



OFFICE OF THE GENERAL ACCOUNTANT

N O T I C E

**TO : STOCK CORPORATIONS, EXTERNAL AUDITORS,
STAKEHOLDERS, AND ALL INTERESTED PARTIES**

**SUBJECT : REQUESTS FOR COMMENTS ON THE EXPOSURE DRAFT
OF THE REVISED RECONCILIATION OF RETAINED
EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

The Commission hereby requests comments and/or inputs on the attached draft of the Revised Annex 68-D of the Revised SRC Rule 68, or the Reconciliation of Retained Earnings Available for Dividend Declaration.

The written comments on the exposure draft must be submitted to the Office of the General Accountant (OGA) via electronic mail at secoga@sec.gov.ph on or before **03 April 2023 (Monday)**.

Issued on 02 March 2023.

DRAFT AND REVISED

Reconciliation of Retained Earnings Available for Dividend Declaration
For the reporting period ended [Date]

[Company Name]
[Address]

Unappropriated Retained Earnings, beginning of reporting period (see Footnote)		XX,XXX
Add: <u>Category A: Items that are directly credited to Unappropriated Retained Earnings</u>		
Reversal of Retained Earnings Appropriation/s	xx,xxx	
Effect of restatements or prior-period adjustments	xx,xxx	
Others (describe nature)	xx,xxx	XX,XXX
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Less: <u>Category B: Items that are directly debited to Unappropriated Retained Earnings</u>		
Dividend declaration during the reporting period	xx,xxx	
Retained Earnings appropriated during the reporting period	xx,xxx	
Effect of restatements or prior-period adjustments	xx,xxx	
Others (describe nature)	xx,xxx	XX,XXX
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Unappropriated Retained Earnings, beginning as adjusted		XX,XXX
Add/Less: Net Income (loss) for the current year		XX,XXX
Less: <u>Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)</u>		
Equity in net income of associate/joint venture, net of dividends declared	xx,xxx	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	xx,xxx	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	xx,xxx	
Unrealized fair value gain of Investment Property	xx,xxx	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	xx,xxx	
Sub-total		<hr/> XX,XXX
Add: <u>Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)</u>		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	xx,xxx	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	xx,xxx	
Realized fair value gain of Investment Property	xx,xxx	

ANNEX A

Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	xx,xxx	
Sub-total		<u>XX,XXX</u>
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	xx,xxx	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	xx,xxx	
Reversal of previously recorded fair value gain of Investment Property	xx,xxx	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	xx,xxx	
Sub-total		<u>XX,XXX</u>
Adjusted Net Income/Loss		<u>XX,XXX</u>
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	xx,xxx	
Others (describe nature)	xx,xxx	
Sub-total		<u>XX,XXX</u>
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP (see Footnote)		
Amortization of the effect of reporting relief	xx,xxx	
Total amount of reporting relief granted during the year	(xx,xxx)	
Others (describe nature)	(xx,xxx)	
Sub-total		<u>XX,XXX</u>
Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Treasury shares (except for reacquisition of redeemable shares)	(xx,xxx)	
Deferred tax asset not considered in the reconciling items under the previous categories	(xx,xxx)	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, i.e., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable.	(xx,xxx)	
Adjustment due to deviation from PFRS/GAAP – gain (loss)	(xx,xxx)	
Others (describe nature)	(xx,xxx)	
Sub-total		<u>XX,XXX</u>
Total Retained Earnings, end of the reporting period available for dividend		<u>XX,XXX</u>

FOOTNOTES:

- (1) The amount of retained earnings of a company should be based on its separate (“stand-alone”) financial statements.
- (2) If the company has a capital deficiency or negative RE (Sum of Appropriated and Unappropriated RE) as of the end of the current reporting period, the Reconciliation shall not be required to be attached to the audited financial statements.
- (3) Unappropriated Retained Earnings, beginning of reporting period refers to the ending balance as reported in the “Reconciliation of Retained Earnings Available for Dividend Declaration” of the immediately preceding period.
- (4) Adjustments related to the relief provided by the SEC and BSP pertain to accounting relief (ex. losses that are reported on a staggered basis) granted by regulators. However, these are actual losses sustained by the Company and must be adjusted in the reconciliation to reflect the actual distributable amount.
- (5) This Reconciliation of Retained Earnings Available for Dividend Declaration is pursuant to Sec. 42 of the Revised Corporation Code, which prohibits stock corporations to retain surplus profits in excess of one hundred (100%) percent of their paid-in capital and their power to declare dividends. However, this Reconciliation of Retained Earnings should not be used by REIT companies as a basis to determine the amount of its distributable income or dividends to its shareholders.