

ANNEX A

STANDARD CHART OF ACCOUNTS (SCA) FOR HEALTH MAINTENANCE ORGANIZATIONS (HMO)

STATEMENT OF FINANCIAL POSITION ACCOUNTS

ASSET ACCOUNTS

1. CASH AND CASH EQUIVALENTS

1.1 CASH ON HAND

Cash in the possession of the HMO or in transit under its control are generally classified as cash on hand. This represents the total amount of undeposited collections and the different types of working funds in the custody of the cashier and/or fund custodian at the HMO's head office and branches. This may consist of:

- 1.1.1 *Undeposited Collections* - This represents Philippine currency notes and coins, checks, bank drafts, and other cash items in favor of the HMO to be deposited in the bank on the following banking day. This does not include postdated checks and returned checks which have been dishonored by the bank due to insufficient funds.
- 1.1.2 *Petty Cash Fund* - This represents fund that is established to defray immediate minimal disbursements which are evidenced by duly accomplished and approved petty cash vouchers with the corresponding supporting receipts and other cash documents. This fund shall be maintained under an imprest system.
- 1.1.3 *Commission Fund* - This represents fund that is established for the purpose of paying commissions to agents/brokers where the amounts are less than the minimum amount prescribed for check payments. This fund shall be maintained under an imprest system.
- 1.1.4 *Revolving Fund* – This represents fund set up for specified purposes with the provision that repayments to the fund will be used again for the same purposes. This fund shall be maintained under an imprest system.
- 1.1.5 *Other Fund* - This represents all other funds which cannot be classified under any of the foregoing accounts.

1.2 CASH IN BANKS

This represents non-interest- and interest-bearing account balances maintained in various banks by the HMO's head office and branches.

1.2.1 *Cash in Banks - Current* - This represents checking account balances in banks maintained by the HMO's head office and branches.

1.2.2 *Cash in Banks - Savings* - This represents savings deposit account balances in banks maintained by the HMO's head office and branches.

1.2.3 *Cash in Banks - Administrative Service Only (ASO) Fund* - This represents the amount of fund owned by the Client with coverage under an ASO Endorsement deposited to the current or savings account maintained in the banks to be utilized by the HMO for claims payment.

1.3 CASH EQUIVALENTS

This account refers to short-term, high liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has short maturity of three (3) months or less from the date of acquisition (e.g. three-month debt securities, debt securities purchased three (3) months before maturity).

1.4 EXPECTED CREDIT LOSSES

Subsequent to initial recognition, cash and cash equivalents shall be measured at amortized cost less allowance for impairment using the Expected Credit Losses (ECL) model.

Under this model, an entity shall measure the ECL of a qualifying financial asset not measured at Fair Value Through Profit or Loss (FVTPL) in a way that reflects:

- (A) an unbiased and probability-weighted amount that is determined by evaluating a wide range of possible outcomes;
- (B) the time value of money; and
- (C) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2. SHORT-TERM INVESTMENTS

This represents other short-term investments, with maturity of more than three (3) months but less than one (1) year from the acquisition date.

2.1 EXPECTED CREDIT LOSS

3. HMO AGREEMENTS ASSETS

This represents the combination of rights and obligations up to the portfolio level resulting to an asset position arising from contracts issued under which the company accepts significant insurance risk. It shall be accounted for under *IFRS 17 – Insurance Contracts*.

This account shall comprise the following sub-accounts:

3.1 ASSETS (LIABILITIES) FOR REMAINING COVERAGE

3.2 ASSETS (LIABILITIES) FOR INCURRED CLAIMS

3.3 ASSETS (LIABILITIES) FOR PRE-RECOGNITION CASH FLOWS

4. HMO CESSION AGREEMENTS ASSETS

This represents the combination of rights and obligations up to the portfolio level resulting to an asset position for contracts held by the company under which it transfers significant insurance risk to reinsurance companies. It shall be accounted for under *IFRS 17 – Insurance Contracts*.

This account shall comprise the following sub-accounts:

4.1 ASSETS (LIABILITIES) FOR REMAINING COVERAGE

4.2 ASSETS (LIABILITIES) FOR INCURRED CLAIMS

5. DEPOSIT TO HEALTHCARE PROVIDERS

This account represents funds deposited to certain healthcare providers to defray for the medical and hospitalization expenses of its members as required or in consideration of certain discounts being offered by the healthcare provider.

5.1 EXPECTED CREDIT LOSS

6. DUE FROM ASO ACCOUNTS

This refers to receivables from ASO Accounts for charges such as Administrative Fees, Enrolment Fees, and other medical collectibles on services/benefits in excess of the deposited fund by clients managed under ASO Endorsement.

6.1 EXPECTED CREDIT LOSS

7. FINANCIAL ASSETS AT AMORTIZED COST

A financial asset is measured at amortized cost if both of the following conditions are met:

- (A) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- (B) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets at Amortized Cost comprises of the following:

7.1 DEBT SECURITIES AT AMORTIZED COST – GOVERNMENT

This represents debt instruments issued by the government and its instrumentalities (government agencies, local governments, government owned and controlled corporations).

7.1.1 *Expected Credit Loss*

7.2 DEBT SECURITIES AT AMORTIZED COST – PRIVATE

This represents debt instruments issued by private corporations, whether domestic or foreign, such as commercial papers, notes and bonds.

7.2.1 *Expected Credit Loss*

7.3 OTHER RECEIVABLES

These are amounts owed to the HMO that fall outside of the normal course of business of the HMO or those amounts due for payment from persons or entities other than its members. Other Receivables shall be comprised of the following sub-accounts:

7.3.1 *Notes Receivable* - This represents claims of HMO for which formal instruments of credit are issued as evidence of debt, such as a promissory note. The credit instrument normally requires the debtor to pay interest and extends for time periods of 30 days or longer.

7.3.1.1 *Expected Credit Loss*

7.3.2 *Due from Officers and Employees* - This account refers to total collectibles due from officers and employees arising from credit accommodations, shortages, losses and

unliquidated cash advances beyond the prescribed period that are subject to immediate settlement.

7.3.2.1 *Expected Credit Loss*

7.3.3 *Due from Related Parties* - The aggregate amount of receivables to be collected from related parties where one party can exercise control or significant influence over another party; including affiliates, owners or officers and their immediate families, pension trusts, and so forth.

