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SPECIAL REPORT

STATUS OF FINANCIAL REPORTING PRACTICES OF PUBLICLY LISTED FIRMS IN THE PHILIPPINES

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This article summarizes the results of a study examining the 2001 and 2002 financial statements of publicly listed firms for compliance with financial reporting requirements. The requirements are embodied in the Securities Regulation Code Rule 68 and the Accounting Standards Council Statements of Financial Accounting Standards.

The results of the study showed that most of the listed firms follow most of the prescribed rules. However, only 7 percent of the statements reviewed followed all the rules. Common infractions were lack of disclosures on long-term debt, property, plant, and equipment, related party transactions, and accounts and notes receivable. Most grave among the incidents of noncompliance with the rules, with potentially very harmful effects, were accounting treatment violations.

The results also showed marked improvement in financial reporting practices in 2002, compared to 2001.

I. INTRODUCTION

Information is the lifeblood of an efficient capital market. Without relevant, timely, and accurate information, investors will not have a basis, or will have an erroneous basis, for their decision-making. The risk of investments thus becomes higher. Many investors may be deterred by the higher risk, to the detriment of the economy. Most of the information necessary to make an investment decision is financial in nature. To the outside or public investor, the means to gather such information is primarily through the financial statements issued by the firms.

To ensure fair reporting, financial statements must be prepared following generally accepted accounting principles (GAAP) and other rules and regulations promulgated by professional associations and regulatory agencies. These statements are then reviewed by independent auditors and regulatory agencies for conformance.

In the Philippines, the accounting standards are established by the Accounting Standards Council (ASC). This is the national accounting body and is composed of eight members coming from the Philippine Institute of Certified Public Accountants, the Securities and Exchange Commission (SEC), the Bangko Sentral ng Pilipinas (BSP), the Board of Accountancy, and the Financial Executives Institute. The ASC publishes the accounting standards in documents called Statements of Financial Accounting Standards (SFAS).

The Securities and Exchange Commission has regulatory powers over corporations in the country. Rule 68 of its implementing rules and regulations deals with the form and content of financial statements including accounting standards. The SEC adopts the

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SFAS as generally accepted accounting principles.

The increasing importance of cross-country investments brought out a need for globally adopted standards. The International Accounting Standards Board (IASB), a privately funded and multinational organization based in the United Kingdom, establishes international accounting standards (IAS) and works with national bodies to achieve uniformity around the world. While the ASC takes into consideration the international accounting standards in promulgating the Philippine SFAS, there have been, and still are, differences between the two sets of standards. However, the ASC and the SEC have agreed to adopt the IAS according to an implementation schedule starting Year 2001. By 2005, the Philippines will be compliant with all IAS.

Clear and consistent standards are important in promoting the fairness of financial reports. Conformance by the companies with these standards is just as important. A number of recent highly publicized business scandals involving fraudulent reporting has dramatized the need for vigilance over financial reporting practices. In the Philippines, the Securities and Exchange Commission instituted a number of measures to improve its overseer functions. One of these measures was to have a large sample of financial statements submitted by corporations reviewed by independent analysts for conformance with its Rule 68. The results of the review were used as bases for the SEC to impose sanctions/fines against the erring firms. The University of the Philippines College of Business Administration (UPCBA) was chosen to be the independent reviewer. This paper presents a summary of the results of the review.

II. PREVIOUS STUDIES

In 1997, a team of UPCBA faculty members examined 422 financial statements from 1991 to 1995 of 132 firms listed in the Philippine Stock Exchange (PSE). The purpose of the examination was to determine the degree of compliance by Philippine listed firms to generally accepted accounting principles for financial reporting. Cayanan and Valderrama (1997)[1], in their paper integrating the results of the examination, found that the firms complied with most GAAP but there were instances of significant violations which could result in damage to investors and other users of the financial reports. Also, firms generally presented only the minimum amount of disclosures required. Most instances of non-compliance dealt with disclosures on consolidation, long-term investments, earnings per share, and operating expenses.

Echanis (2002)[2] described some problems in financial reporting in the Philippines. She found that the problems were the combined result of weak monitoring by regulatory agencies, active attempts by reporting firms to influence external auditors, inconsistent application of GAAP by external auditors, and lack of detail in SFAS issued by the ASC.

III. SCOPE AND METHODOLOGY

A total of 239 financial statements of 163 listed companies for the years 2001 and/or 2002 was submitted by the SEC to UP for review.[3] These statements were examined for compliance with the provisions of Rule No. 68 of the Securities Regulation Code of the SEC and the SFAS and IAS in operation at the time the statements were prepared.[4] The study used only the information contained in the financial statements. No re-audit or follow-up investigation was conducted.

Appendix A lists all the companies/ statements included in the study. The 163 companies reviewed comprise 71 percent of the 231 firms listed on the PSE as of December 2002. On a yearly basis, 52 percent of the listed companies were reviewed. All 14 PSE sector classifications were represented in the review. There was significant representation in each of the sector classifications (50 percent or more of total listed companies in the sector), except for the Banks and Financial Services sector. This sector is composed largely of banks. Banks fall more under the supervision of the Bangko Sentral ng Pilipinas than of the SEC. Table 1 shows the sectoral profile of the firms included in the study.

IV. FINDINGS

Audit Opinions

The 239 financial statements reviewed were audited by 18 CPA firms or individuals (with two statements with unknown auditors). Three firms audited 78 percent of all statements reviewed.

Table 2 shows the summary of the audit opinions of the statements. Appendix B shows the sectoral breakdown.

Of the 239 statements, 208 statements, or 87 percent of the total, were found by their auditors to be fair presentations of their financial condition and results of operations following generally accepted accounting principles and were thus given unqualified opinions. Of the unqualified opinions, 32, or 13 percent of total statements reviewed had cautionary paragraphs appended to them. These cautionary paragraphs expressed some uncertainty as to the ability of the firms to continue as going concerns or to recover material investments.

Twenty-three statements, or 10 percent of total, had qualified opinions. Reasons for the qualifications were the following:

- Inappropriate accounting treatment of certain transactions. These included booking of losses directly to retained earnings, non-accrual of retirement benefits, capitalization of foreign currency charges, non-accrual of interest charges, capitalization of administrative and operating expenses during pre-operations or suspension of operations, and charging of depreciation to revaluation increment. (8 cases)
- Lack of supporting documents for certain transactions (4 cases)
- Incomplete or no audits of subsidiaries and affiliates (4 cases)
- Unconfirmed receivables (2 cases)
- Indeterminate investment values (2 cases)
- Doubtful recovery of assets (1 case)
- Lack of supporting documents (1 case)
- Doubtful continuance of firm as a going concern (1 case)

No financial statement had an adverse opinion.

Two statements had no opinion from their auditors. An unfinished audit was cited as the reason for one, and the other was because collectibility of sizeable receivables from affiliates could not be determined.

The opinion on five statements could not be ascertained because no audit certificate was attached to the financial statements given to the reviewers.

Year-on-year comparisons of total audit opinions show that there was a movement from unqualified opinions to unqualified opinions with cautionary paragraphs. Unqualified opinions decreased from 79 percent of total statements in 2001 to 69 percent in 2002, with the same increase in unqualified opinions with cautionary paragraphs.

Sector-wise, the percentage of unqualified opinions to sector total statements ranged from 67 percent to 100 percent as compared to the study-wide average of 87 percent. On the basis of the audit opinion, the top-ranked sectors for proper financial reporting practices are:

	Percent of Opinions were Unqualified
Construction and Other Related Products	100%
Financial Services	100%
Oil	100%
Others	100%
Small and Medium Enterprises	100%
Transportation	100%

The Others and Small and Medium Enterprise Sector percentages may not be significant as there was only one financial statement reviewed in each of these sectors.

On the other hand, the lowest ranked sectors were:

	Percent of Opinions were Unqualified
Mining	67%
Hotel, Recreation, and Other Services	70%
Communications	76%

The auditors' cautionary paragraphs, in the cases of the companies reviewed, were usually for going concern issues and recoverability of investments. The sectors/ industries given the most opinions with cautionary paragraphs by their auditors are:

	Percent of Opinions were with Cautionary Paragraphs
Oil	40%
Power and Energy	29%
Communications	20%

Sectoral year-on-year comparisons exhibited the same decrease as that of total statements from unqualified opinions to unqualified opinions with cautionary paragraphs, or even to qualified opinions. An exception was the Hotel, Recreation, and Other Services sector which increased its unqualified opinions and decreased its qualified opinions.

