



Tax View *& Compliance*

SECURITIES & EXCHANGE COMMISSION

SRC Rules 68 and 68.1, as Amended

RULES AND REGULATIONS COVERING FORM AND CONTENT OF FINANCIAL STATEMENTS

SEC Memorandum Circular No. 7: NEW PROCEDURES FOR FILLING OF ANNUAL FS

SEC Memorandum Circular No. 4: FINALITY OF THE MASS REVOCATION ORDERS

Notice of Amendments to SRC RULES 68 AND 68.1

Pursuant to the power of the Commission to make, amend & rescind accounting rules and regulations under Section 68 of the Securities Regulation Code, the Commission En Banc in its meeting held on November 8, 2005, resolved to issue the following

Amendments to SRC Rules 68 and 68.1, which are aimed at improving the quality of financial reporting of corporations.

The specific revisions in the Rule 68 are as follows:

- (1) The new and revised accounting standards adopted by the Commission per SEC Memorandum Circular No. 19, Series of 2004 are incorporated in the Amended SRC Rule 68.
- (2) The following are likewise incorporated under Paragraph (2)(a) (General Guides to Financial Statements Preparation) of the amended Rule:

Amendments to Philippine Financial Reporting Standards (PFRSs)

PAS	Title
PAS 39	Financial Instruments: Recognition & Measurement, "Transition and Initial Recognition of Financial Assets and Financial Liabilities
PAS 19	Employee Benefits "Actuarial Gains, Group Plans and Disclosures"

Interpretations

SIC	Title
SIC 7	Introduction of the Euro
SIC 10	Government Assistance: No Specific Relation to Operating Activities
SIC 12	Consolidation: Special Purpose Entities
SIC 13	Jointly Controlled Entities: Non-Monetary Contributions by Venturers
SIC 15	Operating Leases: Incentives
SIC 21	Income Taxes: Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes: Changes in Tax Status of an Enterprise or its Shareholders
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
SIC 29	Disclosure: Service Concession Arrangements
SIC 31	Revenue: Barter Transactions Involving Advertising Services
SIC 32	Intangible assets: Website Costs
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 2	Members' Shares in Cooperative Entities and Similar Instruments

(3) Paragraph (2)(e) [From (3)(a)] should now read as follows:

"a. Submission of Audited Financial Statements

Financial statements required to be submitted by corporations shall be accompanied by an auditor's report issued by an independent auditor & presented in accordance with the requirements of this Rule. Failure to comply with this requirement shall subject the company to the penalties provided for in paragraph 6 of this Rule."

(4) The following provisions on accreditation and rotation of external auditors have been incorporated in paragraph (3) of the amended Rule:

"b. Qualifications of Independent Auditors

- i. The Commission will not recognize any person as an independent auditor who is not duly registered with the Board of Accountancy (BOA)/Professional Regulation Commission (PRC) in accordance with the rules and regulations of said professional regulatory bodies. Those who are not in good standing and entitled to practice as such under the laws governing the practice of public accounting in the Philippines shall not likewise be recognized by the Commission.
- ii. The external auditors and auditing firms (if engaged) of the following companies should be accredited by the Securities & Exchange Commission in accordance with its Guidelines on Accreditation under SEC Memorandum Circular No. 13, Series of 2003, and subsequent amendments thereon:

Group A

1. Issuers of securities which have sold securities pursuant to a registration under Section 12 of the Securities Regulation Code;
2. Issuers with a class of securities listed in an Exchange;
3. Public companies or those corporation with total assets of at least Fifty Million Pesos (P50,000,000.00) and at least two hundred (200) stockholders owning at least one hundred (100) shares each.

Group B

1. Pre-need companies;
2. Investment houses;
3. Brokers and dealers of securities;
4. Investment companies or mutual fund;
5. Government securities eligible dealers;
6. Universal banks registered as underwriters of securities;
7. Investment company advisers;
8. Clearing agency and clearing agency depository;
9. Issuers of registered timeshares, proprietary and nonproprietary membership certificates;
10. Stock and securities exchange/s;
11. Special purpose vehicles registered pursuant to RA 9182.

- iii. In the case of companies under Group C which cover financing companies and transfer agents, accreditation of the auditing firm is sufficient. However, an individual practitioner must be accredited by the SEC as such.
- iv. The external auditors shall be rotated every after five (5) years of engagement. In case of a firm, the signing partner shall be rotated every after said period. The reckoning date for such rotation shall commence in year 2002.
- v. The term independent auditor as used in the foregoing paragraph refers to an auditor who fully meets the requirements of independence as provided for in the Code of Professional Ethics for CPAs.