7.3.3.1 *Expected Credit Loss*

7.3.4 *Operating Lease Receivables* - This represents the amount of rent receivables arising from operating lease contracts.

7.3.4.1 *Expected Credit Loss*

7.3.5 *Others* - This represents all other receivables which cannot be classified under any of the foregoing receivables.

7.3.5.1 *Expected Credit Loss*

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (A) The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (B) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets at FVOCI comprises of the following:

8.1 DEBT SECURITIES MEASURED AT FVOCI – GOVERNMENT

8.1.1 *Expected Credit Loss*

8.2 DEBT SECURITIES MEASURED AT FVOCI – PRIVATE

8.2.1 *Expected Credit Loss*

8.3 EQUITY SECURITIES DESIGNATED AS AT FVOCI

Equity instruments which are not held for trading, and which the HMO has irrevocably elected at initial recognition to recognize in this category. These are strategic investments, and the HMO considers this classification to be more relevant.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

The following financial assets shall be measured at fair value through profit or loss:

- (A)** Financial assets held for trading known as "trading securities." A financial asset is classified as held for trading if:
 - (A.1)** it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
 - (A.2)** on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
 - (A.3)** it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

- (B)** Financial assets that, upon initial recognition, are irrevocably designated by the entity as at fair value through profit or loss. An entity may use this designation if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or recognizing the gains and losses on them on different bases.

Financial Assets at FVTPL comprises of the following:

9.1 DEBT SECURITIES AT FVTPL

Debt investments that do not qualify for measurement at either amortized cost or FVOCI.

- 9.1.1 *Debt Securities - Government*
- 9.1.2 *Debt Securities - Private*

9.2 DEBT SECURITIES DESIGNATED AT FVTPL

Debt instruments that meet either the amortized cost criteria or the FVOCI criteria but designated as at FVTPL upon initial recognition.

- 9.2.1 *Debt Securities - Government*
- 9.2.2 *Debt Securities - Private*

9.3 EQUITY SECURITIES HELD FOR TRADING

This represents common and preferred shares of stock of companies other than those of subsidiaries, associates and joint ventures.

9.4 EQUITY SECURITIES AT FVTPL

Equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

9.5 DERIVATIVE ASSETS

This represents the fair value of the HMO's derivatives which are not designated and effective hedging instruments, such as but not limited to the following:

- 9.5.1 *Foreign exchange contracts* - This represents contracts to purchase/sell foreign currencies at a future date at a fixed rate.
- 9.5.2 *Interest rate contracts* - This represents contracts related to an interest bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract.
- 9.5.3 *Equity-linked derivatives* - This represents contracts where the returns are linked to the price of a particular equity or equity index.

10. DERIVATIVE ASSETS HELD FOR HEDGING

This represents the positive fair value of derivatives that are designated and considered effective hedging instruments.

10.1 FAIR VALUE HEDGE

This represents the positive fair value of derivatives that are designated and considered effective fair value hedging instruments. Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. Any fair value changes are recognized in profit or loss.

10.2 CASH FLOW HEDGE

This represents the positive fair value of derivatives that are designated and considered effective cash flow hedging instruments. Cash flow hedge is a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss. Any fair value changes are recognized as equity under Cumulative Foreign Currency Translation.

10.3 HEDGES OF A NET INVESTMENT IN FOREIGN OPERATION

This represents the positive fair value of derivatives that are designated and considered to effective hedging instruments for hedges of a net investment in foreign operation. Any fair value changes are recognized as equity under Reserve for Hedge of a Net Investment in Foreign Operation.

11. INVESTMENTS INCOME DUE AND ACCRUED

This represents income earned but not yet received from investments as of the end of the accounting period in the form of interest and dividends. This account consists of the following sub-accounts:

11.1 ACCRUED INTEREST INCOME

- 11.1.1 *Cash Equivalents*
- 11.1.2 *Short-term Investment*
- 11.1.3 *Financial Assets at Amortized Cost*
- 11.1.4 *Financial Assets at FVOCI*
- 11.1.5 *Financial Assets at FVTPL*
- 11.1.6 *Others*

11.2 ACCRUED DIVIDEND INCOME

- 11.2.1 *Financial Assets at FVOCI*
- 11.2.2 *Financial Assets at FVTPL*

11.3 EXPECTED CREDIT LOSS

12. PREPAYMENTS AND ADVANCES

This represents expenditures paid but for which the underlying asset will not be entirely consumed until a future period and advances that are subject to liquidation.

12.1 SUPPLIES

These are items that are consumed within an office setting during normal business operations, and which are stocked for recurring use, and are usually charged to expense as used.

12.2 PREPAID TAXES

This represents portion of the HMO's income tax liability already remitted through a payor of an income who withheld and remitted the same to the BIR even before filing of the ITR.

12.3 ADVANCES TO OFFICERS AND EMPLOYEES

This account refers to duly approved cash advances for official business to officers and employees, subject to liquidation in accordance with the policy of the HMO.

12.4 ADVANCES TO AGENTS (AGENTS ACCOUNTS)

This represents advances to agents granted by the HMO to be liquidated thru regular deductions from commissions and salaries, respectively.

12.5 OTHERS

This represents all other expenses paid but not yet incurred which cannot be classified under any of the foregoing prepaid accounts.

12.6 EXPECTED CREDIT LOSS

13. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

This shall comprise of the following accounts:

13.1 INVESTMENT IN SUBSIDIARIES

This represents the amount of the HMO's investments in the shares of stock of its subsidiaries. A subsidiary is an entity that is controlled by another entity (known as the parent). An HMO controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

13.2 INVESTMENT IN ASSOCIATES

This represents the amount of the HMO's investments in the shares of stock of its associates. An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

13.3 INVESTMENTS IN JOINT VENTURES

This represents the amount of the HMO's investments in joint ventures. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

14. PROPERTY AND EQUIPMENT

This account represents tangible items that:

- (A) Are held for use in the HMO's business operations or for administrative purposes; and
- (B) Are expected to be used for more than one period.

This account shall have sub-accounts as follows based on the nature of the fixed assets:

14.1 LAND - AT COST

This represents the acquisition cost of the land. Acquisition cost shall consist of the purchase price and all expenditures incurred directly attributable to acquisition.

