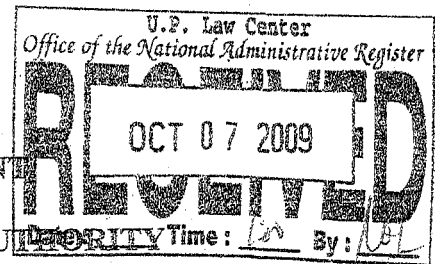


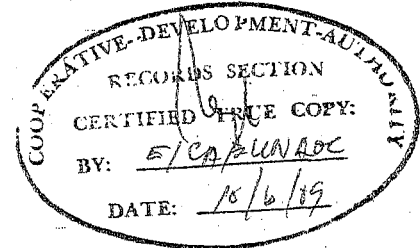


Republic of the Philippines
OFFICE OF THE PRESIDENT
Department of Finance
COOPERATIVE DEVELOPMENT AUTHORITY



MEMORANDUM CIRCULAR NO. 2009-03

Series of 2009



TO : ALL CONCERNED

SUBJECT : GUIDELINES FOR THE ACCREDITATION OF COOPERATIVE EXTERNAL AUDITORS

Pursuant to Section 3 (f) of Republic Act 6939, an Act creating the Cooperative Development Authority (CDA) and Article 80 of Republic Act 9520, otherwise known as the Philippine Cooperative Code of 2008, the following guidelines are issued to govern the accreditation of cooperative external auditors:

SECTION 1. *Definition of Terms*

COOPERATIVE DEVELOPMENT AUTHORITY or CDA – is the only government agency granting juridical personality to cooperatives, herein referred to as the Authority

ASSOCIATE – any director, officer, manager, or any person occupying a similar status or performing similar functions in the audit firm including employees performing supervisory role in the auditing process

AUDITING FIRM - means either the partners of a firm providing audit services or a sole practitioner providing audit services, as appropriate.

AUDITOR-IN-CHARGE – this refers to the team leader of the audit engagement.

COOPERATIVE EXTERNAL AUDITOR – an independent Certified Public Accountant (CPA) accredited by the CDA, whose relationship to the client is to express an opinion on the financial statements. He/she may be the signing partner in an auditing firm or a sole practitioner.

FRAUD - means an intentional act by one or more individuals among management, employees, or third parties that result in a misrepresentation of financial statements. It may involve:

- Manipulation, falsification or alteration of records or documents.
- Misappropriation of assets.
- Suppression or omission of the effects of transactions from records or documents.
- Recording of transactions without substance.
- Intentional misapplication of accounting policies.

- Omission of material information
- And any other instance/factor which may be classified as fraud.

PARTNER - all partners including those not performing audit engagements

PARTNERSHIP - means a professional partnership engaged in the practice of public accountancy duly registered with the Securities and Exchange Commission. [Art 1, Sec 1(g), Board of Accountancy Resolution No. 69, Series of 2003]

AUDIT ENGAGEMENT LETTER - informs the cooperative of an upcoming audit. It details the audit objectives, the timeline, and the audit team members. It also covers the pre-audit meeting, expected deliverables, and the audit team's mission.

SECTION 2. Application Requirements

A. Documentary Requirements

1. For Individual CPA

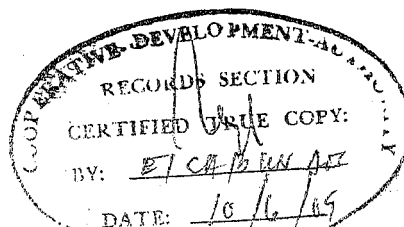
An individual Certified Public Accountant (CPA) who seeks to be accredited as Cooperative External Auditor must file an accomplished application form (*Annex 1*) directly to the Cooperative Development Authority – Extension Office (CDA-EO) where such CPA is based, attaching thereto duly certified true copies of the following documents:

- i. Professional Regulation Commission Identification Card (PRC ID);
- ii. Valid Certificate of Registration with the Professional Regulation Commission – Board of Accountancy (PRC-BOA);
- iii. Current Professional Tax Receipt (PTR) issued by the local government;
- iv. Certificate of Membership in Good Standing with the Philippine Institute of Certified Public Accountants (PICPA) Chapter;
- v. Certificate/s of Completion of Training equivalent to a minimum of 24 hours of training with topics on Standard Chart of Accounts (SCA), Performance Standards for Credit & Other Types of Cooperatives with Credit Services of COOP-PESOS, Financial Reporting Standards for Cooperatives, Philippine Cooperative Code and other Rules and Regulations issued by the Authority. Such training shall be provided by the CDA or CDA recognized/ accredited institutions;

2. For Partnership/Auditing Firm

The Partnership/Auditing Firm which seeks to be accredited as Cooperative External Auditor must file an accomplished application form (*Annex 2*) directly to the CDA EO where such firm is based; attaching thereto duly certified true copies of the following documents:

- i. SEC Registration;
- ii. Partnership's Current Certificate of Registration with the BOA;



- iii. Business Permit/Municipal License;
- iv. Certificate of Membership in Good Standing with PICPA chapter of at least one (1) partner;
- v. Certification that at least one (1) partner complied with the required training as prescribed in Section 2.A.1.v for the Individual CPAs, duly supported by certified true copies of certificates of completion or attendance;

SECTION 3. *Accrediting Body*

The accreditation of Cooperative External Auditor shall be approved by the CDA Board of Administrators (CDA-BOA) upon recommendation of the Regulatory Unit of the CDA-CO.

The applications for accreditation shall be fully disposed of within a period of thirty (30) days from the receipt of completed documents by the CDA-CO.

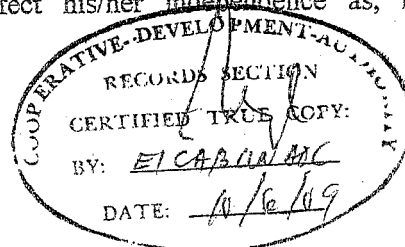
SECTION 4. *Validity of Accreditation and Inclusion in CDA List*

The accreditation of external auditor shall be valid for a period of three (3) years from the date of issue. The CDA-accredited external auditors may apply for the renewal of their accreditation within three months prior to the expiration. The provisions of Section 3 of this Accreditation Criteria shall likewise apply for each application renewal.

The CDA will circularize to all cooperatives the list of accredited cooperative external auditors once a year. The CDA, however, shall not be held liable for any damage or loss that may arise from the selection of the accredited cooperative external auditors to be engaged by the cooperatives for regular or special audit engagements.

SECTION 5. *Conditions for Engagement of an External Auditor*

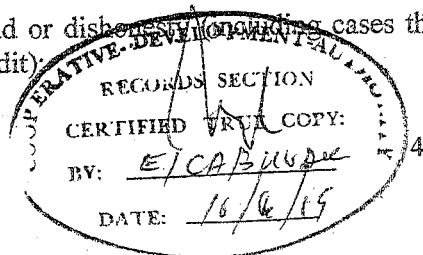
- a) No external auditor may be engaged/qualified in the audit of a cooperative and any of its subsidiary if he/she or any member of his/her immediate family had or has committed to acquire any direct or indirect financial interest in the cooperative, or if his/her independence is considered impaired under the circumstances specified in the Code of Professional Ethics for Certified Public Accountants. In the case of a partnership, this limitation shall apply to the partners, associates, and the auditor-in-charge of the engagement and members of their immediate family.
- b) The external auditor and the members of the audit team do not have/shall not have outstanding loans or any credit accommodations with the cooperative at the time of signing of the engagement and during the engagement. In the case of partnership, this prohibition shall apply to the partners and the auditor-in-charge of the engagement.
- c) The external auditor must not be currently engaged nor was engaged during the past 3 years in providing the following services to the Cooperative:
 - i. Internal audit functions;
 - ii. Information systems design, implementation, and assessment; and
 - iii. Such other services, which could affect his/her independence as, may be determined by the CDA.



- d) The external auditor, auditor-in-charge, and members of the audit team must adhere to the highest standards of professional conduct and shall carry out services in accordance with relevant ethical and technical standards, such as the Philippine Accounting Standards, Philippine Financial Reporting Standards, Philippine Standards on Auditing (PSA) and the Code of Professional Ethics for Certified Public Accountants;
- e) For the immediate past three years, the external auditor must not have held a position relevant to the conduct of audit such as, but not limited to, Chief Executive Officer, Chief Financial Officer, Comptroller, Accountant, Bookkeeper, Audit Committee, etc;
- f) For the immediate past three years, the external auditor must not have been a member/officer of the cooperative or employee/officer of a federation/union to which the cooperative being audited is affiliated;
- g) The external auditor must not be related to any officer and employee of the cooperative up to the fourth degree of consanguinity or affinity; and
- h) The external auditor, whether on his/her individual capacity or as partner of a firm, may undertake the external audit of the concerned cooperative for not more than five (5) consecutive years, provided that the external auditor may be allowed to audit the same client after a gap of two (2) years.

