CIRCULAR LETTER

TO: ALL INSURANCE BROKERS (IBs), REINSURANCE BROKERS (RBs) AND BOTH INSURANCE AND REINSURANCE BROKERS (IBRBs)

SUBJECT: STANDARD CHART OF ACCOUNTS (SCA)

WHEREAS, the Insurance Commissioner under Section 437 of the Amended Insurance Code may issue such rulings, instructions, circulars, orders and decisions as may be deemed necessary to secure enforcement of the Amended Insurance Code, to ensure the efficient regulation of the insurance industry in accordance with global best practices and to protect the insuring public;

WHEREAS, the fiduciary responsibilities of a broker on its clients and partner insurance companies requires that a broker has adequate level of financial resources and safeguards on the risks attached on its business model are established;

WHEREAS, rules and/or guidance on financial reporting framework is necessary to be implemented to ensure transparent and consistent application of such rules and/or guidance by the brokers;

WHEREAS, this financial reporting framework includes economic valuation of assets and liabilities based on internationally accepted accounting and insurance core principles;

NOW, THEREFORE, pursuant to the authority vested in me under Section 437 of the Amended Insurance Code, the following rules and regulations concerning the financial reporting are hereby promulgated.

SECTION 1. APPLICATION OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS)

Recognition and measurement of accounts should be in accordance with the current generally accepted accounting principles in the Philippines at reporting date.
SECTION 2. IMPLEMENTATION AND EFFECTIVITY

This Circular Letter shall take effect immediately.

Attachments:
1/ Annex A – Standard Chart of Accounts

DENNIS B. FUNA
Insurance Commissioner
ANNEX “A”

STANDARD CHART OF ACCOUNTS FOR INSURANCE BROKER, REINSURANCE BROKER and BOTH INSURANCE AND REINSURANCE BROKER

ASSET ACCOUNTS

1. CASH RESTRICTED – CLIENTS’ MONEY ACCOUNT

This refers to restricted cash account in the possession, in transit to be deposited, or maintained in a bank that an insurance broker, reinsurance broker and both insurance and reinsurance broker is required to keep which represents the Clients’ Money account and which shall be separated from its own operating funds.

1.1. CLIENTS’ MONEY ON HAND

Represents the money received or held on behalf of its client in relation to insurance brokering business which shall be deposited immediately to CLIENTS’ MONEY IN BANK account the next banking day.

1.1.1. CLIENTS’ MONEY ON HAND – PREMIUMS – represents the money received or held on behalf of its client in relation to insurance brokering business, as a result of insurance transaction which shall be deposited immediately to the Clients’ Money in Bank – Premiums account the next banking day.

1.1.2. CLIENTS’ MONEY ON HAND – CLAIMS – represents the money received or held on behalf of insurance company which will be used to pay the claims of its client and shall be deposited immediately to the Clients’ Money in Bank - Claims account the next banking day.

1.1.3. CLIENTS’ MONEY ON HAND – HMO FEES – represents the money received or held, as a result of HMO transaction which shall be deposited immediately to the Clients’ Money in Bank – HMO Fees account the next banking day.

1.2. CLIENTS’ MONEY IN BANK

This represents the money received or held and already deposited to the current or savings account maintained in the bank on behalf of its client.

1.2.1. CLIENTS’ MONEY IN BANK – PREMIUMS – represents the money received or held and already deposited to the current or savings account maintained in the bank on behalf of its client, as a result of insurance transaction.

1.2.2. CLIENTS’ MONEY IN BANK – CLAIMS – represents the money received or held and already deposited to the current or savings
account maintained in the bank on behalf of insurance company which will be used to pay the claims of its client.

1.2.3. **CLIENTS' MONEY IN BANK – HMO FEES** – represents the money received or held and already deposited to the current or savings account maintained in the bank on behalf of its members, as a result of HMO transaction.

2. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes money and any other negotiable instrument that is receivable in money and acceptable by the bank for deposit.

This shall comprise of the following sub-accounts:

2.1. **CASH ON HAND**

Unrestricted cash in the possession of the company or in transit under its control are generally classified as cash on hand. This represents the total amount of undeposited collections and the different types of working funds in the custody of the cashier and/or fund custodian at the company's head office and branches. This may consist of:

2.1.1. **UNDEPOSITED COLLECTIONS** – represents Philippine currency notes and coins, checks, bank drafts, and other cash items in favor of the company to be deposited in the bank the next banking day. This does not include postdated checks and returned checks which have been dishonored by the bank due to insufficient funds.

