

**COMPILATION OF MATERIAL FINDINGS ON 2012 AFS OF ORDINARY CORPORATIONS**

**TOTAL NUMBER OF COMPANIES COVERED: THIRTY-THREE (33)**

COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
<b>Auditor's Report</b>	The Management's Responsibility paragraph and basis of opinion incorrectly cited Philippine Financial Reporting Standards (PFRS) for SMEs. Considering the asset and liability size of the company, it should have adopted full PFRS (SRC Rule 68, as amended and PSA 700, as redrafted).	1	3.03%
	The management's responsibility paragraph and basis of opinion incorrectly indicates "PFRS" as basis of preparation. Considering the asset and liability size of the company, it should have adopted PFRS for SMEs (PSA 700, SRC Rule 68, as amended).	3	9.09%
	The basis of preparation indicated in the Management's Responsibility paragraph (i.e., PFRS) is inconsistent with that in the Opinion paragraph (i.e., PFRS for SMEs). Considering the company's asset and liabilities size, it should have consistently adopted PFRS (SRC Rule 68, as amended).	1	3.03%
	There is no emphasis of matter paragraph in the Auditor's Report discussing the company's concrete plan to address its capital deficiency (SRC Rule 68, as amended, Financial Reporting Bulletin No. 2, PSA 570).	6	18.18%
	The Auditor's Report was dated prior to the date for approval for issuance by the Management (SRC Rule 68, as amended, PSA 700, as redrafted and 560).	1	3.03%
<b>Statement of Management's Responsibility (SMR)</b>	The SMR is not signed by the required signatory (SRC Rule 68, as amended).	2	6.06%
	The SMR incorrectly indicate that the AFS are presented in accordance with PFRS for SMEs. Considering the company's asset and liabilities size, it should have indicated PFRS (SRC Rule 68, as amended).	1	3.03%
	The SMR is not dated and is not in accordance with the prescribed wording per SRC Rule 68, as amended.	1	3.03%
<b>Supplemental Schedules required under</b>	There is no audited schedule of all effective standards and interpretations under PFRS as of year-end (SRC Rule 68, as amended, Financial Reporting Bulletin Nos. 1 and 16).	3	9.09%

COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
<b>SRC Rule 68, as amended</b>	There is no audited Reconciliation of Retained Earnings Available for Dividend Declaration (SRC Rule 68, as amended, Financial Reporting Bulletin Nos. 01 and 14).	1	3.03%
	There is no Schedule of Disbursements according to sources and activities (SEC Memorandum Circular No. 4, Series of 2013).	1	3.03%
	There is no Schedule of Contributions and Donations prepared in accordance with Annex "A" of SEC Memorandum Circular No. 4, Series of 2013.	1	3.03%
	The Foundation failed to have the Sworn Statement of the organization's President and Treasurer notarized (SRC Rule 68, as amended and SEC Memorandum Circular No. 4, Series of 2013).	1	3.03%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Corporate Information	There is no discussion on the company's concrete plan to address its recognized capital deficiency (SRC Rule 68, as amended and Financial Reporting Bulletin No. 2).	5	15.15%
Basis of Preparation	The Notes to FS indicates PAS 101 as the basis of preparation of the financial statements. This is inconsistent with the disclosures on the same Notes which indicates PFRS for SMEs (Sections 1, 3 and 8 of PFRS for SMEs).	1	3.03%
	The Notes to FS incorrectly adopted PFRS as its basis of preparation of the financial statements. Considering its asset and liabilities size, it should have adopted PFRS for SMEs (SRC Rule, 68, as amended).	1	3.03%
Significant Accounting Estimates and Judgment	There are no discussions on estimates used on impairment of financial assets, determination of net realizable value of inventories, measurement of revenue, cost and estimated liabilities from construction contracts (PAS 1).	3	9.09%
Financial Assets	There is no accounting policy on financial assets (Sec. 11 of PFRS for SMEs).	1	3.03%
	The accounting policy on initial recognition of financial assets as indicated in the Notes to FS is not in accordance with Sec. 11 of PFRS for SMEs.	1	3.03%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Receivables	There is no accounting policy on receivables (PAS 1, PAS 39).	1	3.03%
	There are no disclosures on "Advances to Related Parties" and "Installment Sales Receivables", i.e., nature, credit terms, interest rates applied (PAS 1, PAS 39, PFRS 7).	1	3.03%
	Incomplete disclosures on Loans and Receivables, i.e., description of the loans granted by the company, repayment terms and interest rates applied (PAS 1, PAS 39, PFRS 7).	1	3.03%
	The accounting policy on initial recognition of "Trade and Other receivables" in the Notes to FS (i.e., nominal values) is inconsistent with that indicated in a different Note which states that "financial instruments are recognized initially at fair value" (PAS 39).	1	3.03%
	The accounting policy on initial recognition of "trade receivables" in the Notes to FS is not in accordance with PAS 39.	1	3.03%
	The accounting policies on initial recognition and subsequent measurement of Receivables as indicated in the Notes to FS are not in accordance with Sec. 11 of PFRS for SMEs.	1	3.03%
	The accounting policy on subsequent measurement on Trade Receivables in the Notes to FS is not in accordance with Sec. 11 of PFRS for SMEs.	1	3.03%
Inventories	There are no accounting policy and disclosures on "Inventories" (PAS 1, PAS 2).	1	3.03%
	There is no accounting policy on initial recognition on Inventories Sec. 13 of PFRS for SMEs).	1	3.03%
Available-for-Sale (AFS) Financial Assets	A Note indicates that "unquoted equity shares are carried at cost less impairment". This is not consistent with the fair value hierarchy which indicates that the AFS financial assets are fair valued at Level 2 (PFRS 7 and PAS 39).	1	3.03%
	The "Available-for-sale financial assets" is not classified in accordance with the categories under Secs. 11 and 12 of PFRS for SMEs.	1	3.03%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Other Assets	<p>A Note on accounting policy indicates that "Other assets, if any, are carried at cost, and may include current portion of non-trade receivables, such as loans receivables, VAT input, accrued investment income, prepayments and refundable/creditable income tax, if any." Said accounting policy however, incorrectly includes "loans receivables" which should have been measured at "amortized cost" (PAS 39).</p> <p>It further indicates that "Non-current portion of loans receivables are carried at cost or amortized cost using effective interest method." There is however, no disclosure of the receivables that are being measured using "cost" and those at "amortized cost" (PAS 39).</p>	1	3.03%
Liabilities	<p>There are no explanatory disclosures, i.e., general description, payment terms, interest rates applied and amount of each item, on the following accounts despite materiality of the amount:</p> <ol style="list-style-type: none"> <li>1. Accounts payable and accrued expenses;</li> <li>2. Deferred Gross Profit on Installment Sales;</li> <li>3. Estimated Liabilities for Construction Cost;</li> <li>4. Project Financing; and</li> <li>5. Bills Payable.</li> </ol> <p>(PAS 1, PAS 39).</p>	1	3.03%
	<p>There are no accounting policies on initial recognition and subsequent measurement of Liabilities (PAS 1, PAS 39).</p>	4	12.12%
	<p>The accounting policy on initial recognition of "Trade Payables" as indicated in Notes to FS is not in accordance with Sec. 11 of PFRS for SMEs.</p>	4	12.12%
	<p>The accounting policies on initial recognition of "Trade and Other payables" and "Notes payables" in the Notes to FS (i.e., nominal values) are inconsistent with those in indicated in a different Notes which states that "financial instruments are recognized initially at fair value". (PAS 39).</p>	1	3.03%
	<p>There are no disclosures on "Other Accounts Payable and Accrued Expense" despite materiality of amount (PAS 1).</p>	2	6.06%
	<p>There is no breakdown of the nature and amount of each items comprising "Other Liabilities" despite materiality of amount (Secs. 8 and 11 of PFRS for SMEs).</p>	1	3.03%
	<p>Incomplete disclosures on Loans Payable, i.e., interest rate applied, maturity, assets used as collateral and its carrying amount, guarantees and details of any breach or default (Sec. 11 of PFRS for SMEs).</p>	6	18.18%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
	Incomplete disclosures on "Long-Term Liabilities", i.e., maturity, mode of settlement, terms of payment (PFRS 7).	1	3.03%
	Based on the Statement of Financial Position, the company classified its "Loans Payable" under current liabilities. This is inconsistent with the Notes to FS which shows that its maturity is more than one (1) year (PFRS 7, PAS 1).	1	3.03%
	There is no accounting policy on subsequent measurement of Accounts Payable-Others (Sec. 11 of PFRS for SMEs).	1	3.03%
Equity	The company's Retained Earnings exceeds its paid-in capital by 100%. There is however, no disclosure of any appropriation of retained earnings to comply with Section 43 of the Corporation Code.	2	6.06%
	Incomplete disclosures on Reserves/Appropriated Retained Earnings, i.e., date of approval of Board of Directors and Stockholders, details of appropriation and timeline of implementation/usage (Sec. 43 of the Corporation Code, Sec. 8 of PFRS for SMEs, Financial Reporting Bulletin No. 15).	2	6.06%
	The Statement of Income and Retained Earnings show that the company declared a cash dividend in 2012 amounting to P2.7 million. There are however, no disclosures whether said dividend declaration has been approved by the Board of Directors (Sections 4 and 8 of PFRS for SMEs).	1	3.03%
	Incomplete disclosures on Deposit for future subscription, i.e., date of approval of increase in capitalization by the Board of Directors and Stockholders, date of filing with the Commission and the status thereof (PAS 32, Financial Reporting Bulletin No. 6)	1	3.03%
	There is no explanatory note on "Additional Investments" under Funds (Sec. 8 of PFRS for SMEs).	1	3.03%
Revenue	There are no specific revenue recognition policies of "Sales from Condominium Property", "Installment Sales" and "Profit from Construction Contracts" (PAS 18, PAS 1).	1	3.03%
	There is no breakdown of the nature and amounts of each item comprising Other Income despite materiality of amount (Sec. 23 and 8 of PFRS for SMEs).	1	3.03%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
	There are no disclosures of the nature and amount of each items deducted from "Gain on Sale – Gross" to arrive at "Gain on Sale – Net" (Secs. 8 and 23 of PFRS for SMEs).	1	3.03%
	There is no specific Revenue recognition policy for "Service Income" (Sec. 23 and 8 of PFRS for SMEs).	1	3.03%
	There are no specific revenue recognition policies on "Realized Gain on Sale of Real Estate", "Interest Income on Installment Sale", and "Rental Income" (Sec. 23 of PFRS for SMEs).	1	3.03%
Related Party Transactions	There is no accounting policy on related party transactions (Sec. 33 of PFRS for SMEs).	1	3.03%
	There is no accounting policy on subsequent measurement of "Advances to Stockholders" (Sec. 11 of PFRS for SMEs).	1	3.03%
	There are no accounting policies and disclosures on related party transactions (Sec. 33 of PFRS for SMEs).	2	6.06%
	There are no disclosures of related party transactions (PAS 24)	1	12.5%
	Incomplete disclosures on "Due to Stockholders", i.e., amount or volume of transaction for the year, payment terms, interest rates applied and consideration to be provided in settlement (PAS 1, PAS 24).	2	6.06%
	Incomplete disclosures on related party transactions, i.e., volume of transactions, mode of settlement, assets used as collateral and its carrying amount, key management personnel compensation (Sec. 33 of PFRS for SMEs).	8	24.24%
Costs and Expenses	There are no disclosures of nature and amount of each item comprising "Cost of Installment Sales" (PAS 1).	1	3.03%
	There is no accounting policy on "Cost and Expenses" (Secs. 8 and 23 of PFRS for SMEs).	1	3.03%
	There is no breakdown of the nature and amount of each item comprising Cost of Sales (Sec. 8 and 23 of PFRS for SMEs).	1	3.03%
Income Taxes	There are no disclosures of income taxes (PAS 12).	1	3.03%
Construction Contracts	There is no accounting policy and disclosures on "Construction Contracts" despite the company's business operation indicated in the Notes to FS, i.e., engage in the business of construction (PAS 11, PAS	1	3.03%