(5) Paragraph (3)(c) of the Rule has been revised as follows:

"c. Reports of Independent Auditors

- i. Technical Requirements - The auditor's report shall: (A) be dated; (B) be manually signed by the certifying external auditor; (C) identify the financial statements covered by the report; (D) state the signing accountant's License, Tax Identification and PTR numbers, and registration number with BOA/PRC; (E) state the complete mailing address of the client and the auditor; (F) in the case of an auditing firm, the certifying partner shall sign his/her own signature and shall indicate that he/she is signing for the firm, the name of which is printed the report."

v. Special report at time of first filing by accountant -

All financial statements to be submitted by a corporation to the Securities and Exchange Commission which are required to be certified by an independent Certified Public Accountant, shall in addition to the report of the certifying CPA, be accompanied by a Statement of Representation, which shall indicate the following:

"TO THE SECURITIES AND EXCHANGE COMMISSION:

In connection with my examination of the financial statements of client-corporations, which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA);

x x x

5. That I shall comply with the applicable rules and regulations of the Securities and Exchange Commission in the preparation and submission of financial statements ; and

6. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under the Code of Professional Ethics for CPAs.

x x x

(6) To monitor companies covered under Section 17.2 of the Securities Regulation Code, the following are incorporated in the amended Rule:

"d. For corporations filing under Rule 68 (and therefore not covered by Rule 68.1), the external auditor must issue a supplemental written statement indicating the following:

"To the Stockholders and the Board of Directors
Name of Company
Address

I/We have examined the financial statements of (name of company) for the year ended _____, on which I have rendered the attached report dated _____.

In compliance with SRC Rule 68, I/We are stating that the said company has a total number of _____ stockholders owning one hundred (100) or more shares each.

For the firm: (if signing for the firm)

Signature of the External Auditor
BOA No.
PRC No.
SEC Accreditation (if any)
PTR No., issue date and place

Issue date"

Such statement may be incorporated in the report accompanying the Income Tax Return, which is required to be submitted with the Bureau of Internal Revenue.

To support the above statement, the auditor may undertake the audit procedures he /she deems necessary, such as the following:

1. Obtain a certification from the issuer's corporate secretary on the number of stockholders and their corresponding shareholdings;
2. Inspect the stock and transfer book and conduct the tests needed to validate their entries and balances.

(7) Paragraph (6)(a)(i) to (v) of the Rule has been revised as follows:

"a. Penalties

i. All Financial Statements submitted to this Commission shall adhere strictly to the provisions of these Rules.

ii. Penalties shall be imposed on the erring company in the following cases:

1. Material misrepresentation in the financial statements;

2. Any material deviation from the generally accepted accounting principles in the Philippines, such as:

- a. Failure to adopt an accounting standard required by this Rule resulting in a material misstatement;
- b. Failure to disclose required information and other relevant or material information;
- c. Failure to submit any basic component of the financial statements, and
- d. Failure to present the required comparative figures.

3. Failure to submit financial statements audited by a qualified independent certified public accountant;

4. Failure to submit a complete Statement of Management's Responsibility;

5. Failure to comply with any other requirement of this Rule or Rule 68.1.

iii. The penalties imposable on an erring company for the violation of this Rule or Rule 68.1 shall be in addition to the fine imposable due to late or incomplete filing of other parts of any report to which the financial statements are required to be attached.

iv. Suspension or revocation of the primary franchise and/or secondary license may likewise be imposed by the Commission in addition to the imposition of fines.

v. The above-mentioned penalties shall be without prejudice to the filing of criminal charges against the persons responsible for the violation, as provided for in Section 54.2 of the Securities Regulation Code.

b. Amendment of the Financial Statements

The Commission shall make a determination whether the misstatement or incompleteness in the financial statements is material, e.g., Departure from GAAP, amount exceeding 10% of the total assets or net income, which shall cause the amendment and re-issuance of the financial statements. Otherwise, the company shall submit an addendum to the financial statements with an Audit Committee Resolution taking up the findings and corrective measures to be taken thereon.

c. Repealing Clause

With the full adoption of PAS No. 21 (The Effects of Changes in Foreign Exchange Rates), SEC Memorandum Circular No. 14, Series of 2003 (Guidelines in the Preparation of Functional Currency) is hereby rescinded.

Each company intending to apply the provisions on functional currency reporting shall notify the Commission in writing.

All other rules and regulations, circulars, or memoranda or any part thereof, in conflict with or contrary to these Rules or any portion hereof, are hereby repealed or modified accordingly.

d. Effectivity

Unless otherwise specified, SRC Rule 68 and the accompanying Rule 68.1, as amended, shall become effective for audited financial statements covering periods ending December 31, 2005 and onwards, and for interim financial statements starting the first quarter of 2006, and thereafter.

