

**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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**COMPANY NAME**

S H A R P   M I N D S   B U S I N E S S   A N D										
C O N S U L T A N C Y   I N C .										

**PRINCIPAL OFFICE** (No. / Street / Barangay / City / Town / Province)

3	R	D	F	L	O	O	R	3	4	4	A	M	P	I	O	C	O	S	T	R	E	E	T
B A R A N G A Y   1 3 7   Z O N E   1 2   B A L U T																							
T O N D O   M A N I L A																							

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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**COMPANY INFORMATION**

Company's email Address

sharpmindsbc@gmail.com
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Company's Telephone Number

(02) 82529684
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Mobile Number

0917-1370636
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No. of Stockholders

10
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Annual Meeting (Month / Day)

June 25th
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Fiscal Year (Month / Day)

December 31
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**CONTACT PERSON INFORMATION**

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Maria Lourdes S. Ignacio
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Email Address

lourdes.smibc@gmail.com
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Telephone Number/s

N/A
-----

Mobile Number

0917-1391269
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**CONTACT PERSON's ADDRESS**

2547 Sto. Nino St. Pandacan, Manila
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**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

**SHARP MINDS  
BUSINESS AND  
CONSULTANCY, INC**

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**AUDITED FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

# LILIBETH R. PEREIRA

624-A Gamban Street Pasay City  
Mobile # 09175506843/ 0932-8428877  
Email: lilibeth.pereira@yahoo.com

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Sharp Minds Business and Consultancy, Inc.  
3<sup>rd</sup> Floor 344 Ampioco St. Brgy. 137 Zone 12  
Balut Tondo, Manila

### Report on the Financial Statements

#### *Opinion*

I have audited the accompanying financial statements of Sharp Minds Business and Consultancy, Inc., which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended December 31, 2022 and 2021, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In my opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance flows for the year then ended in accordance with Philippine Financial Reporting Standards for Small Entities (PFRS for SEs).

#### *Basis for Opinion*

I conducted my audit in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (The Code of Ethics), and I have fulfilled my other ethical responsibilities in accordance with The Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS for SEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## **Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 19 to the financial statements is presented for the purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the company. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**LILIBETH R. PEREIRA**  
CPA Certificate No. 111419  
BOA Registration No. 5373 until July 16, 2021  
BIR AN-08-005817-1-2020 until June 4, 2023  
Tax Identification No. 207-352-301  
PTR NO. 8064932, January 3, 2023, Pasay City

April 3, 2023



**LILIBETH R. PEREIRA**

624-A Gamban Street Pasay City  
Mobile # 0917-5506843/ 0932-8428877  
Email: lilibeth.pereira@yahoo.com

**REPORT OF INDEPENDENT AUDITORS (Rule 68)**

**THE BOARD OF DIRECTORS**  
**Sharp Minds Business and Consultancy, Inc.**  
**3<sup>rd</sup> Floor 344 Ampiooco St. Brgy. 137 Zone 12**  
**Balut, Tondo, Manila**

I have audited the accompanying financial statements of Sharp Minds Business and Consultancy Inc.. for the calendar year ended December 31, 2022 , on which I have rendered the attached report dated April 3, 2023.

In compliance with SRC Rule 68, I am stating that the above Company has eight (8) stockholders owning one hundred (100) or more shares each.

*lilibeth r. pereira*  
**LILIBETH R. PEREIRA**  
CPA Certificate No. 111419  
BOA Registration No. 5373 until July 16, 2021  
BIR AN -08-005817-1-2020 valid until June 4, 2023  
Tax Identification No. 207-352-301  
PTR NO. 8064932, January 3, 2023, Pasay City

**April 3, 2023**



**LILIBETH R. PEREIRA**

624-A Gamban Street Pasay City  
Mobile # 0917-5506843/ 0932-8428877  
Email: lilibeth.pereira@yahoo.com

**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
BUREAU OF INTERNAL REVENUE**

**THE BOARD OF DIRECTORS**

Sharp Minds Business and Consultancy, Inc.  
3<sup>rd</sup> Floor 344 Ampioco St. Brgy. 137 Zone 12  
Balut Tondo, Manila

I have audited the accompanying financial statements of SHARP MINDS BUSINESS AND CONSULTANCY, INC. as of and for the calendar year ended December 31, 2022, on which we have rendered our report dated April 3, 2023.

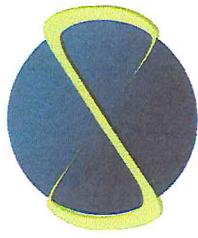
In compliance with Revenue Regulation V-20, we are stating that:

1. I am not related by consanguinity or affinity to the president, manager or principal stockholder of the Company; and
2. The taxes paid and/or accrued by the Company during the year are shown in the Schedule of Taxes and Licenses attached to the Annual Income Tax Return.

