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## Appendix 1. Useful Internet Sites

... – unable to find website at the time this report was finalized.

### 1. Regulatory and Standard-Setting Bodies

Accounting Standards Council (ASC)	<a href="http://www.acpapp.com.ph/html/actstdp.htm">www.acpapp.com.ph/html/actstdp.htm</a>
Auditing Standards and Practice Council (ASPC)	...
Financial Accounting Standards Board (FASB – United States)	<a href="http://www.fasb.org">www.fasb.org</a>
International Accounting Standards Committee (IASC)	<a href="http://www.iasc.org.uk">www.iasc.org.uk</a>
International Federation of Accountants (IFAC)	<a href="http://www.ifac.org">www.ifac.org</a>

### 2. Professional Bodies

ASEAN Federation of Accountants (AFA)	...
Association of Certified Public Accountants in Commerce and Industry (ACPACI)	<a href="http://www.macrod.com/acpaci/">www.macrod.com/acpaci/</a>
Association of Certified Public Accountants in Education (ACPAE)	...
Association of Certified Public Accountants in Public Practice (ACPAPP)	<a href="http://www.acpapp.com.ph">www.acpapp.com.ph</a>
Confederation of Asian and Pacific Accountants (CAPA)	<a href="http://www.capa.com.my">www.capa.com.my</a>
Government Association of Certified Public Accountants (GACPA)	...
International Federation of Accountants (IFAC)	<a href="http://www.ifac.org">www.ifac.org</a>
National Federation of Junior Philippine Institute of Accountants (NFJPIA)	<a href="http://www.jpia6.tripod.com/national">www.jpia6.tripod.com/national</a>
Philippine Institute of Certified Public Accountants (PICPA)	<a href="http://www.picpa.com.ph">www.picpa.com.ph</a>

### 3. International Organizations

Asia Pacific Economic Council (APEC)	<a href="http://www.apecsec.org.sg">www.apecsec.org.sg</a>
Association of Southeast Asian Nations (ASEAN)	<a href="http://www.asean.or.id">www.asean.or.id</a>
International Federation of Accountants (IFAC)	<a href="http://www.Ifac.org">www.Ifac.org</a>
International Organization of Securities Commissions (IOSCO)	<a href="http://www.iosco.org">www.iosco.org</a>
World Trade Organization (WTO)	<a href="http://www.wto.org">www.wto.org</a>

### 4. Government Organizations

Bangko Sentral ng Pilipinas (BSP or Central Bank)	<a href="http://www.bsp.gov.ph">www.bsp.gov.ph</a>
Board of Accountancy (BOA)	...
Bureau of the Treasury	<a href="http://www.treasury.gov.ph">www.treasury.gov.ph</a>
Bureau of Internal Revenue (BIR)	<a href="http://www.bir.gov.ph">www.bir.gov.ph</a>
Civil Service Commission (CSC)	<a href="http://www.csc.gov.ph">www.csc.gov.ph</a>
Commission on Audit (COA)	<a href="http://www.coa.gov.ph">www.coa.gov.ph</a>
Commission on Higher Education (CHED)	<a href="http://www.info.com.ph/-chedco/">www.info.com.ph/-chedco/</a>
Department of Budget and Management (DBM)	<a href="http://www.dbm.gov.ph">www.dbm.gov.ph</a>
Department of Finance (DOF)	<a href="http://www.dof.gov.ph">www.dof.gov.ph</a>
National Economic and Development Authority (NEDA)	<a href="http://www.neda.gov.ph">www.neda.gov.ph</a>
Professional Regulatory Commission (PRC)	<a href="http://www.cnms.net/prc/">www.cnms.net/prc/</a>
Securities and Exchange Commission (SEC)	<a href="http://www.sec.gov.ph">www.sec.gov.ph</a>

### 5. Accounting Firms

Sycip, Gorres and Velayo Audit Firm (SGV)	<a href="http://www.sgv.com.ph">www.sgv.com.ph</a>
Deloitte Touche Tohmatsu – C. L. Manabat & Co.	<a href="http://www.deloitteap.com">www.deloitteap.com</a>
Ernst & Young – Punongbayan & Araullo	<a href="http://www.philippines.ey.com/Philippines">www.philippines.ey.com/Philippines</a>
KPMG – Laya and Mananghaya Audit Firm	...

PriceWaterhouseCoopers –  
Joaquin Cunanan Audit Firm ...

## 6. Financial Institutions

Development Bank of the Philippines [www.devbankphil.com.ph](http://www.devbankphil.com.ph)  
Land Bank of the Philippines [www.landbank.com](http://www.landbank.com)  
Philippines Stock Exchange [www.pse.org.ph](http://www.pse.org.ph)

## 7. Donor Organizations

Asian Development Bank (ADB) [www.adb.org](http://www.adb.org)  
International Monetary Fund (IMF) [www.imf.org](http://www.imf.org)  
Japan Bank for International Cooperation (JBIC) [www.jbic.go.jp](http://www.jbic.go.jp)  
Japan International Cooperation Agency (JICA) [www.jica.org.ph](http://www.jica.org.ph)  
United Nations Development Programme (UNDP) [www.undp.org.ph](http://www.undp.org.ph)  
United States Agency for International Development (USAID) [www.usaid-ph.gov](http://www.usaid-ph.gov)  
World Bank [www.worldbank.org/ph](http://www.worldbank.org/ph)

## Appendix 2. Interviewees

Aspects of accounting and auditing were discussed with the following people.

Armin Bauer	Senior Poverty Reduction Specialist	Asian Development Bank (ADB)
Madeleine Varkay	Investment Officer	ADB
Laura Walker	Governance Specialist	ADB
Ben R. Punongbayan	Chair	Auditing Standards and Practices Council (ASPC)
Antonietta Fortuna- Ibe	Chair	Board of Accountancy (Also Partner: Sycip, Gorres and Velayo Audit Firm SGV – Arthur Andersen)
Nanette Mercado	Governance Project Coordinator	British Council
Ronald Baird	First Secretary	Canadian International Development Agency (CIDA)
Emmanuel M. Dalman	Commissioner	Commission on Audit
Cornelia C. Ramos	Director III	Commission on Audit
Marieta SF Acorda	Director for Technical Services	Commission on Audit
Conchita L. Manabat	Managing Partner Dean	Deloitte Touche Tohmatsu School of Accountancy, St. Scholastica's College Former Chairperson – Board of Accountancy
Luz Bernardo	Partner	Deloitte Touche Tohmatsu
Ma. Edita Z. Tan	Director III	Department of Finance, International Finance Group

DIAGNOSTIC STUDY OF ACCOUNTING AND AUDITING PRACTICES IN THE PHILIPPINES

Tito S. Nabua	President  Director	Government Association of Certified Public Accountants (GACPA) Commission on Audit, Regional Office IV
Satoru Hagiwara	Deputy Resident Representative	Japan International Cooperation Agency (JICA) – Philippines
Yuko Arimoto	Assistant Resident Representative	JICA – Philippines
Jose Gangan	President	Philippine Institute of Certified Public Accountants (PICPA)
Danilo A. Principe	Ex-Officio Board Member  Dean	PICPA (also Past National President) College of Business Administration and Accountancy of the Colegio de San Juan de Letran
Edijer A. Martinez	Commissioner	Securities and Exchange Commission (SEC)
Ernesto P. Pineda	Professor of Accounting	University of Philippines, College of Business Administration
Selina Shum	Lean Financial Analyst	World Bank, Energy and Mining Sector Unit, East Asia and Pacific Region
Joseph G. Reyes	Financial Management Specialist	World Bank, Philippines Resident Mission
Gary J. Fine	Senior Private Sector Development Specialist	World Bank, Private Sector Development Unit

