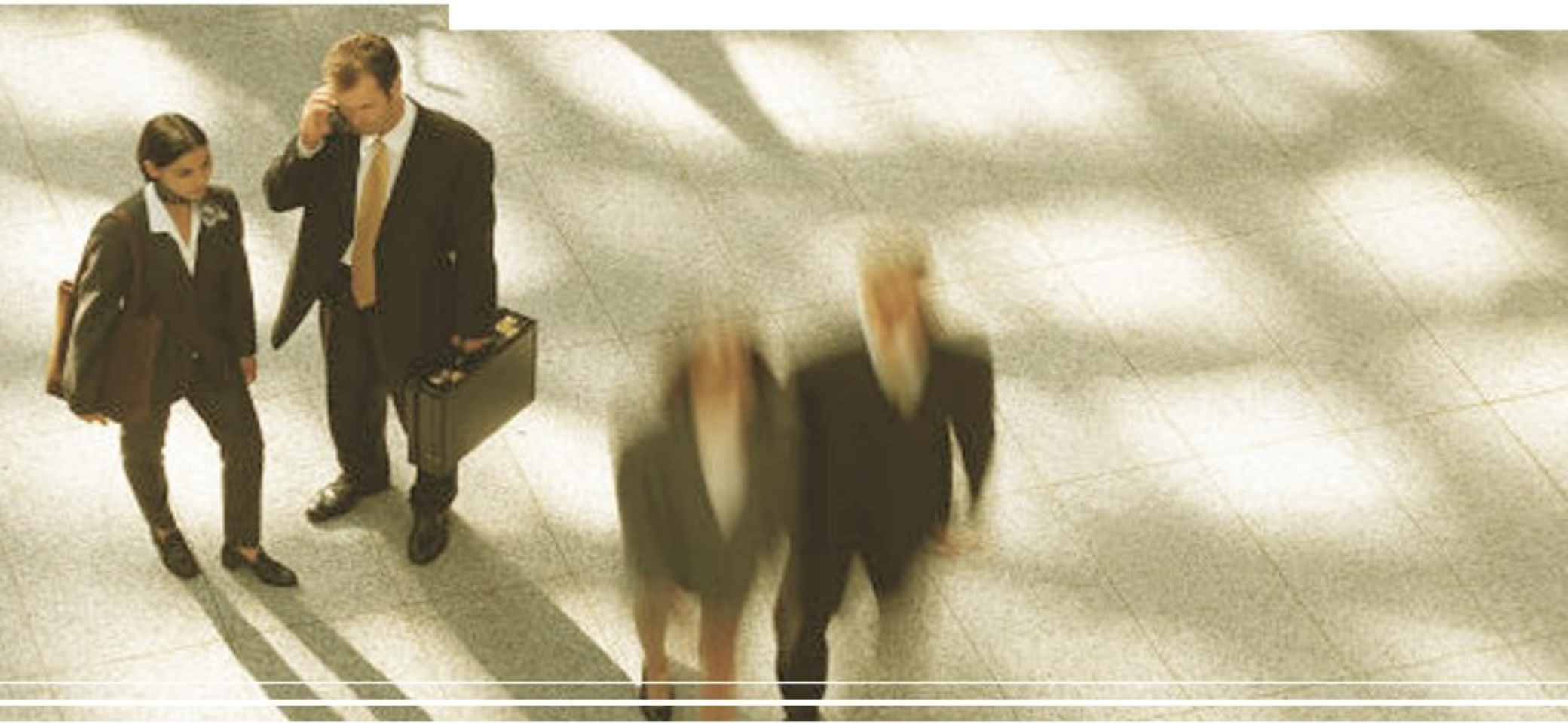


PHILIPPINE FINANCIAL REPORTING FRAMEWORK FOR COOPERATIVES



Concepts and Pervasive Principles

- The objective is to provide information about a cooperative's financial position, results of operations and cash flows
- Qualitative characteristics
- Recognition criteria for assets, liabilities, income, and expenses include the probability of a flow of economic benefits and the reliability of measurement.
- Measurement at initial recognition is generally at historic cost, except where the standard requires fair value.

