


**REVISED IRR OF RA 9520  
ON COOPERATIVE  
ACCOUNTING/ AUDITING  
AND RELATED CONCERNS**

# DEFINITION OF TERMS

Area of Operations – refers to the area where the coop operates and where its members come from as provided in their ACBL.



# DEFINITION OF TERMS


Capital – refers to the totality of the members, share capital , loans and borrowings, including deposits, deferred payment of interest on share capital and patronage refund, subsidies, donations, legacies, grants, aids, lands, structures, plants, equipment, facilities, machines and other assets of the cooperative.

# DEFINITION OF TERMS

*Interest on Share Capital* – refers to the interest earned by the members' paid up capital. It is computed by multiplying the rate of interest on share capital by members' average shares. The rate of interest on share capital is computed by dividing the amount allocated for total interest on share capital by the total average share.

# DEFINITION OF TERMS

*Net Surplus* – refers to the excess payments made by members, which shall not be construed as profits, from the loans or goods and services availed of or the difference of the rightful amount due to the members for their products sold or services rendered to the cooperative. It includes other inflow of assets resulting from its other operating activities, which shall be returned to the members as prescribed in the Code.



# DEFINITION OF TERMS

*Revolving Capital Certificate* – refers to the certificate issued by the Board of Directors of the cooperative indicating the serial number, name, amount, and rate of interest to be paid and shall distinctly set

forth the time of retirement of such certificate and the amount to be returned.

# DEFINITION OF TERMS

Net Worth – refers to equity inclusive of members' equity, donation, grants and reserve funds less unbooked allowances for probable losses on loans, accounts receivables, investment and non-performing assets and other capital adjustments as may be allowed by the Authority.

# DEFINITION OF TERMS

Patronage Refund – refers to the amount returned to the individual members in proportion to their individual patronage of the cooperative products and services.



# DEFINITION OF TERMS

Revolving Capital – refers to the amount constituting the patronage refund and interest on share capital of the members, the payment of which has been deferred by the cooperative.


Revolving Capital Certificate - the certificate issued by the BOD of the coop indicating the name, amount, and rate of interest to be paid and shall distinctly set forth the time of retirement of such certificate and the amount to be returned.

# DEFINITION OF TERMS

Risk Assets – refers to the coop’s total assets less cash on hand, evidence of indebtedness, loans to the extent covered by hold outs or assignment of deposits, lands owned used for operations, buildings and land improvements net of depreciation, real estate mortgage, loans and other non-risk items as the Authority may from time to time authorized to be deducted from the total assets.

# DEFINITION OF TERMS

Total Average Share Months – refers to the sum total of the average share months which is determined by adding the monthly ending balances of the member's share capital and dividing the sum by twelve months.



# **RULE 10- CAPITALIZATION, AND ACCOUNTING PROCEDURES OF COOPS**

Legal Basis – Art. 71- “The Capitalization of cooperatives and the accounting procedures shall be governed by the provisions of this Code and the regulations which shall be issued.”

# SECTION 2. CAPITAL SOURCES

Members' Share Capital;

Loans and Borrowings including Deposits;

Revolving Capital which consists of the deferred payment of patronage refunds, or interest on share capital; and

Subsidies, donations, legacies, grants, aids and such other assistance from any local or foreign institution whether public or private; Provided, That capital coming from such subsidies, donations, legacies, grants, aids and other assistance shall not be divided into individual share capital holdings at any time but shall instead form part of the donated capital or fund of the cooperative.

# SECTION 3. SHARE CAPITAL


- . The Share Capital of a cooperative may consist of common share capital and preferred share capital if the latter is provided for under the cooperative's Articles of Cooperation and By-laws. The share capital contribution of the members shall be considered as equity. Provided, that it shall not be withdrawn and should not be used in offsetting obligations whether past due or current while the membership subsists.

# SECTION 3. SHARE CAPITAL

- . The Share Capital of a cooperative may consist of common share capital and preferred share capital if the latter is provided for under the cooperative's Articles of Cooperation and By-laws. The share capital contribution of the members shall be considered as equity. Provided, that it shall not be withdrawn and should not be used in offsetting obligations whether past due or current while the membership subsists.

