosures on transactions and outstanding balances shall be made separately for each of the following categories: (a) the parent; (b) entities with joint control of, or significant influence over, the entity; (c) subsidiaries; (d) associates; (e) joint ventures in which the entity is a venturer; (f) key management personnel of the entity or its parent; and (g) other related parties.</p> <p>(2) For each of said category, the following information shall be provided:</p> <p>(a) the amount of the transactions;</p> <p>(b) the amount of outstanding balances, including commitments, and their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement, and details of any guarantees given or received;</p> <p>(c) provisions for doubtful debts related to the amount of outstanding balances;</p> <p>(d) the expense recognized during the period in respect of bad or</p>

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			<p>doubtful debts due from related parties.</p> <p>The presentation shall be made in columnar format according to the above categories and disclosure items.</p>
014	24 January 2013	Presentation Reconciliation of Retained Earnings	<p>Under Part I, Section 5 (B) of the Revised SRC Rule 68, issuers of securities to the public, and stock corporations with unrestricted retained earnings in excess of 100% of paid-in capital stock, are mandated to submit with their audited financial statements a Reconciliation of Retained Earnings Available for Dividend Declaration.</p> <p>The <u>amount of retained earnings of a company should be based on its separate (“stand alone”) financial statements</u> and not on its consolidated financial statements if it is a parent company. This is because the retained earnings based on the consolidated financial statements include surplus of the subsidiaries which are not yet actual earnings of the parent unless released by the subsidiaries in the form of dividends.</p> <p>The reconciliation of retained earnings of the parent company shall however, be submitted with the consolidated financial statements pursuant to Revised SRC Rule 68.</p> <p>To avoid inconsistencies in the balances, the Reconciliation should present the prescribed adjustments as indicated in Annex 68-D of the Rule.</p>
015	24 January 2013	Appropriation of Retained Earnings for Business Expansion	<p>PAS 1 prescribes that the notes to financial statements of corporations shall disclose among others, information that is relevant to an understanding of the financial statements.</p> <p>For corporations with excess retained earnings, their financial statements must</p>

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			<p>contain relevant information in connection with Section 42 of the Revised Corporation Code (the “RCC”) which provides in part:</p> <p>“Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except:</p> <ul style="list-style-type: none"> (a) when <u>justified by definite corporate expansion projects or programs approved by the Board of Directors</u>; or (b) when the corporation is prohibited under any loan agreement with financial institutions or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or (c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies.” <p>The above provisions indicate that the retention for expansion projects must be definite and approved by the Board of Directors.</p> <p>Pursuant to PAS 1, the following disclosures are relevant to provide an understanding on the impact of the retention of earnings on the financial statements and thus, must be provided therein:</p> <ul style="list-style-type: none"> (i) <i>Details of the expansion (e.g., description of the project, timeline) to render the project definite;</i> (ii) <i>The date of the approval of the project by the Board of Directors.</i>

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016	24 January 2013	List of Effective Standards and Interpretations (as of 31 December 2012)	<p>Under paragraph 4(J) of SRC Rule 68, as amended, large and/or publicly-accountable entities are required to submit with their audited financial statements a schedule, in table format, showing in the first column a list of all the effective standards and interpretations under the PFRS as of year-end, and an indication opposite each in the second column on whether it is “Adopted”, “Not adopted” or “Not applicable”.</p> <p>To comply with the said requirement, the following list must be accomplished, audited by the company’s external auditor and submitted with annual financial statements:</p>
017	07 March 2013	Newly-registered Corporations	<p>Under Section 141 of the Corporation Code, every corporation, domestic or foreign, lawfully doing business in the Philippines shall submit to the Securities and Exchange Commission an annual report of its operations, together with a financial statement of its assets and liabilities, certified by any independent certified public accountant in appropriate cases, covering the preceding fiscal year and such other requirements as the Securities and Exchange Commission may require. Such report shall be submitted within such period as may be prescribed by the Securities and Exchange Commission.</p> <p>A threshold for the submission of the said audited financial statements is indicated in Section 75 of the Code, as follows:</p> <p>“SEC. 75. <i>Right to financial statements.</i> — Within ten (10) days from receipt of a written request of any stockholder or member, the corporation shall furnish to him its most recent financial statement, which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the result of its operations.</p> <p>However, if the paid-up capital of the corporation is less than P50,000.00 the financial statements may be</p>