## **Appendix 3. Study Information**

### **1. Study Phases**

The study had three broad phases as follows:

Phase I	Philippine Case Study on Accounting and Auditing Support and Structures
Phase II	Manila Workshop (12–13 March 2001)
Phase III	Formulation of Action Plan

### **2. Phase I : Case Study On Accounting and Auditing**

This phase involved the examination of the Philippines' current accounting and auditing structure and systems. It also (i) analyzed the Philippines' political, institutional, and regulatory and legal framework on accounting and auditing practice and the level of enforcement of existing laws, rules, and regulations; (ii) identified gaps and weaknesses in accounting and auditing support available and deviations from international standards; and (iii) identified alternative options to remedy the identified weaknesses, with the objective of eventually doing away with these.

Barry Reid conducted the fieldwork for the study with the able assistance of Ma. Rita Castillo, from January to February 2001. Financial management and governance arrangements were discussed with representatives from the Department of Finance, the Commission on Audit, other government organizations, professional accounting and auditing bodies, private sector businesses, tertiary institutions, bilateral donors, and multilateral financing institutions. A list of interviewees is attached as Appendix 2.

### **3. Phase II : Manila Workshop**

Issues arising from the study were discussed and debated at a workshop held at ADB Headquarters in Manila on 12–13 March 2001. Forty-five participants attended the workshop (see Appendix 5).

### **4. Phase III : Formulation of Action Plan**

Phase III assessed the roles that ADB and other funding agencies played in improving the current situation in the Philippines. The roles included policy intervention, projects and program assistance, and mobilization of cofinancing resources to address the identified problems and weaknesses.

## **5. Consultation**

Drafts of this report were provided to a variety of organizations and individuals for review. The authors very much appreciate the comments that were provided (see Appendix 4).

**Appendix 4. Comments on Draft Report**

The following organizations provided written comments on the draft report:

ACPAPP	Association of Certified Public Accountants in Public Practice
ASC	Accounting Standards Council
BSP	Banko Sentral ng Pilipinas
CLM	C. L. Manabat & Co. (Deloitte Touche Tohmatsu)
CMDC	Capital Market Development Center, Inc
COA	Commission on Audit (Assistant Commissioner; Emma Espina)
FINEX [BE]	Financial Executives Institute of the Philippines Research and Development Foundation (Baltazar Endriga)
FINEX [RBA]	Financial Executives Institute of the Philippines Research and Development Foundation (R. S. Burnaldo & Associates)
GACPA	Government Association of Certified Public Accountants
JCC	Joaquin Cunanan & Co. (PriceWaterhouseCoopers)
PSR	PSR Consulting Inc (Cesar Saldana)
SEC	Securities and Exchange Commission
SGV	SyCIP, Gorres, Velayo & Co (Arthur Andersen)

### Appendix 5. Workshop Attendees March 2001

Forty-five representatives from the following organizations attended the first Manila workshop on 12–13 March 2001.

Representative	Organization
Cecille Patricio	Association of Certified Public Accountants in Commerce and Industry (ACPACI)
Marieta Sorio	Association of Certified Public Accountants in Education (ACPAE)
Danilo Principe	ACPAE
Jerry Isla	Association of Certified Public Accountants in Public Practice (ACPAPP)
Ricardo R. San Andres	Association of Government Internal Auditors (AGIA)
Carlos Alindada	Accounting Standards Council (ASC)
Benjamin R. Punongbayan	Auditing Standards and Practices Council (ASPC)
Norma Lipana	Bureau of Internal Revenue (BIR)
Antonietta Fortuna-Ibe	Board of Accountancy (BOA)
Eugene Mateo	BOA
Maritess Masarap	BOT
Teresita O. Hatta	Bangko Sentral ng Pilipinas (BSP)
Ricardo P. Lirio	BSP
Conchita Manabat	C.L. Manabat & Co (Deloitte Touche Tohmatsu)
Stewart Hall	Canadian Embassy
Nide Bombay	Canadian Embassy
Mercedes Suleik	Capital Market Development Center (CDMC) Inc.
Regina Fortes	Commission on Higher Education (CHED)
Emma Espina	Commission on Audit (COA)
Flerida Creencia	COA
Emilia Boncodin	Department of Budget and Management (DBM)
Maria Lourdes Dedal	Department of Finance (DOF)
Rosario Bernaldo	Financial Executives Institute of the Philippines (FINEX)
Baltazar Endrigo	FINEX
Alfredo Parungao	FINEX
Tito S. Nabua	Government Association of Certified Public Accountants (GACPA)

APPENDIXES

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Representative	Organization
Anup Jagwani	International Finance Corporation (IFC)
Edel Vegamora	Institute of Internal Auditors (IIA)
Corazon Dela Paz	Joaquin Cunanan Audit Firm (PriceWaterhouseCoopers)
Jose Valencia	Laya & Mananghaya Audit Firm
Jose Gangan	Philippine Institute of Certified Public Accountants (PICPA)
Avelina Dela Rea-Tan	Professional Regulation Commission (PRC)
Abelardo Dumondon	PRC
Cesar Saldana	PSR Consulting
Edijer A. Martinez	Securities Exchange Commission (SEC)
Rene Santos	SEC
Juliet Barreto	SEC
David Balangue	Sycip, Gorres, Velayo & Co (Arthur Andersen)
Eduardo De Guia	Sycip, Gorres, Velayo & Co (Arthur Andersen)
Cecilia Ortiz	St. Scholastica's College
Arthur Cayanan	University of the Philippines
Karoly Okolicsanyi	United States Agency for International Development (USAID)
Fatima Almeida	USAID
Sonia Cruz	USAID
Joseph Reyes	World Bank

## Appendix 6. International Accounting Standards

The following IASs were in effect at 31 January 2001.<sup>218,219</sup>

IAS 1	Presentation of Financial Statements	IAS 27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries
IAS 2	Inventories	IAS 28	Accounting for Investments in Associates
IAS 7	Cash Flow Statements	IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 8	Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies	IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
IAS 10	Events After the Balance Sheet Date	IAS 31	Financial Reporting of Interests In Joint Ventures
IAS 11	Construction Contracts	IAS 32	Financial Instruments: Disclosures and Presentation
IAS 12	Income Taxes	IAS 33	Earnings Per Share
IAS 14	Segment Reporting	IAS 34	Interim Financial Reporting
IAS 15	Information Reflecting the Effects of Changing Prices	IAS 35	Discontinuing Operations
IAS 16	Property, Plant and Equipment	IAS 36	Impairment of Assets
IAS 17	Leases	IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 18	Revenue	IAS 38	Intangible Assets
IAS 19	Employee Benefits	IAS 39	Financial Instruments: Recognition and Measurement
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	IAS 40	Investment Property
IAS 21	The Effects of Changes in Foreign Exchange Rates	IAS 41	Agriculture
IAS 22	Business Combinations		
IAS 23	Borrowing Costs		
IAS 24	Related Party Disclosures		
IAS 26	Accounting and Reporting by Retirement Benefit Plans		

<sup>218</sup> Source: IASC Website: [www.iasc.org.uk](http://www.iasc.org.uk)

<sup>219</sup> The following IASs have been withdrawn:

- IAS 3 was replaced by IAS 27 and IAS 28.
- IAS 4 was replaced by IASs 16, 22, and 38.
- IAS 5 was replaced by IAS 1.
- IAS 6 was replaced by IAS 15.
- IAS 9 was superseded by IAS 38.
- IAS 13 was replaced by IAS 1.
- IAS 25 was replaced by IAS 39 and IAS 40.