8. The following are the revisions on SRC Rule 68.1

Paragraph (1)

APPLICATION

In addition to those set forth under Rule 68, this Rule (together with subsequent official pronouncements, interpretations and rulings on accounting and reporting matters, which may be issued by the Commission from time to time) provides for the special requirements on the financial statements required to be filed with the Commission by corporations which meet the following criteria:

x x x

- c. issuer with assets of at least P50,000,000.00 or such other amount as the Commission shall prescribe and has two hundred (200) or more holders each holding at least one hundred (100) shares of a class of its equity securities as of the first day of the issuer's fiscal year.

Paragraph (2)

AUDITOR'S OPINION ON FINANCIAL STATEMENTS

Audited financial statements of companies covered by this Rule with an auditor's opinion that is other than unqualified because of departure(s) from the generally accepted accounting principles in the Philippines shall be deemed not filed and shall give rise to the imposition of appropriate sanctions on the company.

The Commission reserves the right to obtain clarification or to question other modifications in the report issued by the external auditor which it deems unreasonable.

Paragraph (3)(b)

RESPONSIBILITY FOR FINANCIAL STATEMENTS

"x x x

- b. The Chairman of the Board shall sign the Statement even if he/she is not one of the company's executive officers. He/she shall sign on the basis of the representation stated in the 3rd paragraph of the Statement."

Paragraph 4 (a) and (b)

PERIODIC PRESENTATION

The periodic presentation and coverage of financial statements accompanying the registration statements (SEC Form 12-1), annual reports (SEC Form 17-A) and management reports attached to the information statements (SEC Form 20-IS) shall be made in accordance with the requirements of this section."

a. Registration Statements

i. x x x

x x x

- v. The interim financial statements mentioned in the preceding subparagraphs need not be audited. However, in case of an initial public offering (IPO) of securities by a company, such interim financial statements shall be audited by an accredited external auditor (Group A category) of the Commission. The audited interim financial statements shall be complete in details as in a full fiscal year financial report.

vi. Age of Financial Statements

At the time a registration statement on SEC Form 12-1 is to become effective, the financial information therein must be as of a date within 135 days from effective date. Except as required under subparagraph (v) above, the interim financial statements which are necessary to keep the registration statement current, need not be audited but should comply with the required form and contents under paragraph (8) of this Rule.

b. Annual Reports (SEC Form 17-A)

x x x x x x

- iii. For fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.

Paragraph (8)

INTERIM FINANCIAL STATEMENTS

"The following additional instructions shall be applicable for purposes of preparing interim financial statements:

- a. x x x
- b. If appropriate, the income statement shall show earnings per share and dividends declared per share applicable to common stock. The basis of the earnings per share computation shall be stated together with the number of shares used in the computation. For mutual funds or investment companies, the amount of Net Asset Value Per Share (NAVPS) and the basis for its computation shall likewise be disclosed in the balance sheet or the notes to financial statements."

x x x."

"Annex 68.1-J" General Notes to Financial Statements

The company shall additionally disclose in its notes to financial statements the list of PFRSs which are not yet effective, but which the company has decided to adopt earlier. It shall include a brief description of such PFRS/s and a presentation of the reconciliation between the existing effective standard, if any, and the PFRS adopted in advance;

"Annex 68.1-K" Balance Sheet

(1) Trade and Other Receivables

(A) x x x

- (B) Disclose the following amounts recognized during the period:
 - (i) allowance for doubtful accounts;
 - (ii) reversal of allowances for doubtful accounts;

The company shall likewise disclose the portion of the allowance or reversal thereof pertaining to related parties.

x x x x x x

"Annex 68.1-L" Income Statement

In addition to the requirements under the applicable PFRS, corporations covered by Rule 68.1 shall comply with the disclosure requirements of this Annex.

(1) Revenues

x x x

(2) Finance Costs

x x x

State separately in the notes to financial statements the amount of interest expense and amortization of debt discount and expenses for each of the following:

- A. Short-term promissory notes;
- B. Long-term promissory notes;
- C. Bonds, mortgages and other similar long-term debt;
- D. Amortization of debt discount, expense or premium;
- E. Other interest.

(3) Other Income

x x x

x x x x x x

(5) Specific disclosures on the face of the statement or in the notes

- A. Research and development expenditure recognized as an expense during the period;
- B. The amount of foreign exchange differences included in the net profit or loss for the period;
- C. Net Asset Value Per Share (NAVPS), in case of mutual funds/ investment companies."

A copy of SRC Rules 68 and 68.1, as amended, with the complete text is available at the Commission's at www.sec.gov.ph.

