

 <p>LBP RESOURCES AND DEVELOPMENT CORPORATION 24TH Floor LBP Plaza 1598 M.H Del Pilar cor. Dr. J. Quintos St. Malate Manila</p>	FINANCE OPERATIONS MANUAL	Class Code: D
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I. GENERAL ACCOUNTING POLICIES AND GUIDELINES

A. ASSETS

1. Cash and Cash Equivalents

This account includes cash bills and coins, checks, money orders and/or other acceptable bills of exchange. Any item that will be accepted by the bank for immediate increase in the company's bank balances may be referred to as cash and may thus be accepted as form of payment.

The Cash Equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

Bank reconciliation shall be prepared monthly by personnel independent of all cash functions, subject to review by a designated officer in the Accounting Department. Any bank error should be immediately brought to the attention of the depository bank and any error in bookkeeping should be immediately corrected by the necessary adjusting entry.

a. Accounting for cash receipts

- a. Employees who handle cash receipts should be given access to the accounting books and records.
- b. Collection shall be made only to the Cashier or designated Collection Officer(s) of the Corporation. To ensure recovery of any loss or shortage, said Collecting Officer or Cashier should be adequately bonded.
- c. All collection for the day should be turned over by the Collecting Officer to the Cashier daily.
- d. The Cashier shall deposit all collections intact at cut-off time daily. The cut-off time for depositing cash shall be 3:01 pm. All collections received after cut-off time shall be deposited on the next banking day.

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- e. All cash collections not deposited during the day shall be temporarily lodged to Cash on hand and should be reversed immediately the next banking day by Debiting Cash in bank. The amount should be placed in a sealed envelope in front of the Internal Auditor and let the Internal Auditor place his/her signature/initial on the flap of the sealed envelope.
- f. Deposit slip shall be prepared in two (2) copies. The duplicate copy shall be retained in the accounting files to support the entries to the Cash Receipts Book.
- g. Encashment of personal checks out of collection shall be prohibited. The Cashier shall be personally and administratively liable in the event that personal checks are accommodated out of company funds.
- h. Second endorsement checks shall not be accepted as payment.
- i. Procedural Guidelines
 - i.1 Payment of any nature received by the Cashier or Collecting Officer(s) shall be immediately acknowledged by issuance of a Receipt.
 - i.2 For collections by the Cashier for all types of collections (cash or check) and thru automatic crediting by the client (LBP), the original copy shall be immediately issued to the payor. If the collection was made by the Collecting Officer(s), the Cashier will issue authorization to receive the check collection in her/his behalf, and the Collecting Officer(s) will issue the corresponding original Official Receipt to the payor.
 - i.3 The Official Receipts shall be issued in numerical sequence, and all entries shall be written in ink. Carbon copies shall be exact reproduction of whatever was written on the original. Erasures and corrections, if unavoidable, shall be initialed by the Cashier or the Collecting Officer (s).
 - i.4 All ORs issued, including cancelled ORs, shall be entered daily in the Cash Collection Book. All copies of cancelled ORs should be accounted for.

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i.5 All unused Official Receipts booklets shall be kept in a safe under the custody of an officer or employee other than those handling the preparation and issuance of Official Receipts. New booklets shall be issued upon surrender of used booklets.

i.6 Whenever checks deposited are subsequently returned by the depository bank, the details of the check shall be recorded by the Cashier in a Register of Disbursed/Returned Checks containing relevant information such as name of drawer, date of issue, date of return, reason for return, etc. An accounting entry should be immediately made reversing the entry made when payment was received.

b. Cash Disbursement

Operating Guidelines

a. As a general rule, all disbursement shall be made by check. For emergency and petty amounts of disbursements, however, payment may be coursed thru the Revolving Fund (refer to Section 1.3 of this Chapter for policies and guideline on Revolving Fund)

b. Persons who are directly involved in making cash disbursement should not be given a bookkeeping function.

c. All cash disbursement shall be processed thru Disbursement Order which shall emanate from operating units handling the transaction. The claim for payments shall be duly supported by documents required under existing Accounting and COA regulations. (Please refer to Exhibit V.A for checklist of documents required for different types of disbursement claims.)

d. Certification of the fund availability on the Disbursement Order shall be made but the Corporate Treasurer.

e. Approval of the disbursement order shall be made in accordance with the codified approving authorities.

f. Approved Disbursement Order shall be forwarded to the Cashier for check preparation.

