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This Profile provides information about the application of IFRS Standards in Philippines. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to surveys that the Foundation conducted on the application of IFRS Standards around the world. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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RELEVANT JURISDICTIONAL AUTHORITY

Organisations

Philippines Financial Reporting Standards Council (FRSC)
 Board of Accountancy (BOA)
 Philippine Institute of Certified Public Accountants (PICPA)
 Philippine Securities and Exchange Commission (SEC)

Role of the organisations

The FRSC was established by the Board of Accountancy (BOA, a government agency) in 2006 under the Implementing Rules and Regulations of the Philippine Accountancy Act of 2004 to assist the Board in carrying out its power and function to promulgate accounting standards in the Philippines. The FRSC’s main function is to establish generally accepted accounting principles in the Philippines.

The FRSC is the successor of the Accounting Standards Council (ASC). The ASC was created in November 1981 by the Philippine Institute of Certified Public Accountants (PICPA) to establish generally accepted accounting principles in the Philippines. The FRSC carries on the decision made by the ASC to converge Philippine accounting standards with IFRS Standards issued by the IASB Board.

The Philippine Securities and Exchange Commission (SEC) has authority to establish the accounting framework to be used by companies regulated by the SEC – which includes most limited liability companies in Philippines, not just listed companies. In deciding on the appropriate accounting framework for companies under its jurisdiction, SEC Rule 68 (Revised 2011) requires the SEC to consider Standards issued by the FRSC (known as Philippine Financial Reporting

Standards, or PFRS). However, the final decision about the accounting framework rests with the SEC. The SEC also issues Financial Reporting Bulletins to provide guidance on implementing PFRS by companies under the SEC's jurisdiction.

SEC Rule 68 may be downloaded here: <http://www.sec.gov.ph/accountants-information/other-related-matters/>

Websites

BOA: <http://www.prc.gov.ph/prb/default.aspx?id=1&content=2>

PICPA: <http://picpa.com.ph/>

SEC: <http://www.sec.gov.ph/>

FRSC: <http://picpa.com.ph/frsc-about-us-0>

Email contacts

SEC: inquiry@sec.gov.ph

PICPA: exdir@picpa.com.ph

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?

Yes.

The FRSC has stated its policy of adopting IFRS Standards as PFRS. Further, the SEC in Rule 68 (see [above](#)) has stated that all large and publicly accountable entities must follow PFRS.

Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?

Yes.

See above.

What is the jurisdiction's status of adoption?

Philippines has adopted full IFRS Standards as Philippine Financial Reporting Standards (PFRS) with several limited [modifications](#) to IFRS Standards. Philippines has adopted the IFRS for SMEs Standard as the PFRS for SMEs without modification.

Additional comments provided on the adoption status?

Under [Rule 68](#), the SEC has adopted three financial reporting frameworks as follows:

Large and/or Public Accountable Entities. Such entities must use Philippine Financial Reporting Standards (PFRS). PFRS is adopted by the Philippine Financial Reporting Standards Council (FRSC). PFRS are IFRS Standards with several limited [modifications](#). Large and publicly accountable entities are:

- Companies with total assets of more than Philippine Pesos 350,000,000 (approximately US\$8,000,000) or total liabilities of more than Pesos 250,000,000 (approximately US\$6,000,000); or
- Companies required to file financial statements under Part II of SRC Rule 68 [companies whose securities trade in a public market]; or
- Companies that are in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; or
- Companies that hold secondary licenses issued by regulatory agencies.

Small and Medium-sized Entities (SMEs). SMEs must use the PFRS for SMEs (IFRS for SMEs Standard without modification). SMEs are entities that:

- Have total assets of between Philippine Pesos 3,000,000 (approximately US\$70,000) to Pesos 350,000,000 (approximately US\$8,000,000) or total liabilities of between Pesos 3,000,000 to Pesos 250,000,000. If the entity is a parent company, those amounts are based on the consolidated figures; and
- Are not required to file financial statements under Part II of SRC Rule 68 (that is, they have not sold securities to the public).

