

## ANNEX "A"

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

ASSET ACCOUNTS
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#### 1. CASH RESTRICTED – CLIENTS' MONEY ACCOUNT<sup>1</sup>

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 and reinsurance 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 which shall be deposited immediately to the Clients' Money in Bank – Premiums 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 the next banking day.

**1.1.3. CLIENTS' MONEY ON HAND – HEALTH MAINTENANCE ORGANIZATION (HMO) FEES** – Represents the money received or held on behalf of HMO providers' members which shall be deposited immediately to the Clients' Money in Bank – HMO Fees 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.

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<sup>1</sup> Shall be included in the computation of the fiduciary ratio requirement

**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 deposit account maintained in the bank on behalf of its client, as a result of HMO transaction.

## **2. CASH AND CASH EQUIVALENTS**

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

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. 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 comprise 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 on 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.

**2.4. E-MONEY** – This represents the amount of money stored in digital wallet such as Gcash, PayMaya, etc. This account shall not include cryptocurrencies.

**2.5. ALLOWANCE FOR EXPECTED CREDIT LOSSES** – Subsequent to initial recognition, cash and cash equivalents shall be measured at amortized cost less allowance for impairment using the Expected Credit Losses (ECL) model.

Under this model, an entity shall measure the ECL of a qualifying financial asset not measured at Fair Value Through Profit or Loss (FVTPL) in a way that reflects:

- a. an unbiased and probability-weighted amount that is determined by evaluating a wide range of possible outcomes;
- b. the time value of money; and
- c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

### **3. RECEIVABLE FROM INSURANCE COMPANIES' CLIENTS<sup>1</sup>**

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

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<sup>1</sup> Shall be included in the computation of the fiduciary ratio requirement

#### **4. RECEIVABLE FROM CEDING COMPANY<sup>1</sup>**

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

#### **5. RECEIVABLE FROM HMOs' MEMBERS<sup>1</sup>**

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

#### **6. COMMISSION RECEIVABLES**

This represents commission income earned but not yet received. This comprises the following:

**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.

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<sup>1</sup> Shall be included in the computation of the fiduciary ratio requirement

**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 FROM HMO** – Represents commissions or brokerage fees earned but not yet received from an HMO.

**6.6. 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 the Receivable from Insured, Receivable from Ceding Company and Commission Receivables**. This shall comprise of, but not limited to, 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 to insurance broker, reinsurance broker and both insurance and reinsurance brokers and salary loans of officers and staff granted by the company to be liquidated thru regular deductions from commissions and salaries, respectively.

**7.1.2. NET INVESTMENT IN THE LEASE** – Assets held under a finance lease which includes payments for the right to use the underlying asset during the lease term that are not received at the commencement date, such may include:

- a. fixed payments (less incentives payable);
- b. variable lease payments;
- c. residual guarantees;
- d. exercise price; and
- e. payment of penalties for terminating lease.

A lessor shall apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income on a systematic and rational basis.

**7.1.3. OPERATING LEASE RECEIVABLES** – Represents the amount of rent receivables arising from qualifying operating lease contracts such as short-term leases or low value assets. . The lease payments are recognized as an income on a straight-line basis or another systematic basis.

A lessor shall add initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognize those costs as an expense over the lease term on the same basis as the lease income.

**7.2. NOTES RECEIVABLE** – Represents interest bearing loans granted by the company and evidenced by duly approved and notarized Promissory Notes.

**7.3. LOANS RECEIVABLE** – 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.

**7.4. INTEREST RECEIVABLE** – Represents interest income earned from time deposits, investments and loans receivable but not yet received.

**7.5. DIVIDEND RECEIVABLE** – Represents dividend income earned from investments but not yet received.

**7.6. SUBSCRIPTION 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.

**7.7. RECEIVABLES – OTHERS** – This represents all other receivables which cannot be classified under any of the foregoing accounts.