14.2 BUILDING AND BUILDING IMPROVEMENTS - AT COST

This represents acquisition/construction cost of the building and improvements, including costs incurred subsequent to initial recognition which meet the recognition criteria.

- 14.2.1 *Accumulated Depreciation - Building and Building Improvements* - This represents the aggregate of the depreciation on the building and building improvements charged by the HMO against current operations.

14.3 LEASEHOLD IMPROVEMENTS - AT COST

This represents the cost of additions, improvements and /or alterations on the HMO's leased office premises which are incurred in making the property ready for use and occupancy. This should include the initial estimate of the costs of dismantling and removing the improvements and restoring the site, the obligation for which the HMO incurs when the property is leased.

- 14.3.1 *Accumulated Depreciation - Leasehold Improvements*

14.4 IT EQUIPMENT - AT COST

This represents the cost of the information processing systems of the HMO including the computer hardware, customized software, and peripherals.

14.4.1 *Accumulated Depreciation - IT Equipment*

14.5 TRANSPORTATION EQUIPMENT - AT COST

This represents the cost of motor vehicle and other transportation equipment owned, operated, used, or to be used by the HMO in carrying out its business and/or as service vehicle of its officers and employees.

14.5.1 *Accumulated Depreciation - Transportation Equipment*

14.6 OFFICE FURNITURE, FIXTURES AND EQUIPMENT - AT COST

This represents the costs of office machines, equipment, furniture and fixtures.

14.6.1 *Accumulated Depreciation - Office Furniture, Fixtures and Equipment*

14.7 MEDICAL EQUIPMENT - AT COST

An article, instrument, apparatus or machine that is used for some health purpose.

14.7.1 *Accumulated Depreciation - Medical Equipment*

14.8 REVALUATION INCREMENT

This represents the revaluation increase in the carrying amount of the HMO's property and equipment under the revaluation model.

14.8.1 *Accumulated Depreciation - Revaluation Increment*

13.8 and 13.8.1 shall comprise of the following accounts:

- (A) Land;
- (B) Buildings and Building Improvements; and
- (C) Others.

14.9 ACCUMULATED IMPAIRMENT LOSSES

This represents the cumulative amount of impairment loss incurred on property and equipment.

15. RIGHT-OF-USE (ROU) ASSET

This represents the HMO's right to use an underlying asset under a lease agreement.

This shall comprise the following accounts:

15.1 ROU ASSET - AT COST

15.1.1 *Accumulated Depreciation - ROU Asset*

15.1.2 *Accumulated Impairment Losses - ROU Asset*

15.2 REVALUATION INCREMENT

15.2.1 *Accumulated Depreciation - Revaluation Increment*

15.2.2 *Accumulated Impairment Losses - Revaluation Increment*

15.3 ROU ASSET - AT FAIR VALUE

16. INVESTMENT PROPERTY

This represents property (land or building, or part of a building, or both) held (by the owner or by the lessee under a lease agreement) to earn rentals or for capital appreciation or both, rather than for:

- (A) Use in the HMO's business operations or for administrative purposes; or
- (B) Sale in the ordinary course of business.

This account shall be classified as follows:

- (A) Land – at cost
- (B) Building and Building Improvements – at cost
- (C) Accumulated Depreciation – Building and Building Improvements
- (D) Accumulated Impairment Loss
- (E) Land – at fair value
- (F) Building and Building Improvements – at fair value
- (G) Foreclosed Properties - This represents real properties acquired by HMO in settlement of loans through foreclosure of mortgage loan arrangements.

17. NON-CURRENT ASSETS HELD FOR SALE

This represents assets available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. This generally pertains to non-current assets such as land, building and equipment, whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This account shall be measured at the lower of its carrying amount and fair value less costs to sell.

18. PENSION ASSET

The net pension asset is the aggregate of the fair value of plan assets reduced by the present value of the defined benefit obligation at the end of the reporting period, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

An entity shall recognize the components of defined benefit cost as follows:

- (A) Service cost in profit or loss;
- (B) Net interest on the net defined benefit liability or asset in profit or loss; and
- (C) Remeasurements of net defined benefit liability or asset in remeasurement gains (losses) on retirement pension asset (obligation).

19. INTANGIBLE ASSETS

An identifiable non-monetary asset without physical substance controlled by the HMO as a result of past events and from which future economic benefits are expected.

19.1 ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSS - INTANGIBLE ASSETS

20. DEFERRED TAX ASSETS

This account refers to the amounts of income taxes recoverable in the future periods in respect of deductible temporary differences, the carry forward of unused tax losses, and the carry forward of unused tax credits.

21. OTHER ASSETS

This represents other assets which cannot be classified in any of the foregoing accounts.

LIABILITY ACCOUNTS

22. HMO AGREEMENTS LIABILITIES

This represents the combination of rights and obligations up to the portfolio level resulting in a liability position arising from contracts issued under which the company accepts significant insurance risk. It shall be accounted for under *IFRS 17 – Insurance Contracts*.

This account shall comprise the following sub-accounts:

- 22.1 ASSETS (LIABILITIES) FOR REMAINING COVERAGE**
- 22.2 ASSETS (LIABILITIES) FOR INCURRED CLAIMS**
- 22.3 ASSETS (LIABILITIES) FOR PRE-RECOGNITION CASH FLOWS**

23. HMO CESSION AGREEMENT LIABILITIES

This represents the combination of rights and obligations up to the portfolio level resulting in a liability position for contracts held by the company under which it transfers significant insurance risk to reinsurance companies. It shall be accounted for under *IFRS 17 – Insurance Contracts*.

This account shall comprise the following sub-accounts:

- 23.1 ASSETS (LIABILITIES) FOR REMAINING COVERAGE**
- 23.2 ASSETS (LIABILITIES) FOR INCURRED CLAIMS**

24. ADMINISTRATIVE SERVICES ONLY (ASO) FUND LIABILITIES

Refers to all liabilities for fund-based benefits or where the fixed pre-paid fee is in the form of the enrolment fee, administrative fee and the ASO Cash fund where the risks are borne by the client. These represent the funds belonging to the clients with coverage under the ASO Endorsement. ASO Reserves are set up equal to the Previous Period ASO Fund plus additional contributions to the fund less Fund Withdrawals (FW) and Projected Fund Withdrawals (PFW).