## **SECTION 4. PREFERRED SHARES**

Should preferred share capital be provided in their By-Laws, it shall not exceed twenty five (25%) of the total authorized capital of the cooperative.





## **SECTION 5. CAPITAL BUILD-UP**


The By-laws of every cooperative shall provide for a reasonable and realistic member capital build-up program to allow the continuing growth of the members' investments in their cooperative as their own economic conditions continue to improve.

## **SECTION 6. SUBSCRIPTION AGREEMENT**

- . The cooperative shall execute a subscription agreement upon admission of members and whenever additional subscription shall be made by member/s upon full payment of initial subscription. Unless otherwise provided for in the By-Laws, cooperative shall issue Share Certificates at least every end of the calendar year based on the number of shares fully paid for the said period.

## **SECTION 7. LIST OF SHARE CAPITAL CERTIFICATE ISSUED.**

All cooperatives, regardless of type and category, shall issue to all its members share capital certificate equivalent to their share capital contribution. A list of Share Capital Certificates issued to members shall be maintained by the cooperative.




## **SECTION 8. PAR VALUE**

In a primary cooperative, the par value may be fixed at any amount but not less than Php100.00 nor more than Php1,000.00.

Cooperatives are prohibited from issuing multiple types of Common Shares with different par value per share. It is likewise prohibited for any cooperative to increase/decrease the par value of the share capital by way of amending their Articles of Cooperation and By-laws.

## **SECTION 9. LIMITATION ON SHARE CAPITAL HOLDINGS**

No member of a primary cooperative other than a cooperative itself shall own or hold more than ten per centum (10%) of the share capital of the cooperative.



## **SECTION 10. FINES ON UNPAID SUBSCRIBED SHARE CAPITAL**

The By-laws of a cooperative shall prescribe a fine on unpaid subscribed share capital. Provided, that such fine is fair and reasonable under the circumstances as determined by the Board of Directors.

## **ASSIGNMENT OF SHARE CAPITAL CONTRIBUTION OR INTEREST.**

He/She has held such share capital contribution or interest for not less than one (1) year;

The assignment is made to the cooperative or to a person who falls within the field of membership of the cooperative; and

The Board of Directors has approved such assignment.

# INTEREST ON SHARE CAPITAL

Interest on share capital shall not exceed the Rate of Return on Investment.

Unless otherwise provided for in the By-laws of the cooperative, share capital shall earn interest. The rate of interest shall be computed, as follows:

X(Net Surplus less Statutory Reserves)

Rate of interest = -----  
Total Average Share Month



Where:

*X shall be a percentage to be determined by the Board of Directors allocated for interest on share capital.*

No allocation of interest on share capital shall be made without the approval of the Board of Directors.

Payment of interest, unless otherwise provided for in the By-laws, must be made on such date as may be determined by the Board of Directors. The General/Representative Assembly, however, upon the recommendation of the Board of Directors, may defer the payment of such interest including patronage refund in order to raise revolving capital.

Share capital shall receive a monthly limited rate of interest

# WITHDRAWAL OF SHARE CAPITAL

A member of a cooperative may, for any valid reason, withdraw his/her membership from the cooperative by giving a sixty (60)-day notice to the Board of Directors. Subject to the By-laws of the cooperative, the withdrawing member shall be entitled to a refund of his/her share capital contribution and all other interests in the cooperative. Provided, That such refund shall not be made if upon such payment the value of the assets of the cooperative would be less than the aggregate amount of its debts and liabilities exclusive of his/her share capital contribution

# PATRONAGE REFUND

The principle of Patronage Refund is a principle of equity wherein an equal right of members to participate in the organization and to equitably share in the benefits accruing therefrom is established. Under this principle, the Net Surplus shall not be construed as profit, but as excess payments made by them from the cooperative and which shall be deemed to have been returned to them if the same is distributed as prescribed by the Code and by this Rule. Provided, however, that the amount allocated for patronage refund shall not be less than thirty percent (30%) of the net surplus after deducting the statutory reserves based on the principle of equity. Provided, further, that in no case shall the rate of patronage refund be more than twice the rate of interest on share capital.

