

ACCOUNTING POLICY

Purpose:

The purpose of this policy is to set forth guidelines, controls and standards in recording and reporting the results of operation and financial position in accordance with the generally accepted accounting standards.

1. General Principles

1.1. Separate Enterprise

XYZ CU is a separate business enterprise requiring the maintenance of comprehensive accounting records and financial reporting practices to provide meaningful information to members, officers, directors, the audit committee, regulatory agencies and interested third parties.

1.2. Going Concern

XYZ CU maintains its accounts as a “going concern” on the basis that its operation continues indefinitely. Therefore, assets and liabilities should represent the value to the credit union as a “going concern” and should not be based on liquidation values.

1.3. Monetary Basis of Accounting

XYZ CU’s Financial Statements are expressed in terms of *(state the currency used)*. The recording of each transaction in terms of *(state the currency used)* units provided the best feasible indicator of its relative impact on the overall operations of the credit union.

Changes in the purchasing power of *(state the currency used)* are not reflected in the basic financial statements except for the adjustments to incorporate revalued property or equipment in the financial statements.

1.4. Consistency in accounting from Period to Period

XYZ CU should follow consistent accounting practices from one accounting period to the next. Should a material change in accounting treatment occur, the facts must be disclosed on the financial statements, including the *(state the currency used)* effect upon the Statement of Financial Condition and the changes in the net income for the period.

For example, if the credit union converts from accrual or cash basis to modified cash basis system of accounting, a complete reversion at one time shall be made and report the conversion on the current period financial statements.



1.5. Timely Recognition in Accounting Records

XYZ CU should record accounting transactions on a timely basis so that all material information applicable to each accounting period are shown in the records.

To properly recognize in accounting records and financial reports the reasonable values of assets, liabilities, members' equity and reserves, income and expenses, the credit union shall make provision for losses that may be sustained in the collection or conversion of loans and other assets by charges against current operations.

1.6. Materiality

XYZ CU should recognize in the accounts the material facts relating to the credit union's activity.

A statement, fact, or items is materials if, considering the surrounding circumstances as they exist at the time, it is of such a nature that its disclosure, or the method of treating it, would likely influence or "make a difference" in the judgment and conduct of a reasonable person. The accumulation of many small items, each of which in itself would not be "material", would be "material" if the overall effect would tend to influence the judgment and conduct of a reasonable person.

1.7. Principle of Conservatism

XYZ CU should maintain the accounting records on a conservative basis. It should make reasonable provisions in the accounts for probable losses on assets and for the settlement of liabilities. It should not materially overstate nor understate assets, liabilities, income or expenses.

1.8. Accounting Basis

XYZ CU should use **Modified Cash Basis** as the prescribed accounting basis. This is a combination of the cash basis of accounting and the accrual basis of accounting. Under the modified cash basis, the accounting is based on actual receipts and disbursement except that provisions should be made to reflect:

- a. Liabilities which are not paid when due;
- b. Unpaid dividend on share capital applicable in the accounting period;
- c. Deferred credits and charges that are applicable to future periods;
- d. Estimated losses on loans outstanding and other risk assets, and
- e. Depreciation of property and equipment.



1.9. Accounting Safeguards and Control

XYZ CU should adopt appropriate accounting safeguards and controls to provide reasonable assurance that accounting records are complete and accurate.

1.10. Fiscal Year

XYZ CU accounting period shall be a 12-month period starting January 1 and end December.

2. Petty Cash and Revolving Funds

2.1. Safeguards and Controls

2.1.1. Custodianship

1. A Petty Cash Fund (PCF) is set up to take care of minor disbursements, usually consisting of day-to-day expenses involving small amounts.
2. A Revolving Fund may be set up to payment of member's savings deposit withdrawals, loan proceeds and other operations as may be determined by the Board of Directors, except encashment of checks.
3. The funds are maintained on imprest system. At any given time, the total cash on hand and the unreplenished disbursements should be equal to the amount of the fund.
4. The funds are in the custody of the treasurer/cashier or nay designated custodian. Access to and responsibility for each of the funds is limited to the respective custodian.
5. Each of the funds is kept in separate box. If one custodian is responsible for two or more funds, these should be physically segregated.

2.1.2. Petty Cash Voucher/Revolving Fund Voucher

1. A Petty Cash Voucher (PCV) is required for disbursement from the Petty Cash Fund and Revolving Fund Voucher for the disbursement from Revolving Fund.
2. The CEO/General Manager approves PCVs/RFBVs before any payment is made. Supporting documents, if any, are attached to the corresponding vouchers.



3. After payment, the PCV/RFV and its supporting documents are numbered and stamped “PAID”, initialed, with the date of payment noted thereon in ink.

2.1.3. Restriction on Disbursement

1. Each payment from the fund is limited to a certain amount in accordance with the Board policies. Any disbursement more than this amount is made by check.
2. Encashing of other checks from the fund is prohibited.

2.1.4. Replenishment

1. The Petty Cash/Revolving Fund custodian requests for replenishment when the fund runs low and insufficient to cover petty expenses or revolving fund disbursements, by preparing Replenishment Summary for Petty Cash and Revolving Fund, as the case may be.
2. The replenishment check should be payable to the fund custodian.

2.1.5. Surprise Count

From time to time, the Audit/Supervisory Committee conducts surprise count of the Petty Cash Fund and Revolving Fund and prepares a report to the Board of Directors; copy furnished the CEO/General Manager regarding the results of the count.

3. Cash Disbursement

3.1. Safeguards and Control

3.1.1. Payments

1. All disbursements are paid by checks except those, which are paid from the Petty Cash/Revolving Fund.
2. Each check prepared is covered by a pre-numbered Cash Voucher (CV) and supported by documents.
3. The accounting personnel reviews and checks the validity of the CV and its supporting documents.
4. The Chairperson of the Board of Directors shall approve CV's covering disbursements in excess of the authority of the designated approving officer. The Board of Directors authorizes the Chief



Executive Officer to approve disbursement up to maximum amount of _____.

5. Upon release of the checks, the Cashier/Treasurer stamps "PAID" on all copies of the CV's and its supporting documents indicating therein the date of payments.
6. CVs are signed by the payee/authorized representative to acknowledge the receipt of payment upon release of check, otherwise, the Cashier/Treasurer should require the payee to issue Official Receipt or other evidences in exchange of the check.
7. The Audit Committee shall conduct audit of all the cash disbursement transactions of the credit union.

3.1.2. Control of Checks

1. All checks are issued and recorded in numerical sequences in the checkbook or its equivalent.
2. All checks are prepared based on the properly approved CVs, duly verified by the accounting personnel, signed and countersigned by at least two authorized signatories one of whom shall be the Chairman of the Board.
3. To prevent alteration on the amount of the check, check writer shall be used. The check writer will be under the custody of the Treasurer/Cashier and shall be kept in a safe place when not in use.
4. The check is always made payable to a specific person or entity. Whenever possible, checks must be made crossed (two parallel lines at the left side of the check).
5. Unused check booklets will be under the custody of the accountant. Under no circumstances such check booklets be made available to any unauthorized person.
6. Voided, spoiled and cancelled checks shall be marked "CANCELLED" and attached to the corresponding checkbook for subsequent inspection and reconciliation.
7. The check when presented for approval shall be supported with approved CV and supporting documents.