Section 6. Reportorial Requirements

- a) The external auditor shall prepare the audited financial statements in accordance with Philippine Financial Reporting Standards (PFRS) taking into consideration cooperative laws, rules and regulations. At the minimum, the report shall meet the following requirements:
 - a.1) Standard format in the presentation of the audited financial statements with comparative figures of the immediately preceding year, which will include the following:
 - Auditors' Report
 - Statements of Financial Condition
 - Statements of Operations
 - Statements of Cash Flows
 - Statements of Changes in Equity (to include changes in Statutory Funds)
 - Notes to Financial Statements
 - a.2) Statement of Management Responsibility
 - a.3) Statement of representation of the external auditor to the Authority
- b) Disclosure of external auditor's adverse findings
 - b.1. To enable timely and appropriate remedial action, the external auditor must report to the CDA EOs where the cooperative being audited is registered, within thirty (30) calendar days after discovery, the following cases:
 - b.1.1. Any material findings involving fraud or dishonesty (including cases that were resolved during the period of audit).



- b.1.2. Any potential losses the aggregate of which amounts to at least one percent (1%) of the paid-up share capital; and
- b.1.3. Insufficiency of the cooperative's assets to cover claims of creditors.
- b.2. The external auditor shall report directly to the CDA EO where the cooperative being audited is registered, within fifteen (15) calendar days after the occurrence of the following:
 - b.2.1. Termination or resignation as external auditor, prior to the completion of audit engagement, and stating the reason thereof;
 - b.2.2. Discovery of a material breach of cooperative laws or these rules and regulations such as, but not limited to;
 - b.2.2.1. Net worth to risk assets ratio; Loans and other risk assets review and classification using portfolio at risk; and
 - b.2.2.2. Findings on matters of cooperative governance that may require urgent action by the Authority.
- b.3. The external auditor shall inform and/or discuss with the management of the cooperative details of the adverse findings with the corresponding corrective measures.

SECTION 7. Working Paper Retention

In all cases, accredited external auditor shall maintain the audit working paper for a minimum period of seven (7) years.

SECTION 8. Accreditation Fees

A. Initial Filing Fee

For Individual - Two Thousand Pesos (P2, 000.00).

For Partnership or Firm – Five Thousand Pesos (P5, 000.00)

B. Renewal Fee

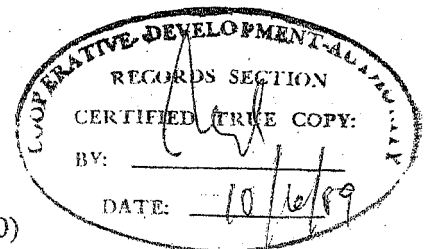
For Individual - One Thousand Pesos (P1, 000.00).

For Partnership or Firm – Three Thousand Pesos (P3, 000.00)

C. Re-application Fee

For Individual - Two Thousand Pesos (P2, 000.00).

For Partnership or Firm – Five Thousand Pesos (P5, 000.00)



SECTION 9. Revocation/Cancellation of Accreditation

The CDA shall make a periodic review of the financial statements audited by the accredited external auditor and their compliance with the above.

Non-compliance with any of the provisions of this circular, rules and regulations issued by the Authority and the requirements for accreditation shall be a ground for the revocation/cancellation of his/her accreditation.

An external auditor whose accreditation has been cancelled may re-apply for accreditation after two years. Provided, that no further re-accreditation shall be granted after two (2) cancellations.

In the re-application, the procedures and requirements for renewal shall be observed.

SECTION 10. Renewal of Accreditation

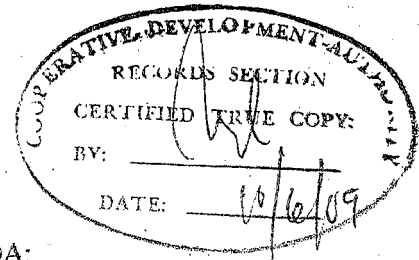
Interested party must file an accomplished application form for renewal (Annex 3 or 4) directly to the CDA EO where such CPA/Partnership/Auditing Firm is based, attaching thereto duly certified true copies of the following documents:

A. For Individual CPA

- i. PRC ID;
- ii. Individual's current Certificate of Registration with the PRC-BOA;
- iii. Current PTR issued by the local government;
- iv. Certificate of Membership in Good Standing with his/her PICPA Chapter;
- v. Certificate of Training equivalent to 24 hours of training attended on cooperative updates and issuances and other related courses provided by CDA/CDA-accredited institutions;
- vi. Expired Certificate of Accreditation issued by the CDA;
- vii. List of cooperatives audited;
- viii. Sworn statement that the cooperative external auditor has engaged in at least one activity for cooperatives that is free of charge (e.g. installation of books of accounts, consultancy, etc) as part of his/her social responsibility; and
- ix. Sworn statement by the Cooperative External Auditor that he has observed the conditions prescribed under Sec. 5 of these guidelines.

B. For partnership/Firm

- i. SEC Registration;
- ii. Partnership's Current Certificate of Registration with the BOA;



- iii. Business Permit/Municipal License;
- iv. In case such partner referred to in Section 2.A.2.iv. decides to leave the said Partnership, another partner associated with it shall comply with Section 2.A.2.iv;
- v. Certificate of Training equivalent to 24 hours of training attended on cooperative updates and issuances and other related courses provided by the CDA or CDA-accredited institutions;
- vi. Expired Certificate of Accreditation issued by the CDA;
- vii. List of cooperatives audited;
- viii. Sworn statement that the cooperative external auditor has engaged in at least one activity for cooperatives that is free of charge (e.g. installation of books of accounts, consultancy, etc) as part of his/her social responsibility; and
- ix. Sworn statement that the partnership/firm has observed the conditions prescribed under Section 5 of these guidelines.

Section 11. Effectivity

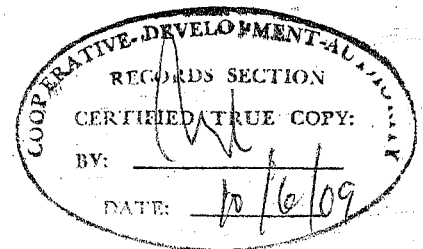
This Circular shall take effect upon approval by the CDA-BOA and fifteen (15) days after publication in the Office of National Administration Registry (ONAR).

This Circular shall be subject to review two years after its initial implementation.

Signed this 14th day of September, 2009 at Quezon City, Philippines


LECIRA V. JUAREZ
Chairperson

*CDA Board Resolution No. 203, S-2009
August 14, 2009*



(Annex 1)

PRO-FORMA APPLICATION FOR ACCREDITATION
(Individual CPA)

Cooperative Development Authority
Extension Office

Dear Sir/Madam:

I have the honor to apply for Accreditation as a Cooperative External Auditor pursuant to CDA Memorandum Circular _____ dated _____.

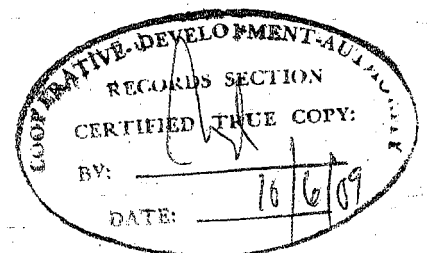
In compliance to the said Memorandum Circular, I am attaching herewith duly certified true copies of the following documents:

- a. Professional Regulation Commission Identification Card (PRC ID);
- b. Valid Certificate of Registration with the Professional Regulation Commission – Board of Accountancy (PRC-BOA);
- c. Current Professional Tax Receipt (PTR) issued by the local government;
- d. Certificate of Membership in Good Standing with the Philippine Institute of Certified Public Accountants (PICPA) Chapter; and
- e. Certificate/s of Completion of Training equivalent to a minimum of 24 hours of training.

Thank you for your favorable consideration.

Very truly yours,

Name



PRO-FORMA APPLICATION FOR ACCREDITATION
(Partnership/Audit Firm)

Cooperative Development Authority

Extension Office

Dear Sir/Madam:

Our Partnership/Audit Firm has the honor to apply for accreditation as a Cooperative External Auditor pursuant to CDA Memorandum Circular _____ dated _____.

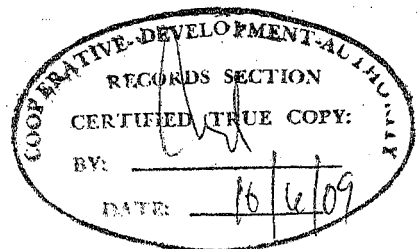
In compliance to the said Memorandum and in behalf of _____ (name of firm _____), I am attaching herewith duly certified true copies of the following documents:

- a. SEC Registration;
- b. Partnership's Current Certificate of Registration with the BOA;
- c. Business Permit/Municipal License;
- d. Certificate of Membership in Good Standing with PICPA chapter of at least one (1) partner; and
- e. Certification that at least one (1) partner complied with the required training as prescribed in Section 2.A.1.v for the Individual CPAs, duly supported by certified true copies of certificates of completion or attendance.

Thank you for your favorable consideration.

Very truly yours,

Authorized Representative
of Partnership/Audit Firm



(Annex 3)

PRO-FORMA APPLICATION FOR RENEWAL OF ACCREDITATION
(Individual CPA)

Cooperative Development Authority
Extension Office

Dear Sir/Madam:

I have the honor to apply for accreditation as a Cooperative External Auditor pursuant to CDA Memorandum Circular _____ dated _____.

