

# PERFORMANCE STANDARDS

FOR CREDIT AND OTHER TYPES OF COOPERATIVES  
WITH CREDIT SERVICES IN THE PHILIPPINES

---

COOP - PESOS

## PREFACE

---

As the government moves toward an appropriate and enabling credit policy environment that is both market-based and demand-driven, the identification of alternative credit delivery mechanisms has become more imperative and the greater role of the private sector in this new paradigm can not be over-emphasized. During the past few years, several legislations and government issuances have been passed providing for the rationalization of government directed-credit programs and the use of private sector led community-based organizations as conduits and partners of government in the delivery of financial services.

Along this line, credit cooperatives were identified as one of the major players that will eventually have a significant role in the delivery of formal financial services in the rural areas, along with rural banks and microfinance NGOs. However, in a study conducted by the Credit Policy Improvement Project (CPIP) in 1998, it was found out that, despite the credit cooperatives' potential for significant growth in the countryside, there was little information available on their outreach nor on their financial performance, mainly due to the lack of uniform and transparent information on their financial operations. The same study showed that this is essentially due to the lack of effective regulation for credit cooperatives.

To address this gap, the Standard Chart of Accounts (SCA) with the accompanying accounting manual and the performance standards (COOP-PESOS) for credit cooperatives and other types of cooperatives with credit services were developed by a technical working group comprised of representatives from concerned government agencies, federations/unions of cooperatives and large primary credit cooperatives. The CPIP provided the necessary technical assistance in the formulation, development and finalization of the indicators and standards. In 2002 and 2003, the CDA issued 2 circulars requiring credit cooperatives and other cooperatives with credit activities to adopt both the SCA and the COOP-PESOS.

This monograph presents the set of indicators and standards that is expected to be used by concerned regulatory authorities, the management of credit cooperatives, and other interested parties in assessing and evaluating the performance of credit cooperatives. The standard chart of accounts that is prescribed by CDA for all credit cooperatives is also presented in this monograph.

## ACKNOWLEDGEMENTS

---

This book was made possible through the technical assistance provided by the Credit Policy Improvement Program (CPIP) and National Credit Council – Department of Finance (NCC-DOF), with funding support from the United States Agency for International Development (USAID). It contains the common set of performance standards that would enable credit cooperatives to measure their performance against specific internationally-accepted standards and benchmarks.

Special recognition and gratitude is extended to the following members of the Technical Working Group who provided, valuable insights, technical inputs and countless hours attending the TWG meetings:

- Glenn Aguda, Land Bank of the Philippines (LBP);
- Ludivina Albances, Bangko Sentral ng Pilipinas-Department of Rural Banks (BSP-DRB);
- Joselito Almario, Department of Finance-National Credit Council (DOF-NCC);
- Iraida Banaira, Nonie Hernandez and Fe Caingles, Cooperative Development Authority (CDA);
- Daisybelle Cabal, Cooperative Education Development Center (CEDC);
- Emerita Fuerte, National Cooperative Movement (NCM);
- Alma Gabud, National Confederation of Cooperatives (NATCCO);
- Ma. Piedad Geron, Credit Policy Improvement Program (CPIP-USAID);
- Luisito Isidro, Philippine Federation of Credit Cooperatives (PFCCO);
- Eduardo Jimenez, Bangko Sentral ng Pilipinas-Microfinance Unit;
- Lois Kitsch and Luis Jose Raymundo Sasuman, Credit Union Empowerment and Strengthening Project in Davao (CUES-Phils.);
- Emma Lim-Sandrino, Federation of Peoples' Sustainable Development Cooperatives (FPSDC);
- Angel Obrero, Philippine Deposit Insurance Corporation (PDIC);
- Sabrina Ronquillo, National Market Vendors Confederation of Cooperatives (NAMVESCO); and
- Susan Villon, Cooperative Union of the Philippines (CUP)

The following members of the National Credit Council Secretariat are also appreciated for their technical and administrative support during the development of the performance standards: *Assistant Secretary Gil S. Beltran, Acting Assistant Secretary Ma. Teresa S. Habitan, Napoleon P. Micu, Aurora Luz D. Villaviray, Febe J. Lim, Eric C. Tipgos, Irene R. Sta. Ines, Ricardo P. Toquero and Rochelle D. Tomas.* *Susan R. Elizondo and Mary Ann D. Rodolfo* of the CPIP are also acknowledged for their invaluable assistance in the completion of the task.



# PERFORMANCE STANDARDS FOR CREDIT AND OTHER TYPES OF COOPERATIVES WITH CREDIT SERVICES IN THE PHILIPPINES

---

## **I. Introduction**

Recent policy pronouncements and legislations (e.g., National Strategy for Microfinance, Agriculture and Fisheries Modernization Act, Social Reform and Poverty Alleviation Act and Executive Order 138) call for the establishment of a viable and sustainable financial market to ensure that the basic sectors are given access to credit. These measures mandate the government to veer away from directly intervening in the provision of financial services to the poor and instead concentrate on establishing the appropriate policy environment that will encourage the private sector to participate in the provision of these services. Specifically, these measures direct the non-participation of Government Non-Financial Agencies (GNFAs) in the implementation of directed credit programs and the adoption of market-based financial and credit policies. Moreover, GNFAs and Government-Owned and Controlled Corporations (GOCCs) are mandated to focus on their core functions and provide the necessary physical and human infrastructure support services to their clients.

Credit cooperatives are expected to play an important role in the delivery of financial services to the basic sectors within the new credit policy environment. For one, they are mostly located in areas where most of the banks are unable to serve and they provide financial services that suit the financial needs of low-income groups. In view of the important role of credit cooperatives in the delivery of financial services to the basic sectors, there is consensus among both cooperative credit practitioners and government oversight agencies that the performance of the credit cooperative sector should be strengthened. One way to do this is to ensure that there is an appropriate and effective regulation of the credit cooperative sector. A study conducted by the Credit Policy Improvement Project-National Credit Council (CPIP-NCC) reported that while the Cooperative Development Authority (CDA) is legally mandated to regulate the credit cooperative sector, its regulatory role has been limited to registration and, to some extent, monitoring of credit cooperatives. The absence of the necessary information infrastructure has made it more difficult for CDA to perform its regulatory role of (e.g., standard chart of accounts and performance standards) effective supervision and examination of credit cooperatives.

To address the lack of the necessary information infrastructure for credit cooperatives, the National Credit Council (NCC), in coordination with the Cooperative Development Authority (CDA) and the various federations of cooperatives, initiated the establishment of the standard chart of accounts (SCA) for credit cooperatives. The SCA and the accompanying accounting manual have been completed in December 2000. The CDA

has likewise issued a circular directing all primary credit cooperatives and other types of cooperatives with credit services to adopt and implement the Standard Chart of Accounts (SCA). This is shown in **Annex 3**.

Performance standards for Philippine credit cooperatives were identified and established. Considering the final version of the SCA and the accompanying accounting manual, compliance with the performance standards is expected to ensure the protection of cooperative members and the viability and sustainability of operations of credit cooperatives. These standards were identified and formulated by the Technical Working Group on Performance Standards for Credit Cooperatives based on generally accepted performance indicators<sup>1</sup>. These indicators and standards were subjected to a series of regional consultations and validation workshops which were participated in by key primary stakeholders in the sector. Section 2 of this paper provides the rationale for establishing performance standards for credit cooperatives while section 3 presents and discusses the performance ratios and standards for Philippine Credit Cooperatives.

## **II. Transparent Information: A must for the effective regulation and efficient management of credit and other types of cooperatives with credit services**

Regulators rely on information to effectively assess and evaluate the performance of regulated institutions. In the same manner, management also needs information to efficiently operate as well as and undertake necessary measures to strengthen the credit cooperative. The NCC study, which reviewed the regulatory environment for deposit-taking cooperatives, identified the following as attributes of an effective and transparent cooperative accounting and financial information system:

- *Transparent information should be clear. It is understandable for sound decisions and timely actions.*
- *Transparent information is fairly stated. For information to be fairly stated, accounting policies should be properly defined and accounting rules should be consistently applied.*
- *Transparent information should be timely. Information generated by the coop should be available to both the management and the members of the board of directors on a regular basis (e.g. monthly).*
- *Transparent information should be accessible and usable. Information must be easily available to the concerned user. It must also be structured in a form that will be useful to the management and/or the board of directors.*
- *Transparent information should be comparable. To be useful, information should allow the cooperative to compare results over time and among peer institutions.*

Information with the foregoing attributes is valuable in assessing the performance of a credit cooperative both from the regulator's and the management's point of view. Based on initial reviews conducted, the credit cooperative sector in the Philippines does not yet have a consistent and systematic set of information that has these qualities. The

<sup>1</sup> *The following performance standards currently being used to assess the performance of credit cooperatives and rural banks are the PEARLS, which are being used by the CUES-Phils, BSP-CAMELS and the NCUA CAMELS. The BSP-CAMELS standards are being used by the Bangko Sentral in assessing the performance of rural banks. This was also used as basis inasmuch as credit cooperatives essentially performs the same financial intermediation function of rural banks.*

formulation of the Standard Chart of Accounts (SCA) for credit cooperatives and the accompanying accounting manual is a step towards providing the set of information needed for the appropriate and effective regulation of credit cooperatives. The Standard Chart of Accounts for credit cooperatives would allow credit cooperatives to use the common account title in their financial statements. This will facilitate comparison of their financial performance over time and across peers. In the same way, the accounting manual, which defines and prescribes the accounting systems and procedures to be adopted, will enable cooperatives to come up with a coherent and reliable set of information to be used in accomplishing the chart of accounts.

The Philippine credit cooperative sector also recognized the need to establish performance standards. The performance standards would enable credit cooperatives and other types of cooperatives with credit services to measure their performance against specific standards and benchmarks. It will also allow individual credit cooperatives to compare their individual performance with the performance of other credit cooperatives objectively.

