

**PHILIPPINE INTERPRETATIONS COMMITTEE (PIC)
QUESTIONS AND ANSWERS (Q&As)**

Q&A No. 2007-04

PAS 101.7 – Application of criteria for a qualifying NPAE

Background

Paragraph 7 of PAS 101, *Financial Reporting Standards for Non-publicly Accountable Entities*, states that the Standard shall be applied in the general purpose financial statements prepared and presented by an entity with no public accountability. PAS 101 lists qualifying NPAEs by reference to criteria for an entity that has public accountability, one of which is an economically significant entity.

Paragraph 8 provides that an entity is considered economically significant if it exceeds either of the following: total assets of ₱250 million or total liabilities of ₱150 million. The total assets and total liabilities are based on the entity's annual financial statements and on consolidated totals, if the entity presents consolidated financial statements.

Issue 1

If an entity that qualified as an NPAE in a previous year because it met the "not economically significant" criterion, no longer qualifies as an NPAE in the following year, may it still apply PAS 101?

Consensus

Yes, the entity may still apply PAS 101 in the above case. However, if the entity does not meet the "not economically significant" criterion for three consecutive years, it shall no longer apply PAS 101. The three consecutive year period shall start from January 1, 2005, the effective date of PAS 101.

Issue 2

For purposes of determining whether an entity is economically significant, should the assessment be based on beginning or ending total assets or total liabilities?

Consensus

The amounts of total assets or total liabilities should be based on the beginning balances of the current reporting year starting in 2006 (e.g., based on total assets or total liabilities in December 31, 2005 in audited financial statements of a calendar year entity).

Effective Date

The consensus in this Q&A is effective from April 19, 2007, the date of approval by the FRSC. Earlier application is encouraged.

Date approved by PIC: March 28, 2007

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