Financial Statement Presentation

- Fair presentation: presumed to result if the FRW for COOPS is followed
- COOPS shall present a complete set of financial statements at least annually
- At least one year comparative financial statements and note data
- Presentation and classification of items should be consistent from one period to the next.

Statement of Financial Condition

- A current/non-current distinction is normally required for presentation unless the liquidity basis is more reliable and relevant.
- Minimum presentation requirements required in the statement of financial condition.

Statement of Financial Condition- MINIMUM INFORMATION

- (a) cash and cash equivalents.
- (b) trade and other receivables.
- (c) financial assets (excluding amounts shown under (a), (b), (k) and (l)).
- (d) inventories.
- (e) property, plant and equipment.
- (f) investment property.
- (g) intangible assets.

Statement of Financial Condition-MINIMUM INFORMATION

- (h) biological assets carried at cost less accumulated depreciation and impairment.
- (i) investments in associates.
- (j) investments in joint ventures.

Statement of Financial Condition-MINIMUM INFORMATION

- (k) trade and other payables.
- (l) financial liabilities (excluding amounts shown under (k) and (o)).
- (m) liabilities and assets for current tax (if applicable).
- (n) deferred tax liabilities and deferred tax assets (if applicable).
- (o) provisions.

Statement of Financial Condition-MINIMUM INFORMATION

- (p) Members' share capital
- (q) Donation and grants
- (r) Statutory funds
- (s) Revaluation surplus

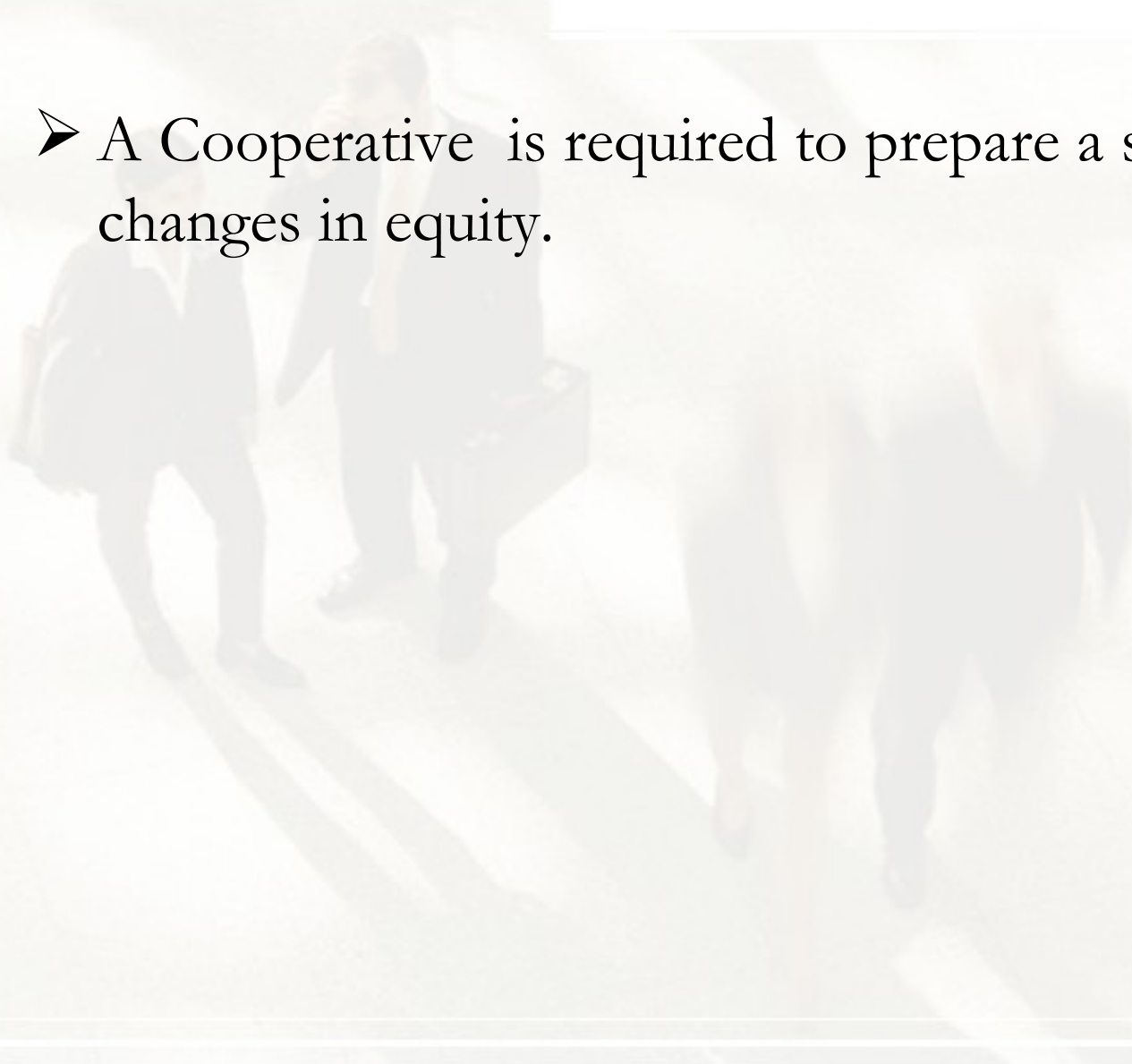
Statement of Operations-MINIMUM INFORMATION