SMEs that meet specified criteria are permitted to use full PFRS rather than the PFRS for SMEs.

Micro-sized entities. Micro Entities have option to use either income tax basis,

accounting standards effective 31 December 2004 (standards before entities transitioned to PFRS), or the PFRS for SMEs. Micro entities are entities with total assets and liabilities below Pesos 3,000,000 (approximately US\$70,000) and that are not otherwise required to file financial statements with the SEC.

Further, the Bangko Sentral ng Pilipinas (BSP, the Philippines Central Bank) has required all banks to follow IFRS Standards since 2005:

Link to BSP regulation: <http://www.bsp.gov.ph/regulations/compliance.asp>

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.

Not applicable.

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?

Yes.

If YES, are IFRS Standards REQUIRED or PERMITTED?

IFRS Standards adopted as PFRS are required.

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?

Yes.

For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?

Companies that use IFRS Standards adopted as PFRS are required to use those Standards in their separate financial statements.

For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market?

IFRS Standards adopted as PFRS are required for all large and publicly accountable entities, whether or not their securities trade in a public market. Large and publicly accountable entities are defined as follows under SEC Rule 68:

- Companies with total assets of more than Pesos 350,000,000 (approximately US\$8,000,000) or total liabilities of more than Pesos 250,000,000 (approximately US\$6,000,000); or
- Companies required to file financial statements under Part II of SRC Rule 68 [companies whose securities trade in a public market]; or
- Companies that are in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; or
- Companies that hold secondary licenses issued by regulatory agencies.

If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards

Not applicable.

for such companies in the future?

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements?	Yes.
If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?	IFRS Standards adopted as PFRS are required.
Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?	All.

IFRS ENDORSEMENT

Which IFRS Standards are required or permitted for domestic companies?	IFRS Standards are adopted by Financial Reporting Standards Council as Philippine Financial Reporting Standards (PFRS). PFRS reflect several limited modifications to IFRS Standards.
The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:	Philippine Financial Reporting Standards (PFRS).
Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?	No.
Are IFRS Standards incorporated into law or regulations?	Yes.
If yes, how does that process work?	The Financial Reporting Standards Council (FRSC) was created by the Board of Accountancy (BOA), which is a government agency under the Philippines Professional Regulation Commission (PRC). The FRSC adopts IFRS Standards as Philippine Financial Reporting Standards (PFRS). The BOA must approve all PFRS before they are effective. Further, the Philippine Securities and Exchange Commission (SEC) adopts the new pronouncement as part of its rules and regulations on financial reporting. Therefore, IFRS Standards adopted as PFRS have the force of law.
If no, how do IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place?	Yes.
If yes, what is the process?	Following are the steps followed by the FRSC on the adoption of new IASB Board pronouncements as PFRS: <ol style="list-style-type: none">1. IASB Board issues an exposure draft.2. FRSC issues invitation to comment on the IASB exposure draft.3. FRSC submits comments to the IASB Board, if any.4. IASB Board issues new or amended IFRS Standard.5. FRSC adopts new pronouncement as PFRS, with minor amendments to effective date or transition provisions when necessary.6. FRSC submits the new/amended PFRS to the Professional Regulation Commission (PRC) through the Board of Accountancy (BOA) for approval.7. BOA/PRC approves the adoption.8. BOA/PRC handles the publication of the new pronouncement in the

official gazette, subject to availability of funds. If funds are not available, BOA/PRC simply publishes their resolution to approve the adoption of the new pronouncement without publishing a copy of the new pronouncement.

9. The Philippine Securities and Exchange Commission (SEC) adopts the new pronouncement as part of its rules and regulations on financial reporting.
10. Reporting entities adopt new pronouncement.

If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?

Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?

Yes.

If yes, what are the changes?

