

STARPORT PH HOLDINGS, INC.
and the AFFILIATES

FINANCE MANUAL

Table of Contents

1. Introduction.....	5
1.1 Purpose of this Manual	5
1.2 Use of Manual	5
1.3 Custody of the manual and overseeing its implementation	6
1.4 Updating of the manual	6
1.5 Procedures	7
2. Finance Department’s Governance	9
2.1 Finance Department’s Objectives	9
2.2 Position Within the Group	9
2.3 Authorities	10
2.4 Relationship with stakeholders	10
2.5 Functional Overview	11
2.6 Key Performance Indicators (KPIs).....	12
3. General Accounting Policies (Assumptions, Concepts, Conventions and Policies)	13
3.1 Introduction	13
3.2 Accounting Assumptions Guidance.....	13
3.3 Accounting Assumption Policy	14
3.4 Accounting Concepts.....	15
3.5 General Accounting Conventions and Policy	15
4. Related Party Transaction	17
4.1 Introduction	17
4.2 Related Party Transactions Accounting Guidance.....	18
4.3 Related Party Transactions Policy	18
4.4 Procedures	19
4.5 Transfer Pricing Agreement	20
4.6 Transfer Pricing Guidance	20
4.7 Transaction Pricing Policy.....	21
4.8 Procedures	21
5. Cash Management.....	23
5.1 Introduction	23
5.2 Cash Management Accounting Guidance.....	23
5.3 Cash Transaction Policy	24
5.4 Reconciliation and Physical Verification of Petty Cash	26
5.5 Identifying Shortfall and Surpluses	26
5.6 Funding Shortfall.....	26
5.7 Procedures	27
6. Banking Transactions and Relationship Management	30
6.1 Introduction	30
6.2 Bank Payment Policy.....	30
6.3 Electronic Banking Service Policy	31
6.4 Cash/cheque Received Policies	32
6.5 Bank Authorities Signatories Policies	32
6.6 Reconciliation of Bank Accounts	32

6.7	Procedures	33
7.	Inventory Management	36
7.1	Introduction	36
7.2	Inventory Accounting Guidance	36
7.3	Inventory Policies	38
7.4	Inventory Management	39
8	Revenue Recognition.....	42
8.1	Introduction	42
8.2	Revenue Recognition Accounting Guidance	42
8.3	Revenue Recognition Policies	42
8.4	Procedures	44
9	Accounts Payable and Vendor Accounts.....	45
9.1	Introduction	45
9.2	Accounts Payable Accounting Guidance	45
9.3	Accounts Payable Policies	46
9.4	Vendor Invoices Processing	46
9.5	Vendor Payments.....	48
9.6	Vendor Invoice Adjustments – Debit/Credit Memo	49
9.7	Vendor Master Records	49
9.8	Procedures	50
10	General and Administration Expenses Policy	54
10.1	Introduction	54
10.2	General and Administration Expenses Policy.....	54
10.3	Procedures	56
11	Chart of Accounts	58
11.1	Introduction	58
11.2	Charts of Accounts Management Policy	58
11.3	Chart of Accounts Structure	59
11.4	Modification in CoA Listing	59
11.5	General Ledger	60
11.6	Procedures	60
12	Financial Statement Closing Process.....	62
12.1	Introduction	62
12.2	Financial Statement Closing Process Policies	62
12.3	Internal Reporting	64
12.4	Procedures	65
13	Performance Management and Reporting.....	71
13.1	Performance Management	71
13.2	Management Reports	71
13.3	Filling and Documentation	72
13.4	Procedures	72
Appendices		74
Appendix 1:	Manual Distribution Form	74