Compliance with Generally Accepted Accounting Principles and Other Reportorial Requirements

General

Most of the companies reviewed complied with the basic reporting requirements of the SEC, that is, they submitted their balance sheets, income statements, and cash flow statements with accompanying notes, audit certificates, and management statements of responsibility.

In preparing their statements, the companies mostly complied with the requirements of Rule 68 and the SFAS prevailing at the time of preparation. However, there are numerous provisions of Rule 68 and the SFAS. Of the 239 statements, only 17, or 7 percent of total statements reviewed, were in compliance with all the provisions. The other 222 statements were in violation of one or more of the provisions. There were 824 cases of non-conformance. Table 3 shows the breakdown by type of violation.

The infractions can be grouped into four general areas:

- General form and content of and attachments to the financial statements
- Accounting treatment
- Required disclosures
- Inconsistencies, inaccuracies, and other errors

By far, the greatest number of violations of Rule 68 and the SFAS, 547 instances or 66 percent of all violations, occurred in the area of disclosures, or rather, lack of disclosures. Next most common violation, 162 instances or 20 percent of total, dealt with the general form and content of the financial statements and attachments. Inappropriate accounting treatment of certain items comprised 11 percent of the violations. The remaining 3 percent of violations were of inaccuracies and inconsistencies. On the average, a set of financial statements had 3.4 violations.

On a sectoral basis, the Small and Medium Enterprises sector, the Hotel sector, the Communications sector, and the Property sector had the highest average number of violations per statement at 6.0, 5.5, 4.2, and 4.1 instances, respectively. The Others sector, Transportation sector, and Food and Beverage sector, and had the lowest average number of violations at 1.0, 2.3, and 2.4 cases per statement.

On year-to-year comparisons, the year 2002 showed a marked improvement over year 2001 in terms of proper financial reporting. The instances of non-compliance with Rule 68 and SFAS decreased by about 38 percent, from 510 violations in 2001 to 314 in 2002. The average number of violations per statement went down from 4.3 to 2.6. All the sectors, with the exception of the Financial Services sector and the Power and Energy sector, exhibited improvement. The improvement came mostly from better disclosure practices. There were 389 cases of incomplete or missing disclosures in 2001 as compared to 158 in 2002.

Disclosures

Disclosures are necessary in order to gain a more complete and better understanding of the information contained in the financial statements. That there is such a high incidence of non-disclosure is cause for concern.

The 547 cases of incomplete or missing disclosures involved various areas. The 10 areas with the most violations are presented in Table 4A. Yearly breakdowns are highlighted in Tables 4B and 4C.

The most number of cases, 85 instances, for non-compliance with disclosure requirements was in the area of long-term debt. These statements did not state one or more of the following items, which are required by Rule 68 and SFAS:

- Nature and amount of assets pledged (47 cases)
- Specific interest rates or range of interest rates, periodic installments, maturity dates (21 cases)
- Listing of all long-term debt (11 cases)
- Restrictive covenants (3 cases)
- Indebtedness to affiliates, related parties (2 cases)
- Default of principal or interest payments or other agreements (1 case)

The next most common disclosure violation, 78 instances, dealt with property, plant, and equipment. These statements lacked one or more of the following required disclosures:

- Mortgages and liens (49 cases)
- Appraisal information including appraised values, accumulated depreciation on appraisal, revaluation increment, basis of valuation, date of appraisal, independence of appraiser, accounting policies (11 cases)
- Schedule by major type of property, plant, and equipment and related accumulated depreciation, including changes during the year (9 cases)
- Foreign exchange gains or losses or interest capitalized into the property, plant, and equipment account (5 cases)
- Accounting policies on valuation, maintenance and repair, retirements and disposition, betterments and renewals, etc. (4 cases)

The third-ranked area with the most disclosure infractions, 47 cases, was accounts and notes receivable. The statements did not mention one or more of the following:

- In an unclassified balance sheet, amounts collectible within one year (14 cases)
- Allowance for doubtful accounts not stated on the face of balance sheet or in notes (9 cases)
- Schedule of receivables from directors, officers, and employees including changes within the year and assessment of collectibility (7 cases)
- Liens or pledges (6 cases)
- Accounting policies (5 cases)
- Installment receivables due within one year (4 cases)
- Component breakdown (2 cases)

The fourth-ranked area for disclosure omissions, 44 instances, was related party transactions. The omissions pertained to the following:

- Peso volume of transaction (28 cases)
- Nature of the relationship, description of the transaction, terms of transaction (16 cases)

Next, there were 36 instances of non-disclosure in income taxes broken down as follows:

- Reconciliation of actual tax rate with statutory tax rate (15 cases)
- Components of deferred tax asset/liability (8 cases)
- Tax incentives and net operating loss carryover (8 cases)
- Basis for valuation (5 cases)

The 2001 area rankings of disclosure offenses were similar to that of the overall rankings, particularly for the top positions. In 2002, the top three areas remained the same, that is, long-term debt and property, plant, and equipment, and accounts and notes receivable still had the most number of disclosure violations, but the number of offenses had been dramatically reduced. The improving trend was true for all other areas with the exception of the cash account, changes in accounting policies, and contingencies. For some inexplicable reason, more companies in 2002 did not state their accounting policy on cash or did not use the standard wording in stating the policy. The increase in instances of non-disclosure on effects of changes in accounting policies was probably due to unfamiliarity with the new IAS requirements that went into effect in 2002. The number of non-disclosure cases on contingencies remained about the same for both years.

Most of the sectors mimicked the overall ranking of disclosure violations. But certain sectors produced results stemming from the unique characteristics of their businesses, particularly in 2001. The Holding Company Sector, in addition to the common long-term debt and property, plant, and equipment disclosure infractions, also had numerous instances of non-compliance in the areas of consolidation, related party transactions, and sales. For consolidation, frequently missing or inadequate was separate summarized financial information for subsidiaries engaged in dissimilar activities or for subsidiaries in a significant activity group. For related party transactions, the nature and the amounts of the transactions were not stated. For sales, the breakdown into different types of revenues and the different revenue recognition policies were the usual oversights. The Property Sector had more than the average number of disclosure omissions in accounts receivable due mostly to the classification of its installment receivables and liens and pledges on these assets. It also had a high incidence of non-compliance with related party disclosures. By 2002, these sectors had reduced these omissions.

Statements and Attachments

The next most common type of reporting infraction dealt with the general form and content of financial statements and the required attachments. Besides the basic set of financial statements, the corporations are required to submit in the proper form and with the proper signatories a statement of management responsibility for and the auditor's opinion on the financial statements. The separate report of another auditor, if reliance was placed on his work for part of the audit, and the financial statements of any unconsolidated significant subsidiary must also be submitted.

There were 162 instances of non-conformance with the requirements for the financial statements and attachments. Tables 5A, 5B, and 5C show the summary of these cases.

Ninety-seven of the infractions involved the statement of management responsibility statement (SMR). The SMR was either missing, did not use the prescribed wording, or did not have the mandatory signatures. There was no improvement in this area from 2001 to 2002. The number of violations nearly doubled in 2002. This was probably because the SEC prescribed new wording for the SMR in 2002. The SEC also required the Chairman's signature in 2002 in addition to the Chief Executive Officer and Chief Financial Officer. Many companies seemed unaware of the changes.

As for the audit report, there were 61 cases of non-conformance. In 44 of these cases, there were omissions of certain administrative details to identify and authenticate the auditor, such as, the name of the certifying partner if the report is under a firm name, his Professional Tax Receipt No., his Tax Identification No., the Board of Accountancy/Professional Regulation Commission Registration No. of the firm, and the complete mailing addresses of the auditor and the client. The year-on-year figures again showed a large increase in incidents of this nature in 2002 as compared to 2001. And again, the reason was probably changes in the requirements that the SEC made for 2002. Some auditors did not make the changeover promptly. It is interesting to note that, within the same audit firm, some partners complied with all the new and additional requirements while some did not.