**8. ALLOWANCE FOR EXPECTED CREDIT LOSSES** – Represents the estimated amount of receivable to be uncollectible. Basis of measurement and estimation of ECL for receivables is referred to applicable IC circulars

## **9. PREPAYMENTS**

Represents an expenditure paid for in 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. RENTAL DEPOSIT** – Represents rental deposits on leased properties which may be applied on the last period of occupancy or may be refunded upon termination of the lease contract.

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

**9.4. CREDITABLE WITHHOLDING TAX** – Represents the amount withheld by Insurance Companies in the payment they made for all commissions.

**9.5. PREPAYMENTS – OTHERS** – Other prepayments which cannot be classified under any of the foregoing accounts.

## **10. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS**

A financial asset at fair value through 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. FINANCIAL ASSETS AT AMORTIZED COST (AC)**

A financial asset is measured at amortized cost if both of the following conditions are met:

- a. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
  
- b. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## **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) financial assets at amortized cost or (c) financial assets at fair value through profit or loss.

## **13. DERIVATIVE ASSETS HELD FOR HEDGING**

This represents the positive fair value of derivative assets that qualify the criteria for hedge accounting.

**13.1. FAIR VALUE HEDGE** – This represents the positive fair value of derivatives that are designated and considered effective fair value hedging instruments. This accounts for hedges 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. For a fair value hedge, the gain or loss on the hedging instrument is recognized in profit or loss (or OCI as change in Reserve for Financial Assets at Other Comprehensive Income, if hedging an equity instrument at FVTOCI and the hedging gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognized in profit or loss). However, if the hedged item is an equity instrument at FVTOCI, those amounts remain in OCI.

**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. 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 Operations. While any fair value changes in the ineffective portion are recognized immediately in profit or loss.

## **14. 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).

## **15. 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.

## **16. 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.

## **17. 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:

**17.1. 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.

**17.2. 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:

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

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

**17.3. 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.

#### **17.4. INVESTMENT PROPERTY – RIGHT-OF-USE ASSET**

Right-of-use assets that meet the definition of investment property in PAS 40 shall be presented in the statement of financial position as investment property. This represents the right of insurance, reinsurance, or both insurance and reinsurance broker's as a **lessee** to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date, right-of-use asset is measured at cost.

This is initially measured at the amount of:

- a. the amount of the initial measurement of the lease liability;
- b. any initial direct costs incurred by the lessee; and
- c. any initial direct costs incurred; and
- d. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After the commencement date, this shall be measured using the fair value model.

#### **18. PROPERTY, PLANT AND EQUIPMENT (PPE)**

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:

**18.1.LAND (AT COST)** – This represents the land used by the entity on the ordinary course of business.

**18.2.BUILDING & BUILDING IMPROVEMENTS (AT COST)** – Represents the building and improvements used by the entity on the ordinary course of business. The account may be further classified as follows:

**18.2.1. BUILDING**

**18.2.2. BUILDING IMPROVEMENTS**

**18.3.LEASEHOLD IMPROVEMENTS (AT COST)** – 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.

**18.4.IT EQUIPMENT (AT COST)** – This represents the cost of the information processing systems of the company including the computer hardware, customized software, and peripherals.

**18.5.TRANSPORTATION EQUIPMENT (AT COST)** – 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.

**18.6.OFFICE FURNITURE, FIXTURES AND EQUIPMENT (AT COST)** – This represents the costs of office machines, equipment, furniture and fixtures.

**18.7.RIGHT OF USE ASSET – PPE** – This represents the right of insurance, reinsurance, or both insurance and reinsurance broker's as a **lessee** to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date, right-of-use asset is measured at cost.

This is initially measured at the amount of:

- a. the amount of the initial measurement of the lease liability;
- b. any initial direct costs incurred; and
- c. any initial direct costs incurred; and
- d. an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

After the commencement date, the right-of-use asset is measured using cost model or revaluation model to ROU assets that the lessee may elect to apply to a class of property, plant and equipment.