Performance standards for Philippine Credit Cooperatives will be used for the following purposes:

- **Supervisory and regulatory tool** - Since funds for the operations of credit cooperatives are mainly coming from its members, the safety and soundness of the credit cooperative's operation are very important. The members' money in the credit cooperative should be safe considering that the credit cooperative's funds come from members who are mostly small and who belong to the low-income segment of the community.

Also, since the credit cooperative exists for its members, one important benefit it can provide is to ensure that members are provided the services (e.g., savings products) they need. Compliance with the performance standards is expected to accomplish this. To ensure the safety and soundness of credit cooperative operations, an effective body that will supervise and regulate the credit cooperatives is needed. The Philippine performance indicators and standards that were established will be used by the designated supervisor and/or regulator who will have the primary task of making sure that the credit cooperatives have the financial discipline that ensures the safety and soundness of the institution. This will result in greater public confidence and trust in credit cooperatives, hence providing growth to the sector.

Supervisory and regulatory authorities will use these standards to evaluate the performance of credit cooperatives. Results of the evaluation and assessment of the credit cooperative's performance against the standards will allow the comparison of the performance of various cooperatives over time and across peers.

- **Management tool** - The adoption of the Philippine Performance Standards for Credit Cooperatives will provide management the necessary information on how its cooperative is performing. Management may use these standards in making

sure that the cooperative is operating effectively and efficiently. This information would also allow management to determine weak areas and make the necessary adjustments in its policies and/or the way the cooperative's operations are handled. Comparing a credit cooperative's performance against specific standards will allow the management of the cooperative to determine how it fares with other credit cooperatives of similar size.

The performance standards for credit cooperatives in the Philippines were developed for both purposes. The performance indicators and standards that were identified are those that should be useful to both regulatory and supervisory authorities and the management of the cooperative. Hence, the performance standards for Philippine credit cooperatives will be used externally by regulators and internally by management.

### ***III. Performance Standards for Philippine Credit and Other Types of Cooperatives with Credit Services***

The Performance Standards for Philippine Credit Cooperatives and Other Types of Cooperatives with Credit Services has two key components: i.) indicators on compliance to legal and administrative requirements and ii.) indicators on financial performance.

#### ***Indicators on management compliance to administrative requirements***

These indicators comprise a set of questions, which would give information on the cooperative's compliance with the necessary legal and administrative requirements. The questions also provide information on the governance, management, and organizational structure of the cooperative. These indicators also look at whether the credit cooperative has adequate systems, policies, and procedures to ensure efficient operations and the delivery of effective service to members. The indicators under this component are grouped into the following and are given the acronym COOP:

- ***Compliance with administrative and legal requirements.*** This includes a set of questions that looks at whether the credit cooperative complies with the various legal requirements imposed by various institutions (e.g. Cooperative Development Authority, Bureau of Internal Revenue, Local Government Unit and the Department of Labor and Employment).
- ***Organizational Structure and Linkages.*** This includes questions on the cooperative's governance and membership structure. It also includes questions on affiliation and linkages with cooperative federations and other organizations involved in the promotion and development of cooperatives.
- ***Operation and Management.*** This includes indicators that determine presence or absence of the necessary system, policies and procedures for efficient and effective



management of the credit cooperative. Questions related to the Board of Directors and the cooperative's management are included in this portion.

- **Plans and Programs.** This includes parameters that determines whether the credit cooperative has a development plan and an approved annual plan and budget. This also looks at whether the credit cooperative reviews its performance vis-à-vis the projections in its business plan.

**Annex I** shows the more detailed components of the COOP indicators.

### ***Indicators on Financial Performance***

This component is comprised of indicators that look at the financial performance of the credit cooperative. It has the following major categories: i.) Portfolio quality; ii.) Efficiency; iii.) Stability; iv.) Operations and v.) Structure of Assets. These groupings (PESOS) are defined as follows:

- **Portfolio Quality.** This first group of ratios/indicators provides the managers and Board of Directors of credit cooperatives appropriate tools in monitoring the quality and the level of risks of the loan portfolio of the cooperatives. This should be closely monitored inasmuch as the loan portfolio constitutes the bulk of the credit cooperative's assets. In view of this, it is also important that the risk of default is adequately protected. Protection is measured by comparing the adequacy of the allowance provided for loan losses against the amount of delinquent loans. The status of the health of the portfolio of the cooperative will either propel the cooperative to grow or imperil the whole sustainability program of the cooperative. Two indicators are included in this group. These are:
  - *Portfolio at Risk*
  - *Allowance for Probable Losses on Loans*
- **Efficiency.** This second group of indicators focuses on the operational and administrative efficiency of the delivery of financial services, i.e., loans and savings products to its members. Indicators under this category determine the ability of the credit cooperative to generate sufficient income to cover expenses on operations. Efficiency is important because it affects the profitability of the credit cooperative's portfolio and the return on members' shares. Six (6) ratios/indicators are included in this group:
  - *Asset Yield*
  - *Operational Self-Sufficiency*
  - *Rate of Return on Members' Share*
  - *Loan Portfolio Profitability*
  - *Cost per peso loan*
  - *Administrative Efficiency*

- **Stability.** Indicators on the stability of the credit cooperative determine whether financial services can be delivered to its members in a sustained manner. One way to do this is to increase the institutional capital of the cooperative instead of purely relying on the member's share capital. This will allow the credit cooperative to maintain sufficient liquidity to meet the financial needs of its members in a timely manner. Where the cooperative leadership commits itself to ascertain the sustainability in the cooperative structure, the membership of the cooperative will also be serious in strongly supporting their own cooperatives. Listed below are three (3) ratios/indicators under this category:
  - *Solvency*
  - *Liquidity*
  - *Net Institutional Capital*
  
- **Operations.** Under this group, two (2) indicators are included. These indicators highlight the new thrust for Philippine Credit Cooperatives. The indicators and standards in this group call for minimizing dependence on external borrowings and greater emphasis on mobilizing voluntary savings from its members. Strong emphasis on mobilizing voluntary savings will enable cooperatives to have a continuous and cheaper sources of funds for its operations and, at the same, provide its members an alternative investment mechanism for their excess funds. This will result in the credit cooperative's less dependence on external borrowings and lower financial costs. The indicators are:
  - *Performance of Membership Growth*
  - *Trend in External Borrowings*
  
- **Structure of Assets.** This group of four ratios will help ascertain the quality and the structure of the assets of the cooperative. These indicators and standards determine the extent of the share of the cooperative's various assets to its total assets and assess the effective use of these assets to generate revenues. The following four (4) indicators are listed here:
  - *Non-earning Assets / Total Assets*
  - *Total Deposits / Total Assets*
  - *Net Loans Receivables / Total Assets*
  - *Total Members' Share Capital / Total Assets*

**Annex 1** presents the formula and standards for each of these indicators.

The set of performance standards for Philippine Credit Cooperatives were based on internationally accepted standards and best practices adopted by credit cooperatives worldwide. The PESOS indicators will be computed using financial statements generated from the standard chart of accounts for Credit Cooperatives and other Types of Cooperatives with Credit Services. The equivalent raw score for both the COOP and PESOS indicators are given the appropriate rating. The overall rating will be computed using a 20 percent weight for the COOP rating and 80 percent weight for the PESOS

rating. A sample-rating sheet is shown in **Annex 2**. The evaluator, in assessing the performance of the credit cooperative will use the sample-rating sheet.

## **Overall Rating System<sup>2</sup>**

The raw score for each of the components is given an equivalent rating. The resulting rating for each of the component is given the appropriate weight to arrive at the overall rating. The following rating scale is used:

- **Rating 1 (96 to 100) – VERY GOOD.** The credit cooperative has strong performance that consistently provides safe and sound operations. Credit cooperatives in this group comply with cooperative rules and regulations and are resistant to external shocks and financial disturbances. They are also able to withstand unexpected adverse changes in business environment. These institutions do not need supervisory concern.
- **Rating 2 (90 to 95) – GOOD.** The credit cooperative shows satisfactory performance that consistently provides safe and sound operations. Credit cooperatives in this group are able to withstand business fluctuations well. However, there are some areas of concern that require important attention which if unchecked, can potentially develop into conditions of greater concern. Supervisory response is limited to minor adjustments to ensure that operations continue to be satisfactory and sustainable.
- **Rating 3 (80 to 89) – FAIR.** The credit cooperative's performance is flawed to some degree and is a supervisory concern. Results of key performance measures indicate that safe and sound operations may be adversely affected. Credit cooperatives in this group are only nominally resistant to adverse business conditions and may deteriorate if identifiable areas of weakness are not corrected immediately.
- **Rating 4 (70 to 79) – POOR.** The credit cooperative has poor performance and is of serious supervisory concern. The credit cooperative's performance if left unchecked would lead to conditions that could threaten its viability. A high potential for failure is present but is not yet imminent. Credit cooperatives in this group require very close supervisory attention.
- **Rating 5 (below 70) – VERY POOR.** The credit cooperative has unsatisfactory performance and is in need of immediate remedial attention. Credit cooperatives in this group have a very high probability of failure and will likely require liquidation.

<sup>2</sup> The overall rating system is based on the PEARLS rating system but adopted to suit the COOP-PESOS raw scores.

## ANNEX I

## I. Administrative Compliance and Management Structure (COOP Indicators)

	Maximum Raw Score <sup>1</sup>
<b>Compliance With (20%)</b>	
<b>1. Cooperative Development Authority</b>	<b>9</b>
a. Updated Bond of Accountable Officers	1
b. Registration of Amendments, if any	1
c. Allocation of Net Surplus	1
d. Issuance of Share Capital Certificates	1
e. Submission of Annual Report, Audited Financial Statements and Information Sheet within the prescribed period	5
<b>2. Bureau of Internal Revenue (BIR)</b>	<b>5</b>
a. Registration as Non-EVAT	1
b. Filing of Account Information	1
c. Withholding of Appropriate Taxes (includes taxes on honorarium)	1
d. Certificate of Tax Exemption <sup>2</sup>	1
e. Registration of Books of Accounts	1
<b>3. Local Government Unit (LGU)</b>	<b>1</b>
a. Business Permit/License	1
<b>4. Department of Labor and Employment (DOLE)</b>	<b>5</b>
a. Minimum Wage & 13 <sup>th</sup> Month Pay	1
b. SSS	1
c. Philhealth	1
d. HDMF (Pag-ibig)	1
e. Retirement Benefits	1

<sup>1</sup> The credit and other types of cooperative get the maximum raw score for every positive answer and zero for every negative answer.

