




**COMPILATION OF MATERIAL FINDINGS ON 2012 AFS OF FINANCING COMPANIES**  
**TOTAL NUMBER OF COMPANIES COVERED: FIFTY (50)**

<b>COMPONENTS OF FINANCIAL STATEMENTS</b>	<b>FINDINGS</b>	<b>NO. OF COMPANIES</b>	<b>PERCENTAGE TO TOTAL</b>
<b>Auditor's Report</b>	The external auditor of the company is not accredited by the Commission under Group C category (SRC Rule 68, as amended).	2	4%
	The basis of preparation of the FS as stated in the Management's Responsibility and Opinion paragraphs is incorrect. It should have adopted the full PFRS (SRC Rule 68, as amended).	3	6%
	There is no emphasis of a matter paragraph discussing the following: a) The fact that the company has incurred a capital deficiency b) 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; and c) A statement that the auditor conducted sufficient audit procedures to verify the validity of the aforementioned plan (PSA 570, Financial Reporting Bulletin No. 2, SRC Rule 68, as amended).	1	2%
	The Auditor's Report failed to cover the schedule of effective standards and interpretations as of year end (Financial Reporting Bulletin No. 1, Series of 2012).	1	2%
<b>Supplemental documents required by SRC Rule 68, as amended</b>	There is no audited schedule of all effective standards and interpretation as of year-end (SRC Rule 68, as amended, Financial Reporting Bulletin Nos. 1 and 16, Series of 2012 and 2013).	13	26%
	There is no schedule showing	16	32%

COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE TO TOTAL
	financial soundness indicators in two comparative periods, i.e. (i) current/liquidity ratios; (ii) asset to equity ratios; (iv) interest rate coverage ratios; (v)profitability ratios; (vi) other relevant ratios as the Commission may consider necessary (SRC Rule 68, as amended).		
	There is no audited Reconciliation of Retained Earnings Available for Dividend Declaration (SRC Rule 68, as amended).	1	2%
	There is no schedule showing the following information for two comparative periods: (a) ratio or percentage of total real estate investments to total assets; (b) total receivables to total assets; (c) total DOSRI receivables to net worth; and (d) amount of receivables from a single corporation to total receivables (SRC Rule 68, as amended).	18	36%
<b>Statement of Changes in Equity</b>	The Statement of Changes in Equity is not attached to the Financial Statements (PAS 1).	1	2%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE TO TOTAL
<b>Corporate Information</b>	There is no disclosure of the date when the Board of directors authorized the issuance of the financial statements (PAS 1, SRC Rule 68, as amended).	1	2%
<b>Basis of Preparation</b>	The company failed to adopt Philippine Financial Reporting Standards (PFRS) as its basis of preparation of its financial statements (SRC Rule 68, as amended).	5	10%
<b>Receivables</b>	The company's disclosure on Other loans was belatedly provided. (PAS 1, 39).	1	2%
	There is no discussion showing that the following conditions were considered in the provisioning for	19	38%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE TO TOTAL
<b>Receivables</b>	<p>probable losses 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) (PAS 1, 39).</p> <ul style="list-style-type: none"> <li>a. Clean loans and advances past due for a period of more than six (6) months;</li> <li>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;</li> <li>c. Past due loans secured by real estate mortgage title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;</li> <li>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;</li> <li>e. Accrued interest receivable that remain uncollected after six (6) months from the maturity date of such loans to which it accrues; and</li> <li>f. Accounts receivable past due for 361 days or more.</li> </ul>		
	There is failure to disclose the ageing analysis of receivables and the nature of loans/notes receivable and financial receivable(PAS 39, PFRS 7).	2	4%
	Incorrect recognition of "Unearned Discount and Interest" under liabilities (PAS 18 & 39).	1	2%
<b>Financial Assets</b>	There are no or incomplete disclosure on loans and receivables, i.e., accounting	6	12%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE TO TOTAL
	policy on impairment and derecognition, subsequent measurement, terms and condition, interest rate, nature of assets held as collateral and its terms and conditions relative to its use (PAS 1, PFRS 7).		
	There is no accounting policy on initial recognition of financial assets (PFRS 7).	3	6%
	There are no accounting policies on financial assets (PAS 32, 39, & PFRS 7).	1	2%
	The policy on subsequent measurement of receivables is not in accordance with PAS 39).	3	6%
<b>Other Assets</b>	Incorrect recognition of pre-operating expenses as an asset under "Other assets" in the Statement of Financial Position" (PAS 38).	1	2%
<b>Deferred tax</b>	Incomplete disclosures on deferred assets (PAS 1, 38).	1	2%
<b>Liabilities</b>	There is no or incomplete disclosures on liabilities, i.e., covenants and warranties and whether the company is compliant with conditions as of year end, whether it is secured and the nature of the consideration to be provided in settlement, interest rate applied, the nature of relationship of relationship with related parties, amount of assets held as collateral (PFRS 7, 24).	8	16%
	There are no accounting policies and disclosures on financial liabilities (PAS 32,39, PFRS 7).	2	4%
<b>Capital Management</b>	There is no or incomplete discussion in the notes to FS of the externally-imposed capital requirement and how it is incorporated into the company's management of capital (Revised PAS 1, IRR of Financing Company Act ).	13	26%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE TO TOTAL
	There are no accounting policies and disclosures on capital management (PAS 1).	4	8%
Equity	There is no or incomplete disclosures on "Shareholders deposits" (PAS 1).	1	2%
	There are no disclosure and accounting policy on equity (PAS 1, 32).	1	2%
Revenue	There is no specific revenue recognition policy on interest, dividend income, financing income, rental income (PAS 18).	7	14%
	The recognition of interest income service charges and miscellaneous fees is not in accordance with PAS 18.	1	2%
	The required explanatory note on Other Income was belatedly provided (PAS 1, 18).	1	2%
Cost and Expenses	There is no or incomplete disclosure on "other accrued expenses", i.e., nature and composition (PAS 1, 18).	1	2%
Employee Benefits	There are no accounting policy and disclosures on employee benefits (PAS 19).	3	6%
Leases	There are no accounting policy and disclosures on leases (PAS 17).	2	4%
Related Party Transactions	There are no or incomplete disclosures on related party transactions, i.e., specific nature of relationship with each affiliates (PAS 24).	3	6%
	There are no or incomplete disclosures on related party transaction, i.e., key management personnel compensation, terms and conditions including the collateral or security given, nature of the consideration provided for settlement, details of any guarantees given or received, provision for doubtful debts and the expense recognized during the period (PAS 24).	12	24%
Financial Risk Management	There are no accounting policy and disclosures on financial risk	2	4%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE TO TOTAL
	management (PFRS 7).		
	There are no or incomplete disclosure on the quantitative analyses on financial risk (PFRS 7).	6	12%
<b>RA No. 8556 (The Financing Company Act of 1998 and its Implementing Rules and Regulations)</b>	The company failed to use or invest more than 50% of its funds in financing activities (Sec. 9 of the IRR of Financing Company Act of 1998).	4	8%
	Investment in real estate and in shares of stock in a real estate development corporation and other real estate based projects exceeded 25% limit of the company's network.	3	6%
	The company's network is less than the required minimum paid-up capital of P10M (Sec. 11 of the IRR of Financing Company Act of 1998 (RA No. 8556).	2	4%