8. Signing or countersigning of blank checks in advance is strictly prohibited.
9. All checks issued should be recorded in the check register book, and upon release, require payee to acknowledge receipt.

3.1.3. Bank Reconciliation

1. To determine the accuracy of the cash in bank account balance, a reconciliation of the book and bank balances shall be done monthly by the accounting personnel and to be reviewed by the audit committee.
2. The accounting unit head/audit committee reviews the bank reconciliation statement, especially the reconciling items.
3. Unrecorded bank charges and credits, if valid, should be recorded in the books.
4. Posting errors committed by the bank should be immediately communicated.

3.1.4. Control of Cash Vouchers

Cash Vouchers are recorded daily in numerical sequence in the book of accounts. The books of accounts are summarized monthly and the totals are posted to the General Ledgers.

4. Property and Equipment

4.1. Safeguards and Control

4.1.1. Approval of Acquisition

1. Acquisition of property and equipment should be in accordance with the approved budget.
2. Prior approval from the Board of Directors is required for the acquisition of property and equipment over the amount of approval limit of the CEO/GM. The CEO is authorized to approve acquisition of property up to maximum amount of _____.

4.1.2. Record Keeping and Control

1. All property and equipment should be in the name of XYZ CU.



2. The property custodian is responsible for the proper safeguarding and maintenance of property and equipment.
 3. Where advisable, property and equipment should be adequately insured against fire, theft and other risk and should be entered in the Property Insurance Register (Annex 3).
 4. A Property and Equipment Ledger Card (Annex 4) is maintained and updated by the accounting personnel for each property or equipment where the cost, depreciation charges and other relevant data, like sale, disposition, trade-in, improvements, and exchange are recorded.
 5. Purchase Order shall be duly approved and shall correspond to the number of items found in the requisition, cost, delivery receipt and original copy of the dealer's invoice.
 6. Before payment is made, the Property Custodian and the CEO/GM shall immediately inspect property and Equipment purchased such as furniture, fixtures and office equipment, and if possible, in the presence of the Audit Committee, as to the number of items, cost, quality, and taxes withheld.
 7. A Memorandum Receipt (Annex 5) properly accomplished and acknowledged by the employees and/or officers to whom the furniture or equipment is assigned shall invariably cover furniture, Fixtures and Office Equipment issued to the employees and/or officers.
 8. All property and equipment are numbered and properly identified.
 9. All purchase of furniture, fixtures and equipment as well as stationery and supplies is centralized. Direct purchases may be made subject to the following conditions:
 - Emergency purchased to restore normal operations after damages wrought by fire, flood, etc.
 - Purchases necessary for immediate protection of the assets and personnel
-
- Where direct purchased are advantageous for reasons of:

- a. Lower local prices in the face of comparable quality compared to current prices in the local stores plus handling and shipping charges.
- b. Warranties and other sales features that would prolong the life and usefulness of the assets.

10. All purchases over a minimum amount determined by the Board of Directors shall be subject to canvass from three suppliers except those items that can only be obtained from a sole manufacturer or exclusive distributor. All purchases above (state the amount) must be supported by a canvass.

4.2. Depreciation

4.2.1. System

1. Depreciation must be computed in accordance with the approved rates of depreciation and must be taken up periodically in the books.
2. When a unit is fully depreciated, a nominal value of ____ is carried in both the controlling account and in the subsidiary ledger to represent each fully depreciated unit.
3. Periodic provision for depreciation is necessary to cover the decline in value of the assets. For simplicity of application, the straight-line method of depreciation is adopted for all movable assets as a rule. The computation is based on the following formula:

$$\text{Annual Depreciation} = \frac{\text{Cost of the property less Salvage Value}}{\text{Estimated years life of the property}}$$

4.2.2. Accounting Procedures

1. The provision for depreciation is computed and recorded in the books periodically as the case may be.
2. The depreciation expense for each item should be in round figure.
3. In the event, the original cost less the salvage value is not exactly divisible in 100 (*currency*) for the number of depreciable periods the last depreciation periods shall cover the balance of the asset leaving the nominal value of (*currency*) 100.



4. As a general practice, the first depreciation charge on an asset item begins with the next reporting period after the acquisition.

Suggested Estimated Useful Life

1. Furniture and Furnishings – 5 years

This classification covers building accessories, which are generally for the working and/or convenience of office personnel and clients. Examples are chairs, tables, sofas, top glass, mirrors, carpets, shades, draperies, movable dividers, vases, decorative boxes and frames, paintings, wastes baskets, wall clocks and table clocks.

2. Fixtures – 5 years

This group refers to permanent or semi-permanent attachments closely related to the building but not classed as building. Examples: counters, teller's cages, fixed dividers or partitions, built-in cabinets/shelves, storage bins and guardhouses.

3. Business Machines - 5 years

This includes all standard office machines or mechanically operated office equipment such as typewriters, adding/calculating machines, copying machines, check writers, postage machines, Bundy clocks and numbering machines.

4. Office Equipment – 5 years

This category embraces all office apparatus, which are not mechanically operated. It includes: cabinet, safes, vaults, trays, racks, and paper cutters.

5. Computer Machines – 3 years

This group includes all component units and peripherals of a computer system.

6. Appliances – 5 years

This group includes devices used for improving working conditions in an office. It also covers musical, communication and ventilation facilities. Examples: air condition, electric fans, radios, stereo sets, pianos, refrigerators, intercom systems, burglar alarm system, floor polishers, vacuum cleaners and lawn mowers.

7. Other Equipment and Instruments – 5 years



This classification embraces power units, security devices and trade equipment instruments. Examples: generators, motors, transformers, water pumps and accessories, fire extinguishers, medical/dental equipment, engineering equipment, athletic, printing/bookbinding equipment, and photo equipment.

8. Land Transportation Equipment – 5 years

Included in this group are: automobiles, jeeps, buses, and pick-ups

9. Books – 2 years

This covers all technical, professional and general reference books.

10. Building –20 years

11. Leasehold Improvements – 5 years

12. Land Improvements – 5 years

5. Liabilities

5.1. Safeguards and Control

5.1.1. Savings Deposit

1. Receiving tellers or employee should properly validate the deposit slips before these are given to the bookkeeper for posting.
2. Except for the bookkeeper in charge of the account, no other employee shall be allowed to make posting to the subsidiary ledgers, unless, properly authorized in writing.
3. In all transactions involving savings accounts, whether deposits, withdrawals, debit or credit memos, depositor's name and/or account number appearing in both the source documents and the posting medium, and the subsidiary ledgers to which the amount is to be posted, should be compared to ascertain their correctness.
4. XYZ CU should maintain individual subsidiary ledger card for each savings and time depositor and other creditors.
5. Posting on the member's subsidiary ledger card must be up-to-date to prevent over-withdrawals of savings and time deposits.