**18.8.OTHER EQUIPMENT (AT COST)** – This represents all other equipment which cannot be classified under any of the foregoing accounts.

**18.9.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 this financial assets shall be measured according to the applicable accounting standards.

**18.10. 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:

- 18.10.1. Accumulated Depreciation – Building & Building Improvements (At Cost)*
- 18.10.2. Accumulated Depreciation – Building (At Cost)*
- 18.10.3. Accumulated Depreciation – Building Improvements (At Cost)*
- 18.10.4. Accumulated depreciation – Leasehold improvements (At Cost)*
- 18.10.5. Accumulated depreciation – IT equipment (At Cost)*
- 18.10.6. Accumulated depreciation –Transportation equipment (At Cost)*
- 18.10.7. Accumulated depreciation – Office furniture, fixtures and equipment (At Cost)*
- 18.10.8. Accumulated depreciation – Right of use asset (At Cost)*
- 18.10.9. Accumulated depreciation –Other equipment (At Cost)*
- 18.10.10. Accumulated depreciation – Investment property – building and building improvements*
- 18.10.11. Accumulated Depreciation – Investment Property Building*
- 18.10.12. Accumulated Depreciation – Investment Property Building Improvements*

**18.11. ACCUMULATED IMPAIRMENT LOSSES** – This represents the cumulative amount of impairment loss incurred on property and equipment.

**19. 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 following amounts:

- a. The fair value of the plan assets at the reporting date;
- b. Minus the present value of the defined benefit obligation at the reporting date.

It shall be measured at the lower of:

- a. The surplus in the defined benefit plan; and
- b. The asset ceiling.

**20. 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.

**21. 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.

**22. OTHER ASSETS**

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

<b>LIABILITY ACCOUNTS</b>
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**23. PAYABLE TO INSURANCE COMPANIES<sup>1</sup>**

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

**24. PAYABLE TO REINSURER<sup>1</sup>**

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

**25. PAYABLE TO CEDING COMPANY<sup>1</sup>**

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

**26. PAYABLE TO INSURED<sup>1</sup>**

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.

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<sup>1</sup> Shall be included in the computation of the fiduciary ratio requirement

## **27. PAYABLE TO HMO<sup>1</sup>**

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

## **28. OTHER PAYABLES**

This represents sum of money that ought to be paid by the entity as agreed or required **other than the Payable to Insurance Companies, Payable to Ceding Company, Payable to Reinsurer and Payable to Insured.** This shall comprise of, but not limited to, the following sub-accounts:

**28.1. 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.

**28.2. OPERATING LEASE LIABILITY** – This represents the amounts payable arising from short-term lease or lease with low value underlying asset that the entity elected not to apply the requirements of PFRS 16.22 to 16.49. 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.

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

**28.4. 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, Home Development Mutual Fund (HDMF) or Pag-IBIG, and Philhealth agencies and the corresponding share of the company as employer.

**28.4.1. SSS PREMIUMS PAYABLE** – *Represents the unremitted SSS premiums/contributions withheld from the salaries of officers employees.*

**28.4.2. SSS LOANS PAYABLE** – Represents the SSS salary loan amortizations deducted from the salaries of officers and employees.

**28.4.3. PAG-IBIG PREMIUMS PAYABLE** - Represents the unremitted contributions to the HDMF deducted from the salaries of officers and employees.