## Appendix 7. IASB Work Plan

The Work Plan of the International Accounting Standards Board (IASB) at 30 September 2000 is as follows.<sup>220</sup>

Issue	Plan
Agriculture	<ul style="list-style-type: none"> <li>• Exposure Draft E65: published July 1999</li> <li>• Final IAS: planned 4th quarter 2000</li> </ul>
Business Combinations	<ul style="list-style-type: none"> <li>• Added to Agenda: 4th quarter 1998</li> <li>• G4+1 Discussion Paper: published 2nd half 1998</li> <li>• Specific IASC steps are not yet determined</li> </ul>
Business Reporting on the Internet	<ul style="list-style-type: none"> <li>• Staff Research Project</li> <li>• Discussion Paper: published November 1999</li> <li>• Added to the Board's Work Program: March 2000</li> </ul>
Emerging Economies	<ul style="list-style-type: none"> <li>• Project Added to Agenda April 1998</li> <li>• August 2000: Survey on Barter Transactions</li> </ul>
Extractive Industries (including Mining and Oil and Gas)	<ul style="list-style-type: none"> <li>• Project Added to Agenda April 1998</li> <li>• Issues Paper: planned 3rd quarter 2000</li> </ul>
Financial Instruments – Comprehensive Project	<ul style="list-style-type: none"> <li>• Issues Paper: published 1st quarter 1997</li> <li>• Joint Working Group Report including draft Exposure Draft: planned 2000</li> </ul>
Financial Instruments – Recognition and Measurement	<ul style="list-style-type: none"> <li>• Final IAS 39: published December 1998</li> <li>• Exposure Draft E66, Limited Revisions to IAS 39: published July 2000</li> <li>• Implementation guidance is being developed</li> </ul>
Insurance	<ul style="list-style-type: none"> <li>• Project approved April 1997</li> <li>• Issues Paper: published December 1999</li> </ul>
Pension Plan Assets	<ul style="list-style-type: none"> <li>• Exposure Draft E67: published July 2000</li> </ul>
Present Value (formerly 'Discounting')	<ul style="list-style-type: none"> <li>• Project Added to Agenda April 1998</li> <li>• Issues Paper: planned 2nd half 2000</li> </ul>

<sup>220</sup> Source: IASC Website. [http://www.iasc.org.uk/frame/cen3\\_4.htm](http://www.iasc.org.uk/frame/cen3_4.htm)

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Issue	Plan
Reporting Financial Performance	<ul style="list-style-type: none"><li>• G4+1 Position Paper: published August 1999</li><li>• Draft Statement of Principles: planned 4<sup>th</sup> quarter 2000</li></ul>
Disclosures by Banks and Similar Financial Institutions	<ul style="list-style-type: none"><li>• Steering Committee appointed: June 2000</li></ul>
Tax Consequences of Dividends	<ul style="list-style-type: none"><li>• Exposure Draft ED 68: published July 2000</li></ul>
Transition	<ul style="list-style-type: none"><li>• Undecided</li></ul>



540	Procedures Audit of Accounting		in the Audit of Small Entities
	Estimates	1006	The Audit of International Commercial Banks
550	Related Parties		
560	Subsequent Events	1007	Communications with Management
570	Going Concerns		
580	Management Representations	1009	Computer-Assisted Audit Techniques
600	Using the Work of Another Auditor	1010	The Consideration of Environmental Matters in the Audit of Financial Statements
610	Considering the Work of Internal Auditing		
620	Using the Work of an Expert	1011	Implications For Management And Auditors Of The Year 2000 Issue
700	The Auditor's Report on Financial Statements		

## **Appendix 9. International Standards and Guidelines on Professional Arrangements**

The International Federation of Accountants (IFAC) Board created a Compliance Committee in May 2000. The Committee is one of several initiatives designed to strengthen IFAC and the international profession. Its primary responsibilities are: (i) monitoring the relevance, sufficiency, and efficacy of IFAC membership obligations; (ii) monitoring member body compliance with these obligations; (iii) recommending actions to the IFAC Board and Council in respect of membership obligations; (iv) reviewing the investigative and disciplinary processes of member bodies, and reporting and making recommendations on these to the IFAC Board and Council; (v) considering how member bodies might best be encouraged, or if necessary, required to comply more closely with such obligations; (vi) devising schemes to assist member bodies to comply more closely and to considering whether additional powers are required to enforce compliance with membership obligations; and (vii) implementing agreed policy in this area. The Compliance Committee will also work closely with members of the Transnational Audit Committee (TAC) in its monitoring of the members of the IFAC Forum of Firms (FOF).

As a member body of IFAC, Philippine Institute of Certified Public Accountants (PICPA) will be monitored by the IFAC Compliance Committee. Table 20 sets out relevant international guidelines with respect to the accountancy profession. IFAC has also established a *Money Laundering Taskforce*. The Taskforce has obtained information from around the world on what other professional bodies are doing and is currently analyzing these activities. This is a first step in determining its scope of activities. Included in the Taskforce's work will be consideration of whether standards will be developed to help member bodies and their members to address money laundering and related issues.

**Table 20: International Guidelines for the Accountancy Profession**

World Trade Organization (WTO): General Agreement on Trade in Services (GATS)	The criteria for recognizing professional qualifications may not exceed what is necessary to ensure the quality of service. Each country is expected to have a methodology for comparing professional qualifications and this must be applied in a fair and consistent manner to all applicants.
Confederation of Asian and Pacific Accountants (CAPA)	CAPA's Guide on the Essential Components of a Professional Accountancy Body <sup>221</sup> covers (i) Admission/Advancement Standards, (ii) Full Membership Requirements, (iii) Continuing Professional Education (CPE), (iv) Technical Standards, (v) Quality Assurance/Peer Review Program, (vi) Registration as Accountant/Auditor, (vii) Disciplinary Rules, (viii) Management and Administrative Structures, (ix) Governance, and (x) External Affiliations/Memberships. <sup>222</sup>

<sup>221</sup> Confederation of Asian and Pacific Accountants (CAPA). 1998. *Guide on the Essential Components of a Professional Accountancy Body: A Guide*.

<sup>222</sup> Further details are provided in: Narayan, Francis B., Ted Godden, Barry Reid, and Maria Rosa Ortega. 2000. *Financial Management and Governance Issues in Selected Developing Member Countries: A Study of Cambodia, People's Republic of China, Mongolia, Pakistan, Papua New Guinea, Uzbekistan, and Viet Nam*. ADB. p. 27.