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- g. A check writer shall be used for all company checks to be issued as a safeguard against possible alterations in the amount of the check.
- h. Check issuance shall be made in numerical sequence. Payment to the third parties in settlement of liabilities should be in company checks, regardless of amount.
- i. The Cashier shall be responsible in requisitioning company check books from the depository bank.
- j. All checks issued including cancelled checks shall be recorded daily in the Cash Disbursement Book. All cancelled checks should be accounted for.
- k. After release of payment, the Disbursement Order as well as the other supporting documents shall be stamped "PAID".

c. Revolving Fund Operations

- a. A revolving fund shall be established on an imprest system of recording to meet disbursement of ₱10,010.00 and below. Under this method, the amount of the RF remains constants at ₱300,000.00 and any disbursement made out of the fund is charged to the proper expense account upon replenishment.
- b. Any increase in the RF level shall be approved by the LBRDC Board.
- c. The RF shall be placed in a separate cash box and should never be comingled with undeposited cash collections.
- d. The following shall be designated as Revolving Fund Custodians:
 - Cashier
 - Disbursing Officer
- e. A Revolving Fund Custodian shall be designated to:

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e.1 Process all cash advances and disbursement from RF.

e.2 See to it that the RF cash level is adequate at all time and it should be replenished at 25% utilization.

e.3 Handle all other clerical work related to the RF maintenance.

e. The RF Custodian shall be adequately bonded to ensure recovery of any loss or shortage.

f. From time to time, a surprise cash count shall be conducted by the Internal Auditor.

g. No additional cash advance shall be given to an employee until the advance previously granted has been fully liquidated.

h. Liquidation of revolving fund cash advance shall be made by the employee within five (5) working days from the date of utilization.

i. Disbursement:

i.1 Before disbursement, is made, a pre-numbered Revolving Cash Fund Voucher (RFV) Form (See Exhibit V.B) shall be prepared by the RF Custodian. This form consists of three (3) parts namely:

➤ Request for Revolving Fund – states the amount and purpose (s) of the cash advance and approved by the head of the finance department and passed audit by the Internal Auditor.

➤ Revolving Fund Voucher or the "IOU" wherein the cash advance from the Revolving fund is documented.

➤ Liquidation statement – this shall be filled up to show the actual amount of expenses and the amount of reimbursable or refundable, if any. Actual expenses should be duly supported by Official Receipt and other necessary documents.

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i.2 The Revolving Fund Voucher shall be accomplished in two (2) copies and distributed as follows:

Original - Revolving Fund Custodian

Duplicate - Payee

i.3 Disbursement from the Revolving Fund shall be approved by the head of the finance department and passed audit by the Internal Auditor.

i.4 When expenditures are made, no journal entry is actually recorded. All unliquidated Revolving Fund plus all actual disbursement and total cash on hand shall be equal the fund level as established.

j. Replenishment

j.1 When the fund is already 25% exhausted, the Custodian should request for a replenishment by way of accomplishing a Revolving Fund Replenishment and Disbursement Order (RF Form, Exhibit V.C)

j.2 The RFF shall contain a summary of the RFV to be replenished which shall be listed in numerical order, starting from the first RF No. covered by the replenishment. The summary shall include the following:

- Date of RFF
- RF Number
- Breakdown of the total amount spent as to account title (e.g. travelling, gas and oil etc.)
- Total amount of disbursement.

j.3 Upon replenishment, an accounting entry shall be made to record the actual expenses incurred as summarized in the RFF.

j.4 Regardless of the unused level of the fund, replenishment should be always be made at the end of the year before the financial statements are prepared and the books are closed, so that the expenditures from the RF will be

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reflected in the accounts on the period in which the expenditures are actually made.