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			<p>certified under oath by the treasurer or any responsible officer of the corporation.”</p> <p>Except for the above limitation on the coverage of entities whose financial report must be audited, the provisions of the Corporation Code do not grant any exemption from the required submission of annual financial statements (AFS). The filing requirement is applicable to all corporations and organizations registered with the Commission as of the fiscal year end including those newly incorporated during the said year.</p> <p>Corporations with fiscal year of 31 December that were registered during the last preceding year, regardless of the date of incorporation, must submit their AFS in accordance with the Annual Schedule of Filing of Financial Statements indicated in the applicable Circular of the Commission (for 2012 AFS, SEC Memorandum Circular No. 7, Series of 2012 is applicable). For those with fiscal year other than 31 December, their first AFS shall be due within 120 days after the end of their fiscal year.”</p> <p>NOTE: Updates are incorporated in Part I, Section 1(A)(iii) of the Revised SRC Rule 68.</p>
018	22 December 2015	Age Requirement for Financial Statements	<p>Under Part II, Section 4 of SRC Rule 68, as amended, issuers of securities to the public are required to comply with the following provisions of the Rule:</p> <p><i>“At the time a registration statement on SEC Form 12-1 is to become effective, the financial information therein shall be as of a date within 135 days from effective date or such longer period which the Commission may allow upon favorable consideration of a written request of the registrant. The factors that may be considered in granting the request include the time constraints and the significant circumstances surrounding the given proposed issue.”</i></p>

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			<p>It has been noted that several corporations applying for registration of their securities have requested for exemptive relief from the adoption of the above-cited provisions, particularly on the extension of the effectivity of financial statements from 135 days to 180 days.</p> <p>While the proposed amendments to SRC Rule 68, as Amended, to consider the matter are still pending consideration by the Commission, and in line with its preparation for the capital market integration and for consistency with the adopted ASEAN Framework, companies are hereby informed that the following proposed amendments to Part II Section 4 of SRC Rule 68 can already be adopted:</p> <p style="padding-left: 40px;">“At the time a registration statement on SEC Form 12-1 is to become effective, the financial information therein shall be as of a date 180 days from effective date.”</p> <p>The SEC shall no longer grant further request for extension of said period.</p> <p>NOTE: Updates are incorporated in Section 5(A)(vi) of the Revised SRC Rule 68.</p>
019	03 May 2016	Expectations for an Effective Audit Function	<p>In line with the continuing effort to promote quality control standards in external audit, the following principles on the expectation for an effective audit function are required to be observed by independent auditors. The FRB basically contains the responsibilities of the external auditor some of which are actually covered by the requirements under Philippine Standards on Auditing (PSA). The PSAs are the standards that the external auditors are required to apply when they conduct a financial statement audit.</p> <p>Consistent with the PSA, the principles herein highlight the responsibilities of the external auditor when conducting an audit of financial statements. They provide guidelines on how external auditors are expected to carry out audit engagements to achieve the overall objective of an audit of financial statements, i.e., expression of an</p>

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			<p>opinion on the fairness of the financial statements.</p> <p>The member-agencies of the Financial Sector Forum, namely, the Securities and Exchange Commission, Bangko Sentral ng Pilipinas, Insurance Commission and Philippine Deposit Insurance Commission, had agreed that these principles for an effective external audit function be adopted in their respective supervisory jurisdictions.</p>
020	26 Jan 2017	Revised Statement of Management's Responsibility (SMR)	<p>In line with the adoption of the new and revised auditor reporting standards, the standard form of SMR prescribed under Section 2 (B) of SRC Rule 68, as amended, is hereby revised to read as follows:</p> <p style="text-align: center;">STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS</p> <p>The management of (name of reporting company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year(s) ended (date), in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.</p> <p>The Board of Directors (Trustees) is responsible for overseeing the Company's financial reporting process.</p> <p>The Board of Directors (Trustees) reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.</p> <p>(Name of auditing firm), the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.</p>

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			<p style="text-align: center;">_____ Signature Printed Name of the Chairman of the Board</p> <p style="text-align: center;">_____ Signature Printed Name of Chief Executive Officer</p> <p style="text-align: center;">_____ Signature Printed Name of Chief Financial Officer</p> <p>Signed this ____ day of _____</p> <p><i>NOTE: Updates are incorporated in Part I, Section 2(B)(ii) of the Revised SRC Rule 68.</i></p>