<p>International Federation of Accountants (IFAC)</p>	<p>IFAC pronouncements cover several areas:</p> <ul style="list-style-type: none"> <li>• <i>Education Guidelines and Standards</i>. IFAC's Education Committee issues International Education Standards (IESs) and International Education Guidelines (IEGs). The IESs are intended to establish the essential elements on which education and training programs, both prequalification and postqualification, for all accountants should be founded. The IEGs promote good practice and provide guidance in this respect. They are based on careful studies of best practices and the most effective methods for dealing with the issues being addressed.</li> <li>• <i>Code of Ethics for Professional Accountants</i>. This is intended to serve as a model on which to base national ethical guidance. It sets standards of conduct for professional accountants and states the fundamental principles that should be observed by professional accountants in order to achieve common objectives.</li> <li>• <i>Statement of Policy of Council: Implementation and Enforcement of Ethical Requirements</i>.<sup>223</sup> This statement sets expectations and provides guidance on disciplinary action, including punishment and publicity.</li> <li>• <i>Assuring the Quality of Professional Services</i>. This statement sets expectations on quality control policies and procedures for member bodies and professional firms.<sup>224</sup></li> </ul>
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<sup>223</sup> International Federation of Accountants (IFAC). January 1998. *Statement of Policy of Council: Implementation and Enforcement of Ethical Requirements*. New York: IFAC.

<sup>224</sup> International Federation of Accountants (IFAC). August 1999. *Assuring the Quality of Professional Services*. New York: IFAC.

Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) of the UNCTAD

In February 1999, UNCTAD issued a report on accounting education and qualifications.<sup>225</sup> The report provides a useful set of benchmarks in respect of these issues, in particular:

- Guideline for a Global Accounting Curriculum and Other Qualification Requirements, which includes (i) requirements for the qualifications of professional accountants, and (ii) a guideline for national systems for the qualifications of professional qualifications.
  - Global Curriculum for the Professional Education of Professional Accountants, which includes (i) organizational and business knowledge, (ii) information technology, and (iii) accounting and accounting-related knowledge.
- 

Furthermore, and importantly, ISAR has initiated a project to assess the competence of accountants. The objective of the project is to rate professional accounting qualifications from around the world and, by doing so, to create impetus for improvements and to support international skill transferability.<sup>226</sup>

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<sup>225</sup> UNCTAD. 1999. *International Accounting and Reporting Issues: 1999 Review*. New York: United Nations.

<sup>226</sup> Narayan, Francis B., Ted Godden, Barry Reid, and Maria Rosa Ortega. 2000. *Financial Management and Governance Issues in Selected Developing Member Countries: A Study of Cambodia, People's Republic of China, Mongolia, Pakistan, Papua New Guinea, Uzbekistan, and Viet Nam*. ADB. p. 29.

**Appendix 10. PICPA Committees**

- *Ethics Board* – has a Chair and eight members. Its functions are described on page 60.
- *Annual Business Meeting Committee* – organizes the annual business meeting.
- *Awards Committee* – screens and selects award nominees and makes conferral recommendations to the Board for approval. Awards include the Outstanding CPA of the Year, Honorary Lifetime Memberships, individual awards, and the Hall of Fame Award. It also guides regional councils on regional award processes.
- *Fellowship and Sports Committee* – formulates programs to compliment PICPA services and provide networking opportunities.
- *Legislation Committee* – represents PICPA interests in relation to domestic and international legislative issues.
- *Library and Archives Committee* – ensures that the library system and facilities are of high quality.
- *Membership Development Committee* – attracts new members.
- *Professional Development and Research Committee* – identifies sectoral needs and develops appropriate programs and oversees their implementation.
- *Public Affairs Committee* – promotes confidence in the Institute and its members.
- *Publications Committee* – ensures that technical and professional publications meet high standards.
- *Social Involvement Committee* – implements programs to enhance PICPA's image, social responsibility and visibility.
- *Regions, Chapters and Affiliates Committee* – coordinates these relationships.
- *Scholarship and Educational Assistance Committee* – administers the Institute's financial assistance programs.
- *Student's Participation Committee* – coordinates PICPA's involvement with the National Federation of Junior Philippine Accountants.
- *Building, Grounds and Facilities Committee* – coordination and administration role.
- *Career and Opportunities Development Committee* – coordinates job placement and liaises between potential employees and employers.

- *National Commission on Elections (COMELEC)* – coordinates and administers election processes.
- *Cooperatives Committee* – supports cooperatives.
- *Taxation Committee* – proactively represents PICPA on new or proposed tax legislation and regulations.
- *Accountancy Week Committee* – organizes this annual event.
- *Annual Accounting Teachers' Events Committee* – organizes this annual event.
- *Annual National Convention Committee* – organizes this annual event.
- *Continuing Professional Education (CPE) on the Road Committee* – organizes and implements this major initiative.
- *Environmental Accounting Committee* – works to fulfill the Institute's commitment to improved environmental accounting.
- *Financial Management Committee* – works to widen the horizons of CPAs.
- *Friends of PICPA Privilege Card System Committee* – coordinates this discount program.
- *Government Accounting Committee* – focuses and promotes this sector and associated issues.
- *Information Technology Committee* – focuses and promotes this sector and associated issues.
- *Management Accounting Committee* – focuses and promotes this sector and associated issues.
- *Management Information Systems Committee* – oversees improvements to the Institute's computerized systems.
- *Long-Range Planning Committee* – reviews activities and environmental events, and examines how these might affect PICPA.

### Appendix 11. Restrictiveness Indexes for Accountancy Services

Reproduced from: Nguyen-Hong, Duc. August 2000. *Restrictions on Trade in Professional Services*. Staff Research Paper. Commonwealth of Australia: Australian Productivity Commission. p. 40. Notes: (i) Figures may not add up to total due to rounding. (ii) The restrictiveness index scores range from 0 to 1. The higher the score, the greater are the restrictions for an economy.

Economy	Domestic			Foreign		
	Estab- lishment	Ongoing Operations	Total	Estab- lishment	Ongoing Operations	Total
<b>Philippines</b>	<b>0.12</b>	<b>0.18</b>	<b>0.29</b>	<b>0.44</b>	<b>0.19</b>	<b>0.63</b>
Austria	0.12	0.15	0.27	0.39	0.18	0.57
Indonesia	-	-	-	0.55	0.01	0.55
Malaysia	0.04	0.05	0.09	0.46	0.06	0.51
Thailand	0.08	0.11	0.19	0.35	0.14	0.49
Korea	0.08	0.16	0.24	0.31	0.17	0.48
India	0.13	0.18	0.31	0.26	0.18	0.44
South Africa	0.05	0.05	0.10	0.39	0.06	0.44
Sweden	0.13	0.05	0.18	0.36	0.08	0.44
Italy	0.12	0.01	0.13	0.41	0.02	0.43
Japan	0.13	0.15	0.28	0.26	0.17	0.43
Canada	0.17	0.05	0.22	0.36	0.06	0.42
<b>Australia</b>	<b>0.11</b>	<b>0.05</b>	<b>0.16</b>	<b>0.34</b>	<b>0.07</b>	<b>0.41</b>
Denmark	0.13	0.08	0.20	0.31	0.10	0.41
Portugal	0.13	0.13	0.26	0.28	0.13	0.41
Singapore	0.08	0.10	0.18	0.28	0.13	0.41
Turkey	0.04	0.05	0.09	0.29	0.13	0.41
Brazil	0.05	0.15	0.20	0.24	0.15	0.39
Germany	0.12	0.10	0.22	0.27	0.12	0.39
New Zealand	0.18	0.03	0.21	0.35	0.04	0.39
Mexico	0.05	0.09	0.14	0.26	0.10	0.36
Chile	0.05	0.05	0.10	0.28	0.07	0.35
United States	0.13	0.08	0.20	0.23	0.10	0.33
Greece	0.10	0.08	0.18	0.24	0.08	0.32
Hong Kong, China	0.07	0.13	0.20	0.18	0.14	0.32
France	0.12	0.13	0.24	0.17	0.14	0.31
Luxembourg	0.07	0.05	0.12	0.25	0.06	0.31
Spain	0.10	0.10	0.20	0.20	0.11	0.31
Argentina	0.01	0.10	0.11	0.19	0.11	0.29
Switzerland	-	0.08	0.08	0.16	0.10	0.27

