

COMPILATION OF MATERIAL FINDINGS ON 2011 AFS OF LENDING COMPANIES

TOTAL NUMBER OF COMPANIES COVERED: 50

COMPONENTS OF FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
STATEMENT OF MANAGEMENT'S RESPONSIBILITY (SMR)	The SMR is not signed by prescribed signatories (SRC Rule 68, as amended).	4	8%
Auditor's Report	The company engaged an external auditor who is not accredited with the Commission under Group C category. This is in violation of Rule 8 (a) of the Implementing Rules and Regulations of Lending Company Act of 2007 and SRC Rule 68, as amended.	4	8%
	The Management's Responsibility paragraph and basis of opinion incorrectly cited Philippine Financial Reporting Standards (PFRS) for SMEs. 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).	12	24%
	There is no legal matter paragraph in the audit report that should contain a discussion on compliance with BIR Revenue Regulation 15-2010 (PSA 700).	11	22%
	The Auditor's Report is signed and dated prior to the authorization date for issuance by the Board of Directors (PSA 700, as revised).	3	6%
	There is no emphasis of a matter paragraph discussing the going concern issue due to the capital deficiency of the company (PSA 700 and 570).	1	2%
Supplemental Schedules required under SRC Rule 68, as amended	There is no audited Reconciliation of Retained Earnings Available for Dividend Declaration (SRC Rule 68, as amended).	1	2%
Supplemental Written Statement of Auditor	There is no Supplemental Written Statement of Auditor (SRC Rule 68, as amended)	1	2%
NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
Corporate Information	There are no disclosures on corporate information (PAS 1).	1	2%
Basis Preparation	The company incorrectly used PFRS for SMEs/ GAAP/ PAS 101 as its basis of preparation of the	13	26%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
	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).		
Cash and Cash Equivalents	There is no explanatory note on marketable securities (PAS 1, PAS 39).	1	2%
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).	7	14%
	Note on Significant Accounting Policies states that the Loans and receivables are stated at original billing amounts less provision for impairment. This inconsistent with the same note that indicates loans and receivables are carried at amortized cost using the effective interest method (PAS 1 and PAS 39).	1	2%
	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.	12	24%
	There are no disclosures on Items on Litigation (PAS 1, PAS 39).	1	2%%
	There are no accounting policies on Note Receivables (PAS 39).	1	2%
	There are no disclosures on terms and conditions, i.e., interest rates applied and repayment terms, of Loans and Receivables (PAS 1, PAS 39)	7	14%
	Incomplete disclosures on receivables, i.e., nature and amount each of each items comprising Accounts Receivable-Others, Non-trade Receivable-Others (PAS 1, PAS 39, PFRS 7).	2	4%
	The computation of the balance of loans receivables is not in accordance with PAS 39, i.e., non-recognition of unearned income.	2	4%
Financial Assets and Liabilities	Incomplete disclosures on financial assets and liabilities, i.e., accounting policy on impairment, reversal of impairment and derecognition of financial instruments (PAS 39).	7	14%
Inventories	There is no accounting policy on inventories (PAS 2).	1	2%
	There are no disclosures on inventories (PAS 2).	1	2%
Property and	There is no accounting policy on Property and	2	4%