6. Savings deposits pledged for a particular loan of a member cannot be withdrawn, a Deed of Assignment should be executed, and the word "HOLD" should be indicated in their respective savings ledger card.
7. Total savings account balances as per members' individual subsidiary ledgers must tally with the controlling account balance per general ledger.
8. Positive confirmation of members' deposit balance should be done periodically.
9. Unclaimed deposits of depositors who can no longer be located should be properly disposed of either a credit to General Reserve Fund or any other fund for social purposes.
10. Debit balances of savings deposits and deposits adjustments shall be properly reviewed as it may be due to over withdrawal or erroneous entry transactions.
11. Savings passbooks shall be required to be presented for every transaction with the XYZ CU.

5.1.2. Time Deposit

1. Review the interest on Time Deposit vis-à-vis the actual interest paid and the interest rate. Withdrawal before the time agreed would have a lesser or no interest earned as penalty for not complying with the term of the Time Deposit.
2. The CEO/GM shall properly approve interest rate on Time Deposit.
3. A copy of the Time Deposit Certificate issued to the depositor shall be on file and a subsidiary ledger shall be maintained for each depositor.
4. The Certificate of Time Deposit or its equivalent evidence shall be surrendered and be stamped "PAID" when said deposit is withdrawn.

5.1.3. Dividend to Share Capital

1. Amount set aside for dividend on share capital should be in accordance with the decision of the Board of Directors.
2. Distribution should be in accordance with the By Laws.
3. The dividend rate should not exceed the normal rate of return on investment



4. Before payment is made, the Board of Directors shall approve and announce the granting of the dividends taking into consideration the following:
 - The rate of dividends
 - The date the declaration was made
 - The members-on-record as of a given date entitled to receive the dividend.

5.1.4. Accrued Expenses

1. Accrued expenses must be valid and duly approved with supporting legal documents and authorized by the CEO/GM.
2. Only expenses that were actually incurred in connection with the operation of the credit union should be taken up as accrued expenses.
3. A ledger should be maintained for each class of accrued expenses
4. Accrued expenses should be settled immediately whenever fund is available.

5.1.4. Procedures of Accruing Interest on Savings Deposits

1. The interest on savings shall be accrued every month to reflect the correct monthly income.
2. The interest shall be computed on the average ____ balance. The interest shall be posted to the subsidiary ledger quarterly/semi-annually.
3. Monthly interest accrual shall be debited to “Interest Expense on Deposits” and a credit to “Accrued Expense.” The accruals shall be closed to Savings Deposit when the interest due is credited at the end of the quarter.

5.1.5. Accounts Payable

1. Totals per individual ledger account balances must tally with the balances per major control account in the general ledger.
2. Only accounts payable that are valid and duly supported by legal documents (i.e. sales invoices, delivery receipts, purchase orders, job orders, etc. duly approved by the CEO/GM) should be paid.



3. A record or minutes of the Board of Directors specifying the institution from which the money may be borrowed, the maximum amount of loan to be borrowed and the officers authorized to sign the document and the signatories of the disbursement against the loan shall be on file for audit and inspection.
4. Ascertain that all contributions deducted from management staff were made in accordance with the existing policies set by the Board of Directors.

6. Asset Valuation Allowance

- 6.1. XYZ CU should determine an adequate and reasonable Allowance for Loan Losses (ALL), which must result in the fair representation of the financial statements in accordance with the Generally Accepted Accounting Principles (GAAP), and thereby meet the requirements for full and fair disclosure.
- 6.2. The following provision for Allowance for Loan Losses should be calculated as follows:
 - a. 35% for loans delinquent for one month to 12 months
 - b. 100% for loans delinquent for more than one year
- 6.3. For interim assessments of provision, requirements (i.e. between annual balance dates) a provision of 1% of loan funding made during the month shall be added to the provision account. The assessment under a and b must be made if the calculation is greater than adding of 1% of loan funding to the provision. The provision should be increased to meet the assessed requirement.

7. Income Recognition

- 7.1. Interest on loans and other investment shall be on cash basis.

8. Recording and Reporting

The Manager shall ensure the following:

- 8.1. Recording of transactions shall be made on the daily basis including the posting to the subsidiary ledgers of members.
- 8.2. Financial Reports that include Balance Sheet, Income Statement (Profit and Loss Statement and PEARLS ratio analysis shall be prepared 7 days after each month.
- 8.2. The PEARLS Ratio report shall constitute at least the computation of the 13 key ratios, analysis and recommendation to achieve the goals.

9. Standard Chart of Accounts

XYZ CU should follow the following Chart of Accounts in recording and reporting its financial transactions:

Statement of Financial Condition		
	Account Title	Brief Definition
ASSET ACCOUNTS		
Economic resources of XYZ CU that are recognized and measured in conformity with generally accepted accounting principles.		
CURRENT ASSETS		
Include cash and other assets that are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business, which is usually one year.		
101	Cash on Hand	Money (bills and coins), checks except post dated checks, postal money order (PMO), and demand drafts still in the possession of the custodian. This includes cash items awaiting deposits.
102	Cash in Bank	Money deposited in the bank under the name of the XYZ CU, i.e. savings, current, time deposits, and combo-account. A separate ledger account is used to keep track of deposits made in the bank.
103	Petty Cash Fund	Limited amount of money set aside for small expenditures, maintained under an imprest system. It is a revolving cash fund, withdrawn from the general cash account and made available for small purchases



		and expenditures such as stationery and supplies, taxi fares or staff meals.
104	Revolving Fund	<p>The amount set aside to meet members' withdrawals, loan proceeds and other operations as may be determined, except encashment of other checks.</p> <p>Like the Petty Cash Fund, the Revolving Fund is maintained under an imprest system, that is, the total amount of expenditures, properly supported by documents must match the amount of the fund.</p>
112	Cash Advances to Officers and Employees	Duly approved cash advances for official business to officers and employees subject to immediate liquidation.
140	Short Term Investment	Investment in marketable securities, government bonds, and other mutual funds that is readily convertible into cash.
150	Loans Receivable – Current	The total loans granted to members, which are not yet due.
151	Loans Receivable- Restructured	Collectibles from the member-borrowers whose loan accounts were restructured upon full payment of interests due.
152	Loans Receivable-Past Due	<p>Total collectibles from past due loans of member-borrowers. Aging of loans receivable should be prepared to determine how much are the past due loans.</p> <p>The loan shall remain in this account until fully paid or until arrangements are formalized for its renewal/ extension/ restructuring or collection/foreclosure.</p>
153	Loans Receivable-Loans in Litigation	Total collectibles from past due loans under legal action. The loan or advance shall remain in this account during the legal proceedings and until fully paid/ restructured/ foreclosed.
154	Allowance for Probable Losses on Loans	Allowance set aside in the books of to provide for possible losses due to uncollectible accounts. This account may also be referred to as Allowance for Doubtful Accounts. This is a contra account to Loans Receivable.

