

[SEC NOTICE, February 20, 2003]

AMENDMENTS OF SRC RULE 68

Notice is hereby given that the Commission, in its meeting of February 20, 2003, resolved to approve the amendments of SRC RULE 68 in accordance with the following objectives:

1. Clarification of the applicability of the Rules

"i. This rule (together with subsequent official pronouncements, interpretations and rulings on accounting and reporting matters, which may be issued by the Commission from time to time) states the requirements applicable to the form and content of financial statements required to be filed with the Commission by all corporations that file with the Commission audited financial statements that are prepared and presented in conformity with the generally accepted accounting principles in the Philippines, except those whose paid-up capital is less than P50,000.00.

ii. Financial statement of branch offices of foreign corporations licensed to operate in the Philippines by the Commission shall likewise comply with the requirements of this Rule.

2. Inclusion of the changes brought about by the Statement of Financial Accounting Standards (SFASs)/International Accounting Standards (IASs) that took effect beginning January 1, 2002.

The following definitions are provided under section 1(b):

"Control, for purposes of preparation of consolidated financial statements, is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of the voting power of an enterprise unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists even when the parent owns one half or less of the voting power of an enterprise when there is:

A. Power over more than one half of the voting rights by virtue of an agreement with other investors;

B. Power to govern the financial and operating policies of the enterprise under a statute or an agreement;

C. Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or

D. Power to cast the majority of votes at meetings of the board of directors or equivalent governing body.

Parent is an enterprise that has one or more subsidiaries.

Related parties exists when one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Significant influence is the participation in the financial and operating policy decisions of an enterprise, but not in control of those policies. Significant influence may be exercised in one or more of the following ways:

- A. Representation on the board of directors or equivalent governing body of the investee;
- B. Participation in policy making processes;
- C. Material intercompany transactions;
- D. Interchange of managerial personnel; or
- E. Dependence on technical information.

Significant influence may be gained by share ownership, statute or agreement.

Subsidiary is an enterprise that is controlled by another enterprise (known as the parent)

3. Simplification of the provisions by incorporating by reference the contents of the SFASs/IASs

a. Amendments of Section 2 on the General Guides to Financial Statements Preparation:

"a. *In addition to the provisions* in this Rule and those that will be subsequently issued or announced by the Commission, financial statements to be filed with the Commission shall be in accordance with the following Statements of Financial Accounting Standards (SFAS)/International Accounting Standards (IAS) and related Interpretations adopted by the Commission and the Accounting Standards Council (ASC):

Effective 2002

- Framework for the Preparation and Presentation of Financial Statements
SFAS 1 IAS 01 Presentation of Financial Statements (revised 2000)
- SFAS 4 IAS 02 Inventories (revised 2000)
- SFAS 7 Contingencies and Subsequent Events
- SFAS 8 Accounting for Effects of Changes in Foreign Exchange Rates
- SFAS Summary of Generally Accepted Accounting

9	Principles on Intangible Assets
SFAS 10	- Summary of Generally Accepted Accounting Principles on Investment
SFAS 13	- IAS 08 Net Income or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
SFAS 18	- Summary of Generally Accepted Accounting Principles on Stockholders' Equity
SFAS 19	- Summary of Generally Accepted Accounting Principles on Banking Industry
SFAS 19A	- Accounting for Investments in Debt and Marketable Securities of Banks (an amendment of SFAS 19)
SFAS 20	- Accounting for Business Combinations
SFAS 22	IAS Cash Flow Statements (revised 2000)
27	
SFAS 23	- Accounting for Income Taxes
SFAS 24	- Retirement Benefit Costs
SFAS 25	IAS Borrowing Costs
23	
SFAS 26	IAS Construction Contracts
11	
SFAS 27	- Accounting and Reporting for the Nonlife Insurance Industry
SFAS 28	IAS Revenue
18	
SFAS 29	IAS Earnings Per Share
33	
SFAS 30	IAS Interim Financial Reporting
34	
SFAS 31	IAS Segment Reporting
14	

Based on new format

SFAS 16	IAS Property, Plant and Equipment
16	
SFAS 24	IAS Related Party Disclosures
24	
SFAS 27	IAS Consolidated Financial Statements and Accounting for Investments in Subsidiaries
27	
SFAS 28	IAS Accounting for Investments in Associates
28	
SFAS 31	IAS Financial Reporting of Interests in Joint ventures
31	
SFAS 35	IAS Discounting Operations
35	
SFAS 36	IAS Impairment of Assets
36	