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<sup>1</sup> Shall be included in the computation of the fiduciary ratio requirement

- 28.4.4. PAG-IBIG LOANS PAYABLE** - Represents the unremitted HDMF loan amortizations deducted from the salaries of officers and employees.
- 28.5. TAXES PAYABLE – Others** – This shall be comprised of the following sub-accounts:
- 28.5.1. INCOME TAX PAYABLE** – This represents income taxes due and payable to the government net of creditable taxes and/or whatever income tax payments made on a quarterly basis.
- 28.5.2. 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.
- 28.5.3. VALUE-ADDED TAX (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.
- 28.5.4. OTHER TAXES AND LICENSES PAYABLE** – This represents all unpaid taxes and licenses other than income taxes due to the government.
- 28.6. MANAGEMENT FEE PAYABLE** – 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.
- 28.7. 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.
- 28.8. 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.
- 28.9. FINANCE LEASE LIABILITIES** – This represents the company's lease liability under finance lease, and is recognized with the right-of-use asset. This is initially measured at the present value of the lease payments payable that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If

that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a. fixed payments less any lease incentives receivable;
- b. variable lease payments;
- c. amounts expected to be payable under residual value guarantees;
- d. the exercise price of a purchase option if reasonably certain to exercise that option; and
- e. payments of penalties for terminating the lease, if any.

After the commencement date, a lessee shall measure the lease liability by:

- a. increasing the carrying amount to reflect interest on the lease liability;
- b. reducing the carrying amount to reflect the lease payments made; and
- c. remeasuring the carrying amount to reflect any reassessment or lease modifications, or revised in-substance fixed lease payments.

**28.10. POST-EMPLOYMENT BENEFITS 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 following amounts:

- a. The present value of the defined benefit obligation at the reporting date; and
- b. 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.

**28.11. DEFERRED TAX LIABILITY** – This represents the amounts of income taxes payable in future periods in respect of taxable temporary differences.

**28.12. DERIVATIVE LIABILITIES HELD FOR HEDGING** – This represents the negative fair value of derivatives that are designated and considered effective hedging instruments.

**28.12.1. FAIR VALUE HEDGE** – This represents the negative fair value of derivatives that are designated and considered effective fair value hedging instruments. This accounts for hedges 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. For a fair value hedge, the gain or loss on the hedging instrument is recognized in profit or loss (or OCI as change in Reserve for Financial Assets at Other Comprehensive Income, if hedging an equity instrument at FVTOCI and the hedging gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognized in profit or loss). However, if the hedged item is an equity instrument at FVTOCI, those amounts remain in OCI.

**28.12.2. 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 Reserve for Cash Flow Hedge. Any fair value changes in the ineffective portion is recognized immediately in profit or loss.

**28.12.3. 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 Reserve for Hedges of a Net Investment in Foreign Operations. Any fair value changes in the ineffective portion are recognized immediately in profit or loss.

**28.13. DEFERRED INCOME** – this represents income received during the accounting period but not yet earned.

## EQUITY ACCOUNTS

### **29. SHARE CAPITAL**

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

**29.1. 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.

**29.2. COMMON SHARES** – Represents shares of stock issued to shareholders which have the residual equity interest in the Company.

### **30. 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.

### **31. CAPITAL PAID IN EXCESS OF PAR/ ADDITIONAL PAID-IN CAPITAL**

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

### **32. 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.

### **33. 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.

### **34. RESERVES**

**34.1. RESERVE FOR FINANCIAL ASSETS AT OTHER COMPREHENSIVE INCOME** – Represents gains or losses arising from fair value changes of financial assets at other comprehensive income.

**34.2. 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.

**34.3. 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.

**34.4. 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.

### **35. CONTINGENCY SURPLUS**

This represents contributions of the stockholders to cover the Capital Impairment and Net Worth Deficiency.

### **36. 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.

<b>INCOME ACCOUNTS</b>
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### **37. COMMISSION INCOME**

**37.1. COMMISSION INCOME FROM INSURANCE COMPANIES** - Refers to the commission earned from the commission given by the insurance companies.

**37.2. COMMISSION INCOME FROM INSURED** – Refers to fees earned resulting from insurance and/or reinsurance brokerage services rendered to the clients or insured.