*[Signature]*  
**LILIBETH R. PEREIRA**

CPA Certificate No. 111419  
BOA Registration No. 5373 until July 16, 2021  
BIR AN -08-005817-1-2020 valid until June 4, 2023  
Tax Identification No. 207-352-301  
PTR NO. 8064932, January 3, 2023, Pasay City

**April 3, 2023**



**"STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS"**

The management of **SHARP MINDS BUSINESS AND CONSULTANCY, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

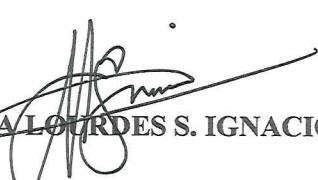
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

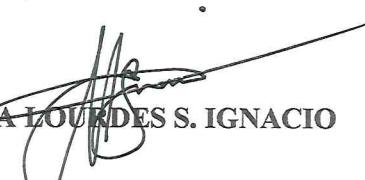
The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

**Lilibeth R. Pereira**, the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of the presentation upon completion of such audit.

Chairman of the Board

  
**MARIA LOURDES S. IGNACIO**

Chief Executive Officer

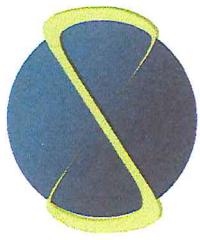
  
**MARIA LOURDES S. IGNACIO**

Chief Financial Officer

  
**PERLITA M. MARIANO**

Signed this 15th day of March 2023.





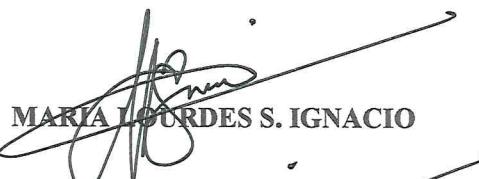
**"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN"**

The Management of **SHARP MINDS BUSINESS AND CONSULTANCY, INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2022 and 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

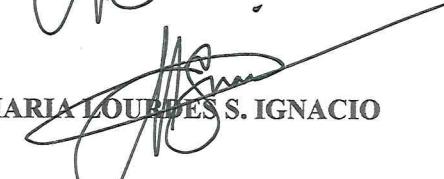
In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2022 and 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of **SHARP MINDS BUSINESS AND CONSULTANCY, INC.** complete and correct in all material respects. Management likewise affirms that:

- (a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) The **SHARP MINDS BUSINESS AND CONSULTANCY, INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Chairman of the Board

  
**MARIA LOURDES S. IGNACIO**

Chief Executive Officer

  
**MARIA LOURDES S. IGNACIO**

Chief Financial Officer

  
**PERLITA M. MARIANO**

Signed this 15th day of March 2023.



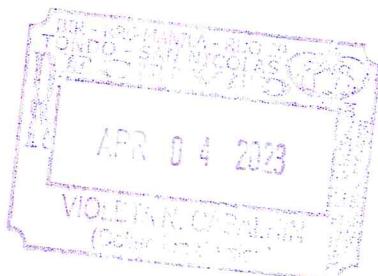
**SHARP MINDS BUSINESS AND CONSULTANCY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

(Amounts in Philippine Peso)

		<b>As of December 31</b>	
	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	2, 3, 4	420,938	209,461
Trade receivables	2, 3, 5	37,760	26,871
Prepaid tax	2, 3, 16	246,188	207,654
<b>Total Current Assets</b>		<b>704,886</b>	<b>443,986</b>
<b>NON-CURRENT ASSETS</b>			
Property and equipment, net	2, 3, 6	27,660	50,059
Deferred tax asset	2, 3, 7, 17	5,919	-
<b>Total Non-Current Assets</b>		<b>33,579</b>	<b>50,059</b>
<b>Total Assets</b>		<b>738,465</b>	<b>494,045</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	2, 3, 8	312,249	77,017
Dividends payable	2, 3, 11	-	50,000
<b>Total Current Liabilities</b>		<b>312,249</b>	<b>127,017</b>
<b>NON-CURRENT LIABILITIES</b>			
Retirement payable	2, 3, 9	29,596	-
<b>Total Non-Current Liabilities</b>		<b>29,596</b>	<b>-</b>
<b>Total Liabilities</b>		<b>341,845</b>	<b>127,017</b>
<b>EQUITY</b>			
Share capital	2, 3, 10	200,000	200,000
Cumulative earnings	2, 3, 11, 17	196,620	167,028
<b>Total Equity</b>		<b>396,620</b>	<b>367,028</b>
<b>Total Liabilities and Equity</b>		<b>738,465</b>	<b>494,045</b>

*See accompanying Notes to Financial Statements*



**SHARP MINDS BUSINESS AND CONSULTANCY, INC.**

**STATEMENTS OF INCOME**

(Amounts in Philippine Peso)

		<b>For the Years Ended December 31</b>	
	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>Revenue</b>	2, 3, 12	<b>867,955</b>	708,722
<b>Cost of services</b>	2, 3, 13	<b>561,921</b>	334,250
<b>Gross income</b>		<b>306,034</b>	374,472
<b>General and administrative expenses</b>	2, 3, 14	<b>234,325</b>	202,701
<b>Income from operations</b>		<b>71,709</b>	171,772
<b>Interest income</b>	2, 3, 15	<b>225</b>	163
<b>Income before income tax</b>		<b>71,934</b>	171,935
<b>Income tax expense</b>	2, 3, 17	<b>42,342</b>	38,081
<b>Net income after tax</b>		<b>29,592</b>	133,854