There were only five cases where the audit opinion itself was in question. But even these few cases should not happen at all. If the audit opinion itself is doubtful, then the statements that are being certified are also open to doubt. The cases are described below:

- There were contradictory dates of statements covered within the opinion and the wording of the opinion was not standard. (1 case)
- The auditor expressed an opinion on the fairness of the results of operations, but no income statement was presented. (1 case)
- The auditor expressed an opinion on the fairness of the results of pre-operating financial activities. (1 case)
- The auditor expressed a qualified opinion due to non-accrual of interest. The amounts of non-accrual, as stated in the opinion, were very material. The amount would have wiped out the company's equity. Further review showed that this non-accrual of interest was only one of several major violations of GAAP in the presentation of the financial statements. The gravity of the effects of the violations on the financial accounts may warrant an adverse opinion. (2 cases)

There were four cases of non-conformance with basic form and content of the financial statements. In one case, the statements had no comparative figures. In another case, the report submitted did not include an income statement and a statement of cash flows, with no explanation for the non-submission. One company did not submit the statements of an unconsolidated subsidiary. The last case was due to an uncompleted audit.

Accounting Treatment

Accounting treatment refers to the rules followed in recording and presenting the financial accounts so as to portray a true picture of the business. This is the very heart of financial reporting. Violations in this area often lead to misleading information.

The review of the 239 financial statements uncovered 88 instances of inappropriate accounting treatment, or 11 percent of total cases of non-conformance with the provisions of Rule 68 and SFAS. Though violations of this nature were not prevalent, that they exist and in significant number is cause for major concern. Tables 6A, 6B, and 6C classifies the violations according to area or account.

The most instances of inappropriate accounting treatment, 10 cases, were in inventories. Following are the types of infractions:

- Valuation at cost; should be at lower of cost or net realizable value
- Valuation at cost-plus-capitalized interest while under construction; should be at lower of cost or net realizable value
- Land held for future development included in inventory of lots, houses and condominiums for sale; should be classified as long-term investment
- Parts and supplies included in main inventory; should be segregated
- Livestock breeders were classified as inventory; should be in a separate category

Sales/Revenues was the next area of most number of cases of inappropriate accounting treatment. All nine cases dealt with real estate sales and had the same shortcoming. They recognized revenue from sale of subdivision lots, houses, condominium units, and golf shares upon receipt of 25 percent of total price or "sufficient" downpayment. This will only be considered within GAAP if all the sales were of fully completed or developed units. Otherwise, the percentage of completion must be considered in recognizing revenue.

Third-ranked area for accounting treatment problems, eight cases, was Other Assets. Inappropriate practices were as follows:

- Deferred exploration and development costs are included in Other Assets but there have been no mining operations since 1991; these should be written off.
- Oil exploration and development costs were included in Other Assets and amortized as income permits; a consistent amortization method should be used.
- Research and development costs were capitalized and included in Other Assets; these should have been expensed.
- General and administrative expenses incurred prior to commercial operations were capitalized into Other Assets; these should have been expensed.
- Other Assets included sizeable receivables from affiliates; no allowances for uncollectibility were provided.
- Investment in subsidiary were included in Other Assets; should have been placed in Investments account.
- Other investments with no ready market was included in Other Assets and classified as current; should be classified as non-current.
- Livestock breeders were placed under the Other Assets account and classified as current; should have been placed under a separate category.

Accounts and notes receivable was another problematic area for accounting treatment with six cases. Violations included the following:

- Inadequate or no allowance for bad debts in spite of some indications in other parts of the financial statements that there may be some uncollectible accounts.
- Claims under litigation classified as receivable, classified as current.
- Long-term receivables classified as current.
- Interest income not accrued.

There were a number of other questionable accounting practices. While occurring infrequently, inappropriate accounting treatment has great potential for misleading information. Due emphasis must be given to the correction of these practices. A complete list of accounting treatment violations uncovered during the review is given in Appendix C.

Inaccuracies, inconsistencies, and other errors

While it is not explicitly stated in Rule 68 or the SFAS, it is understood that all financial statements and related attachments should be free of mathematical, proofreading, and other such errors. At best, errors of this type reduce confidence in the financial statements, and at worst, it can result in misleading information. Twenty-seven statements of the 239 statements reviewed, or about 3 percent, exhibited inaccuracies. The specific errors are listed below:

- There were discrepancies among the figures presented in the financial statements, the notes, and the supplementary schedules.
- There were discrepancies among the figures in the balance sheet, the income statement, the cash flow statement.
- Net loss reported in the income statement was different from that used in EPS computations.
- Some figures do not make sense. For example, the bad debts expense for the year is larger than the beginning balance of receivables and revenues for the year.
- Referrals to note numbers were erroneous.
- The notes to referrals from the financial statements were missing.
- Incorrect schedules were submitted.

V. SUMMARY AND CONCLUSIONS

The review of 239 financial statements for the years 2001 and 2002 of 163 companies listed with the Philippine Stock Exchange showed that most of the listed firms follow most of the provisions of the SEC's financial reporting requirements including the ASC's financial accounting standards. Auditors gave unqualified audit opinions to 86 percent of these statements. Nonetheless, there is much room for improvement of financial reporting practices, as only 7 percent of the statements were found to be compliant with all the prescribed rules. The rules were designed to ensure fair financial reports. A break from the rules could result in misleading information and could potentially damage users of the financial statements.

The most common infraction against the Rule 68 and the SFAS was lack of disclosures, particularly for long-term debt, property, plant, and equipment, related party transactions, and accounts and notes receivable. Historically, management has been slow in providing additional information. The spirit of transparency and the desire to facilitate understanding of the financial statements should be instilled in management and auditors, especially of publicly listed firms.

The next most common type of non-conformance with the rules dealt with the attachments to the financial statements, notably the form and content of the management responsibility statement and the audit opinion certificate. These violations can be easily rectified through effective communication of requirements and the continuous training of concerned parties.

While accounting treatment violations were not as numerous as other types of offenses against reporting rules, their effects are potentially the most grave. Concerted effort must be exercised by the SEC, professional regulatory bodies, and professional associations to eradicate this type of violation. The more common accounting treatment violations uncovered by the study involved inclusions in and valuation of inventories, recognition of revenue, deferral of development costs, and valuation and classification of accounts and notes receivable.

Judging by the marked decrease in violations against Rule 68 and the SFAS from 2001 to 2002, the increased attention (detailed review of financial statements, fines and other sanctions) of the SEC over financial reporting practices has yielded positive results. But the number of violations is still high, and unrelenting vigilance remains the strategy to achieve an efficient flow of information in the Philippine equities market.

NOTES

[1] Cayanan, A. and Valderrama H. (1997-98), "Financial reporting practices of listed firms." *Philippine Management Review*, 7 (1), pp. 1-17.

[2] Echanis, Erlinda S. (2002) "Financial reporting in the Philippines: Issues and Reforms" in Financial Services in the Evolving Global Marketplace (Eds.) Lyn, E. and G. Papaioannou, Hofstra University, pp. 182-191.

[3] The SEC submitted at total of 318 statements for review. Of these, 79 statements were of companies not listed in the Philippine Stock Exchange and are not the subject of this paper.

[4] A team of faculty members from the U. P. College of Business Administration reviewed the statements and provided the individual company results for this paper. The members of the team were: Dr. Erlinda S. Echanis (Project Director), Prof. Marie-Therese F. Agustin (Project Manager), Profs. Arthur S. Cayanan and Helena S. Valderrama (Module Leaders), Profs. Lina J. Valcarcel and Sofia S. Rico, Daniel Vincent H. Borja, Pedro B. De Ocampo, Jude S. Doliente, Joselito G. Florendo, Demelinda Lagunzad, Dani Rose C. Salazar, Jocelyn S. Trinidad and Debbie Chua Bun Pho (Members). The author thanks the study team for supplying the material for this article. Special thanks goes to Prof. Helena S. Valderrama and the reviewers of the Philippine Management Review for their insightful comments and helpful suggestions. The author also extends her appreciation to the Securities and Exchange Commission, through Atty. Roberto Manabat, who allowed the use of the results of their commissioned study.

