

IFRS® STANDARDS—APPLICATION AROUND THE WORLD



JURISDICTIONAL PROFILE: **Philippines**

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

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

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RELEVANT JURISDICTIONAL AUTHORITY

Organisations

- Philippine Financial Reporting Standards Council (FRSC)
- Philippine Interpretations Committee (PIC)
- Board of Accountancy (BOA)
- Philippine Securities and Exchange Commission (SEC)
- Insurance Commission (IC)
- Bangko Sentral ng Pilipinas (BSP), Philippine Central Bank

Role of the organisations

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 FRSC’s main function is to establish generally accepted accounting principles in the Philippines.

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 PFRSs. Implementation guidance approved by the PIC shall be forwarded to the FRSC, BOA and PRC for approval before issuance to the public as final guidance.

The BOA, under the stewardship of the Philippine Professional Regulation Commission (PRC), supervises and regulates accountancy in the Philippines.

The SEC has the authority to prescribe the financial reporting framework to be used by corporations in the Philippines. These general financial reporting requirements are set out in Rule 68 of the Securities Regulation Code (SRC).

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.

Websites

FRSC:

<http://www.picpa.com.ph/frsc.html?article=About%20FRSC%20and%20PIC&page=FRSC>

BOA: <https://www.prc.gov.ph/accountancy>

SEC: <http://www.sec.gov.ph/>

Email contacts

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 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 Standards as Philippine Financial Reporting Standards (PFRSs), except on the aspect of revenue recognition under IFRS 15 for real estate companies that avail of the relief granted by the SEC.

Additional comments provided on the adoption status?

When IFRS 15 *Revenue from Contracts with Customers* (adopted in the Philippines as PFRS 15 *Revenue from Contracts with Customers*), took effect on January 1, 2018, the real estate industry raised certain implementation issues with the SEC. In response, the SEC provided relief to real estate companies by giving them the option to defer the application of the following requirements of PFRS 15 in accounting for real estate sales:

- Accounting for significant financing component
- Exclusion of land in the determination of the percentage of completion
- Exclusion of uninstalled materials in the determination of percentage of completion

In addition to the above, a lessor-real estate company that charges Common Usage Area fees to its tenants is also given the option not to present such fees at gross even if it is acting as principal in the arrangement.

The above reliefs can be availed of for a period of 3 years (i.e., from 2018 to 2020). Effective January 1, 2021, real estate companies will adopt the requirements of PFRS 15 in full, together with any subsequent amendments thereto, retrospectively or as the SEC will later prescribe.

Real estate companies availing of any of the above reliefs are required to make additional disclosures in the financial statements.

The SEC Circular indicates that the above relief shall form part of the PFRS for the purpose of preparing and filing general purpose financial statements to the SEC.

Insurance companies follow two different sets of requirements when applying IFRS 17 *Insurance Contracts*. The Philippines Insurance Commission allows insurance companies to defer the application of IFRS 17 to a year later than its

effective date (ie 1 January 2023) with early adoption permitted; whereas the SEC requires the application of IFRS 17 on its effective date.

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.	Not applicable.
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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 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 PFRS Standards in their consolidated financial statements.
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If YES, are IFRS Standards REQUIRED or PERMITTED?	PFRS Standards are required.
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Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?	This requirement applies to all domestic companies whose securities trade in a Philippine public market.
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Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?	Yes.
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For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?	Companies that comply with PFRSs when preparing consolidated financial statements are required to prepare separate financial statements using the same accounting framework.
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For instance, are IFRS 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 other than those whose securities trade in a public market to use PFRSs. The following are required to use PFRSs: <ul style="list-style-type: none">• a company with total assets of more than Php350 million (US\$7 million) or which has total liabilities of more than Php250 million (US\$5 million);• a company of which 200 shareholders own 100 or more shares of a class of its equity securities;• 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; and• a holder of secondary licence(s) issued by regulatory agencies.
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If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future?	Not applicable.
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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 Standards in their consolidated financial statements?	Yes, foreign entities are also required to use PFRS standards in their consolidated financial statements.
If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?	PFRS Standards are required.
Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?	This requirement applies to all foreign companies whose securities trade in a Philippine public market