2.1.2. **PETTY CASH FUND** – represents fund that is established to defray immediate minimal disbursements which are evidenced by duly accomplished and approved petty cash vouchers with the corresponding supporting receipts and other cash documents. This fund shall be maintained under an imprest system.

2.1.3. **REVOLVING FUND** – represents fund that remains available to finance the continuing operations.

2.1.4. **OTHER FUNDS** – represents all other funds which cannot be classified under any of the foregoing accounts.

2.2. **CASH IN BANK**

This represents non interest and interest-bearing account balances maintained in various banks by the company's head office and branches.

2.2.1. **CASH IN BANK – CURRENT** – represents checking account balances in banks maintained by the company's head office and branches.
2.2.2. **CASH IN BANK – SAVINGS** – represents savings deposit account balances in banks maintained by the company’s head office and branches.

2.3. **CASH EQUIVALENTS**

This represents short-term, highly liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

2.3.1. **TIME DEPOSITS** – represents interest yielding bank account balances that is due within three months or less at the time of purchase that is evidenced by a Certificate of Time Deposit and available upon maturity.

2.3.2. **MONEY MARKET INSTRUMENTS** – represents the short term, low risk financial instruments such as treasury bills, commercial and financial paper and bankers’ acceptance that is due within three months or less at the time of purchase.

2.3.3. **CASH EQUIVALENTS – OTHERS** – represents all other cash equivalents that is due within three months or less at the time of purchase which cannot be classified under any of the foregoing accounts.

3. **RECEIVABLE FROM INSURANCE COMPANIES’ CLIENTS**

This represents amounts receivable from policyholders/clients for payment of insurance premium to the insurance company.

4. **RECEIVABLE FROM CEDING COMPANY**

This represents amounts receivable from ceding company for payment of reinsurance premium to the reinsurer.

5. **RECEIVABLE FROM HMOS’ MEMBERS**

This represents amounts receivable from members for payment of membership fees to the HMO provider.

6. **COMMISSION RECEIVABLES**

This represents commission income earned but not yet received.

6.1. **COMMISSION RECEIVABLE FROM INSURED**

Represents commissions or brokerage fees earned but not yet received from the insured, as a result of insurance transaction.
6.2. COMMISSION RECEIVABLE FROM INSURANCE COMPANIES

Represents commissions earned but not yet received from insurance companies, as a result of insurance transaction.

6.2.1. COMMISSION RECEIVABLE FROM INSURANCE COMPANIES – DIRECT PAYMENT – represents commissions earned, from direct premium payments of the insured to the insurance company, and not yet received from insurance companies.

6.2.2. COMMISSION RECEIVABLE FROM INSURANCE COMPANIES – INDIRECT PAYMENT – represents commissions earned, from premiums paid directly to the insurance brokers, and not yet received from insurance companies.

6.3. COMMISSION RECEIVABLE FROM REINSURER

Represents commissions or brokerage fees earned but not yet received from the reinsurer, as a result of reinsurance transaction.

6.3.1. COMMISSION RECEIVABLE FROM REINSURER – DIRECT PAYMENT – represents commissions earned, from direct premium payments of the ceding company to the reinsurer, and not yet received from reinsurer.

6.3.2. COMMISSION RECEIVABLE FROM REINSURER – INDIRECT PAYMENT – represents commissions earned, from premiums paid directly to the reinsurance brokers, and not yet received from reinsurer.

6.4. COMMISSION RECEIVABLE FROM CEDING COMPANY

Represents commissions or brokerage fees earned but not yet received from the ceding company, as a result of reinsurance transaction.

6.5. COMMISSION RECEIVABLE – OTHERS

Represents commissions earned but not yet received other than the foregoing.

7. OTHER RECEIVABLES

Refers to financial assets that represent a contractual right to receive cash or another financial asset other than those aforementioned in items 3 to 6.
This shall comprise of the following sub-accounts:

7.1. **ACCOUNTS RECEIVABLE**

This represents receivable from non-insurance brokering transactions of the company. It may comprise of the following accounts:

**7.1.1. ADVANCES TO OFFICERS and EMPLOYEES** – represents advances and salary loans to officers and staff granted by the company to be liquidated thru regular deductions from commissions and salaries, respectively.