This account shall be computed based on the valuation standards for HMO Agreement liabilities prescribed by the Insurance Commission.

25. UNEARNED ADMINISTRATIVE FEE RESERVES (UAFR)

This refers to the amount of reserve for that portion of the Administrative fee under an ASO Endorsement, net of taxes and commissions paid or due to the HMO which is applicable to the period of coverage extending beyond the end of the accounting period.

This account shall be computed based on the valuation standards for HMO Agreement liabilities prescribed by the Insurance Commission.

26. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION

This refers to payments made by existing stockholders or new subscribers of the company on subscription to the increase in the authorized capital which do not qualify as an equity instrument as prescribed by the Securities and Exchange Commission (SEC).

27. ACCOUNTS PAYABLE

This represents obligations of the HMO as a result of indebtedness due to any corporations, individuals or suppliers which are non-HMO related. This may include the following accounts:

27.1 SSS PREMIUMS PAYABLE

This represents the unremitted SSS premiums/contributions withheld from the salaries of officers and employees.

27.2 SSS LOANS PAYABLE

This represents the unremitted SSS salary loan amortizations deducted from the salaries of officers and employees.

27.3 PAG-IBIG PREMIUMS PAYABLE

This represents the unremitted Pag-IBIG premiums/contributions deducted from the salaries of officers and employees.

27.4 PAG-IBIG LOANS PAYABLE

This represents the unremitted Pag-IBIG loan amortizations deducted from the salaries of officers and employees.

27.5 PHILHEALTH PREMIUMS PAYABLE

This represents the unremitted PhilHealth premiums/contributions deducted from the salaries of officers and employees.

27.6 OTHER ACCOUNTS PAYABLE

This represents all other unpaid non-HMO related obligations.

28. DUE TO RELATED PARTIES

The aggregate amount of payables due to affiliates, owners or officers and their immediate families, pension trusts, and so forth.

29. ACCRUED EXPENSES

This represents all other unpaid non-HMO related obligations that have accrued at the end of accounting period.

29.1 ACCRUED UTILITIES

This represents accruals for utilities consumed by the HMO during the reporting period which have not yet been paid. This includes accruals for electricity, water and communications.

29.2 ACCRUED SERVICES

This represents accruals for services rendered to the HMO such as janitorial, security, professional fees and others.

29.3 ACCRUED INTEREST

The interest expense that has been incurred but has not been paid as of the end of accounting period.

30. TAXES PAYABLE

This shall be comprised of the following sub-accounts:

30.1 VALUE-ADDED TAX (VAT) PAYABLE

This represents the tax due on sale of HMO agreements and other goods or services based on cash received, net of input VAT paid by the HMO in the course of the HMO's purchase of goods or services.

30.2 INCOME TAX PAYABLE

This represents income taxes due and payable to the BIR net of creditable taxes.

30.3 WITHHOLDING TAX PAYABLE

This represents income taxes withheld from the salaries of employees and creditable taxes withheld from source under the expanded withholding tax system from the remunerations of agents, brokers, general agents, medical examiners and other agencies/corporations for services rendered.

30.4 OTHER TAXES & LICENSES PAYABLE

This represents all unpaid taxes and licenses other than the taxes enumerated above due to the government.

31. DIVIDENDS PAYABLE

This represents cash dividends and other dividends, except stock dividends, already declared but still unpaid and due to the stockholders of the HMO.

32. FINANCIAL LIABILITIES AT FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is:

- (A)** contingent consideration of an acquirer in a business combination;
- (B)** held for trading; or
- (C)** it is designated as at FVTPL.

32.1 FINANCIAL LIABILITIES HELD FOR TRADING

This represents financial liabilities that are:

- a) Acquired principally for the purpose of selling or repurchasing it in the near term; or
- b) Part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

32.2 FINANCIAL LIABILITIES DESIGNATED AT FVTPL

This represents financial liabilities other than a financial liability held for trading or contingent consideration of an acquirer in a business combination designated as at FVTPL upon initial recognition and upon satisfying one of the following conditions:

- a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the HMO's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- c) it forms part of a contract containing one or more embedded derivatives, and the standard permits the entire combined contract to be designated as at FVTPL.

32.3 DERIVATIVE LIABILITIES

This represents the negative fair value of the HMO's derivatives which are not designated and effective hedging instruments, such as but not limited to the following:

- 32.3.1 *Foreign exchange contracts* - This represents contracts to purchase/sell foreign currencies at a future date at a fixed rate.
- 32.3.2 *Interest rate contracts* - This represents contracts related to an interest bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract.
- 32.3.3 *Equity-linked derivatives* - This represents contracts where the returns are linked to the price of a particular equity or equity index.

33. DERIVATIVE LIABILITIES HELD FOR HEDGING

This represents the negative fair value of derivatives that are designated and considered effective hedging instruments.

33.1 FAIR VALUE HEDGE

This represents the negative fair value of derivatives that are designated and considered effective fair value hedging instruments. Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

33.2 CASH FLOW HEDGE

This represents the negative fair value of derivatives that are designated and effective cash flow hedging instruments. Cash flow hedge is a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss. Any fair value changes are recognized as equity under Cumulative Foreign Currency Translation.

33.3 HEDGES OF A NET INVESTMENT IN FOREIGN OPERATION

This represents the negative fair value of derivatives that are designated and considered effective hedging instruments for hedges of a net investment in foreign operation. Any fair value changes are recognized as equity under Cumulative Foreign Currency Translation.

34. NOTES PAYABLE

This represents long-term and short-term notes payable or any kind of indebtedness duly covered by promissory notes and which are interest-bearing.

Payment of interest and principal is based on predetermined amortization schedule on due dates duly agreed upon in the loan agreement.

35. LEASE LIABILITY

This represents the present value of lease payments that are not paid at the measurement date and are discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the implicit rate is not readily available.

36. PENSION OBLIGATION

This represents the HMO's obligation with respect to the retirement and other postemployment benefits granted to employees. This is calculated as the net total of the following amounts:

- (A) The present value of the defined benefit obligation at the reporting date;
- (B) Minus the fair value of the plan assets at the reporting date.

37. DEFERRED TAX LIABILITY

This represents the total amount of deferred tax on taxable temporary differences.