IFRS ENDORSEMENT

Which IFRS Standards are required or permitted for domestic companies?	The SEC has set quantitative and qualitative criteria to establish which companies (other than those whose securities trade in a public market) are required to use PFRSs.
The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:	Philippine Financial Reporting Standards (PFRSs).
Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?	No.
Are IFRS Standards incorporated into law or regulations?	Yes.
If yes, how does that process work?	IFRS Standards adopted by the FRSC as PFRSs are published in the <i>Official Gazette</i> after they have been approved by the BOA and the PRC. These pronouncements are then adopted by the SEC as part of its rules and regulations on financial reporting.
If no, how do IFRS 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 Standards (including Interpretations) in place?	Yes.
If yes, what is the process?	The FRSC takes the following steps to adopt a new IFRS Standard as a PFRS: <ul style="list-style-type: none"> • the Board issues a proposal in the form of an exposure draft or a discussion paper; • the FRSC analyses the potential implications of the Board's proposals for local financial reporting; • the FRSC issues an invitation to comment on the Board's proposals; • the FRSC submits any comments to the Board; • the Board issues a new or amended IFRS Standard; • the FRSC adopts the new or amended IFRS Standard as PFRS; • the FRSC submits the new PFRS to the PRC through the BOA for approval; • the BOA and the PRC approve the adoption; • the BOA and the PRC oversee the publication of the new PFRS in the <i>Official Gazette</i>; and • the SEC adopts the new PFRS as part of its rules and regulations on financial reporting.

If no, how do new or amended IFRS Standards become a requirement in the jurisdiction? Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?

No.

If yes, what are the changes?

Not applicable.

Other comments regarding the use of IFRS Standards in the jurisdiction?

None.

TRANSLATION OF IFRS STANDARDS

Are IFRS 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 Standards?

Not applicable.

APPLICATION OF THE IFRS FOR SMEs STANDARD

Has the jurisdiction adopted the *IFRS for SMEs* Standard for at least some SMEs?

Yes. The Philippines has adopted the *IFRS for SMEs* Standard as the Philippine Financial Reporting Standards for SMEs ('PFRS for SMEs').

If no, is the adoption of the *IFRS for SMEs* Standard under consideration?

Not applicable.

Did the jurisdiction make any modifications to the *IFRS for SMEs* Standard?

No.

If the jurisdiction has made any modifications, what are those modifications?

Not applicable.

Which SMEs use the *IFRS for SMEs* Standard in the jurisdiction, and are they required or permitted to do so?

A medium-sized entity that meets all the following criteria must use the 'PFRS for SMEs' unless permitted to use PFRSs (see below):

- It has total assets of between more than Php100 million (approximately US\$1.9 million) to Php350 million (approximately US\$7 million) or if it has total liabilities of more than Php100 million to Php250 million (approximately US\$5 million). (If the entity is a parent company, those amounts are based on the consolidated figures).
- It is not required to file financial statements under Part II of Rule 68 of the SRC (ie it is not a company whose securities trade in a public market or which has at least 200 shareholders owning 100 or more shares of a class of its equity securities).
- It is not in the process of filing financial statements for the purposes of issuing any class of instruments in a public market.
- It is not a holder of a secondary licence issued by a regulatory agency.

A medium-sized entity that meets any of the following criteria may opt to use full PFRSs rather than the PFRS for SMEs:

- it is a subsidiary of a parent company reporting under PFRSs;
- it is a subsidiary of a foreign parent company that will be moving towards IFRS 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 under PFRSs;
- it is a branch office or the regional operating headquarters of a foreign company reporting under IFRS Standards;

- it has a subsidiary that is required to report under PFRSs;
- it has a short-term projection that shows that it will breach the quantitative thresholds set in the criteria for a medium-sized entity;
- it has a concrete plan to conduct an initial public offering within the next two years; or
- it has been preparing financial statements using PFRSs and has decided to liquidate.

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

With effect from 1 January 2019, entities not required to use PFRSs or the PFRS for SMEs are required to use the PFRS for Small Entities or the income tax basis of accounting. In this respect:

(a) Small entities. Small entities must use the PFRS for Small Entities. However, an entity with operations or investments that are based or conducted in a different country with a different functional currency should not apply the PFRS for Small Entities but must instead apply full PFRSs or the PFRS for SMEs.

An entity is small if its total assets are between PhP3 million (approximately US\$57,000) to PhP100 million (approximately US\$1.9 million) or if it has total liabilities of PhP3 million to PhP100,000,000 . And the entity must not otherwise be required to file financial statements with the SEC under Part II of Rule 68 of the SRC (ie it is not a company whose securities trade in a public market or which has at least 200 shareholders owning 100 or more shares of a class of its equity securities); nor be in the process of filing its financial statements for the purpose of issuing any class of instruments in a public market; nor be a holder of a secondary license issued by a regulatory agency.

(b) Micro entities. Micro entities have the option to use either the income tax basis of accounting or the PFRS for Small Entities. An entity is micro if its total assets and liabilities are each below PhP3,000,000 and that are not otherwise be required to file financial statements with the SEC under Part II of Rule 68 of the SRC; nor be in the process of filing its financial statements for the purpose of issuing any class of instruments in a public market; nor be the holder of a secondary licence issued by a regulatory agency.

Other comments regarding use of the *IFRS for SMEs* Standard?

None.