- Revenue
- Cost of sales or services
- Finance cost
- Selling or Marketing cost
- Administrative cost
- Other Items
- Tax expense (if applicable)
- Allocation of Net Surplus

-should always disclose distribution of net surplus among statutory funds as well as interest on share capital and patronage refund

Statement of Changes in Equity

- A Cooperative is required to prepare a statement of changes in equity.



Statement of Changes in Equity

Show a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

- (i) the amounts of investments by, and distributions to, members, showing separately issues of shares , and treasury share transactions
- (ii) donations and grants
- (iii) movements in Statutory Funds (includes allocation of Net Surplus as reconciled with amounts per Statement of Operations)
- (iv) movements in revaluation surplus

Statement of Cash Flows

- Cash flows must be split into operating, investing and financing activities.
- Operating activities may be presented using either the direct or indirect approach.
- Disclose interest on share capital and patronage refund paid
- Disclose other interest paid and received.

Notes to Financial Statements

- This information is provided to support the primary financial statements.
- Include a summary of accounting policies, information about judgments, and information about estimation uncertainty.
- Required to comply with the disclosure requirements in the rest of the standard.
- Comparative information is needed for all amounts presented in the financial statements.

Accounting Policies, Errors and Estimates

- Change in accounting policy is accounted for **CURRENTLY**
- Accounting estimates are accounted for currently and prospectively
- Accounting errors are accounted for **IN THE CURRENT PERIOD**

Statutory Funds

- The manner of Distribution of Net Surplus into its Statutory Funds, Interest on Share Capital and Patronage Refund, shall be presented on the Statement of Operations.
- Movements in the Statutory Funds; i.e. Allocation from Net Surplus and Deductions, shall be accounted for in the Statement of Changes in Equity.
- Statutory Funds shall be set up in accordance with Article 86 of RA 9520 and the Cooperative's By-Laws.

Statutory Funds

- ❖ RESERVE FUND – at least 10% of net surplus-
- note: for new coops, reserve fund should be at 50 % of net surplus for the first 5 years
- ❖ COOPERATIVE EDUCATION & TRAINING FUND- not more than 10%
- ❖ COMMUNITY DEVELOPMENT FUND- not less than 3%
- ❖ OPTIONAL FUND- not more than 7%

Distribution of net surplus – recovery of prior years' losses

- Since the reserve fund account is intended, among others, to meet operational losses, all accumulated losses incurred by the cooperatives in their business operations shall therefore be charged against this Fund which shall be decided upon by the Board of Directors.
- All charges against the Reserve Fund shall be subsequently be offset by the following modified allocation and distribution of net surpluses until such time the debit balance of the Reserve Fund account shall have been fully offset

Distribution of net surplus – recovery of prior years' losses

- Twenty five per centum (25%) shall be declared as interest on share capital and patronage refund;
- Cooperative Education and Training Fund – one half of the per centum as provided in the by-laws.
- Community Development Fund – one half of the per centum as provided in the by-laws.
- Optional Fund – one half of the per centum as provided in the by-laws.
- Reserve Fund – remaining amount of net surplus.