161	Receivable from Accountable Officers and Employees	Total collectibles from shortages and other losses due from accountable officers and employees that are subject to immediate settlement/sanction.
162	Other Receivables	Transactions/adjustments not classified under any of the receivable accounts mentioned. These also represent: <ul style="list-style-type: none"> • The amounts currently owed by persons other than the members for services rendered. • Advances to members of their expenses not previously covered by deposits such as insurance premiums on properties pledged to XYZ CU, taxes and other government imposts, inspection fees, wire charges and other expenses.
170	Unused Office Supplies	Office supplies on hand at the end of the accounting period.
174	Prepaid Expenses	Payments made in advance in exchange for a future benefit usually within one year (e.g., insurance, interest, advertising, rentals, etc.).
LONG TERM INVESTMENTS Investments, which the XYZ CU intends to hold for more than a year.		
182	Long Term Investments-Cooperatives	Equity investments in credit union central organization
184	Long Term Investments-Government Securities/Bonds	Investments in securities and bonds issued by the government and its instrumentalities.
185	Long Term Investments-Others (Specify)	All other investments not included in the above.
PROPERTY AND EQUIPMENT Include all tangible assets with an estimated useful life beyond one year, are used in the conduct of the business, and not intended for sale in the ordinary course of business (SFAS No. 6).		
191	Land	The cost of the land used for its main operation plus all incidental costs such as title, sales commissions, delinquent taxes, surveying fees, legal fees, etc. All these are reflected in a single cost (fair market value or appraised value <i>if</i> donated). Taxes paid as a contribution to the cost of public improvements (special assessment) are treated as part of the cost of

		the land.
192	Land Improvements	<p>The cost of depreciable improvement after land acquisition (i.e., pavement, fencing, water system, drainage system, sidewalks and pavements, etc. that are subject to depreciation over their useful life).</p> <p>Land improvements not subject to depreciation are charged to the land account. Examples of these expenditures are cost of surveying, cost of clearing, cost of grading, cost of subdividing, cost of landscaping, etc.</p>
193	Accumulated Depreciation-Land Improvements	Sum of depreciation on land improvements that are set-up periodically against current operation.
196	Building	Cost of the building constructed on the land owned by XYZ CU and used for its main operation. Major repairs or improvements that will prolong the life of the building are considered additional cost.
197	Accumulated Depreciation-Building	Sum of depreciation on building that are set-up periodically against current operation.
205	Furniture, Fixtures and Office Equipment	<p>The cost or appraised value or other appropriate value of movable (furniture), immovable (fixtures) properties and office equipment used in the ordinary course of business such as desks, chairs, cabinets, computers, etc. including incidental expenses incurred in acquiring them up to the time they are received. Depreciation is determined periodically (monthly, quarterly, etc.) in accordance with generally accepted rates.</p> <p>Furniture, fixtures and office equipment may be acquired through donations and without any cash outlay.</p>
206	Accumulated Depreciation- Furniture, Fixtures and Office Equipment	Sum of depreciation on furniture, fixtures and office equipment that are set-up periodically against current operation.
208	Transportation Equipment	Cost of equipment owned by XYZ CU such as motorcycles, pick-ups, vans and other vehicles used in transporting goods, services or personnel. Valuation is the cost of purchase or appraised value if donated.

209	Accumulated Depreciation-Transportation Equipment	Sum of depreciation on transportation equipment that are set-up periodically against current operation.
210	Leasehold Rights and Improvement	Cost of building and/or improvements made on leased land/premises including cost of rights paid.
OTHER ASSETS Assets, which do not fit into any of the preceding asset classifications		
250	Organizational Costs	Expenses incurred prior to the actual operations of XYZ CU such as promoting and organizing. This can be amortized over a period not exceeding five (5) years. Among others, these costs are: a. Legal fees in connection with the organization; b. Registration fees; c. Cost of printing share capital certificates and transfer book, seal of XYZ CU, etc.; and d. Other cost of services rendered in the formation of XYZ CU.
251	Computerization Costs	The cost of acquisition or development of computer programs and other software. This can be amortized over a period not exceeding three (3) years.
252	Other Funds and Deposits	Holdout deposits on guarantee fund to the funding institutions in compliance with the requirements of certain agreements; the corresponding fund set aside from the reserve, optional fund and any other funds that may be set up. This may be in the form of time deposits or other securities. The XYZ CU has the option to create sub-accounts.
256	Due from Head Office/Branch/Subsidiary	Receivables from head office/branch or subsidiary.
257	Assets Acquired in Settlement of Loans	Real and personal properties acquired through judicial or extra-judicial settlement of loans. Should XYZ CU use such assets in its main operation, the same assets shall be re-classified accordingly.
258	Other Land	Cost of the land owned, which is not used for its main operation.
259	Other Building	Cost of the building owned, which is not used for its main operation.



260	Accumulated Depreciation – Other Building	Sum of depreciation on other building that are set-up periodically against current operation.
261	Miscellaneous Assets	Assets not falling in any of the above categories.

LIABILITY ACCOUNTS

Economic obligations recognized and measured in conformity with generally accepted accounting principles.

CURRENT LIABILITIES

Obligations that are reasonably expected to be settled through the use of existing current assets or the creation of other current liabilities in the same statement of condition within the normal operating cycle which is usually one year.

300	Savings Deposits	Deposits made by members that can be withdrawn anytime at the option of the depositors.
303	Time Deposits	Deposits made by the members over a specified period and can be withdrawn at a pre-determined date
304	Loans Payable – Short Term	The indebtedness to financial institutions, other credit union or Central Finance Facility, or person(s), payable on short-term basis not exceeding one (1) year.
308	Social Security, Health Premium Contributions Payable	Amounts withheld from the compensation income of employees representing their contribution to social security system or health insurance. As an employer, XYZ CU has its corresponding share of contributions and this should be set up every payroll period.
309	Withholding Tax Payable	All taxes withheld as prescribed by law including the withholding tax deducted from the employees' salaries representing part of their possible income tax liability to the Bureau of Internal Revenue.
310	Accrued Expenses	Expenses incurred but not paid as of date of statement of financial condition but payable within the next accounting period. This account represents the amount due to creditors/employees for services rendered/ received and other expenses already incurred but not paid.

311	Interest on Share Capital Payable	Liability to members for interest on share capital determined at the end of every accounting period
312	Patronage Refund Payable	Liability to members for patronage refund determined at the end of every accounting period.

313	Due to CETF (Apex)	An amount set aside for the education and training fund of an apex organization, which is 50% of the amount allocated, in accordance with the provision of the by-laws and the Cooperative Act.
314	Unearned Income	Income already received but not yet earned.
316	Other Payables	Other liabilities that cannot be classified under any of the preceding current liability accounts.

LONG TERM LIABILITIES

Liabilities payable beyond one year.

