IFRS® STANDARDS—APPLICATION AROUND THE WORLD

JURISDICTIONAL PROFILE: **Philippines**

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This Profile provides information about the application of IFRS® Accounting Standards (Standards) in Philippines. The Standards are developed and issued in the public interest by the International Accounting Standards Board (IASB). The IASB is the standard-setting body of the IFRS Foundation (Foundation), an independent, private sector, not-for-profit organisation.

The Foundation has prepared this Profile based on information from various sources. The starting point was the answers provided by standard-setting and other bodies in response to surveys the Foundation conducted on the application of the Standards around the world. The Foundation drafted the profile and invited the respondents to the survey. The Foundation also invited others (including regulators and international audit firms) to review the drafts. Their comments are reflected in this Profile.

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RELEVANT JURISDICTIONAL AUTHORITY

Organisation	Professional Regulation Commission (PRC) Board of Accountancy (BOA) Philippine Financial and Sustainability Reporting Standards Council (FSRSC), previously Financial Reporting Standards Council (FRSC) Philippine Interpretations Committee (PIC) Philippine Sustainability Reporting Committee (PSRC) Philippine Securities and Exchange Commission (SEC) Insurance Commission (IC) Bangko Sentral ng Pilipinas (BSP) Cooperative Development Authority (CDA)

Role of the organisation	The FRSC was established under the Implementing Rules and Regulations of the Philippine Accountancy Act of 2004 to assist the BOA in carrying out its power and function to promulgate accounting standards in the Philippines. The FSRSC role was expanded in 2022 to include the adoption of sustainability disclosure standards. The FRSC formed the PIC in August 2006 to assist the FRSC in establishing and improving financial reporting standards in the Philippines. The role of the PIC is principally to issue implementation guidance on Philippine Financial Reporting Standards (PFRSs). Implementation guidance approved by the PIC shall be forwarded to the FSRSC, BOA and PRC for approval before being issued to the public as final guidance. The BOA, under the stewardship of the PRC, supervises and regulates accountancy in the Philippines. The SEC has the authority to prescribe the financial reporting framework used by corporations in the Philippines. These general financial reporting requirements are set out in Rule 68 of the Securities Regulation Code. The BSP and IC are the primary regulators of banking institutions and insurance companies, respectively. They issue rules and guidelines that include financial reporting matters. The CDA is the primary regulator for cooperatives, having the authority to require submission of audited financial statements.
Website	FSRSC: https://www.pfsrsc.org/ PRC-BOA: https://www.prc.gov.ph/accountancy FSRSC and PIC: https://www.pfsrsc.org/ SEC: http://www.sec.gov.ph/ IC: https://www.insurance.gov.ph BSP: https://www.bsp.gov.ph CDA: https://cda.gov.ph/
Email contact	info_frsc@picpa.com.ph

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
Has the jurisdiction made a public commitment towards IFRS Accounting Standards as that single set of high quality global accounting standards?	Yes.
What is the jurisdiction's status of adoption?	The Philippines has adopted IFRS Accounting Standards as PFRSs, except:

IFRS Accounting Standard	Remarks
IFRS 17	The PIC issued Circular Letter No. 2020-62, which deferred the implementation of IFRS 17 *Insurance Contracts* by two years after its effective date. On 15 December 2021, the FSRSC amended the effective date of PFRS 17 *Insurance Contracts* from 1 January 2023 to be effective for reporting periods beginning on or after 1 January 2025.

The BSP and SEC permit the options and temporary accounting reliefs below, which are considered a deviation from the requirements of PFRSs. Financial statements prepared applying any of the reliefs are considered prepared in accordance with an industry-specific compliance framework and not PFRSs.

IFRS Accounting Standard	Remarks
IFRS 9 *Financial Instruments*	The BSP provides a regulatory relief to all BSP Supervised Financial Institutions (BSFIs) to stagger the booking of allowance for expected credit losses on past-due and non-performing loans granted amid the covid-19 pandemic. This regulatory relief is covered by BSP Memorandum M-2020-061, which allowed BSFIs to apply for approval of staggered recognition of allowance for credit losses until March 8, 2021. The staggered recognition of allowance for credit losses shall be for a maximum period of five (5) years. All BSFIs were also allowed to reclassify debt securities measured at fair value to amortised cost under BSP Memorandum M-2020-022. The basis of preparation as an industry-specific compliance framework is provided under SEC Memorandum Circular No. 32, Series of 2020. The SEC provided another relief allowing staggered recognition of provision for credit losses for a maximum period of five (5) years to financing companies, lending companies and accredited micro-finance NGOs under SEC Memorandum Circular No. 35, Series of 2020.
IFRS 15 *Revenue from Contracts with Customers*	The SEC approved a relief for the real estate industry to defer until 2023: 1. PIC Q&A No. 2018-12, with respect to the accounting for revenue contracts with a significant financing component. 2. Exclusion of land in the calculation of percentage of completion. The relief and basis of preparation as an industry-specific compliance framework is provided under SEC Memorandum Circular No. 34, Series of 2020.