38. PROVISIONS

This represents the amount recognized by the HMO for a liability which is uncertain in amount or timing. A provision shall be recognized when:

- (A) The HMO has a present obligation (legal or constructive) as a result of a past event;
- (B) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (C) A reliable estimate can be made of the amount of the obligation.

39. CASH-SETTLED SHARE-BASED PAYMENT

This represents liability arising from cash-settled share based payments.

40. OTHER LIABILITIES

This represents other liabilities which cannot be appropriately classified under the foregoing liability accounts.

NET WORTH ACCOUNTS

41. SHARE CAPITAL

This represents ownership of the stockholders in the HMO composed of capital stocks issued and outstanding as of the end of the accounting period. This shall be further subdivided as follows:

41.1 PREFERRED SHARE CAPITAL

This represents shares which provide the shareholders preference as to dividends and upon liquidation. The features of the preferred shares are varying and should be carefully analyzed whether these qualify as capital stock or creates an obligation on the part of the HMO. In the latter case, the preferred shares issued should be classified as part of liabilities.

41.2 COMMON SHARE CAPITAL

This represents shares of stocks issued to shareholders which have the residual equity interest in the HMO.

42. SUBSCRIBED SHARE CAPITAL

This represents shares of capital stock subscribed by the stockholders of the HMO and duly covered by subscription agreements.

42.1 SUBSCRIBED PREFERRED SHARE CAPITAL

Newly issued securities that an investor has agreed or stated his or her intent to buy prior to the issue date. When investors use rights, they expect to own the designated number of preference shares to which they have subscribed once it is fully paid.

42.2 SUBSCRIPTION RECEIVABLE - PREFERRED SHARES

This represents amounts receivable from stockholders who signified their intention to subscribe to the preference shares of the HMO and duly covered by subscription agreement.

42.3 SUBSCRIBED COMMON SHARE CAPITAL

Newly issued securities that an investor has agreed or stated his or her intent to buy prior to the issue date. When investors use rights, they expect to own the designated number of common shares to which they have subscribed once it is fully paid.

42.4 SUBSCRIPTION RECEIVABLE - COMMON SHARES

This represents amounts receivable from stockholders who signified their intention to subscribe to the common shares of the HMO and duly covered by subscription agreement.

43. SHARE DIVIDEND DISTRIBUTABLE

Payable to the holders of a corporation's capital stock that has been declared by the entity's board of directors, but not yet paid

44. CAPITAL PAID IN EXCESS OF PAR

This represents payment for the shares of stock of the HMO bought or paid for in excess of its Par value.

45. DEPOSIT FOR FUTURE SUBSCRIPTION

This refers to payments made by existing stockholders or new subscribers of the company on subscription to the increase in the authorized capital. According to SEC, this shall be recognized as an equity, unless amendments to the rule are made, when all the following elements are present, otherwise, it shall be classified as a liability.

- (A) The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- (B) There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- (C) There is stockholders' approval of said proposed increase; and
- (D) The application for the approval of the proposed increase has been filed with the SEC.

46. RETAINED EARNINGS (DEFICIT)

This represents the accumulated earnings of the HMO reduced by any losses the HMO may incur during a certain accounting period or by dividend declarations.

46.1 RETAINED EARNINGS-APPROPRIATED

These are retained earnings that have been set aside by action of the Board of Directors for a specific use. The intent of retained earnings appropriation is to not make these funds available for payment to shareholders.

46.2 RETAINED EARNINGS-UNAPPROPRIATED

This account refers to the accumulated income that has not been allocated by management or the board of directors to a specific purpose and are usually distributed to shareholders as dividends.

47. COST OF SHARE-BASED PAYMENT

This represents the cumulative amount of expenses recognized by the HMO arising from equity-settled share-based payment transactions. This account shall be measured at historical fair value at the time of initial recognition.

48. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

48.1 NET FINANCE INCOME (EXPENSE) FROM HMO AGREEMENTS ISSUED

This amount comprises the gains and losses due to change in the carrying amount of the group of HMO agreements issued arising from the following, which the company elected to recognize as OCI:

- (A) the effect of the time value of money and changes in the time value of money; and
- (B) the effect of financial risk and changes in financial risk.

48.2 REMEASUREMENT GAIN (LOSS) ON INVESTMENTS IN DEBT SECURITIES AT FVOCI

This represents the net gains or losses arising from fair value changes of debt securities measured at FVOCI for the period.

48.3 EFFECTIVE PORTION OF NET GAIN (LOSS) ON HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

This represents the net gains or losses arising from change in fair value of hedging instruments in a hedge of a net investment in foreign operations for the period.

48.4 EFFECTIVE PORTION OF NET GAIN (LOSS) ON HEDGING INSTRUMENTS IN A CASH FLOW HEDGE

This represents the net gains or losses arising from fair value changes of hedging instruments in a cash flow hedge for the period.

48.5 NET GAIN (LOSS) FROM FOREIGN CURRENCY TRANSLATION

This represents the net gains or losses arising from foreign currency translations on the following for the period:

- 48.5.1 foreign currency denominated non-monetary items, where such gains or losses are recognized directly in equity, and
- 48.5.2 translation of foreign operations with different functional currency.

48.6 REMEASUREMENT GAIN (LOSS) ON INVESTMENTS IN EQUITY SECURITIES AT FVOCI

This represents the net gains or losses arising from fair value changes of equity securities measured at FVOCI for the period.

48.7 REMEASUREMENT OF FINANCIAL LIABILITIES DESIGNATED AT FVTPL – OWN CREDIT RISK

This represents the fair value changes related to changes in the company's own credit risk of a financial liability designated at FVTPL for the period.

48.8 REVALUATION GAIN (LOSS) ON PROPERTY AND EQUIPMENT

This represents the appraisal increment when the company applies the revaluation model on properties. This is calculated as a difference between the property's carrying amount and its revalued amount.

48.9 REMEASUREMENT GAIN (LOSS) ON RETIREMENT PENSION ASSET (OBLIGATION)

This represents the net remeasurement gains or losses of a net define benefit liability or asset for the period.

48.10 SHARE IN ASSOCIATE'S EQUITY RESERVES

48.11 OTHERS

49. TREASURY SHARES

This represents stocks already issued but reacquired by the HMO. This account shall be measured at cost.

