

COMPILATION OF MATERIAL FINDINGS ON 2011 AFS
 TOTAL NUMBER OF FINANCING COMPANIES COVERED: **50**

COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE TO TOTAL
Auditor's Report	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).	1	2%
	The Auditor's Report was signed before the date of the board of directors approval for the issuance of the FS (SRC Rule 68, as amended).	2	4%
Supplemental documents required by SRC Rule 68, as amended	There is no audited schedule of all effective standards and interpretation as of year-end (SRC Rule 68, as amended).	26	52%
	There is no schedule showing 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).	25	50%
	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).	17	34%

Supplemental Written Statement of the Auditor	There is no supplemental Written Statement of the External Auditor (SRC Rule 68, as amended).	1	2%
Statement of Management Responsibility	1.The Statement of Management Responsibility (SMR) is not signed by the prescribed signatories under SRC Rule 68, as amended.	3	6%
	2.The SMR is not in accordance with the prescribed wordings under SRC Rule 68, as amended.	1	2%
	3.The basis of preparation of the financial statements as stated in SMR for FS, i.e., PFRS for SMEs is not consistent with that indicated in Note 2 of FS (SRC Rule 68, as amended).	2	4%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE TO TOTAL
Corporate Information	There are no disclosures on corporate information (PAS 1).	1	2%
	There is no discussion on the parent company (PAS 1, SRC Rule 68, as amended).	1	2%
	Note 2 states that the financial statements prepared are consolidated financial statements. There is however no disclosure of any subsidiary company (PAS 1).	1	2%
Basis of Preparation	The company failed to adopt Philippine Financial Reporting Standards (PFRS) as its basis of preparation of its financial statements (SRC Rule 68, as amended).	4	8%
	The framework adopted is not indicated in the financial statements (SRC Rule 68, as amended).	1	2%
Significant Accounting Judgments and Estimates	There is no discussion on significant accounting judgements and estimates used by the company's management in the preparation of the financial statements(PAS 1).	2	4%
Cash and Cash Equivalents	There are no or incomplete disclosures on cash and cash equivalents, i.e., amount, nature,	2	4%

	terms and conditions of cash in bank (PAS 1).		
	There is no accounting policy on cash and cash equivalents (PAS 1).	2	4%
Receivables	<p>There is no discussion showing that the following conditions were considered in the provisioning for 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).</p> <ul style="list-style-type: none"> a. Clean loans and advances past due for a period of more than six (6) months; 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; c. Past due loans secured by real estate mortgage title to which is subject to an adverse claim rendering settlement through foreclosure doubtful; 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; e. Accrued interest receivable that remain uncollected after six (6) months from the maturity date of such loans to which it accrues; and f. Accounts receivable past due for 361 days or more. 	30	60%
	There is no "Unearned Income" deducted from loans and receivables which showed non-adoption of amortized cost	2	4%

	method.(PAS 18 & 39).		
	Incorrect recognition of "Unearned Discount and Interest" under liabilities (PAS 18 & 39).	2	4%
Financial Assets	There are no or incomplete disclosure on loans and receivables, i.e., accounting 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).	7	14%
	There is no accounting policy on initial recognition of financial assets (PFRS 7).	2	4%
	There are no accounting policies on financial assets (PAS 32, 39, & PFRS 7).	3	6%
Other Current Assets	There is no accounting policy on properties acquired through foreclosure or repossession (PAS 16/40/PFRS 5).	1	2%
Investment Property	There are no or incomplete disclosures on investment property, i.e., fair value and basis thereof (PAS 40).	1	2%
Plant and Equipment	There are no or incomplete disclosures on ROPOA, i.e., nature, the depreciation methods used, the useful lives or the depreciation rate used, reconciling schedule for 2010 figures (PAS 16).	3	6%
	There is no accounting policy on plant and equipment (PAS 16).	2	4%
	There are no or incomplete disclosures on PPE, i.e., estimated useful life of PPE, reconciling schedule (PAS 1).	1	2%
Impairment of Assets	There is no accounting policy on impairment of assets (PAS 36).	2	4%
Liabilities	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 (PFRS 7).	4	8%

	There are no accounting policies and disclosures on financial liabilities (PAS 32,39, PFRS 7).	8	16%
	There is no liability account presented on the face of the Balance Sheet (PAS 1).	1	2%
Capital Management	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%
	There is no accounting policy and disclosures on capital management (PAS 1).	5	10%
Equity	There is no or incomplete disclosure of any appropriation of retained earnings to comply with Sec. 43 of the Corporation Code.	2	4%
	There is no or incomplete disclosures on "Shareholders deposits" (PAS 1).	2	4%
	There is no accounting policy on equity (PAS 1).	5	10%
Revenue	There is no specific revenue recognition policy on interest, dividend income (PAS 18).	2	4%
	There are no accounting policies on revenues (PAS 18).	3	6%
	The recognition of service charges and miscellaneous fees is not in accordance with PAS 18.	2	4%
Cost and Expenses	There are no accounting policies and disclosures on cost and expenses (PAS 18).	5	10%
Employee benefits	There are no accounting policy and disclosures on employee benefits (PAS 19)	6	12%
Leases	There are no accounting policy and disclosures on leases (PAS 17).	4	8%
Related Party Transactions	There are no or incomplete disclosures on related party transactions, i.e., specific nature of relationship with each affiliates (PAS 24).	5	10%
	There are no or incomplete disclosures on related party transaction, i.e., key management personnel compensation, terms	9	18%

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	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).		
Financial Risk Management	There are no accounting policy and disclosures on financial risk management (PFRS 7).	2	4.16%
	There are no or incomplete disclosure on the quantitative analyses on financial risk (PFRS 7).	8	16.67%
Income Taxes	There is no accounting policy on income taxes (PAS 12).	2	4.16%
RA No. 8556 (The Financing Company Act of 1998 and its Implementing Rules and Regulations)	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).	2	4.16%
	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.	1	2.08%
	Total credit extended to the company's directors, officers and stockholders exceeded the fifteen (15%) limit of its network.	3	6.25%