



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 @CDAPHil PH Cooperatives



MEMORANDUM CIRCULAR 2021- 13 Series of 2021.

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

The Cooperative Development Authority (Authority) issued Memorandum Circular No. 2020-18 on July 29, 2020 titled, "Regulatory Relief Measures for Cooperatives with Credit Operations in view of the COVID-19 Pandemic." The regulatory relief measures granted under the said circular 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 believes that the regulatory reliefs issued coupled with prudential accounting relief measures fully complement government plans and measures to counter the impact on cooperatives of the COVID-19 pandemic. These reliefs were intended to reduce the losses which cooperatives may incur, particularly those with credit operations, and at the same time strengthen their capability 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 (CEAs) in the presentation of financial statements after availing of the regulatory relief measures for cooperatives with credit operations.

Section 2. Coverage

This Guidelines shall cover all cooperatives with credit operations who have availed of the regulatory relief measures pursuant to MC No. 2020-18 and all CEAs engaged to audit financial statements of cooperatives beginning the year 2020, except those who have already submitted their audited financial statements prior to the effectivity of this Guidelines.

Section 3. Presentation and Disclosure in the Financial Statements



Under Section 3 Chapter III of the Philippine Financial Reporting Framework (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 with 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 regulatory reliefs 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 purposes of consistency in the presentation, cooperatives should adopt the following 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 regulatory reliefs under MC No. 2020-18 shall disclose the following information in the Notes to Financial Statements for all the reporting periods affected:

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
 - a. The amount excluded in the computation of past due;
2. 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; and
 - c. Balance of unrecognized (unamortized) allowance, if any;
3. 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; and
 - b. Accounts where said 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

An accredited CEA engaged to perform an audit on the annual financial statements of a cooperative who has availed of the above-mentioned regulatory reliefs must reflect in his/her opinion that the financial statements were 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 Division/Section shall monitor the compliance and application of this Guidelines.

Section 6. Effectivity

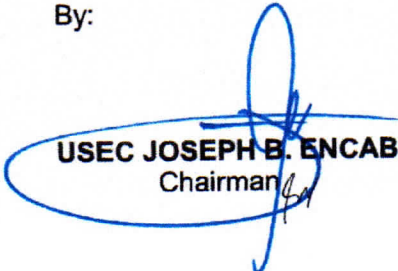
This Circular shall take effect after fifteen (15) days following the completion of its publication in the Official Gazette and the Office of National Administrative Register (ONAR).

Approved by the Board of Directors pursuant to Res. No. 426 S-2021 dated September 6, 2021.

Date: September 22, 2021

For the CDA Board:

By:


USEC JOSEPH B. ENCABO
Chairman