INCOME STATEMENT ACCOUNTS

HMO SERVICE REVENUE

50. HMO AGREEMENTS MEASURED UNDER THE PREMIUM ALLOCATION APPROACH (PAA)

For qualifying HMO agreements, this represents the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money and the effect of financial risk) allocated for the period.

The allocation of the expected premium receipts should be based:

- (A)** on the basis of passage of time; but
- (B)** if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred service expenses.

51. HMO AGREEMENTS NOT MEASURED UNDER THE PAA

For HMO agreements issued other than those to which the premium allocation approach has been applied, an entity shall disclose an analysis of the HMO revenue recognized in the period comprising:

51.1 AMOUNTS RELATING TO THE CHANGES IN LIABILITY FOR THE REMAINING COVERAGE (LRC)

51.1.1 EXPECTED INCURRED CLAIMS AND OTHER SERVICE EXPENSES INCURRED

This represents the amount recognized as revenue arising from the reduction in the LRC for the services provided in the period, excluding any amounts relating to the risk adjustment for non-financial risk and any amounts allocated to the loss component of the LRC.

51.1.2 CHANGE IN RISK ADJUSTMENT FOR NON-FINANCIAL RISK

This refers to the adjustment to the compensation that the entity requires for bearing the uncertainty about the amount and timing of cash flows that results from non-financial risks, excluding any amounts allocated to the loss component of the LRC.

51.1.3 **CONTRACTUAL SERVICE MARGIN (CSM)
RECOGNIZED FOR SERVICES PROVIDED**

This refers to the amount recognized as HMO revenue due to the transfer of services in the period, determined by the allocation of the CSM at the end of the reporting period (before any allocation) over the current and remaining coverage period.

51.1.4 **OTHERS**

This represents other HMO service revenue that cannot be classified under the foregoing accounts, such as experience adjustments and other pre-recognition cash flows assets derecognized at the date of initial recognition.

51.2 RECOVERY OF HMO ACQUISITION COSTS

This refers to the amount notionally allocated to revenue as compensation for the amortization of the acquisition cost for the period.

HMO SERVICE EXPENSE

This pertains to expenses arising from a group of HMO agreements issued, comprising incurred claims, other incurred HMO service expenses, and other amounts:

52. INCURRED CLAIMS AND OTHER HMO SERVICE EXPENSES

This represents the aggregate losses and claims the company has incurred on its underwriting business.

53. AMORTIZATION OF HMO ACQUISITION COSTS

This refers to the amortization of HMO acquisition cash flows for the period which is equal to the amount of recovery of HMO acquisition cash flows included in the HMO revenue.

54. ADJUSTMENTS TO LIABILITIES FOR INCURRED CLAIMS (LIC)

This represents the changes in fulfillment cash flows that relate to past services.

55. LOSSES ON ONEROUS CONTRACTS

This pertains to the net outflow arising from the group of onerous contracts.

56. REVELAL OF LOSSES ON ONEROUS CONTRACTS

This refers to the amortization of the loss component balance over the lifetime of the group of onerous contracts.

57. OTHER PRE-RECOGNITION CASH FLOW ASSETS DERECOGNIZED AT THE DATE OF INITIAL RECOGNITION

58. PROVISION FOR IMPAIRMENT LOSSES – ASSET FOR ACQUISITION CASH FLOWS

This refers to provision of impairment losses (including reversals) for acquisition cash flow asset.

58.1 REVERSAL OF IMPAIRMENT OF ASSETS FOR ACQUISITION CASH FLOWS

HMO FINANCE INCOME AND EXPENSES

59. FINANCE INCOME (EXPENSES) FROM HMO AGREEMENTS ISSUED

This amount comprises the gains and losses due to change in the carrying amount of the group of HMO agreements issued arising from:

- (A) the effect of the time value of money and changes in the time value of money; and
- (B) the effect of financial risk and changes in financial risk.

This shall be accounted for under *IFRS 17 – Insurance Contracts* and shall comprise the following:

59.1 INTEREST ACCRETED TO HMO AGREEMENTS USING CURRENT FINANCIAL ASSUMPTIONS

59.2 INTEREST ACCRETED TO HMO AGREEMENTS USING LOCKED-IN RATE

59.3 EFFECT OF CHANGES IN INTEREST RATES AND OTHER FINANCIAL ASSUMPTIONS

59.4 NET FOREIGN EXCHANGE GAIN (LOSS)

ASO REVENUE

60. ENROLMENT FEE

This refers to the amount earned by the HMO for the enrolment of each member to be covered under an ASO Endorsement to be able to access the network. This is sometimes referred to as the network access fee.

61. ADMINISTRATIVE FEE

This refers to the amount earned by the HMO for the administration of the fund and handling of claims payment under an ASO Endorsement.

62. HANDLING FEE

This pertains to fees earned by the HMO from members in addition to membership fees. This includes:

62.1 INTEREST ON OVERDUE FEE

This represents the interest earned resulting from the imposition upon the member of interest on delayed payment of fees.

62.2 POLICY FEE

This pertains to an amount of revenue collected from the member upon issuance of a new plan.

62.3 REACTIVATION FEE

This pertains to an amount of revenue collected when a member reinstated a lapsed plan, including penalties and surcharges.

63. DECREASE (INCREASE) IN UNEARNED ADMINISTRATIVE FEE RESERVES (UAFR)

This represents the change in Unearned Administrative Fee Reserve (UAFR) under an ASO Endorsement from the previous reporting period.

OTHER INCOME

64. INTEREST INCOME

This represents interest income due and accrued which is earned by the HMO from its various investments. This shall be comprised of the following subaccounts:

- 64.1 INTEREST INCOME – CASH IN BANKS**
- 64.2 INTEREST INCOME – CASH EQUIVALENTS**
- 64.3 INTEREST INCOME – SHORT-TERM INVESTMENT**
- 64.4 INTEREST INCOME – FINANCIAL ASSETS AT AMORTIZED COST**
- 64.5 INTEREST INCOME – FINANCIAL ASSETS AT FVOCI**
- 64.6 INTEREST INCOME – FINANCIAL ASSETS AT FVTPL**
- 64.7 INTEREST INCOME – OTHERS**

65. DIVIDEND INCOME

This represents income derived from dividend declaration on stock investments, including those accrued or earned but not yet received.