DIAGNOSTIC STUDY OF ACCOUNTING AND AUDITING PRACTICES IN THE PHILIPPINES

Economy	Domestic			Foreign		
	Estab- lishment	Ongoing Operations	Total	Estab- lishment	Ongoing Operations	Total
Belgium	0.09	0.10	0.19	0.12	0.10	0.22
Netherlands	0.12	0.08	0.19	0.13	0.09	0.22
United Kingdom	0.08	0.10	0.18	0.09	0.11	0.19
Finland	0.07	0.03	0.10	0.10	0.04	0.14

**Appendix 12. Extracts from PICPA’s Amended Bylaws**

Among other things, the new bylaws place increased emphasis on membership responsibilities, the requirement to be a PICPA member, and the requirement to pay PICPA dues (Article V ss. 6, 12: Article VI s. 1).

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Article I	Name, Objectives And Values	Article X	Chapters and Affiliates
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Article VI	Termination and Reinstatement of Membership	Article XV	Special Provisions
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Article VIII	National Executive Officers	Article XVII	Rules of Professional Conduct
Article IX	Regional and Sectoral Councils	Article XVIII	Ethics Board
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**Article I –Name, Objectives And Values**

Section 1. NAME, OBJECTIVES AND VALUES. PICPA adheres to the highest ideals of professionalism and commitment to service and upholds such values as: integrity, professional excellence, innovation, discipline, teamwork, social responsibility and commitment.

**Article II –Seal**

**Article III –Office**

**Article IV –Organization**

**Article V –Membership**

Section 1. QUALIFICATIONS. All certified public accountants whose names appear in the Registry of Professionals of the Professional Regulation Commission are automatically and without exception, members of the Philippine Institute of Certified Public Accountant and shall continue to be one except the following: (a) Those who are deceased; (b) Those who by choice no longer practice their profession but whose names appear in the Register maintained by the Professional

Regulation Commission and have formally filed with the Commission their intention to retire from practice.

Section 2. REGISTRATION. Unless he has already previously registered, every member heretofore admitted by the Professional Regulation Commission as Certified Public Accountants shall register with the Philippines Institute of Certified Public Accountants at the National Office or at the office of his chapter.

Section 3. CERTIFICATE OF MEMBERSHIP. It shall be the duty of every CPA, qualified under Section 1 of this Article, to submit his curriculum vitae which shall include his permanent residence and place of office, as the basis for the issuance of a Certificate of Membership in a form prescribed by the National Board of Directors.

Section 4. GRANTING OF CERTIFICATE OF MEMBERSHIP. Every member of PICPA shall be entitled to a Certificate of Membership upon verification of his qualifications by the National Board of

Directors and upon payment of the required dues prescribed in these Bylaws.

Section 5. MEMBERSHIP PLEDGE. Every Certified Public Accountant, entitled to a Certificate as above provided, shall take the PICPA Membership Pledge before any national, regional or chapter officer, at any monthly meeting of members, or in any national, regional or chapter office. The Certificate of Membership shall thereupon be issued to him.

Section 6. DUTIES AND RESPONSIBILITIES OF MEMBERS. (1) To pay PICPA dues and other PICPA assessments; (2) To abide by the articles of incorporation and bylaws and other issuances of PICPA; (3) to continually develop himself professionally; and (4) to actively participate in all the activities of PICPA.

Section 7. CHAPTER MEMBERS AND SECTOR MEMBERS. Every member of PICPA shall be both a member of a Chapter and a member of a Sector. A CPA shall be a member of the Chapter of the province or city where his residence or place of business is located. At the time of registration, a CPA shall also elect to be a member of a sector regardless of his chapter affiliation. In no case shall any CPA be a member of more than one (1) chapter or sector or transfer to another chapter of sector three (3) months before or after an election.

Section 8. CLASSIFICATION OF MEMBERS. Membership with Philippine Institute of Certified Public Accountants shall be classified into active, sustaining life, honorary life, honorary and associate.

Section 9. ACTIVE MEMBERS. Active members shall apply to those who became members of PICPA pursuant to Sections 1 and 2 of this Article.

Section 12. MEMBERS IN GOOD STANDING. A member in good standing is an active member whose accounts with the Institute are current and membership dues are fully paid. Whenever membership in

good standing is required for purposes of qualification or eligibility in any PICPA activity and there is no specific cut-off date provided in these Bylaws within which members may pay their dues, the Board of Directors shall be empowered to set such date. Members in good standing shall also include Sustaining Life Members and Honorary Life Members, participation in chapter activities, attendance in at least three (3) monthly meetings in a year, involvement in the election process both national and chapter levels, possessing a valid CPA license at anytime, acting in a manner befitting of a professional.

Termination and Reinstatement of Membership

*Article VI – Termination and Reinstatement of Membership*

Section 1. LOSS OR SUSPENSION OF MEMBERSHIP. Since the membership in the PICPA may be a condition to the continuing validity of the Certificate of Registration of a Certified Public Accountant, loss of membership in PICPA may be a sufficient cause for the revocation of the Certificate of Registration as Certified Public Accountant by the Professional Regulation Commission.

The National Board of Directors shall adopt rules concerning the suspension or loss of membership, and for the reinstatement of members. The suspension of, or loss of membership by a member by reason of delay, in or non-payment of membership dues, or for any other just cause as provided by the rules to be adopted shall be subject to the review and approval of the Professional Regulation Commission.

Section 2. VOLUNTARY TERMINATION OF MEMBERSHIP. Any member may resign from membership in the National Organization THROUGH A WRITTEN NOTICE SUBMITTED to the Secretary provided that, even if a resignation's affectivity date is fixed in said notice, such

resignation shall not be effective until acted upon by the National Board of Directors, such action to be taken within thirty (30) days from receipt of said notice. Upon approval of the termination of membership, the Secretary of PICPA shall immediately bring the matter to the attention of the Professional Regulation Commission. Forthwith the member concerned shall cease to a member and his name shall be stricken by the Professional Regulation Commission from the Registry of Certified Public Accountants.

Section 3. FAILURE TO PAY DUES OR OTHER ACCOUNTS. Any member whose dues or other accounts remain unpaid after the prescribed last day of payment as provided in these Bylaws shall be dropped from the membership roster upon the expiration of sixty (60) days from the date the notice to that effect is sent via messenger or registered mail unless payment is effective prior to the expiration of the sixty (60) day period.

*Article VII – National Board of Directors*

*Article VIII – National Executive Officers*

*Article IX – Regional and Sectoral Councils*

*Article X – Chapters and Affiliates*

*Article XI – Elections*

Section 13. MANNER OF VOTING. Voting for the election of directors shall be by ballots personally cast or by proxy in the designated venue and date set by the COMELEC using its official pre-numbered ballots.