Donations and grants

- ✓ Treated as part of equity
- ✓ Reported as a separate Line Item in the Statement of Financial Condition

Revenue

➤ Recognition:

- ✓ Sale of goods and services- accrual
- ✓ Interest Income for Savings and Credit Cooperatives – interest is recognized when earned and received
- ✓ Rebates- treated as reduction of revenues, not expensed; income is not recognized for the portion not yet received.

Basic financial instruments

- A cooperative shall account for the following financial instruments as basic financial instruments in accordance with this section.
 - cash.
 - a debt instrument (such as account, note, or loan receivable or payable)
 - investment in publicly traded securities
 - investment in non-publicly traded securities

Basic financial instruments – initial recognition

A cooperative shall recognize a financial asset or a financial liability only when the cooperative becomes a party to the contractual provisions of the instrument.

Basic financial instruments – initial measurement

When a financial asset or financial liability is recognized initially, a cooperative shall measure it at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction

Basic financial instruments – initial measurement

If the arrangement constitutes a financing transaction, the cooperative shall measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Basic financial instruments – subsequent measurement

- A. Debt instruments – at amortized cost
- B. Short-term debt instruments- undiscounted amount
- C. Investments in publicly- traded securities – at fair value with changes in fair value recognized in profit and loss
- D. Investments in non publicly-traded securities mutual funds, as well as other externally-managed funds – at cost less impairment

BASIC FINANCIAL INSTRUMENTS – DIVIDENDS

The cooperative shall recognize dividends and other distributions received from the equity investment as income without regard to whether the distributions are from accumulated profits of the investee arising before or after the date of acquisition. Stock dividends do not involve transfer of resources from investee.

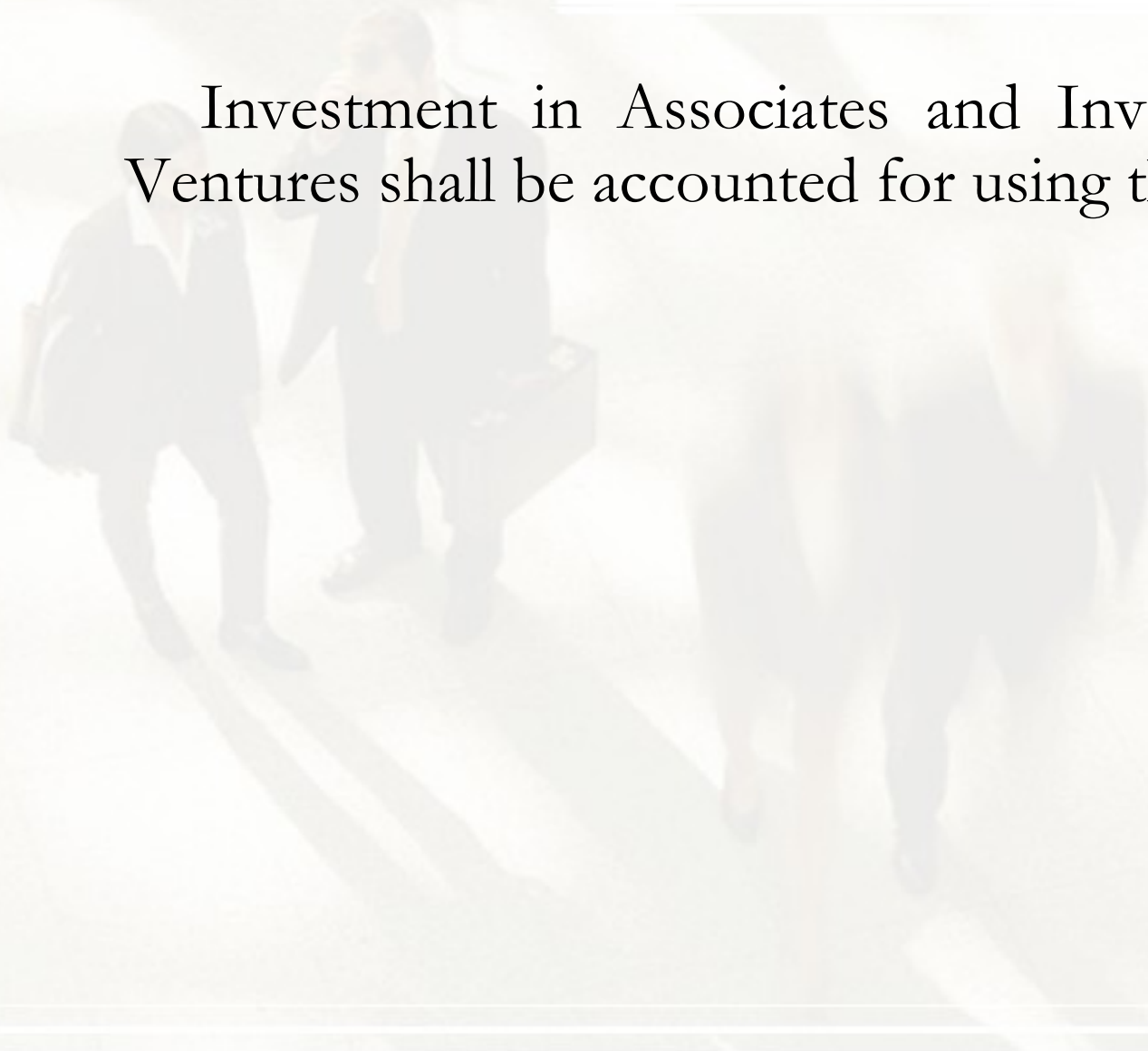
Accordingly, stock dividends received shall not be recognized as income.

