COVER SHEET

2 7 9 9

S.E.C Registration Number

PHILIPPINE INSTITUTE OF

CERTIFIED PUBLIC ACCOUNTANTS

(Company's Full Name)

700 PICPA BUILDING, SHAW

BOULEVARD, WACK WACK,

MANDALUYONG CITY

(Business address: No. Street City / Town / Province)

SUSAN C. MANLANGIT

Contact Person

723-0691-95

Company Telephone Number

0 6 Month 3 0 Day

AAFS

FORM TYPE

Month Day

Secondary License Type, If Applicable

SEC

Dept. Requiring this Doc.

Amended Articles Number/Section

Total amount of borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
LIST OF ATTACHMENTS TO ANNUAL INCOME TAX RETURN
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Statements and Schedules

Comparative financial statements accompanied by the auditors' report	X
Others (enumerate):	
Management responsibility letter	X
Schedule of taxes and licenses	X

BIR Forms

BIR Form 2304 - Certificate of Income Payment Not Subject to Withholding Tax	NA

X - Attached
NA - Not Applicable

Philippine Institute of Certified Public Accountants
THE NATIONAL ORGANIZATION OF CERTIFIED PUBLIC ACCOUNTANTS

PICPA BUILDING
700 SHAW BOULEVARD
CITY OF MANDALUYONG

PO BOX 1440 MANILA
TELS. 723-06-91 TO 93
www.picpa.com.ph

TELEFAX : 723-83-05
DIRECT LINES : 726-94-56
723-54-67

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

February 18, 2011

Securities and Exchange Commission
SEC Building
Mandaluyong City

The management of *PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (a nonstock, nonprofit organization)* is responsible for all information and representations contained in the financial statements for the years ended June 30, 2010 and June 30, 2009. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of the management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the members of the Institute.

Mendoza Querido & Co., the independent auditors and appointed by the board, has audited the financial statements of the Institute in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the members.

JOSE C. CABALUM, JR.	***RONALDO D. DIZON***	***ROSALINA R. PANGILINAN***
National President	*Vice President for Operations*	*National Treasurer*
FY 2010-2011 / CHAIRMAN	*FY 2010-2011*	*FY 2010-2011*

FEB 22 2011 MANILA

SUBSCRIBED AND SWORN TO, before me this ___ day of ___, at ___, exhibiting to me his/her Community Tax Certificate number ___, issued on ___ in ___; Community Tax Certificate number ___, issued on ___ in ___; Community Tax Certificate number ___ issued on ___ in ___;

Doc. No. 470
Page No. 47
Book No. 83
Series of 2011

ATTY. [illegible] AGCAOILI, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2011
PTR NO. [illegible] / 01-04-11 /MLA.
IBP NO. [illegible] / 01-10-11 /MLA.
ROLL NO. [illegible] / TIN -144519066
MCLE COMPLIANCE II- 0015473

PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
THE NATIONAL ORGANIZATION OF CERTIFIED PUBLIC ACCOUNTANTS

PICPA BUILDING
700 SHAW BOULEVARD
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P.O.BOX 1440 MANILA
TEL NOS. 723-0691 TO 93
www.picpa.com.ph

TELEFAX 723-6305/726-9452
DIRECT LINES 726-9456/723-5467

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

February 18, 2011

The Management of Philippine Institute of Certified Public Accountants is responsible for all information and representations contained in the Annual Income Tax Return for the year ended June 30, 2010. 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 June 30, 2010 and the accompanying Annual Income Tax Return are in accordance with the books and records of Philippine Institute of Certified Public Accountants, 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 Philippine Institute of Certified Public Accountants 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.

JOSE C. CABALUM,JR.
President

RONALDO D. DIZON
Vice President for Operations

ROSALINA R. PANGILINAN
Treasurer

BUREAU OF INTERNAL REVENUE
02 MAR 2011
COLLECTION SECTION

M&Q

Mendoza Querido & Co.
Certified Public Accountants

19th Floor, The Salcedo Towers
169 H.V. de la Costa Street Salcedo Village
Makati City, Philippines
Tel. No. (632) 887-1888
Facsimile No. (632) 887-1254

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
TO ACCOMPANY INCOME TAX RETURN

The Board of Directors
Philippine Institute of Certified Public Accountants
700 PICPA Building, Shaw Boulevard
Wack Wack, Mandaluyong City

We have audited the financial statements of Philippine Institute of Certified Public Accountants for the year ended June 30, 2010 on which we have rendered the attached report dated February 18, 2011.

In compliance with Revenue Regulations V-20, we are stating the following:

1. The taxes paid or accrued by the above company for the year ended June 30, 2010 are shown in the Schedule of Taxes and Licenses attached to the Annual Income Tax Return.

2. No partner of our Firm is related by consanguinity or affinity to the president, manager or principal member of the Company.

For the Firm: **MENDOZA QUERIDO & CO.**

EMMANUEL Y. MENDOZA
Partner
CPA Certificate No. 84318
PRC-BOA Accreditation No. 0966
SEC Accreditation No. 0871-A
TIN 102-092-096
BIR Accreditation No. 08-002617-1-2009
PTR No. 2682720, January 15, 2011, Makati City

February 18, 2011

M&Q
Mendoza Querido & Co.
Certified Public Accountants

19th Floor, The Salcedo Towers
169 H.V. de la Costa Street Salcedo Village
Makati City, Philippines
Tel. No. (632) 887-1888
Facsimile No. (632) 887-1264

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors
Philippine Institute of Certified Public Accountants
700 PICPA Building, Shaw Boulevard
Wack Wack, Mandaluyong City

We have audited the accompanying financial statements of Philippine Institute of Certified Public Accountants, which comprise the statements of assets, liabilities and fund balances as of June 30, 2010 and 2009 and the statements of revenues and expenses, changes in fund balances and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Philippine Institute of Certified Public Accountants as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with Philippine Financial Reporting Standards.