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Securities Regulation Code, Implementing Rules and Regulations No. 68 and amendments, Securities and Exchange Commission (Philippines)

Statements of Financial Accounting Standards Nos. 1-39, Accounting Standards Council (Philippines)

Table 1: Sectoral Classification of Financial Statements Reviewed

Sector	2001			2002			Total		
	No. of Cos./ Statements Reviewed	No. of Listed Cos.	% Cos. Reviewed to Listed Cos.	No. of Cos./ Statements Reviewed	No. of Listed Cos.	% Cos. Reviewed to Listed Cos.	No. of Cos. *	No. of Listed Cos.	% Cos. Reviewed to Listed Cos.
Communications	12	16	75%	13	17	76%	17	17	100%
Construction and Other Related Products	3	12	14%	7	11	64%	7	11	64%
Financial Services	4	25	16%	4	26	15%	6	26	23%
Food, Beverage, and Other Related Products	6	13	46%	8	13	62%	10	13	77%
Holding Companies	33	63	52%	35	65	54%	48	65	74%
Hotel, Recreation and Other Services	4	9	44%	6	9	67%	7	9	78%
Manufacturing, Distribution & Trading	13	25	52%	10	24	42%	16	24	67%
Mining	7	16	44%	5	15	33%	8	15	53%
Oil	4	10	40%	6	10	60%	7	10	70%
Others	1	2	50%	0	2	0%	1	2	50%
Power and Energy	3	3	100%	3	4	75%	3	4	75%
Property	22	27	81%	17	28	61%	26	28	93%
Small and Medium Enterprise	1	1	100%	1	1	100%	1	1	100%
Transportation Services	5	6	83%	6	6	100%	6	6	100%
TOTAL *	118	228	52%	121	231	52%	163	231	71%

* There were 163 companies included in the review. Of these, 76 submitted statements for both 2001 and 2002, for a total of 239 statements reviewed.

Table 2: Audit Opinions of Financial Statements Reviewed

Type of Audit Opinion	2001		2002		Total	
	No.	%	No.	%	No.	%
Unqualified	93	79%	83	69%	176	74%
Unqualified with cautionary paragraph	10	8%	22	18%	32	13%
Qualified	11	9%	12	10%	23	10%
Adverse	0	0%	0	0%	0	0%
No opinion	2	2%	1	1%	3	1%
Unknown	2	2%	3	3%	5	2%
Total	118	100%	121	101%	239	100%

Table 3: Summary of Non-conformance with SEC Rule 68

Sector/Type of Violation	2001						2002						TOTAL 2001-2002					
	Statements and Attachments	Accounting Treatment	Disclosures	Errors	Total Violations	Ave. Violations per Statement	Statements and Attachments	Accounting Treatment	Disclosures	Errors	Total Violations	Ave. Violations per Statement	Statements and Attachments	Accounting Treatment	Disclosures	Errors	Total Violations	Ave. Violations per Statement
Communications	10	2	51	1	64	5.3	15	6	19	1	41	3.2	25	8	70	2	105	4.2
Construction and Other Related Products	0	1	11	1	13	4.3	6	2	8	1	17	2.4	6	3	19	2	30	3.0
Financial Services	3	2	5	2	12	3.0	5	4	8	1	18	4.5	8	6	13	3	30	3.8
Food, Beverage, and Other Related Products	2	5	18	0	25	4.2	3	2	4	0	9	1.1	5	7	22	0	34	2.4
Holding Companies	17	14	82	0	113	3.4	32	10	46	2	90	2.6	49	24	128	2	203	3.0
Hotel, Recreation and Other Services	5	3	27	2	37	9.3	4	1	13	0	18	3.0	9	4	40	2	55	5.5
Manufacturing, Distribution & Trading	4	6	47	3	60	4.6	7	4	7	2	20	2.0	11	10	54	5	80	3.5
Mining	5	3	13	1	22	3.1	0	2	7	2	11	2.2	5	5	20	3	33	2.8
Oil	5	1	15	0	21	5.3	7	0	6	1	14	2.3	12	1	21	1	35	3.5
Others	0	0	1	0	1	1.0	0	0	0	0	0	Und.	0	0	1	0	1	1.0
Power and Energy	2	2	7	0	11	3.7	3	3	5	0	11	3.7	5	5	12	0	22	3.7
Property	5	10	91	2	108	4.9	16	5	25	5	51	3.0	21	15	116	7	159	4.1
Small and Medium Enterprise	2	0	7	0	9	9.0	1	0	2	0	3	3.0	3	0	9	0	12	6.0
Transportation Services	0	0	14	0	14	2.8	3	0	8	0	11	1.8	3	0	22	0	25	2.3
TOTAL	60	49	389	12	510	4.3	102	39	158	15	314	2.6	162	88	547	27	824	3.4
%	12%	10%	76%	2%	100%		32%	12%	50%	5%	100%		20%	11%	66%	3%	100%	

Table 4A: Most Common Areas of Non-conformance with Disclosure Requirements 2001-2002

Sector/Area of Non-conformance	Consolidation	Cash	Accounts/Notes Receivables	Long-term Investments	Property, Plant, & Equipment	Accounts/Notes Payable	Long-term Debt	Contingencies	Capital Stock	Sales	Income taxes	Changes in Accounting Principles/Entities	Related Party Transactions	Others	TOTAL	Ave. Disclosure Violations per Statement
Communications	0	0	2	5	13	1	15	0	8	4	1	1	2	18	70	2.8
Construction and Other Related Products	0	1	2	0	5	0	3	2	0	0	0	1	1	4	19	1.9
Financial Services	0	0	1	0	1	0	0	2	1	1	0	0	0	7	13	1.6
Food, Beverage, and Other Related Products	1	0	0	0	3	0	3	0	2	0	2	0	2	9	22	1.6
Holding Companies	11	2	9	3	16	4	16	6	1	11	4	4	14	27	128	1.9
Hotel, Recreation and Other Services	0	0	4	1	3	1	4	4	1	0	8	0	5	9	40	4.0
Manufacturing, Distribution & Trading	1	1	3	1	6	0	6	5	2	0	12	0	6	11	54	2.3
Mining	0	1	3	0	3	1	6	0	0	0	0	0	1	5	20	1.7
Oil	1	4	5	1	1	2	0	0	0	0	0	0	1	6	21	2.1
Others	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1	1.0
Power and Energy	2	0	1	1	2	0	2	1	0	0	0	0	0	3	12	2.0
Property	1	1	16	3	18	9	22	5	0	4	5	1	11	20	116	3.0
Small and Medium Enterprise	0	0	0	0	2	0	2	0	1	0	2	0	0	2	9	4.5
Transportation Services	3	1	1	0	4	0	6	0	0	0	2	2	1	2	22	2.0
TOTAL NO. OF VIOLATIONS	20	11	47	15	78	18	85	25	16	20	36	9	44	123	547	2.3
RANK	7	15	3	11	2	9	1	6	10	7	5	16	4			

Table 4B: Most Common Areas of Non-conformance with Disclosure Requirements 2001

Sector/Area of Non-conformance	Consolidation	Cash	Accounts/Notes Receivables	Long-term Investments	Property, Plant, & Equipment	Accounts/Notes Payable	Long-term Debt	Contingencies	Capital Stock	Sales	Income taxes	Changes in Accounting Principles/Entities	Related Party Transactions	Others	TOTAL	Ave. Disclosure Violations per Statement
Communications	0	0	1	4	11	1	10	0	6	3	1	0	2	12	51	4.3
Construction and Other Related Products	0	0	2	0	4	0	2	0	0	0	0	0	1	2	11	3.7
Financial Services	0	0	0	0	0	0	0	0	1	1	0	0	0	3	5	1.3
Food, Beverage, and Other Related Products	1	0	0	0	3	0	3	0	2	0	2	0	2	5	18	0.8
Holding Companies	8	0	7	2	9	1	8	1	1	10	3	1	11	20	82	2.5
Hotel, Recreation and Other Services	0	0	2	0	1	1	1	4	1	0	8	0	3	6	27	6.8
Manufacturing, Distribution & Trading	1	0	2	1	5	0	5	5	2	0	11	0	6	9	47	3.6
Mining	0	0	0	0	3	0	5	0	0	0	0	0	1	4	13	1.9
Oil	0	1	4	1	1	1	0	0	0	0	0	0	1	6	15	3.8
Others	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1	1.0
Power and Energy	2	0	1	1	1	0	1	0	0	0	0	0	0	1	7	2.3
Property	1	0	12	3	14	6	20	2	0	4	4	1	11	13	91	4.1
Small and Medium Enterprise	0	0	0	0	2	0	2	0	1	0	2	0	0	0	7	7.0
Transportation Services	2	0	1	0	3	0	4	0	0	0	1	1	1	1	14	2.8
TOTAL VIOLATIONS- 2001	15	1	32	12	58	10	61	12	14	18	32	3	39	82	389	3.3
RANK - 2001	7	30	4	9	2	12	1	9	8	6	4	21	3			