**7.1.2. RENTAL RECEIVABLE** – represents the amount of rental receivable arising from lease contracts.

7.2. **NOTES RECEIVABLE**

Represents interest-bearing loans granted by the company and evidenced by duly approved and notarized promissory notes.

7.3. **INTEREST RECEIVABLE**

Represents interest income earned from time deposits, investments and loans receivable but not yet received.

7.4. **DIVIDEND RECEIVABLE**

Represents dividend income earned from investments but not yet received.

7.5. **RECEIVABLES – OTHERS**

Represents all other receivables which cannot be classified under any of the foregoing accounts.

7.6. **ALLOWANCE FOR IMPAIRMENT LOSSES**

Represents the amount set up to provide for losses which may arise from non-collection of receivables.

8. **SUBSCRIPTIONS RECEIVABLE**

Represents amounts receivable from stockholders who signified their intention to subscribe to the capital stock of the company and duly covered by a subscription agreement.

9. **PREPAYMENTS**

Represents an expenditure paid for one accounting period, but for which the underlying asset will not be consumed until a future period.
9.1. PREPAID RENT

Represents advanced payment on leased properties.

9.2. PREPAID VALUE-ADDED TAX (VAT)

Represents the excess of the company's input VAT not yet claimed against the output VAT Payable.

9.3. CREDITABLE WITHHOLDING TAX

Represents the tax withheld by the buyer/withholding agent from his payment to the seller for the sale of the seller's ordinary asset/services, and which tax is creditable against the income tax payable of the seller.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset at fair value though profit or loss is a financial asset that meets either of the following conditions.

(a) A financial asset is classified as held for trading if:

(i) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(ii) on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss. An entity may use this designation only when permitted, or when doing so results in more relevant information, because either:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or

(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel, for example the entity's board of directors and chief executive officer.
11. **HELD TO COLLECT (HTC) INVESTMENTS**

This represents non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

(a) those that the entity upon initial recognition designates as at fair value through profit or loss;

(b) those that the entity designates as financial assets at other comprehensive income; and

(c) those that meet the definition of loans and receivables.

An entity shall not classify any financial assets as HTC if the entity has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that:

(i) are so close to maturity or the financial asset’s call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset’s fair value;

(ii) occur after the entity has collected substantially all of the financial asset’s original principal through scheduled payments or prepayments; or

(iii) are attributable to an isolated event that is beyond the entity’s control, is non-recurring and could not have been reasonably anticipated by the entity.

12. **FINANCIAL ASSETS AT OTHER COMPREHENSIVE INCOME**

This represents non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-collect investments or (c) financial assets at fair value through profit or loss.

13. **DERIVATIVE ASSETS HELD FOR HEDGING**

This represents the positive fair value of derivatives that are designated and considered effective hedging instruments.

13.1. **FAIR VALUE HEDGE**

This represents the positive fair value of derivatives that are designated and considered effective fair value hedging instruments. Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. Any fair value changes are recognized in profit or loss.
13.2. CASH FLOW HEDGE

This represents the positive fair value of derivatives that are designated and considered effective cash flow hedging instruments. Cash flow hedge is a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss. Any fair value changes on the effective portion are recognized as equity under Reserve for Cash Flow Hedge account. While any fair value changes in the ineffective portion is recognized immediately in profit or loss.

13.3. HEDGES OF A NET INVESTMENT IN FOREIGN OPERATION

This represents the positive fair value of derivatives that are designated and considered to effective hedging instruments for hedges of a net investment in foreign operation. Any fair value changes on the effective portion are recognized as equity under Reserve for Hedges of a Net Investment in Foreign Operation account. While any fair value changes in the ineffective portion is recognized immediately in profit or loss.

14. LOANS AND RECEIVABLE

This represents non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(b) those that the entity upon initial recognition designates as available for sale; or

(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

15. INVESTMENT IN SUBSIDIARIES

This represents the amount of the company’s investments in the shares of stock of its subsidiaries. A subsidiary is an entity that is controlled by another entity (known as the parent).