*See accompanying Notes to Financial Statements*



**SHARP MINDS BUSINESS AND CONSULTANCY, INC.****STATEMENTS OF CHANGES IN EQUITY***(Amounts in Philippine Peso)*

<b>Comparative Figures</b>	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>SHARE CAPITAL</b>			
<b>Authorized Capital Stock</b>		<b>800,000</b>	<b>800,000</b>
<b>Par Value</b>		<b>1</b>	<b>1</b>
<b>Beginning of the year</b>		<b>800,000</b>	<b>800,000</b>
<b>Balance at the end of the Year</b>	<b>2, 3, 10</b>	<b>800,000</b>	<b>800,000</b>
<b>Subscribed</b>			
<b>Balance at the Beginning of the Year</b>		<b>200,000</b>	<b>200,000</b>
<b>Balance at the end of the year</b>	<b>2, 3, 10</b>	<b>200,000</b>	<b>200,000</b>
<b>Total no. of shares subscribed</b>		<b>200,000</b>	<b>200,000</b>
<b>Paid-up capital</b>	<b>2, 3, 10</b>	<b>200,000</b>	<b>200,000</b>
<b>CUMULATIVE EARNINGS</b>			
<b>Balance at the beginning of the year</b>		<b>167,028</b>	<b>83,174</b>
<b>Net income after tax</b>		<b>29,592</b>	<b>133,854</b>
<b>Dividends Declared</b>		<b>-</b>	<b>50,000</b>
<b>Balance at the end of the year</b>	<b>2, 3, 11, 17</b>	<b>196,620</b>	<b>167,028</b>
<b>TOTAL EQUITY</b>		<b>396,620</b>	<b>367,028</b>

*See accompanying Notes to Financial Statements*

**SHARP MINDS BUSINESS AND CONSULTANCY, INC.**

**STATEMENTS OF CASH FLOWS**

(Amounts in Philippine Peso)

		<b>For the Years Ended December 31</b>	
	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before tax		<b>71,934</b>	171,935
Adjustments for:			
Depreciation	2, 3, 6, 13, 14	<b>22,399</b>	32,283
Retirement expense	2, 3, 14	<b>29,596</b>	-
Interest income	2, 3, 15	<b>(225)</b>	(163)
Operating cash flows before changes in working capital		<b>123,704</b>	204,055
Changes in assets and liabilities:			
Decrease (increase) in:			
Trade receivables	2, 3, 5	<b>(10,889)</b>	(17,671)
Increase (decrease) in:			
Trade and other payables	2, 3, 8	<b>235,232</b>	(207,973)
Cash generated in operations		<b>348,047</b>	(21,589)
Interest received	2, 3, 15	<b>225</b>	163
Income tax paid	2, 3, 17	<b>(86,795)</b>	(70,872)
Net cash provided (used) in operating activities		<b>261,477</b>	(92,298)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	2, 3, 11	<b>(50,000)</b>	-
Net cash provided (used) in financing activities		<b>(50,000)</b>	-
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>211,477</b>	(92,298)
<b>CASH, BEGINNING</b>		<b>209,461</b>	301,759
<b>CASH, END</b>	2, 3, 4	<b>420,938</b>	209,461

*See accompanying Notes to Financial Statements*

**SHARP MINDS BUSINESS AND CONSULTANCY, INC.**

3rd Floor 344 Ampioco St. Brgy. 137 Zone 12 Balut Tondo, Manila

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**  
As of December 31, 2022

Unappropriated Retained Earnings (Deficit), as adjusted to available for dividend distribution, beginning	167,028
Add: Net income (loss) actually earned/realized during the period	29,592
Net income (loss) during the period closed to Retained Earnings	196,620
Less:	
Non-actual/unrealized income net of tax	-
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP-gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Subtotal	-
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP – loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net income (loss) actually earned during the period	196,620
Add (Less):	
Dividend declarations during the period	-
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	-
<b>TOTAL RETAINED EARNINGS (DEFICIT), END AVAILABLE FOR DIVIDEND</b>	<b>196,620</b>

**SHARP MINDS BUSINESS AND CONSULTANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021  
(*Amounts in Philippine Peso*)

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**1. CORPORATE INFORMATION**

Sharp Minds Business and Consultancy, Inc. was incorporated and registered with the Securities and Exchange Commission (SEC) on January 20, 2017 with Company Registration No. CS201702147 and with the Bureau of Internal Revenue (BIR) on February 24, 2017 with Tax Identification No. 009-533-353-000.

The Company is a stock corporation and primarily engaged consultancy services, management consultant, contractor and agent and technical advice for development agencies, organizations and other kinds of entities; to undertake, carry on, assist or participate in the promotion, organization, management, liquidation or reorganization of corporations, partnerships and other entities and providing outsourcing services incidental to its purpose such as bookkeeping and other related services provided that it shall be for internal management purpose only and the output will not be submitted to any regulatory licensing government agencies and this will not involve the practice of accounting, neither the management of funds, securities, portfolio or similar assets of the managed entity or corporation, without acting as broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company, and time shares/club shares/membership certificates issuers or selling agents thereof, nor acting as fund manager or investment adviser of an investment company nor engaging in the practice of any licensed profession but will hire the services of professionals in the furtherance of the said purpose.

The company's place of business is located at 3rd Floor 344 Ampioco St. Brgy. 137 Zone 12 Balut Tondo, Manila.

The financial statements of the Company for the years ended December 31, 2022 and 2021 were authorized for issue by the Board of Directors on March 15, 2023.