The SEC has deferred the mandatory effective date of IFRIC 15 *Agreements for the Construction of Real Estate*, until the revised IASB Revenue standard is issued and the FRSC has evaluated the requirements of the revised Revenue standard against the practices of the Philippine real estate industry. IASB Board issued IFRS 15 *Revenue* in June 2014. This modification of IFRS Standards affects only companies in the real estate industry.

Further, in adopting IAS Standards and IFRS Standards as PFRS, the FRSC and its predecessor, the Accounting Standards Council (ASC) made several minor amendments to the effective dates and transition provisions of some of the IAS Standards and IFRS Standards. Most of those modifications were made many years ago, and their current effect on most companies is nil or not material.

Further, the SEC has provided some guidance on implementing PFRS by insurance (pre-need) companies, banks, mining companies, and recipients of government grants that is not entirely consistent with IFRS Standards.

Other comments regarding the use of IFRS Standards in the jurisdiction?

None.

TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language?

No. English is the business language in the Philippines.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards?

Not applicable.

APPLICATION OF THE IFRS FOR SMEs STANDARD

Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs?

Yes. Philippines has adopted the IFRS for SMEs Standard as the Philippines Financial Reporting Standard for SMEs (PFRS for SMEs) without any modifications. The PFRS for SMEs became mandatory 1 January 2010, with early adoption permitted starting 1 January 2009.

If no, is the adoption of the IFRS for SMEs Standard under consideration?

Not applicable.

Did the jurisdiction make any modifications to the IFRS for SMEs Standard?

No.

If the jurisdiction has made any modifications, what are those modifications?

Not applicable.

Which SMEs use the IFRS for SMEs

All SMEs that meet both of the following criteria must use the PFRS for SMEs

Standard in the jurisdiction, and are they required or permitted to do so?	<p>(unless they elect to use full PFRS – see below). Those that are larger or that have sold securities to the public are required to use full PFRS:</p> <ul style="list-style-type: none"> • Have total assets of between Philippine Pesos 3,000,000 (approximately US\$70,000) to Pesos 350,000,000 (approximately US\$8,000,000) or total liabilities of between Pesos 3,000,000 to Pesos 250,000,000. If the entity is a parent company, those amounts are based on the consolidated figures; and • Are not required to file financial statements under Part II of SRC Rule 68 (that is, they have not sold securities to the public). <p>An SME that meets any of the following criteria may, at its option, use full PFRS rather than the PFRS for SMEs:</p> <ul style="list-style-type: none"> • An SME that is a subsidiary of a parent company reporting under PFRS. • An SME that is a subsidiary of a foreign parent company that uses IFRS Standards. • An SME that is a subsidiary of a foreign parent company that is planning to move to full IFRS Standards. • An SME that is a significant joint venture or associate in a group reporting under PFRS. • An SME that is a branch office or regional operating headquarters of a foreign company reporting under IFRS Standards. • An SME that has a subsidiary that is mandated to report under the PFRS. • An SME that has a short term projection that show that it will significantly breach the quantitative thresholds set in the criteria for an SME. • An SME that has a concrete plan to conduct an initial public offering within the next two years. • An SME that has been preparing financial statements using PFRS and has decided to liquidate. • An SME that the Philippines Securities and Exchange Commission considers as valid exceptions from the mandatory adoption of PFRS for SMEs.
For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use?	<p>See above. In summary:</p> <ul style="list-style-type: none"> • SMEs that are above prescribed size thresholds must use full PFRS. • SMEs that are within the prescribed size thresholds may choose to use full PFRS if they meet certain criteria. Otherwise they use the PFRS for SMEs. • SMEs that are below the prescribed size thresholds (micro-sized entities) have the option to use the income tax basis, accounting standards effective 31 December 2004 (standards before entities transitioned to PFRS), or the PFRS for SMEs.
Other comments regarding use of the IFRS for SMEs Standard?	None.