16. INVESTMENT IN ASSOCIATES

This represents the cost of the company’s investment in the shares of stock of its associates. An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.
17. **INVESTMENT IN JOINT VENTURES**

This represents the cost of the company's investments in joint ventures. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

18. **INVESTMENT PROPERTY**

This represents property (land or building, or part of a building, or both) held (by the owner or by the lessee under a finance lease) to earn rentals or held for capital appreciation or both, rather than for: (a) use in the company's business operations or for administrative purposes; or (b) sale in the ordinary course of business.

This shall comprise of the following sub-accounts:

18.1. **INVESTMENT PROPERTY – LAND**

This represents land held (by the owner or by the lessee under a finance lease) to earn rentals or held for capital appreciation or both, rather than for: (a) use in the company's business operations or for administrative purposes; or (b) sale in the ordinary course of business. This may include the following:

(a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of business; or

(b) Land held for a currently undetermined future use.

18.2. **INVESTMENT PROPERTY – BUILDING & BUILDING IMPROVEMENTS**

Represents property (building, or part of a building, or both) held (by the owner or by the lessee under a finance lease) to earn rentals or held for capital appreciation or both, rather than for: (a) use in the company's business operations or for administrative purposes; or (b) sale in the ordinary course of business. This may include the following:

18.2.1. **INVESTMENT PROPERTY – BUILDING** – Building owned by the company and leased out under one or more operating leases; or

18.2.2. **INVESTMENT PROPERTY – BUILDING IMPROVEMENTS** – represents cost of additions, improvements and/or alterations on the investment property.

18.3. **INVESTMENT PROPERTY – FORECLOSED PROPERTIES**

This represents property (land or building, or part of a building, or both) held (by the owner or by the lessee under a finance lease) to earn rentals or held for capital appreciation or both, rather than for: (a) use in the company's
business operations or for administrative purposes; or (b) sale in the ordinary course of business. This may include real and other properties acquired by the company in settlement of loans or any obligations such as foreclosure of mortgage loan arrangements.

19. **PROPERTY AND EQUIPMENT**

This represents tangible items that are held for use in the company's business operations or for administrative purposes and are expected to be used during more than one period.

This shall comprise of the following sub-accounts:

19.1. **LAND**

This represents the land used by the entity on the ordinary course of business.

19.2. **BUILDING & BUILDING IMPROVEMENTS**

Represents the building and improvements used by the entity on the ordinary course of business. The account may be further classified as follows:

19.2.1. **BUILDING**
19.2.2. **BUILDING IMPROVEMENTS**

19.3. **LEASEHOLD IMPROVEMENTS**

This represents the cost of additions, improvements and/or alterations on the leased office premises which are incurred in making the property ready for use and occupancy.

19.4. **IT EQUIPMENT**

This represents the cost of the information processing systems of the company including the computer hardware, customized software, and peripherals.

19.5. **TRANSPORTATION EQUIPMENT**

Represents the cost of motor vehicle and other transportation equipment owned, operated, used, or to be used by the company in carrying out its business and/or operations and as service vehicle of its officers and employees.

19.6. **OFFICE FURNITURE, FIXTURES AND EQUIPMENT**

This represents the costs of office machines, equipment, furniture and fixtures.
19.7. PROPERTY AND EQUIPMENT UNDER FINANCE LEASE

This represents the cost of property and equipment leased by the company under an operating or a finance lease agreement.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

19.8. OTHER EQUIPMENT

This represents all other equipment which cannot be classified under any of the foregoing accounts.

19.9. REVALUATION INCREMENT

This represents the revaluation increase in the carrying amount of the company's property and equipment under the revaluation model.

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. The cost of an item of property, plant and equipment comprises of:

(a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

(b) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Subsequent to initial recognition these financial assets shall be measured according to the applicable accounting standards.

19.10. ACCUMULATED DEPRECIATION – PROPERTY AND EQUIPMENT

Represents the aggregate of the depreciation on the property and equipment charged by the company against current operations.