Inventories

- Measured at the lower of cost and estimated selling price less costs to complete and sell
- Cost is determined using:
 - ✓ Specific identification for large items
 - ✓ FIFO or weighted average for others
- Inventory cost includes costs to purchase, costs of conversion and costs to bring the asset to present location and condition

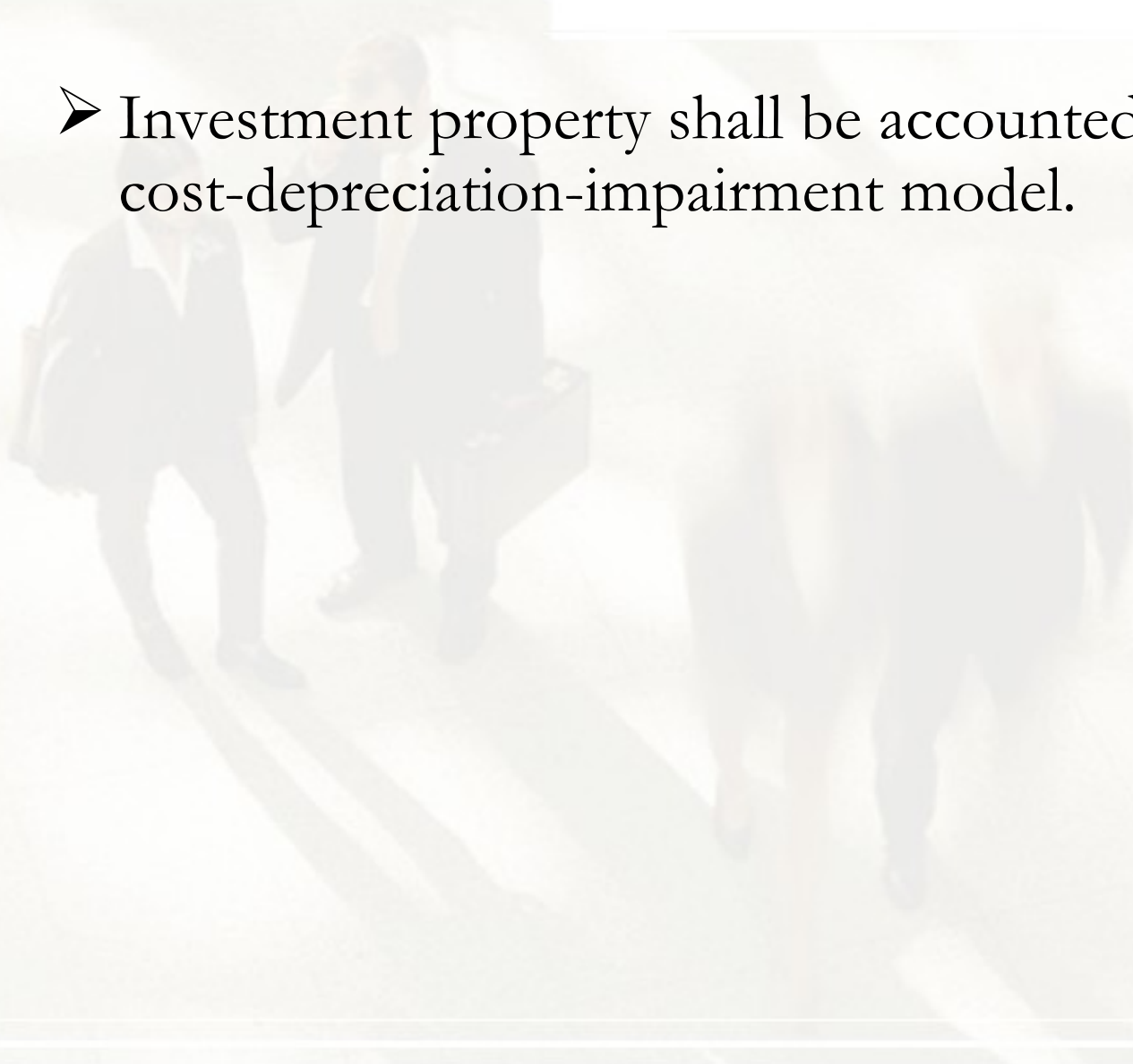
Investment in Associates and Investment in Joint Ventures