Appendix 2: Manual Access Letter.....	75
Appendix 3: Request for Amendment Form.....	76
Appendix 4: Petty Cash Replenishment Form.....	77
Appendix 5: Petty Cash Reconciliation Form.....	78
Appendix 6: Bank Reconciliation Form	79
Appendix 7: Chart of Accounts (CoA) Modification Form.....	80
Appendix 8: General Ledger Account Request Form.....	81
Appendix 9: Periodic Closure Template.....	82
Appendix 10: Account Receivables Reconciliation Form.....	83
Appendix 11: Account Payables Reconciliation Form.....	84
Appendix 12: Inventory Count Sheet	85
Appendix 13: Inventory Reconciliation Form	86
Appendix 14: Gcash transaction policy	87
Appendix 15: Related Party Transactions.....	91
Appendix 16: Petty Cash Transactions	94
Appendix 17: Funding of shortfalls	98
Appendix 18: Bank payment (Cheque and Bank Transfer).....	99
Appendix 19: E.1 Inventory Management Process Flow.....	102
Appendix 20: Revenue Recognition	105
Appendix 21: Purchase to Payable Process	110
Appendix 23: General and Administrative Expenses Process flow	114
Appendix 24: Modification of CoA Listing Process flow	115
Appendix 25: FS Closing Process flow	116

Accounting Manual			
Chapter Name	Introduction	Chapter Number	1
Effective date		Revision date	

1. Introduction

1.1 Purpose of this Manual

- 1.1.1 The overall purpose of this Finance Manual is to document and organize the Finance Department's daily operations based on the policies and procedures being implemented to ensure the achievement of its objectives.
- 1.1.2 The manual is structured to cover the following chapters:
- Finance Department's Objectives
 - General Accounting Policies
 - Related Party Transaction
 - Cash Management
 - Banking Transaction and Relationship Management
 - Inventory Management
 - Revenue Recognition
 - Accounts Payable and Vendor Accounts
 - General and Administration Expenses
 - Chart of Accounts
 - Financial Statement Closing Process
 - Performance Management & Reporting

1.2 Use of Manual

- 1.2.1 This manual should be used in conjunction with the applicable laws and regulations in the Philippine requirements and all internal policies and charters of Starport PH Holdings, Inc. (the "Company" or "Starport PH") and its affiliates (the "Group").
- 1.2.2 This manual establishes the Finance Department's position within the organization, authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of work.
- 1.2.3 This manual is designed for the use of Finance Department's employees and other employees of the Company as applicable. All related employees must be familiar with these policies and

procedures in order to comply with all the provisions of this manual during the execution of the Company assigned and related activities and operations.

1.2.4 The Group expects full compliance with the policies it has formulated and failure in this respect may result in disciplinary actions.

1.2.5 It is intended that the manual shall be used to:

- Serve as a reference guide for new and existing staff,
- Govern and guide the finance related activities in the Group,
- Clarify the responsibilities of the various roles within Finance Department to execute the related activities, including the coordination with concerned parties/ departments/ units/ functions.

1.3 Custody of the manual and overseeing its implementation

1.3.1 The Managing Director (MD) is the assigned central custodian of all the Group's policies and procedures manuals.

1.3.2 The Finance Head (FH) is responsible for overseeing the manual application and circulating the manual to all the concerned employees within the Finance Department, especially new joiners, to understand its content and application.

1.3.3 The contents of the manual are confidential and are solely intended for internal use by the Group. The manual should always be kept in a safe place and must not be copied or revealed to third parties without the express written permission of the MD for publication inside the Group. Special requests to publish any electronic versions of this policy must be submitted to the MD (refer to Appendix 2: Manual Access Letter).

1.4 Updating of the manual

1.4.1 The objective of formalizing this manual's revisions is to ensure that all changing requirements such as required by applicable legislation, amendments, additions or deletions to the content of this manual are properly documented and authorized/approved prior to implementation. Such revisions provide flexibility to the Finance Department and ensure that this manual remains relevant at all times.

1.4.2 The Finance Head is responsible for this manual revision upon receiving requests to update the manual by the Company's concerned departments/units (refer to Appendix 3: Request for Amendment Form). Any revisions to this manual shall be reviewed and approved by the management.

1.4.3 Amendments to this manual should be made as a result of one or a combination of the following reasons:

- Changes in regulatory requirements,
- Changes in departments, programs and activities of the Company,
- Changes in the Company's Organizational Structure and Strategy, and

- Changes in job roles, duties, and descriptions.

1.4.4 The manual should be reviewed and approved as per the following to reflect any required changes:

Policies	Review Frequency	Responsibility for Review	Initial Level Approval	Final Level Approval
	When required	FH	Management Committee	MD and Co-Managing Director (CMD)
Procedures	Review Frequency	Responsibility for Review	Initial Level Approval	Final Level Approval
	When required	FH	Management Committee	MD

1.4.5 FH in coordination with HR & Legal Function, when required, shall review the manual before approving it by the respective authority and shall ensure that a record detailing any revisions made to this manual is adequately maintained.