*Article XII – Meeting of PICPA Members*

*Article XIII – National Committees*

Section 1. NATIONAL COMMITTEES. The National Board of Directors shall be empowered to create as many National Committees as may be necessary, the functions of which shall be defined upon

their creation, including their requisite jurisdiction and/or affiliation.

*Article XIV – Finances*

Section 2. ENTRANCE FEE. Members shall pay an entrance fee at an amount which shall be determined by the National Board of Directors. No application shall be considered unless it is accompanied by the required entrance fee.

Section 3. DUES AND OTHER ACCOUNTS. Members shall pay their annual membership dues at an amount which shall be determined by the National Board of Directors with the approval of the Professional Regulation Commission. However, any duly approved change in the rate of the annual membership dues shall not become effective until the next succeeding year and only after due notice shall have been given to the membership.

Membership dues shall be apportioned as follows:

- Thirty-Five percent (35%) for the Chapter;
- TEN percent (10%) for the Regional Council;
- TEN percent (10%) for the Sectoral Council;
- FORTY-FIVE percent (45%) for the National Office;

*Article XV – Special Provisions*

*Article XVI – Rules of Order*

*Article XVII – Rules of Professional Conduct*

To strengthen the foundation of the accountancy profession in the Philippines there must be unity of purpose and a clear concept of the obligations of all Certified Public Accountants to other profession, their clients or employer, to their colleagues in the profession, and to the public. These obligations include the

maintenance of high standards to technical competence, morality and integrity. For this purpose, the Code of Professional Ethics for Certified Public Accountants as promulgated by the Board of Accountancy on March 15, 1978 is hereby made part of this Bylaws to which all members of PICPA must adhere.

*Article XVIII – Ethics Board*

Section 1. THE BOARD AND TERM OF MEMBERS. The Ethics Board shall be composed of a Chairman and eight (8) members, each of whom shall be appointed by the National Board of Directors of PICPA upon the recommendation of the President for a term of three (3) years provided that the Chairman and the members who shall be appointed to compose the Board for the first time shall serve as follows:

- The Chairman and two (2) members for a term of three (3) years;
- Three (3) members for a term of two (2) years; and
- Three (3) members for a term of one (1) year.

The term of office of the Chairman and members of the Board shall commence on the first day of January. Interim appointment to fill vacancies in the members of the Board by reason of death, removal, incapacity or for other cause shall be made only for the unexpired term of the member replaced, provided that at no time there shall be more than one (1) member who is connected with same accounting firm or office.

SECTION 2. QUALIFICATIONS OF MEMBERS. The members of the Board shall be: (a) a member in good standing for at least five (5) years counted up to January of the year of his appointment; (b) a holder of the CPA Certificate for a continuous period of at least ten (10) years counted up to January of the year of his appointment, (c) with unquestionable

moral character; provided that the Board shall be composed at any time of at least five (5) members including the Chairman who are, or who have been in the practice of public accounting for at least ten (10) years.

Section 4. DISQUALIFICATIONS. No member of the Board shall be qualified to take part in any case before the Board in which:

- (a) He is directly or indirectly connected or involved; or
- (b) He is a relative by consanguinity or affinity, within the fourth civil degree, to any of the parties to the case; or
- (c) He is or might be interested in the result of the case.

Any question involving the disqualification of a member shall be resolved by a majority vote of the members present except the members concerned. For the purpose of this section, FIVE (5) members, excluding the members whose disqualification is in question, shall constitute a quorum and the concurrence of the five (5) shall be necessary to render any decision.

Section 6. JURISDICTION. The Board shall take cognizance of and hear and decide cases:

- (a) involving violations of any provisions of the PICPA Constitution and ByLaws;
- (b) involving violations of any provision of the Rules of Professional Conduct of the Board of Accountancy;
- (c) involving any of the grounds provided by the Rules and Regulations of the Board of Accountancy for proceeding against a Certified Public Accountant.

Section 9. PENALTIES. The Board, after the hearing, may reprimand the member; recommend the suspension of his membership for a period not exceeding five (5) years; or recommend the revocation of his membership from PICPA if adjudged guilty of the offense

complained of. The suspension or revocation of membership shall become final only after REVIEW AND approval by the NATIONAL BOARD OF DIRECTORS.

Section 11. PRESCRIPTION. The Ethics Board shall have jurisdiction to hear and decide cases within five (5) years from the date of their commission to the date of filing the complaint.

Section 12. AUTHORITY TO PROMULGATE RULES AND REGULATIONS. The Ethics Board shall promulgate such rules and regulations including the table of penalties as may be necessary to enforce and implement the intent and provisions of Article XVIII of these ByLaws which rules and regulations shall take effect thirty (30) days after complete publication in the Accounting Times or even other publication of PICPA as may supersede it. Publication in the Accounting Times or such other publication which may supersede it shall mean the date of complete release of the

monthly organ for distribution to the members by mail or messenger service.

The Ethics Board may, in addition to, as an alternative to such publication circularize the rules and regulations to the members in which case the rules and regulations shall take effect thirty (30) days after the complete release to the members of the circular.

Section 13. APPROPRIATION. The operational expenses of the Board shall be taken from a revolving fund which shall be appropriated by the National Board of Directors from time to time out of the General Fund of the National Organization.

Section 14. EFFECTIVITY. The Ethics Board shall take cognizance of cases which were committed after its operation as well as those which may be referred to it by the National Board of Directors.

*Article XIX – Amendments*

*Article XX – Transitory Provisions*

## **Appendix 13. Extracts from the Securities Regulation Code**

The Securities Regulation Code 2000 [Republic Act No. 8799]  
Approved 19 July 2000

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### *Chapter I – Title and Definitions*

#### *Chapter II – Securities and Exchange Commission*

SEC. 5. Powers and Functions of the Commission. – 5.1. The Commission shall act with transparency and shall have the powers and functions provided by this Code, Presidential Decree No. 902-A, the Corporation Code, the Investment Houses Law, the Financing Company Act and other existing laws. Pursuant thereto the Commission shall have, among others, the following powers and functions: (a) Have jurisdiction and supervision over all corporations, partnerships or associations who are the grantees of primary franchises and/or a license or permit issued by the Government; (b) Formulate policies and recommendations on issues concerning the securities market, advise Congress and other government agencies on all aspects of the securities market and propose legislation and amendments thereto; (c) Approve, reject, suspend, revoke or require amendments to registration statements, and registration and licensing applications; (d) Regulate, investigate or supervise the activities of persons to ensure compliance; (e) Supervise, monitor, suspend or take over the activities of exchanges, clearing agencies and other SROs; (f) Impose sanctions for the violation of laws and the rules, regulations and orders issued pursuant thereto; (g) Prepare, approve, amend or repeal rules, regulations and orders, and issue opinions and provide guidance on and supervise compliance with such rules, regulations and orders; (h) Enlist the aid and support of and/or deputize any and all enforcement agencies

of the Government, civil or military as well as any private institution, corporation, firm, association or person in the implementation of its powers and functions under this Code; (i) Issue cease and desist orders to prevent fraud or injury to the investing public; (j) Punish for contempt of the Commission, both direct and indirect, in accordance with the pertinent provisions of and penalties prescribed by the Rules of Court; (k) Compel the officers of any registered corporation or association to call meetings of stockholders or members thereof under its supervision; (l) Issue subpoena duces tecum and summon witnesses to appear in any proceedings of the Commission and in appropriate cases, order the examination, search and seizure of all documents, papers, files and records, tax returns, and books of accounts of any entity or person under investigation as may be necessary for the proper disposition of the cases before it, subject to the provisions of existing laws; (m) Suspend, or revoke, after proper notice and hearing the franchise or certificate of registration of corporations, partnerships or associations, upon any of the grounds provided by law; and (n) Exercise such other powers as may be provided by law as well as those which may be implied from, or which are necessary or incidental to the carrying out of, the express powers granted the Commission to achieve the objectives and purposes of these laws.