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Equipment	Equipment (PAS 16).		
	There is no subsequent measurement policy on Property and Equipment (PAS 16).	1	2%
	There is no accounting policy on impairment and derecognition of property and equipment (PAS 16, PAS 36, PAS 1)	1	2%
	There is no disclosure of useful life of property and equipment (PAS 16, PAS 1)	1	2%
Other Non-Current Assets	There are no disclosures on Other Noncurrent Assets (PAS 1).	2	4%
	The company incorrectly capitalized the "Pre-operating Expenses" under Other Noncurrent Assets (PAS 38).	1	2%
Liabilities	There are no explanatory disclosures on the following accounts despite materiality of the amount: 1. Accounts Payable-Others; 2. Deferred Credits; 3. Loan Payable; (PAS 1, PAS 39).	2	4%
	The accounting policy on accounts payable and other liabilities is not in accordance with PAS 39.	5	10%
	There is no accounting policy on subsequent measurement of Financial Liabilities (PAS 39).	2	4%
	Incomplete disclosures on accounts payable and other liabilities, i.e., nature, terms and conditions such as interest rates applied and payment terms, amount of each items (PFRS 7, PAS 1).	3	6%
	Incomplete disclosures on loans payable, i.e., loan maturities, whether secured or unsecured, if secured, carrying amount assets used as collateral; details of any defaults and breaches (PFRS 7).	3	6%
	The recognition of "Accounts Payable – Trade" in substantial amount does not appear to be consistent with the company's lending business and activities (Lending Company Act, PAS 1, PAS 39, SRC Rule 68, as amended).	2	4%
	Equity	There are no disclosures on number of shares authorized, issued and fully paid; par value per share; reconciliation of number of shares outstanding at the beginning and at the end of the period (PAS 1).	1
The amount of cumulative earnings shown in the Note is not consistent with that indicated in Statement of Financial Position and Statement of		1	2%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
	<p>Changes in Equity (PAS 1).</p> <p>There are no disclosures on deposits for future subscription (PAS 1, PAS 32, SRC Rule 68, as amended).</p> <p>There are no explanatory notes on Retained Earnings and Donations and Grants (PAS 1).</p> <p>There is no disclosure on the "subscription receivable" (PAS 1).</p> <p>The company's retained earnings exceeds its paid-in capital by 100%. There is no disclosure of any appropriation to comply with the requirements of Section 43 of the Corporation Code.</p>	1	42
Revenue	<p>There is no specific revenue recognition policy on interest income (PAS 18, PAS 1).</p> <p>There is no specific revenue recognition policy on processing fees, service charges, penalties, fines, surcharges and other income (PAS 18, PAS 1).</p> <p>There is no breakdown of the amount and nature of each of item of revenue sources (PAS 18).</p>	8	16%
Costs Expenses and	<p>The amount of Administrative Expenses on Statement of Comprehensive Income is inconsistent with that stated in the Notes to FS (PAS 1).</p>	1	2%
Leases	<p>There are no accounting policy and disclosures on leases (PAS 17, PAS 1).</p> <p>There are no disclosures on leases, i.e., future minimum lease payment and a general description of the significant leasing arrangement (PAS 17).</p>	2	4%
Related Party Transactions	<p>There are no disclosures on related party transactions (PAS 24).</p> <p>Incomplete disclosures on related party transactions, i.e., specific nature of transactions; terms and conditions such as interest rates applied and payment terms of the outstanding related party balances including whether they are secured, and the nature of the consideration to be provided in settlement and (PAS 24).</p> <p>There is no disclosure on key management personnel compensation including amount of each categories as short-term, post-employment, other long term, termination benefits and share-based payments (PAS 24).</p> <p>The Note on Other Matters states that "the company has no outstanding DOSRI accounts." This is inconsistent with the recognized "Accounts</p>	5	10%
		16	32%
		12	24%
		1	2%

NOTES TO FINANCIAL STATEMENTS	FINDINGS	NO. OF COMPANIES	PERCENTAGE (%) TO TOTAL
	Payable – Stockholders" (PAS 1, PAS 24)		
Employee Benefits	There is no accounting policy on employee benefits (PAS 19, PAS 1).	12	24%%
	There are no disclosures on retirement benefits (PAS 19, PAS 1).	16	32%%
Income Taxes	There is no accounting policy on income tax (PAS 12, PAS 1).	2	4%
	There are no disclosures on income tax (PAS 12, PAS 1).	3	6%
Financial Risk Management	There are no qualitative and quantitative disclosures on managing each financial risk (PFRS 7, PAS 39).	6	12%
	Incomplete discussion on financial risk management, i.e., quantitative analysis on each financial risks (PFRS 7).	15	30%
Capital Management	There is no discussion on capital management (PAS 1).	7	14%
	Incomplete discussion on capital management, i.e., nature of the externally imposed capital requirements and how it meets the requirements (PAS 1).	32	68%
	The company's paid-up capital has been impaired due to its accumulated losses from operation. There is no discussion on how the company is addressing the impairment and consequence/penalty for non-compliance (Lending Company Act and its IRR)	7	14%
	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	2
Special Requirement	The company failed to use at least 51% of its funds for direct lending purposes (Rule 3(f) of IRR of Lending Company Act).	9	18%
	The company failed to comply with the minimum paid-up capital of P1 million (Rule 4 of IRR of Lending Company Act).	3	6%
	Total investment on Property and Equipment exceeds 25% of the company's networth, in violation of Lending Company Act.	3	6%