1.5 Procedures

No.	Activities	Action Taken by	Key form / Template
Manual Distribution			
1.	Send a written request to receive a copy of manual directed to FH.	Requesting party	Appendix 1: Manual Distribution Form
2.	Understand business need and approve the request. Forward the manual along with the manual access letter to the requesting party	FH and MD	Appendix 2: Manual Access Letter
3.	Sign and return the Manual Distribution Form to FH for compilation	Requesting party	
Updating the Manual			
1.	Discuss requested amendments with the FH. Fill out the 'Request for Amendments' Form. Submit the draft of the adjusted Policy for the approval process.	Requesting Departments	Appendix 3: Request for Amendment Form

No.	Activities	Action Taken by	Key form / Template
2.	Review and approve the draft for the adjusted Policy. Sign the 'Request for Amendments' Form and send to Legal Function (if required) for review.	FH	
3.	Review the proposed amendments and assess any compliance/ legal impact and forward to Management Committee	HR & Legal Function (if required)	
4.	Review and provide initial approval then forward to the MD & CMD for final approval.	Management Committee	
5.	Provide final approval to the amended Policies.	MD & CMD	
6.	Communicate approved amendments in the manuals to the FH. Update the Company's repository of policies and procedures with the new updated manual.	MD	
7.	Communicate the approved amendments in the manuals to the departments.	FH	

Accounting Manual			
Chapter Name	Finance Department's Governance	Chapter Number	2
Effective date		Revision date	

2. Finance Department's Governance

2.1 Finance Department's Objectives

2.1.1 The Finance Department's objectives within the Group include but not limited to the following:

- Act as a centralized Finance Department to serve the accounting needs and consolidate reporting requirement;
- Establish and maintain a chart of accounts for processing accounting data in the General Ledger;
- Implement accounting standards and procedures, communicate these requirements;
- Circulate updates of Philippine Accounting Standards/Philippine Financial Reporting Standards (PAS/PFRS) to carry out accounting activities in accordance with relevant standards;
- Generate internal financial management reports and external reports for regulators, as required;
- Provide regular management reports and necessary advice to the management, Board of Directors (BOD) and relevant departmental heads;
- Monitor and manage the Group's key financial ratios as per BOD vision including regulatory requirements;
- Effectively ensure that the accounting system and other management information systems (MIS) are regularly improved/upgraded to address changing business situations;
- Reconcile on regular basis the various bank accounts, and various sub-ledgers (SL) to the General Ledger (GL); and
- Ensure completion, accuracy and protection of the accounting and financial information of the Group.