SEC Memorandum Circular No. 7

To: ALL CONCERNED
 Subject: New Procedures for Filing of Annual Financial Statements
 Date: August 1, 2008

The Commission has observed that, during the past years, the filing of the annual financial statements (FS) at its head office in Mandaluyong City had been done either close to the last day or the deadline itself.

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To prevent a recurrence of these incidents and make the filing of FS more orderly, the Commission, pursuant to its authority under the Corporation Code and Securities Regulation Code, resolved in its meeting on July 31, 2008, to adopt the following measures in the filing of the FS of companies whose fiscal year ends on December 31, 2008:

1. All corporations, including branch offices, representative offices, regional headquarters and regional operating headquarters of foreign corporations, that file their FS at the Commission's head office shall, depending on the last numerical digit of their SEC registration of license number, be governed by the following schedule in 2009:

April 20, 21, 22, 23, 24	: "1," "2," "3"
April 27, 28, 29, 30	: "4" and "5"
May 4, 5, 6, 7, 8	: "6," "7," "8"
May 11, 12, 13, 14	: "9" and "0"
2. Corporations whose fiscal year ends on a date other than December 31, 2008 shall comply with their original filing schedule;
3. Prior to April 20, 2009, all corporations may file their FS regardless of the last numerical digit of their registration or license number;

Cont. New Procedures for Filing of Annual FS

4. Late filings shall be accepted starting May 15 and shall be subject to the prescribed penalties which shall be computed from the date of the last day of the filing schedule stated in paragraph 1;

5. Any filing made before or after the scheduled dates shall not be accepted unless covered by paragraphs 3 and 4 above;

6. Requests for extension of time to file the FS or notifications on inability to file SEC Form 17-A under paragraph 1 (F) of SRC 17. Shall likewise not be accepted.

7. Except for the foregoing changes, (a) all the rules on the preparation and submission of the FS, such as, but not limited to, proof of filing of the FS with the Bureau of Internal Revenue or any of its authorized agent banks, and registration of the corporation's auditor with the Board of Accountancy shall continue to be in effect; and (b) the existing period for the filing by listed companies of their FS at the Philippine Stock Exchange, i.e., 105 days after the end of the fiscal year, shall remain unchanged; and

8. All FS that meet the basic acceptance criteria shall be received subject to the Commission's review of its form and contents. Any deficiency in the filing or deviation from prescribed accounting and audit standards that may be found during the review shall subject the company concerned, its officers and auditors to appropriate penalties for violation of SRC Rule 68 and other applicable rules and regulations.

All other circulars, memoranda and implementing rules and regulations that may be inconsistent with the foregoing provisions shall be deemed modified or amended accordingly.

SEC Memorandum Circular No. 4 - 2008 Finality of the Mass Revocation Orders

This Circular covers corporations registered in 1936 to 2000 which were revoked en masse by virtue of the following published Orders, for non-filing of reports, such as the General Information Sheet and the Financial Statements.

Year Registered	Date of Order	Period of Reports Covered	Date of Publication	Date of Revocation
1936-1966*	April 22, 2003	1997-2002	PDI April 25, 2003	May 26, 2003
1967-1975	May 27, 2003	1997-2002	PDI June 2, 2003	July 2, 2003
1976-1984	July 8, 2003	1997-2002	PDI July 11, 2003	Aug. 11, 2003
1985-1991	Aug. 20, 2003	1997-2002	PDI Aug. 28, 2003	Sept. 29, 2003
1992-1995	Sept. 30, 2003	1997-2002	PDI Oct. 4, 2003	Nov. 3, 2003
1996-1997	Feb. 10, 2004	1998-2003	PDI Feb. 14, 2004	March 15, 2004
1998-1999	Oct. 25, 2005	2000-2004	PDI Oct. 28, 2005	Dec. 1, 2005
2000**	June 27, 2006	2001-2005	PDI July 3, 2006	Aug. 2, 2006

*Except those registered from 1936 to 1953 whose term expired.
**Order includes non-commencement of charter within two years from the date of incorporation and continuous inoperation for at least five years.

The Commission en banc, in its meeting of May 8, 2008, resolved that covered corporations:

- revoked on May 26, 2003 are given until May 26, 2009;
- revoked on July 2, 2003 are given until July 2, 2009;
- revoked on August 11, 2003 are given until August 11, 2009;
- revoked September 29, 2003 are given until September 29, 2009;
- revoked November 3, 2003 are given until November 3, 2009;
- revoked March 15, 2004 are given until March 15, 2010;
- revoked December 1, 2005 are given until December 1, 2011; and
- revoked on August 2, 2006 are given until August 2, 2012

To file their Petitions to Set Aside the Order of Revocation with the Commission, otherwise the Revocation Order shall become final and executory.

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