

REPUBLIC OF THE PHILIPPINES  
PROFESSIONAL REGULATION COMMISSION



# BOARD OF ACCOUNTANCY

## ACCREDITATION APPLICATION DEADLINE EXTENDED

The Board of Accountancy approved the extension of the deadline of February 29, 2015 for the filing of the application for accreditation by CPAs in Commerce and Industry (C&I) in its meeting last February 11, 2016. The accreditation of CPAs in C&I is required in BoA Resolution 3-2016.

"The deadline for filing the accreditation application is extended to April 30, 2016. The Board took into consideration the various requests for more time to comply with the accreditation where various reasons were cited, including the concurrent workload on the tax filing and closing of Financial Statements of most CPAs working in companies; and the various issues that have been raised in the implementation of this Resolution," said Chairman Joel Tan-Torres.

"We are also pleased in the way the Resolution is proceeding after its issuance. There have been several feedback on suggestions on how to improve the measures required. A large number of CPAs have acknowledged the benefits that will arise and are ready to comply. Though, the measures will involve additional costs, effort and time on the part of the CPAs, a big number have expressed their willingness to comply with the expectation that this will be good for the profession in general, and to them, in particular," said Chairman Tan-Torres.

"We will be coming up soon with announcements on how to improve the implementation based on comments that we have received. These will include simplification of the requirements for accreditation, refinements in the processing of application and other improvements," said Chairman Tan-Torres.

The other deadlines and provisions of Resolution 3-2016 remain effective, unless specifically revised by issuances from the BoA.

DISSEMINATION NOTICE. FOR MORE INFORMATION, CONTACT [boa.secretariat@gmail.com](mailto:boa.secretariat@gmail.com) February , 13 2016

**APPLICATION  
DEADLINES  
EXTENDED**

# QUESTIONS AND ANSWERS ON BOA RESOLUTION 3-2016 AND RELATED ISSUANCES

## REQUIRING THE SUBMISSION OF CERTIFICATE BY THE RESPONSIBLE CERTIFIED PUBLIC ACCOUNTANTS ON THE COMPILATION SERVICES FOR THE PREPARATION OF FINANCIAL STATEMENTS AND NOTES THERETO

### **Q1. What is the rationale for the issuance of BoA Resolution 3-2016?**

**A1.** As discussed in the Resolution, the requirements prescribed are intended to address the need to have professional competence in the preparation of the FS, to address the self-review threats or risks in external audit of FS, to pinpoint responsibility in the compilation services in the preparation of the FS as allowed and required under the Accountancy Law and the Code of Ethics of the CPAs. Furthermore, this new rule will help in the further enhancement of the reliability of the annual statutory FS being submitted to the SEC and the BIR. With the signing of this Certificate by the CPA who is responsible for the preparation of the FS, accountability on the part of the CPA will be pinpointed and his/her obligation to do diligent work will further be reinforced .

### **Q2 What was the process in the issuance and of the Resolution?**

**A2.** The draft of this Resolution was first disseminated to tekeabt he various stakeholders last November 2014. The comments received were incorporated on the draft that was circularized on November 26, 2015 in the BoA website, social network and to the various sectoral organizations. There were several comments received to date and with the more relevant ones being incorporated in the Resolution and /or subsequent issuances.

### **Q3. What is the main feature of this Resolution?**

**A3.** The main feature is the requirement that the responsible Certified Public Accountant (CPA) should accomplish and submit a prescribed Certificate for Compilation Services for the preparation of Financial Statements (FS) and notes thereto (" the Certificate") of covered organizations and persons. This Certificate states the specific task and responsibility that the CPA must faithfully comply with in when preparing the FS. The CPA is required to commit to the obligations indicated in and to sign this accordingly. The Certificate should then be attached to the annual statutory reports or FS to be submitted to the BIR and SEC.

### **A4. Do these new rules apply to the other special regulatory reporsts that are submitted to the other regulators, like the Bangko Sentral ng Pilipinas, Cooperative Development Authority, Energy Regulatory Commission, Insurance Commission, Philippine Contractors Accreditation Board and any other government offices?**

**A.4** For these special regulatory reports to be submitted to these government agencies, other than those submitted to the BIR and SEC, these rules do not apply.