2.2 Position Within the Group

2.2.1 The Finance Department is led by the FH who reports to the management, CMD, and MD.

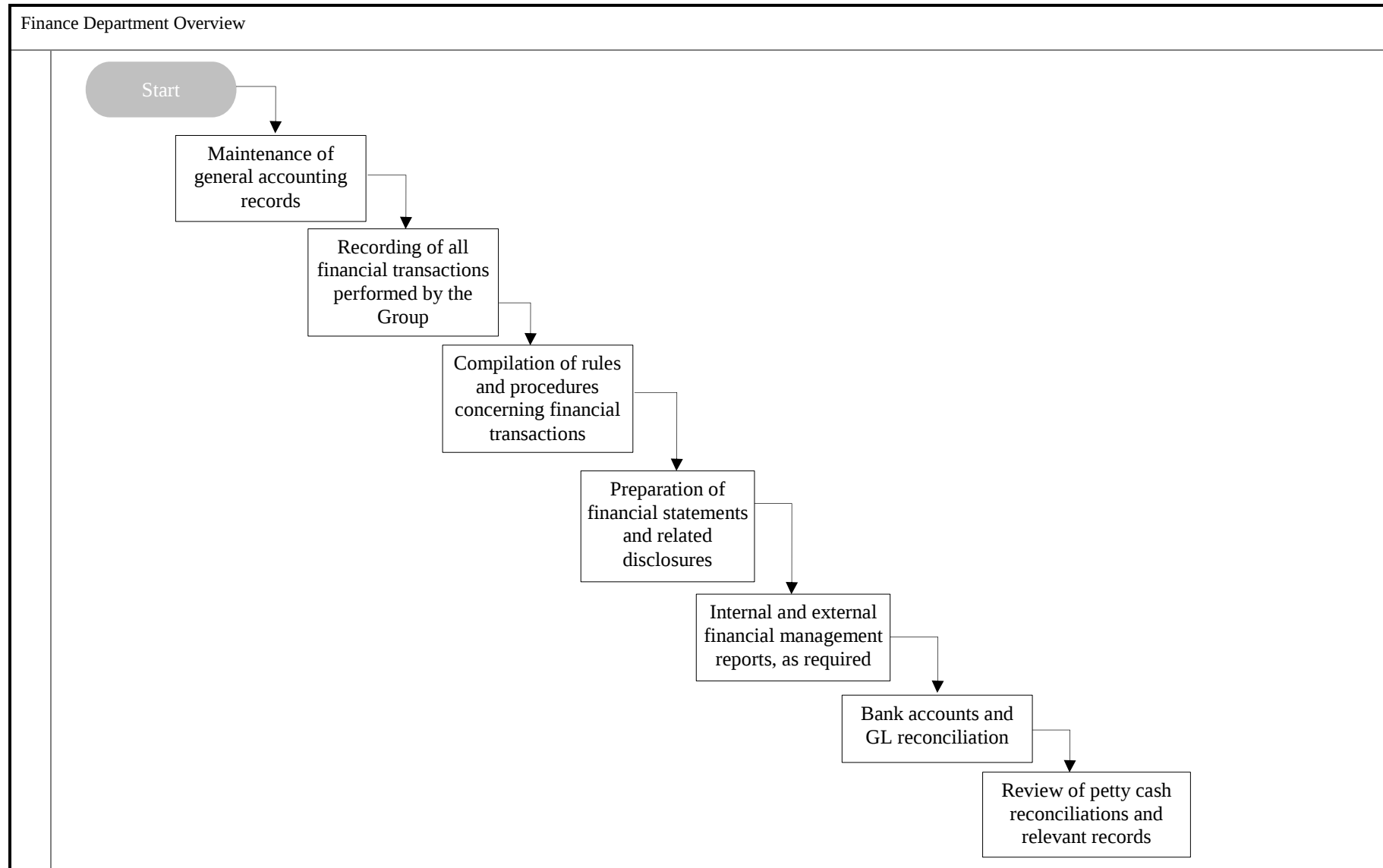
2.3 Authorities

- 2.3.1 All accounting & finance activities of Starport PH and its affiliates should be managed centrally by Finance Department.
- 2.3.2 The FH is responsible for the supervision and administration of the accounting & finance policies, the initiation of the financial plans, and their implementation within the Group's objectives.
- 2.3.3 The Finance Department is primarily responsible for (but not limited to);
- Maintenance of general accounting records;
 - Recording of all financial transactions performed by the Group and to its related parties;
 - Compilation of rules and procedures concerning financial transactions;
 - Preparation of financial statements and related disclosures;
 - Internal and external financial management reports, as required;
 - Bank accounts and General Ledgers (GL) reconciliation;
 - Review of petty cash reconciliations and relevant records.

2.4 Relationship with stakeholders

- 2.4.1 Relationship with other Core and Support Departments/ Units:
- to support the Group's core processes.
- 2.4.2 Relationship with Affiliates :
- to provide provision of relevant information
 - to prepare the Group's financial statements,
- 2.4.3 Relationship with Internal Auditors:
- to ensure that Group's major operations are in compliance with regulatory requirements and aligned with strategic business objectives and best practices.
- 2.4.4 Relationship with External Auditors:
- to provide positive assurance that accounting records and financial statements are true and accurate.
- 2.4.5 Relationship with the Board of Directors:
- to approve the Accounting Manual.