This shall comprise of the following sub-accounts:

19.10.1. ACCUMULATED DEPRECIATION – BUILDING & BUILDING IMPROVEMENTS

19.10.1.1. Accumulated Depreciation – Building
19.10.1.2. Accumulated Depreciation – Building Improvements

19.10.2. ACCUMULATED DEPRECIATION – LEASEHOLD IMPROVEMENTS

19.10.3. ACCUMULATED DEPRECIATION – IT EQUIPMENT

19.10.4. ACCUMULATED DEPRECIATION – TRANSPORTATION EQUIPMENT

19.10.5. ACCUMULATED DEPRECIATION – OFFICE FURNITURES, FIXTURES AND EQUIPMENT

19.10.6. ACCUMULATED DEPRECIATION – PROPERTY AND EQUIPMENT UNDER FINANCE LEASE

19.10.7. ACCUMULATED DEPRECIATION – OTHER EQUIPMENT

19.11. ACCUMULATED DEPRECIATION – INVESTMENT PROPERTY – BUILDING AND BUILDING IMPROVEMENTS

Represents the aggregate of the depreciation on the investment property recognized under cost method.

This shall comprise of the following sub-accounts:

19.11.1 ACCUMULATED DEPRECIATION – INVESTMENT PROPERTY BUILDING

19.11.2 ACCUMULATED DEPRECIATION – INVESTMENT PROPERTY BUILDING IMPROVEMENTS

19.12. ACCUMULATED IMPAIRMENT LOSSES

This represents the cumulative amount of impairment loss incurred on property and equipment and investment property.

20. POST-EMPLOYMENT DEFINED BENEFIT ASSETS

This represents the company’s benefit with respect to:

(a) Retirement benefits, such as pension; and

(b) Other post-employment benefits, such as post-employment life insurance and post-employment medical care.

This is calculated as the net total of the fair value of the plan assets and the present value of the defined benefit obligation at the reporting date.

It shall be measured at the lower of the surplus in the defined benefit plan and the asset ceiling.
21. **DEFERRED TAX ASSETS**

This represents the amounts of income taxes recoverable in the future periods in respect of deductible temporary differences, carry forward of unused tax losses and carry forward of unused tax credits.

22. **INTANGIBLE ASSETS**

Intangible assets are identifiable non-monetary assets without physical substance, controlled by the entity as a result of past events, which future economic benefits are expected and which the cost of the asset can be measured reliably.

23. **OTHER ASSETS**

This represents other assets which cannot be classified in any of the foregoing accounts.

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24. **PAYABLE TO INSURANCE COMPANIES**

This represents insurance premiums collected by the company from policyholders which shall be remitted to insurers.

25. **PAYABLE TO REINSURER**

This represents reinsurance premiums collected by the company from ceding company which should be remitted to reinsurer.

26. **PAYABLE TO CEDING COMPANY**

This represents reinsurance claims, premium refunds, discounts forwarded by the reinsurer to the insurance and/or reinsurance broker which shall be remitted to the ceding company.

27. **PAYABLE TO INSURED**

This represents insurance claims, premium refunds, discounts forwarded by the insurance company to the insurance and/or reinsurance broker which shall be remitted to the insured/client.

28. **PAYABLE TO HMO PROVIDER**

This represents membership fees collected by the company from members which shall be remitted to HMO providers.

29. **OTHER PAYABLES**

This represents sum of money that ought to be paid by the entity, as agreed or required other than those aforementioned in items 24 to 28.
29.1. ACCOUNTS PAYABLE

This represents obligations of the company as a result of indebtedness due to any corporations, individuals or suppliers which are non-insurance/reinsurance related.

29.2. LEASE LIABILITY

This represents the amounts payable arising from operating lease contracts. Lease payments shall be computed based on discounted amounts over the term of the lease. For short-term leases (less than twelve months) and low value assets, the lease payments are recognized as an expense on a straight-line basis over the term of the lease.

29.3. DIVIDENDS PAYABLE

This represents cash and other dividends, except stock dividends, already declared but still unpaid and due to the stockholders of the company.

29.4. PAYABLE – OTHERS

This represents all other unpaid non-insurance/reinsurance related obligations and provisions.

30. SSS/ECC/PAG-IBIG/PHILHEALTH PREMIUM CONTRIBUTIONS PAYABLE

This refers to amounts withheld from the compensation income of employees representing their premium contributions to SSS, Pag-ibig (HDMF) and Philhealth agencies and the corresponding share of the company as employer.

30.1. SSS PREMIUMS PAYABLE

Represents the unremitted SSS premiums/contributions withheld from the salaries of officers and employees.