For the Firm: **MENDOZA QUERIDO & CO.**

EMMANUEL Y. MENDOZA
Partner
CPA Certificate No. 84318
PRC-BOA Accreditation No. 0966
SEC Accreditation No. 0871-A
TIN 102-092-096
BIR Accreditation No. 08-002617-1-2009
PTR No. 2682720, January 15, 2011, Makati City

February 18, 2011

02 MAR 2011

M&Q
Mendoza Querido & Co.
Certified Public Accountants

PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
(A Nonstock, Nonprofit Organization)

COMBINED STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

JUNE 30, 2010 AND 2009

	Notes	2010	2009
ASSETS			
Current Assets			
Cash and cash equivalents	2, 4, 6	P32,674,773	P34,958,129
Receivables – net	2, 4, 7	8,679,304	8,834,059
Publication and supplies inventories – net	2, 8	774,418	397,590
Prepaid expenses and other current assets	9	5,092,984	3,544,557
Total Current Assets		47,221,479	47,734,335
Non-current Assets			
Property and equipment – net	2, 10	82,908,473	85,397,699
Available-for-sale investment	2, 11	2,080,000	–
Long-term investment	2, 4, 12	5,000,000	5,000,000
Pension assets	2, 13	307,842	188,208
Special fund	4, 17	18,426,634	17,250,616
Other assets	14	3,034,534	1,249,816
Total Non-current Assets		111,757,483	109,086,339
		P158,978,962	P156,820,674
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts payable and accrued expenses	2, 4, 15	P8,589,384	P7,318,996
Unearned rental income		1,078,458	1,027,103
Total Current Liabilities		9,667,842	8,346,099
Non-current Liabilities			
Rental deposit		380,250	380,250
Deferred tax liability	2, 16	23,261,326	23,261,326
Other liabilities		1,493,088	1,141,627
Total Non-current Liabilities		25,134,664	24,783,203
TOTAL LIABILITIES		34,802,506	33,129,302
Fund Balances	5, 17		
General		25,470,959	29,130,330
Chapters and regions		36,999,257	34,110,820
Special		18,426,634	17,250,616
Unrealized gain on available-for-sale investment		80,000	–
Revaluation surplus on land		43,199,606	43,199,606
TOTAL FUND BALANCES		124,176,456	123,691,372
		P158,978,962	P156,820,674

See accompanying Notes to Combined Financial Statements.

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MAR 02 2011

02 MAR 2011

...PPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
(A Nonstock, Nonprofit Organization)

COMBINED STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	Notes	2010	2009
REVENUES	2, 18	P71,717,916	P75,874,181
ADMINISTRATIVE EXPENSES	19	71,801,796	69,484,348
EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAX		(83,880)	6,389,833
PROVISION FOR CURRENT INCOME TAX	16	71,735	9,486
NET EXCESS OF REVENUES OVER EXPENSES		(P155,615)	P6,380,347

See accompanying Notes to Combined Financial Statements.

PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

(A Nonstock, Nonprofit Organization)

COMBINED STATEMENTS OF REVENUES AND EXPENSES

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	Notes	2010	2009
REVENUES	2, 18	P71,717,916	P75,874,181
ADMINISTRATIVE EXPENSES	19	71,801,796	69,484,348
EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAX		(83,880)	6,389,833
PROVISION FOR CURRENT INCOME TAX	16	71,735	9,486
NET EXCESS OF REVENUES OVER EXPENSES		(P155,615)	P6,380,347

See accompanying Notes to Combined Financial Statements.

PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

(A Nonstock, Nonprofit Organization)

COMBINED STATEMENTS OF CHANGES IN FUND BALANCES

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010					2009				
	General	Chapters and Regions	Special	Unrealized Gain on Available-for-Sale Investment	Revaluation Surplus on Land	General	Chapters and Regions	Special	Property and Equipment	Revaluation Surplus on Land
Balance at beginning of year	P29,130,330	P34,110,820	P17,250,616	P–	P43,199,606	P28,011,099	P30,907,704	P13,996,902	P–	P43,199,606
Adjustments (Note 21)	(615,319)									
Balance at beginning of year as restated	28,515,011	34,110,820	17,250,616	0	43,199,606	18,095,010	25,998,341	13,394,221	10,945,683	43,199,606
Transfer of funds:										
Transfer to special funds:										
Building construction fund						(2,058,000)		2,058,000		
SLM fund			1,344,200					1,176,980		
Members social fund			17,264					53,887		
Scholarship fund			(195,557)					(35,153)		
Others			10,111							
Transfer to due to geographical areas										
Transfer of property and equipment to general fund										
	–	–	1,176,018	–	–	(2,058,000)	–	3,253,714	–	–
Balance after transfer	28,515,011	34,110,820	18,426,634	–	43,199,606	25,953,099	30,907,704	17,250,616	–	43,199,606
Net excess of revenues over expenses	(3,044,052)	2,888,437				3,177,231	3,203,116			
Unrealized gain on Available-for-sale investment				80,000						
Balance at end of year	P25,470,959	P36,999,257	P18,426,634	P80,000	P43,199,606	P29,130,330	P34,110,820	P17,250,616	P–	P43,199,606

See accompanying Notes to Combined Financial Statements.

PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
(A Nonstock, Nonprofit Organization)

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses before income tax		(P83,880)	P6,389,833
Adjustments for:			
Depreciation	10	5,007,919	4,611,317
Provision for retirement plan	13	(119,634)	413,729
Interest income		(1,223,878)	(1,337,320)
Dividend income		–	(700)
Operating income before working capital changes		3,580,527	10,076,859
Decrease (increase) in:			
Receivables		154,755	(2,228,497)
Publication and supplies inventories		(376,828)	(155,083)
Prepaid expenses and other current assets		(1,548,427)	(2,014,317)
Increase in:			
Accounts payable and accrued expenses		1,270,388	629,840
Unearned rental income		51,355	48,910
Net cash provided by operating activities		3,131,770	6,357,712
CASH FLOWS FROM INVESTING ACTIVITIES			
Net additions in property and equipment		(2,518,693)	(2,376,471)
Increase in:			
Available for sale investment	11	(2,080,000)	–
Long-term investment	12	–	(4,000,000)
Special funds	17	(1,176,018)	(3,253,714)
Other assets		(1,784,718)	(194,644)
Interest received		1,223,878	1,337,320
Dividend received		–	700
Net cash used in investing activities		(6,335,551)	(8,486,809)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net funds transferred		568,964	1,186,228
Advances from affiliates		351,461	(282,108)
Net cash provided by financing activities		920,425	904,120
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,283,356)	(1,224,977)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		34,958,129	36,183,106
CASH AND CASH EQUIVALENTS AT END OF YEAR		P32,674,773	P34,958,129

See accompanying Notes to Combined Financial Statements.