2.5 Functional Overview



2.6 Key Performance Indicators (KPIs)

Sr. No	Key Objectives	KPI	Activity Measures
1	Accuracy	Accuracy of Billing	▶ Number of cancellations ▶ Number of Invoice matched with supporting documents ▶ Accuracy of billing to customers ▶ Timely submission of invoices to customers ▶ Accuracy of commission booking
2.	Effectiveness	Adherence to Receipt and Payment terms	▶ Accounts receivable aging ▶ Adherence to standard payment terms ▶ Number of payments within due date ▶ Accounts receivables write-off during the year
3	Efficiency	Adherence to Accounting Policy & Procedures	▶ Number and type of non-compliance ▶ Issues reported by internal auditor ▶ Number of days to resolve invoice errors
4	Efficiency	Book Closer Timelines and activities	▶ Cycle time for closure of general ledger ▶ Number of missed deadlines ▶ Number of manual entries as a part of the book closer procedure ▶ Number of error correction entries as a percentage of total entries in the accounting period ▶ Number of account reconciliations or analyses completed as part of the book closer procedure

Accounting Manual			
Chapter Name	General Accounting Policies	Chapter Number	3
Effective date		Revision date	

3. General Accounting Policies (Assumptions, Concepts, Conventions and Policies)

3.1 Introduction

- 3.1.1 This chapter sets out in detail the general accounting assumptions, concepts, conventions and policies.
- 3.1.2 The Accounting Policies described in the manual will be applicable to all employees of the Group involved in finance and accounting activities.
- 3.1.3 Accounting Policies are the fundamental accounting guidelines and principles that are approved and consistently followed by the Group in accordance with their scope of operations, leading industry practices and PFRS.
- 3.1.4 Material changes to accounting policies must be reviewed and authorized by the FH, Management Committee, CMD, and MD and the BOD.

3.2 Accounting Assumptions Guidance

- 3.2.1 Philippine Accounting Standard (PAS) 1 *Presentation of Financial Statements* is the main standard dealing with the overall requirements for the presentation of financial statements, including their purpose, form, content and structure.
- 3.2.2 Fair Presentation: PAS 1 requires that financial statements present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definition and recognition criteria for assets, liabilities, income and expenses set out in the *Conceptual Framework for Financial Reporting (Conceptual Framework)*. The application of PFRSs, with additional disclosure, when necessary, is presumed to result in financial statements that achieve a fair presentation.
- 3.2.3 Going Concern: PAS 1 requires management to make an assessment of an entity's ability to continue as a going concern. This term is not defined, but its meaning is implicit in the requirement of the standard that financial statements should be prepared on a going concern

basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

3.2.4 Consistency of Presentation: PAS 1 requires that the ‘presentation and classification’ of items in the financial statements be retained from one period to the next unless:

- ✓ It is apparent, following a significant change in the nature of the entity’s operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies or;
- ✓ PFRS requires a change in presentation

3.1.5 Materiality: The relevance of information is affected by its nature and materiality. Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of this information. Each material class of similar items will be presented separately in the financial statements.

3.1.6 Segregation: Items of a dissimilar nature or function shall be presented separately unless they are immaterial.

3.1.7 Offsetting: Assets and liabilities, and income and expenses, shall not be offset unless required or permitted by the PFRS. Offsetting has the effect of inhibiting the ability of the users of financial statements to understand the transaction and assess the future cash flows.

3.1.8 Comparability: The measurement and display of the financial effect of like transactions and other events should be carried out in a consistent manner.

3.3 Accounting Assumption Policy

3.3.1 In accordance with PAS 1, the following fundamental accounting assumptions shall apply for all accounting processes performed by the Finance Department of the Group.

3.3.2 Financial statements shall present fairly the financial position, financial performance and cash flows of the Group.

3.3.3 Financial statements of the Group are prepared on a going concern basis which assumes the Company and its affiliates will continue to be in operational existence for the foreseeable future, and there is neither the intention nor the necessity of the Company and its affiliates to liquidate its assets or significantly reduce the scale of its activities, which if existed, the following information shall be disclosed in the financial statements of the Group:

- Material uncertainties regarding the events or conditions, placing significant doubts about the Group’s ability to continue as a going concern.
- Details about the future, which is at least but not limited to one year from the end of the reporting period should be taken into account.

- 3.3.4 The presentation and classification of financial statements shall be retained from one period to the next unless a change is justified either by significant change in the Group's operations, or change in an applicable PFRSs or their interpretation.