Investment in Associates and Investment in Joint Ventures shall be accounted for using the Cost model



Investment Property

- Investment property shall be accounted for using the cost-depreciation-impairment model.



Property, plant and equipment

- Cost model (cost less accumulated depreciation and impairment)
- Issue: do we allow revaluation model?
- per CDA: YES, for land only and subject to guidelines issued by the authority
- Appraisal increase shall be classified as revaluation surplus under the equity section

Intangible Assets

- All costs incurred to internally develop intangible assets such as research and development costs are charged to expense
- Intangible assets must be measured using cost-amortization-impairment model
- All intangible assets are considered to have a finite life. If unable to estimate the useful life of an intangible asset, the life is presumed to be 10 years

Leases

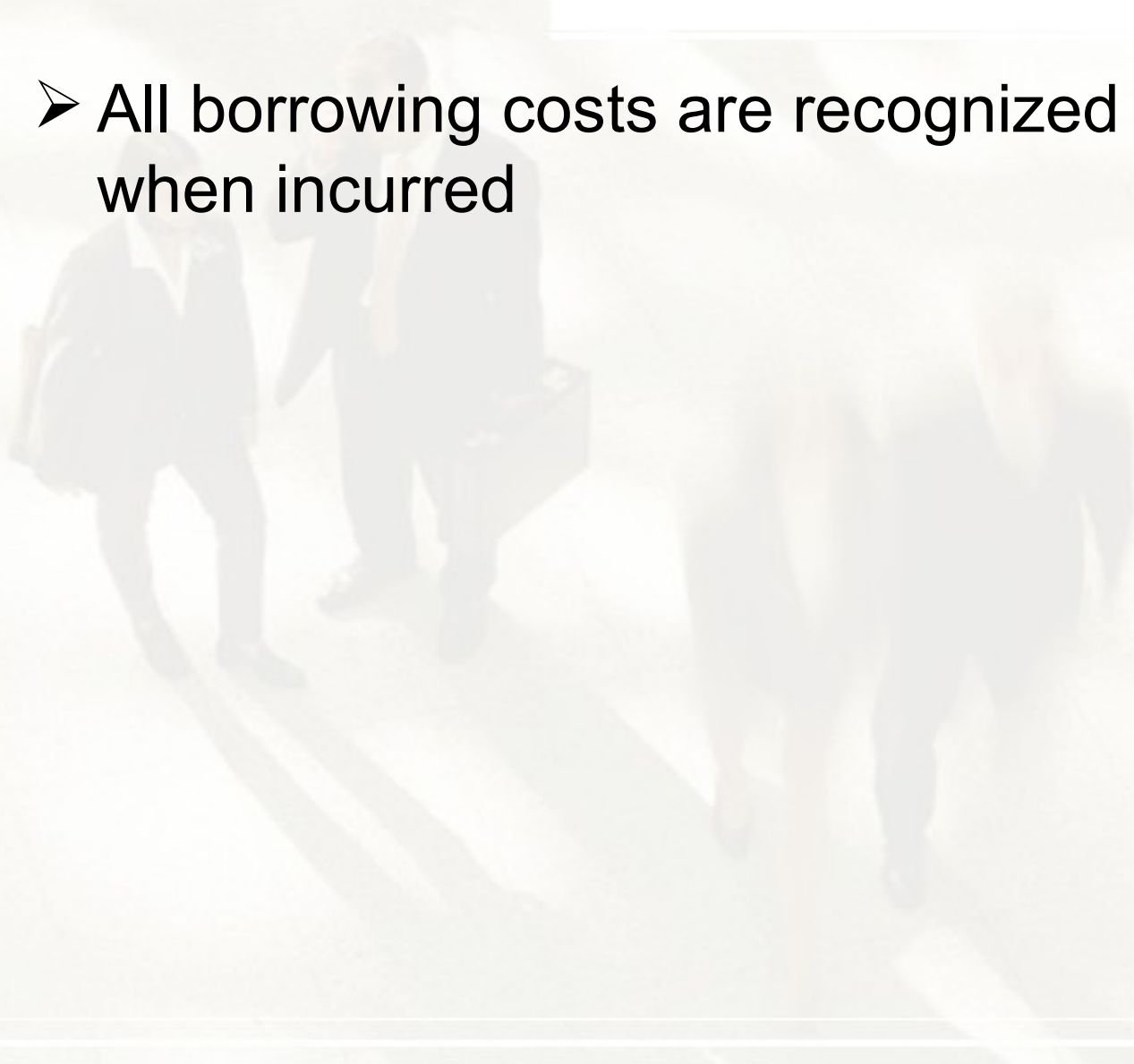
- Leases are either finance or operating leases.
- Finance leases result in substantially all the risks and rewards incidental to ownership being transferred to the lessee, while operating leases do not.

Provisions and Contingencies

- **Provisions** are recognized only when
 - ü there is a **present obligation** as a result of a past event,
 - ü it is **probable** that the entity will be required to transfer economic benefits, and
 - ü the amount can be **estimated reliably**.
- **Contingent liabilities**
 - ✓ Not recognised as liabilities.
 - ✓ **Disclose** if reasonably possible or probable but not estimable
- **Contingent assets**
 - ✓ Not recognised as assets.
 - ✓ **Disclose** if **probable**

Borrowing Costs

- All borrowing costs are recognized as expense when incurred



Impairment of Assets

➤ Inventories

- ✓ write down, in profit or loss, to **lower of cost and selling price less costs to complete and sell.**

➤ All other assets

- ✓ write down, in profit or loss, to **recoverable amount**, if below carrying amount.