1. **Organization and Objective**

The Philippine Institute of Certified Public Accountants (the Institute), a nonstock, nonprofit organization, was organized in 1929 and registered with the Securities and Exchange Commission (SEC) on April 25, 1947. The primary purpose of the Institute includes the following:

(a) To enable the accountancy profession to discharge its public responsibilities more effectively;

(b) To promote and maintain high professional standards in the accountancy profession;

(c) To develop among its members high ideals of competence, ethical conduct, integrity and civic consciousness;

(d) To foster cordial, harmonious and fruitful relations among its members;

(e) To elevate the standards of accountancy education;

(f) To guard against the practice of the profession by unauthorized persons or entities and in general;

(g) To protect and enhance the integrity of the certificate of registration of the Certified Public Accountant;

(h) To develop a treaty of friendship among its members.

The Institute currently holds office at No. 700 Shaw Boulevard, Mandaluyong City.

On March 7, 2006, the SEC approved the amendment of the Institute's By-laws. The amendment includes among others, the following:

(a) ARTICLE IV Organization - Geographical Area. The PICPA organization shall be composed of four (4) geographical areas divided into Luzon, Visayas, Mindanao and National Capital Region, represented by nine (9) regions.

(b) ARTICLE XV Finances - Expenditures. Operating expenses of the Institute shall not exceed 80% of the dues collected; provided, however, that Board meeting expenses and President's Office expenses (excluding foreign travel) shall not exceed 11% and 6%, respectively, of dues collected which expenses shall already be part of the 80% mentioned above; provided further that an annual budget of operating expenses be submitted to the National Board at the start of the year for approval before any expenditures can be disbursed.

Dues and Other Accounts - Members shall continue to pay their annual membership dues amounting to One Thousand Pesos (P1,000), until a new rate is determined and fixed. Membership dues, after deducting Fifteen Pesos (P15.00) from each member's contribution which shall be exclusively used for death benefits and socio-civic activities, shall be apportioned as follows:

(1) Thirty five percent (35%) for the Chapter;
(2) Ten percent (10%) for the Geographical Area Office;
(3) Ten percent (10%) for the Regional Council; and
(4) Forty five percent (45%) for the National Office

(c) ARTICLE XXIII Transitory Provisions - Change from Calendar year to Fiscal Year Basis. The change from calendar year to fiscal year starting July 1 and ending on June 30 shall commence on July 1, 2006.

The combined financial statements of the Institute as of June 30, 2010 were approved and authorized for issue by the Board of Directors on February 18, 2011.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying combined financial statements of the Institute have been prepared on historical cost basis, except for land which has been measured at fair value.

Statement of Compliance
The combined financial statements of the Institute have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS).

Basis of Combination
The combined financial statements comprise the financial statements of the Institute's national office, chapters and regions. All significant transactions between the national office, chapters and regions were eliminated.

The significant accounting policies and practices of the Institute are set forth to facilitate the understanding of the financial statements:

Financial Assets
Financial assets include cash on hand and in banks and other financial instruments. Financial assets, other than hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were

Cash and Cash Equivalents
Cash and cash equivalents in the combined statement of assets, liabilities and fund balances comprised of cash on hand, in banks and other liquid investments with original maturity of three months or less from the date of acquisition.

Receivables

Receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale. Receivables are stated at outstanding balance less any allowance for doubtful accounts.

An allowance for doubtful accounts is provided if there is an objective evidence that the Institute will be unable to collect the amounts due on a claim according to the original contractual terms or the equivalent value.

HTM Investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Institute's management has the positive intention and ability to hold to maturity. Where the Institute sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS securities. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest rate method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'Interest income' in the statement of revenues and expenses. Gains and losses are recognized in income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of revenues and expenses. The effects of restatement on foreign currency denominated HTM investments are recognized in the statement of revenues and expenses.

Investments and Other Financial Assets

Financial assets covered by PAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Institute determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Institute commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial Liabilities

Financial liabilities include accounts payable and accrued expenses.

Financial liabilities are recognized when the Institute becomes a party to the contractual agreements of the instrument.

Financial liabilities are initially recognized at their nominal value and subsequently measured at amortized cost less settlement payments, except when these are payable within one year in which case they are measured at their nominal value.

Derecognition of Financial Assets and Liabilities

Financial Asset

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

• The rights to receive cash flows from the asset have expired;

• The Institute 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 the Institute has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Institute has transferred its rights to receive cash flows from an asset 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 Institute'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 Institute could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Institute's continuing involvement is the amount of the transferred asset that the Institute may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Institute's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in revenues and expenses.

Impairment of Financial Assets

The Institute assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in revenues and expenses.

The Institute first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets Carried at Cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Publication and Supplies Inventories
Publication and supplies inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

Property and Equipment
Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in 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 additional costs of property and equipment. Cost also includes any asset retirement obligation and interest on borrowed funds used. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of revenues and expenses of such period.

Depreciation and amortization are calculated on a straight-line basis over the useful lives of the assets.

The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of revenues and expenses in the year the item is derecognized.

Impairment of Assets
The Institute assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Institute makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash- generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statement of revenues and expenses in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in revenues and expenses unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions, Contingent Liabilities and Contingent Assets
Provisions are recognized when the Institute has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably. When the Institute expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimated of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

Revenue

Revenue is recognized when it is probable that a transaction will generate a future economic benefit to the Institute and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Membership

Annual membership dues are recognized as income when collected regardless of the period to which they pertain. These dues are apportioned to chapters, geographical area office, regional council and national office after deducting P15 from every member's contribution for members' social fund, in accordance with the Institute's by-laws.

Entrance Fees

One time payment of P100 from every new member of the Institute is recognized as income when collected.

Seminar Fees

Registration fees from various seminars conducted by the Institute are recognized as income when earned.