320	Loans Payable- Long Term	The indebtedness to financial institutions, other credit unions, or person(s), payable beyond one year.
321	Revolving Capital Payable	The deferred payment of interest on share capital and patronage refund, which should be agreed upon in the General Assembly.
322	Retirement Fund Payable	Accumulated retirement benefit costs charged against the income over the expected remaining working lives of participating employees.
323	Other Long Term Payables	Other long-term liabilities

OTHER LIABILITIES

The totality of all other liabilities that cannot be classified under any of the preceding liability accounts.

331	Deposits for Share Capital Subscription	Amount paid by the members for future subscription of additional share capital when the authorized capital has been fully subscribed and paid pending amendment of the XYZ CU's Articles of Cooperation and By-laws.
332	Project Subsidy Fund Payable	Unused portion of the donation/grant for training, salaries and wages, etc.



333	Mutual Benefit Funds Payable	Funds for special purposes such as member's welfare and benefits, i.e., loan protection, hospitalization, death aid, etc.
334	Due to Head Office/Branch/Subsidiary	Liabilities to head office/branch or subsidiary.

EQUITY ACCOUNTS Excess of assets over liabilities		
MEMBERS' EQUITY Interest of members in the XYZ CU.		
361	Member Share Capital	Paid up capital of regular members that cannot be withdrawn during the term of membership.
362	Undivided Net Surplus (Loss)	The accumulated net surplus that will be allocated and distributed at the end of each accounting period in accordance with the law
DONATIONS / GRANTS		
381	Donations and Grants	Amounts received such as awards, subsidies, grants, aids, awards, etc. This shall not be available for distribution as interest on share capital and patronage refund.
STATUTORY FUNDS Mandatory funds established in accordance with the Cooperative Act or Credit Union Law		
391	Reserve Fund	Amount set aside annually for the stability of XYZ CU (equivalent to at least 10% of net surplus). A corresponding fund should be set up either in the form of time deposit with local banks or government securities. Only the amount in excess of the share capital may be used for the expansion and authorized investment of XYZ CU as provided for in its by-laws.
392	Education and Training Fund (local)	The amount retained out of the mandatory allocation as stipulated in the Cooperative Act or Credit Union Act.
393	Optional Fund	Fund set aside from the net surplus (should not exceed 10%) for future use such as land and building, community developments, etc.

STATEMENT OF FINANCIAL OPERATION		
REVENUES		
Gross increases in assets or gross decreases in liabilities recognized and measured in conformity with generally accepted accounting principles that result from those types of earning activities of XYZ CU that can change owners' equity.		
401	Interest Income from Loans	Income earned and collected from the interest charged on the loans granted to their members.
405	Service Fees	Fees collected for loan processing, servicing, and collecting.
406	Filing Fees	Fees collected upon the filing of loan applications by the member-borrowers.
407	Fines, Penalties, Surcharges	Fees imposed and collected on the delayed amortization payments of the member-borrower.
408	Membership Fees	Amount collected from member-applicants upon approval of membership.
409	Income/Interest from Investment	Income earned from bank deposits and investments made in financial institutions and business organizations. This shall include interest income derived from the deposit of statutory funds in the bank until utilized. Interest on these funds shall not be used to increase the fund.
410	Miscellaneous Income	All other income earned for which no specific account has been set-up.
EXPENSES		
Gross decreases in assets or gross increases in liabilities recognized and measured in conformity with generally accepted accounting principles that result from those types of earning-directed activities of XYZ CU than can change members' equity.		
FINANCING COSTS		



501	Interest Expense on Deposits	Interest incurred on savings and time deposits of both regular and associate members.
502	Interest Expense on Borrowings	Interest incurred on borrowings.
503	Other Charges on Borrowings	Service charges, filing fees and other fees for borrowings incurred.

ADMINISTRATIVE COSTS

516	Salaries and Wages	Amount incurred for services rendered by employees including overtime pay.
517	Employees' Benefits	Benefits given to employees other than salaries and wages.
518	Social Security and Health Premiums contribution	The XYZ CU's share in the employees' contribution to social security and health insurance of staff
519	Retirement Benefit Expense	The cost of providing retirement benefits to employees for their services rendered. The cost of retirement benefits is recognized as an expense in the periods during which the services are rendered.
538	Officers' Honorarium and Allowances	Amount incurred for services rendered by directors, committee members, and officers.
539	Trainings and Seminars	Amount incurred for officers, directors, members and employees, for attending trainings and seminars including all expenses related thereto after exhausting the Education Fund. For purposes of analysis, amount incurred may be classified as to the recipients of the trainings and seminars.
540	Office Supplies	Expenses incurred for stationery and various supplies used for operation.
551	Power, Light and Water	Cost of electricity, water, gasoline, diesel, oil and lubricants incurred in business operations.
552	Travel and Transportation	Amount incurred for fares, gasoline and fuel for service vehicles, toll fees, board and lodging, per diem and meal allowances of officers and employees and members while on official travel.
553	Insurance	Insurance of assets and bonds of accountable officers



		and employees
554	Repairs and Maintenance	Expenses incurred in the repair and maintenance of each facility and equipment except major repairs that prolong the life of the asset.
555	Rental	Expenses incurred for building/office spaces or facilities leased
556	Taxes and Licenses	Expenses incurred for taxes and fees due to government entities, both national and local.
557	Professional Fees	Fees and related expenses incurred for professional services rendered.
558	Communication Expense	Amount incurred for courier (letters), telephone, e-mail, fax, internet, messenger, and all other means of communication.
559	Representation	Expenses incurred related to accommodating visitors and guests on official business.
560	General Assembly Expenses	Expenses incurred in the conduct of general assembly meeting whether regular or special.
561	Meetings and Conferences	Expenses incurred for meetings and conferences of directors, committee members, officers and staff.
562	Bank Charges	Bank fees and other charges.
563	Collection Expense	Amounts, including commissions, incurred as incentives in effecting the collection of loans
564	Litigation Expenses	Expenses incurred in legal cases.
565	Affiliation Fees	Amount incurred to cover membership or registration fees and annual dues to a federation or union.
566	Social Services Expenses	Expenses incurred in the social community involvement
567	Promotional Expenses	Expenses incurred for advertising and promotions.
568	Periodicals, Magazines, Subscriptions	Expenses incurred for periodicals, magazines and other publications.

569	General Support Services	Expenses incurred for employing the services of security guards, janitors and messengers.
570	Members' Benefit Expenses	All expenses incurred for the benefit of the members.
575	Miscellaneous Expense	All other expenses incurred not classified under any of the specified expense accounts.
576	Depreciation and Amortization	Amount provided for wear and tear of property and equipment and amortization of intangible assets.
577	Amortization of Leasehold Rights and Improvements	Amount provided for amortization of leasehold rights and improvements.
578	Provision for Probable Losses on Loans	Allocation or provision for estimated losses arising from probable uncollectible accounts/loans.
EXTRAORDINARY ITEMS		
590	Project Subsidy	This shall appear at the statement of operation as a contra account to Subsidized Project Expenses.
591	Subsidized Project Expense	Portion of the Project Subsidy Fund expended for training, salaries and wages and other activities subsidized by donations and grants.
592	Gain or Loss on Sale of Acquired Assets/ Properties and Equipment	Gain or loss derived from the sale of acquired assets/properties and equipment.
593	Gain or Loss on Investment	Income earned or loss incurred from the disposal or permanent decline of value of investments.

