



COOPERATIVE DEVELOPMENT AUTHORITY

827 Aurora Blvd., Service Road, Brgy. Immaculate Conception, 1111 Cubao, Quezon City, Philippines

<http://www.cda.gov.ph> helpdesk@cda.gov.ph [CDA](#) [@CDAPhils](#) [PH Cooperatives](#)



MEMORANDUM CIRCULAR 2021-____ Series of 2021.

SUBJECT: FINANCIAL STATEMENT PRESENTATION RELATIVE TO MC 2020-18 RE: REGULATORY RELIEF MEASURES FOR COOPERATIVES WITH CREDIT OPERATION IN VIEW OF THE COVID-19 PANDEMIC

The Cooperative Development Authority issued a Memorandum Circular 2020-18 dated July 29, 2020 Regulatory Relief Measures for Cooperatives with Credit Operations in view of the COVID-19 Pandemic. The coverage of the regulatory relief measures are as follows:

1. Exclusion of the amounts of past due loans during the periods of ECQ and MECQ in the Computation of Allowance for Probable Loan Losses;
2. Staggered Booking of Allowance for Probable Losses on Loans (APLL) and
3. Use of cash restricted for reserve fund classified under the account "Other Funds and Deposits"

The Authority agrees that the prudential accounting relief measures as well as the regulatory reliefs issued by the CDA, fully complement government plans and measures to counter the impact of the COVID-19 outbreak on the Cooperatives.

Specifically, these reliefs were intended to reduce the impact of losses that cooperatives mostly with credit operations may incur due to exposure to borrowers, industries and sectors severely affected by COVID-19 brought about by the pandemic.

These relief measures aim to strengthen the ability of Cooperatives specifically with credit operations to continue to operate and service the financing requirements of their members.

Section 1. Objective

This Guidelines shall serve as a guide to cooperatives and Cooperative External Auditors (CEA) in the presentation of financial statements after availing the regulatory reliefs for credit operation.



Section 2. Coverage

This Guidelines shall cover all cooperatives who have availed of the Regulatory reliefs for credit operations under MC 2020-18 and to all CEA who will audit the financial statement of the said cooperatives.

Section 3. Presentation and Disclosure in the Financial Statements

Under Section 3 Chapter III of the PFRF, a cooperative shall not describe financial statements as complying with PFRF for Cooperatives unless they comply with all the requirements of the said framework.

The PFRF for Cooperatives prescribes that the financial statements prepared and filed by cooperatives registered within the Authority shall be in accordance with the aforementioned financial reporting framework

Therefore, in consideration of the government's initiative to provide relief to industries affected by the COVID-19 pandemic, the Authority allows cooperatives who have availed of the regulatory relief to specify in the "Basis of Preparation of the Financial Statements" section of the financial statements the reliefs availed of and indicate that the availment thereof covers only current-year transactions. For consistency of presentation, Cooperatives should comply with following prescribed wordings:

"The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Framework for Cooperatives, taking into consideration cooperative laws, rules, policies and regulations including the application of the regulatory reliefs issued and approved by the Cooperative Development Authority in response to the COVID-19 pandemic: (enumerate reliefs availed of).

The reliefs cover only current-year transactions/events and do not impact the comparative period/s"

Cooperatives who have availed of the herein regulatory reliefs shall disclose the following information in the Notes to Financial Statements, for all the reporting \periods affected:

1. For the exclusion of the amounts of past due loans during the periods of ECQ and MECQ in the Computation of Allowance for Probable Loan Losses
 - a. The amount excluded in the computation of past due;
2. For the staggered booking of Allowance for Probable Losses on Loans (APLL)
 - a. The staggered recognition of APLL, including the schedule of staggered allocation used;
 - b. Amount of allowance recognized/amortized for the period
 - c. Balance of unrecognized (unamortized) allowance, if any; and/or

3. For the use of cash restricted for reserve fund classified under the account “Other Funds and Deposits”
 - a. Amount of cash taken from the Reserve Fund to be replenished
 - b. Accounts where such cash was used

The disclosures, by the application of the regulatory reliefs issued and approved by the Authority, shall form part of the applicable financial reporting framework for the purpose of preparing and filing general-purpose financial statements with the Authority.

Section 4. Independent Auditor’s Report

Where the cooperative accredited external auditor has been engaged to perform an audit on the annual financial statements of cooperatives who have availed of the above-mentioned regulatory reliefs , the CEA shall reflect in the opinion paragraph that the financial statements are prepared in accordance with the PFRF for Cooperatives, taking into consideration cooperative laws, rules, policies and regulations including the application of the regulatory reliefs issued and approved by the Cooperative Development Authority in response to the COVID-19 pandemic.

In addition, the CEA shall include an Emphasis of Matter paragraph in the auditor’s report to draw attention to the basis of accounting that has been used in the preparation of the financial statements.

Section 5. Evaluation and Monitoring

The Regulation Section/Division shall monitor the compliance and application of this Guidelines.

Section 6. Effectivity

This Circular shall take effect upon approval by the CDA Board and fifteen (15) days after filing with the Office of National Administrative Registry (ONAR).

Approved by the Board of Directors pursuant to Res. No. _____

For the CDA Board:

By:

USEC JOSEPH B. ENCABO
Chairman

DRAFT FOR CONSULTATION