<sup>2</sup> Excludes cooperatives who are no longer eligible and those applications are still in process.

	Maximum Raw Score <sup>1</sup>
<b>Organization (26%)</b>	
<b>1. Governance and Membership Participation</b>	<b>15</b>
a. Gender Integration (availability of sex-disaggregated data on officers and staff, loan borrowers, depositors)	1
b. Attendance of the majority of members in:	
– Annual General Assembly (GA)	2
– Membership Education/Consultation	2
c. Capital Build-up and Savings Mobilization	
– 70% of members (regular and associate) regularly contribute to share capital	2
– at least 70% of the total members are depositors	2
d. Acceptance of Audited Financial Statements by the GA	2
e. Approval of Development Plan by the General Assembly	2
f. Adoption of proper procedures for the election of the Board of Directors	2
<b>2. Conduct of regular pre-membership education</b>	<b>2</b>
<b>3. Affiliation/Linkages</b>	<b>9</b>
a. – Laboratory Cooperative <sup>3</sup>	1
– Community Services/Involvement	3
b. Participated actively in federation/union activities/programs	1
c. Paid annual due, CETF, loans and other accounts to the federation/union	1
d. Business alliance with	
– Federation	1
– Other Cooperatives	1
e. Submission of Audited Financial Statements using SCA and Annual Report to the federation/union	1
<b>Operation And Management (40%)</b>	
<b>1. Manual of Operational Policies with specific provisions on the following:</b>	<b>24</b>
a. Membership	2

<sup>3</sup> Those with laboratory cooperatives may qualify for points under this category.

	Maximum Raw Score <sup>1</sup>
b. Loaning	4
c. Savings/Time Deposits	4
d. Financial Management	
– Asset/Liability	2
– Accounting	3
– Internal Control	4
e. Human Resource Development	
– Hiring, Promotion and Firing	1
– Staff Development	1
– Compensation/Benefits	1
– Performance Appraisal	1
– Job Description	1
<b>2. Board of Directors/Committee</b>	<b>8</b>
a. Board composition in accordance with by-laws	2
b. Meetings of the Directors	1
c. Meetings of the Committees	1
d. Periodic Review of Policies	2
e. Updated Minutes of Meetings	1
f. Updated Committee Reports	1
<b>3. Management</b>	<b>8</b>
a. Full-time qualified manager	3
b. Policy on succession of manager and other top positions	3
c. Personnel File	1
d. Organization Structure	1
<b><i>Plans/Programs And Performance (14%)</i></b>	
<b>1. Presence of</b>	<b>7</b>
a. Vision, Mission and Goal	1
b. Developmental Plan	2
c. Approved Annual Plan and Budget	2
d. Code of Ethics	2
<b>2. Performance Review vis-à-vis Projections</b>	<b>7</b>

## II. Financial Performance (PESOS Indicators)

Ratios	Formula	Purpose	Standard	Score	Equivalent Points
<b>Portfolio Quality (25%)</b>					
Portfolio at Risk	$\frac{\text{Balance of Loans with one day missed payments}}{\text{Total Loans Outstanding}}$	Measures the risk of default in the portfolio.	5% or less	<ul style="list-style-type: none"> <li>• 5% or less</li> <li>• &gt; 5% to 10%</li> <li>• &gt; 10% to 15%</li> <li>• &gt; 15% to 20%</li> <li>• &gt; 20% to 25%</li> <li>• &gt; 25%</li> </ul>	15 12 9 6 3 0
Allowance for Probable Losses on Loans		Measures the adequacy of the allowance for expected losses on loans.			
• APLL (over 12 months past due)	<p>If total amount of allowance &gt; total outstanding balance of loans over 12 months past due using PAR = 100%</p> <p>If total amount of allowance &lt; total outstanding balance of loans over 12 months past due using PAR then:</p> $\frac{\text{Total Amount of Allowance}}{\text{Total Outstanding balance of loans over 12 months past due using PAR}}$		100%	<b>APLL (100%)<sup>4</sup></b> <ul style="list-style-type: none"> <li>• 100%</li> <li>• 80% to &lt; 100%</li> <li>• 60% to &lt; 80%</li> <li>• 35% to &lt; 60%</li> <li>• 10% to &lt; 35%</li> <li>• &lt; 10%</li> </ul>	5 4 3 2 1 0
• APLL (1 to 12 months past due)	$\frac{\text{Total Amount of Allowance} - \text{Required Amount of Allowance for loans over 12 months past due using PAR}}{\text{Total Outstanding balance of loans 1 to 12 months past due using PAR}}$		35%	<b>APLL (35%)<sup>5</sup></b> <ul style="list-style-type: none"> <li>• 35%</li> <li>• 25% to &lt; 35%</li> <li>• 17% to &lt; 25%</li> <li>• 9% to &lt; 17%</li> <li>• 1% to &lt; 9%</li> <li>• &lt; 1%</li> </ul>	5 4 3 2 1 0
<b>Efficiency (20%)</b>					
Asset Yield	$\frac{\text{Undivided Net Surplus}}{\text{Average Total Assets}}$	Measures the ability of the coop's assets to generate income.	At least inflation rate	<ul style="list-style-type: none"> <li>• At least inflation rate</li> <li>• 1 to 2 percentage points below inflation rate</li> <li>• 3 to 4 percentage points below inflation rate</li> <li>• more than 4 percentage points below inflation rate</li> <li>• 0 or negative asset yield</li> </ul>	4 3 2 1

<sup>4</sup> Coops without loans over 12 months past due will automatically be given 5 points.

<sup>5</sup> Coops without loans 1 to 12 months past due will automatically be given 5 points.

Ratios	Formula	Purpose	Standard	Score	Equivalent Points
<b>Operational Self-Sufficiency</b>	$\frac{\text{Interest Income from Loans + Service Fees + Filing Fees + Fines, Penalties, Surcharges}}{\text{Financing Costs + Admin Costs}}$	Measures the ability of the cooperatives to sustain its operations.	> 100%	<ul style="list-style-type: none"> <li>• 120% and above</li> <li>• 110% to &lt; 120%</li> <li>• 100% to &lt; 110%</li> <li>• 100%</li> <li>• &lt; 100%</li> </ul>	4 3 2 1 0
<b>Rate of Return on Member's Share</b>	$\frac{\text{Interest on Share Capital}}{\text{Average Member's Share}}$	Measures the earning power of member's share capital.	Higher than inflation rate	<ul style="list-style-type: none"> <li>• higher than inflation</li> <li>• inflation rate</li> <li>• 1 to 2 percentage points below inflation rate</li> <li>• more than 2 percentage points below inflation rate</li> <li>• 0 or negative ROR</li> </ul>	4 3 2 1 0
<b>Loan Portfolio Profitability</b>	$\frac{\text{Interest Income from Loans + Service Fees + Filing Fees + Fines, Penalties and Surcharges}}{\text{Average Total Loans Outstanding}}$	Measures how profitable the loan portfolio is.	More than 20%	<ul style="list-style-type: none"> <li>• 20% and above</li> <li>• 15% to &lt; 20%</li> <li>• 10 to &lt; 15%</li> <li>• 5% to &lt; 10%</li> <li>• &lt; 5% or negative surplus ratio</li> </ul>	4 3 2 1 0
<b>Cost per Peso Loan</b>	$\frac{\text{Financing Costs + (Admin Costs - Members' Benefit Expense)}}{\text{Average Total Loans Outstanding}}$	Measures efficiency in managing the coop's loan portfolio.	PhP 0.10 per PhP1.00 loan	<ul style="list-style-type: none"> <li>• 0.10 and below</li> <li>• &gt; 0.10 and 0.15</li> <li>• &gt; 0.15 to 0.20</li> <li>• above 0.20</li> </ul>	2 1.5 1 0
<b>Administrative Efficiency</b>	$\frac{\text{Administrative Costs}}{\text{Average Total Assets}}$	Measures the cost of managing the coop's assets.	3 to 10%	<ul style="list-style-type: none"> <li>• 10% and below</li> <li>• &gt; 10% to 15%</li> <li>• &gt; 15% to 20%</li> <li>• above 20%</li> </ul>	2 1.5 1 0
<b>Stability (30%)</b>					
<b>Solvency</b>	$\frac{(\text{Assets + Allowances}) - (\text{Total Liabilities} - \text{Deposits + Past Due Loans + Loans Restructured + Loans Under Litigation})}{\text{Deposits + Share Capital}}$	Measures the degree of protection that the coop has for member savings and shares in the event of liquidation of the coop's assets and liabilities.	At least 110%	<ul style="list-style-type: none"> <li>• 110% and above</li> <li>• 100% to &lt; 110%</li> <li>• 90% to &lt; 100%</li> <li>• 80% to &lt; 90%</li> <li>• 70% to &lt; 80%</li> <li>• below 70%</li> </ul>	10 8 6 4 2 0
<b>Liquidity</b>	$\frac{\text{Liquid Assets - Short Term Payables}}{\text{Total Deposits}}$	Measures the coop's ability to service its member's deposit on time.	Not less than 15%	<ul style="list-style-type: none"> <li>• 15% and above</li> <li>• 12% to &lt; 15%</li> <li>• 9% to &lt; 12%</li> <li>• 6% to &lt; 9%</li> <li>• 1% to &lt; 6%</li> <li>• below 1%</li> </ul>	10 8 6 4 2 0
<b>Net Institutional Capital</b>	$\frac{(\text{Reserves + Allowance from Probable Loan Losses}) - (\text{Past Due Loans + Loans Under Litigation + Problem Assets})}{\text{Total Assets}}$	Measures the level of institutional capital after subtracting the losses.	At least 10%	<ul style="list-style-type: none"> <li>• 10% and above</li> <li>• 7% to &lt; 10%</li> <li>• 5% to &lt; 7%</li> <li>• 3% to &lt; 5%</li> <li>• 1% to &lt; 3%</li> <li>• below 1%</li> </ul>	10 8 6 4 2 0