The Board of Directors is still empowered to make revisions on the financial statements even after the date of issue.

**2. STATEMENT OF COMPLIANCE WITH THE PHILIPPINE FINANCIAL REPORTING STANDARD (PFRS) FOR SMALL ENTITIES (SES)**

**2.1. Basis of Compliance**

The Company's financial statements for the years ended have been prepared in accordance with the *Philippine Financial Reporting Standard for Small Entities* (PFRS for Small Entities) issued by the Philippine Financial Standards Council. They are presented in Philippine Peso which is the Company's functional and presentation currency. All amounts are rounded to the nearest peso.

**2.2. Basis of Measurement**

The financial statements have been prepared using the measurement bases specified by the PFRS for Small Entities.

**SHARP MINDS BUSINESS AND CONSULTANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021  
(*Amounts in Philippine Peso*)

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**Philippine Accounting Standards**

PFRS for Small Entities was approved by the Financial Reporting Standards Council (FRSC) on December 13, 2017 and by the Board of Accountancy and Professional Regulation Commission on February 20, 2018.

The Securities and Exchange Commission (SEC) has approved the adoption of PFRS for Small Entities effective for annual periods beginning January 1, 2019 covering companies that meet all of the following:

- a. Total assets of between ₱3 million to ₱100 million or total liabilities of between ₱3 million to ₱100 million. If the entity is a parent company, the said amounts shall be based on the consolidated figures;
- b. Are not required to file financial statements under Part II of SRC Rule 68;
- c. Are not in the process of filing their financial statements for the purpose of issuing any class of instruments in public market; and
- d. Are not holders of secondary licenses issued by regulatory agencies.

As the Company qualifies as Small entity it adopted the PFRS for Small Entities effective January 1, 2019.

In preparing the Company's financial statements in accordance with PFRS for Small Entities, relevant accounting policies have been applied. The more significant accounting policies and procedures applied in the preparation of the financial statements are set forth to facilitate the understanding of data presented.

Adoption of these new and amended standards did not have any effect on the financial statements of the Company for year ended December 31, 2022.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

**Financial assets**

Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provision of the instruments. Financial assets are recognized entirely at fair value. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at fair value through profit and loss are initially recorded at fair value and transaction costs related to it are recognized in the statement of income.

**Cash**

Cash includes petty cash fund and cash in bank that are unrestricted and available for current operations. This is stated in the statement of financial position at face amount.

Cash in bank earns interest at bank deposit rates.

**Trade Receivables**

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or

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services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

Services are made on the basis of normal credit terms, and the receivable do not bear interest. These are initially measured at transaction price and are subsequently presented at undiscounted amount. Where credit is extended beyond normal credit terms, receivable are measured at amortized cost using the effective interest method, at the end of each reporting period, the carrying amount of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If such evidence is identified, an impairment loss is recognized immediately in profit & loss.

#### **Impairment of financial assets**

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial asset is impaired. The financial asset or group of financial asset is impaired and impairment losses are incurred, only if there is objective evidence of impairment that can be reliably estimated as a result of one or more events that occurred after the initial recognition of the asset or group of financial assets.

#### **Derecognition of financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- a) the rights to receive cash flows from the assets have expired;
- b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a “pass-through” arrangement; or
- c) the Company has transferred its right to receive cash flows from the asset and either
  - i. has transferred substantially all the risks and rewards of the asset, or
  - ii. has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### **Prepaid tax**

This pertains to creditable withholding taxes. Creditable withholding taxes includes prior year excess tax credit and creditable withholding taxes for the current period. These are stated in the statement of financial position at cost.

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### **Property and Equipment, net**

Property and equipment - net are initially recorded at cost and subsequently stated at cost less accumulated depreciation and any impairment in value. When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statements of income.

The initial cost of property and equipment comprises its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation such as repairs and maintenance are normally recognized as expense in the period in which the cost are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted to an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

The useful life and depreciation and amortization are reviewed periodically to ensure that the periods and methods of depreciation and amortization are consistent with the expected pattern of benefits from items of property and equipment.

### **Impairment of Non-financial Assets**

The carrying value of nonfinancial assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, or when the carrying value exceeds the estimated recoverable amount, an impairment loss is recognized in the statement of income. The recoverable amount is greater of the assets net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flow expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist.

### **Financial liabilities**

Financial liabilities include accounts payable and income tax payable as classifies in the statements of financial position.

Financial liabilities are recognized initially at the fair value of the consideration received plus directly attributable transactions cost and subsequently measured at amortized cost using the effective interest method less settlement payments.

Financial liabilities are derecognized from the statements of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

The Company classifies its financial liabilities as current when these are due to be settled within twelve months after balance sheet date, even if: the original term was for a period longer than twelve months; and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorized for issue.

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**Trade and Other Payables**

Trade and other payables consists of accruals, liabilities to government agencies and other payables. Accounts payable are non-interest bearing and are recognized initially at their transaction price as these are either short-term in nature or payable on demand.

Accounts payable and accruals are liabilities to pay goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier.

Accounts payable are subsequently measured at amortized costs using effective interest method.

**Income Taxes**

Income tax expense includes current tax expense and deferred tax expense. The current tax expense is based on taxable income profit for the year. Deferred tax is recognized on the difference between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases. The current income tax charge is calculated on the basis of tax rate and laws that have been enacted or substantively enacted.