2. Receivables

A. Contract/Trade

Trade receivables are recognized and carried at original contract price or invoice amount less unrealized gain as applicable, and allowance for collectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable.

This is used to record the amount of revenue claims against clients arising out of services rendered (e.g. construction, manpower and ropa management) upon issuance of billing statement.

- a.1 Ordinarily, this is classified as current asset in the balance sheet. However, non-current amounts or those which are not expected to be collected until the next operating cycle should be properly segregated and reported under non-current assets.
- a.2 The allowance method of accounting for bad debts shall be used to recognize losses from uncollectibles. Under this method, an allowance account is used to indicate the estimated amount of uncollectibles receivables. The account is reflected as a contra to the controlling receivables account, and the individual subsidiary accounts are left intact.
- a.3 In estimating the amount of bad debts provision, management shall be responsible in determining when to conduct an examination of individual accounts. On the basis of said individual review of accounts, management shall determine how much shall be provided as bad debts. The amount of bad debts provision may vary from one account to another, depending on the circumstances of each account.
- a.4 Writing-off of accounts which are determined to be uncollectible shall be subject to approval of the Board of Directors, regardless of the amount involved. The write-off

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shall be done by charging the allowance for Bad Debts and crediting the Receivables account.

- a.5 All trade receivables (receivables from construction, manpower, ROPA, and other services rendered) are to be reported to the Land Bank of the Philippines on a quarterly basis for reconciliation and recording of their payables as an intragroup transaction.

B. Accrued Service Receivables

Accrued receivables are trade receivables for which services have been rendered and earned revenue, but for which it has not yet issued an invoice to the client, or no billing statement sent to the clients.

C. Notes Receivables

This represents the amount of company claims against trade customers as evidenced by a promissory note, usually interest bearing.

- b.1 The employee in charge of receiving and safekeeping the promissory notes should be different from those handling bookkeeping functions.
- b.2 Notes receivable shall be booked at face value. Prepaid and accrued interest pertaining to the notes should be recognized in separate accounts.
- b.3 For purposes of determining bad debt provisions, same procedure as in trade/contract receivables shall be followed.

D. Installment Contract Receivable

This represents the claim of corporation against customers arising out of sale of properties under the installment payment plan.

- c.1 Title to the property sold remains with the Corporation until all payments are completed.

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c.2 The use of allowance contra account for uncollectibles is unnecessary due to the fact that the receivable balance maybe offset in full through the recovery of properties sold.

E. Receivable - Others

These refers to the amount of LBRDC's claims from various debtors arising from transactions which do not fall within the regular business of the corporation.

3. Inventories

3.1 Stationery and Supplies

- a. Stationery and supplies shall be booked as asset upon purchase/set up of payables. Actual usages and/or issuance to different units as reflected in the Requisition Slip (Exhibit a) shall be booked as expense with a corresponding credit to the asset account.
- b. Actual expenses shall be allowed to the different units and correspondingly charged to their respective budgets.
- c. Costing of inventory shall be based on the First-In-First-Out (FIFO) method.
- d. The accuracy of detailed inventory records shall be verified thru monthly physical inventory of items on hand. Actual inventory taking shall be done every month and a listing shall be made after the count.

3.2 Construction Materials

- a. These refers to all materials on stock which are directly identifiable to the construction of on-going or future projects which are placed in the LBRDC warehouse.
- b. Materials shall be recognized as asset upon purchase. Actual usages or issuance to construction units thru Withdrawal Slip (Exhibit) shall be charged to cost to be booked as Contract in Progress but the specific project should be identified in each entry. A subsidiary ledger shall be maintained for each

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project so that the company can keep track of total materials issued to individual projects.

- c. Physical inventory taking shall be made at least twice year or more often as needed, to verify the physical existence of construction materials. Items on hand shall be priced using the First-In-First-Out (FIFO) inventory method.