Publication and Sale of Printed Materials

Publication and sale of printed materials and other accounting updates are recognized as revenue when the goods are delivered and billed to the customers.

Rental Income

Rental income arising from the lease of parts of the building which qualifies as operating lease under PAS 17 is accounted for on a straight-line basis over the lease term of ongoing leases.

Donations and Solicitations

Donations, contributions, advertising and solicitations from various entities during events organized by the Institute are recognized as income when received.

Interest Income

Interest income is recognized as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividend Income

Revenue is recognized when the Institute's right to receive the payment is established.

Miscellaneous Income

Income from various activities other than seminars, processing fee of renewal of license and other proceeds are recognized as income when received.

Employees' Benefits
The Institute recognizes a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the entity consumes the economic benefits arising from service provided by an employee in exchange for employee benefits. Employee benefits are short-term employee benefits; post-employment benefits; other long-term employee benefits and termination benefits.

Short-term Employee Benefits
Short-term employee benefits are employee benefits which fall due within twelve months after the end of the period in which the employees render the related service. The Institute recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Institute to its employees include salaries and wages, social security contributions, short-term compensated absences, and non-monetary benefits. Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. These are included in the salaries and wages at the undiscounted amount that the Institute expects to pay as a result of the unused entitlement.

Retirement Obligations
The Institute has funded noncontributory benefit retirement plan covering all its qualified regular employees of the national office. Retirement benefits are equivalent to sum equal to a percentage of the latest monthly salary for every year of creditable service in accordance with the benefit schedule as defined in the Plan.

Retirement cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Retirement cost includes current service cost, interest cost, actuarial gains and losses and the effect of any curtailment or settlement.

The liability recognized in the balance sheet in respect of the plan is the present value of the benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement liability.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of the plan assets or 10% of the benefit obligation are spread to income over the employees' expected average remaining working

Foreign Currency Transactions
Exchange gains or losses arising from foreign currency transactions and translation of foreign currency denominated assets and liabilities as of reporting date are credited or charged directly to current operations.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in revenues and expenses in the period in which they arise.

Leases

The determination of whether an arrangement is a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of specific asset or assets and the arrangement conveys a right to use the

Institute as a lessor

Leases where the Institute retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating and operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Income Taxes

Current

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet

Deferred

Deferred income tax is provided using the liability method on temporary differences at the financial condition date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

Deferred income tax assets and liabilities are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the taxable temporary differences can be utilized. These are measured at the tax rates that are expected to apply to the period when the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the statements of revenues and expenses.

Deferred tax assets and deferred tax 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.

Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Institute; associates; and individuals owning, directly or indirectly, an interest in the voting power of the Institute that gives them significant influence over the Institute and close members of the family of any such individual.

Subsequent Events

The Institute identifies subsequent events as events that occurred after the reporting date but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Institute's financial position at the reporting date are reflected in the financial statements.

Events that are not adjusting events are disclosed in the notes to the financial statements when material.

Improvements to PFRSs

In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wording.

• PAS 1, *Presentation of Financial Statements*

Assets and liabilities classified as held for trading are not automatically classified as current in the balance sheet.

• PAS 16, *Property, Plant and Equipment*

The amendment replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5, Non-current Assets Held for Sale and Discontinued Operations and PAS 36, Impairment of Asset.

Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.

• PAS 19, *Employee Benefits*

Revises the definition of (a) 'past service costs' to include reductions in benefits related to past services ('negative past service costs') and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment; (b) 'return on plan assets' to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation; (c) 'short-term'[and 'other long-term' employee benefits to focus on the point in time at which the liability is due to be settled. Also, it deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, Provisions, Contingent Liabilities and Contingent Assets.

• PAS 29, *Financial Reporting in Hyperinflationary Economies*

Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property and equipment as being an example, rather than implying that it is a definitive list.

• PAS 36, *Impairment of Assets*

When discounted cash flows are used to estimate 'fair value less cost to sell', additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

• PAS 39, *Financial Instruments: Recognition and Measurement*

Improvements to PAS 39 are: (a) changes in circumstances relating to derivatives- specifically derivatives designated or re-designated as hedging instruments after initial recognition- are not reclassifications; (b) when financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, Insurance Contracts, this is a change in circumstance, not a reclassification; (c) removes the reference to a 'segment' when determining whether an instrument qualifies as a hedge; and (d) requires the use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the concession of fair value hedge accounting.

The following are the standards and interpretations that are issued and yet to be effective for the financial statements as of and for the year ended December 31, 2008:

• PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for annual periods beginning on or after January 1, 2009)*

The amended PFRS 1 allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: a) cost determined in accordance with PAS 27; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.

• PFRS 2, *Share-based Payment - Vesting Condition and Cancellations (effective for annual periods beginning on or after January 1, 2009)*

The standard has been revised to clarify the definition of a vesting conditions and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to cancellation.

• PFRS 8, *Operating Segments (effective beginning January 1, 2009)*

PFRS 8 adopts a management approach to reporting segment information. PFRS 8 will replace PAS 14, Segment Reporting, and is required to be adopted only by entities whose debt or equity instruments are publicly traded, or are in the process of filing with the SEC for purposes of issuing any class of instruments in a public market. PFRS 8 has no significant impact on the Institute's financial statements.

• PAS 1, *Presentation of Financial Statements (Revised) (effective beginning January 1, 2009)*
In accordance with the amendment to PAS 1, the statement of changes in equity shall include only transactions with owners, while all non-owner changes will be presented in equity as a single line with details included in a separate statement. Owners are defined as holders of instruments classified as equity.

In addition, the amendment to PAS 1 provides for the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in the statements of income together with 'other comprehensive income'. The revisions specify what is included in other comprehensive income, such as gains and losses on available-for-sale (AFS) assets, actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. The Institute does not expect this amendment to have a significant impact on the financial statements.

- PAS 23, *Borrowing Costs (Revised) (effective beginning January 1, 2009)*

The revision to PAS 23 requires capitalization of borrowing costs when such costs relate to a qualifying asset. PAS 23, as revised, has no significant impact on the Institute's financial statements.