30.2. SSS LOANS PAYABLE

Represents the SSS salary loan amortizations deducted from the salaries of officers and employees.

30.3. PAG-IBIG PREMIUMS PAYABLE

Represents the unremitted contributions to the Home Development Mutual Fund (HDMF Pag-ibig) deducted from the salaries of officers and employees.

30.4. PAG-IBIG LOANS PAYABLE

Represents the unremitted Pag-ibig loan amortizations deducted from the salaries of officers and employees.
31. **TAXES PAYABLE**

This shall be comprised of the following sub-accounts:

31.1. **INCOME TAX PAYABLE**

This represents income taxes due and payable to the government net of creditable taxes and quarterly income tax payments made.

31.2. **WITHHOLDING TAX PAYABLE**

This represents income taxes withheld from the salaries of employees and creditable taxes withheld from source under the expanded withholding tax system. This shall be remitted to the Bureau of Internal Revenue on a monthly basis.

31.3. **VAT PAYABLE**

This represents the tax due on sale of other goods or services based on cash received, net of input VAT paid by the company in the course of the company's purchases of goods or services.

31.4. **OTHER TAXES AND LICENSES PAYABLE**

This represents all unpaid taxes and licenses other than income taxes due the government.

32. **MANAGEMENT FEE PAYABLE**

This represents obligation of a company to its related party due to the general management services provided by a related party such as, but not limited to, accounting and treasury, internal audit functions, management information, human resources planning, consultancy and delivery, quality managements, maintenance of corporate records, assistance in legal processes and preparation of business plans and reports.

33. **NOTES PAYABLE**

This represents the short-term and long-term notes payable or any kind of indebtedness duly covered by promissory notes and which are interest bearing. Payment of interest and principal is based on predetermined amortization schedule on due dates duly agreed upon in the loan agreement.

34. **LOAN PAYABLE**

This represents the company's obligation to a lender with a fixed or determinable payments that are not quoted in an active market. It consists of both an interest payment and a payment to reduce the loan's principal balance.
35. **FINANCE LEASE LIABILITIES**

This represents the company's lease liability under finance lease which is the lower of the fair value of the asset and the present value of the minimum lease payments.

36. **POST-EMPLOYMENT BENEFIT OBLIGATION**

This represents the company's obligation with respect to:

(a) Retirement benefits, such as pension; and

(b) Other post-employment benefits, such as post-employment life insurance and post-employment medical care.

This is calculated as the net total of the present value of the defined benefit obligation and minus the fair value of the plan assets at the reporting date.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

37. **DEFERRED TAX LIABILITY**

This represents the amounts of income taxes payable in future periods in respect of taxable temporary differences.

38. **DERIVATIVE LIABILITIES HELD FOR HEDGING**

This represents the negative fair value of derivatives that are designated and considered effective hedging instruments.

38.1. **FAIR VALUE HEDGE**

This represents the negative fair value of derivatives that are designated and considered effective fair value hedging instruments. Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

38.2. **CASH FLOW HEDGE**

This represents the negative fair value of derivatives that are designated and effective cash flow hedging instruments. Cash flow hedge is a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss. Any fair value changes in the effective portion are recognized as equity under Cumulative Foreign
Currency Translation account. Any fair value changes in the ineffective portion is recognized immediately in profit or loss.

38.3. HEDGES OF A NET INVESTMENT IN FOREIGN OPERATION

This represents the negative fair value of derivatives that are designated and considered effective hedging instruments for hedges of a net investment in foreign operation. Any fair value changes in the effective portion are recognized as equity under Cumulative Foreign Currency Translation account. Any fair value changes in the ineffective portion is recognized immediately in profit or loss.

39. OTHER LIABILITIES

This represents other liabilities which cannot be classified under the foregoing liability accounts. This may comprise of the following accounts:

39.1. DEFERRED INCOME

This represents income received during the accounting period but not yet earned.

39.2. OTHERS

This represents all other liabilities not classified under the foregoing liability accounts.

EQUITY ACCOUNTS

40. SHARE CAPITAL

This represents ownership of the stockholders in the company composed of capital stocks issued and outstanding as at report date.