3.3 Janitorial Supplies

- a. Janitorial supplies shall be booked as asset upon purchase/set up of payables. Actual usages and/or issuance to manpower clients as reflected in the Requisition Slip (Exhibit a) shall be booked as expense with a corresponding credit to the asset account.
- b. Actual expenses shall be allowed to the different units and correspondingly charged to their respective budgets.
- c. Costing of inventory shall be based on the First-In-First-Out (FIFO) method.
- d. The accuracy of detailed inventory records shall be verified thru monthly physical inventory of items on hand. Actual inventory taking shall be done every month and a listing shall be made after the count.

4. Fixed Assets

- a. Fixed Assets are those properties acquired for active use in the operations of the corporation and whose economic service life is least one year and the cost involve per item is at threshold of ₱50,000.00. (COA Circular No. 2022-004)
- b. The cost of fixed assets shall include not only the invoice price, but also other incidental expenses necessary to put the asset ready for use such as freight, insurance on board and initial installation charges.
- c. All capital expenditures shall be approved by authorized officials in accordance with the codified approving authorities.

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d. The cost of repairs and maintenance are classified as extraordinary repairs. Extraordinary repairs are usually capitalized **if both of the following conditions are met:**

- a. If the assets are within the estimated useful life; and
- b. Repairs and maintenance which increase the service life or capacity of the asset.

e. The Administrative and General Services Department shall keep control of the asset by noting on the individual Fixed Assets Ledger card the location of the asset, the name of the accountable officer/employee, acquisition date and, cost. The Finance Department will book and record the corresponding cost, rate of depreciation and running balance.

f. Detailed records of all properties shall be maintained and shall be verified by actual physical inventory at least once a year by the Property Custodian, A listing shall be prepared after the count. To facilitate reconciliation of periodic physical inventory against detailed records, tag numbers shall be assigned to all property items.

g. Responsibility for physical inventory of all properties shall be assigned to personnel independent to the Internal Auditor.

h. Property and Equipment still in service shall remain in the asset account even when fully depreciated. A nominal amount of 10% of the acquisition cost shall be retained as book value.

i. Depreciation

a. Depreciation shall be booked monthly.'

b. Depreciation shall be computed on the "straight-line"

c. To facilitate the computation of depreciation, properties acquired or disposed from the 1st to the 15th of the month shall be considered as acquired or disposed at the start of the month, those acquired or disposed from 16th to the end of the month shall be considered as acquired or disposed at the start of the following month.

d. The estimated life span of properties for purposes of computing depreciation shall be as follows:

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d.1 Building 30 years or based on appraised estimated useful life of the building

d.2 Vehicle 7 years

d.3 Furniture & Fixtures 5 years

d.4 Books 3 years

e. Major repairs and maintenance which have been capitalized shall be depreciated over the adjusted remaining useful life of the asset.

i. Disposal

a. Modes of Disposal

a.1 Sale

- In case of sale of fixed assets, the property account shall be relieved of asset cost.
- The accumulated depreciation account shall likewise relieved of the recorded depreciation of asset sold, and
- Any gain or loss on such shall be recognized in the corporation's books.

2.a Trade-In

Disposal of property of this nature occurs when an old asset is exchanged for a new asset, oftentimes with an additional cash payment given.

- The cost of the new asset, for purposes of computing depreciation shall be the sum of the book value of the old asset and the additional expenditure made in the acquisition;
- The property account shall be relieved of the old asset cost;
- The accumulated depreciation account shall likewise be relieved of the recorded depreciation on the old asset and
- Any gain or loss on such trade-in shall be taken up in the corporation's books.

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a.3 Donation

This occurs when a property of LBRDC is given to an interested party without any monetary consideration.

- The remaining book value or scrap value of the asset shall be charged to "Donation and Contribution" expense account.
- The property account shall be relieved of the total acquisition cost.
- The accumulated depreciation account shall also be relieved of the total recorded depreciation on said asset.

a.4 Destruction

This mode of disposal is resorted to when any of the other modes are not practical or possible to implement.

- The property account shall be relieved of the total the acquisition cost.
- The accumulated depreciation account shall also be relieved of the total depreciation on said asset.
- The remaining book value, if any, shall be recognized as loss on disposal of fixed assets.