Deferred tax is provided, using the liability method, on all temporary differences with certain exceptions, at the reporting date between the tax bases of assets and liabilities and its carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carry forward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carry forward benefits of unused MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as of reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for temporary differences that are expected to reduce taxable profit in the future, and any net operating loss carry over (NOLCO) or excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). The net carrying amount of deferred tax asset is reviewed at each

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reporting date and any adjustments are recognized in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

**Percentage Tax**

Percentage tax is a business tax imposed on persons or entities who sell or lease goods, properties or services in the course of trade or business and are exempt from value-added tax (VAT) under Section 109 (BB) of the National Internal Revenue Code, as amended, whose gross annual sales and/or receipts do not exceed P3,000,000 and who are not VAT-registered.

**Share Capital**

Share capital represents the total par value of the ordinary shares issued.

Equity instruments are measured at the fair value of the cash or other consideration received or receivable, net of the direct costs of issuing the equity instruments. The difference between consideration received and the par value of the shares issued is credited to share premium.

**Cumulative Earnings (Losses)**

Cumulative earnings (losses) include all current and prior period results as disclosed in the statement of income or loss. The key change in this account is the addition of the profit or loss for the current period. The main other movements shall be the dividend payment and distribution, transfers to and from reserves, and changes in accounting policy and errors, if any.

In order to limit or restrict the payment of dividends, if applicable, the Company may transfer a portion of the cumulative earnings to cumulative earnings appropriated accounts. The appropriation may be described as legal, contractual or voluntary appropriation. Legal appropriation arises from the fact that the legal capital cannot be returned to the shareholders until the Company is dissolved and liquidated. Contractual appropriation arises from the fact that the terms of the bond issue and preferred share issue may impose restriction on the payment of dividends. This is to ensure the eventual payment of the bonds and redemption of the preferred share, if there are any. The voluntary appropriation is a matter of discretion on the part of the management. It may arise from the fact that management wishes to preserve the funds for expansion purpose or for covering possible losses or contingencies.

As approved and authorized by the Board of Directors, any appropriation of cumulative earnings (Retained Earnings) be in accordance with the policy set forth in Section 43 of the Corporation Code, to wit: Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except:

1. When justified by definite corporate expansion projects or programs approved by the board of directors; or
2. When the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or

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3. When it can be clearly shown that such retention is necessary can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for special reserve for probable contingencies

#### **Revenue Recognition**

Revenue recognized to the extent that it is probable that the economic benefits will flow to the company and the amount if revenue can be measured reliably. Revenue is measured by reference to the fair value of consideration received or receivable excluding discounts, returns and sales taxes, Revenue is recognized as follows:

- a. Revenue – is recognized in profit or loss in the period that the services are rendered.
- b. Interest Income – comprises interest income on bank deposit. Interest income is recognized in profit or loss as it accrued, using the effective interest method.

#### **Expense Recognition**

##### **Expenses**

Expenses are decreases in economic benefits in the form of decreases in assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the goods or services are received or when the expenses are incurred.

##### **Cost of Services**

Cost of services is recognized in profit or loss in the period that the services are rendered. Cost of services include expenses that are directly attributable to the service rendered such as consultancy fees, utilities and other direct costs.

##### **General and Administrative Expenses**

General and administrative expenses include general, administrative and distribution costs incurred by the Company that cannot be directly associated to the service rendered such as salaries and wages, taxes and licenses and other operating expenses.

##### **Employee Benefits**

Employee benefits represent: (a) short-term employee benefits, which are employee benefits (other than termination benefits) that are wholly due within twelve months after the end of the period in which the employees render the related service, and (b) termination benefits, which are employee benefits payable as a result of either:) an entity's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits

##### **Short-Term Employee Benefits**

Short-term benefits given by the Company to its employees include: (a) salaries and wages, 13th month pay, employer share contributions but not limited to Social Security, Home Development Mutual Fund and Phil Health contributions; (b) short- term compensated absences (such as paid annual leave and paid sick leave) when the absences are expected to

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occur within twelve months after the end of the period in which the employees render the related employee service. Short-term employee benefits are measured at the undiscounted amount expected to be paid in exchange for that service.

**Retirement Benefits**

The Company does not have a formal retirement benefit plan. However, the Company provides retirement in compliance with RA 7641. No actuarial computation was obtained during the year and the amount of provision for retirement benefits will not materially affect the fair presentation of the financial statements, if any.

**Provisions and Contingencies**

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

**Initial Recognition**

The company recognized a provision when the company has an obligation at the reporting date as a result of a past event and it is probable that the company will be required to transfer economic benefits in settlement and lastly the amount of the obligation can be estimated reliably.

The company measured provision at the best estimate of the amount required to settle the obligation at the reporting date. The best estimate is the amount an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time.

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**Subsequent Measurement**

The company shall charge against a provision only those expenditures for which the provision was originally recognized and review provisions at each reporting date and adjust them to reflect the current best estimate of the amount that would be required to settle the obligation at that reporting date. Any adjustments to the amounts previously recognized shall be recognized in profit or loss unless the provision was originally recognized as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount shall be recognized as finance cost in profit or loss in the period it arises.