Ratios	Formula	Purpose	Standard	Score	Equivalent Points
<b>Operations (10%)</b>					
<b>Growth in Membership</b>	Actual Increase in the Number of Members	Determines the performance of change in membership vis-à-vis target.	Target set in the development plan	• 75% to < 100% of target	5
	Target Increase in the Number of Members <sup>6</sup>			• 50% to < 75% of target	4
				• 25% to < 50% of target	3
				• 1% to < 25% of target	2
				• status quo	1
• decreasing or without development plan	0				
<b>Trend in External Borrowings</b>	Ending External Borrowings - Beginning External Borrowings	Determines the percentage of change in external borrowings.	Decreasing towards zero	• no external borrowings	5
	Beginning External Borrowings			• decreasing compared to previous period	3
				• status quo	2
• increasing compared to previous period	0				
<b>Structure of Assets (15%)</b>					
<b>Asset Quality</b>	Non-earning Assets	Measures the percentage of total assets that are not producing income.	Not more than 5%	• 5% and below	5
	Total Assets			• > 6% to 8%	4
				• > 8% to 10%	3
				• > 10% to 12%	2
				• > 12 to 14%	1
• 14% and above	0				
<b>Asset Structure</b>	Total Deposits	Measures the percentage of total assets financed by deposits.	55 to 65%	• > 55% to 65%	5
	Total Assets			• > 45% to 55%	3
				• > 65% to 70%	1
				• > 35% to 44%	
				• > 70% to 75%	0
• 35% & below 75% & above					
	Net Loans Receivables	Measures the percentage of total assets invested in the loan portfolio.	70 to 80%	• > 70% to 80%	2
	Total Assets			• > 60% to 70%	1.5
				• > 80% to 85%	1
				• > 50% to 60%	
				• > 85% to 90%	0.5
• > 40% to 50%					
• > 90% to 95%	0				
• 40% and below 95% and above					
	Total Members' Share Capital	Measures the percentage of total assets financed by members' share capital.	35 to 45%	• > 35% to 45%	3
	Total Assets			• > 30% to 35%	2
				• > 45% to 55%	1
				• > 25% to 30%	
				• above 55%	0
• below 25%					

<sup>6</sup> If target is in growth rate, compute for the nominal amount using the following:  
 -(Target Growth Rate) Beginning Number of Members = Target Increase in the Number of Members

## DEFINITION OF TERMS

---

**Portfolio At Risk (PAR)** – refers to the total outstanding balance of loans with one day missed amortization payment. Failure to receive payment one day after due date of amortization, makes the entire loan balance at risk

**Allowance for Probable Losses on Loans** – This refers to the allowance provided for the unpaid entire loan balance based on PAR with a grace period of 1 - 30 days.

**Loans Restructured** – are past due loans whose term have been extended or renewed after full payment of interests/surcharges due thereon. Loans restructured will be considered performing or current when there is a good tracking record of continuous payment of the amount agreed upon using the following installments: 3 installments for monthly; 4 installments for semi-monthly; 6 installments for weekly and 10 installments for daily. It will be considered past due when it is not performing, i.e., there are no payments received after restructuring.

**Liquid Assets** – These are assets easily convertible to cash within 30 days. This includes Cash, Cash in Bank, Investment in Marketable Securities.

**Short-Term Payables** – These include liabilities payable within 30 days except deposits.

**Problem Assets** – are investments in closed banks, cooperatives and other institutions.

**Non-Earning Assets** – are assets that do not give direct revenues to the cooperative, ie. Cash on hand, Non-interest bearing checking accounts, Accounts Receivable, Assets in Liquidation, Fixed Assets (Land, Building, Equipment, etc.), Prepaid Expenses and other deferrals, and problem assets.

**Average Members' Share** – Beginning Members' Share + Ending Members' Share divided by 2.

**Average Total Loans Outstanding** – Beginning Total Loans Outstanding + Ending Loans Outstanding divided by 2.

**Average Total Assets** – Beginning Total Assets + Ending Total Assets divided by 2.

## ANNEX 2

**Rating Sheet for  
Philippine Credit Cooperatives**

Name of Cooperative: \_\_\_\_\_

**Summary**

	Weight	Maximum Raw Score	Actual Score	Rating <sup>1/</sup>
COOP	20%			
C		20		
O		26		
O		40		
P		14		
Total COOP Points		100		
PESOS	80%			
P		25		
E		20		
S		30		
O		10		
S		15		
Total PESOS Points		100		
Overall Rating (COOP points x .20 + PESOS points x .80)				
_____				
1/ Equivalent rating of overall actual raw score:				
1 - 96 to 100				
2 - 90 to 95				
3 - 80 to 89				
4 - 70 to 79				
5 - below 70				

## Performance Standards for Philippine Credit Cooperatives (Rating Sheet)

### I. Administrative Compliance and Management Structure (COOP Indicators)<sup>1/</sup>

	Maximum Raw Score <sup>1/</sup>	Actual Score	
		Yes	No
<b>Compliance with Administrative and Legal Requirements (20%)</b>			
<b>1. Cooperative Development Authority (CDA)</b>	<b>9</b>		
a. Updated Bond of Accountable Officers	1		
b. Registration of amendments, if any	1		
c. Allocation of Net Surplus	1		
d. Issuance of Share Capital Certificates	1		
e. Submission of Annual Report, audited financial statements and information sheet within the prescribed period	5		
<b>2. Bureau of Internal Revenue (BIR)</b>	<b>5</b>		
a. Registration as non-EVAT	1		
b. Filing of Account Information	1		
c. Withholding of Appropriate Taxes (includes taxes on honorarium)	1		
d. Certificate of Tax Exemption <sup>2/</sup>	1		
e. Registration of Books of Accounts	1		
<b>3. Local Government Unit (LGU)</b>	<b>1</b>		
a. Business Permit/License	1		
<b>4. Department of Labor and Employment (DOLE)</b>	<b>5</b>		
a. Minimum Wage & 13th Month Pay	1		
b. SSS	1		
c. Philhealth	1		
d. HDMF (Pag-ibig)	1		
e. Retirement Benefits	1		
<b>Sub-total</b>			
<b>Organization (26%)</b>			
<b>1. Governance and Membership Participation</b>	<b>15</b>		
a. Gender Integration (presence of sex-disaggregated data on officers and staff, loan borrowers, depositors)	1		

<sup>1/</sup> The credit cooperative gets the maximum raw score for every positive answer and zero points for every negative answer.

<sup>2/</sup> Excludes cooperatives who are no longer eligible and those whose applications are still in process.

	Maximum Raw Score <sup>1/</sup>	Actual Score	
		Yes	No
b. Attendance of the majority of members in:			
– Annual General Assembly	2		
– Membership Education/Consultation	2		
c. Capital Build-up and Savings Mobilization			
– 70% of members (regular & associate) regularly contribute to share capital	2		
– at least 70% of the total members are depositors	2		
d. Acceptance of Audited Financial Statements by the GA	2		
e. Approval of Development Plan by the General Assembly	2		
f. Adoption of Proper Procedures for the election of the Board of Directors	2		
<b>2. Conduct of regular pre-membership education</b>	<b>2</b>		
<b>3. Affiliation/Linkages</b>	<b>9</b>		
a. – Laboratory Cooperative <sup>3/</sup>	1		
– Community Services/Involvement	3		
b. Participated actively in federation/union activities/programs	1		
c. Paid annual dues, CETF, loans and other accounts to the federation/union	1		
d. Business alliance with			
– federation	1		
– other cooperatives	1		
e. Submission of audited Financial Statements using SCA and Annual Report to the federation/union	1		
<b>Sub-total</b>			
<b>Operation and Management (40%)</b>			
<b>1. Manual of Operational Policies with specific provisions on the following:</b>	<b>24</b>		
a. Membership	2		
b. Loaning	4		
c. Savings/Time Deposits	4		

<sup>3/</sup> Those with laboratory cooperatives may qualify for points under this category.