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IFRS Accounting Standard	Remarks
IAS 23 *Borrowing Costs*	The SEC approved a relief for the real estate industry to defer until 2023 application of the IFRIC Agenda decision on the requirements related to over time transfers of constructed goods in IAS 23 *Borrowing Costs*. The relief and basis of preparation as an industry-specific compliance framework is provided under SEC Memorandum Circular No. 34, Series of 2020.

Additional comments provided on the adoption status?	See response above.
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Accounting Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Accounting Standards in the jurisdiction.	Not applicable.

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Accounting Standards in their consolidated financial statements?	Yes. All domestic companies whose debt or equity securities are traded in a public market are required to use PFRSs in their consolidated financial statements.
If YES, are IFRS Accounting Standards REQUIRED or PERMITTED?	PFRSs are required.
Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?	PRFSs apply to all domestic companies whose securities trade in a Philippine public market.
Are IFRS Accounting Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?	Yes, PFRSs are required.
For instance, are IFRS Accounting Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?	Companies that prepare consolidated financial statements in accordance with PFRSs are required to prepare separate financial statements using the same accounting framework.
For instance, are IFRS Accounting Standards required or permitted for companies whose securities do not trade in a public market?	Yes. The SEC has set quantitative and qualitative criteria that require certain domestic companies whose securities do not trade in a public market to use PFRSs. These companies include: • A company with total assets of more than 350 million Philippine pesos (pesos) or which has total liabilities of more than 250 million pesos;

	• A company which is in the process of filing its financial statements for the purpose of issuing any class of instruments in a public market;
	• A holder of secondary licence(s) issued by regulatory agencies; and
	• such other corporations that the SEC might consider in the future as being of public interest, regardless of the lack of a requirement to obtain a secondary license from the SEC, and might fall under the following criteria:
	  • Those grantees of legislative franchises;
	  • Those engaged in nationalised or partly nationalised activities;
	  • Those grantees or recipients of public funds; and
	  • Those regulated by other government agencies other than the BSP or IC.

If the jurisdiction currently does NOT require or permit the use of IFRS Accounting Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Accounting Standards for such companies in the future?	Not applicable.
For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:	
Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Accounting Standards in their consolidated financial statements?	Yes, foreign companies are required to use PFRSs in their consolidated financial statements.
If YES, are IFRS Accounting Standards REQUIRED or PERMITTED in such cases?	PFRSs are required.
Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?	PFRSs apply to all foreign companies whose securities trade in a Philippine public market.

IFRS ENDORSEMENT

Which IFRS Accounting Standards are required or permitted for domestic companies?	IFRS Accounting Standards adopted as PFRSs (see 'What is the jurisdiction's status of adoption?').
The auditor's report and/or the basis of presentation footnote states that financial statements have been prepared in conformity with:	PFRSs.
Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Accounting Standards and the jurisdiction's GAAP)?	No.
Are IFRS Accounting Standards incorporated into law or regulations?	Yes.
If yes, how does that process work?	IFRS Accounting Standards adopted by the FSRSC as PFRSs are published in the *Official Gazette* after they have been approved by the BOA and the

	PRC. These pronouncements are then adopted by the SEC and other relevant regulators as part of its rules and regulations on financial reporting.
If no, how do IFRS Accounting Standards become a requirement in the jurisdiction?	Not applicable.
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Accounting Standards (including Interpretations) in place?	Yes.

If yes, what is the process?	The FSRSC takes several steps to adopt a new or amended IFRS Accounting Standard as a PFRS, which starts when the International Accounting Standards Board (IASB) issues a proposal in the form of an exposure draft or a discussion paper:
	• the FSRSC analyses the potential implications of the IASB's proposals on local financial reporting;
	• the FSRSC issues an invitation to comment on the IASB's proposals and might submit these comments to the IASB;
	• when the IASB issues a new or amended IFRS Accounting Standard:
	  • the FSRSC adopts the new or amended IFRS Accounting Standard as a PFRS;
	  • the FSRSC submits the new PFRS to the BOA and PRC for approval;
	  • the BOA and the PRC approve the adoption;
	  • the BOA and the PRC oversee the publication of the new PFRS in the *Official Gazette*; and
	  • the SEC adopts the new PFRS as part of its rules and regulations on financial reporting, as do other relevant regulators.

If no, how do new or amended IFRS Accounting Standards become a requirement in the jurisdiction?	Not applicable.
Has the jurisdiction eliminated any accounting policy options permitted by IFRS Accounting Standards and/or made any modifications to any IFRS Accounting Standards?	Yes.
If yes, what are the changes?	See the table in 'What is the jurisdiction's status of adoption?'.
Other comments regarding the use of IFRS Accounting Standards in the jurisdiction?	None.

TRANSLATION OF IFRS ACCOUNTING STANDARDS

Are IFRS Accounting Standards translated into the local language?	No. English is the language of business in the Philippines.
If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Accounting Standards?	Not applicable.