Table 4C: Most Common Areas of Non-conformance with Disclosure Requirements
2002

Sector/Area of Non-conformance	Consolidation	Cash	Accounts/Notes Receivables	Long-term Investments	Property, Plant, & Equipment	Accounts/Notes Payable	Long-term Debt	Contingencies	Capital Stock	Sales	Income taxes	Changes in Accounting Principles/Entities	Related Party Transactions	Others	TOTAL	Ave. Disclosure Violations per Statement
Communications	0	0	1	1	2	0	5	0	2	1	0	1	0	6	19	1.5
Construction and Other Related Products	0	1	0	0	1	0	1	2	0	0	0	1	0	2	8	1.1
Financial Services	0	0	1	0	1	0	0	2	0	0	0	0	0	4	8	2.0
Food, Beverage, and Other Related Products	0	0	0	0	0	0	0	0	0	0	0	0	0	4	4	0.5
Holding Companies	3	2	2	1	7	3	8	5	0	1	1	3	3	7	46	1.3
Hotel, Recreation and Other Services	0	0	2	1	2	0	3	0	0	0	0	0	2	3	13	2.2
Manufacturing, Distribution & Trading	0	1	1	0	1	0	1	0	0	0	1	0	0	2	7	0.7
Mining	0	1	3	0	0	1	1	0	0	0	0	0	0	1	7	1.4
Oil	1	3	1	0	0	1	0	0	0	0	0	0	0	0	6	1.0
Others	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
Power and Energy	0	0	0	0	1	0	1	1	0	0	0	0	0	2	5	1.7
Property	0	1	4	0	4	3	2	3	0	0	1	0	0	7	25	1.5
Small and Medium Enterprise	0	0	0	0	0	0	0	0	0	0	0	0	0	2	2	2.0
Transportation Services	1	1	0	0	1	0	2	0	0	0	1	1	0	1	8	1.3
TOTAL	5	10	15	3	20	8	24	13	2	2	4	6	5	41	158	1.3
RANK - 2002	8	5	3	11	2	6	1	4	20	20	10	7	8			

Table 5A: Cases of Non-conformance with Statement and Attachment Requirements 2001-2002

Sector/Violation	SMR*			Audit Opinion					Fin'l Statements				TOTAL	Ave. Attachments Violations per Statement
	Missing	Defective/Deficient	Sub-total	Missing	Deficient	Improper	Missing Other Auditor's Report	Sub-total	Missing Parts	Defective	Missing Statements of Unconsolidated Subsidiaries	Sub-total		
Communications	12	5	17	2	3	0	2	7	0	1	0	1	25	1.0
Construction and Other Related Products	3	1	4	0	2	0	0	2	0	0	0	0	6	0.6
Financial Services	1	1	2	0	6	0	0	6	0	0	0	0	8	2.0
Food, Beverage, and Other Related Products	1	2	3	2	0	0	0	2	0	0	0	0	5	0.4
Holding Companies	13	19	32	1	12	0	4	17	0	0	0	0	49	0.7
Hotel, Recreation and Other Services	2	2	4	0	3	2	0	5	0	0	0	0	9	0.9
Manufacturing, Distribution & Trading	2	4	6	0	5	0	0	5	0	0	0	0	11	0.5
Mining	2	1	3	0	2	0	0	2	0	0	0	0	5	0.4
Oil	1	6	7	0	1	2	1	4	1	0	0	1	12	1.2
Others	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
Power and Energy	0	1	1	0	3	0	0	3	0	0	1	1	5	0.8
Property	2	13	15	0	4	1	0	5	1	0	0	1	21	0.5
Small and Medium Enterprise	2	0	2	0	1	0	0	1	0	0	0	0	3	1.5
Transportation Services	0	1	1	0	2	0	0	2	0	0	0	0	3	0.3
TOTAL NO. OF VIOLATIONS	41	56	97	5	44	5	7	61	2	1	1	4	162	0.7

* Statement of Management Responibility

Table 5B: Cases of Non-conformance with Statement and Attachment Requirements 2001

Sector/Area of Non-conformance	SMR			Audit Opinion					Fin'l Statements				TOTAL	Ave. Attachments Violations per Statement
	Missing	Defective/Deficient	Sub-total	Missing	Deficient	Improper	Missing Other Auditor's Report	Sub-total	Missing parts	Defective	Missing Statements of Unconsolidated Subsidiaries	Sub-total		
Communications	8	0	8	1	1	0	0	2	0	0	0	0	10	0.8
Construction and Other Related Products	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
Financial Services	0	0	0	0	3	0	0	3	0	0	0	0	3	0.8
Food, Beverage, and Other Related Products	1	1	2	0	0	0	0	0	0	0	0	0	2	0.3
Holding Companies	8	5	13	0	3	0	1	4	0	0	0	0	17	0.5
Hotel, Recreation and Other Services	2	1	3	0	1	1	0	2	0	0	0	0	5	1.3
Manufacturing, Distribution & Trading	1	0	1	0	3	0	0	3	0	0	0	0	4	0.3
Mining	2	1	3	0	2	0	0	2	0	0	0	0	5	0.7
Oil	1	3	4	0	0	1	0	1	0	0	0	0	5	1.3
Others	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
Power and Energy	0	0	0	0	1	0	0	1	0	0	1	1	2	0.7
Property	2	2	4	0	0	0	0	0	1	0	0	1	5	0.2
Small and Medium Enterprise	1	0	1	0	1	0	0	1	0	0	0	0	2	2.0
Transportation Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
TOTAL VIOLATIONS- 2001	26	13	39	1	15	2	1	19	1	0	1	2	60	0.5

Table 5C: Cases of Non-conformance with Statement and Attachment Requirements 2002

Sector/Area of Non-conformance	SMR			Audit Opinion					Fin'l Statements				TOTAL	Ave. Attachments Violations per Statement
	Missing	Defective/Deficient	Sub-total	Missing	Deficient	Improper	Missing Other Auditor's report	Sub-total	Missing parts	Defective	Missing Statements of Unconsolidated Subsidiaries	Sub-total		
Communications	4	5	9	1	2	0	2	5	0	1	0	1	15	1.2
Construction and Other Related Products	3	1	4	0	2	0	0	2	0	0	0	0	6	0.9
Financial Services	1	1	2	0	3	0	0	3	0	0	0	0	5	1.3
Food, Beverage, and Other Related Products	0	1	1	2	0	0	0	2	0	0	0	0	3	0.4
Holding Companies	5	14	19	1	9	0	3	13	0	0	0	0	32	0.9
Hotel, Recreation and Other Services	0	1	1	0	2	1	0	3	0	0	0	0	4	0.7
Manufacturing, Distribution & Trading	1	4	5	0	2	0	0	2	0	0	0	0	7	0.7
Mining	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
Oil	0	3	3	0	1	1	1	3	1	0	0	1	7	1.2
Others	0	0	0	0	0	0	0	0	0	0	0	0	0	-
Power and Energy	0	1	1	0	2	0	0	2	0	0	0	0	3	1.0
Property	0	11	11	0	4	1	0	5	0	0	0	0	16	0.9
Small and Medium Enterprise	1	0	1	0	0	0	0	0	0	0	0	0	1	1.0
Transportation Services	0	1	1	0	2	0	0	2	0	0	0	0	3	0.5
TOTAL VIOLATIONS- 2002	15	43	58	4	29	3	6	42	1	1	0	2	102	0.8

