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**ABC Company**

Add "group of entities" every time the company name is mentioned

Replace every "the company" with "the branch"

1 CORPORATE INFORMATION

ABC corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on March 4, 2000.

The company's principal address is at Pasig City.

2 FINANCIAL REPORTING FRAMEWORK

Statement of Compliance The financial statements of the Company have been prepared in accordance with the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs) issued by the International Accounting Standards Board (IASB) as approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of preparation and presentation These financial statements have been prepared using the historical cost accounting convention except for cetain properties carried at fair value

Functional and Presentation Currency These financial statements are presented in Peso, the currency of the primary economic environment in which the Company operates. All amounts are rounded off to the nearest peso, except when otherwise indicated.

3 SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments The Company classifies its financial instruments as either basic financial instruments or other financial instruments. Financial instruments are recognized only when the entity becomes a party to the contractual provisions of the instrument. Basic Financial Instruments The Company’s basic financial assets and liabilities are measured initially at transaction price including transaction costs except for those that are measured at fair value through profit or loss.

Investment property The Company owns a null that is held to earn long-term rental income and for capital appreciation classified as investment property. Investment property is initially measured at cost.

Cost includes null. Subsequent to initial recognition, investment property is carried at fair value, derived from the current market prices for comparable real estate determined annually by external valuers. The valuers use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognized in profit or loss. If a reliable measure of the fair value of investment property is no longer available without undue cost or effort, investment properties shall be accounted for as property, plant and equipment until a reliable measure of fair value becomes available. The carrying amount of the investment property on that date becomes its cost. Investment property is derecognized by the Company upon its disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Property Plant and Equipment Property plant and equipment are initially measured at cost. Cost includes purchase price, taxes, installation and estimated dismantling cost. At the end of each reporting period, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Subsequent expenditures relating to an item of property, plant and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred. Major spare parts and stand-by equipment qualify as property, plant and equipment when the Company expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment Estimated future dismantlement costs of items of property, plant and equipment arising from legal or constructive obligations are recognized as part of property, plant and equipment and are measured at present value at the time the obligation was incurred. Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of property, plant and equipment: null The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. Property, plant and equipment is derecognized by the Company, Branch, Bank, or any appropriate alternative upon its disposal or when the property, plant and equipment is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Biological assets Biological assets comprise null. Biological assets are carried at cost less accumulated depreciation and any accumulated impairment losses, as the fair value of these biological assets cannot be reliably determined without undue cost or effort due to the inexistence of an active market, the lack of reliable evidence about comparable market transactions and the limited availability of historical data about the yields of the Company’s null. Cost represents the historic cost of acquisition. Depreciation of biological assets is calculated using the straight-line method to allocate the cost less its residual value over its estimated useful life of: The residual values, useful lives and depreciation method of the biological assets are reviewed, and adjusted if appropriate, if there is an indication of a change since the last reporting date.

Amortization is calculated using the straight-line method to allocate the cost of trademarks, licences and customer related intangible assets over their estimated useful lives, as follows: null

Acquired null are capitalized on the basis of the costs incurred to acquire and bring to use the null. These costs are amortized over their estimated useful lives of three to five years.

Revenue Recognition Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Cost of sales are expenses incurred that are associated with the goods sold and includes null.

Operating expenses are costs attributable to activities of the Company.

Construction Contracts The outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the reporting date. This is normally measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except when this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. If the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of recoverable contract costs incurred. Contract costs are recognized as expenses in the period in which they are incurred. It is probable that total contract costs will exceed total contract revenue; the expected loss is recognized as an expense immediately. The percentage-of-completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs. Any effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate.

Equity Instruments An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. The costs of acquiring Company’s own shares are shown as a deduction from equity attributable to the Company’s equity holders until the shares are cancelled or reissued. Such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s equity holders.

The Branch classifies home office account as equity since it represents a residual interest in the assets of the Branch after deduction all of its liabilities. The head office account represents a residual interest in the assets of the Branch after deducting all of its liabilities. This includes remittances from head office, unrealized holding gain from investments and the result of operations of the Company.

Taxation Income tax expense represents the sum of the current tax expense and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company’s liability for current tax is calculated using null tax rate for 2013 and 2012, respectively.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such assets and liabilities are not recognized if the temporary difference arises from initial recognition of goodwill and initial recognition of an asset or liability that is a business combination, or at the time of the transaction affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in associates, except when the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities are recognized for taxable temporary differences arising from interests in joint ventures, except when the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in associates and interests in joint ventures, except when the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company reviews the net carrying amount of a deferred tax asset at each reporting date and adjusts the valuation allowance to reflect the current assessment of future taxable profits. Such adjustment shall be recognized in profit or loss, except that an adjustment attributable to an item of income or expense recognized in accordance with this PFRS as other comprehensive income shall also be recognized in other comprehensive income. Deferred tax is calculated at the tax rates that are expected to apply in the period the liability is settled or the asset is realized. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

undefined TRANSITION TO THE PFRS FOR SMEs

Basis of Transition Application of the PFRS for SME The Company’s financial statements for the year ended <prior year ending day> are its first annual financial statements prepared under accounting policies that comply with the PFRS for SMEs. {{Company Name()}}'s transition date is {{prior year beginning day()}}, the Company prepared its opening PFRS for SMEs statements of financial position at that date.

In preparing these financial statements in accordance with the PFRS for SMEs, the Company has applied all the mandatory excemptions and certain of the optional exemptions from full retrospective application of the PFRS for SMEs.

Business combinations The Company has elected not to restate business combinations that took place prior to the transition date. The carrying value of goodwill at the date of transition to the PFRS for SMEs is the deemed cost of goodwill under the PFRS for SMEs at that date. Extractive industries The Company has elected to measure its oil and gas assets at the date of transition as the amount determined under previous GAAP net of any impairment losses identified at transition date. Separate financial statements The Company has elected to measure its investment subsidiaries associate and jointly control entities at [choose applicable]

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The following reconciliations show the effect on the Company’s equity of the transition from PAS101 to the PFRS for SMEs at <current year, beginning day> and <current year, last day>, and the Company’s profit for the year ended <current year, last day>.

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| --- | --- | --- |
|  | **January 1** | **December 31** |
|  | **2013** | **2013** |
| Total equity under (PAS 101 or full PFRS) | 0 | 6 |
| Write-off of deferred charges that do not meet the IFRS for SMEs definition of an intangible asset | 0 | 5 |
| Restatement of provision for post-employment benefits on a projected unit credit method basis | 0 | 4 |
| Fair value adjustment to biological assets | 0 | 3 |
| Restatement of investments in associates to cost | 100 | 0 |
| Fair value adjustment to investment property | 15 | 0 |
| Deferred tax adjustments | 0 | 0 |
| **Total equity under PFRS for SME** | **115** | **18** |