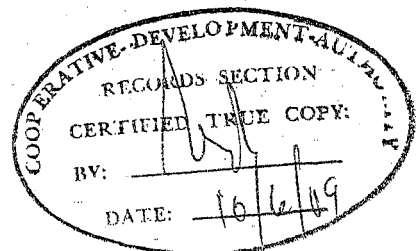
In compliance to the said Memorandum, I am attaching herewith duly certified true copies of the following documents:

- Professional Regulation Commission (PRC) ID;
- Individual's current Certificate of Registration with the PRC-BOA;
- Current PTR issued by the local government;
- Certificate of Membership in Good Standing with PICPA Chapter;
- Certificate of Training equivalent to 24 hours of training attended on cooperative updates and issuances and other related courses provided by CDA/CDA-accredited institutions;
- Expired Certificate of Accreditation issued by the CDA;
- List of cooperatives audited;
- Sworn statement that the cooperative external auditor has engaged in at least one activity for cooperatives that is free of charge (e.g. installation of books of accounts, consultancy, etc) as part of his/her social responsibility; and
- Sworn statement by the Cooperative External Auditor that he has observed the conditions prescribed under Sec. 5 of these guidelines;

Thank you for your favorable consideration.

Very truly yours,

Name



((Annex 4))

PRO-FORMA APPLICATION FOR RENEWAL OF ACCREDITATION
(Partnership/Audit Firm)

Cooperative Development Authority
Extension Office

Dear Sir/Madam:

Our Partnership/Audit Firm has the honor to apply for accreditation as a Cooperative External Auditor pursuant to CDA Memorandum Circular _____ dated _____.

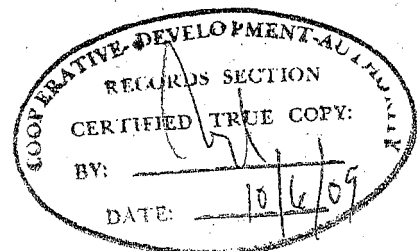
In compliance to the said Memorandum and in behalf of our firm, I am attaching herewith duly certified true copies of the following documents:

- SEC Registration;
- Partnership's Current Certificate of Registration with the BOA;
- Business Permit/Municipal License;
- Certificate of Membership in Good Standing with PICPA chapter of at least one (1) partner;
- Certificate of Training equivalent to 24 hours of training attended on cooperative updates and issuances and other related courses provided by the CDA or CDA-accredited institutions;
- Expired Certificate of Accreditation issued by the CDA;
- List of cooperatives audited;
- Sworn statement that the cooperative external auditor has engaged in at least one activity for cooperatives that is free of charge (e.g. installation of books of accounts, consultancy, etc) as part of his/her social responsibility; and
- Sworn statement that the partnership/firm has observed the conditions prescribed under Section 5 of these guidelines.

Thank you for your favorable consideration.

Very truly yours,

Authorized Representative
of Partnership/Audit Firm



XXX ACCOUNTING OFFICE

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS
ABC DEVELOPMENT COOPERATIVE
XXX TOWN, PROVINCE

We have audited the accompanying financial statements of **ABC DEVELOPMENT COOPERATIVE**, which comprise the statements of financial condition as at December 31, 2008 and 2007, and the statements of operations, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards applicable to Cooperatives in the Philippines, taking into consideration Cooperative laws, principles and practices. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

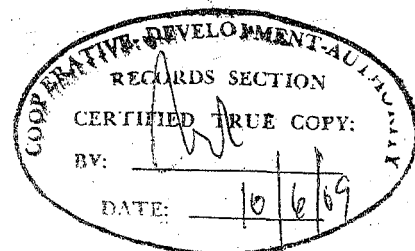
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of **ABC DEVELOPMENT COOPERATIVE** as of December 31, 2008 and 2007, and of its financial performance, changes in equity, and its cash flows for the years then ended in accordance with Financial Reporting Standards applicable to Cooperatives in the Philippines, taking into consideration Cooperative laws, principles and practices.

XXX NAME OF CPA
CPA No. xxxxxx
TIN No. 100-000-000-000
PTR No. 5804458, January 03, 2007, town, province
BOA Reg. No. 0000 dated 00 Month200x
CDA Reg. No. IV-02
BIR AN 09-000000-1-2005 (March 1, 2005 to 2008)
SEC Accreditation No. 0000-A (March 1, 2007 to 2010)

Date



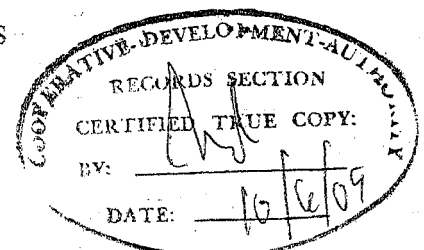
ABC DEVELOPMENT COOPERATIVE
xxx Town, Province

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2009 and 2008
(Amounts in Philippine Pesos)

	Notes	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Surplus (Loss)			
Adjustments to reconcile net surplus to net cash provided by operating activities			
Depreciation	19,20,44		
Loss on Impairment	19,20,44		
Provision for Cooperative Guarantee Fund	44,46		
Change in assets and liabilities			
Decrease (Increase) in:			
Loans and Receivables	11		
Inventory	12		
Biological Assets	13		
Other Current Assets	14		
Increase (Decrease) in:			
Deposit Liabilities	24		
Trade, Non-Trade and other payables	25		
Due to Union/Federation	26		
Interest on Share Capital Payable	27		
Patronage Refund Payable	28		
Other Current Liabilities	29		
Net cash provided by (used in) operating activities		-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Additions to Investments			
Acquisition of Property and Equipment	20		
Decrease(Increase) in Intangible Assets	21		
Decrease(Increase) in Other Non-current Assets	23		
Net cash provided by (used in) investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease (Increase) in other Funds and Deposits	22		
Net Proceeds from issuance of share capital	38		
Proceeds from donations and grants	38		
Increase(decrease) in treasury shares	36		
Increase (Decrease) in Non-current Liabilities			
Change in statutory funds	39		
Net cash provided by (used in) financing activities		-	-
NET INCREASE (DECREASE) IN CASH		-	-
ADD: CASH AND CASH EQUIVALENTS, JANUARY 1		-	-
CASH AND CASH EQUIVALENTS, DECEMBER 31		-	-

See accompanying notes to financial statements.

NOTE: PLEASE ALWAYS CROSS REFER TO THE APPLICABLE NOTES



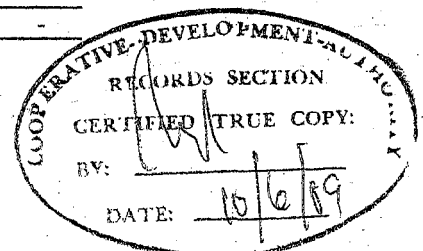
ABC DEVELOPMENT COOPERATIVE
xxx Town, Province

STATEMENTS OF FINANCIAL CONDITION
As of December 31, 2009 and 2008
(Amounts in Philippine Pesos)

	Notes	2009	2008
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5		
Investment at Fair Value Through Profit and Lo	6		
Financial Assets Held to Maturity	6		
Financial Assets Available for Sale	8		
Unquoted Debt Securities Classified as Loans	9		
Investment in Non Marketable Equity Securities	10		
Loans and Receivables	11		
Inventory	12		
Biological Assets	13		
Other Current Assets	14		
Total Current Assets		-	-
NON-CURRENT ASSETS			
Financial Assets Available for Sale	15		
Financial Assets Held to Maturity	16		
Unquoted Debt Securities Classified as Loans	17		
Investment in Non Marketable Equity Securities	18		
Investment Property	19		
Property and Equipment	20		
Intangible Assets	21		
Other Funds and Deposits	22		
Other Non-Current Assets	23		
Total Non-current Assets		-	-
TOTAL ASSETS		-	-
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Deposit Liabilities	24		
Trade, Non-Trade and other payables	25		
Due to Union/Federation	26		
Interest on Share Capital Payable	45		
Patronage Refund Payable	45		
Other Current Liabilities	27		
Total Current Liabilities		-	-
Non-current Liabilities			
Loans Payable	28		
Bonds Payable	29		
Revolving Capital Payable	30		
Retirement Fund Payable	31		
Finance Lease Payable	32		
Other Non-Current Liabilities	33		
Total Non-current Liabilities		-	-
TOTAL LIABILITIES		-	-
EQUITY			
Share Capital			
Deposits on Future Share Capital Subscriptions	34		
Donations/Grants	35		
Statutory Fund	36		
Unrealized Gains/Losses	37		
TOTAL EQUITY		-	-
TOTAL LIABILITIES AND EQUITY		-	-

See accompanying notes to financial statements.