- *Amendments to PAS 27, Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for annual periods beginning on or after January 1, 2009)*

These amendments include changes in respect of the holding company's separate financial statements including: (a) the deletion of 'cost method', making the distinction between pre and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in profit or loss. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. The Institute will assess and evaluate the impact of this standard and will comply with such changes once effective.

- *Amendments to PAS 32, Financial Instruments: Presentation and PAS 1, Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation Statements (effective for annual periods on or after January 1, 2009)*

These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) The instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an on going basis or on liquidation) for a pro rata share of the entity's net assets, (b) The instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation, (c) All instruments in the subordinate class have identical features, (d) The instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets, and (e) The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized net assets of the entity over the life of the instrument.

- Philippine Interpretation IFRIC 11, PFRS 2, *Group and Treasury Transactions (effective beginning March 1, 2007)*

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even in certain cases. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent. IFRIC 11 has no significant impact on the Institute's financial statements.

• Philippine Interpretation IFRIC 12, *Service Concession Arrangements (effective beginning January 1, 2008)*

This interpretation covers contractual arrangements arising from private entities providing public services. IFRIC 12 has no impact on the Institute's financial statements.

• Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes (effective beginning July 1, 2008)*

This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. IFRIC 13 has no impact on the Institute's financial statements.

• Philippine Interpretation IFRIC 14, IAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective beginning January 1, 2008)*

This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, Employee Benefits. IFRIC 14 has no impact on the Institute's financial statements.

• Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after January 1, 2009)*

This Philippine Interpretation provide guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both investment and the hedging instrument, to be recycled on disposal of

Effective in 2010

• Revised PFRS 3, *Business Combinations* and PAS 27, *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after January 1, 2010)

The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires among other, that: (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as a an equity transaction and will have no impact on goodwill nor will it rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non - controlling interests (previously referred to as 'minority interests'); even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized in disposal. The changes introduced by the PAS 27 must be applied prospectively and will affect future acquisitions and transactions with non-controlling interests. The Institute will assess and evaluate the impact of this standard and comply with such changes once effective.

Effective in 2012

• Philippine Interpretation IFRIC 15, Agreement for Construction of Real Estate (effective for annual periods beginning on or after January 1, 2012)

This Interpretations covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and rewards of ownership are transferred to the buyer on an continuous basis will also be accounted for based on the stage of completion. The Institute expects that this Philippine Interpretation will not have any impact on the financial statements as the Institute does not engage in the construction of real estate directly or through subcontractors.

3. Management's Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires the Institute to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause that judgments assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments
Judgments and estimates are continually evaluated and are based on historical experience and factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Institute's policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Estimates
In the application of the Institute's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the Institute's financial statements.

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Institute, the functional currency of the Institute has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Institute operates. It is the currency that mainly influences the revenues and expenses of the Institute.

Deferred Income Tax Assets
The Institute reviews the carrying amounts of deferred income tax assets at each statement of financial condition date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

Estimated Useful Life of Property and Equipment
The Institute estimates the useful lives of property and equipment based on the period over which the property and equipment are expected to be available for use. The estimated useful lives of the property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment. In addition, the estimation of the useful lives of property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the noncurrent assets.

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

Property and Equipment	No. of Years
Building	20
Library books	10
Building improvements	5
Furniture and equipment	3 to 5
Land improvements	3
Computers and other equipment	1 to 3

The foregoing estimated useful lives and depreciation method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the property and equipment.

The carrying values of property and equipment amounted to P82,908,473 and P85,397,699 as of June 30, 2010 and 2009 respectively. (see Note 10)

Allowance for Doubtful Accounts
The Institute assesses whether objective evidence of impairment exist for receivables and due from related parties that are individually significant and collectively for receivables that are not individually significant. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables.

Revenue Recognition
The Institute's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

4. Financial Risk Management

The Institute's principal financial instruments consists of cash and cash equivalents, receivables and payables which arise from operations, and long term investments.

The main risk arising from the Institute's financial instruments are credit risk, liquidity risk and interest rate risk. The Board of Trustees reviews and agrees policies for managing each of these risks and are summarized below:

Credit risk

Credit risk refers to the potential loss arising from failure from any counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to failure of customers and counterparties to fulfill their obligations on settlement dates. or the possibility that the value of the collateral, if any, held to secure obligations becoming inadequate due to adverse economic conditions.

Exposure to credit risk is monitored on an on going basis. Credit granted is subject to regular review, to ensure it remains consistent with customers' current credit worthiness and appropriate to the anticipated business.

The investment of the Institute's cash resources is managed so as to minimize risk while seeking to enhance yield. The Institute's holding of cash expose the Institute to credit risk of the counterparty if the counterparty is unwilling and is unable to fulfill its obligations and the Institute consequently suffers financial loss. The treasury sets aggregate credit limit and annually reviews the exposure limits and credit ratings of the counterparty.

The table below shows the maximum exposure to credit risk for the components of the Institute's balance sheet:

	June 30, 2010	June 30 2009
Cash and cash equivalents	P32,674,773	P34,958,129
Receivables	8,679,304	8,834,059
Available for sale investment	2,080,000	–
Long term investment	5,000,000	5,000,000
Special funds	18,426,634	17,250,616
Financial assets recognized in the balance sheets	P66,860,711	P66,042,804

The Institute did not have any significant concentration of credit risk with a single counterparty or group of counterparties and industry segments as of June 30, 2010.

Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Institute structures levels of market risk it accepts through a market risk policy (a) determines what constitutes market risk for the Institute; (b) basis used to fair value financial assets and liabilities; (c) asset allocation and portfolio limit structure; (d) diversification benchmarks by type of instrument; (e) sets out the net exposure limits by each counterparty or group of counterparties; (f) reporting of market risk exposures; and (g) monitoring compliance with market risk policy and review of market risk policy for pertinence and changing environment.

Liquidity risk
Liquidity risk is risk that the Institute will not be able to meet its financial obligations as they fall due. The Institute manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Institute's future and contingent obligations and set up required cash reserves as necessary in accordance with internal requirements.