	Maximum Raw Score <sup>1/</sup>	Actual Score	
		Yes	No
d. Financial Management	9		
– Asset/Liability	2		
– Accounting	3		
– Internal Control	4		
e. Human Resource Development	5		
– Hiring, Promotion and Firing	1		
– Staff Development	1		
– Compensation/Benefits	1		
– Performance Appraisal	1		
– Job Description	1		
<b>2. Board of Directors/Committees</b>	<b>8</b>		
a. Board composition in accordance with by-laws	2		
b. Meetings of the Directors	1		
c. Meetings of the Committees	1		
d. Periodic Review of Policies	2		
e. Updated Minutes of Meetings	1		
f. Updated Committee Reports	1		
<b>3. Management</b>	<b>8</b>		
a. Full-time qualified manager	3		
b. Policy on succession of manager and other top positions	3		
c. Personnel File	1		
d. Organizational Structure	1		
<b>Sub-total</b>			
<b><i>Plans/Programs And Performance (14%)</i></b>			
<b>1. Presence of</b>	<b>7</b>		
a. Vision, Mission and Goal	1		
b. Developmental Plan	2		
c. Approved Annual Plan and Budget	2		
d. Code of Ethics	2		
<b>2. Performance Review vis-à-vis Projections</b>	<b>7</b>		
<b>Sub-total</b>			
<b>TOTAL (COOP Indicators)</b>			

**II. Financial Performance (COOP Indicators)**

Ratios			Actual Score	Equivalent Points
<b>Portfolio Quality (25%)</b>				
Portfolio at Risk	15	5% or less		
	12	> 5% to 10%		
	9	> 10% to 15%		
	6	> 15% to 20%		
	3	> 20 to 25%		
	0	> 25%		
Allowance for Probable Losses on Loans	APLL (100%)			
	5	100%		
	4	80% to < 100%		
	3	60% to < 80%		
	2	35% to < 60%		
	1	10% to < 35%		
	0	< 10%		
	APLL (35%)			
	5	35%		
	4	25% to < 35%		
	3	17% to < 25%		
	2	9% to < 17%		
	1	1% to < 9%		
	0	< 1%		
Sub-total				
<b>Efficiency (20%)</b>				
Asset Yield	4	at least inflation rate		
	3	1 to 2 percentage points below inflation rate		
	2	3 to 4 percentage points below inflation rate		
	1	more than 4 percentage points below inflation rate		
	0	0 or negative asset yield		
Operational Self-Sufficiency	4	120% and above		
	3	110% to < 120%		

Ratios			Actual Score	Equivalent Points
	2	100% to < 110%		
	1	100%		
	0	< 100%		
<b>Rate of Return on Members' Share</b>	4	higher than inflation		
	3	inflation rate		
	2	1 to 2 percentage points below inflation rate		
	1	more than 2 percentage points below inflation rate		
	0	0 or negative ROR		
<b>Loan Portfolio Profitability</b>	4	20% and above		
	3	15% to < 20%		
	2	10% to < 15%		
	1	5% to < 10%		
	0	below 5% or negative		
<b>Cost Per Peso Loan</b>	2	0.10 and below		
	1.5	> 0.10 to 0.15		
	1	> 0.15 to 0.20		
	0	above 0.20		
<b>Administrative Efficiency</b>	2	10% and below		
	1.5	> 10% to 15%		
	1	> 15 to 20%		
	0	above 20%		
<b>Sub-total</b>				
<b>Stability (30%)</b>				
<b>Solvency</b>	10	110% and above		
	8	100% to < 110%		
	6	90% to < 100%		
	4	80% to < 90%		
	2	70% to < 80%		
	0	below 70%		



Ratios			Actual Score	Equivalent Points
Liquidity	10	15% and above		
	8	12% to < 15%		
	6	9% to < 12%		
	4	6% to < 9%		
	2	1% to < 6%		
	0	below 1%		
Net Institutional Capital	10	10% and above		
	8	7% to < 10%		
	6	5% to < 7%		
	4	3% to < 5%		
	2	1% to < 3%		
	0	below 1%		
Sub-total				
<b>Operations (10%)</b>				
Performance of Growth in Membership	5	75% to < 100% target		
	4	50% to < 74% of target		
	3	25% to < 50% of target		
	2	1% to < 24% of target		
	1	status quo		
	0	decreasing or without development plan		
Trend in External Borrowings	5	no external borrowings		
	3	decreasing compared to previous period		
	2	status quo		
	0	increasing compared to previous period		
Sub-total				
<b>Structure of Assets (15%)</b>				
Asset Quality	5	5% and below		
	4	> 6% to 8%		

Ratios			Actual Score	Equivalent Points
	3	> 8% to 10%		
	2	> 10% to 12%		
	1	> 12% to 14%		
	0	14% and above		
<b>Asset Structure</b>	<b>AS<sub>1</sub></b>			
	5	> 55% to 65%		
	3	> 45% to 55%		
		> 65% to 70%		
	1	> 35% to 45%		
		> 70 to 75%		
	0	35% & below		
		75% & above		
	<b>AS<sub>2</sub></b>			
	2	> 70% to 80%		
	1.5	> 60% to 70%		
		> 80% to 85%		
	1	> 50% to 60%		
		> 85% to 90%		
	0.5	> 40% to 50%		
		> 90% to 95%		
	0	40% and below		
		95% and above		
	<b>AS<sub>3</sub></b>			
	3	> 35% to 45%		
	2	> 30% to 35%		
	1	> 45 to 55%		
		> 25% to 30%		
	0	above 55%		
		below 25%		
<b>Sub-total</b>				
<b>Total PESOS</b>				



Republic of the Philippines  
**OFFICE OF THE PRESIDENT**  
**COOPERATIVE DEVELOPMENT AUTHORITY**

Memorandum Circular No. 02-04  
 Series of 2002

**To** : All CDA Department and Regional Directors, Registered/Confirmed Credit and Other Types of Cooperatives with Savings and Credit Services and All Others Concerned

**Subject** : **Standard Chart of Accounts for Credit and Other Types of Cooperatives with Savings and Credit Services**

Pursuant to Section 3 of Republic Act No. 6939, an Act Creating the Cooperative Development Authority defining its Powers, Functions and Responsibilities, the Authority hereby issues this Memorandum Circular prescribing the use of Standard Chart of Accounts for Credit and Other Types of Cooperatives with Credit Services.

## **I. Scope**

This Circular shall be applied in accounting and reporting of all credit and other types of cooperatives with credit services, duly registered/confirmed by the Cooperative Development Authority pursuant to Chapter XIV of Republic Act No. 6938, otherwise known as the Cooperative Code of the Philippines.

## **II. Definition of Terms**

### **1. Credit Cooperative**

A credit cooperative is financial organization owned and operated by its members with the following objectives: 1) to encourage savings among its members; 2) to create pool of such savings from which loans for productive or provident purposes may be granted to its members; and 3) to provide related services to its members to maximize the benefits from such loans. (Article 111, R.A. 6938)

### **2. Other Types of Cooperative with Credit Services**

Refers to those cooperatives, which are registered as non-credit cooperatives but are engaged in the provision of savings and credit services aside from other businesses.

### **3. Accounting**

Accounting is the art of recording, classifying, summarizing, in a significant manner and

in terms of money, transactions and events which are in part at least of a financial character and interpreting the results thereof.

Accounting is a service activity. Its function is to provide quantitative information, primarily financial in nature, about economic entities that is intended to be useful in making economic decision. (SFAS No. 1)

#### **4. Bookkeeping**

It is the systematic and chronological recording of all financial transactions that take place in the cooperative. The importance of bookkeeping are as follows: to have a record of whatever changes there are in the financial condition of the credit cooperative; to protect funds; to serve as the guide in the formulation of policies and activities for the coming year; to serve as source of information necessary for the Board to properly set the policies of the cooperative; to serve as basis of reports to members; for management to enable them to run the affairs of the cooperative and for the submission of the financial statements as mandated by the government.

#### **5. Books of Accounts**

Set of books where business transactions are recorded and classified. These are classified into books of original entry and of final entry. The books of original entry are the books where entries from source documents are first recorded. These are the cash receipts book; cash disbursements book and general journal. The book of final entry called general ledger is the book where entries in the books of original entry are posted to the corresponding accounts. It is also called a “reference book” of the accounting system where transactions are classified and summarized. This is the source of data for the trial balance and eventually the financial statements.

#### **6. Financial Statements**

Financial statements are the means by which the information accumulated and processed in financial accounting is periodically communicated to those who use it. They are designed to serve the needs of a variety of users, particularly owners and creditors. Through the financial accounting process, the myriad and complex effects of the economic activities of a cooperative are accumulated, analyzed, quantified, classified, recorded, summarized and reported as information of two basic types: a) financial condition, which relates to a point in time, and b) financial operations, which relate to a period of time. Notes to the statements, which may explain headings, captions or amounts in the statements or present information that cannot be expressed in terms of money and those descriptions of accounting policies are integral part of the statements.

- A. Statement of Financial Condition (balance sheet) presents three major categories: a) assets, b) liabilities, and c) equity, the difference between the total assets and total liabilities. The statement of financial condition at any date presents an indication in conformity with generally accepted accounting principles of the financial status of the cooperative at a particular point in time.
- B. Statement of Operation (Statement of Net Surplus) for a period presents the revenues, expenses, gains, losses, and net surplus (net loss) recognized during the period and

thereby presents an indication in conformity with generally accepted accounting principles of the results of the cooperative's service-directed activities during the period. The information presented in the statement of operation is usually considered the most important information provided by financial accounting because the net surplus is a paramount concern to those interested in the economic activities of the cooperative.

C. Statement of Cash Flows is a formal statement summarizing all operating, investing and financing activities of a cooperative. In simple language, the statement of cash flows provided information about cash receipts and cash payments of a cooperative during a period.

### III. Objectives and Purposes

The basic purpose of prescribing the standard chart of accounts is to provide quantitative financial information about the credit cooperatives and other types of cooperatives with credit services, specifically, to:

- a) Ensure uniformity and common understanding of accounts;
- b) Guide in the installation of accounting and internal control systems to make cooperative auditable;
- c) Enhance transparency;
- d) Set standards and discipline in measuring the financial safety and soundness;
- e) Facilitate the analysis and evaluation of financial and management performance, monitoring, supervision and business linkages.