**37.3. COMMISSION INCOME FROM HMOs**

**37.4. COMMISSION INCOME – OTHERS** – Refers to fees earned resulting from services rendered other than the foregoing.

### **38. SERVICE FEE INCOME**

This refers to income earned from sale of insurance or rendition of service to a customer or a related party.

### **39. INTEREST INCOME**

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

### **40. DIVIDEND INCOME**

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

### **41. RENTAL INCOME**

This represents income generated from the rental of investment property. Rent 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.

### **42. 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.

#### **43. GAIN/LOSS ON SALE OF PROPERTY AND EQUIPMENT**

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

#### **44. MISCELLANEOUS INCOME**

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

<b>EXPENSE ACCOUNTS</b>
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#### **45. COST OF SERVICES**

This refers to all costs incurred that are directly related to the insurance and/or reinsurance brokering operations of a/an Insurance Broker, Reinsurance Broker or Both Insurance and Reinsurance Broker.

**45.1. 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.

**45.2. 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.

**45.3. 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.

**46. ADMINISTRATIVE EXPENSES** – This represents expenses incurred related in any activities not directly associated with the production of services.

**46.1. SALARIES AND WAGES BENEFITS** – Represents all types of remuneration paid to the officers and employees of the company.

**46.1.1. SALARIES AND WAGES** – Represents basic salaries, wages and allowances paid to the officers and employees of the company.

**46.1.2. 13TH MONTH/BONUSES/INCENTIVES** – Refers to 13th month pay, bonuses, incentives and awards given to employees of the company.

**46.1.3. SSS/EC/PAG-IBIG/PHILHEALTH CONTRIBUTIONS** – Refers to employer's contribution in the SSS/EC premium, Philhealth and Pag-IBIG Fund.

- 46.1.4. POST-EMPLOYMENT BENEFIT COST** – Represents the retirement benefits of the company's employees for services rendered.
- 46.1.5. 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.
- 46.2. PROFESSIONAL AND TECHNICAL DEVELOPMENT** – Represents the expenses in developing the professional and technical capabilities of the officers and employee of the Company.
- 46.3. 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.
- 46.4. TAXES AND LICENSES** – Represents taxes which are allowable deductions or expenses for income tax, business license, mayor's permit, etc.
- 46.5. RENTAL EXPENSE** – Represents rental expense incurred on leased properties.
- 46.6. UTILITIES EXPENSE** – Represents the cost of electricity, water consumption, telephone/cellphone/internet services, postage/courier services, etc.
- 46.7. 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.
- 46.8. REPAIRS AND MAINTENANCE** – Represents the cost of labor and materials pertaining to the repairs and maintenance of company assets.
- 46.8.1. REPAIRS AND MAINTENANCE – LABOR** – This represents the cost of labor pertaining to the repairs and maintenance of company assets.
- 46.8.2. REPAIRS AND MAINTENANCE – MATERIALS** – This represents the cost of materials used in the repair and maintenance of company assets.
- 46.9. INSURANCE EXPENSE** – Represents premiums paid on insurance coverage of office furniture, fixtures and equipment, IT equipment, company cars and others.
- 46.10. ADVERTISING PROMOTIONS** – Represents expenses for advertising and publicity to promote the business of the company.

**46.11. 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.

**47. DONATION AND CONTRIBUTION**

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

**48. MISCELLANEOUS EXPENSE**

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

**49. DOUBTFUL ACCOUNTS EXPENSE**

This represents the estimated amount of accounts receivable expected to be uncollectible for the period.

**50. IMPAIRMENT LOSS**

This represents the amount by which the carrying amount of an asset or cash generating unit exceeds its recoverable amount

**51. PROVISION FOR INCOME TAX**

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

**51.1. 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.

**51.2. PROVISION FOR INCOME TAX – CURRENT** – This represents the corporate income tax of the company for the period based on its taxable income.

**51.3. PROVISION FOR INCOME TAX – DEFERRED** – This represents provision for deferred tax assets and liabilities.