## **5. What are the other features of this Resolution?**

**A5.** The other features are:

1. The Certificate is different from the Statement of Management Responsibility (SMR) and hence the SMR should continue to be prepared and attached to the statutory reports submitted to the SEC and the BIR
2. The Certificate should be prepared only for issuers of FS which/who have gross sales or revenues exceeding ten million pesos (P10,000,000) for a particular accounting year
3. The preparation of the FS and disclosure notes is a practice of accountancy in commerce and industry and shall be done only by Certified Public Accountants ("CPAs")
4. There is a reiteration of the rule that CPAs in public practice are prohibited from preparing or assisting in the preparation of FS and disclosure note of their clients which engaged them to render attest services for the same documents
5. The CPAs in public practice who violate this prohibition rule shall be subject to stern sanctions by the Board of Accountancy
6. The CPAs rendering the compilation services for the preparation of the FS and signing the Certificate should first be accredited with the Professional Regulatory Board of Accountancy after submitting the necessary application and complying with the Continuing Professional Development (CPD) requirements.
7. These CPAs should apply for accreditation not later than April 30, 2016 (extended in Resolution \_\_\_ ) and comply with the CPD requirements not later than June 30, 2016 after signing an affidavit of undertaking to that effect.
8. The rules shall apply for the FS ending December 31, 2015 and subsequent periods ending May 30, 2016, on an OPTIONAL basis, and all FS ending June 30, 2016 all subsequent period , on a MANDATORY basis.

## **Q6 What are the scope and of the compilation services and the responsibilities of the CPA in terms of the services rendered and the issuance of the Certificate?**

**A6.** These are covered and discussed in the Philippine Standard on Related Services 4410 (Revised), Compilation Engagements

## **Q7. Who should sign the Certificate?**

**A7** The CPA who has the principal responsibility to do the compilation services for the preparation of the FS of the covered organizations or persons (see Q6) should sign the Certificate. The CPA can be the BoA accredited CPA employee of the covered organization/person or a qualified BoA accredited external CPA hired for the compilation services.

## **Q8. Who are covered by this requirement of submission of the Certificate for compilations services for the preparation of their FS?**

**A8.** Organizations (including stock, for profit, non-stock and/or non-profit organizations) and persons which/who:

(1) are required to submit annual statutory FS to the BIR and/or SEC, and

(2) have annual gross sales/receipts/revenues of P10 Million and over, must have their FS prepared by a CPA who will have to submit the Certificate as to this fact.

**Q9. What is included in the determination of the P10 Million or over threshold of gross sales/receipts/revenues reported in the FS that will subject said FS to these rules?**

**A9.** These include all receipts or revenues/sales from all sources reported in the FS, including, but not limited to, gross receipts or revenues/sales from operations, non-recurring activities, passive income and others.

**Q10. Would the employee CPA of a covered organization/person be required to be accredited with the BoA?**

**A10.** Yes the employee CPA who would be signing the Certificate must be accredited as a CPA in Commerce and Industry. This CPA employee is the employee designated by the management of the Company to be the person principally responsible for the compilation services for the preparation of the FS.

The names of all covered organization(s)/person(s) that a CPA in commerce and industry should be indicated in the application form by the CPA applying for accreditation as a CPA in Commerce and Industry.

The CPA employed by a covered organization or person, who also concurrently performs compilation services for the preparation of the FS of other related covered companies or persons shall file only an application for accreditation as a CPA in Commerce and Industry for his employer organization or person. For the other related companies that the CPA shall be doing compilation services, the CPA shall just indicate the names of these companies in the Detailed Description of work where the CPA shall specify that the preparation of the FS of said companies are also the CPAs responsibilities and duties

**Q11. Would external CPAs or auditors providing these compilation services and signing the Certificates for covered organizations/person who hired them be required to be accredited with the BoA for this purpose?**

**A11.** Yes, the external CPA or auditor should be accredited as a CPA in public practice. If the CPA or auditor has a current and valid accreditation as a CPA in public practice, said accreditation is sufficient to render these compilation services and sign the Certificate. These services should only be rendered to the NON AUDIT clients of the CPA or auditor.

**Q12. Who should be accredited and allowed to sign the Certificates for the CPAs in public practice (as a sole practitioner, firm or partnership).**

**A12.** All those signing the Certificates should be accredited as a CPA in public practice. These include the sole practitioners, every partner of a partnership who will be signing the Certificates and all other officers or staff in a partnership or firm who will be signing the Certificates.

This requirement is consistent with BoA Resolution No.295-2015 that requires all partners and CPA professional staff of accounting firms and partnerships to be accredited with the BoA.