### IV. Chart of Accounts with Description

#### ***Standard Chart of Accounts for Credit and Other Types of Cooperatives with Credit Services***

<b>Account Title</b>	<b>Brief Definition/Description</b>
<b>ASSET ACCOUNTS</b> <i>Economic resources of a cooperative that are recognized and measured in conformity with generally accepted accounting principles.</i>	
<b>CURRENT ASSETS</b> <i>Include cash and other assets that are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business, which is usually one year.</i>	
101    Cash on Hand	<i>Money (bills and coins), checks except post dated checks, postal money order (PMO), and demand drafts still in the possession of the cooperative's custodian. This includes cash items awaiting deposits.</i>
102    Cash in Bank	<i>Money deposited in the bank under the name of the cooperative, i.e. savings, current, time deposits, and combo-account. A separate ledger account is used to keep track of deposits made in the bank.</i>

<b>Account Title</b>		<b>Brief Definition/Description</b>
103	Petty Cash Fund	<p>Limited amount of money set aside for small expenditures, maintained under an imprest system.</p> <p>It is a revolving cash fund, withdrawn from the general cash account and made available for small purchases and expenditures such as: stationery and supplies, taxi fares or staff meals.</p>
104	Revolving Fund	<p>The amount set aside to pay/meet members' withdrawals, loan proceeds and other operations as may be determined by the cooperative, except encashment of other checks.</p> <p>Like the Petty Cash Fund, the Revolving Fund is maintained under an imprest system, that is, the total amount of expenditures, properly supported by documents must match the amount of the fund.</p>
112	Cash Advances to Officers and Employees	Duly approved cash advances for official business to officers and employees subject to immediate liquidation.
140	Short Term Investment	Investment in marketable securities, government bonds, and other mutual funds that are readily convertible into cash.
150	Loans Receivable – Current	The total loans granted to members, which are not yet due.
151	Loans Receivable – Restructured	Collectibles from the member-borrowers whose loan accounts were restructured upon full payment of interests due.
152	Loans Receivable – Past Due	<p>Total collectibles from past due loans of member-borrowers. Aging of loans receivable should be prepared to determine how much are the past due loans.</p> <p>The loan shall remain in this account until fully paid or until arrangements are formalized for its renewal/extension/restructuring or collection/foreclosure.</p>
153	Loans Receivable – Loans in Litigation	<p>Total collectibles from past due loans under legal action. The loan or advance shall remain in this account during the pendency of the legal proceedings and until fully paid/restructured/foreclosed.</p>
154	Allowance for Probable Losses on Loans	Allowance set aside in the books of the cooperative to provide for possible losses due to uncollectible accounts. This account may also be referred to as Allowance for Doubtful Accounts. This is a contra account to Loans Receivable.
161	Receivable from Accountable Officers and Employees	Total collectibles from shortages and other losses due from accountable officers and employees that are subject to immediate settlement/sanction.
162	Other Receivables	<p>Transactions/adjustments not classified under any of the receivable accounts mentioned. These also represent:</p> <ul style="list-style-type: none"> <li>The amounts currently owed to the cooperative by persons other than the members for services rendered.</li> </ul>

<b>Account Title</b>	<b>Brief Definition/Description</b>
	<ul style="list-style-type: none"> <li>Advances to members on account of their expenses not previously covered by deposits such as insurance premiums on properties pledged to the cooperative, taxes and other government imposts, inspection fees, wire charges and other expenses.</li> </ul>
170 Unused Office Supplies	Office supplies on hand at the end of the accounting period.
174 Prepaid Expenses	Payments made in advance in exchange for a future benefit usually within one year (e.g., insurance, interest, advertising, rentals, etc.).
<b>LONG TERM INVESTMENTS</b> <i>Investments which the cooperative intends to hold for more than a year.</i>	
182 Long Term Investments – Cooperatives	Equity investments of the cooperative in other cooperatives.
184 Long Term Investments – Government Securities/Bonds	Investments in securities and bonds issued by the government and its instrumentalities.
185 Long Term Investments – Others (Specify)	All other investments not included in the above.
<b>PROPERTY AND EQUIPMENT</b> <i>Include all tangible assets with an estimated useful life beyond one year, are used in the conduct of the business, and not intended for sale in the ordinary course of business (SFAS No. 6).</i>	
191 Land	The cost of the land used for its main operation plus all incidental costs such as title, sales commissions, delinquent taxes, surveying fees, legal fees, etc. All these are reflected in a single cost (fair market value or appraised value if donated). Taxes paid by the cooperative as a contribution to the cost of public improvements (special assessment) are treated as part of the cost of the land.
192 Land Improvements	The cost of depreciable improvement after land acquisition (i.e., pavement, fencing, water system, drainage system, sidewalks and pavements, etc. that are subject to depreciation over their useful life).  Land improvements not subject to depreciation are charged to the land account. Examples of these expenditures are cost of surveying, cost of clearing, cost of grading, cost of subdividing, cost of landscaping, etc.
193 Accumulated Depreciation – Land Improvements	Sum of depreciation on land improvements that are set-up periodically against current operation.
196 Building	Cost of the building constructed on the land owned by the cooperative and used for its main operation. Major repairs or improvements that will prolong the life of the building are considered additional cost.

<b>Account Title</b>		<b>Brief Definition/Description</b>
197	Accumulated Depreciation Building	<i>Sum of depreciation on building that are set-up - periodically against current operation.</i>
205	Furniture, Fixtures and Office Equipment	<i>The cost or appraised value or other appropriate value of movable (furniture), immovable (fixtures) properties and office equipment used in the cooperative's ordinary course of business such as desks, chairs, cabinets, computers, etc. including incidental expenses incurred in acquiring them up to the time they are received. Depreciation is determined periodically (monthly, quarterly, etc.) in accordance with generally accepted rates.</i>  <i>Furniture, fixtures and office equipment may be acquired through donations and without any cash outlay on the part of the cooperative.</i>
206	Accumulated Depreciation – Furniture, Fixtures and Office Equipment	<i>Sum of depreciation on furniture, fixtures and office equipment that are set-up periodically against current operation.</i>
208	Transportation Equipment	<i>Cost of equipment which are owned by the cooperative such as motorcycles, pick-ups, vans and other vehicles used in transporting goods, services or personnel. This is recorded at cost or appraised value if donated.</i>
209	Accumulated Depreciation-Transportation Equipment	<i>Sum of depreciation on transportation equipment that are set-up periodically against current operation.</i>
210	Leasehold Rights and Improvement	<i>Cost of building and/or improvements made on leased land/ premises including cost of rights paid.</i>
<b>OTHER ASSETS</b>		
<i>Are assets which do not fit into any of the preceding asset classifications.</i>		
250	Organizational Costs	<i>Expenses incurred prior to the actual operations of the cooperative such as promoting and organizing. This can be amortized over a period not exceeding five (5) years. Among others, these costs are:</i> <ol style="list-style-type: none"> <li><i>a. Legal fees in connection with the organization;</i></li> <li><i>b. Registration fees;</i></li> <li><i>c. Cost of printing share capital certificates and transfer book, seal of the cooperative, etc.; and</i></li> <li><i>d. Other cost of services rendered in the formation of the cooperative.</i></li> </ol>
251	Computerization Costs	<i>The cost of acquisition or development of computer programs and other software. This can be amortized over a period not exceeding three (3) years.</i>
252	Other Funds and Deposits	<i>Holdout deposits on guarantee fund given by the cooperative to the funding institutions in compliance with the requirements of certain agreements; the corresponding fund set aside from the reserve, optional fund and any other funds</i>



<b>Account Title</b>		<b>Brief Definition/Description</b>
		<i>that may be set up by the cooperative. This may be in the form of time deposits or other securities. The cooperative has the option to create sub-accounts.</i>
256	Due from Head Office/ Branch/Subsidiary	<i>Receivables from head office/branch or subsidiary.</i>
257	Assets Acquired in Settlement of Loans	<i>Real and personal properties acquired by the cooperative through judicial or extra-judicial settlement of loans. Should the cooperative use such assets in its main operation, the same assets shall be re-classified accordingly.</i>
258	Other Land	<i>Cost of the land owned by the cooperative, which is not used for its main operation.</i>
259	Other Building	<i>Cost of the building owned by the cooperative, which is not used for its main operation.</i>
260	Accumulated Depreciation – Other Building	<i>Sum of depreciation on other building that are set-up periodically against current operation.</i>
261	Miscellaneous Assets	<i>Assets not falling in any of the above categories.</i>
<b>LIABILITY ACCOUNTS</b>		
<i>Economic obligations of a cooperative that are recognized and measured in conformity with generally accepted accounting principles.</i>		
<b>CURRENT LIABILITIES</b>		
<i>Obligations that are reasonably expected to be settled through the use of existing current assets or the creation of other current liabilities in the same statement of condition within the normal operating cycle of the cooperative which is usually one year.</i>		
300	Savings Deposits	<i>Deposits made by members that can be withdrawn anytime at the option of the depositors.</i>
303	Time Deposits	<i>Deposits made by the members in the cooperative over a specified period of time and withdrawable at a pre-determined date.</i>
304	Loans Payable – Short Term	<i>The indebtedness of the cooperative to financial institutions, other cooperatives, or person(s), payable on short-term basis not exceeding one (1) year.</i>
308	SSS/ECC/PhilHealth Premium and Pag-ibig Contributions Payable	<i>Amounts withheld by the cooperative from the compensation income of its employees representing their contribution to SSS, PhilHealth and Pag-ibig agencies. As an employer, the cooperative has its corresponding share of contributions and this should be set up every payroll period.</i>
309	Withholding Tax Payable	<i>All taxes withheld as prescribed by law including the unremitted withholding tax deducted from the employees' salaries representing part of their possible income tax liability to the Bureau of Internal Revenue (BIR).</i>