5. Semi-Expendable Property

Tangible items below the capitalization threshold of ₱50,000.00 shall be accounted as semi-expendable.

- a. The capitalization threshold of ₱50,000.00 represents the minimum cost of an individual asset recognized as Inventory on the Statement of Financial Position.
- b. Items with individual values below the threshold but which work together in the form of a group of network asset whose total value exceeds the threshold shall be recognized as part of the primary PPE.

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6. Impairment of Assets

- a. Impairment is a fall in the market value of an asset so that the recoverable amount is now less than the carrying amount in the statement of financial position
- b. The recoverable amount of the asset should be written down from the carrying amount if the latter is not recoverable in full. If the carrying amount is higher than the recoverable amount, then the asset is judged to have suffered an impairment loss. The asset shall therefore be reduced by the amount of impairment loss
- c. Fixed assets are assessed at each reporting date whenever there is any indication that an asset may be impaired.
- d. After establishing evidence that an asset has been impaired, determine the recoverable amount preparatory to the recognition of an impairment loss. The recoverable amount of an asset is the fair value less cost of disposal or value in use, whichever is higher

7. Leases

A Lease is defined as a contract that conveys the right to use the underlying asset for a period in exchange for consideration.

Contract of Lease as lessee is required to initially recognize a right of use asset to use the underlying asset over the lease term and a lease liability for the obligation to make payments.

The contract of lease may opt to apply the operating lease model of accounting and not recognize an asset and lease liability in two exemptions:

1. Short-term lease – lease contract with less than one year of lease term with no purchased option.
2. Low value Lease - ₱100,000.00 or less

B. LIABILITIES

Liabilities are incurred through purchase on merchandise or services on account, or borrowing from a bank or other sources. They shall be presented in the balance sheet in the order of maturity.

In the case of purchase of real estate on installment, the liability shall already exist even when title to the property does not pass yet to

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LBRDC. Likewise, liability for services rendered shall be recognized of when the billing therein is received.

When a particular transaction involves both an asset and a liability, the Corporation's balance sheet shall show the gross amount for both the asset and the liability, rather than merely the difference between them.

C. STOCKHOLDERS' EQUITY

3. Capital Stock

A separate account shall be set up in the ledger for each class of stock authorized, whether Preferred or Common Stock. With respect to each class of stock, the balance shall show:

- 1.1 The par value if any, or the fact that the stock is without par value, in which case the stated value, if any shall be shown;
- 1.2 The special rights appertaining to any class of stock;
- 1.3 The number of shares authorized, the number issued and outstanding; and the number, if any, subscribed for but not issued;
- 1.4 The capital in excess of par or stated value, if any, applicable to each class of stock; and
- 1.5 The balances of any subscriptions receivable.

Amounts received in excess of the par or stated value of shares shall be credited to paid-in surplus accounts, the titles of such accounts indicating the source of the credits. However, if capital stock is issued for less than par value, the discount shall be debited to a separate account and shown as a deduction in the Stockholders' Equity section of the Balance Sheet.

The Corporation may also sell stocks on a subscription plan in which the investor agrees to pay the subscription price at a future date or in a series of installments. Under such circumstances, there is a need for accounts to show the amounts receivable from the subscribers and the shares that have been subscribed for but are as yet unissued.

4. Retained Earnings

2.1 Correction of Prior Years' Earnings

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Errors which have caused misstatements of the net income of prior periods shall be reported in the financial statements as adjustments to be retained earnings balance at the beginning of the period. Adjustments related to prior periods and thus excluded in the

Determination of net income for the current period are those material adjustments which:

- a. Can be specifically identified with and directly related to the business activities of particulars prior periods;
- b. Are not attributable to economic events occurring subsequent to the date of the financial statements for the prior period;
- c. Depend primarily on determinations by persons other than management; and
- d. We're not susceptible of reasonable estimation prior to such determination.

Correction of prior years' earnings which will materially affect the Corporation's income shall be elevated to the Board of Directors

2.2 Appropriation of Retained Earnings

The amount of LBRDC's Retained Earnings available for distribution to its stockholders may be restricted by action of the Board of Directors. The amount restricted known as appropriation or a reserve, shall remain part of the Retained Earnings account and be so classified in the financial statements of the Corporation.