ASSET-LIABILITY MANAGEMENT POLICY

Purpose:

The purpose of this policy is to set forth procedures and guidelines to be followed in the overall management of the credit union's deposits, loans and investments.

ALM Objectives:

- To maintain stable and consistent financial performance;
- To ensure adequate liquidity and funding to meet cash needs;
- To ensure fair and equitable treatment of both savers and borrower.

1. Responsibility

- 1.1. Management is responsible for the daily accomplishment of established objectives of asset-liability management by committing personnel and necessary technology to respond to the changes in deposit, loan, and investment balances and rates.
- 1.2. An ALM Committee made up of the Chairman, Treasurer and General Manager will direct and periodically review the decisions made by management and any activity carried out.
- 1.3. The board delegates this authority and is to review quarterly reports of the committee.

2. Functions of the ALM Committee

The ALM Committee will meet periodically to review and monitor all phases of XYZ Credit Union's operations as they relate to the ALM process. ALM reports generated by the accounting department are the basis of the ALM Committee's activities. These reports focus on the credit union's interest rate risk, liquidity risk, and key ratios. The specific functions of the committee are:

- 2.1. Monitor Interest Rate Risk



XYZ Credit Union's interest rate risk will be evaluated by focusing on the time with which assets and liabilities are subject to repricing. This repricing arises through changes in loan, investment, and deposit balances, and variable-rate instruments becoming eligible for repricing. Differences in the timing of such repricing are reflected in the projected gap position. The projected gap position estimates the future risk position that will emerge with the passage of time.

Because of the difference between the credit union's interest rate sensitivity and its capacity to change interest rates on assets and liabilities the projected repricing capacity gap must also be considered. The projected repricing gap is a supplemental measure that provides insight into the credit union's ability to make longer-term interest rate adjustments in the event that dramatic changes occur in the level of interest rates.

2.2. Monitor the Liquidity Position

It is the policy of XYZ Credit Union to maintain adequate liquidity levels consistent with prudential financial practices and regulatory requirements. Specific liquidity requirements are contingent on a variety of factors, including seasonal or recurring fluctuations in economy, the desirability of investment income versus loan income, the present as well as the forecasted mix of earning assets, and the availability of funds. The manner in which existing assets and liabilities mature plays a major role in determining the credit union's liquidity position. Corrective action will be taken when necessary.

2.3. Monitor the Real Estate Loan Risks

XYZ Credit Union has four primary risks involved with holding real estate loans on its balance sheet:

- The interest rate risk involved with holding long-term, fixed rate investments;
- The geographic concentration risk of having real estate investments in a single metropolitan area;
- The liquidity risk of being unable to fund member loan demand and share withdrawals without adversely affecting profitability or capital;
- The credit risk of borrowers defaulting or not repaying the principal loan balance.

2.4. Monitor Key Ratios and Statistics

In addition to the ratios and statistics related to interest rate risk and liquidity, key ratios (Annex 6) that measure other aspects of the credit union's operations will be monitored. Special attention is to be focused on those ratios that relate to the

financial goals of the credit union. Ratios and their trends should be evaluated in light of these goals and the stated ALM objectives.

2.5. Review and Monitor Competitive Position

Rates charged and paid by competing financial institutions for loans and deposits will be reviewed. The purpose of this review process is to:

- Ensure that the rates paid on deposits and the rates charged on loans are consistent with local market conditions;
- Ensure that rates paid and charged are fair and equitable to both savers and borrowers;
- Ensure that the credit union's profitability and financial strength are not impaired by interest rate and/or dividend policies.

2.6. Examine Impact of Changing Rates

XYZ Credit Union will estimate the effects of different levels of rates on the credit union's financial position, rate risk, and liquidity position through use of "what if" scenarios. This analysis reflects the fact that when rates are high, the cash flow from assets tends to decrease while that of liabilities tends to increase. These simultaneous consequences will adversely affect the credit union.

When rates are low, the situation is reversed, with the cash flow from assets accelerating while that of liabilities decreases. Again, the simultaneous impact will have adverse implications for the credit union. These situations result from the fact that members have the option to refinance and prepay high-rate loans, keeping low-rate loans, and withdrawing low-rate certificates to reinvest at higher rates.

3. ALM Investment Policy

- It is recognized that significant changes in the credit union's ALM position often require board action. However, the board directs management on the use of investment portfolio to make necessary day-to-day adjustments in the overall ALM position.
- By managing the maturity structure of the portfolio in light of ALM goals, policy, and guidelines, significant maturity adjustments can be made and thus greater control exerted over interest rate risk and liquidity risk.

- Investment decisions must be consistent with the credit union's investment policy. If, however, there is a conflict between a maturity constraint in the investment policy and maturities needed to satisfy ALM guidelines, the ALM needs are given a higher priority and investment decisions should be made on that basis.

4. Asset Concentration Policy

The asset concentration policy of XYZ Credit Union is intended to provide guidelines and limitations for the management of its assets. To avoid an unwarranted concentration of assets in any one type of loan or security, the following table sets out the limitations:

Investment	Limitations
Loans	70-80% of total assets
Loan Portfolio:	
Unsecured Loans for Regular members (1 year maturity)	20% (LP)
Loan with maturity of 1-2 years	20%
Investment in Loans with maturity of more than 3 years	30% (LP)
Microfinance Loans	15-20% (LP)
Loans for financing real estates	5-10% (LP)
Investment in Bonds	5% of total assets
Fixed financial Investments	5% of total assets
Non-Earning Assets	Maximum of 5% of total assets
Liquidity Reserves (include cash in Bank and short-term investments)	15% of total Deposits but not exceeding 20% of total assets

5. Reporting Process

Because the board of directors' role in developing and approving a policy that guides XYZ Credit Union's ALM position, it is essential that the board be kept informed of the ALM risk position. For this reason, the reporting process outlined next will be followed.

6. ALM Reports to the Board

Every month, the treasurer will review and report on XYZ Credit Union's ALM position. The report should contain these elements:

- Key ratios;
- Simulated income gap summary;
- Net interest income on average earning assets;

- Review of special problems or issues that may require board action.

7. Policy Changes

When necessary, the ALM Committee will recommend changes to the board of directors to adjust or correct the ALM policy. The policy should be reviewed periodically and amended as circumstances warrant. The board must approve all changes to the policy.

C.O.O.P.- P.E.S.O.S.