<b>Account Title</b>		<b>Brief Definition/Description</b>
310	Accrued Expenses	<i>Expenses that have been incurred but not yet paid as of date of statement of financial condition but payable within the next accounting period. This account represents the amount due to creditors/employees for services rendered/received and other expenses already incurred but not yet paid.</i>
311	Interest on Share Capital Payable	<i>Liability of the cooperative to its members for interest on share capital, which can be determined only at the end of every accounting period.</i>
312	Patronage Refund Payable	<i>Liability of the cooperative to its members for patronage refund, which can be determined only at the end of every accounting period.</i>
313	Due to CETF (Apex)	<i>An amount set aside for the education and training fund of an apex organization, which is 50% of the amount allocated, by the cooperative in accordance with the provision of the cooperative's by-laws and the cooperative code. The apex organization may be either a federation or union of which the cooperative is a member (RA 6938, Article 87, 2a).</i>
314	Unearned Income	<i>Income already received but not yet earned.</i>
316	Other Payables	<i>Other liabilities that cannot be classified under any of the preceding current liability accounts.</i>
<b>LONG TERM LIABILITIES</b> <i>Liabilities payable beyond one year.</i>		
320	Loans Payable- Long Term	<i>The indebtedness of the cooperative to financial institutions, other cooperatives, or person(s), payable beyond one year.</i>
321	Revolving Capital Payable	<i>The deferred payment of interest on share capital and patronage refund, which should be agreed upon in the General Assembly.</i>
322	Retirement Fund Payable	<i>Accumulated retirement benefit costs charged against the income of the cooperative over the expected remaining working lives of participating employees.</i>
323	Other Long Term Payables	<i>Other long-term liabilities not elsewhere classified.</i>
<b>OTHER LIABILITIES</b> <i>The totality of all other liabilities that cannot be classified under any of the preceding liability accounts.</i>		
331	Deposits for Share Capital Subscription	<i>Amount paid by the members for future subscription of additional share capital when the authorized capital has been fully subscribed and paid pending amendment of the Cooperative's Articles of Cooperation and By-laws.</i>
332	Project Subsidy Fund Payable	<i>Unused portion of the donation/grant for training, salaries and wages, etc.</i>

<b>Account Title</b>		<b>Brief Definition/Description</b>
333	Mutual Benefit Funds Payable	<i>Funds for special purposes such as member's welfare and benefits, i.e., loan protection, hospitalization, death aid, etc., including KBGF/CGF not taken from net surplus.</i>
334	Due to Head Office /Branch/Subsidiary	<i>Liabilities to head office/branch or subsidiary.</i>
EQUITY ACCOUNTS <i>Excess of a cooperative's assets over its liabilities.</i>		
MEMBERS' EQUITY <i>Interest of members in the cooperative.</i>		
361	Subscribed Share Capital – Common	<i>The amount of share capital subscribed by regular members payable over a certain period of time.</i>
362	Subscription Receivable – Common	<i>The total unpaid subscribed share capital of regular members.</i>
363	Paid-up Share Capital – Common	<i>Subscribed share capital paid by the regular member to the cooperative that is not withdrawn during the term of his/her membership in the cooperative.</i>
364	Treasury Share Capital – Common	<i>Common shares bought back by the cooperative. This account should only be used in the event that there are no members who are willing to buy the shares of outgoing members.</i>
365	Subscribed Share Capital – Preferred	<i>The amount of share capital subscribed by members (regular and associate), payable over a certain period of time.</i>
366	Subscription Receivable – Preferred	<i>The total unpaid subscribed share capital of members (regular and associate).</i>
367	Paid-up Share Capital – Preferred	<i>Preferred share capital subscribed and paid by the members (regular and associate).</i>
368	Undivided Net Surplus (Loss)	<i>The accumulated net surplus of the cooperative that will be allocated and distributed at the end of each accounting period in accordance with Articles 86 and 87 of RA 6938.</i>
DONATIONS / GRANTS		
381	Donations and Grants	<i>Amounts received by the cooperative as awards, subsidies, grants, aids, awards, etc. This shall not be available for distribution as interest on share capital and patronage refund.</i>
STATUTORY FUNDS <i>Mandatory funds established/set up in accordance with Articles 86 and 87 of the cooperative code.</i>		
391	Reserve Fund	<i>Amount set aside annually for the stability of the cooperative (equivalent to at least 10% of net surplus). A corresponding fund should be set up either in the form of time deposit with</i>

<b>Account Title</b>		<b>Brief Definition/Description</b>
		<i>local banks or government securities. Only the amount in excess of the share capital may be used for the expansion and authorized investment of the cooperative as provided for in its by-laws.</i>
392	Education and Training Fund (local)	<i>The amount retained by the cooperative out of the mandatory allocation as stipulated in the cooperative's by laws.</i>
393	Optional Fund	<i>Fund set aside from the net surplus (should not exceed 10%) for future use such as land and building, community developments, etc.</i>
<b>STATEMENT OF OPERATION</b>		
<b>REVENUES</b>		
<i>Gross increases in assets or gross decreases in liabilities recognized and measured in conformity with generally accepted accounting principles that result from those types of earning activities of a cooperative that can change owners' equity.</i>		
401	Interest Income from Loans	<i>Income earned and collected by the cooperative from the interest charged on the loans granted to their members.</i>
405	Service Fees	<i>Fees collected by the cooperative for loan processing/ servicing/collecting.</i>
406	Filing Fees	<i>Fees collected by the cooperative upon the filing of loan applications by the member-borrowers.</i>
407	Fines, Penalties, Surcharges	<i>Fees imposed and collected by the cooperative on the delayed amortization payments of the member-borrower.</i>
408	Membership Fees	<i>Amount collected from the cooperative's member-applicants upon approval of their membership in the cooperative.</i>
409	Income/Interest from Investment	<i>Income earned by the cooperative from bank deposits and investments made in financial institutions/government/ business organizations. This shall include interest income derived from the deposit of statutory funds in the bank until utilized. Interest on these funds shall not be used to increase the fund.</i>
410	Miscellaneous Income	<i>All other income earned by the cooperative for which no specific account has been set-up.</i>
<b>EXPENSES</b>		
<i>Gross decreases in assets or gross increases in liabilities recognized and measured in conformity with generally accepted accounting principles that result from those types of earning-directed activities of a cooperative than can change members' equity.</i>		
<b>FINANCING COSTS</b>		
501	Interest Expense on Deposits	<i>Interest incurred on savings and time deposits of both regular and associate members.</i>

<b>Account Title</b>	<b>Brief Definition/Description</b>
502 Interest Expense on Borrowings	<i>Interest incurred on borrowings.</i>
503 Other Charges on Borrowings	<i>Service charges, filing fees and other fees for borrowings incurred by the cooperative.</i>
<b>ADMINISTRATIVE COSTS</b>	
516 Salaries and Wages	<i>Amount incurred for services rendered by employees including overtime pay.</i>
517 Employees' Benefits	<i>Benefits given to employees other than salaries and wages.</i>
518 SSS/ECC/PhilHealth, Pag-ibig Contributions	<i>The cooperative's share in the employees' contribution to SSS, ECC, PhilHealth, Pag-ibig.</i>
519 Retirement Benefit Expense	<i>The cost of providing retirement benefits to employees for their services rendered. The cost of retirement benefits is recognized as an expense in the periods during which the services are rendered.</i>
538 Officers' Honorarium and Allowances	<i>Amount incurred for services rendered by directors, committee members, and officers.</i>
539 Trainings and Seminars	<i>Amount incurred for officers, directors, members and employees, for attending trainings and seminars including all expenses related thereto after exhausting the CETF (local). For purposes of analysis, amount incurred may be classified as to the recipients of the trainings and seminars.</i>
540 Office Supplies	<i>Expenses incurred for stationery and various supplies used for operation.</i>
551 Power, Light and Water	<i>Cost of electricity, water, gasoline, diesel, oil and lubricants incurred in business operations.</i>
552 Travel and Transportation	<i>Amount incurred for fares, gasoline and fuel for service vehicles, toll fees, board and lodging, per diem and meal allowances of officers and employees and members while on official travel.</i>
553 Insurance	<i>Expenses incurred to insure the assets/properties of the cooperative and the bonds of accountable officers and employees.</i>
554 Repairs and Maintenance	<i>Expenses incurred in the repair and maintenance of each facility and equipment except major repairs that prolong the life of the asset.</i>
555 Rental	<i>Expenses incurred for building/office spaces or facilities leased by the cooperative.</i>
556 Taxes and Licenses	<i>Expenses incurred for taxes and fees due to government entities, both national and local.</i>

<b>Account Title</b>		<b>Brief Definition/Description</b>
557	Professional Fees	<i>Fees and related expenses incurred for professional services rendered.</i>
558	Communication Expense	<i>Amount incurred for courier (letters), telephone, e-mail, fax, internet, messengerial, and all other means of communication.</i>
559	Representation	<i>Expenses incurred related to accommodating visitors and guests on official business.</i>
560	General Assembly Expenses	<i>Expenses incurred in the conduct of general assembly meeting whether regular or special.</i>
561	Meetings and Conferences	<i>Expenses incurred for meetings and conferences of directors, committee members, officers and staff.</i>
562	Bank Charges	<i>Bank fees and other charges.</i>
563	Collection Expense	<i>Amounts, including commissions, incurred as incentives in effecting the collection of loans of the cooperative.</i>
564	Litigation Expenses	<i>Expenses incurred in legal cases.</i>
565	Affiliation Fees	<i>Amount incurred to cover membership or registration fees and annual dues to a federation or union.</i>
566	Social Services Expenses	<i>Expenses incurred by the cooperative in its social community involvement including provision for KBGF/CGE</i>
567	Promotional Expenses	<i>Expenses incurred for advertising and promotions.</i>
568	Periodicals, Magazines, Subscriptions	<i>Expenses incurred for periodicals, magazines and other publications.</i>
569	General Support Services guards, janitors and messengers.	<i>Expenses incurred for employing the services of security</i>
570	Members' Benefit Expenses	<i>All expenses incurred for the benefit of the members.</i>
575	Miscellaneous Expense	<i>All other expenses incurred by the cooperative not classified under any of the specified expense accounts.</i>
576	Depreciation and Amortization	<i>Amount provided for wear and tear of property and equipment and amortization of intangible assets.</i>
577	Amortization of Leasehold Rights and Improvements	<i>Amount provided for amortization of leasehold rights and improvements.</i>
578	Provision for Probable Losses on Loans	<i>Allocation or provision for estimated losses arising from probable uncollectible accounts/loans.</i>
<b>EXTRAORDINARY ITEMS</b>		
590	Project Subsidy	<i>This shall appear at the statement of operation as a contra account to Subsidized Project Expenses.</i>