- 65.1 FINANCIAL ASSETS AT FVOCI**
- 65.2 FINANCIAL ASSETS AT FVTPL**

66. NET GAIN (LOSS) ON DISPOSAL OF INVESTMENTS

This represents gains/losses realized from the sale of the HMO's investments.

This shall be composed of the following sub-accounts:

- 66.1 FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING**
- 66.2 FINANCIAL ASSETS AND LIABILITIES AT FVTPL**
- 66.3 FINANCIAL ASSETS AT FVOCI**
- 66.4 FINANCIAL ASSETS AT AMORTIZED COST**
- 66.5 INVESTMENT PROPERTY**
- 66.6 OTHERS**

67. NET UNREALIZED GAIN (LOSS) ON INVESTMENTS

This represents unrealized gains or losses arising from fair value changes of assets which are carried at fair values. This shall be comprised of the following sub-accounts:

- 67.1 FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING**
- 67.2 FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FVTPL**
- 67.3 DERIVATIVE ASSETS/LIABILITIES**
- 67.4 INVESTMENT PROPERTY**

68. NET GAIN (LOSS) FROM RECLASSIFICATION OF FINANCIAL ASSETS

- 68.1 RECLASSIFICATION FROM AMORTIZED COST TO FAIR VALUE THROUGH PROFIT OR LOSS**

This represents the net gains arising from the reclassification financial assets from amortized cost to FVTPL measurement due to change in business model.

68.2 RECLASSIFICATION FROM FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME TO FAIR VALUE THROUGH PROFIT OR LOSS

This represents the net gains arising from the reclassification of financial assets from FVOCI to FVTPL measurement due to change in business model.

69. RENTAL INCOME

This represents income generated from the rental of investment property. Rent income shall be recognized on a straight-line basis over the lease term.

70. SHARE IN PROFIT (LOSS) OF ASSOCIATES AND JOINT VENTURES

This represents the HMO's share in the profit or loss of its associates or joint ventures under the equity method of accounting.

71. NET FOREIGN EXCHANGE GAIN (LOSS)

This represents gains and losses resulting from the settlement of such foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates.

72. NET GAIN (LOSS) ON SALE OF PROPERTY AND EQUIPMENT

This represents gain realized on sale of property and equipment.

73. MISCELLANEOUS INCOME

This represents income received or earned from various sources which cannot be properly classified under any of the income accounts including nonrecurring revenues.

ADMINISTRATIVE EXPENSE

74. SALARIES AND WAGES

This represents basic salaries, wages and allowances, including bonuses and 13th month pay, overtime and other remunerations, of all HMO officers and staff.

75. SSS CONTRIBUTIONS

This represents the HMO's share in the contribution to the SSS for the benefit of the officers and staff of the HMO.

76. PHILHEALTH CONTRIBUTIONS

This represents the HMO's share in the contribution for the PhilHealth benefits of officers and staff.

77. PAG-IBIG CONTRIBUTIONS

This represents the HMO's share in the contribution for the Pag-IBIG Fund or the Home Development Mutual Fund for the benefit of the employees of the HMO.

78. EMPLOYEES' COMPENSATION (EC) CONTRIBUTIONS

This represents the HMO's contribution to the "Employees' Compensation" Program which is a fund for work-connected injury, sickness, disability and death with cash income benefit, medical, rehabilitation and related services for all HMO employees.

79. HOSPITALIZATION CONTRIBUTIONS

This represents the HMO's contribution for the employee's hospitalization benefits.

80. MEDICAL SUPPLIES

This represents expenses incurred by the HMO for the purchase of medicines and other medical supplies for the use of or issuance to the employees.

81. EMPLOYEE BENEFITS AND WELFARE

This represents other benefits granted to employees such as compensated absences (sick leaves, vacation leaves, emergency leaves), cost of share based payment transactions and other long-term employee benefits other than post-employment benefits.

This also includes other benefits given to the employees by the HMO including uniform, service awards, annual excursion expenses, Christmas party benefits, expenses incurred during HMO meetings, and others not specifically classified under any of the other foregoing accounts.

82. POST-EMPLOYMENT BENEFIT COST

This represents the retirement benefits of the HMO's employees for services rendered. It shall comprise of the following items:

- (A) Current service cost;
- (B) Interest expense;
- (C) Interest income; and
- (D) Effect of any curtailment or adjustment.

83. TRAINING AND DEVELOPMENT

This represents the expenses in developing the professional and technical capabilities of the officers and staff of the HMO.

84. REPRESENTATION AND ENTERTAINMENT

This represents the cost of representation and entertainment incurred by the officers and staff for the promotion of the business of the HMO.

85. TRANSPORTATION AND TRAVEL EXPENSES

This represents expenses for travel and transportation of the directors, officers, employees in connection with the business operations.

86. INVESTMENT MANAGEMENT FEES

This represents fees paid to investment management consultants for the handling of the HMO's investment portfolio and other special projects.

87. DIRECTOR'S FEES AND ALLOWANCES

This represents fees and allowance granted to the members of the Board of Directors for their attendance in the monthly and annual meetings or whatever special meetings that the Board may have.

88. MANAGEMENT AND OTHER PROFESSIONAL FEES

This represents expenses incurred for services rendered by managing company and consultants on a retainer/ contractual basis, other than legal service fees, auditors' fees, actuarial fees and corporate secretarial fees.

89. CORPORATE SECRETARY'S FEES

This represents fees granted to the corporate secretary for services rendered during the monthly Board of Directors' meetings, annual stockholders' meetings or any other special meetings that the Board of Directors or the stockholders may hold.

90. AUDITORS' FEES

This represents professional fees paid to the external auditors for the year-end audit/examination of the HMO's books of accounts. It also includes the monthly retainers fees, charges for the auditors' out of pocket expenses and fees for any special audit examination or consultations, including any audit and tax consultations which may be required by the HMO from time to time.

91. ACTUARIAL FEES

This represents professional fees paid to the external actuaries for whatever actuarial services that they may render for the HMO.

92. SERVICE FEES

This represents fees paid to certain authorized individuals/firms for services rendered to the HMO on a contractual or temporary basis.

93. LEGAL FEES

This represents retainer fees and other professional fees paid to external lawyers and the HMO's legal counsel for whatever legal services that they may render. It includes fees for the legal assistance that they may extend in handling court cases, court settlements, notarial fees, consultancy fees, and other legal matters.