Table 6A: Most Common Areas of Accounting Treatment Violations
2001 - 2002

Sector/Area of Non-conformance	Consolidation	Cash	Marketable Securities	Accounts/Notes Rble	Inventories	Long-term Investments	Non-current Marketable Securities	Property, Plant, & Equipment	Intangibles	Other Assets	Accounts/Notes Payable	Accrued Liabilities	Deferred Credits	Long-term Debt	Stockholder's Equity	Treasury Shares	Sales	Income Taxes	Minority Interest	Earnings per Share	Cash Flow	TOTAL	Ave. Treatment Violations per Statement
Communications	0	0	0	0	1	0	0	1	0	0	0	2	0	0	0	0	0	0	2	0	2	8	0.3
Construction and Other Related Products	0	0	1	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	3	0.3
Financial Services	0	0	1	0	0	0	3	0	0	0	0	0	0	0	0	1	0	0	0	1	0	6	0.8
Food, Beverage, and Other Related Products	0	0	0	1	4	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	7	0.5
Holding Companies	2	2	0	2	2	3	0	1	2	1	0	0	0	0	0	0	4	1	1	0	3	24	0.4
Hotel, Recreation and Other Services	0	0	0	2	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	4	0.4
Manufacturing, Distribution & Trading	0	2	0	1	0	0	1	0	0	2	0	2	0	0	0	0	0	0	1	1	0	10	0.4
Mining	1	0	0	0	1	1	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	5	0.4
Oil	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0.1
Others	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
Power and Energy	0	0	0	0	0	0	1	0	0	2	0	0	2	0	0	0	0	0	0	0	0	5	0.8
Property	0	0	0	0	2	1	0	1	1	1	1	0	0	0	1	0	5	1	0	1	0	15	0.4
Small and Medium Enterprise	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
Transportation Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
TOTAL NO. OF VIOLATIONS	3	4	2	6	10	5	5	5	4	8	1	5	2	1	1	2	9	2	4	4	5	88	0.4
RANK	14	10	15	4	1	5	5	5	10	3	19	5	15	19	19	15	2	15	10	10	5		

Table 6B: Most Common Areas of Accounting Treatment Violations
2001

Sector/Area of Non-conformance	Consolidation	Cash	Marketable Securities	Accounts/Notes Rble	Inventories	Long-term Investments	Non-current Marketable Securities	Property, Plant, & Equipment	Intangibles	Other Assets	Accounts/Notes Payable	Accrued Liabilities	Deferred Credits	Long-term Debt	Stockholder's Equity	Treasury Shares	Sales	Income Taxes	Minority Interest	Earnings per Share	Cash Flow	TOTAL	Ave. Treatment Violations per Statement
Communications	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	2	0.2
Construction and Other Related Products	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0.3
Financial Services	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0	2	0.5
Food, Beverage, and Other Related Products	0	0	0	1	2	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	5	0.8
Holding Companies	2	0	0	2	1	3	0	1	2	1	0	0	0	0	0	0	2	0	0	0	0	14	0.4
Hotel, Recreation and Other Services	0	0	0	1	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	3	0.8
Manufacturing, Distribution & Trading	0	1	0	1	0	0	0	0	0	2	0	1	0	0	0	0	0	0	1	0	0	6	0.5
Mining	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	3	0.4
Oil	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0.3
Others	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
Power and Energy	0	0	0	0	0	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	2	0.7
Property	0	0	0	0	1	0	0	0	0	1	0	0	0	0	1	0	5	1	0	1	0	10	0.5
Small and Medium Enterprise	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
Transportation Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
TOTAL VIOLATIONS- 2001	3	1	0	5	5	3	1	3	3	7	0	3	1	0	1	1	7	1	1	3	0	49	0.4
RANK-2001	5	11	18	3	3	5	11	5	5	1	18	5	11	18	11	11	1	11	11	5	18		

Table 6C: Most Common Areas of Accounting Treatment Violations
2002

Sector/Area of Non-conformance	Consolidation	Cash	Marketable Securities	Accounts/Notes Rble	Inventories	Long-term Investments	Non-current Marketable Securities	Property, Plant, & Equipment	Intangibles	Other Assets	Accounts/Notes Payable	Accrued Liabilities	Deferred Credits	Long-term Debt	Stockholder's Equity	Treasury Shares	Sales	Income Taxes	Minority Interest	Earnings per Share	Cash Flow	TOTAL	Ave. Treatment Violations per Statement
Communications	0	0	0	0	1	0	0	0	0	0	0	1	0	0	0	0	0	0	2	0	2	6	0.5
Construction and Other Related Products	0	0	1	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0.3
Financial Services	0	0	1	0	0	0	2	0	0	0	0	0	0	0	0	1	0	0	0	0	0	4	1.0
Food, Beverage, and Other Related Products	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0.3
Holding Companies	0	2	0	0	1	0	0	0	0	0	0	0	0	0	0	0	2	1	1	0	3	10	0.3
Hotel, Recreation and Other Services	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0.2
Manufacturing, Distribution & Trading	0	1	0	0	0	0	1	0	0	0	0	1	0	0	0	0	0	0	0	1	0	4	0.4
Mining	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	2	0.4
Oil	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
Others	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
Power and Energy	0	0	0	0	0	0	1	0	0	1	0	0	1	0	0	0	0	0	0	0	0	3	1.0
Property	0	0	0	0	1	1	0	1	1	0	1	0	0	0	0	0	0	0	0	0	0	5	0.3
Small and Medium Enterprise	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
Transportation Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
TOTAL VIOLATIONS - 2002	0	3	2	1	5	2	4	2	1	1	1	2	1	1	0	1	2	1	3	1	5	39	0.3
RANK - 2002	20	4	6	11	1	6	3	6	11	11	11	6	11	11	20	11	6	11	4	11	1		

Appendix A: Companies Included in the Study

No. of Cos.	Sector/Company Name	Statements Reviewed 2001	2002
Communications Sector			
1	ABS-CBN Broadcasting Corporation	Yes	Yes
2	Digital Telecommunications Phils., Inc.	Yes	Yes
3	Diversified Financial Network Inc.	Yes	
4	Easycall Communication Philippines, Inc.	Yes	
5	Globe Telecom Inc.	Yes	Yes
6	iPeople, Inc.		Yes
7	Island Information and Technology, Inc.		Yes
8	ISM Communications Corporation (previously Itugon-Suyoc Mines)	Yes	Yes
9	iVantage Corporation	Yes	Yes
10	Liberty Telecoms Holdings, Inc.	Yes	Yes
11	Manila Broadcasting Company		Yes
12	Manila Bulletin Publishing Corporation		Yes
13	Philippine Long Distance Company	Yes	Yes
14	Philippine Telegraph and Telephone Corporation	Yes	
15	Philstar.com, Inc.	Yes	
16	Philweb Corporation		Yes
17	Pilipino Telephone Company	Yes	Yes
	Communications Sector Totals	***12***	***13***
Construction and Other Related Products			
1	Alsons Cement Corporation		Yes
2	EEI Corporation	Yes	Yes
3	Fortune Cement Corporation	Yes	Yes
4	Mariwasa Manufacturing Corporation		Yes
5	Republic Cement Corporation	Yes	Yes
6	Republic Glass Holdings Corporation		Yes
7	Union Cement Corporation		Yes
	Construction and Other Related Products Sector Totals	*3*	*7*

No. of Cos.	Sector/Company Name	Statements Reviewed 2001	2002
Financial Services Sector			
1	Bankard, Inc.	Yes	
2	Filipino Fund, Inc.	Yes	
3	First Metro Investment Corporation	Yes	Yes
4	First Abacus Financial Holdings Corporation		Yes
5	PCI Leasing and Finance, Inc.	Yes	Yes
6	Philtrust Bank		Yes
	Financial Services Sector Totals	***4***	***4***
Food, Beverage, and Other Related Products Sector			
1	Alaska Milk Corporation		Yes
2	Cosmos Bottling Corporation	Yes	Yes
3	Jollibee Foods Corporation	Yes	Yes
4	La Tondeña Distillers		Yes
5	RFM Corporation	Yes	
6	San Miguel Corporation	Yes	Yes
7	San Miguel Purefoods		Yes
8	Swift Foods, Inc.	Yes	Yes
9	Universal Robina Corporation		Yes
10	Vitarich Corporation	Yes	
	Food, Beverage, and Tobacco Sector Totals	***6***	***8***
Holding Companies Sector			
1	A. Brown and Company	Yes	Yes
2	A. Soriano Corporation	Yes	Yes
3	Abacus Consolidated Resources, Inc.	Yes	
4	Aboitiz Equity Ventures, Inc.		Yes
5	Ajo.Net Holdings, Inc.		Yes
6	Alcorn Gold Resources Corporation	Yes	Yes
7	Alliance Global Group, Inc.	Yes	Yes
8	Alsons Consolidated Resources, Inc.		Yes
9	Anglo Philippine Holdings Corporation	Yes	Yes
10	APC Group, Inc.	Yes	Yes
11	Ayala Corporation	Yes	Yes
12	Bacnotan Consolidated Industries, Inc.		Yes
13	Basic Consolidated, Inc.	Yes	