**Q13. Can the external auditor of the covered organization/person sign the Certificate for his/her client?**

**A13.** The external auditor is not allowed to sign the Certificates of their audit clients.

Also, In the case of CPA partnerships or firms, all partners and/or CPA staff are not allowed to sign the Certificates of the partnership's/firm's covered audit clients, even if they are not involved in the audit of these clients.

**Q14. I am a CPA employee of a covered organization/person with the responsibility of preparing the FS for my company. At the same time, I have a small CPA public practice for which I do various auditing and accountancy services, including compilation services for clients that exclude my employer organization. I have already an accreditation as a CPA in public practice. Am I allowed to continue to prepare the FS of my company and to issue and sign the Certificate? For this, do I need to be accredited with the PRC/BoA?**

**A14.** Yes, you can prepare the FS and sign the Certificate for your company.

For this, you should have a separate accreditation as a CPA in Commerce and Industry for your company.

**Q15. My company is covered by this Resolution. My accountant, who is not a CPA, is the one preparing my FS? What should I do to comply with the requirement of the submission of the Certificate?**

**A15.** You must engage an external accredited CPA or an authorized entity which can render the compilation service and sign the Certificate.

Alternatively, you can hire an accredited CPA to do the compilation service and sign the Certificate.

**Q16. My company is covered by this Resolution. I am outsourcing the preparation of my FS to a Business Process Outsourcing (BPO) company or to any other company service provider? What should I do to comply with the requirement of the submission of the Certificate?**

**A16.** You should ask your BPO or any other service provider to have its duly accredited CPA, who is principally responsible for the compilation service in the preparation of your FS to, sign the Certificate.

**Q17. For the BPO or other service providers which renders compilation services for the preparation of FS to its client, what should it do to be accredited?**

**A17.** It should have its CPA who would be doing the compilation services and signing the Certificates be accredited as a sole CPA practitioner in Public Practice.

**Q18. If the one doing the accounting or compilation function of a covered organization or company is outsourced to a service provider outside the Philippines (for example, the Head Office, parent foreign company, a regional office, shared service provider, etc. located abroad), can the foreign service provider and/or its CPA be accredited and sign the Certificate?**

**A.18** Yes, the foreign based service provider can provide the compilation services.

However, it should do this through its Filipino CPA who will have be accredited as a CPA in (sole) public practice and who will sign the Certificate in that capacity. Alternatively, the foreign service provider can apply for a Special Temporary Permit (STP) for its foreign CPA or equivalent to render the compilation services and to sign the Certificate. The procedures for applying for the STP are prescribed in PRC Resolution 2012- 668.

**Q19. When does the Resolution take effect?**

**A19.** The Resolution takes effect on February 8, 2016 which is 15 days from its publication on January 26, 2016 in the Philippine Star.

**Q20. What are the FS and its accounting period(s) that are covered by this Resolution?**

**A20.** Only the FS of the covered organizations/persons ending June 30, 2016 and subsequent periods are mandatorily covered and will require the submission of the Certificate. For the FS ending December 31, 2015 and subsequent periods ending May 30, 2016, the submission of the Certificate will be OPTIONAL and encouraged.

FS which end prior to December 31, 2015 are not covered by this Resolution.

**Q.21 What are the procedures for the CPA to apply for accreditation as CPA in Commerce and Industry”**

**A21.** The CPA applying for accreditation as CPA in Commerce and Industry should accomplish the appropriate BACC Form and submit the prescribed documents to the PRC Standards and Inspection Division in PRC Sampaloc and in any PRC regional office near the office address of the CPA applicant.

The prescribed documents for the application, the amount of fees to be paid and other details are in ANNEX C of Resolution 3-2016.

The different forms that will have to be accomplished, such as the revised BACC application forms, the Integrity Initiative Pledge form and the Affidavit of Undertaking (if CPD units are lacking) are available in the various PRC offices and/or downloadable from the BoA website [boa.com.ph](http://boa.com.ph).

The CPA employed by a covered organization or person, who also concurrently performs compilation services for the preparation of the FS of other related covered companies or persons shall file only an application for accreditation as a CPA in C& I for his employer organization or person. For the other related companies that the CPA shall be doing compilation services, the CPA shall just indicate the names of these companies in the Detailed Description of work where the CPA shall specify that the preparation of the FS of said companies are also the CPAs responsibilities and duties

If a covered organization or person has more than one (1) CPA authorized to prepare the FS and sign the Certificate, all those authorized CPAs shall individually apply for accreditation as CPA in C&I for said covered organization.

