



Auditing and Assurance Standards Council

Philippine Auditing Practice Statement 1002Ph (Revised)

**THE AUDITOR'S REPORT ON GENERAL PURPOSE
FINANCIAL STATEMENTS PREPARED IN ACCORDANCE
WITH A PHILIPPINE FINANCIAL REPORTING
FRAMEWORK OTHER THAN PFRS**

PHILIPPINE AUDITING PRACTICE STATEMENT 1002Ph (Revised)

**THE AUDITOR'S REPORT ON GENERAL PURPOSE
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Philippine Auditing Practice Statement (PAPS) 1002Ph (Revised), “The Auditor’s Report on General Purpose Financial Statements Prepared in Accordance with a Philippine Financial Reporting Framework Other than PFRS,” should be read in the context of the Preface to the Philippine Standards on Quality Control, Auditing, Review, Other Assurance and Related Services,” which sets out the application and authority of PAPS.

This revised PAPS is issued to provide additional guidance on the application of the existing PSA 700 (Revised), “The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements,” and PSA 700 (Redrafted), “Forming an Opinion and Reporting on Financial Statements.”* It does not establish any new basic principles or essential procedures.

* PSA 700 (Redrafted) is effective for audits of financial statements for periods beginning on or after December 15, 2009.

**THE AUDITOR'S REPORT ON
GENERAL PURPOSE FINANCIAL STATEMENTS PREPARED IN
ACCORDANCE WITH A PHILIPPINE FINANCIAL REPORTING
FRAMEWORK OTHER THAN PFRS**

Introduction

1. The existing PSA 700 (Revised), “The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements,” and PSA 700 (Redrafted), “Forming an Opinion and Reporting on Financial Statements,” provide that the auditor shall evaluate whether the financial statements (a) are prepared and presented in accordance with the specific requirements of the applicable financial reporting framework and (b) adequately refer to or describe the applicable financial reporting framework.¹
2. The existing PSA 700 (Revised) and PSA 700 (Redrafted) further state that when expressing an unmodified opinion on financial statements prepared in accordance with a fair presentation framework, the auditor’s opinion shall, unless otherwise required by law or regulation, use the phrase:²

“the financial statements present fairly in all material respects, ... in accordance with [the applicable financial reporting framework]”

The auditor’s opinion identifies the financial reporting framework on which the financial statements are based to advise users of the auditor’s report of the context in which the opinion is expressed.³

3. The applicable financial reporting framework is defined in PSA 200 (Revised and Redrafted), “Overall Objectives of the Independent Auditor and the Conduct of an Audit in accordance with Philippine Standards on Auditing,” as the financial reporting framework adopted by management in preparing and presenting the financial statements that is acceptable in view of the nature of the entity and the objective of the financial statements, or that is required by law or regulation.
4. Philippine entities prepare and present their financial statements in accordance with Philippine Financial Reporting Standards (PFRS) issued by the Financial Reporting Standards Council, the accounting standard-setting body in the Philippines. Certain entities, however, have been permitted to defer the application of PFRS in part or in full or to apply a specified set of accounting standards.

¹ Paragraphs 10, 13 and 14 of existing PSA 700 (Revised), “The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements,” and paragraphs 12 and 15 of PSA 700 (Redrafted), “Forming an Opinion and Reporting on Financial Statements.”

² Paragraph 40 of existing PSA 700 (Revised) and paragraph 35 of PSA 700 (Redrafted).

³ Paragraph 43 of existing PSA 700 (Revised) and paragraph A29 of PSA 700 (Redrafted).

5. The purpose of this revised Philippine Auditing Practice Statement (PAPS) 1002Ph is to provide guidance on the application of the existing PSA 700 (Revised) and PSA 700 (Redrafted), specifically on the description of the applicable Philippine financial reporting framework when this is other than PFRS.

Effective Date

6. This revised PAPS is effective for audits of financial statements for periods beginning on or after December 15, 2009. Earlier application is allowed.

Financial Statements Prepared Solely in Accordance with Philippine Financial Reporting Standards

7. PSA 700 (Redrafted) explains that the financial statements may be described as prepared and presented in accordance with a particular financial reporting framework only if the financial statements comply with all the requirements of that framework effective during the period covered by the financial statements.⁴
8. Philippine Accounting Standard (PAS) 1, “Presentation of Financial Statements,” makes clear that the financial statements should not be described as complying with PFRS unless they comply with all the requirements of PFRS.
9. Accordingly, when financial statements are prepared solely in accordance with PFRS, the auditor identifies the financial reporting framework in the opinion paragraph, and in the paragraph on management’s responsibility for the financial statements, as:

“...in accordance with Philippine Financial Reporting Standards.”

Financial Statements Prepared in Accordance with a Philippine Financial Reporting Framework Other than Philippine Financial Reporting Standards

10. Certain entities have been given transition relief or exemption in the application of PFRS (i.e., these entities have been permitted to defer the application of PFRS in part or in full or to apply a specified set of accounting standards). For example:
 - Qualifying non-publicly accountable entities (NPAEs) are permitted to apply the applicable financial reporting standards effective as of December 31, 2004 instead of PFRS.⁵

⁴ Paragraph A6 of PSA 700 (Redrafted).

⁵ PAS 101, “Financial Reporting Standards for Non-publicly Accountable Entities,” permits qualifying non-publicly accountable entities (NPAEs) to apply the applicable financial reporting standards effective as of December 31, 2004, instead of the full PFRS.

- Pre-need companies are required by the Securities and Exchange Commission (SEC) to apply the accounting standards set forth in amended SEC Pre-need Rule 31, “Accounting Standards for Pre-need Plans and Pre-need Uniform Chart of Accounts (PNUCA).”
 - Certain entities required to comply with PFRS have been given transition relief or exemption by a regulator in the application of PFRS.⁶
11. For entities that have been given transition relief or exemption in the application of PFRS, the auditor identifies the financial reporting framework in the opinion paragraph, and in the paragraph on management’s responsibility for the financial statements, in such terms as follows:
- *For NPAEs*: “... in accordance with applicable financial reporting framework for non-publicly accountable entities that are allowed to defer full adoption of Philippine Financial Reporting Standards as described in Note X....”
 - *For others such as banks, pre-need companies, mining companies*: “... in accordance with applicable financial reporting framework for entities that are given relief from certain requirements of Philippine Financial Reporting Standards as described in Note X....”

When either of the above terms is used, reference shall also be made to a note that describes further the applicable financial reporting framework.

⁶ Transition relief or exemption from PFRSs given by a regulator:

- The SEC exempted from the tainting provision of PAS 39 certain exchange offers of the Bureau of Treasury of eligible government securities to new government bonds.
- The SEC provided transitional relief to mining companies on the fair value requirements of PAS 39 for hedging contracts entered into and effective prior to January 1, 2005.
- The BSP and SEC granted in 2008 exemptive relief to banks from PAS 39, as amended, particularly on the reclassification of financial assets of banks as provided in BSP Circular No. 628, Series of 2008.

PAPS 1002Ph (Revised)

This PAPS 1002Ph (Revised), “The Auditor’s Report on General Purpose Financial Statements Prepared in Accordance with a Philippine Financial Reporting Framework Other than PFRS,” was unanimously approved for adoption on December 2, 2009 by the members of the Auditing and Assurance Standards Council.

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