94. MEMBERSHIP FEES AND DUES

This represents the expenses incurred for membership fees and dues to civic/HMO associations or professional organizations wherein the HMO, its officers and/or employees are members.

95. POWER, LIGHT AND WATER

This represents the cost of power and water consumption of the HMO's Head Office and its branches.

96. TELECOMMUNICATION AND POSTAGE

This represents the cost of telephone and cellphone services both local and long distance toll charges; telegrams and mailing expenses, including postages and freight charges for the delivery of mails or cargoes sent to or received from the branches.

97. PRINTING, STATIONERY AND SUPPLIES

This represents expenses incurred by the HMO for the printed forms/materials, stationery and office supplies used in the business operations.

98. BOOKS AND PERIODICALS

This represents the cost of books and reference materials for office use and subscriptions to newspapers, magazines, etc.

99. ADVERTISING AND PROMOTIONS

This represents expenses for advertising and publicity to promote the business of the HMO including introduction of new products.

100. INFORMATION TECHNOLOGY (I.T.) EXPENSE

This represents expenses incurred for the operation, maintenance and development of computer hardware and software.

101. CONTRIBUTIONS AND DONATIONS

This represents donations given to civic associations, government agencies and contributions to charitable institutions and fund raising drives.

102. INSURANCE EXPENSE

This represents premiums paid on insurance coverage of office furniture, fixtures and equipment, IT equipment, transportation equipment and others. It also includes premium charges on the guarantee or fidelity bond of accountable officers and staff as may be required by the Insurance Commission.

103. TAXES AND LICENSES

This represents taxes which are allowable deductions or expenses for income tax computation such as payment of business license, mayor's permit, etc. It does not include taxes not deductible for income tax purposes, such as income tax assessments and penalty charges and renewal of the agent's certificates of authority.

104. BANK CHARGES

This represents the cost of check books and charges imposed by the banks for overdrafts and bounced checks, payment of safety deposit box (if any), charges for the regional clearing of provincial checks and other such charges.

105. INTEREST EXPENSE

This represents interest expense incurred by the HMO.

106. REPAIRS AND MAINTENANCE

This represents the cost of materials used and labor pertaining to the repair and maintenance of HMO assets.

107. DEPRECIATION AND AMORTIZATION

This represents the periodic depreciation and amortization of the asset cost of the HMO's depreciable fixed assets. It represents an estimate of the decline in service potential of the asset occurring during the period.

108. PROVISION FOR CREDIT LOSSES (REVERSALS)

This represents the provision for impairment losses (including reversals) of financial assets measured at amortized cost and FVOCI.

- 108.1 DEBT SECURITIES AT FVOCI**
- 108.2 FINANCIAL ASSETS AT AMORTIZED COST**
- 108.3 OTHERS**

109. PROVISION FOR IMPAIRMENT LOSSES

This represents provisions for losses that may arise from loans and receivables, accounts receivables, and other financial and non-financial assets. This shall be comprised of the following sub-accounts:

- 109.1 PROPERTY AND EQUIPMENT**
- 109.2 RIGHT-OF-USE ASSET**
- 109.3 INVESTMENT PROPERTY**
- 109.4 INTANGIBLE ASSETS**
- 109.5 OTHERS**

110. PROVISION FOR INCOME TAX

110.1 PROVISION FOR INCOME TAX – FINAL

This represents final taxes withheld from sale of shares of stock and from interest earned during the year on investments in government securities and savings deposits.

110.2 PROVISION FOR INCOME TAX – CURRENT

This represents the corporate income tax of the HMO for the period based on its taxable income.

110.3 PROVISION FOR INCOME TAX – DEFERRED

This represents provision for deferred tax assets and liabilities.

111. MISCELLANEOUS EXPENSE

This represents other operating or administrative expenses which cannot be specifically classified under any of the other expense accounts including nonrecurring expenses.

OTHER COMPREHENSIVE INCOME (OCI)

112. OCI ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS

This shall comprise the following accounts.

112.1 NET FINANCE INCOME (EXPENSE) FROM HMO AGREEMENTS ISSUED

112.2 REMEASUREMENT GAIN (LOSS) ON INVESTMENTS IN DEBT SECURITIES AT FVOCI

This represents the net gains or losses arising from fair value changes of debt securities measured at FVOCI for the period.

112.3 EFFECTIVE PORTION OF NET GAIN (LOSS) ON HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

This represents the net gains or losses arising from change in fair value of hedging instruments in a hedge of a net investment in foreign operations for the period.

112.4 EFFECTIVE PORTION OF NET GAIN (LOSS) ON HEDGING INSTRUMENTS IN A CASH FLOW HEDGE

This represents the net gains or losses arising from fair value changes of hedging instruments in a cash flow hedge for the period.

112.5 NET GAIN (LOSS) FROM FOREIGN CURRENCY TRANSLATION

This represents the net gains or losses arising from foreign currency translations on the following for the period:

- (A) foreign currency denominated non-monetary items, where such gains or losses are recognized directly in equity, and,
- (B) translation of foreign operations with different functional currency.

112.6 SHARE IN ASSOCIATE'S OCI

112.7 OTHERS

112.8 RELATED INCOME TAX

This represents the total income tax attributable to the items above.

113. OCI ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS

This shall comprise the following accounts:

113.1 REMEASUREMENT GAIN (LOSS) ON INVESTMENTS IN EQUITY SECURITIES AT FVOCI

This represents the net gains or losses arising from fair value changes of equity securities measured at FVOCI for the period.

113.2 RESERVE FOR REMEASUREMENT OF FINANCIAL LIABILITIES DESIGNATED AT FVTPL – OWN CREDIT RISK

This represents the fair value changes related to changes in the company's own credit risk of a financial liability designated at FVTPL for the period.

113.3 REVALUATION GAIN (LOSS) ON PROPERTY AND EQUIPMENT

This represents the appraisal increment when the company applies the revaluation model on properties. This is calculated as a difference between the property's carrying amount and its revalued amount.

113.4 REMEASUREMENT GAIN (LOSS) ON RETIREMENT PENSION ASSET (OBLIGATION)

This represents the net remeasurement gains or losses of a net define benefit liability or asset for the period.

113.5 OTHERS

113.6 RELATED INCOME TAX

This represents the total income tax attributable to the items above.