**Events after Reporting Date**

Subsequent events that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Subsequent events that provide addition information about conditions existing after period end (non-adjusting events) are disclosed in the notes to the financial statements.

**Related Party Disclosures**

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

A related party is a person or entity that is related to the entity that is preparing its financial statements (the company)

- a. A person or a close member of that person's family is related to a reporting entity if that person:
  1. Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity
  2. Has control over the reporting entity; or
  3. Has joint control or significant influence over the reporting entity or has significant voting power in it.
- b. An entity is related to a reporting entity if any of the following conditions applies:
  1. The entity is controlled or jointly controlled by a person identify in (a).
  2. A person identified in (a)(i) has significant voting power in the entity.
  3. A person identified in (a)(ii) has significant influence over the entity or significant voting power in it.
  4. A person or a close member of that person's family has both significant influence over the entity or significant voting power in it and joint control over the reporting entity.
  5. A member of the key management personnel of the entity or of a parent of the entity, or a close member of that member's family, has control or joint control over the reporting entity or has significant voting power in it.

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**4. CASH**

This account consists of:

		2022	2021
Cash in bank	P	415,938	204,461
Petty Cash		5,000	5,000
	P	<b>420,938</b>	<b>209,461</b>

Cash in bank represents savings and current accounts in reputable local banks which earn interest at the prevailing bank deposit rates. Cash in banks are unrestricted and immediately available for use in current operations.

Petty cash fund is the working capital fund wherein small amount of expenses are being disbursed.

Total interest amounted to P225 and P163 in 2022 and 2021, respectively.

**5. TRADE RECEIVABLES**

This account consists of:

		2022	2021
Trade receivables	P	37,760	26,871
	P	<b>37,760</b>	<b>26,871</b>

Advances to employees are non-trade, non-interest bearing receivables.

No receivables has been pledged as security for any liabilities.

**6. PROPERTY AND EQUIPMENT, NET**

This account consists of:

	Furniture and Fixtures	Office Equipment	Leasehold Improvement	Total
<b>Cost</b>				
January 01, 2021	P      19,835	P      172,105	P      30,465	P      222,405
Addition	-	-	-	-
Disposal	-	-	-	-
December 31, 2021	19,835	172,105	30,465	222,405
Addition	-	-	-	-
Disposal	-	-	-	-
<b>December 31, 2022</b>	<b>P      19,835</b>	<b>P      172,105</b>	<b>P      30,465</b>	<b>P      222,405</b>

**Accumulated Depreciation**

January 01, 2021	P      12,785	P      101,543	P      25,735	P      140,063
Addition	3,678	23,875	4,730	32,283

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<b>Disposal</b>	-	-	-	-	-
December 31, 2021	16,463	125,417	30,465	172,346	
Addition	3,371	19,028	-	22,399	
Disposal	-	-	-	-	
<b>December 31, 2022</b>	<b>P 19,834</b>	<b>P 144,446</b>	<b>P 30,465</b>	<b>P 194,745</b>	

<b>Net Carrying Value</b>					
<b>December 31, 2022</b>	<b>P 1</b>	<b>P 27,659</b>	<b>P -</b>	<b>P 27,660</b>	
<b>December 31, 2021</b>	<b>P 3,372</b>	<b>P 46,688</b>	<b>P -</b>	<b>P 50,059</b>	

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Impairment tests performed indicates that there are no property and equipment found impaired.

Depreciation is computed on straight-line basis over the estimated useful lives of the assets as follows:

<u>Useful Life in Years</u>	
Furniture and fixtures	2-3 years
Office equipment	2-3 years
Leasehold improvement	2-3 years

#### **DEPRECIATION**

This account consists of:

	Cost of services		General and administrative expenses	
	2022	2021	2022	2021
Furniture and fixtures	P -	P -	P 3,371	P 3,678
Office equipment	P 19,028	P 23,875	P -	P -
Leasehold improvement	P -	P -	P -	P 4,730
	<b>P 19,028</b>	<b>P 23,875</b>	<b>P 3,371</b>	<b>P 8,409</b>

There are no property and equipment used as a collateral to any indebtedness, nor the company entered into any contractual commitments for the acquisition of property and equipment.

#### **7. DEFERRED TAX ASSET**

This account consists of:

	2022	2021
Beginning balance	P -	P -
Add: DTA arising relating to reversal of retirement	P 5,919	P -
Ending balance	P 5,919	P -

Deferred tax asset arises from the reversal of retirement set-up of employees.

Deferred tax is provided, using the liability method, on all temporary differences with certain

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exceptions, at the reporting date between the tax bases of assets and liabilities and its carrying amounts for financial reporting purposes.

**8. TRADE AND OTHER PAYABLES**

This account consists of:

		2022	2021
Trade payable	P	289,510	P 55,845
Withholding tax - expanded		18,333	11,889
Percentage tax payable		2,560	2,538
SSS, PHIC and HDMF payable		1,845	1,745
Advances from others		-	5,000
	P	<b>312,249</b>	<b>P 77,017</b>

Trade payables are unpaid liabilities from trade purchases which are noninterest-bearing and are normally due within 60 days.

Other payables include the current portion of the Company's obligation to pay statutory obligation that are expected to be settled within 12 months from the balance sheet date.