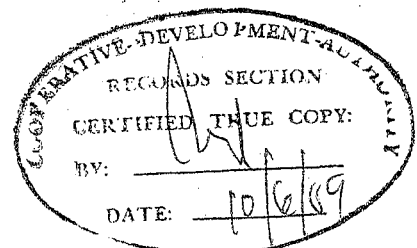
NOTE: PLEASE ALWAYS CROSS REFER TO THE APPLICABLE NOTES



ABC DEVELOPMENT COOPERATIVE
xxx Town, Province

STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2009 and 2008
(Amounts in Philippine Pesos)

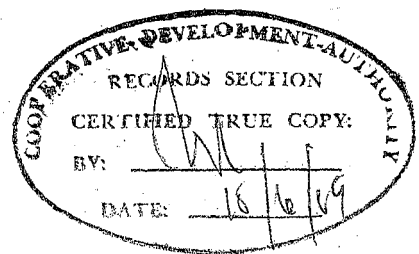
	Notes	2009	2008
SHARE CAPITAL - COMMON			
Authorized 500,000 shares at Php 50.00 par value			
Beginning Balance			
Add Additional Capital			
Less Withdrawal in Capital			
Total Share Capital			
SHARE CAPITAL - PREFERRED			
Authorized 500,000 shares at Php 50.00 par value			
Beginning Balance			
Add Additional Capital			
Less Withdrawal in Capital			
Total Share Capital			
TREASURY SHARES			
Beginning Balance			
Additions			
Deductions			
Total Share Capital			
DEPOSITS FOR SHARE CAPITAL SUBSCRIPTION	34		
Beginning Balance			
Add (less)			
Total Deposits for Share Capital Subscription			
DONATIONS/ GRANTS	35		
Beginning Balance			
Add (Less):			
Receipts			
Deductions			
Ending Balance			
STATUTORY FUNDS			
RESERVE FUND	36,45		
Beginning Balance			
Add (Less):			
Provisions			
Deductions			
Ending Balance			
EDUCATION AND TRAINING FUND	36,45		
Beginning Balance			
Add (Less):			
Provisions			
Deductions			
Ending Balance			



COMMUNITY DEVELOPMENT FUND	36,45
Beginning Balance	
Add (Less):	
Provisions	
Deductions	
Ending Balance	-
OPTIONAL FUND	36,45
Beginning Balance	
Add (Less):	
Provisions	
Deductions	
Ending Balance	-
TOTAL STATUTORY FUNDS	-
UNREALIZED GAINS/LOSSES	37
Beginning Balance	
Add (Less):	
Provisions	
Deductions	
Ending Balance	-
TOTAL EQUITY	-

See accompanying notes to financial statements.

NOTE: PLEASE ALWAYS CROSS REFER TO THE APPLICABLE NOTES



15-18 BREAKDOWN OF NON-CURRENT FINANCIAL ASSETS

19. INVESTMENT PROPERTY

This account consists of the following:

	Land	Building	TOTAL
At December 31, 2009			
Opening Net Book Value			
Additions			
Reclassification to Investment Property			
Write-off due to Impairment			
Charged to Statutory Fund			
Accumulated Depreciation of Reclassified to Investment Property			
Accumulated Depreciation of write-off due to impairment			
Depreciation for the year			
Closing Net Book Value	-	-	-

	Land	Building	TOTAL
Year Ended December 31, 2009			
Cost			
Accumulated Depreciation			
Net Book Value	-	-	-

	Land	Building	TOTAL
At December 31, 2008			
Opening Net Book Value			
Additions			
Reclassification/Transfer/Disposal			
Charged to Statutory fund			
Depreciation for the year			
Closing Net Book Value	-	-	-

Year Ended December 31, 2008			
Cost			
Accumulated Depreciation			
Net Book Value	-	-	-

Management considers these amounts the fair values of the said investment property.

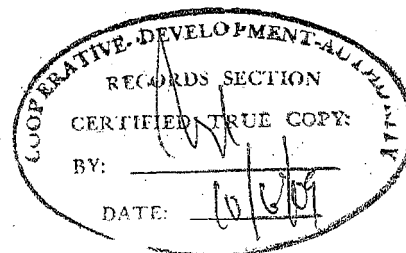
20. PROPERTY AND EQUIPMENT

This account consists of the following:

	Land	Leasehold Improvements	Building	Office Equipment	Office Furniture & Fixtures	TOTAL
--	------	------------------------	----------	------------------	-----------------------------	-------

At December 31, 2009

Opening Net Book Value
 Additions
 Reclassification to Investment Property
 Write-off due to Impairment
 Charged to Statutory Fund
 Accumulated Depreciation of Reclassified to Investment Property



Accumulated Depreciation of write-off due to impairment	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-
Closing Net Book Value	-	-	-	-	-	-

	Land	Leasehold Improvements	Building	Office Equipment	Office Furniture & Fixtures	TOTAL
--	------	------------------------	----------	------------------	-----------------------------	-------

Year Ended December 31, 2009

Cost	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-
Net Book Value	-	-	-	-	-	-

	Land	Leasehold Improvements	Building	Office Equipment	Office Furniture & Fixtures	TOTAL
--	------	------------------------	----------	------------------	-----------------------------	-------

At December 31, 2008

Opening Net Book Value	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Reclassification/Transfer/Disposal	-	-	-	-	-	-
Charged to Statutory fund	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-
Closing Net Book Value	-	-	-	-	-	-

Year Ended December 31, 2008

Cost	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-
Net Book Value	-	-	-	-	-	-

21. INTANGIBLE ASSETS

This account consists of the following:

	Notes	2009	2008
Total Intangible Assets	-	-	-

The carrying values of these assets are believed to be a reasonable approximation of their fair values.

22. OTHER FUNDS AND DEPOSITS

This account consists of the following:

	Notes	2009	2008
Total Other Funds and Deposits	-	-	-

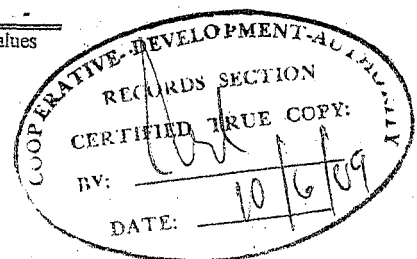
The carrying values of these assets are believed to be a reasonable approximation of their fair values.

23. OTHER NON-CURRENT ASSETS

This account consists of the following:

	Notes	2009	2008
Cooperative Development Costs	-	-	-
Computerization Costs	-	-	-
Total Other Non-Current Assets	-	-	-

The carrying values of these assets are believed to be a reasonable approximation of their fair values.



24. DEPOSIT LIABILITIES

This account consists of the following:

	2009	2008
Total Deposit Liabilities		

These deposit liabilities earn interest at ___% per annum

25. TRADE, NON-TRADE AND OTHER PAYABLES

This account consists of the following:

	2009	2008
Total Trade, non-trade and other payables		

The fair values of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the balance sheet to be a reasonable approximation of their fair values.

26. DUE TO UNION/FEDERATION

This account consists of the following:

	2009	2008
Total Due to Union/ Federation		

27. OTHER CURRENT LIABILITIES

This account consists of the following:

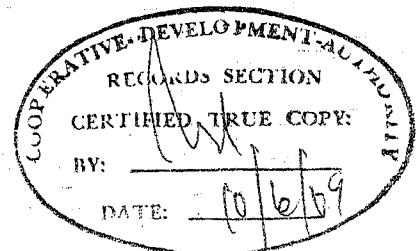
	2009	2008
Total Other Current Liabilities		

The fair values of other current liabilities have not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the balance sheet to be a reasonable approximation of their fair values.

28. LOANS PAYABLE

This account consists of the following:

	2009	2008



Total Loans Payable

The loans payable represents (Secured and/or Unsecured) loans from _____
The loans bear annual interest rate of/or ranging from _____.

29. **BONDS PAYABLE**

This account consists of the following:

	2009	2008

Total Bonds Payable

Bonds payable bear annual interest of / ranging from _____

30. **REVOLVING CAPITAL PAYABLE**

This account consists of the following:

	2009	2008

Total Revolving Capital Payable

Revolving Capital Payable bears annual interest of ____%.

31. **RETIREMENT FUND PAYABLE**

This account consists of the following:

	2009	2008

Total Retirement Fund Payable

Retirement Fund Payable consists of ____ Funds placed at ____ at ____ % interest per annum.