**Q22. When should the application by the CPA be filed with PRC?**

**A22.** For those CPAs who are required to submit the Certificate, the CPA should file the application not later than April 30, 2016 (new extended deadline prescribed in Resolution \_\_\_)

For those CPAs who are newly hired by covered organizations/persons after the April 30, 2016 deadline, the CPAs shall apply within a month after the date of their hiring.

For those CPAs who are currently employed by organizations/persons which/who become covered after the April 30, 2016 deadline, the CPAs shall apply within one (1) month following the year/period the organization/person become covered.

**Q23. Should the CPA personally file the application in the PRC?**

A23. The CPA can authorize a duly designated representative to file the application documents.

Alternatively, the CPA can send by courier the application documents to PRC Standards and Inspection Division in P.Paredes Street cor. Morayta Street, Sampaloc 1008 Manila and advise [boa.secretariat@gmail.com](mailto:boa.secretariat@gmail.com) about the date of receipt of PRC of the delivered application for monitoring purposes.

**Q24. If a CPA preparer of the FS for a certain company resigns from said company, what must be done?**

**A 24.** If a CPA in C&I for a certain covered organization or person shall resign, retire or be dismissed or separated from the current employment, the CPA and the covered organization shall both notify the Standards and Inspection Division (SID) of the Professional Regulatory Commission (PRC) of this matter within one (1) month from the leaving of the CPA. The SID shall then duly note this in the database. If and when this CPA is subsequently employed by another covered organization, the CPA shall apply for an application for accreditation as CPA in C&I for the new employer within one (1) month after the date of hiring.

**Q25. What is the Affidavit of Undertaking prescribed in Annex B of the resolution?**

**A25.** This is the Affidavit that must be submitted together with the application IF the CPA applicant, at time of application, is not able to complete the required number of Continuing Professional Development (CPD) units of 60 hours over a three year period. With this Affidavit, the CPA applicant commits to complete the required CPD units by June 30, 2016 and to notify the PRC Standards and Inspection Division upon the completion of the CPD requirement.

**Q26. What CPD units will be allowed or considered in the application for accreditation for CPA in Commerce and Industry?**

**A26.** The CPD units that will be allowed are:

- (1) those earned pursuant to BoA Resolution 59-2012 and PRC Resolution 774-2013
- (2) those earned within three years from date of submission of application.

**Example:** A CPA filed his application for accreditation on March 15, 2016. The CPD units that can be considered for his application are the units earned since three years back from March 15, 2013 to March 15, 2016.

For applicants who have been previously accredited as CPA in public practice or as accounting teacher, the appropriate CPD units submitted for the earlier application can be considered for the application for CPA in Commerce and Industry that comply with the two requirements indicated above.

**Q27. What is the difference between the Certificate and the Statement of Management Responsibility (SMR) required by the SEC?**

**A27.** The Certificate is different from the SMR. First, the Certificate is prescribed by the BoA, while the SMR prescribed by the SEC.

Second, the objective of the submission of the Certificate is those indicated in A1 above, while the SMR has its own objectives. Specifically, the SMR is a statement from **management** that the information contained in the FS are their responsibility, while the Certificate is a statement from the **CPA preparer** of the FS that this was prepared in accordance with the pertinent accounting rules and standards. The personalities involved and the representations being made in the Certificate and SMR are clearly distinct and different from each other.

This is comparable to the case of a newspaper publishing business. In this business, the ones responsible for the content of the newspaper are the editor, news reporters and columnists of the publication. On the other hand, the ones responsible for the preparation and printing of the newspaper are a different group of persons such as the layout editor, the printer and others. So, similar to the newspaper publication business, the financial reporting of the operations of businesses has different roles for and responsibilities of the persons who are accountable for the content as distinguished from those who are separately responsible for the preparation of the medium that will contain the information or material content

Finally, the one signing the Certificate need not be the one signing the SMR. In fact, ordinarily it would be different individuals who would separately sign the Certificate and SMR. However, if any of the signatory in the Certificate and SMR is the same, said signatory to the Certificate should be a CPA and should be accredited with the BoA for this purpose.

**Q28. How do we address situations where the FS of covered organizations/persons are to be issued before the PRC/BoA approval of the accreditation of the CPAs who will sign the Certificates?**

**A28.** The FS can be issued with the Certificate that will be attached bearing the inscription "CPA accreditation filed on \_\_\_\_\_ still in process" in the Accreditation Number line.