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	1).		
Employee Benefits	There are no accounting policy and disclosures on employee/retirement benefits (PAS 19, PAS 1).	9	27.27%
	Page 5 of the AFS states that the company has yet to provide for the estimated benefits required to be paid under Republic Act 7641. There is neither a disclosure if the company is exempted from the said Act or an assessment impact on said non-adoption (Sec. 28 of PFRS for SMEs).	1	3.03%
Financial Risk Management	Incomplete discussion on financial risk management, i.e., quantitative on each financial risks (PFRS 7).	2	6.06%
	Incomplete disclosures on liquidity risk, i.e., specific management plans to address the company's negative liquidity (PFRS 7).	1	3.03%
Investment Property	The Notes to FS states that investment property is valued at fair market value based on the Bureau of Internal Revenue zonal valuation. This is not in accordance with Secs. 11.27-11.32 of PFRS for SMEs.	1	3.03%
	There is no accounting policy on initial recognition of Investment Property (Sec. 17 of PFRS for SMEs).	2	6.06%
	There are no accounting policies and disclosures on Investment Property (Sec. 16 of PFRS for SMEs)	1	3.03%
	Considering the adopted accounting policy on subsequent measurement (i.e., cost method) of Investment Properties, the company should have classified the same as a component of PPE (Sec. 17 of PFRS for SMEs).	2	6.06%
Leases	Incomplete disclosures on leases, i.e., general leasing agreements, minimum lease payments (Sec. 20 of PFRS for SMEs).	2	6.06%
Intangible Assets	The Notes to FS states that the company capitalized its "Organizational Cost" that consists of its start-up costs. This is not in accordance with Sec. 18 of PFRS for SMEs that requires such cost to be expensed outright.	1	3.03%
Capital Management	There is no discussion on capital management (PAS 1).	1	3.03%

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Investment in Associates	There is no disclosure of the company's basis for classifying as investments with equity ownership of less than the threshold of 20% or equity ownership of more than 50% as Investment in Associates (Sec. 9 of PFRS for SMEs).	1	3.03%
	There are no disclosures of the amount of dividends and other distributions recognized as income (Sec. 14 of PFRS for SMEs).	1	3.03%