32. **FINANCE LEASE PAYABLE**

This account consists of the following:

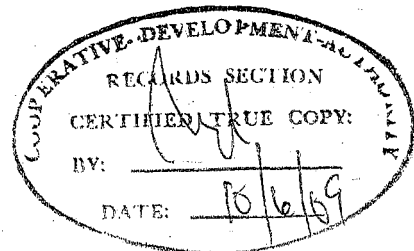
	2009	2008

Total Finance Lease Payable

33. **OTHER NON-CURRENT LIABILITIES**

This account consists of the following:

	2009	2008



Total Other Non-current Liabilities

34. DEPOSITS ON FUTURE SHARE SUBSCRIPTIONS

This account consists of the following:

2009 2008

35. DONATIONS/GRANTS

This account consists of the following:

2009 2008

Total Donations/ Grants

36. STATUTORY FUNDS

This account consists of the following:

2009 2008

Reserve Fund
Education and Training Fund - Local
Community Development Fund
Optional Fund

Total Statutory Funds

37. UNREALIZED GAINS/LOSSES

This account consists of the following:

2009 2008

Total Unrealized Gains/Losses

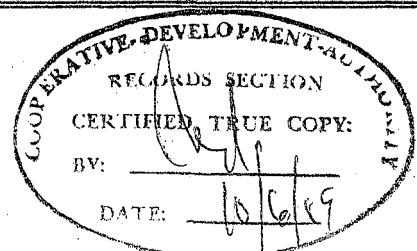
38. INCOME FROM CREDIT OPERATIONS

2009 2008

REVENUES

LESS: DIRECT COSTS

INCOME FROM CREDIT OPERATIONS



39. INCOME FROM CONSUMER STORE OPERATIONS

	2009	2008
SALES		
LESS: COST OF SALES		
Beginning Inventory		
Add: Purchases		
Total Goods Available for Sale	-	-
Less: Ending Inventory		
Total Cost of Sales	-	-
GROSS PROFIT	-	-
LESS: OPERATING EXPENSES		
Store and Office Supplies	-	-
Miscellaneous	-	-
Total Operating Expenses	-	-
OPERATING INCOME	-	-
ADD: OTHER INCOME		
Interest on bank deposits		
Miscellaneous Income		
Total Other Income	-	-
INCOME (LOSS) FROM CONSUMER STORE OPERATIONS	-	-

40. INCOME FROM SERVICE OPERATIONS

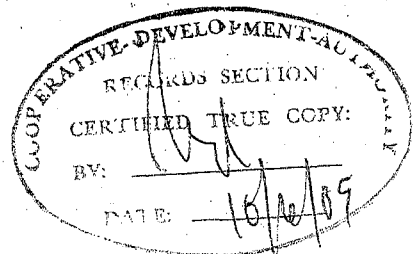
	2009	2008
REVENUES		
LESS: DIRECT COSTS		
INCOME FROM SERVICE OPERATIONS		

41. INCOME FROM PRODUCTION OPERATIONS

	2009	2008
REVENUES		
LESS: DIRECT COSTS		
INCOME FROM PRODUCTION OPERATIONS		

42. INCOME FROM MARKETING OPERATIONS

	2009	2008
REVENUES		



LESS: DIRECT COSTS

INCOME FROM MARKETING OPERATIONS

43. **OTHER INCOME**

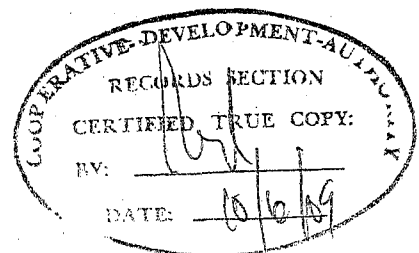
This account consists of the following:

	2009	2008
Total Other Income	-	-

44. **EXPENSES**

This account consists of the following:

	2009	2008
Salaries and Wages		
Staff Benefits and Allowances		
SSB, Philhealth and EC Contributions		
Representation		
Insurance		
Printing and Office Supplies		
General Assembly		
Meetings and Conferences		
Seminar		
Officer's Honorarium and Allowances		
Repairs and Maintenance		
Taxes and Licenses		
Promotion and Publicity		
Donations and Contributions		
Professional Fees		
Communication		
Light, Power and Water		
Social Service		
Periodical and Magazines Subscriptions		
Gasoline and Transportation		
Depreciation - Property and Equipment	20	
Depreciation - Investment Property	19	
Affiliation Fees		
General Support		
Members' Benefit		
Litigation Expenses		
Bank Charges		
Loss on Impairment of Building Improvements		
Provision for Probable Losses		
Retirement Benefit Expense	47	
Provision for Cooperative Guarantee Fund	46	
Miscellaneous		
TOTAL EXPENSES		



NOTE: IF DEPRECIATION IS ALLOCATED BETWEEN DIRECT COST AND EXPENSES, PROVIDE BREAKDOWN

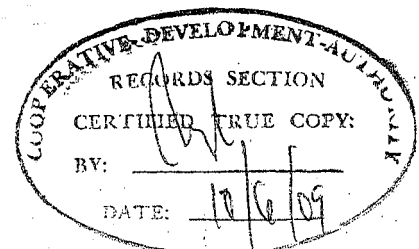
45. ALLOCATION AND DISTRIBUTION OF NET SURPLUS:

The Cooperative's constitution and by-laws explicitly provides that its net surplus at the end of the fiscal year shall be distributed in the following manner:

- a. Reserve Fund - ___ percent (___) shall be set aside for the reserve fund. The reserve fund shall be used for the stability of the cooperative and to meet net losses in its operations. not less than 10%, if less than 5 years, not less than 50%
- b. Education and Training Fund - ___ percent (___) for the education and training fund. Half of the amount transferred to the education and training fund annually under this subscription may be spent by the cooperative for education and training and other purposes; while the other half shall be credited to the Cooperative education and training fund of the apex organization of which the cooperative is a member. 5%-Education and Training fund, 5% Due to Union/Federation
- c. Community Development Fund - This is Computed at ___% of cooperative's net surplus This is used for projects or activities that will benefit the community where the cooperative operates (not exceeding 3%)
- d. Optional Fund - This is computed at ___% of the cooperative's net surplus. (not exceeding 7%)
- e. Interest on Share Capital and Patronage Refunds - After deduction of the statutory accounts, any remaining net surplus shall be distributed to the cooperative's members in the form of interest not to exceed the normal rate of return on investments and patronage refunds. Interest on Fixed Deposits shall be allocated in proportion to the individual members' average share monthly, while patronage refund is divided according to their individual patronage; i.e., volume of loans availed.

46. COOPERATIVE GUARANTEE FUND

Under the CDA Articles of Cooperation No. 4 Section 4, the Cooperative Guarantee Fund shall be at least ___% of the gross income of the cooperative and shall be set aside to constitute the Cooperative Guarantee Fund which shall be a social fund for the purpose of guaranteeing the realization of the objectives of the Cooperative, payment of common services and facilities for the benefit of the members, and for the investment in other cooperative.



47. EMPLOYEE BENEFITS

a. Retirement Benefits

Republic Act (RA) No. 7641 (New Retirement Law) took effect on January 7, 1993. Under the new law, the Cooperative is required to provide minimum retirement benefits to qualified retiring employees. This amount was set up by the Cooperative in compliance with such law.

(DISCLOSE NATURE OF RETIREMENT FUND)

b. Other Employee Benefits

(Disclose different types of employee benefits)

48. INCREASE IN CAPITAL STOCK

Increase in capital stock from _____ shares to _____ shares was approved by the Cooperative Development Authority on _____.

49. RELATED PARTY TRANSACTIONS

There were no related party transaction made by the Cooperative for the years ending December 31, 2009 and 2008

(Highlights Directors/Officers/staff loans if exceeding ceiling as of date-amount of ceiling; state compliance with regulation)

50. EVENTS AFTER BALANCE SHEET DATE

There were no events after balance sheet date that would require a disclosure or adjustment on the financial statements of the Company.

(Indicate distribution of dividends)

51. COMMITMENTS AND CONTINGENCIES

There were no significant commitments and contingencies involving the Company as of Balance Sheet date.

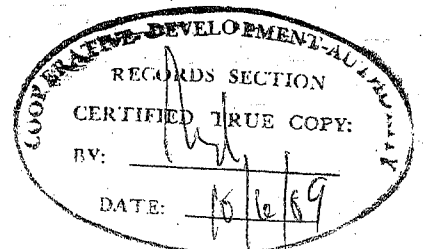
52. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Cooperative's capital management objectives are to ensure the Cooperative's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

DISCLOSE STRATEGIES TO manage cooperative capital

The Cooperative monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheets. Capital for the reporting periods under review is summarized as follows:

	2009	2008
Total liabilities		
Total equity		
Debt-to-equity ratio	1: xx	1: xx



ABC DEVELOPMENT COOPERATIVE

xxx Town, Province

NOTES TO FINANCIAL STATEMENTS

As of December 31, 20__

(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

The ABC DEVELOPMENT COOPERATIVE (referred hereinafter as "Cooperative") was registered as a cooperative pursuant to RA 9520 for the purpose of encouraging thrift and granting loans to members for productive, educational and providential purpose, providing goods and services and other requirements of the members, among others. The Cooperative adopted its current name as per amended articles of cooperation as well as by-laws during the Cooperative's General Assembly held last _____, 20__. Its former name is ABC Credit Cooperative, Inc.

The Cooperative's new name was granted the CDA Registration No. LGA-XXXX last _____. Under the RA 9520, the cooperative is exempt from payment of income and sales taxes, provided that a substantial portion of its net income is returned to members in the form of interest and or patronage refunds.

ADE: Cooperative Identification No.

Cooperative was issued a Certificate of Good Standing on _____.

The area of operation of this cooperative includes _____ and its principal office is located at _____ Town, Province.