An appropriation can be affected by transferring the desired amount from Retained Earnings to a special account designated for its purpose, such as Appropriation for Plant Expansion. When a portion or all of an appropriation is no longer needed, the amount shall be transferred back to the Retained Earnings account.

The details of Retained Earnings shall be presented in the balance sheet in the manner illustrated below, with the item designated as "Unappropriated" representing the balance:

Retained Earnings:

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Appropriated:

For plant Expansion xxx

Unappropriated

Total Retained Earnings xxxxx

D. REVENUES AND EXPENSES

i. Revenues

The Corporation shall adopt a combination of cash and accrual methods in accounting of revenues. Revenues derived from construction, property management, manpower services, brokering, rental and interest shall be recognized during the period when earned, regardless of the time of cash receipt, following the accrual basis. On the other hand, the cash basis of recognizing revenue shall be applied in taking up income generated from Sale of property on cash or installment, commission income and dividend income earned.

1.1 Installment Sales

For sale of property under the installment method, recognition of gross profit is deferred, it is only taken up in the proportion to amount collected. However, expenses are recognized in the period of their occurrence.

In case of default on payments as specified in the contract, LBRDC may proceed to repossess the property sold and any loss from default and/or gain on repossession shall be reflected in the Corporation books.

1.2 Construction Contracts

If the project can be finished within the year, recognition of revenue shall be made upon completion of the construction. If the contract is beyond one (1) year, recognition of revenue shall be at the end of the project or end of LBRDC's accounting cycle, whichever comes earlier, using the percentage of completion basis. The progress

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report or Project Inspection Update Report (PIUR) shall be used as basis in computing the revenues under the percentage of completion method.

1.3 Property Management (ROPA)

1.4 Brokering Services

LBRDC's designated personnel shall obtain a license as Real Estate Broker (REB) in behalf of the corporation. The broker's commission shall be based on the client agency or corporation's final selling price/approved lease rate. As embodied in the approved LBP guidelines and policies on Accreditation of Real Estate Brokers (REB), the broker's commission shall be based on the Bank's final selling price/approved lease rate shall be subject to the following commission scheme:

a. In case of sale

Up to ₱10 million	-	5%
In excess of ₱10 million	-	3%

b. In case of lease

Broker's commission shall be an amount equivalent to one (1) month of lease rental per Approved Contract of Lease with a term of not less than one (1) year.

Broker's commission to be paid shall be net of all applicable taxes.

Broker's commission shall be an amount equivalent to one (1) month lease rental per approved Contract of Lease with a term of not less than one (1) year.

1.5 Manpower Services

LBRDC shall provide complete job contracting services for janitorial and related work for various companies and

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institutions used in the performance of janitorial and related activities.

Recording of revenues shall be based on the billing statement prepared on a monthly basis. Monthly Contract Rate and actual billing shall vary depending on labor charges incurred (overtime, night differential and premium pay). The rates shall be adjusted in case future legally mandated wages increases and other charges. In compliance with Department Order No. 18-A in no case shall be the agency fee (administrative cost) be less than 10% of the total reimbursable cost.

1.6 ACU Maintenance Service

LBRDC shall also undertake the repair of ACUs if and when requested/instructed by the branch/client. For defects/damages detected during the conduct of periodic preventive maintenance, the LBRDC ACU Technician shall recommend repair of a unit when necessary.

Revenue shall be computed on the length of time required to complete the repair works. A minimum of ₱501 shall be charged. In excess of the first four (4) hours, an additional ₱150 for every hour of work or a fraction thereof shall be charged.

In case of the repair quotation shall be at actual cost of replacement parts, supplies and labor cost plus the corresponding service fee of ten(10%) percent.

ii. Expenses

The accrual basis shall be utilized in accounting for the corporation's expenses. Reporting of expenses shall be in the period in which they are incurred, regardless of when payment is made.

Expenses incurred shall be allocated monthly to the concerned units and correspondingly charged to their respective budgets.