

COMPILATION OF MATERIAL FINDINGS ON 2012 AFS OF LENDING COMPANIES

TOTAL NUMBER OF COMPANIES COVERED: EIGHT (8)

COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Auditor's Report	The Management's Responsibility paragraph and basis of opinion incorrectly cited Philippine Financial Reporting Standards (PFRS) for SMEs/ Generally Accepted Accounting Principles (GAAP). Considering that the company is a holder of a secondary license with the Commission, it should have indicated instead the full PFRS (SRC Rule 68, as amended and PSA 700, as redrafted).	2	25%
Statement of Changes in Equity	There is no Statement of Changes in Equity (PAS 1).	1	12.5%
Supplemental Schedules required under SRC Rule 68, as amended	There is no audited schedule of all effective standards and interpretations under PFRS as of year-end. Further, Note 2 does not indicate any discussion on effective standards and interpretation (SRC Rule 68, as amended, Financial Reporting Bulletin Nos. 1 and 16).	4	50%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Basis of Preparation	The company incorrectly uses PAS 101/ PFRS for SMEs as its basis of preparation of the financial statements. Considering that the company is a holder of a secondary license with the Commission, the financial reporting framework adopted by the company should have been full PFRS (SRC Rule 68, as amended and PAS 1).	2	25%
Receivables	The company recognized unearned discounts and interest income under its liabilities which is not in accordance with PAS 39. Said account should have been included as a deduction from trade and other receivables (PAS 39).	1	12.5%
	The accounting policies on initial recognition and subsequent measurement of Loans and Receivables are not in accordance with the prescribed "fair value" and "amortized cost" under PAS 39, respectively.	2	25%
	There are no disclosures on terms and conditions, i.e., interest rates applied and repayment terms, of Loans and Receivables (PAS 1, PAS 39)	1	12.5%
	There is no presentation of the details of carrying amount of the receivables, i.e., amount of unearned income and allowance for doubtful accounts (PAS 1, PFRS 7, PAS 39).	3	37.5%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Liabilities	There are no explanatory disclosures, i.e., nature and amount of each item, on the following accounts despite materiality of the amount: 1. Accounts Payable; and 2. Other Liabilities. (PAS 1, PAS 39).	1 1	12.5% 12.5%
	There are no accounting policies on initial recognition and subsequent measurement of Liabilities (PAS 1, PAS 39).	2	25%
Revenue	There is no specific revenue recognition policy on interest income (PAS 18, PAS 1).	2	25%
	There is no specific revenue recognition policy on service fees (PAS 18, PAS 1).	1	12.5%
Related Party Transactions	Incomplete disclosures on "Advances from Stockholders/ Related Parties", 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	25%
Employee Benefits	There is no accounting policy on employee/ retirement benefits (PAS 19, PAS 1).	2	25%
Financial Risk Management	There are no qualitative and quantitative disclosures on managing each financial risk (PFRS 7, PAS 39).	2	25%
	Incomplete discussion on financial risk management, i.e., aging analysis on loans receivable (PFRS 7).	1	12.5%
Capital Management	There is no discussion on capital management (PAS 1).	1	25%
	Incomplete discussion on capital management, i.e., nature of the externally imposed capital requirements and how it meets the requirements (PAS 1).	1	12.5%
	A note disclosure incorrectly stated that "The company is not subject to externally-imposed capital requirements". As a lending company, it is subject to the minimum capital requirement under Lending Company Act and its IRR.	1	12.5%
	The company failed to comply with the minimum paid-up capital of P1 million (Rule 4 of IRR of Lending Company Act).	1	12.5%