I. Administrative Compliance and Management Structure (COOP Indicators)

	Maximum Raw Score ¹
C-Compliance With (20%)	
1. Cooperative Development Authority	2
a. Updated Bond of Accountable Officers	1
b. Registration of Amendments, if any	1
c. Allocation of Net Surplus	1
d. Issuance of Share Capital Certificates	1
e. Submission of Annual Report, Audited Financial Statements and Information Sheet within prescribed period	5
2. Bureau of Internal Revenue (BIR)	5
– Registration as Non-EVAT	1
– Filing of Account Information	1
– Withholding of Appropriate Taxes (includes taxes on honorarium)	1
– Certificates of Tax Exemption ²	1
– Registration of Books of Accounts	1
3. Local Government Units (LGU)	1
– Business Permit/License	1

¹ The credit and other types of cooperative get the maximum raw score for every positive answer and zero for every negative answer.

² Excludes cooperatives that is no longer eligible and those applications are still in process.



4. Department of Labor and Employment (DOLE)	5
a. Minimum Wage and 13 th Month Pay	1
b. Social Security System	1
c. Philhealth	1
d. HDMF (Pag-ibig) – Housing Scheme	1
e. Retirement Benefits	1

	Maximum Raw Score
O - Organization (26%)	
1. Governance and Membership Participation	15
a. Gender Integration (availability of sex-disaggregated data on officers and staff, loan borrowers, depositors)	1
b. Attendance of the majority of members in:	
– Annual General Assembly	2
– Membership Education/Consultation	2
c. Capital build-up and Savings Mobilization	
– 70% of members (regular and associate) regularly contribute to share capital	2
– at least 70% of the total members are depositors	2
d. Acceptance of Audited Financial Statements by the General Assembly	2
e. Approval of Development Plan by the General Assembly	2
f. Adoption of proper procedures for the election of the Board of Directors	2
2. Conduct of regular pre-membership education	2
3. Affiliation/Linkages	9
– – Laboratory Cooperative ³	1
– Community Services/Involvement	3
– Participated activity in federation/union activities/programs	1
– Paid annual due, CETF, loans and other accounts to the federation/union	1
– Business alliance with:	
– Federation	1
– Other Cooperatives	1

³ Those with laboratory cooperatives may qualify for points under this category

– Submission of Audited Financial Statements using SCA and Annual Report to the federation/union	1
--	---

	Maximum Raw Score
O- Operation and Management (40%)	
1. Manual of Operational Policies with specific provisions on the following:	24
1. Membership	2
2. Loaning	4
3. Savings/Time Deposits	4
4. Financial Management	
– Asset/Liability Management	2
– Accounting	3
– Internal Control	4
5. Human Resource Development	
– Hiring, Promotion and Firing	1
– Staff Development	1
– Compensation/Benefits	1
– Performance Appraisal	1
– Job Description	1
2. Board of Directors/Committee	8
a. Board composition in accordance with by-laws	2
b. Meetings of the Directors	1
c. Meetings of the Committees	1
d. Periodic Review of Policies	2
e. Updated Minutes of Meetings	1
f. Updated Committee Report	1
3. Management	8
a. Full-time qualified Manager	3
b. Policy on succession of manager and other top position	3



c. Personnel File	1
d. Organization Structure	1

	Maximum Raw Score
P - Plans/Programs and Performance (14%)	
1. Presence of	7
a. Vision, Mission and Goal	1
b. Development Plan	2
c. Approved Annual Plan and Budget	2
d. Code of Ethics	2
2. Performance Review vis-à-vis Projections	7

II. FINANCIAL PERFORMANCE (PESOS Indicators)

Ratios	Formula	Purpose	Standard	Score	Equivalent Points
P- Portfolio Quality (25%)					
Portfolio at Risk	$\frac{\text{Balance of Loans with one day missed payments}}{\text{Total Loans Outstanding}}$	Measures the risk of default risk in the portfolio	5% or less	<ul style="list-style-type: none"> ▪ 5% or Less ▪ 6-10% ▪ 11-15% ▪ 16-20% ▪ 21-25% ▪ 26 and above 	<ul style="list-style-type: none"> 5 4 3 2 1 0
Delinquency	(Loan Receivable Past				

	$\frac{\text{Due + Non-Performing Loans Receivable Restructured + Loans Receivable in Litigation)}}{\text{Total Loans Outstanding}}$	Measures the total percentage of delinquency in the loan portfolio	5% or less	<ul style="list-style-type: none"> ▪ 5% or less ▪ 6-8% ▪ 9-11% ▪ 12-14% ▪ 15-17 ▪ 18% & above 	<p>10</p> <p>8</p> <p>6</p> <p>4</p> <p>2</p> <p>0</p>
Allowance for Probable Losses on Loans	$\frac{\text{Amount of allowance for loans over 12 months past due}}{\text{Total outstanding balance of loans over 12 months past due}}$ $\frac{\text{Amount of allowance for loans 1 to 12 months past due}}{\text{Outstanding balance of loans 1 to 12 months past due}}$	Measures the adequacy of the allowance for probable losses on loans	<p>100%</p> <p>35%</p>	<p>PLL₁ (100%)⁴</p> <ul style="list-style-type: none"> ▪ 100% ▪ 80-99% ▪ 60-79% ▪ 36-59% ▪ 10-35% ▪ 9% & below <p>PLL₂ (35%)⁵</p> <ul style="list-style-type: none"> ▪ 35% ▪ 25-34% ▪ 17-24% ▪ 9-16% ▪ 1-8% ▪ zero 	<p>5</p> <p>4</p> <p>3</p> <p>2</p> <p>1</p> <p>0</p> <p>5</p> <p>4</p> <p>3</p> <p>2</p> <p>1</p> <p>0</p>

Ratios	Formula	Purpose	Standard	Score	Equivalent Points
E- Efficiency (20%)					
Asset Yield	$\frac{\text{Undivided Net Surplus}}{\text{Average Total Assets}}$	Measures the ability of the coop's assets to generate income	At least inflation rate	<ul style="list-style-type: none"> ▪ At least inflation rate ▪ 1-2 % below inflation rate ▪ 3-4 % points below Inflation ▪ More than 	<p>4</p> <p>3</p> <p>2</p>

⁴ Coops without loans over `12 months past due will automatically be given 5 points

⁵ Coops without loans 1-12 months pas due will automatically be given 5 points

				<ul style="list-style-type: none"> 4% points below inflation ▪ 0 or negative asset yield 	<p>1</p> <p>0</p>
Operational Self-Sufficiency	$\frac{\text{Interest Income from Loans + Service Fees + Filing Fees + Fines, Penalties, Surcharges}}{\text{Financing Costs + Administrative Costs}}$	Measures the ability of the cooperative to sustain its operation	>100%	<ul style="list-style-type: none"> ▪ 120% & above ▪ 111-119% ▪ 101-110% ▪ 100% ▪ Below 100% 	<p>4</p> <p>3</p> <p>2</p> <p>1</p> <p>0</p>
Rate of Return on Member's Share	$\frac{\text{Interest on Share Capital}}{\text{Average Member's Share}}$	Measures the earning power of members	Higher than inflation rate	<ul style="list-style-type: none"> ▪ Higher than inflation ▪ Inflation ▪ 1-2 % points below inflation ▪ >2 % points below inflation ▪ 0 or negative 	<p>4</p> <p>3</p> <p>2</p> <p>1</p> <p>0</p>