APPLICATION OF THE IFRS FOR SMEs ACCOUNTING STANDARD	
Has the jurisdiction adopted the *IFRS for SMEs* Accounting Standard for at least some SMEs?	Yes. The Philippines has adopted the *IFRS for SMEs* Accounting Standard as the Philippine Financial Reporting Standards for SMEs ('PFRS for SMEs').
If no, is the adoption of the *IFRS for SMEs* Accounting Standard under consideration?	Not applicable.
Did the jurisdiction make any modifications to the *IFRS for SMEs* Accounting Standard?	No.
If the jurisdiction has made any modifications, what are those modifications?	Not applicable.
Which SMEs use the *IFRS for SMEs* Accounting Standard in the jurisdiction, and are they required or permitted to do so?	A medium-sized company that meets all the following criteria must apply the 'PFRS for SMEs' standard, unless permitted to use PFRSs: • It has total assets of 100–350 million pesos or total liabilities of 100–250 million pesos. If the company is a parent company, the aforementioned amounts are based on the consolidated figures; • It is not required to file financial statements under Part II of Rule 68 of the Revised SRC Rule 68; • it is not in the process of filing its financial statements for the purposes of issuing any class of instruments in a public market; and • It is not a holder of a secondary licence issued by regulatory agencies. A medium-sized company that meets any of the following criteria is permitted to apply PFRSs rather than the PFRS for SMEs Standard: • It is a subsidiary of a parent company reporting in accordance with PFRSs; • It is a subsidiary of a foreign parent company that will be moving toward IFRS Accounting Standards pursuant to the foreign country's published convergence plan; • It is either a significant joint venture or an associate that is part of a group reporting in accordance with PFRSs; • It is a branch office or the regional operating headquarters of a foreign company reporting in accordance with IFRS Accounting Standards; • It has a subsidiary that is required to report in accordance with PFRSs; • It has a short-term projection that shows that it will breach the quantitative thresholds set in the criteria for a medium-sized company. The breach is expected to be significant and continuing due to its long-term effect on the company's asset or liability size; • It has a concrete plan to conduct an initial public offering within the next two years; • It has been preparing financial statements in accordance with PFRSs and has decided to liquidate; or • Such other cases that the SEC might consider as valid exceptions from the mandatory adoption of the PFRS for SMEs standard.

For those SMEs that are not required to use the *IFRS for SMEs* Accounting Standard, what other accounting framework do they use?

Companies that are not SMEs might fall under the classification of ‘small entities’ or ‘micro entities’ as set out in the Revised SRC Rule 68, and use the ‘PFRS for Small Entities’ standard or the income tax basis of accounting as follows:

(a) **Small entities.** Small entities must use the PFRS for Small Entities Standard. However, a company with operations or investments that are based or conducted in another country with another functional currency do not apply the PFRS for Small Entities Standard, but instead apply PFRSs or the PFRS for SMEs Standard.

A company must meet all the following criteria to be a ‘small entity’:

- It has total assets of 3–100 million pesos or total liabilities of 3–100 million pesos. If the company is a parent company, the said amounts are based on the consolidated figures;
- It is not required to file financial statements under Part II of the Revised SRC Rule 68;
- It is not in the process of filing its financial statements for the purpose of issuing any class of instruments in a public market; and
- It is not a holder of secondary licenses issued by regulatory agencies.

A small entity that meets any of the following criteria is permitted to use, as appropriate, PFRSs or the PFRS for SMEs Standard rather than the PFRS for Small Entities standard:

- It is a subsidiary of a parent company reporting under the full PFRSs or PFRS for SMEs for Small Entities Standard;
- It is a subsidiary of a foreign parent company that will be moving toward IFRS Accounting Standards or the IFRS for SMEs Accounting Standard pursuant to the foreign country’s published convergence plan;
- It is either a significant joint venture or an associate that is part of a group reporting under PFRSs or the PFRS for SMEs Standard;
- It is a branch office or the regional operating headquarters of a foreign company reporting in accordance with IFRS Accounting Standards or the IFRS for SMEs Accounting Standard;
- It has a short-term projection that shows that it will breach the quantitative thresholds set in the criteria for a small company. The breach is expected to be significant and continuing due to its long-term effect on the company’s asset size;
- It has been preparing financial statements using PFRSs or the PFRS for SMEs Standard and has decided to liquidate; or
- Such other cases that the SEC might consider as valid exceptions from the mandatory adoption of the PFRS for Small Entities Standard.

(b) **Micro entities.** Micro entities have the option to use either the income tax basis of accounting or the PFRS for Small Entities Standard. A company must meet all the following criteria to be considered a ‘micro entity’:

- It has total assets and liabilities of less than 3 million pesos;

	• It is not required to file financial statements under Part II of the Revised SRC Rule 68; • It is not in the process of filing its financial statements for the purpose of issuing any class of instruments in a public market; and • It is not a holder of a secondary license issued by regulatory agencies.
Other comments regarding use of the *IFRS for SMEs* Accounting Standard?	None.