**9. RETIREMENT PAYABLE**

The Company does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement benefit in a lump sum equal to 22.5 days Pay for every year of credited service.

The following table summarizes the components of net pension expense (included in "Retirement expense") in note 14 and the amounts recognized in the statements of financial position for the plan:

	2022	2021
Benefit obligation	P 29,596	P -
Plan assets	-	-
Unfunded obligation	P 29,596	P -

The movements in the net liability recognized in the balance sheet as follows:

	2022	2021
Opening net liability	P -	P -
Expense	29,596	-
Obligation, ending	P 29,596	P -

Changes in the present value of the defined benefit obligation:

	2022	2021
Obligation, beginning	P -	P -
Current service cost	29,596	-
Obligation, ending	P 29,596	P -

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The amounts of retirement benefits expense recognized in the statements of income are as follows:

	2022	2021
Current service cost	P 29,596	P -
Interest cost on benefit obligation	- -	- -
Obligation, ending	P 29,596	P -

## 10. SHARE CAPITAL

This account consists of:

	2022	2021
Authorized Capital Stock 8,000 common shares at P100.00 par value	P 800,000	P 800,000
Subscribed and Paid-up Capital 2,000 common shares at P100.00 par value	P 200,000	P 200,000

The authorized share capital of the corporation is P800,000 divided into 8,000 common shares at P100 par value per share. The subscribed and paid-up share capital as of December 31, 2022 is 2,000 common shares amounting to P200,000.

The Company has one class of ordinary shares which carry no right to fixed income.

There were no movements in the share capital of the Company in 2022 and 2021 financial reporting periods.

## 11. CUMULATIVE EARNINGS

This account consists of:

	2022	2021
Beginning balance	P 167,028	P 83,174
Add: net income for the period	P 29,592	P 133,854
Less: Dividends declared	- -	(50,000)
Balance at the end of the year	P 196,620	P 167,028

Cumulative earnings include current results as disclosed in the statements of income. The key change in this account is the addition of the profit or loss.

## 12. REVENUE

This account consists of:

	2022	2021
Revenue	P 867,955	P 708,722
	P 867,955	P 708,722

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Revenue is recognized in profit or loss in the period that the services are rendered.

### 13. COST OF SERVICES

This account consists of:

	Note	2022	2021
Consultancy fee	P	505,333	268,889
Utilities expenses		26,266	28,899
Depreciation expense	6	19,028	23,875
Fuel and oil		11,293	12,588
	P	561,921	334,250

Consultancy fee represent payments made by the company to its consultant/s in exchange for the services rendered.

Cost of services is recognized in profit or loss in the period that the services are rendered.

Cost of services include expenses that are directly attributable to the service rendered.

### 14. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

	Note	2022	2021
Salaries and wages	P	66,420	64,440
Office supplies		36,290	15,904
Retirement expense	9	29,596	-
Taxes and licenses	19	26,866	21,596
SSS, PHIC and HDMF expenses		22,140	20,940
13th month pay expense		15,700	20,370
Trainings and Seminars		9,155	3,375
Percentage tax expense	19	8,680	7,087
Professional fee		6,222	6,222
Repairs and maintenance expense		4,442	998
Depreciation expense	6	3,371	8,409
Representation and entertainment		1,600	25,721
Transportation and travel		1,297	7,012
Miscellaneous		2,546	627
	P	234,325	202,701

General and administrative expenses is recognized in profit or loss in the period that the services are rendered.

General and administrative expenses include general, administrative and distribution costs incurred by the Company that cannot be directly associated to the service rendered.

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## 15. INTEREST INCOME

This account consists of:

	2022	2021
Interest income	P 225	P 163
	P 225	P 163

Interest income comprises of interest income on bank deposit. Interest income is recognized in profit or loss as it accrued, using the effective interest method.

## 16. RELATED PARTY TRANSACTIONS

A party is related to an entity if:

- (a) directly, or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - has an interest in the entity that gives it significant influence over the entity; or
  - has joint control over the entity;
- (b) the party is an associate of the entity;
- (c) the party is a joint venture in which the entity is a venturer;
- (d) the party is a member of the key management personnel of the entity or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

The company has no related party transactions for the years ended 2022 and 2021.

### *Key Management Personnel*

The key Management personnel of the company and post-employment benefit plans for the benefit of company's employees are also considered to be related parties. Key management compensation consists of:

	2022
Salaries, wages and 13th month pay	P 82,120
	P 82,120

Key management includes the Board of Directors, all members of company management.

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### 17. INCOME TAXES

Pursuant to the provisions of Sections 244 and 245 of the NIRC of 1997, as amended, in relation to Section 21 of Republic Act (RA) No. 11543 or the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE), these Regulations are hereby promulgated to implement the new income tax rates (transitory rates) for taxable year ending July 31, 2020 to June 30, 2023. For Regular Corporate Income Tax Rate of 30% to 20% and for Minimum Corporate Income Tax of 2% to 1%.

The NIRC of 1997 also provides for rules on the imposition of Minimum Corporate Income Tax (MCIT) on the year-end gross income beginning on the fourth (4th) taxable year immediately following the year in which the Company commenced its business operations. Any excess MCIT over RCIT can be carried forward on annual basis and credited against RCIT for the three (3) immediately succeeding taxable years.