40.1. PREFERRED SHARES

Represents shares which provide the shareholders preference as to dividends and upon liquidation. The features of the preferred shares are varying and should be carefully analyzed whether these qualify as capital stock or creates an obligation on the part of the company. In the latter case, the preferred shares issued should be classified as part of liabilities.

40.2. COMMON SHARES

Represents shares of stock issued to shareholders which have the residual equity interest in the Company.
41. **SUBSCRIBED SHARE CAPITAL**

Represents the par value of the total number of shares of capital stock subscribed by the stockholders of the company and duly covered by subscriptions agreements.

42. **CAPITAL PAID IN EXCESS OF PAR**

Represents payment for the shares of stock of the company bought or paid for in excess of its par value.

43. **RETAINED EARNINGS**

This represents the accumulated earnings of the company reduced by whatever losses the company may incur during a certain accounting period or by dividend declarations.

43.1. **APPROPRIATED RETAINED EARNINGS**

Represents accumulated earnings of the company set aside for possible future expansion, declaration of dividends, etc.

43.2. **UNAPPROPRIATED RETAINED EARNINGS**

Represents accumulated earnings of the company that is not available to any restrictions or appropriations.

44. **TREASURY SHARE**

This represents stocks that has been bought back by the issuing company and is available for retirement or resale; it is issued but not outstanding; it cannot vote and pays no dividends. This account shall be measured at cost.

45. **RESERVES**

45.1. **RESERVE FOR FINANCIAL ASSETS AT OTHER COMPREHENSIVE INCOME**

Represents gains or losses arising from fair value changes of financial assets at other comprehensive income.

45.2. **RESERVE FOR CASH FLOW HEDGE**

Represents gains or losses arising from fair value changes of the effective portion of the hedging instruments in a cash flow hedge.
45.3. RESERVE FOR HEDGE OF A NET INVESTMENT IN FOREIGN OPERATIONS

This represents gains or losses arising from change in fair value of the effective portion of the hedging instruments in a hedge of a net investment in foreign operations.

45.4. CUMULATIVE FOREIGN CURRENCY TRANSLATION

Represents gains or losses arising from foreign currency translations on the following:

(a) foreign currency denominated non-monetary items, where such gains or losses are recognized directly in equity, and

(b) translation of foreign operations with different functional currency.

46. CONTINGENCY SURPLUS

This represents contributions of the stockholders to cover the capital impairment and net worth deficiency.

47. REVALUATION SURPLUS

This represents the appraisal increment on property and equipment when the company applies the revaluation model. This is calculated as a difference between the property and equipment's carrying amount and its revalued amount.

INCOME ACCOUNTS

48. COMMISSION INCOME

48.1. COMMISSION INCOME FROM INSURANCE COMPANIES

Refers to the commission earned from the commission given by the insurance companies.

48.2. COMMISSION INCOME FROM INSURED

Refers to fees earned resulting from insurance and/or reinsurance brokerage services rendered to the clients or insured.

48.3. COMMISSION INCOME – OTHERS

Refers to fees earned resulting from services rendered other than the foregoing.
49. **INTEREST INCOME**

This represents interest income due and accrued which is earned by the company from its various investments.

50. **DIVIDEND INCOME**

Represents income derived from cash dividend declaration on stock investments, including those accrued or earned but not yet received.

51. **RENTAL INCOME**

This represents income generated from the rental of investment property. Rental income shall be recognized on a straight-line basis over the lease term of the finance lease. The rental income on the operating lease is the amount of lease income earned during the year.

52. **GAIN/LOSS ON SALE OF INVESTMENTS**

This represents gains/losses realized on sale of the company's investments which is the fair value of the consideration received less the fair value of the investments at the time the investment is sold.

53. **GAIN/LOSS ON SALE OF PROPERTY AND EQUIPMENT**

This represents gain/loss realized from the sale of property and equipment.

54. **MISCELLANEOUS INCOME**

This represents other income which cannot be classified in any of the foregoing accounts.

**EXPENSE ACCOUNTS**

55. **COST OF SERVICES**

This refers to all costs incurred that are directly related to the insurance and/or reinsurance brokering operations of an insurance broker, reinsurance broker or both insurance and reinsurance broker.

55.1. **REPRESENTATION AND ENTERTAINMENT**

Represents the cost of representation and entertainment incurred by the officers and staff for the promotion of the business of the Company.