The table below analyzes the financial assets and financial liabilities of the Institute into their relevant maturity groups based on the remaining period at the reporting date to their contractual maturities or expected repayment dates as of June 30, 2010 :

	Up to a year	1-5 years	Over 5 years	No term	Total
Financial assets:					
Cash and cash equivalents	P32,674,773	P–	P–	P–	P32,674,773
Available for sale investment	–	–	–	2,080,000	2,080,000
Long term investment	–	–	5,000,000	–	5,000,000
Receivables	8,679,304	–	–	–	8,679,304
Special fund	18,426,634	–	–	–	18,426,634
	P59,780,711	P–	P5,000,000	P2,080,000	P66,860,711

	Up to a year	1-5 years	Over 5 years	No term	Total
Financial liabilities:					
Accounts payable and accrued	P8,589,384	P–	P–	P–	P8,589,384
	P8,589,384	P–	P–	P–	P8,589,384

Currency risk
The Institute's principal transactions are carried out in Philippine Peso but maintains a minimal balance of foreign currency.

Cash in Banks	Foreign	Exchange Rate	Peso Equivalent
Dollar account	USD 23,358	PHP 46.310	P1,081,709
	USD 23,358	PHP 46.310	P1,081,709

There is no other impact on the Institute's equity other than those already affecting its statement of income.

Fair value interest rate risk
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in interest rates. The Institute's cash equivalents and held to maturity financial assets are mostly invested in fixed interest rates on its duration and therefore exposed to fair value interest rate risk but not to cash flow interest rate risk.

The following table shows the information relating to the Institute's exposure to fair value interest rate risk.

	Interest rate	Up to a year	1-5 years	Over 5 years	Total
Financial assets:					
Cash and cash equivalents	3% - 8.25%	P32,674,773	P–	P–	P32,674,773
Special fund		18,426,634	–	–	18,426,634
Long–term investment	8% - 9.50%	–	–	5,000,000	5,000,000
		P51,101,407	P–	P5,000,000	P56,101,407

There is no other impact on the Institute's equity other than those already affecting the statement of income.

5. **Fund Management**

The objective of the Institute is to maintain a fund necessary to support its primary purpose and/or undertakings which the Institute has initiated, promoted or conducted.

The President has overall responsibility for monitoring of funds in proportion to identified risk factors.

6. **Cash and Cash Equivalents**

This account consists of:

	June 30, 2010	June 30, 2009
Cash in bank	**P6,952,202**	P3,964,424
Cash on hand	**28,000**	18,000
Short-term investments	**1,616,373**	6,736,627
National	**8,596,575**	10,719,051
Chapters and regions	**24,078,198**	24,239,078
Combined	**P32,674,773**	P34,958,129

Cash in banks earn interest at the respective bank deposit rates. Short term investments pertain to peso and dollar time deposits with various local banks having an average maturity from 30 to 90 days earning annual interest from 3.00% to 8.25%.

Interest income earned from cash and cash equivalents amounted to P1,133,987 and P1,112,558 for the years ended June 30, 2010 and 2009, respectively.

7. Receivables

This account consists of:

	June 30, 2010	June 30, 2009
Receivables from members and institutions	**P5,211,575**	P5,316,450
Advances to officers and committees	**1,422,647**	1,315,765
Others	**48,860**	371,977
	6,683,082	7,004,192
Less allowance for doubtful accounts	**3,063,241**	3,063,241
National	**3,619,841**	3,940,951
Chapters and regions	**5,059,463**	4,893,108
Combined	**P8,679,304**	P8,834,059

Details of the roll forward analysis on the allowance for doubtful accounts made during the year are as follow:

	June 30, 2009	Write-off	Provision	June 30, 2010
Receivables from members and institutions	P3,063,241	P–	P–	**P3,063,241**

Details of the aging analysis of receivables from members and institutions follow:

	Current	> 180 days	> 360 days	Total
Accounts receivable- companies	P193,826	P1,296,208	P3,223,468	**P4,713,502**
Accounts receivable- others	4,423	18,945	1,276,077	**1,299,445**
	P198,249	P1,315,153	P4,499,545	**P6,012,947**

8. Publication and Supplies Inventories

This account consists of:

	June 30, 2010	June 30, 2009
Publication	**P698,287**	P352,904
Others	**32,982**	32,982
	731,269	385,886
Less allowance for inventory obsolescence	**304,175**	304,175
National	**427,094**	81,711
Chapters and regions	**347,324**	315,879
Combined	**P774,418**	P397,590

9. Prepaid Expenses and Other Current Assets

This account consists of:

	June 30, 2010	June 30, 2009
Input taxes	**P3,637,985**	P2,160,971
Supplies	**319,347**	258,374
Prepaid taxes and licenses	**202,885**	217,596
Prepaid insurance	**470,654**	210,210
Deposit with supplier	**63,000**	63,000
Creditable withholding tax	**101,356**	78,551
National	**4,795,227**	2,988,702
Chapters and regions	**297,757**	555,855
Combined	**P5,092,984**	P3,544,557

10. Property and Equipment

This account consists of:

	Balance at June 30, 2009	Additions	Disposals	Balance at June 30, 2010
Cost:				
Land	P409,068	P–	P–	**P409,068**
Buildings	20,122,078	–	–	**20,122,078**
Furniture and equipment	6,983,292	68,745	–	**7,052,037**
Library books	1,556,996	16,327	–	**1,573,323**
Land and building improvements	15,165,572	10,067	–	**15,175,639**
Computers and other equipment	3,219,102	533,302	–	**3,752,404**
	47,456,108	628,441	–	**48,084,549**
Appraisal increase in land	66,460,932			**66,460,932**
Less accumulated depreciation:				
Buildings	21,240,176	3,624,889	–	**24,865,065**
Furniture and equipment	6,634,580	186,750	–	**6,821,330**
Library books	1,556,996	6,803	–	**1,563,799**
Land and building improvements	426,300	289,888	–	**716,188**
Computers and other equipment	1,653,835	376,893	–	**2,030,728**
	31,511,887	4,485,223	–	**35,997,110**

	Balance at June 30, 2009	Additions	Disposals	Balance at June 30, 2010
Net book value:				
National	82,405,153	(3,856,782)	–	**78,548,371**
Chapters and regions	2,992,546	1,367,556	–	**4,360,102**
	P85,397,699	(P2,489,226)	P–	**P82,908,473**