#### *Chapter III – Registration of Securities*

SEC. 8. Requirement of Registration of Securities – 8.5. The Commission may audit the financial statements, assets and other information of a firm applying for

registration of its securities whenever it deems the same necessary to insure full disclosure or to protect the interest of the investors and the public in general.

#### Chapter IV – Regulation of Pre-Need Plans

SEC. 16. Pre-Need Plans. – No person shall sell or offer for sale to the public any pre-need plan except in accordance with rules and regulations which the Commission shall prescribe. Such rules shall regulate the sale of pre-need plans by, among other things, requiring the registration of pre-need plans, licensing persons involved in the sale of pre-need plans, requiring disclosures to prospective plan holders, prescribing advertising guidelines, providing for uniform accounting system, reports and record keeping with respect to such plans, imposing capital, bonding and other financial responsibility, and establishing trust funds for the payment of benefits under such plans.

#### Chapter V – Reportorial Requirements

SEC. 17. Periodic and Other Reports of Issuers. – 17.1. Every issuer satisfying the requirements in Subsection 17.2 hereof shall file with the Commission: (a) Within one hundred thirty-five (135) days, after the end of the issuer's fiscal year, or such other time as the Commission may prescribe, an annual report which shall include, among others, a balance sheet, profit and loss statement and statement of cash flows, for such last fiscal year, certified by an independent certified public accountant, and a management discussion and analysis of results of operations; and (b) Such other periodical reports for interim fiscal periods and current reports on significant developments of the issuer as the Commission may prescribe as necessary to keep current information on the operation of the business and financial condition of the issuer.

17.2. The reportorial requirements of Subsection 17.1 shall apply to the following: (a) An issuer which has sold a class of its securities pursuant to a registration under Section 12 hereof: Provided, however, That the obligation of such issuer to file reports shall be suspended for any fiscal year after the year such registration became effective if such issuer, as of the first day of any such fiscal year, has less than one hundred (100) holders of such class of securities or such other number as the Commission shall prescribe and it notifies the Commission of such; (b) An issuer with a class of securities listed for trading on an Exchange; and (c) An issuer with assets of at least Fifty million pesos (P50,000,000.00) or such other amount as the Commission shall prescribe, and having Two hundred (200) or more holders each holding at least One hundred (100) shares of a class of its equity securities: Provided, however, That the obligation of such issuer to file reports shall be terminated ninety (90) days after notification to the Commission by the issuer that the number of its holders holding at least one hundred (100) shares is reduced to less than One hundred (100).

17.3. Every issuer of a security listed for trading on an Exchange shall file with the Exchange a copy of any report filed with the Commission under Subsection 17.1 hereof.

17.4. All reports (including financial statements) required to be filed with the Commission pursuant to Subsection 17.1 hereof shall be in such form, contain such information and be filed at such times as the Commission shall prescribe, and shall be in lieu of any periodical or current reports or financial statements otherwise required to be filed under the Corporation Code.

17.5. Every issuer which has a class of equity securities satisfying any of the requirements in Subsection 17.2 shall

furnish to each holder of such equity security an annual report in such form and containing such information as the Commission shall prescribe.

17.6. Within such period as the Commission may prescribe preceding the annual meeting of the holders of any equity security of a class entitled to vote at such meeting, the issuer shall transmit to such holders an annual report in conformity with Subsection 17.5.

#### *Chapter VI – Protection of Shareholder Interests*

SEC. 22. Internal Record Keeping and Accounting Controls. – Every issuer which has a class of securities that satisfies the requirements of Subsection 17.2 shall:

22.1. Make and keep books, records, and accounts which, in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the issuer;

22.2. Devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (a) Transactions and access to assets are pursuant to management authorization; (b) Financial statements are prepared in conformity with generally accepted accounting principles that are adopted by the Accounting Standards Council and the rules promulgated by the Commission with regard to the preparation of financial statements; and (c) Recorded assets are compared with existing assets at reasonable intervals and differences are reconciled.

#### *Chapter VII – Prohibitions on Fraud, Manipulation and Insider Trading*

#### *Chapter VIII – Regulation of Securities Market Professionals*

SEC. 31. Development of Securities Market Professionals. – The Commission, in joint undertaking with self regulatory organizations, organizations and associations of finance professionals as well as private educational

and research institutions shall undertake or facilitate/organize continuing training, conferences/ seminars, updating programs, research and development as well as technology transfer at the latest and advanced trends in issuance and trading of securities, derivatives, commodity trades and other financial instruments, as well as securities markets of other countries.

#### *Chapter IX – Exchanges and Other Securities Trading Markets*

#### *Chapter X – Registration, Responsibilities and Oversight of Self-Regulatory Organizations*

This chapter seemingly provides the SEC with the power to recognize PICPA and, if it does so, to discipline and expel members.

#### *Chapter XI – Acquisition and Transfer of Securities and Settlement of Transactions in Securities*

#### *Chapter XII – Margin and Credit*

#### *Chapter XIII – General Provisions*

51.3. It shall be unlawful for any director or officer of, or any owner of any securities issued by, any issuer required to file any document, report or other information under this Code or any rule or regulation of the Commission thereunder, without just cause, to hinder, delay or obstruct the making or filing of any such document, report, or information.

51.4. It shall be unlawful for any person to aid, abet, counsel, command, induce or procure any violation of this Code, or any rule, regulation or order of the Commission thereunder.

51.5. Every person who substantially assists the act or omission of any person primarily liable under Sections 57, 58, 59 and 60 of this Code, with knowledge or in reckless disregard that such act or omission is wrongful, shall be jointly and severally liable as an aider and abettor for

damages resulting from the conduct of the person primarily liable: Provided, however, That an aider and abettor shall be liable only to the extent of his relative contribution in causing such damages in comparison to that of the person primarily liable, or the extent to which the aider and abettor was unjustly enriched thereby, whichever is greater.

SEC. 52. Accounts and Records, Reports, Examination of Exchanges, Members, and Others. – 52.1. Every registered Exchange, broker or dealer, transfer agent, clearing agency, securities association, and other self-regulatory organization, and every other person required to register under this Code, shall make, keep and preserve for such periods, records, furnish such copies thereof, and make such reports, as the Commission by its rules and regulations may prescribe. Such accounts, correspondence, memoranda, papers, books, and other records shall be subject at any time to such reasonable periodic, special or other examinations by representatives of the Commission as the Commission may deem necessary or appropriate in the public interest or for the protection of investors.

52.3 For purposes of this Section, the term “records” refers to accounts, correspondence, memoranda, tapes, discs, papers, books and other documents or transcribed information of any type, whether written or electronic in character.