55.2. **TRANSPORTATION AND TRAVEL EXPENSES**

Represents expenses for travel and transportation of the directors, officers and employees of the Company in connection with the business operations.
55.3. MANAGEMENT FEE EXPENSE

Represents expense for the general management services provided by a related party such as, but not limited to, accounting and treasury, internal audit functions, management information, human resources planning, consultancy and delivery, quality managements, maintenance of corporate records, assistance in legal processes and preparation of business plans and reports.

55.4. OTHER EXPENSES

This represents other expense which cannot be classified in any of the foregoing accounts.

56. ADMINISTRATIVE EXPENSES

This represents expenses incurred related in any activities not directly associated with the production of services.

56.1. SALARIES AND WAGES BENEFITS

Represents all types of remuneration paid to the officers and employees of the company.

56.1.1. SALARIES AND WAGES – represents basic salaries, wages and allowances paid to the officers and employees of the company.

56.1.2. 13TH MONTH/BONUSES/INCENTIVES – refers to 13th month pay, bonuses, incentives and awards given to employees of the company.

56.1.3. SSS/EC/PAG-IBIG/PHILHEALTH CONTRIBUTIONS – refers to employer's contribution in the SSS/EC premium, Philhealth and Pag-ibig Fund.

56.1.4. POST-EMPLOYMENT BENEFIT EXPENSE – represents the retirement benefits of the company's employees for services rendered.

56.1.5. OTHER EMPLOYEE BENEFITS – represents other benefits given to the employees including rice subsidy/allowances, service awards, annual excursion expenses, Christmas party benefits, expenses incurred during company meetings, and others not specifically classified under any of the foregoing accounts.

56.2. PROFESSIONAL AND TECHNICAL DEVELOPMENT

Represents the expenses in developing the professional and technical capabilities of the officers and employee of the Company.
56.3. PROFESSIONAL FEES

Refers to fees paid for services rendered by individuals or firms on a retainer or contractual basis such as the legal counsel, external auditors and consultants.

56.4. TAXES AND LICENSES

Represents taxes which are allowable deductions or expenses for income tax, business license, mayor’s permit, etc.

56.5. RENTAL EXPENSE

Represents rental expense incurred on leased properties.

56.6. UTILITIES EXPENSE

Represents the cost of electricity, water consumption, and communication services such as but not limited to telephone, cellphone, internet, postage and courier services.

56.7. DEPRECIATION AND AMORTIZATION

Represents the periodic depreciation and amortization of the asset cost of the company’s depreciable fixed assets. It represents an estimate of the decline in service potential of the asset occurring during the period.

56.8. REPAIRS AND MAINTENANCE

Represents the cost of labor and materials pertaining to the repairs and maintenance of company assets.

56.8.1. REPAIRS AND MAINTENANCE – LABOR – this represents the cost of labor pertaining to the repairs and maintenance of company assets.

56.8.2. REPAIRS AND MAINTENANCE – MATERIALS – this represents the cost of materials used in the repair and maintenance of company assets.

56.9. INSURANCE EXPENSE

Represents premiums paid on insurance coverage of office furniture, fixtures and equipment, IT equipment, company cars and others.

56.10. ADVERTISING PROMOTIONS

Represents expenses for advertising and publicity to promote the business of the company.
56.11. BANK CHARGES

Represents the cost of checkbooks and charges imposed by the banks for overdrafts and bounced checks, payment of safety deposit box, charges for the regional clearing of provincial checks.

57. DONATION AND CONTRIBUTION

This represents donations given to civic associations, government agencies and contributions to charitable institutions and fund raising drives.

58. MISCELLANEOUS EXPENSE

This represents other expense which cannot be classified in any of the foregoing accounts.

59. PROVISION FOR INCOME TAX

This represents the estimated amount that the entity expect to pay in income taxes for the current year.

59.1. PROVISION FOR INCOME TAX – FINAL

This represents final taxes withheld from sale of shares of stock, from sale of investment assets and from interest earned during the year on investments in government securities and savings deposits.

59.2. PROVISION FOR INCOME TAX – CURRENT

This represents the corporate income tax of the company for the period based on its taxable income.

59.3. PROVISION FOR INCOME TAX – DEFERRED

This represents provision for deferred tax assets and liabilities.