Loan Portfolio Profitability	$\frac{\text{Interest Income from Loans + Service Fees + Filing Fees + Fines, Penalties, Surcharges}}{\text{Average Total Loan Outstanding}}$	Measures how profitable the loan portfolio is	More than 20%	<ul style="list-style-type: none"> ▪ 20% and above ▪ 13-19% ▪ 7-12% ▪ 1-6% ▪ 0 or negative surplus ratio 	<p>4</p> <p>3</p> <p>2</p> <p>1</p> <p>0</p>
Cost per Peso Loan	$\frac{\text{Financing Costs + (Admin Costs- Members' Benefit Expense)}}{\text{Average Total Loans Outstanding}}$	Measures efficiency in managing the coop's loan portfolio	PhP 0-10 per PhP 1.00 loan	<ul style="list-style-type: none"> ▪ 0.10 & below ▪ 0.11-0.15 ▪ 0.16-0.20 ▪ above 0.20 	<p>2</p> <p>1.5</p> <p>1</p> <p>0</p>
Administrative Efficiency	Administrative Costs	Measures the cost	3-10%	<ul style="list-style-type: none"> ▪ 10% & above 	<p>2</p>

	Average Total Assets	of managing the coop's assets		<ul style="list-style-type: none"> ▪ 11-15% ▪ 16-20% ▪ Above 20% 	1.5 1 0
--	----------------------	-------------------------------	--	---	---------------

S- Stability (30%)					
Solvency	$\frac{(\text{Assets} + \text{Allowances}) - (\text{Total Liabilities} + \text{Past Due Loans} + \text{Loans Restructured} + \text{Loans Under Litigation} - \text{Deposits})}{\text{Deposits} + \text{Share Capital}}$	Measures the degree of protection that the coop has for member savings and shares in the event of liquidation of the coop's assets and liabilities	At least 110%	<ul style="list-style-type: none"> ▪ 110% & above ▪ 100-109% ▪ 90-99% ▪ 80-89% ▪ 70-79% ▪ Below 70% 	10 8 6 4 2 0
Liquidity	$\frac{\text{Liquid Assets} - \text{Short Term Payables}}{\text{Total Deposits}}$	Measures the coop's ability to service its member's withdrawals and deposits on time	Not less than 15%	<ul style="list-style-type: none"> ▪ 15% & above ▪ 12-14% ▪ 9-11% ▪ 6-8% ▪ 1-5% ▪ zero 	10 8 6 4 2 0
Net Institutional Capital	$\frac{(\text{Reserves} + \text{Allowance for Probable Loan Losses}) - (\text{Past Due Loans} + \text{Loans Under Litigation} + \text{Problem})}{\text{Total Deposits}}$	Measures the coop's ability to service its member's withdrawals and deposits on time	Not less than 15%	<ul style="list-style-type: none"> ▪ 15% & above ▪ 12-14% ▪ 9-11% ▪ 6-8% ▪ 1-5% ▪ zero 	10 8 6 4 2 0



	Assets)				
	<hr/> Total Assets				

O- Operations (10%)					
Performance of Membership Growth	Actual Increase	Determines the performance of change in membership vis-à-vis target	Increasing to meet the target set in the development plan	<ul style="list-style-type: none"> ▪ 75-100% of target ▪ 50-74% of target ▪ 25-49% of target ▪ 1-24% of target ▪ Status quo ▪ Decreasing or without development plan 	5
	<hr/> Target Increase				4
					3
					2
					1
		0			
Trend in External Borrowing	Ending External Borrowings-Beginning External Borrowings	Determines the percentage of change in external borrowings	Decreasing towards zero	<ul style="list-style-type: none"> ▪ Zero ▪ Decreasing compared with previous period ▪ Status quo ▪ Increasing compared to previous period 	5
	<hr/> Beginning External Borrowings				3
					2
					0

Ratios	Formula	Purpose	Standard	Score	Equivalent Points
S- Structure of Assets (15%)					
Assets Quality	Non-Earning Assets	Measures the percentage of total assets that	Not more than 5%	5% and below	5
	<hr/> Total Assets			6-7%	4

		are not producing income		<ul style="list-style-type: none"> ▪ 8-9% ▪ 10-11% ▪ 12-13% ▪ 14% and above 	<p>3</p> <p>2</p> <p>1</p> <p>0</p>
--	--	--------------------------	--	---	-------------------------------------

Asset Structure	<u>Total Deposits</u>	Measures the percentage of total assets financial by deposits	55 –65%	<ul style="list-style-type: none"> ▪ 55-65% ▪ 45-54% ▪ 66-70% ▪ 34-44% ▪ 71-75% ▪ Below 35% ▪ above 75% 	5
	Total Assets				3
	<u>Total Loans Receivables</u>	Measures the percentage of the Total Assets invested in the loan portfolio	70-80%	<ul style="list-style-type: none"> ▪ 70-80% ▪ 60-69% ▪ 81-85% ▪ 50-59% ▪ 86-90% ▪ 40-49% ▪ 91-95% ▪ 39 and below 96% and above 	2
	Total Assets				1.5
	<u>Total Members' Share Capital</u>	Measures the percentage of total assets financed by members' share capital	35-45%	<ul style="list-style-type: none"> ▪ 35-45% ▪ 30-34% ▪ 46-55% ▪ 25-29% ▪ above 56% ▪ Below 25% 	3
	Total Assets				2
					1
					0

DEFINITION OF TERMS

Portfolio at Risk – failure to receive payment one day after due date of amortization, makes the entire loan balance at risk.

Past Due Loan – the entire loan balance is considered past due when no payment has been received after missed payments occurred as follows: 7 days for daily; 2 weeks for weekly; 2 installments for semi-monthly and 1 month for monthly.

Loans Restructured – are past due loans whose term have been extended or renewed after full payment of interests/surcharges due thereon. Loans restructured will be considered performing or current when there is a good tracking record of continuous payment of the amount agreed upon using the following installments: 3 months for monthly; 4 weeks for semi-monthly; 6 weeks for weekly and 10 days for daily. It will be considered past due when it is not performing, i.e. there are no payments received after restructuring.

Liquid Assets – include Cash, Cash in Bank, Investment in Marketable Securities (those easily convertible to cash within 30 days).

Short-Term Payables-liabilities payable within 30 days except deposits.

Non-Earning Assets – are assets that do not give direct revenues to the cooperative i.e. Cash on Hand, Non-interest bearing checking accounts, Accounts Receivable, Assets in Liquidation, Fixed Assets (Land, Building, Equipment, etc.), Prepaid Expenses and other deferrals, and problem assets.

Average Members' Share – beginning Members' Share + Ending Members' Share divided by 2.

Average Total Loans Outstanding – Beginning Total Loans Outstanding + Ending Loans Outstanding divided by 2.

Average Total Assets – Beginning Total Assets + Ending Total Assets divided by 2.