	Balance at June 30, 2008	Additions	Disposals	Balance at June 30, 2009
Cost:				
Land	P409,068	P–	P–	P409,068
Buildings	20,122,078	–	–	20,122,078
Furniture and equipment	6,836,629	146,663	–	6,983,292
Library books	1,556,996	–	–	1,556,996
Land and building improvements	13,933,794	1,231,778	–	15,165,572
Computers and other equipment	1,608,920	1,610,182	–	3,219,102
	44,467,485	2,988,623	–	47,456,108
Appraisal increase in land	66,460,932			66,460,932
Less accumulated depreciation:				
Buildings	17,679,346	3,560,830	–	21,240,176
Furniture and equipment	6,289,508	345,072	–	6,634,580
Library books	1,556,996	–	–	1,556,996
Land and building improvements	317,824	108,476	–	426,300
Computers and other equipment	1,446,208	207,627	–	1,653,835
	27,289,882	4,222,005	–	31,511,887
	Balance at June 30, 2008	Additions	Disposals	Balance at June 30, 2009
Net book value:				
National	83,638,535	(1,233,382)	–	82,405,153
Chapters and regions	3,994,010	(1,001,464)	–	2,992,546
	P90,001,850	(P1,957,576)	P411,729	P85,397,699

11. Available for sale Investment

This account consist of the following:

			June 30, 2010
	Cost	Market Value	Unrealized Gain
Investment in stock	P2,000,000	P2,080,000	P80,000

Unrealized gain amounting to P80,000 is included in the Fund Balances.

12. Long-term Investment

On April 19, 2006, the Institute invested P1,000,000 on a Tier 2 Note issued by International Exchange Bank. This 10-year 9.5% Note will mature on March 19, 2016. Also, on June 25, 2009, the Institute invested P4,000,000 on a Series "A" Fixed Rate Bonds issued by SM Investment Corporation. This 5-year 6.1% investment will mature on June 26, 2014.

13. Retirement Benefit Costs

The Institute has funded noncontributory defined benefit pension plan covering all of its qualified regular employees of the national office. The retirement benefit shall be a sum equivalent to 100% of final monthly basic salary for every year of credited services. The principal assumptions used to determine retirement benefits include a return on plan assets of 10.5% and an annual salary increase of 7%.

The amounts recognized in the combined statements of assets, liabilities and fund balances as of June 30, 2010 and 2009 were determined as follow:

	June 30, 2010	June 30, 2009
Present value of retirement benefit obligations	P2,785,372	P2,769,312
Less fair value of plan assets	2,328,207	2,084,503
Under fund obligation	457,165	684,809
Add unrecognized actuarial gain	(765,007)	(873,017)
	(P307,842)	(P188,208)

The amounts recognized are shown under "Other noncurrent asset" account. The plan assets include treasury bonds and notes, loans, and cash time deposits.

The amounts recognized in the combined statements of revenue and expenses for the year ended June 30, 2010 and 2009 were determined as follow:

	June 30, 2010	June 30, 2009
Interest cost	P400,741	P331,740
Expected return on plan assets	(83,380)	(75,774)
Current service cost	399,653	68,000
Net actuarial loss for the year	72,751	89,763
	P789,765	P413,729

The movement in the fair value of plan assets follows:

	June 30, 2010	June 30, 2009
Balance at beginning of the year	P2,084,503	P1,894,350
Expected return	83,381	75,774
Actuarial gains (losses)	35,258	114,379
Contributions	909,398	–
Benefits paid	(784,333)	
Balance at year end	P2,328,207	P2,084,503

The movement in the present value of the defined benefit obligation follows:

	June 30, 2010	June 30, 2009
Balance at beginning of the year	P2,769,312	P2,369,572
Interest cost	400,740	331,740
Current service cost	399,653	68,000
Benefits paid	(784,333)	–
Balance at year end	P2,785,372	P2,769,312

14. Other Assets

This account consists of:

	June 30, 2010	June 30, 2009
Chapters and regions	P1,355,880	P1,212,516
Investment in stocks - National	1,678,654	37,300
Combined	P3,034,534	P1,249,816

15. Accounts Payable and Accrued Expenses

This account consists of:

	June 30, 2010	June 30, 2009
Accounts payable	P6,122,245	P4,383,976
Accrued expenses	60,000	271,473
Government payables	296,916	339,386
Others	46,160	69,709
National	6,525,321	5,064,544
Chapters and regions	2,064,063	2,254,452
Combined	P8,589,384	P7,318,996

16. Income Taxes

The Institute is exempt from income tax pursuant to Section 30 (e) of the National Internal Revenue Code of 1997 which provides that:

> Nonstock, nonprofit corporation or association organized and operated exclusively for religious, charitable, scientific, athletic or cultural purposes, or for the rehabilitation of veterans, no part of its net income or assets shall belong to or inures to the benefit of any member, organizer, officer, or any specific person.

The exemption from the payment of tax does not apply to income derived "from any of their properties, real or personal, or from any of their activities conducted for profit regardless of the disposition made of such income."

Deferred tax liability pertains to the tax effect of appraisal increase of property in 2005 which was charged directly against revaluation increment amounting to P23,261,326.

Current provision for income tax for the years ended June 30, 2010 and 2009 amounting to P71,735 and P9,486, respectively, represents MCIT, which is computed at 2% of gross taxable income.

On July 26, 2005, Republic Act (RA) 9337 entitled "An Act Amending Sections 27, 28, 34, 106, 107, 108, 109, 110, 111,112, 113, 144, 116, 117, 119, 121, 148, 151, 236, 237 and 238 of the National Internal Revenue Code of 1997, As Amended, And For Other Purposes" or otherwise known as "Expanded VAT Law of 2005", was passed into law effective November 1, 2005. Among others, the Act includes the following significant revisions to the current rules of taxation:

a. Change in the corporate income tax rate to 34% in 1998, 33% in 1999, 32% in 2000 and 35% in 2005 and onwards. Provided that effective January 1, 2009, tax rate will be 30%;

b. Change in the VAT rate from 10% to 12% which took effect February 1, 2006;

c. Introduction of 70% limitation on input VAT that can be credited against output VAT payable; and

d. Imposition of allocation of input tax on capital goods with cost exceeding P1,000,000.

