

**SUMMARY OF FINDINGS ON
2006 AUDITED FINANCIAL STATEMENTS (AFS)
OF ORDINARY CORPORATIONS¹ INCLUDED IN THE
TOP 5000 CORPORATION (2005 EDITION)**

- The amount of Unappropriated Retained Earnings exceeds the company's paid-up capital stock by more than 100% which is not in accordance with Sec. 43 of the Corporation Code;
- There is no Statement of Management's Responsibility over the submitted Audited Financial Statements (SRC Rule 68);
- Incomplete or incorrect signatories in the Statement of Management's Responsibility (SRC Rule 68);
- The Auditor's Report is not in conformity with the prescribed wordings under the revised Philippine Standards on Auditing (PSA) No. 700;
- The Auditor's Report does not present the prescribed two-year comparative period (SRC Rule 68);
- The Auditor's Report does not contain the required information under the SRC Rule 68;
- The Cash Flow Statement is not presented in the prescribed two-year comparative format (SRC Rule 68);
- The Cash Flow Statement is not in accordance with PAS 7;
- There is no Statement of Changes in Equity (PAS 1);
- The Statement of Changes in Equity is not presented in the prescribed two-year comparative format (SRC Rule 68);
- There are no Notes to Financial Statements (PAS 1 and other effective standards);
- The Notes to Financial Statements are not presented in a systematic manner (PAS 1);
- The company erroneously adopted PAS 101 even if they do not qualify as a Non-Publicly Accountable Entity (NPAAE);
- The company's complete business address is not indicated in the Notes to Financial Statements (PAS 1);
- No disclosure on the date when the financial statements were authorized for issue by the Board of Directors (PAS 10);
- No discussion on the company's going concern issue despite material deficit (PAS 1);
- No disclosure on the effect of the transition from GAAP to PFRS to its financial position, financial

¹ These corporations are not holders of secondary license from the Commission.

performance and cash flow (PFRS 1);

- No discussion on critical accounting estimates and assumptions used (PAS 1);
- There is no explanatory note on "others" account despite materiality of amount (PAS 1);
- Incomplete disclosures on Inventories, i.e., whether carried at cost or net realizable value, costing method used, carrying amount at fair value less cost to sell, basis of such evaluation, any write-downs or reversal and amount recognized as expense or pledge as security for liabilities, amount expensed in the profit/loss (PAS 2);
- Incomplete disclosures on Property and Equipment, i.e., estimated useful life, reconciliation of the additions and disposals for the year (PAS 16);
- There is no explanatory note on "Fixed Asset Clearing Accounts" which is included in the Property and Equipment (PAS 16);
- There are no disclosure on Property and Equipment despite the fact that the company recognizes repairs and maintenance, and do not have any rental expenses and leasing arrangements (PAS 1 & 16);
- There are no comparative figures for the lapsing schedule of Property and Equipment for 2005 (PAS 16);
- Incomplete disclosures on Leases, i.e., no disclosure whether it is an operating or finance lease, leasing arrangements, minimum lease payments (PAS 17);
- Incomplete disclosures on Employee Benefits, i.e., short term benefits, actuarial valuation report, method used to determine the present value of the benefit, fair value of plan asset, actual return on plan assets (PAS 19);
- Incomplete disclosures on Related Party Transactions, i.e., details & volume of transactions, interest rate, key management personnel compensation (PAS 24);
- There is no disclosure on Investment in Associates, i.e., accounting policy used whether at cost or equity method, separate disclosure on the face of the Balance Sheet and the amount recognized in the financial statements, summarized financial information of the associates (PAS 28);
- There is no disclosure on the fact that the financial statements are separate financial statements, that the exemption from the consolidation has been used, the name and country of incorporation or residence of the entity whose consolidated financial statements that comply with International Financial Reporting Standards have been produced for public use; and the address where those consolidated financial statements are obtainable (PAS 27);
- The company failed to file its consolidated financial statements (PAS 27);
- Incomplete disclosures on Financial Assets and Liabilities, i.e., initial and subsequent measurement basis

of financial instruments, fair values of financial instruments, financial risk management, provision for impairment loss (PAS 32 and 39);

- Incomplete disclosures on Loans, i.e., interest rate applied, disclosure whether the loan is secured or not by a collateral, carrying amount of collateral used (PAS 1 and 32);
- The redemption feature of the preferred shares is not clear as to whether it is redeemable at the option of the company or holders thereof (PAS 32);
- There is no discussion on Impairment of Assets (PAS 36);
- The company failed to provide the general nature of its various lawsuits, assessments and other claims as required by PAS 37, par. 92;
- Incomplete disclosures on Investment Property, i.e., depreciation method used, breakdown of investment property, value model used (PAS 40);
- The company failed to adopt PAS 41 (Agriculture);
- Incomplete disclosures on Deposit for Future Subscription, i.e., approval date of proposed increase in authorized stock by the board of directors and stockholders;
- Inappropriate use of “ Deposit for Future Subscription” due to the lack of an approval from the board of directors and stockholders of an increase in capital stock;
- Incomplete disclosures on “securities purchased under agreements to re-sell”, i.e., description of the securities, terms and condition, type of issuer (PAS 1);
- There is no/incomplete disclosure on specific Revenue Recognition policy (PAS 18);
- Incomplete disclosures on Income Taxes, i.e., relationship of tax expense (income) and accounting profit, major components of provision for income tax, explanation of changes in the applicable tax rate compared to the previous accounting period (PAS 12); and
- There is no explanatory note on “Input value-added-tax”, i.e., basis of recognition, validity of claim (PAS 1);