These financial statements of the cooperative for the year ended December 31, 200__ were authorized for issue by the Board of Directors on xxxx, 200x

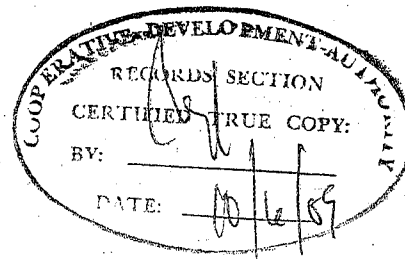
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

To facilitate the understanding of the financial statements, the more significant accounting policies and practices of the Cooperative are summarized as follows:

Basis of Preparation/Partial Adoption of New/Revised Philippine Accounting Standards

The financial statements have been prepared in conformity with Financial Reporting Standards applicable to the Philippine cooperatives

- PAS 1 - Presentation of Financial Statements.
- PAS 8 - Accounting Policies, Change in Accounting Estimates and Errors
- PAS 10 - Events after Balance Sheet Date
- PAS 16 - Property, Plant and Equipment
- PAS 19 - Employee Benefits
- PAS 21 - The Effects of Changes in Foreign Exchange Rates
- PAS 24 - Related Party Transactions
- PAS 36 - Impairment of Assets
- PAS 41 - Agriculture if producers and agriculture type of coop
- PAS 2 - Inventories
- PAS 7 - Cash flow Statements
- PAS 18 - Revenue



- PAS 38 - Intangible Assets
PAS 32,39 - Financial Instruments for credit coops
PAS 40 - Investment Property

PAS 1 - Presentation of Financial Statements

Provides framework of financial statements presentation. It requires more specific balance sheet line items (tax liabilities, provisions, non-current interest bearing debt, among others; financial statements must be comparative; and, has a number of new disclosure requirements. The standard also requires presentation of comparative information.

PAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

The standard is applied in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and correction of prior period errors.

PAS 10 - Events After Balance Sheet Date

The standard is applied in the accounting for, and disclosure of events after balance sheet date.

PAS 16 - Property, Plant and Equipment

PAS 16 (a) provides additional guidance and clarification on recognition and measurement of property, plant and equipment; requires capitalization of the costs of asset dismantling, removal or restoration; and requires measurement of an item of property and equipment acquired in exchange for a non-monetary asset or a combination of monetary and nonmonetary assets at fair value, unless the exchange transaction lacks commercial substance. The standard also provides guidelines for derecognition (e.g., disposal).

PAS 19/IAS 19 - Employee Benefits

Prescribes the accounting and disclosure for employee benefits, including short-term benefits (wages, annual leave, sick leave, annual profit-sharing bonuses, and non-monetary benefits); pensions, post-employment life insurance and medical benefits; other long-term employee benefits (long-service leave, disability, deferred compensation, long-term profit sharing and bonuses, and equity compensation).

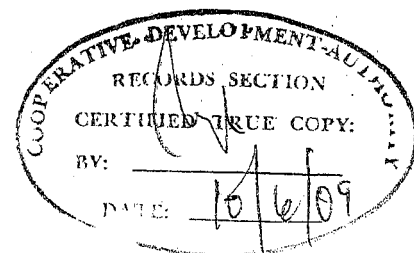
PAS 21/ IAS 21 - The Effects of Changes in Foreign Exchange Rates

Provides certain restrictions in allowing the capitalization of foreign exchange differentials. Under prevailing circumstances, the adoption will not have a material effect on the Company's financial position, results of operations and cash flows in year _____.

PAS 24 - Related Party Transactions

This standard applies in: (a) identifying related party relationships transactions; (b) identifying outstanding balances between an entity and its related parties; identifying the circumstances in which disclosures to be made about these items.

PAS 36 - Impairment of Assets



This standard applies in accounting for the impairment of assets other than those covered by separate standards.

PAS 41 - Agriculture

Prescribes the accounting treatment, financial presentation and disclosures for agricultural activity. (for producers coop)

PAS 2 - Inventories

Prescribes the accounting treatment for inventories

PAS 7 - Cash Flow Statements

Prescribes the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement which classifies cash flows during the period from operating, investing and financing activities.

PAS 18 - Revenue

Prescribes the accounting treatment for revenue arising from certain types of transaction and events.

PAS 38 - Intangible Assets

Prescribes the accounting treatment for Intangible Assets not dealt with specifically in another Standard.

PAS 32, 39 - Financial Instruments

Prescribes the accounting treatment, presentation and disclosure requirements for Financial Instruments. (for credit coops)

PAS 40 - Investment Property

Prescribes the accounting treatment and disclosure requirements for Investment Property

Management's Use of Judgements and Estimates

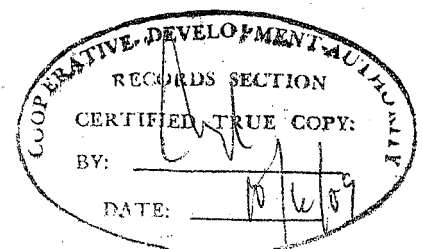
The financial statements are prepared in conformity with the above-mentioned accounting principles accepted in the Philippines which requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Those estimates and assumptions used in the financial statements are based on management's evaluation of relevant facts and circumstances as of date of the financial statements. Actual results could differ from such estimates.

The key estimates/assumptions concerning the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated Useful Lives

The useful life of each of the Cooperative's property or equipment is estimated based on the period over which

Asset Impairment



PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires to Cooperative to make estimate and assumptions that can materially affect its statement of assets, liabilities and stockholders' equity. Future events could cause the Cooperative to conclude that the property and equipment are impaired. Any resulting impairment loss shall be charged to operations.

Functional and Presentation Currency

Items included in the Cooperative's financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is the Cooperative's functional and presentation currency.

Revenues Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Cooperative and the amount of revenue can be measured reliably. Revenues from transactions of the Cooperative are recognized on a modified accrual basis.

If you are using the above do not use PAS 18, use only PAS 18 if you use full accrual.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Financial Assets

Receivables

Receivables, if any, are valued at face value, net of allowance for doubtful accounts and any anticipated adjustments that will reduce the amount to its estimated realizable value. The allowance for doubtful accounts is determined after a study of the estimated collectibility of the receivable balances and evaluation of such factors as aging of the accounts, collection expense of the Cooperative in relation to the particular receivable, past and expected loss experiences and identified doubtful accounts.

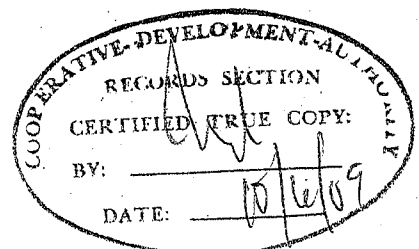
(Note: If coop has more types of financial assets, use disclosures as stated in separate sheets in this file)

Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories are valued at the lower of cost and net realizable value.

(Note: if producers and agricultural type, use PAS 41 as reference (agriculture))

Property and Equipment



Property and Equipment are carried at cost less accumulated depreciation and impairment in value. Depreciation is computed using the straight-line method over the estimated useful lives of the properties.

Land Improvements
Building
Building Improvements
Office Equipment
Office Furniture and Fixtures
Transportation Equipment
Consumer Equipment

(enumerate types of fixed assets and estimated useful life)

Financial Liabilities

Financial liabilities include bank loans, trade and other payables, as well as Interest on Share Capital and Patronage Refund Payable to the cooperative's members. These are recognized when the Cooperative becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the Statement of Operations under the caption Finance Costs.

Trade payables are recognized at their nominal value. Interest on Share Capital and Patronage Refund payable are recognized as financial liabilities based on the Cooperative's By-Laws as well as Cooperative laws and regulations.

Financial liabilities are derecognized from the balance sheet only when the obligations are extinguished either through discharge, cancellation or expiration.

Impairment of Assets

The carrying amounts of the Cooperative's non-current assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Costs and Expenses

Costs and expenses, not directly attributable to capitalizable assets or projects, are recognized and charged to operations as incurred.

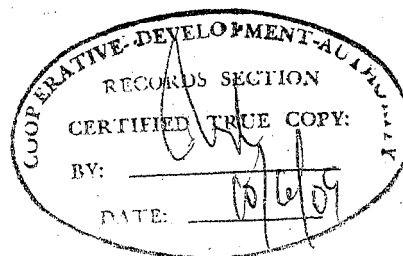
Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the Philippines requires the Cooperative to make estimates and assumptions that affect the reported amounts on income, expenses, resources, liabilities and disclosure of contingent resources and liabilities. Actual results could differ from those estimates.

ACCOUNTS PECULIAR TO COOPERATIVES

The following accounts are peculiar to a Cooperative due to its nature as well as adherence to Cooperative laws, issued policies, rules and regulations, as well as cooperative principles and practices:

ASSETS:



Cash in Cooperative Federation - refers to money deposited in federations which are unrestricted and readily available when needed. These are treated as cash and other cash equivalents.

Due from Accountable Officers and Employees - refers to total collectibles from shortages and other losses due from accountable officers and employees that are subject to immediate settlement/sanction. These are recognized at cost, less allowance for impairment, if any.

Cooperative Development Cost - refers to expenses incurred prior to the actual operations of the cooperative. These are recognized at cost, subject to amortization for a period not exceeding 3 years.

Other Funds and Deposits - refers to funds set aside for funding of reserves (Statutory and Other Reserves) established by the cooperative such as Retirement, Mutual Benefit and other Funds. This is recorded at cost.

LIABILITIES:

Interest on Share Capital Payable - refers to liability of the cooperative to its members for interest on share capital, which can be determined only at the end of every fiscal year.

Patronage Refund Payable - is the liability of the cooperative to its members and patrons for patronage refund, which can be determined only at the end of every fiscal year.

Due to Union/Federation (CETF) - is an amount set aside for the education and training fund of an apex organization, which is 50% of the amount allocated, by the cooperative in accordance with the provision of the cooperative's by-laws and the cooperative code. The apex organization may either be a federation or union of which the cooperative is a member.