On December 22, 2006, Revenue Regulations No. 2-2007 was published amending certain provisions of Revenue Regulations No. 16-2005, otherwise known as the Consolidated Value-Added Tax Regulations of 2005. Section 4.110-7 of RR No. 16-2005, introduction of 70% limitation is lifted.

17. Funds

(a) General Fund - P 25,470,959

This account represents the accumulated excess of revenues over expenses of the organization over the years.

(b) Chapters and Regions - P 36,999,257

This account represents the combined accumulated excess of revenues over expenses of the chapters and regions over the years.

(c) Special Fund - P 18,426,634

These represent funds invested in interest-bearing special savings deposit and money market placements held for various purposes. These include the following:

- *Sustaining Life Membership Fund - P 9,548,547*
  Represents lump sum contributions from members who shall have all the rights, privileges and responsibilities of an active member except the payment of annual dues;

- *Website Fund - P 489,607*
  Fund set aside for the enhancement, maintenance and operations of the Institution's website;

- *Scholarship Fund - P 594,162*
  Fund set aside for the scholarship program of the Institute;

- *Lecture Series Fund - P 118,518*
  Fund set aside for lectures conducted by certain members of the Institute.

- *Member's Social Fund - P 1,082,255*
  This fund is the accumulated portion equivalent to P15 from the P1,000 annual membership dues from the Institute's members; and

- *Building and Construction Fund - P 5,404,301*
  This fund is set aside for the construction of the building.

- *Others - P 1,189,244*

  Pertains to a short-term investment and the interest thereof set aside for various purposes.

18. Revenues

This account consists of:

	June 30, 2010		
	National Office	Chapters and Regions	Consolidated
Seminar fees	P8,797,507	P29,526,096	P38,323,603
Membership dues and entrance fees	10,218,643	8,699,230	18,917,873
Donations and solicitations	1,912,390	1,927,433	3,839,823
Rental (Note 19)	1,827,430	54,775	1,882,205
Interest and dividends	1,133,987	89,891	1,223,878
Sales of books	332,534	465,593	798,127
Miscellaneous	2,532,121	4,200,286	6,732,407
	P26,754,612	P44,963,304	P71,717,916

	June 30, 2009		
	National Office	Chapters and Regions	Consolidated
Seminar fees	P8,170,432	P30,431,893	P38,602,325
Membership dues and entrance fees	11,273,390	8,964,814	20,238,204
Donations and solicitations	4,823,896	1,407,153	6,231,049
Rental (Note 19)	1,711,838	21,400	1,733,238
Interest and dividends	1,113,258	224,762	1,338,020
Sales of books	589,295	–	589,295
Miscellaneous	1,957,528	5,184,522	7,142,050
	P29,639,637	P46,234,544	P75,874,181

19. Administrative Expenses

This account consists of:

	June 30, 2010		
	National Office	Chapters and Regions	Consolidated
Meetings, conferences and other activities	P6,268,020	P23,074,926	P29,342,946
Salaries and employees' benefits	6,522,171	5,531,438	12,053,609
Depreciation (Note 10)	4,485,224	522,695	5,007,919
Outside services	4,298,728	2,554,505	6,853,233
Supplies	1,559,143	2,222,405	3,781,548
Communication, light and water	1,615,710	1,729,682	3,345,392
Transportation and travel	1,173,594	704,243	1,877,837
Dues and membership	1,070,857	725,021	1,795,878
Taxes and licenses	453,648	272,635	726,283
Repairs and maintenance	443,256	148,746	592,002
Printing cost	154,769	429,403	584,172
Insurance	284,808	111,620	396,428
(Forward)			

SSS, Philhealth, HDMF and other contribution	224,295	203,503	427,798
Advertising	401,345	51,004	452,349
Accreditation fees	155,780	52,370	208,150
Development fees	199,500	–	199,500
Miscellaneous	416,081	2,606,993	3,023,074
	P29,726,929	P42,074,867	P71,801,796

	June 30, 2009		
	National Office	Chapters and Regions	Consolidated
Meetings, conferences and other activities	P8,124,865	P27,673,119	P35,797,984
Salaries and employees' benefits	4,842,650	4,574,319	9,416,969
Depreciation (Note 10)	4,222,005	389,312	4,611,317
Outside services	1,857,133	1,643,369	3,500,502
Supplies	1,733,720	1,502,679	3,236,399
Communication, light and water	1,591,710	1,241,385	2,833,095
Transportation and travel	1,374,889	750,823	2,125,712
Dues and membership	1,049,042	234,173	1,283,215
Taxes and licenses	393,468	12,827	406,295
Repairs and maintenance	301,877	56,585	358,462
Printing cost	251,681	–	251,681
Insurance	244,277	–	244,277
SSS, Philhealth, HDMF and other contribution	195,668	–	195,668
Advertising	77,183	36,135	113,318
Chapters' activities	–	918,737	918,737
Miscellaneous	192,752	3,997,965	4,190,717
	P26,452,920	P43,031,428	P69,484,348

20. Lease Contract

On February 1, 2006, Union Bank renewed its contract of lease of its office space with the Institute. The term of the lease is for a period of five years. Under the contract, Union Bank is required to make a security deposit equivalent to two months rental.

Estimated annual lease commitments are as follows:

Year	
February 1, 2006 - January 31, 2007	P1,521,000
February 1, 2007 - January 31, 2008	1,597,050
February 1, 2008 - January 31, 2009	1,676,903
February 1, 2009 - January 31, 2010	1,760,748
February 1, 2010 - January 31, 2011	1,848,785
	P8,404,486

Rent recognized as income amounted to P1,882,205 and P1,733,238 for the years ended June 30, 2010 and 2009, respectively.

21. Adjustments to Fund Balances

Fund balances at beginning of 2010 was adjusted for the following:

Payment of CPE Accreditation, CPE Program and CPE Encoding from prior years as CPE Provider	P229,840
Collection of receivables from prior years	400,399
Distribution of membership dues shares from prior years for the Geographical Areas, Regions and Chapters, PICPA Foundation and Members Social Fund	(22,579)
Reclassification of accounts	7,659
Total	P615,319