<b>Account Title</b>		<b>Brief Definition/Description</b>
591	Subsidized Project Expense	<i>Portion of the Project Subsidy Fund expended for training, salaries and wages and other activities subsidized by donations and grants.</i>
592	Gain or Loss on Sale of Acquired Assets/Properties and Equipment	<i>Gain or loss derived from the sale of acquired assets/properties and equipment.</i>
593	Gain or Loss on Investment	<i>Income earned or loss incurred from the disposal or permanent decline of value of investments.</i>

## **V. Pro-forma Financial Reports with supporting schedules**

For purposes of monitoring, supervising and regulating credit cooperatives and other types of cooperatives with credit services, the basic financial reports include the following:

- a. Statement of Financial Condition
- b. Statement of Operation
- c. Statement of Cash Flows
- d. Related schedules such as:
  - Bank reconciliation
  - Aging of loans receivables
  - Property and equipment
  - Members' loans receivables, savings/time deposits, subscribed and paid-up share capital
  - Investments
  - Accounts payable
  - Loans payable
  - Uses of:
    - a) Reserve fund
    - b) Optional fund
    - c) Education and training fund
      - Apex
      - Local

## A. STATEMENT OF FINANCIAL CONDITION

Name of Cooperative  
 Address of Cooperative  
 Registration/Confirmation No.  
 Statement of Financial Condition  
 As of \_\_\_\_\_

	Current Year	Prior Year
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash on Hand		
Cash in Bank		
Petty Cash Fund		
Revolving Fund		
Cash Advances to Officers & Employees		
Short Term Investment		
Loans Receivable		
Current		
Restructured		
Past Due		
In Litigation		
Total Loans Receivables		
Less: Allowance for Probable Losses on Loans		
Receivables from Accountable Officers & Employees		
Other Receivables		
Unused Office Supplies		
Prepaid Expenses		
<i>Total Current Assets</i>		
<b>Long-Term Investments</b>		
Cooperatives		
Government Securities/Bonds		
Others		
<i>Total Long-Term Investments</i>		
<b>Property &amp; Equipment</b>		
Land		
Land Improvements		
Less: Accumulated Depreciation – Land Improvements		
Building		
Less: Accumulated Depreciation – Building		
Furniture, Fixtures & Office Equipment		
Less: Accumulated Depreciation – FF & OE		
Transportation Equipment		
Less: Accumulated Depreciation – Trans. Equipment		
Leasehold Rights and Improvements		
<i>Total Property &amp; Equipment</i>		
<b>Other Assets</b>		
Organizational Costs		



	Current Year	Prior Year
Computerization Costs		
Other Funds and Deposits		
Due from Head Office/Branch Subsidiary		
Assets Acquired in Settlement of Loans		
Other Land		
Other Building		
Less: Accumulated Depreciation – Other Building		
Miscellaneous Assets		
<i>Total Other Assets</i>		
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Savings Deposits		
Time Deposits		
Loans Payable – Short Term		
SSS/ECC/Phil health Premium & Pag-ibig		
Contributions Payable		
Withholding Tax Payable		
Accrued Expenses		
Interest on Share Capital Payable		
Patronage Refund Payable		
Due to CETF (Apex)		
Unearned Income		
Other Payables		
<i>Total Current Liabilities</i>		
<b>Long-Term Liabilities</b>		
Loans Payable – Long Term		
Revolving Capital Payable		
Retirement Fund Payable		
Other Long –Term Payables		
<i>Total Long-Term Liabilities</i>		
<b>Other Liabilities</b>		
Deposits for Share Capital Subscription		
Project Subsidy Fund Payable		
Mutual Benefit Funds Payable		
Due to Head Office/Branch/Subsidiary		
<i>Total Other Liabilities</i>		
<b>TOTAL LIABILITIES</b>		

	<b>Current Year</b>	<b>Prior Year</b>
<b>EQUITY</b>		
<b>Members' Equity</b>		
Common Share Capital – Authorized Share Capital _____ Shares @ P _____ par value		
Subscribed Share Capital – Common		
Less: Subscription Receivable – Common		
Paid-Up Share Capital – Common		
Treasury Shares (Common)		
Preferred Shares Capital – Authorized Share Capital _____ Shares @ P _____ par value		
Subscribed Share Capital – Preferred		
Less: Subscription Receivable – Preferred		
Paid-Up Share Capital – Preferred		
<i>Total Paid-Up Share Capital</i>		
*Undivided Net Surplus		
<i>Total Members' Equity</i>		
Donations/Grants		
Donations and Grants		
<b>Statutory Funds</b>		
Reserve Fund		
Education & Training Fund (Local)		
Optional Fund		
<i>Total Statutory Funds</i>		
<b>TOTAL LIABILITIES AND EQUITY</b>		

\* To be used only for interim statement of financial condition

## B. STATEMENT OF OPERATION

Name of Cooperative  
 Address of Cooperative  
 Registration/Confirmation No.  
 Statements of Operation  
 For the Years Ended \_\_\_\_\_

	Current Year	Prior Year
<b>REVENUE</b>		
Interest Income from Loans		
Service Fees		
Filing Fees		
Fines, Penalties, Surcharges		
Membership Fees		
Income/Interest from Investment		
Miscellaneous Income		
<i>Total Revenue</i>		
<b>EXPENSES</b>		
<b>Financing Costs</b>		
Interest Expense on Deposits		
Interest Expense on Borrowings		
Other Charges on Borrowings		
<i>Total Financing Costs</i>		
<b>Administrative Costs</b>		
Salaries and Wages		
Employees' Benefits		
SSS, ECC, PhilHealth, Pag-Ibig Contributions		
Retirement Benefit Expense		
Officers' Honorarium & Allowances		
Training/Seminars		
Office Supplies		
Power, Light and Water		
Travel and Transportation		
Insurance		
Repairs and Maintenance		
Rental		
Taxes and Licenses		
Professional Fees		
Communication Expense		
Representation		
General Assembly Meeting Expenses		

	Current Year	Prior Year
Meetings and Conferences		
Bank Charges		
Collection Expenses		
Litigation Expenses		
Affiliation Fees		
Social Services Expenses		
Promotional Expenses		
Periodicals, Magazines, Subscriptions		
General Support Services		
Members' Benefit Expenses		
Miscellaneous Expenses		
Depreciation and Amortization		
Amortization of Leasehold Rights & Improvements		
Provision for Probable Losses on Loans		
<i>Total Administrative Costs</i>		
Total Expenses before Subsidized Project Expenses		
Add: Subsidized Project Expenses		
<b>TOTAL EXPENSES</b>		
Net Surplus before Project Subsidy		
Add: Project Subsidy		
<b>Net Surplus on Operations</b>		
Add/(Deduct) Extraordinary Items		
Gain or Loss on Sale of Acquired Assets/ Property & Equipment		
Gain or Loss on Investment		
<b>NET SURPLUS (FOR ALLOCATION)</b>		
Reserve Fund – Minimum of 10% of Net Surplus (NS)		
Coop Education & Training Fund – Maximum of 10% of NS		
Optional Fund – Maximum of 10% of NS		
Amount Available for Interest on Share Capital and Patronage Refund		
<b>NET SURPLUS (AS ALLOCATED)</b>		

## C. STATEMENT CASH FLOWS

Name of Cooperative \_\_\_\_\_  
 Address of Cooperative \_\_\_\_\_  
 Registration/Confirmation No. \_\_\_\_\_  
 Statement of Cash Flows  
 For the Years Ended \_\_\_\_\_ and \_\_\_\_\_

	Current Year	Prior Year
<b>Cash Flows from Operating Activities</b>		
Net Surplus		
Adjustments to reconcile net surplus to net cash provided by operating activities		
Add: Depreciation and amortization		
Provision for probable losses on loans		
Amortization of leasehold rights & improvements		
Increase in other liabilities		
Increase in operating assets & liabilities		
Less: Gain on sale of acquired assets/properties and equipment		
Undistributed income/interest from investment		
Total Adjustments		
<b>Net cash provided by operating activities</b>		
<b>Cash flows from investing activities</b>		
Proceeds from sale of acquired assets/properties and equipment		
Income/Interest on investments		
Gain on sale of investments		
Less: Capital expenditures		
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Net borrowings under line-of-credit agreement		
Less: Principal payments		
Proceeds from issuance of long-term agreement		
Proceeds from issuance of share capital		
Less: Interest on share capital & patronage refund paid		
<b>Net cash provided by financing activities</b>		
<b>Net Increase in Cash and Cash Equivalents</b>		
<b>Cash and Cash Equivalent at beginning of year</b>		
<b>Cash and Cash equivalent at end of year</b>		

## **I. Sanctions**

Credit and other types of cooperatives with credit services, which fail to comply with this Circular, shall be subject to the following sanctions:

- a. First non-compliance, the Authority shall issue warning to concerned cooperatives;
- b. Second non-compliance, certificate of good standing shall not be issued by the Authority;
- c. Third non-compliance, cooperative shall be cancelled after compliance with due process of law.

## **II. Transitory Provision**

All credit and other types of cooperatives with credit services shall within one (1) year from the effectivity of this Circular install necessary adjustments on their existing systems in order to comply with it. Provided however, that the aforesaid sanctions under item VI hereof shall not be imposed during the transition period.

## **III. Repeals**

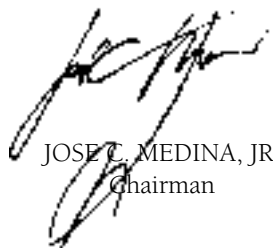
All circulars, regulations, issuances or parts thereof, inconsistent with any of the provisions of this Circular are hereby repealed or modified accordingly.

## **IV. Separability Clause**

Should any part of this Circular be declared invalid or unconstitutional, the rest of the provisions not affected thereby shall continue in full force and effect.

## **V. Effectivity**

This Circular shall be published in two newspapers of general circulation or official gazette and shall take effect on the first day of January, 2003.



JOSE C. MEDINA, JR.  
Chairman