Revolving Capital Payable - is the deferred payment of interest on share capital and patronage refund whose payment has been withheld, which should be agreed upon in the General Assembly.

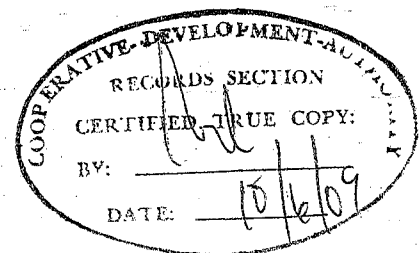
Project Subsidy Fund Payable - Unused portion of the donation/grant for training, salaries & wages, etc.

Mutual Benefit and Other Funds Payable - are funds for special purposes such as members' welfare & benefits, i.e. loan protection, hospitalization, death, scholarship assistance, etc. including KBGF/CGF, provision for accidents not taken from net surplus.

EQUITY

Donations/ Grants - are amounts received by the cooperative as awards, subsidies, grants, aids and others. This shall not be available for distribution as interest on share capital and patronage refund, and shall form part of the members' equity of the Statement of Financial Condition.

Statutory Funds - are Mandatory funds established/set up in accordance with Articles 86 and 87 of the Cooperative Code. They are as follows:



Reserve Fund - amounts set aside annually for the stability of the cooperative and to meet net losses in its operations. It is equivalent to at least 10% of the net surplus. A corresponding fund should be set up either in the form of time deposit with local banks or government securities. Only the amount in excess of the paid up share capital may be used for the expansion and authorized investment of the cooperative as provided for in its by-laws.

Education and Training Fund - an amount retained by the cooperative out of the mandatory allocation as stipulated in the cooperative's by-laws

Community Development Fund - This is Computed at ___% of cooperative's net surplus This is used for projects or activities that will benefit the community where the cooperative operates

Optional Fund - fund set aside from the net surplus (should not exceed 10%) for future use such as land and building, community developments, etc.

EXPENSES

General Assembly Meeting - expenses incurred in the conduct of regular/special general assembly

Members' Benefit - all expenses incurred for the benefit of the members

Affiliation Fee - Amount incurred to cover membership or registration fees and annual dues to a federation or union

Social and Community Service - expenses incurred by the cooperative in its social community involvement including solicitations and donations to charitable institutions

Provision for CGF (KBGF) - amount set up for the provisions of CGF (KBGF)

Provision for Members' Future Benefits - amount set up for future benefit of members, such as pension of members, etc. not taken from Net Surplus

OTHER ITEMS

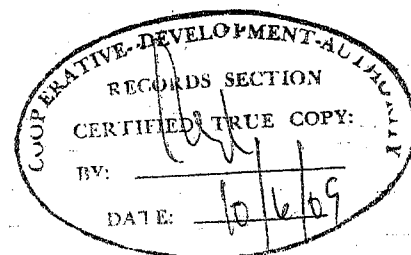
Project Subsidy - refers to the amount deducted from Project subsidy fund to subsidize project expenses. This shall appear in the statement of operation as a contra account to Subsidized Project Expenses

Donation and Grant Subsidy - refers to an amount deducted from Donations and Grants account to subsidize depreciation funded by donations and grants.

Optional Fund Subsidy - refers to an amount deducted from Optional Fund to subsidize depreciation funded by Optional Fund and /or community development expense

Subsidized Project Expenses - refers to a portion of the Project Subsidy Fund expended for training, salaries and wages and other activities subsidized by donations and grants.

INCOME TAXES



The Cooperative Code states that a Cooperative transacting business only with its members is exempt from all government taxes, and therefore cannot apply the PAS for income taxes because of its tax-exempt nature. However, should the cooperative exceed the limits as set forth in the cooperative code, it will adopt the accounting standards for income taxes as stated in PAS 12.

INCOME RECOGNITION

As a rule, cooperatives adopt the accrual basis of accounting. However, for credit and other cooperatives, recognition of revenues is on a modified accrual basis; i.e., interest income, fines, penalties and surcharges shall be recognized when earned and actually collected. This is so because only interest income, fines, penalties and surcharges on loans receivable that has been realized (i.e., earned and collected) shall be the basis of the income available for distribution to its members through interest on share capital and patronage refund.

Also, due to the cash-based income distribution scheme of a cooperative as well as the inherent limitations of small-scale countryside credit cooperatives, it cannot adopt the effective interest method in recognizing interest income on loans receivable.

3. MANAGEMENT'S SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

3.1 Judgments

The preparation of the Cooperative's financial statements in conformity with Financial Reporting Framework (in reference to the Generally Accepted Accounting Principles of the Philippines) requires management to make estimates and assumptions that affect the amounts reported in the Cooperative's financial statements and accompanying notes. The estimates and assumptions used in the Cooperative's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Cooperative's financial statements. Actual results could differ from such estimates, judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.2 Estimates

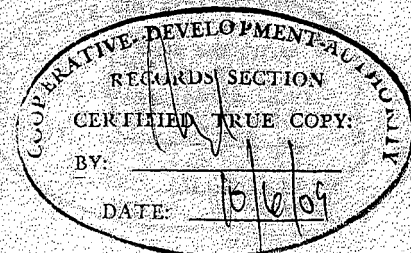
In the application of the Cooperative's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the Cooperative's financial statements.

Allowance for Doubtful Accounts

The Cooperative assesses whether objective evidence of impairment exist for receivables and due from related parties that are individually significant and collectively for receivables that are not individually significant. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables.



There are no allowances for doubtful accounts because they are potentially collectible based on their historical collections.

Impairment of Available-for-sale Financial Assets

The Cooperative follows the guidance of PAS 39 in determining when an asset is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Cooperative evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; the financial health of and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the assumption made regarding the duration that, and extent to which the fair value is less than cost, the Cooperative would suffer an additional loss in its financial statements, representing the write down of cost at its fair value.

Estimated Useful Lives of Property, Plant and Equipment

The Cooperative estimates the useful lives of property, plant and equipment based on the period over which the property, plant and equipment are expected to be available for use. The estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment. In addition, the estimation of the useful lives of property, plant and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the noncurrent assets.

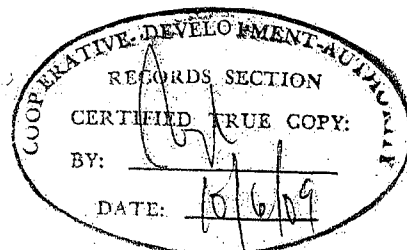
Depreciation is computed on a straight-line method over the estimated useful lives of the assets as follows:

Leasehold Improvements	5-10 years
Furniture and Fixtures	3-5 years
Office Equipment	3-5 years

The Company assesses the value of property, plant and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and require the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property, plant and equipment and other long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

Revenue recognition



The Company's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

4. **Financial Risk Management Objectives and Policies**

The Cooperative is exposed to credit, liquidity, and other risks that arise in the normal course of its business. Its risk and control framework includes a focus on minimizing negative effects on the Company's financial performance due to unpredictability of financial markets that drives the risks.

(NOTE: THE COOP SHOULD CREATE A RISK MANAGEMENT COMMITTEE STATE ONLY APPLICABLE RISK MANAGEMENT POLICIES)

Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statement of financial condition.

The Cooperative continuously monitors defaults of customers and other counterparties, and incorporate this information into its credit risk controls. The Cooperative's policy is to deal only with creditworthy counterparties.

The Cooperative's management considers that all the above financial assets that are not impaired or past due for each balance sheet dates are of good credit quality.

With respect to trade and other receivables, the Cooperative is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents, money market funds, debentures and derivative financial instruments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

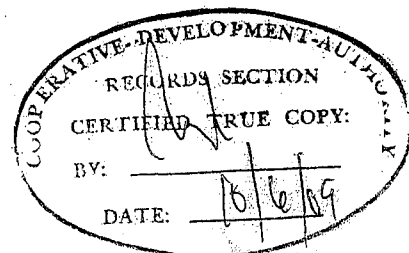
Liquidity risks

Liquidity or funding risk is the risk that an entity will incur difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of contractual obligation; or inability to generate cash flows as anticipated.

In order to minimize liquidity risk, the Cooperative maintains sufficient cash and has the availability of funding through an adequate amount of committed credit facilities.

Other Price Risk Sensitivity

The Cooperative's market price risk arises from its investments carried at fair value (financial assets classified as financial assets at fair value through profit or loss and available-for-sale financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.



5. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2008	2007
Cash on Hand		
Change Fund		
Petty Cash Fund		
Savings Deposit Fund		
Cash in Bank - Security Bank		
Cash in Federation/Union		
Revolving Fund		
Total Cash and cash equivalents		

Cash in banks as well as time deposits earn interests at rates based on daily bank

deposit rates.

6 to 10. Notes on financial assets - describe composition, description, etc.