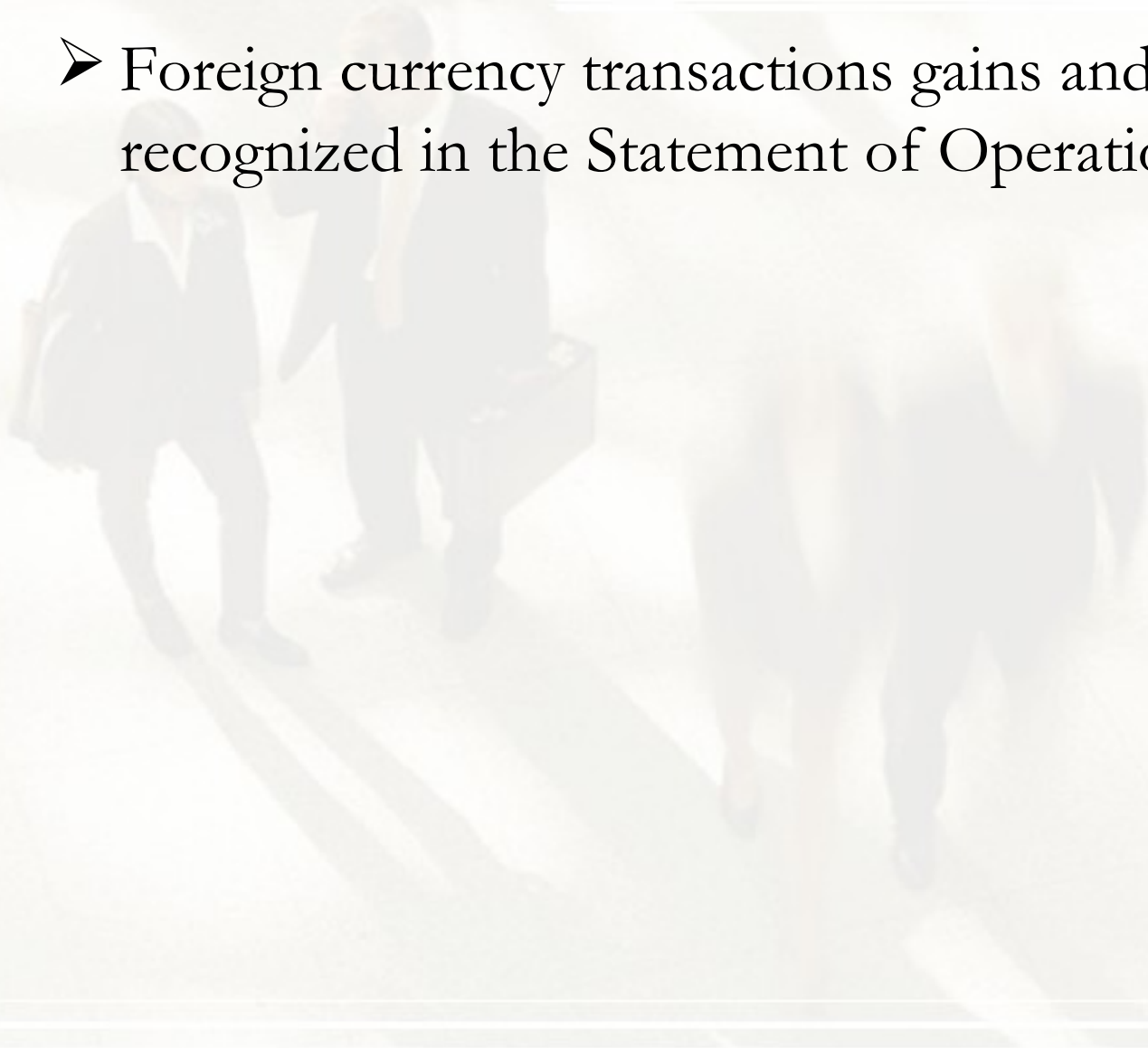
- When the circumstances that led to the impairment no longer exist, the **impairment is reversed through profit or loss (in the Statement of Operations)**

Employee Benefits

- **VESTED** past service costs are recognized immediately in the Statement of Operations
- **UNVESTED PAST SERVICE COSTS SHALL BE AMORTIZED OVER THE REMAINING VESTING PERIOD**
- Actuarial gains or losses are recognized immediately in the Statement of Operations

Foreign Currency

- Foreign currency transactions gains and losses are recognized in the Statement of Operations



Events after the End of the Reporting Period

- Events after the end of the reporting period are classified as
 1. Adjusting events
 - Those that provide evidence of conditions that **existed at period end**
 2. Non-adjusting events
 - Those that are indicative of conditions that arose **after period end**

Related Party Disclosures

- Disclose **parent-subsidiary relationships**, including the name of the parent and (if any) the ultimate controlling party.
- Disclose **key management personnel compensation** in total for all key management.
- Disclose the following for **related party transactions**:
 - ✓ Nature of the relationship and transactions
 - ✓ Amount of the transaction
 - ✓ Provisions for uncollectible receivables
 - ✓ Any expense recognised during the period in respect of an amount owed by a related party

Specialized Activities- Agriculture

- Biological assets are measured at cost less and accumulated depreciation and impairment.
- At harvest, agricultural produce is to be measured at fair value less estimated costs to sell. Thereafter it is accounted for as inventory.

End of Presentation

THANK YOU!!!