No. of Cos.	Sector/Company Name	Statements Reviewed 2001	2002
14	Benpres Holdings Corporation	Yes	
15	BHI Holdings, Inc.	Yes	
16	Crown Equities, Inc.		Yes
17	DMCI Holdings, Inc.	Yes	
18	East Asia Power Resources Corporation		Yes
19	EBECOM Holdings, Inc.	Yes	Yes
20	Ever Gotesco Resources & Holdings, Inc.	Yes	
21	F & J Prince Holdings Corporation		Yes
22	Fil-Estate Corporation	Yes	Yes
23	Fil-Hispano Holdings Corporation	Yes	
24	Filinvest Development Corporation	Yes	Yes
25	First Philippine Holdings Corporation		Yes
26	Forum Pacific, Inc.	Yes	Yes
27	Global Equities Inc.	Yes	
28	House of Investments	Yes	Yes
29	Ionics, Inc		Yes
30	JG Summit Holdings, Inc.	Yes	Yes
31	Keppel Philippines Holdings, Inc.	Yes	
32	Macroasia Corporation		Yes
33	Magnum Holdings, Inc.		Yes
34	Marsteel Consolidated, Inc.	Yes	
35	MBf, Inc.	Yes	
36	Megaworld Corporation	Yes	Yes
37	Metro Pacific Corporation		Yes
38	Music Corporation	Yes	Yes
39	Nextstage, Inc.	Yes	
40	Philcomsat Holdings Corporation	Yes	Yes
41	Philtread Holdings Corporation	Yes	Yes
42	Solid Group, Inc.		Yes
43	Southeast Asia Cement Holdings, Inc.	Yes	Yes
44	Tanduay Holdings, Inc.	Yes	Yes
45	Unioil Resources & Holdings Co., Inc.		Yes
46	Waterfront Philippines, Inc.	Yes	Yes
47	Wellex Industries, Inc.		Yes
48	Zeus Holdings, Inc	Yes	
	Holding Companies Sector Totals	***33***	***35***

No. of Cos.	Sector/Company Name	Statements Reviewed 2001	2002
Hotel, Recreation and Other Services Sector			
1	Acesite (Phils.) Hotel Corporation		Yes
2	Belle Corporation	Yes	Yes
3	Fairmont Holdings, Inc.	Yes	Yes
4	Leisure and Resorts World Corporation	Yes	
5	Manila Jockey Club, Inc.		Yes
6	Mondragon International Phils., Inc.	Yes	Yes
7	Philippine Racing Club, Inc.		Yes
	Hotel, Recreation and Other Services Sector Totals	***4***	***6***
Manufacturing, Distribution & Trading Sector			
1	Active Alliance, Inc.	Yes	
2	Chemical Industries of the Philippines, Inc.	Yes	
3	Euromed Laboratories Phil., Inc.		Yes
4	Federal Chemicals, Inc.	Yes	
5	Interphil Laboratories, Inc.	Yes	Yes
6	Jardine Davies, Inc.	Yes	Yes
7	LMG Chemical Corporation	Yes	Yes
8	Mabuhay Vinyl Corporation	Yes	Yes
9	Macondray Plastics, Inc.	Yes	
10	Matsushita Electric Philippines Corporation		Yes
11	Metro Alliance Holdings and Equities Corporation	Yes	Yes
12	Philippine Seven Corporation		Yes
13	PICOP Resources, Inc.	Yes	Yes
14	SPI Technologies, Inc.	Yes	Yes
15	Steniel Manufacturing Corporation	Yes	
16	Victorias Milling & Company, Inc.	Yes	
	Manufacturing, Distribution & Trading Sector Totals	***13***	***10***

No. of Cos.	Sector/Company Name	Statements Reviewed 2001	2002
Mining Sector			
1	Abra Mining & Industrial Corporation	Yes	
2	Dizon Copper Silver Mines, Inc.	Yes	
3	Lepanto Consolidated Mining Corporation	Yes	Yes
4	Manila Mining Corporation	Yes	Yes
5	Omico Corporation	Yes	
6	Philex Mining Corporation		Yes
7	Semirara Mining Corporation	Yes	Yes
8	United Paragon Mining Corporation	Yes	Yes
	Mining Sector Totals	***7***	***5***
Oil Sector			
1	Imperial Resources, Inc.	Yes	Yes
2	Interport Resources Corporation	Yes	Yes
3	Oriental Petroleum & Minerals Corporation	Yes	Yes
4	Pacifica, Inc.	Yes	
5	Sinophil Corporation		Yes
6	The Philodrill Corporation		Yes
7	Vulcan Industrial & Mining Corporation		Yes
	Oil Sector Totals	***4***	***6***
Others			
1	Centro Escolar University	Yes	
	Other Sectors Totals	***1***	***0***
Power and Energy			
1	Manila Electric Company	Yes	Yes
2	Petron Corporation	Yes	Yes
3	Trans-Asia Oil and Energy Development Corp.	Yes	Yes
	Power and Energy Sector Totals	***3***	***3***

No. of Cos.	Sector/Company Name	Statements Reviewed 2001	2002
Property			
1	Araneta Properties, Inc.	Yes	Yes
2	Ayala Land, Inc.	Yes	Yes
3	C&P Homes, Inc.	Yes	Yes
4	Cebu Holdings, Inc.	Yes	Yes
5	Cebu Property Ventures and Development Corp.	Yes	
6	City and Land Developers, Inc.	Yes	
7	Cityland Development Corporation	Yes	Yes
8	Cyber Bay Corporation	Yes	Yes
9	EDSA Properties Holdings, Inc.	Yes	Yes
10	Empire East Land Holdings, Inc.	Yes	Yes
11	Fil-Estate Land Development, Inc.	Yes	
12	Filinvest Land, Inc.	Yes	Yes
13	Gotesco Land, Inc.	Yes	
14	Highlands Prime, Inc.		Yes
15	Kuok Philippine Properties, Inc.	Yes	Yes
16	MRC Allied Industries, Inc.	Yes	
17	Philippine Estates Corporation	Yes	Yes
18	Philippine Realty and Holdings Corporation	Yes	Yes
19	Primetown Property Group, Inc.	Yes	
20	Primex Corporation	Yes	
21	Robinsons Land Corporation		Yes
22	San Miguel Properties, Inc.		Yes
23	SM Development Corporation		Yes
24	SM Prime Holdings, Inc.	Yes	Yes
25	Universal Rightfield Property Holdings, Inc.	Yes	
26	Urbancorp Realty Developers, Inc.	Yes	
	Property Sector Totals	***22***	***17***
Small and Medium Enterprise			
1	SQL *Wizard Inc.	Yes	Yes
	Small and Medium Enterprise Sector Totals	***1***	***1***

No. of Cos.	Sector/Company Name	Statements Reviewed 2001	2002
Transportation Services			
1	Asian Terminals, Inc.	Yes	Yes
2	International Container Terminal Services, Inc.	Yes	Yes
3	Keppel Philippines Marine, Inc.		Yes
4	Lorenzo Shipping Corporation	Yes	Yes
5	Negros Navigation Co, Inc.	Yes	Yes
6	William, Gothong & Aboitiz, Inc. (now Aboitiz Transport)	Yes	Yes
	Transportation Services Sector Totals	***5***	***6***
163	**GRAND TOTAL**	**118**	**121**