The company is subject to Regular Corporate Income Tax (RCIT) and Minimum Corporate Income Tax (MCIT).

The reconciliation of the provision for income tax computed at statutory income tax rate to the provision for income tax shown in the statements of income follows:

Components of income tax expense are as follows:

	2022	2021
Current income tax expense	P 48,261	P 38,081
Deferred tax asset relating to reversal of retirement expense	(5,919)	-
	P 42,342	P 38,081

A numerical reconciliation between tax expense and the product of accounting income multiplied by 20% in 2022 and 2021, respectively as follows:

	2022	2021
Accounting profit (loss)	P 71,935	P 171,935
Tax expense (benefit)	14,387	34,387
Tax effect of expenses that are non-deductible:		
Management and consultancy	28,000	-
Representation and entertainment	-	3,727
Tax effect of income that is subject to lower rate:		
Interest income subject to final tax	(45)	(33)
Tax effect of temporary differences:		
Retirement expense	5,919	-
	P 48,261	P 38,081

Income tax payable is computed as follows:

	2022	2021
Current income tax expense	P 48,261	P 38,081
Less: Prior year's excess credits	(207,654)	(174,863)
Creditable tax withheld for 4th quarter	(86,795)	(70,872)
Income tax payable (overpayment)	P (246,188)	P (207,654)

# **SHARP MINDS BUSINESS AND CONSULTANCY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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When the total tax payments/credits exceeds the provision for income tax for the current period, the difference is recognized as prepaid taxes to be carried over for the next period.

### **18. EVENTS AFTER THE END OF THE REPORTING PERIOD**

An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period.

An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period. If non-adjusting events after the reporting period are material, non-disclosure could influence the economic decisions of users taken on the basis of the financial statements. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting period:

- (a) the nature of the event; and
- (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

The Company has evaluated subsequent events through March 15, 2023, which is the date the financial statements were available to be issued.

### **19. COMPLIANCE WITH REVENUE REGULATIONS NO. 15-2010**

Revenue Regulations No. 15-2010 requires additional disclosure to the Note to Financial Statements other than those mandated under the applicable financial reporting framework and standards adopted by the Company, relating to information on taxes, duties and license fee paid or accrued during the taxable year.

The following are the schedules prescribed under existing revenue issuances applicable to the Company as of December 31, 2022:

#### **Tax Obligations**

The Company reported and/or paid the following types of taxes for the year.

##### **A. Other Percentage Tax**

RA 10963 of Sec. 38, Sec. 116 of the NIRC, as amended, Tax on Persons Exempt from Value-added Tax (VAT). - Any person whose sales or receipts are exempt under Section 109(BB) of this Code from the payment of value-added tax and who is not a VAT-registered person shall pay a tax equivalent to three percent (3%) of his gross quarterly sales or receipts.

Pursuant to the provisions of Sections 244 and 245 of the NIRC of 1997, as amended, in relation to Section 21 of Republic Act (RA) No. 11543 or the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE), these Regulations are hereby promulgated to implement the new income tax rates (transitory rates) for taxable year ending July 31, 2020 to June 30, 2023. Percentage Tax is reduced from 3% to 1 %.

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Details of the Company's sales/receipts and percentage tax accounts are as follows:

	<b>2022</b>		<b>Percentage Tax</b>
	<b>Sales / Receipts</b>	<b>P</b>	
Taxable		P 867,955	P 8,680
		P 867,955	P 8,680

**B.** The Company has no landed cost of imports, tariff fees and customs duties since it has no import transactions.

**C.** The Company has no transactions subject to excise tax.

### **D. Documentary Stamp Tax (DST)**

The Company has no transactions subject to documentary stamp tax.

### **E. Other Taxes and Licenses**

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the 'Taxes and Licenses' account under the 'General and administrative expenses' sections in the Company's Income Statement:

Details consist of the following:

	<b>2022</b>	
Business permits	P	23,491
Insurance		720
Community tax certificate		2,155
Annual registration fee		500
	P	26,866

### **F. Withholding Taxes**

Details of Company's withholding taxes paid or accrued during the year are as follows:

	<b>2022</b>	
Expanded withholding taxes	P	37,089
Withholding taxes on compensation and benefits		-
	P	37,089

**G.** The Company has no pending case involving tax cases.

### **Revenue**

The Company's revenue during the year amounting to P867,955 is subject to regular corporate income tax (RCIT) rate.

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**Itemized Deductions**

Details of the Company's itemized deductions for the year lodge under "cost of services" are as follows:

	Non-deductible	RCIT
Consultancy fee	P 140,000	P 365,333
Utilities expenses		26,266
Depreciation expense		19,028
Fuel and oil		11,293
	P 140,000	P 421,921

Details of the Company's itemized deductions for the year lodge under "general and administrative" are as follows:

	Non-deductible	RCIT
Salaries and wages	P	P 66,420
Office supplies		36,290
Taxes and licenses		26,866
SSS, PHIC and HDMF expenses		22,140
13th month pay expense		15,700
Trainings and Seminars		9,155
Percentage tax expense		8,680
Professional fee		6,222
Repairs and maintenance expense		4,442
Depreciation expense		3,371
Representation and entertainment		1,600
Transportation and travel		1,297
Retirement expense	29,596	-
Miscellaneous		2,546
	P 29,596	P 204,729

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