SEC. 53. Investigations, Injunctions and Prosecution of Offenses. – 53.1. The Commission may, in its discretion, make such investigations as it deems necessary to determine whether any person has violated or is about to violate any provision of this Code, any rule, regulation or order thereunder, or any rule of an Exchange, registered securities association, clearing agency, other self-regulatory organization, and may require or permit any person to file with it a

statement in writing, under oath or otherwise, as the Commission shall determine, as to all facts and circumstances concerning the matter to be investigated. The Commission may publish information concerning any such violations, and to investigate any fact, condition, practice or matter which it may deem necessary or proper to aid in the enforcement of the provisions of this Code, in the prescribing of rules and regulations thereunder, or in securing information to serve as a basis for recommending further legislation concerning the matters to which this Code relates: Provided, however, That any person requested or subpoenaed to produce documents or testify in any investigation shall simultaneously be notified in writing of the purpose of such investigation: Provided, further, That all criminal complaints for violations of this Code, and the implementing rules and regulations enforced or administered by the Commission shall be referred to the Department of Justice for preliminary investigation and prosecution before the proper court: Provided, furthermore, That in instances where the law allows independent civil or criminal proceedings of violations arising from the same act, the Commission shall take appropriate action to implement the same: Provided, finally, That the investigation, prosecution, and trial of such cases shall be given priority.

SEC. 56. Civil Liabilities on Account of False Registration Statement. – 56.1. Any person acquiring a security, the registration statement of which or any part thereof contains on its effectivity an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make such statements not misleading, and who suffers damage, may sue and recover damages from the following enumerated persons, unless it is proved that at the time of such acquisition he knew of such untrue statement or omission:

Every auditor or auditing firm named as having certified any financial statements used in connection with the registration statement or prospectus.

SEC. 57. Civil Liabilities Arising in Connection With Prospectus, Communications and Reports. 57.2. Any person who shall make or cause to be made any statement in any report, or document filed pursuant to this Code or any rule or regulation thereunder, which statement was at the time and in the light of the circumstances under which it was made false or misleading with respect to any material fact, shall be liable to any person who, not knowing that such statement was false or misleading, and relying upon such statements shall have purchased or sold a security at a price which was affected by such statement, for damages caused by such reliance, unless the person sued shall prove that he acted in good faith and had no knowledge that such statement was false or misleading.

SEC. 68. Special Accounting Rules. – The Commission shall have the authority to make, amend, and rescind such accounting rules and regulations as may be necessary to carry out the provisions of this Code, including rules and regulations governing registration statements and prospectuses for various classes of securities and issuers, and defining accounting, technical and trade terms used in this Code. Among other things, the Commission may prescribe the form or forms in which required information shall be set forth, the items or details to be shown in the balance sheet and income statement, and the methods to be followed in the preparation of accounts, appraisal or valuation of assets and liabilities, determination of depreciation and depletion, differentiation of recurring and non-recurring income, differentiation of investment and operating income, and in the preparation, where the Commission deems it necessary or desirable, of consolidated balance sheets or income

accounts of any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with, the issuer.

SEC. 72. Rules and Regulations; Effectivity. – 72.1. This Code shall be self-executory. To effect the provisions and purposes of this Code, the Commission may issue, amend, and rescind such rules and regulations and orders necessary or appropriate, including rules and regulations defining accounting, technical, and trade terms used in this Code, and prescribing the form or forms in which information required in registration statements, applications, and reports to the Commission shall be set forth. For purposes of its rules or regulations, the Commission may classify persons, securities, and other matters within its jurisdiction, prescribe different requirements for different classes of persons, securities, or matters, and by rule or order, conditionally or unconditionally exempt any person, security, or transaction, or class or classes of persons, securities or transactions, from any or all provisions of this Code.

72.2. The Commission shall promulgate rules and regulations providing for reporting, disclosure and the prevention of fraudulent, deceptive or manipulative practices in connection with the purchase by an issuer, by tender offer or otherwise, of and equity security of a class issued by it that satisfies the requirements of Subsection 17.2. Such rules and regulations may require such issuer to provide holders of equity securities of such dates with such information relating to the reasons for such purchase, the source of funds, the number of shares to be purchased, the price to be paid for such securities, the method of purchase and such additional information as the Commission deems necessary or appropriate in the public interest or for the protection of investors, or which the Commission deems to be material to a

## APPENDIXES

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determination by holders whether such security should be sold.

SEC. 73. Penalties. – Any person who violates any of the provisions of this Code, or the rules and regulations promulgated by the Commission under authority thereof, or any person who, in a registration statement filed under this Code, makes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, shall, upon conviction, suffer a fine of not less than Fifty thousand pesos (P50,000.00) nor more

than Five million pesos (P5,000,000.00) or imprisonment of not less than seven (7) years nor more than twenty-one (21) years, or both in the discretion of the court. If the offender is a corporation, partnership or association or other juridical entity, the penalty may in the discretion of the court be imposed upon such juridical entity and upon the officer or officers of the corporation, partnership, association or entity responsible for the violation, and if such officer is an alien, he shall in addition to the penalties prescribed, be deported without further proceedings after service of sentence.

**Appendix 14. Illustrative Financial Management Scorecard**

Area	This Year	Last Year
<b>Accounting Standards and Practices</b>		
(i) Degree to which accounting standards comply with IASC promulgations (comparison of accounting standards to IASs – points deducted for every deviation or omission)	...%	...%
(ii) Degree to which financial reports comply with accounting standards (review of a sample of financial reports)	...%	...%
(iii) International and regional perceptions of Philippine accounting standards and practices (survey)	...%	...%
(iv) Domestic perceptions of Philippine accounting standards and practices (survey)	...%	...%
<b>Score for this area</b>	<b>...%</b>	<b>...%</b>
<b>Auditing Standards and Practices</b>		
(i) Degree to which auditing standards and guidelines comply with IAPC promulgations (comparison of auditing standards to ISAs – points deducted for every deviation or omission)	...%	...%
(ii) Auditor Appointment and Termination (comparison of laws and regulations with best practice)	...%	...%
(iii) Auditor Independence (comparison with best practice)	...%	...%
(iv) Auditor Reporting (comparison with best practice)	...%	...%
(v) Auditor Liability (comparison with best practice)	...%	...%
<b>Score for this area</b>	<b>...%</b>	<b>...%</b>
<b>Professional Arrangements</b>		
(i) International standing of CPA license (comparison of requirements to international guidelines)	...%	...%
(ii) Regional standing of CPA license (comparison of requirements to regional requirements)	...%	...%
(iii) International perceptions of the Philippine CPA (survey)	...%	...%
(iv) National perceptions of the Philippine CPA (survey)	...%	...%

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Area	This Year	Last Year
(v) Quality control arrangements (comparison of arrangements to international guidelines)	...%	...%
<b>Score for this area</b>	<b>...%</b>	<b>...%</b>
<b>Education and Training</b>		
(i) Overall passing rate of CPAs	...%	...%
(ii) Educational inequality (passing rates of examinees from bottom 100 academies/passing rates of examinees from top 50 academies)	...%	...%
<b>Score for this area</b>	<b>...%</b>	<b>...%</b>
<b>Overall Score</b>	<b>...%</b>	<b>...%</b>

CPA = certified public accountant; IAS = International Accounting Standard;  
 IAPC = International Auditing Practices Committee; IASC = International Accounting Standards Committee; ISA = International Standards on Auditing;