11. LOANS AND RECEIVABLES

Loans Receivable

Current

Past Due

Restructured

In Litigation

Total

Less: Allowance for Probable Losses on Loans Receivable

Loans Receivable, Net

11.1 LOANS RECEIVABLE, NET

DISCLOSURES NEEDED:

COMPOSITION AS TO TYPE OF LOAN

AGING SUMMARY

AS TO COLLATERAL

DOSRI

MOVEMENTS OF ALLOWANCE

REPORT NET OF ALLOWANCE FOR PROBABLE LOSSES AND UID

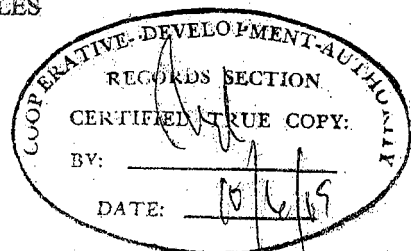
IN LIEU OF EFFECTIVE INTEREST RATE METHOD

11.2 TRADE AND OTHER RECEIVABLES

This account consists of the following:

	2009	2008
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DISCLOSE COMPOSITION OF TRADE AND OTHER RECEIVABLES



Total Trade and Other Receivables

The fair values of trade and other receivables have not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the balance sheet to be a reasonable approximation of their fair values.

12. INVENTORY

This account consists of the following:

	2009	2008
(BREAKDOWN AS TO TYPE OF INVENTORIES)		
Total Inventory	-	-

The carrying values of inventory are believed to be a reasonable approximation of their fair values.

13. BIOLOGICAL ASSETS

This account consists of the following:

	2009	2008
(BREAKDOWN AS TO TYPE OF BIOLOGICAL ASSETS)		
Total Biological Assets	-	-

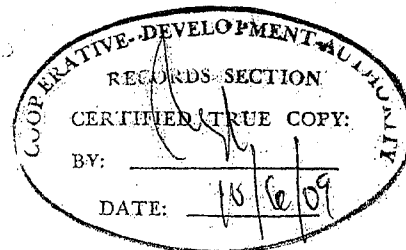
The carrying values of these assets are believed to be a reasonable approximation of their fair values.

14. OTHER CURRENT ASSETS

This account consists of the following:

	2009	2008
(BREAKDOWN AS TO TYPE)		
Total Other Current Assets	-	-

The carrying values of these assets are believed to be a reasonable approximation of their fair values.



Financial Assets

Investment at Fair Value through Profit or Loss refers to financial assets that are upon initial recognition designated by the SCC as fair value through profit and loss. This shall comprise both debt and equity securities.

These are to be carried by Cooperative at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally recognition. A financial asset is classified in this category if acquired principally for the purpose of selling the short term or if so designated by the Cooperative. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets originally designated as financial assets at fair value through profit or loss may not be subsequently be reclassified.

The use of fair value option shall be in accordance with the criteria set forth in the amendments to PAS 39 subject to the following conditions:

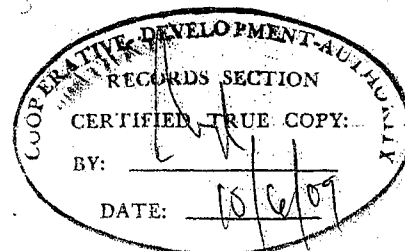
1. SCCs shall have in place appropriate risk management systems (including related risk management policies procedures and contols) prior to initial application of the fair value option for a particular activity or purpose and on an ongoing basis;
2. SCCs shall apply the fair value option only to instruments for which fair values can be reliably estimated; and
3. SCCs shall provide CDA with supplemental information as may be necessary, to enable CDA to assess the impact of the SCCs utilization of the fair value option.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Cooperative provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss.

Loans and receivables are presented as Trade and Other Receivables in the Statements of Financial Condition

Impairment loss is provided when there is objective evidence that the Cooperative will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated cash flows



Under the Cooperative's Board Resolution No. _____, the following interest rates shall be implemented as a way of helping and at the same time encouraging members to patronize the Bank's lending services.

1. Secured Loans - _____

2. Unsecured/Clean Loans - _____

Allowance for probable losses is maintained at a level considered adequate to provide for potential losses on loans and other resources. The allowance is increased by provision charged to operations and reduced by net write-offs and reversals. The level of allowance is set up at the higher of the amount determined based on management's evaluation of potential losses after consideration of prevailing and anticipated economic conditions.

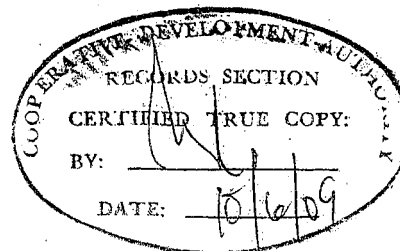
Held-to-maturity Financial Assets. This includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to-maturity if the Company has a positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. They are included in non-current assets under Long-term Financial Assets account in the balance sheets, except those maturing within 12 months of the balance sheet date.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired the financial assets is measured at present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

Available-for-sale Financial Assets This include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Long-term Financial Assets account in the balance sheets unless management intends to dispose the investment within 12 months of the balance sheet date.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the statement of income when they are arising from securities classified as available-for-sale are recognized in the statement of income when they are sold or when the investment is impaired.

In the case of impairment, any loss previously recognized in equity is transferred to the income statement. Losses recognized in the statement of income on equity investments are not reversed through the statement of income. Losses recognized in prior period income statement resulting from the impairment of debt instruments are reversed through the income statement.



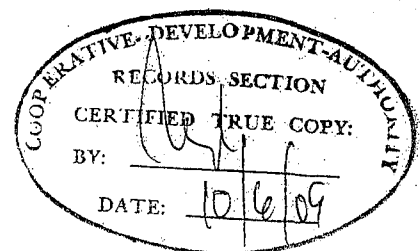
Unquoted Debt Securities Classified as Loans refers to debt securities with fixed or determinable payments and fixed maturity. Unquoted debt securities are measured upon initial recognition at their value plus transaction costs that are directly attributable to the acquisition of the securities. After initial recognition, the Cooperative shall measure Unquoted Debt Securities at their amortized cost using the effective interest method. A gain or loss arising from the change in the fair value of the securities shall be recognized in profit or loss when the security is de-recognized or impaired, and through the amortization process.

Investment in Non-Marketable Equity Securities (INMES) refers to equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

INMES shall be measured upon initial recognition at its fair value plus transaction costs that are directly attributable to the acquisition of the security. After initial recognition, the SCC shall measure INMES at cost. A gain or loss arising from the change in fair value of the INMES shall be recognized in profit or loss when the security is derecognized or impaired

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

NOTE: RISK MANAGEMENT POLICY SHOULD ALSO BE DISCLOSED WHEN A COOP HAS FINANCIAL ASSETS



XXX ACCOUNTING OFFICE

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ABC DEVELOPMENT COOPERATIVE** is responsible for all information and representations contained in the financial statements for the years ended December 31, 2006 and 2005. The financial statements have been prepared in conformity with Financial Reporting Standards applicable to Cooperatives in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

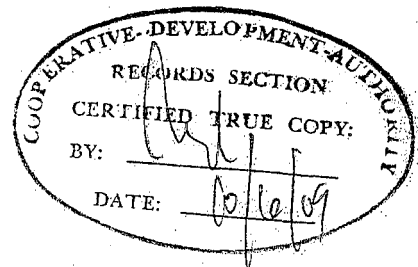
The Board of Directors reviews the financial statements before such statements are approved and submitted to the members of the cooperative.

_____, the independent auditor and appointed by the board of Directors, has examined the financial statements of the cooperative in accordance with the Philippines Standards on Auditing and the Standard Audit Systems for Cooperatives and has expressed her opinion on the fairness of presentation upon completion of such examination, in her report to the members of the cooperative.

Chairman

CEO/General Manager

Treasurer



XXX ACCOUNTING OFFICE

STATEMENT OF REPRESENTATION

TO THE COOPERATIVE DEVELOPMENT AUTHORITY:

In connection with my examination of the financial statements of the **ABC DEVELOPMENT COOPERATIVE** covering the period ended December 31, 2006 that are herewith submitted to the Cooperative Development Authority, I hereby represent the following:

1. That said financial statements herewith attached are prepared and presented in conformity with the financial reporting standards applicable to cooperatives in the Philippines;
2. That in the conduct of my audit, I adhered to the Philippine Standards on Auditing (PSA);
3. That I am qualified as provided for in Section 8 of the Code of Professional Ethics for Certified Public Accountants and Article 80 of R.A. No. 9520 (Philippine Cooperative Code of 2008);
4. That I am fully aware of my responsibility as an independent auditor for the audit report issued and attached to the financial statements and the sanctions to be bestowed on me for my misrepresentations that I may have willingly or unwillingly committed;
5. That I nor any member of my immediate family do not have any direct or indirect financial interest with the cooperative;
6. That I am not an employee nor an officer of a secondary cooperative or tertiary cooperative of which this cooperative is a member;
7. That I am not an employee of the Cooperative Development Authority nor have I engaged an employee of the CDA in the course of audit;
8. That I make representation in my individual capacity;
9. That I am a member of the _____ Chapter of the PICPA.

It is however, understood that my accountability is based on matter within the normal coverage of an audit conducted in accordance with Philippine Standards on Auditing and the Standard Audit Systems for Cooperatives.

CPA
CPA Reg. No. _____
BOA Reg. No. _____
TIN No. _____
PTR No. _____
CDA Registration No. _____