Appendix B
Audit Opinions of Financial Statements Reviewed

	2001						2002						Total 2001 - 2002					
Sector/Type of Opinion	Unqualified	Unqualified with Cautionary Paragraph	Qualified	No Opinion	Unknown	Total	Unqualified	Unqualified with Cautionary Paragraph	Qualified	No Opinion	Unknown	Total	Unqualified	Unqualified with Cautionary Paragraph	Qualified	No Opinion	Unknown	Total
Communications	7	3	1	0	1	12	7	2	3	0	1	13	14	5	4	0	2	25
% to Sector Total	58%	25%	8%	0%	8%	100%	54%	15%	23%	0%	8%	100%	56%	20%	16%	0%	8%	100%
Construction and Other Related Products	3	0	0	0	0	3	4	1	0	0	0	5	7	1	0	0	0	8
% to Sector Total	100%	0%	0%	0%	0%	100%	80%	20%	0%	0%	0%	100%	88%	13%	0%	0%	0%	100%
Financial Services	4	0	0	0	0	4	3	1	0	0	0	4	7	1	0	0	0	8
% to Sector Total	100%	0%	0%	0%	0%	100%	75%	25%	0%	0%	0%	100%	88%	13%	0%	0%	0%	100%
Food, Beverage, and Other Related Products	6	0	0	0	0	6	7	0	1	0	0	8	13	0	1	0	0	14
% to Sector Total	100%	0%	0%	0%	0%	100%	88%	0%	13%	0%	0%	100%	93%	0%	7%	0%	0%	100%
Holding Companies	26	3	3	1	0	33	24	5	5	0	1	35	50	8	8	1	1	68
% to Sector Total	79%	9%	9%	3%	0%	100%	69%	14%	14%	0%	3%	100%	74%	12%	12%	1%	1%	100%
Hotel, Recreation and Other Services	2	0	2	0	0	4	5	0	1	0	0	6	7	0	3	0	0	10
% to Sector Total	50%	0%	50%	0%	0%	100%	83%	0%	17%	0%	0%	100%	70%	0%	30%	0%	0%	100%
Manufacturing, Distribution	11	1	1	0	0	13	9	1	0	0	1	11	20	2	1	0	1	24
% to Sector Total	85%	8%	8%	0%	0%	100%	82%	9%	0%	0%	9%	100%	83%	8%	4%	0%	4%	100%
Mining	4	0	2	0	1	7	2	2	1	0	0	5	6	2	3	0	1	12
% to Sector Total	57%	0%	29%	0%	14%	100%	40%	40%	20%	0%	0%	100%	50%	17%	25%	0%	8%	100%
Oil	3	1	0	0	0	4	3	3	0	0	0	6	6	4	0	0	0	10
% to Sector Total	75%	25%	0%	0%	0%	100%	50%	50%	0%	0%	0%	100%	60%	40%	0%	0%	0%	100%

Appendix B
Audit Opinions of Financial Statements Reviewed

Sector/Type of Opinion	2001						2002						Total 2001 - 2002					
	Unqualified	Unqualified with Cautionary Paragraph	Qualified	No Opinion	Unknown	Total	Unqualified	Unqualified with Cautionary Paragraph	Qualified	No Opinion	Unknown	Total	Unqualified	Unqualified with Cautionary Paragraph	Qualified	No Opinion	Unknown	Total
Others	1	0	0	0	0	1	0	0	0	0	0	0	1	0	0	0	0	1
% to Sector Total	100%	0%	0%	0%	0%	100%	-	-	-	-	-	-	100%	0%	0%	0%	0%	100%
Power and Energy	3	0	0	0	0	3	1	2	1	0	0	4	4	2	1	0	0	7
% to Sector Total	100%	0%	0%	0%	0%	100%	25%	50%	25%	0%	0%	100%	57%	29%	14%	0%	0%	100%
Property	17	2	2	1	0	22	12	4	0	1	0	17	29	6	2	2	0	39
% to Sector Total	77%	9%	9%	5%	0%	100%	71%	24%	0%	6%	0%	100%	74%	15%	5%	5%	0%	100%
Small and Medium	1	0	0	0	0	1	1	0	0	0	0	1	2	0	0	0	0	2
% to Sector Total	100%	0%	0%	0%	0%	100%	100%	0%	0%	0%	0%	100%	100%	0%	0%	0%	0%	100%
Transportation Services	5	0	0	0	0	5	5	1	0	0	0	6	10	1	0	0	0	11
% to Sector Total	100%	0%	0%	0%	0%	100%	83%	17%	0%	0%	0%	100%	91%	9%	0%	0%	0%	100%
TOTAL	93	10	11	2	2	118	83	22	12	1	3	121	176	32	23	3	5	239
%	79%	8%	9%	2%	2%	100%	69%	18%	10%	1%	2%	100%	74%	13%	10%	1%	2%	100%

Appendix C: List of Inappropriate Accounting Practices

Cash

- Restricted cash formed part of the Cash account; the unavailable cash should be part of Other Assets.

Marketable Securities

- A financial institution valued its available for sale securities at amortized cost; these should be at fair market value.
- A holding company carried its investment in bonds at cost; these should be valued at lower of cost or market.

Accounts and Notes Receivable

- Inadequate or no allowance for bad debts in spite of some indications in other parts of the financial statements that there may be some uncollectible accounts
- Claims under litigation classified as receivable, classified as current
- Long-term receivables classified as current
- Interest income not accrued

Inventories

- Valuation at cost; should be at lower of cost or net realizable value
- Valuation at cost-plus-capitalized interest while under construction; should be at lower of cost or net realizable value
- Land held for future development included in inventory of lots, houses and condominiums for sale; should be classified as long-term investment
- Parts and supplies included in main inventory; should be segregated
- Livestock breeders were classified as inventory; should be in a separate category

Long-term Investments

- Investments in wholly owned subsidiaries were included in this account with no disclosure as to reasons; subsidiaries should be consolidated.
- Material advances to affiliates were included in Investments account with no provision for uncollectible accounts.
- The provision for market decline of investments was charged directly to stockholders' equity; this should have been charged to operations.
- Government securities were included in Other Equity Investments; these should be classified under Other Investments.

Non-current marketable securities

- Valuation was at cost; should be at lower of cost or market
- Trading securities or available for sale securities of a financial institution were valued at lower of cost or market; should be fair market value.
- There was no valuation allowance provided.

Property, plant, and equipment
- Included was material capitalized interest that has doubtful future benefit due to change of business
- Land held for disposal was included; should be transferred to Investments account.
- Assets were revalued but there was no revaluation increment in Stockholders' Equity.
- Included were assets that had been taken over by another entity.
- There was no allowance provided for land that had decreased in value substantially.

Intangibles
- Goodwill was recognized for a company in crisis.
- Material goodwill was not presented separately.
- Amortization period is longer than 10 years.
- Goodwill was generated through an internal transaction.

Other Assets
- Deferred exploration and development costs are included in Other Assets but there have been no mining operations since 1991; these should be written off.
- Oil exploration and development costs were included in Other Assets and amortized as income permits; a consistent amortization method should be used.
- Research and development costs were capitalized and included in Other Assets; these should have been expensed.
- General and administrative expenses incurred prior to commercial operations were capitalized into Other Assets; these should have been expensed.
- Other Assets included sizeable receivables from affiliates; no allowances for uncollectibility were provided
- Investment in subsidiary were included in Other Assets; should have been placed in Investments account.
- Other investments with no ready market was included in Other Assets and classified as current.
- Livestock breeders were placed under the Other Assets account: and classified as current; should have been placed in a separate category.

Accrued Liabilities
- Interest on advances to officers was not accrued.
- Retirement benefits were not accrued.
- Lease obligations were not accrued.
- Taxes due under final Supreme Court ruling were not accrued.

Deferred Credits
- There was inconsistent treatment for transfers to income.

Stockholders' Equity
- Deficit is still called Stockholders' Equity; should be Capital Deficiency.

Treasury Shares

- Shares of parent held by 100% subsidiary was not reflected as treasury shares in the consolidated statements.
- Sales
- Sales was recognized when sufficient downpayment had been received; percentage of completion should be taken into account.

Income Taxes

- There was no provision for the minimum corporate income tax.

Earnings per Share

- There was no dilution for options and warrants.
- Stock dividend was not taken up in EPS computations.
- EPS was computed using end-of-year outstanding shares

Cash Flow

- Write-off reported as source of cash.
- Book gain on discontinuance of operations shown as source of cash.
- Book gain on deconsolidation of subsidiary shown as source of cash.
- Interest and dividends are not shown separately.