# **ACCOUNTING PROCEDURE**


The accounting system to be instituted/maintained in the cooperative shall be in accordance with the generally accepted accounting principles and practices. The cooperative shall use the Standard Chart of Accounts and its accompanying Accounting Manual prescribed by the Authority.

# **RULE 11**

## **SOCIAL AUDIT OF COOPERATIVE**

*"Art. 80. Annual Audit. - Cooperatives registered under this Code shall be subject to an annual financial, performance and social audit."*

*"The social audit shall be conducted by an independent social auditor accredited by the Authority."*



All registered cooperatives regardless of type or category shall be subject to social audit.

The Social Audit is a procedure where the cooperative assesses its social impact and ethical performance vis-a-vis its stated goals and social missions. The cooperative's actual social and ethical performances shall be quantified and qualified according to the parameters to be identified by the Authority



# **SCOPE OF SOCIAL AUDIT**

- 1) Level of participation of the Members and Officers to the operations of the cooperative
- 2) Impact of the Cooperative Programs and Policies to the Community
- 3) Uses of Community Development Fund

The Authority shall issue the Guidelines concerning Social Audit.

# OBJECTIVES

The cooperative is both an economic and social enterprise. As such, the social contribution of the cooperative shall indicate the improvement on the social welfare of the members and the community as a whole.





# APPLICABILITY

A social audit of a cooperative shall be undertaken by an independent social auditor accredited by the Authority, who shall submit the social audit report to the Board of Directors of the cooperative. Said report shall form part of the Cooperative Annual Progress Report (CAPR) to be filed with the Authority

## **SANCTIONS**

Failure of the cooperative to submit to the Authority the required Social Audit Report as an attachment to the CAPR shall constitute non-compliance as provided in Rule 8 of these Rules.

# TRANSITORY PROVISIONS

Upon approval of the Accreditation Guidelines of Cooperative Social Auditors, the following shall apply:

For cooperatives with assets of at least ONE BILLION PESOS (P1,000,000,000.00), the social audit shall be undertaken by an independent social auditor accredited by the Authority;

For cooperatives with assets less than ONE BILLION PESOS (P1,000,000,000.00), the social audit shall be undertaken by the internal auditor or the audit committee of the cooperative.

# LABOR SERVICE COOPERATIVE AND WORKERS COOPERATIVE

## Legal Basis – Art. 23

***Labor Service Coop*** – engaged in providing a specific labor, job or service to a principal under a contracting or sub-contracting arrangements

# CAPITAL SOURCES

Workers Cooperative – organized by workers, including the self employed, who are at the same time members and owners of the enterprise. The principal purpose is to provide employment and business opportunities to its worker-members and to manage it in accordance with the cooperative principle.

## **Labor Service Coop**


**Engaged in contracting and sub-contracting arrangements as defined in its by laws**

- **Existence of employer-employee relationship at all times in contracting and sub-contracting arrangements during the deployment of member,**

## **Workers Cooperative**

- **May engage in labor and production, including contracting and sub contracting arrangements in support of its main activity as defined by law.**
- **Self employed individual is allowed by the coop in regard to its enterprise.**

# TRI LATERAL RELATIONSHIP

- 1) An employer-employee relationship exists between the contractor and the worker-member engaged to perform in a specific job.
  - 2) A contractual relationship between the principal and the contractor.
- 

# REQUIRED CONTRACTS

Membership agreement between the worker-member and the cooperative

Employment Contract between the contractor and worker-member

Service Agreement between the Principal and the Contractor.





# REIMBURSABLE COSTS

A.	Payable directly to member-employee	
•	Salaries	XXX
•	Night Differential	XXX
•	ECOLA	
	XXX	
•	13 <sup>th</sup> Month Pay	XXX
•	Service Incentive Leave	XXX
	Sub Total	

# REIMBURSABLE COSTS

b) Mandatory Contributions for member-employee benefits payable to :

•SSS		xxx
•Philhealth		xxx
•ECC Insurance	xxx	
•Pagibig Fund	<u>        </u>	<u>xxx</u>
Total Reimbursable Cost	xxxxx	
Administrative Fee (10%)	xxxxx	
Total Contract Cost		XXXX