However, the PRC and BoA will coordinate to fast track the processing and approval of the accreditation applications within two (2) weeks from date of application filing and submission of complete documentary requirements.

**Q29. What is the validity of the accreditation of CPAs in Commerce and Industry?**

**A29.** The accreditation shall be valid for three years, to include the year of application, unless shortened by reason of retirement, resignation, dismissal or separation of the CPA from his/her employer.

**EXAMPLE:** A CPA applied on March 15, 2016 and received his accreditation on March 29, 2016. The validity that will be indicated in the Certificate of Accreditation that will be issued to the CPA will be "**valid until December 31, 2018.**"

IF this CPA resigns from his company on December 31, 2017, his accreditation will automatically cease.



**Q30. What does the P10 million threshold provision in Section 3 of Resolution 03-2016 cover?**

**Q30.** The provision on Section 3 of the Board Resolution 03-2016 pertaining to the P10 million threshold of annual revenues and receipts shall only apply to the preparation of the Certificate by the CPA. However, as indicated in the same Section, all other provisions shall apply. These include such requirements as the need that CPAs who are duly accredited with the PRC/Board shall be the only ones authorized to prepare the FS for all companies and persons submitting statutory annual reports.

**Q31. Has BOA coordinated with SEC and BIR regarding this BoA requirement of attachment of the Certificate in the annual statutory FS filed with the SEC and BIR?**

**A31.** The BoA has advised the Department of Finance, Bureau of Internal Revenue and the Securities Exchange Commission on this new Resolution and requested the SEC and BIR to monitor the compliance of submission of the Certificate in the filing of the annual statutory FS in the BIR and SEC.

**Q32. How will the BoA monitor the compliance of the submission or attachment of the Certificate in the annual statutory FS submitted to the BIR and SEC?**

**A32.** The BoA has requested the BIR and SEC to assist in dissemination of the Resolution and in the monitoring the compliance of those submitting the annual statutory FS.

**Q33. What is the role and responsibility of the external auditor on this measure?**

**A33.** The external auditors of all companies and persons shall bring to the attention of the management of their audit clients any instance(s) of omissions or non-compliance with the provisions Board Resolution 03-2016 and \_\_\_\_\_, including failure of the audit client to have a duly accredited CPA who is responsible for preparing the FS, the non-attachment of the Certificate in the annual statutory FS, and any other non-compliance of the aforementioned Resolutions and any amendatory resolutions that will be issued subsequently in the future,

The external auditor shall notify the BoA of these matters within one (1) month from the conclusion of the audit engagement.

**Q34. What are the sanctions that may be imposed for violations or non-compliance with the provisions of the Resolution? Who/which will be penalized, the CPA issuing the Certificate or the covered organization/person or the external auditor?**

**A34.** Violations or non-compliance such as (1) a covered company filing its FS with the SEC and BIR without attaching the Certificate, (2) the application for accreditation of the CPA not being approved/denied because of oversight/negligence/failure to comply with the accreditation requirement **after the FS has been issued**; (3) the auditor of an organization is the one doing the compilation services for the preparation of the FS and notes of his/her audit client; (4) failure of the external auditor to monitor the compliance of audit clients; (5) failure of the external auditor to report to the BoA the cases of omissions or non-compliance of clients on the measures of the resolutions; (6) and other cases, will result in sanctions that will be imposed on either the CPA, the covered organization/person, and/or external auditor.

The sanctions that may be imposed by PRC/BoA can be:

- (1) reprimand of the CPA and/or covered organization/person
- (2) suspension of license of the CPA
- (3) imposition of fines and penalties on the CPA and/or covered organization/person,
- (4) Revocation of the license of the CPA, and/or,
- (5) Requirement for the submission or re-submission of a corrected or valid Certificate to replace the defective Certificate previously issued with the imposition of the corresponding sanctions on the erring CPA

A Resolution will be issued to provide the details on the violations that may be subject to sanctions

**.Q35. When shall the CPA preparing the FS of a company/person complete the FS and notes s thereto?**

**A35.** CPAs preparing the FS shall complete the FS and notes thereto not later than one (1) month of the closing of the accounting period or year of the company. This deadline is required to give ample time for the completion of the subsequent work of the external auditor and the submission of the statutory report before the statutory deadlines. For the FS for calendar year ending December 31, 2015, the FS shall be completed not later than March 15, 2016.

VERSION February 14, 2016