3.4 Accounting Concepts

- 3.4.1 Accounting concepts identify the objective of general-purpose financial reporting as the disclosure of information is useful in the decision-making process of the Group. The main concepts/core qualitative characteristics are explained as follows:

3.4.1.1 Understandability: An essential quality of the information provided in financial statements is that it is readily understandable by users;

3.4.1.2 Relevance: Information is relevant when it influences the economic decisions of users;

3.4.1.3 Reliability: Information is reliable when it is free from material errors and bias. Following are the characteristics of reliable information:

- Faithful Representation – information must represent faithfully the transactions and other events. A perfectly faithful representation would be complete, neutral and free from error.
- Substance Over Form – transactions should be accounted for and presented in accordance with their substance and economic reality and not merely their legal form.
- Neutrality – free from bias.
- Prudence – exercise of judgment in making the estimates required under conditions of uncertainty, to avoid misstatements.
- Completeness – information in financial statements must be complete within the bounds of materiality and cost.

- 3.4.2 True and fair view/ Fair presentation: Financial statements should present fairly, the financial position, performance and changes in financial position of the Company and its affiliates;

- 3.4.3 Timeliness of Information: Management shall need to balance the relative merits of timely reporting and the provision of reliable information.

3.5 General Accounting Conventions and Policy

- 3.5.1 The financial statements of Starport PH Holdings, Inc. and its affiliates shall be prepared under the historical cost convention except for certain assets, which will be stated at fair value. The Group shall consistently apply the accounting policies from one year to another. Historical cost is the value of the costs incurred in acquiring or creating an asset, comprising the

consideration paid to acquire or create the asset plus transaction cost while for liability it is the value of consideration received to incur or take on the liability minus transaction cost.

3.5.2 The following general accounting conventions and policies shall apply to the Group's accounting processes:

- Basis of Accounting: Profit or loss for the period shall be computed by matching revenues with the associated costs and expenses incurred in earning these revenues during the same period under the accrual basis of accounting.
- Accrual basis of accounting depicts the effects of transactions and other events and circumstances on a reporting entity's economic resources and claims in the periods in which those effects occur, even if the resulting cash receipts and payments occur in a different period. The Group shall use the accrual basis of accounting except for cash flow information.
- Accounting Currency: The primary reporting and departmental currency of the Group is Philippine Peso (PHP).
- Accounting Period: The accounting year of the Group upon which all financial statements are prepared starts on 1st of January and ends on the 31st of December of every year.
- Financial Statement: Financial Statements will be prepared to cover a period of twelve months commencing on the 1st of January and ending on the 31st of December, each year and shall include the following as per PAS 1:
 - Statement of financial position,
 - Statement of profit or loss,
 - Statement of other comprehensive income,
 - Statement of change in shareholders' equity,
 - Statement of cash flows, and
 - Notes to the consolidated financial statements.
- Audit: The financial statements included in the annual report will be subject to audit by a recognized external audit firm.

Chapter Name	Related Party Transaction	Chapter Number	4
Effective date		Revision date	

4. Related Party Transaction

4.1 Introduction

4.1.1 A related party is a person or entity that is related to the Company or the reporting entity.

4.1.2 A person or a close member of that person's family is related to a reporting entity if that person:

- ▶ Has control or joint control of the reporting entity;
- ▶ Has significant influence over the reporting entity; or
- ▶ Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

4.1.3 An entity is related to a reporting entity if any of the following conditions apply:

- ▶ The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the other).
- ▶ One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- ▶ Both entities are joint ventures of the same third party.
- ▶ One entity is a joint venture of a third entity, and the other entity is an associate of the third entity.
- ▶ The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
- ▶ The entity is controlled or jointly controlled by a person identified in subsection 4.1.2 of this manual.
- ▶ A person identified in subsection 4.1.2 of this manual has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4.1.4 The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

4.1.5 A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.1.6 Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

4.2 Related Party Transactions Accounting Guidance

- 4.2.1 PAS 24 *Related Party Disclosures* requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent or investors with joint control of, or significant influence over, an investee presented in accordance with PFRS 10 Consolidated Financial Statements or PAS 27 Separate Financial Statements. This Standard also applies to individual financial statements.
- 4.2.2 Related party transaction defined in this standard refers to the transfer of resources, services, or obligations between a reporting entity and a related party, regardless of whether a price is charged.
- 4.2.3 Paragraph 13 of PAS 24 states that relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party.

4.3 Related Party Transactions Policy

- 4.3.1 Starport PH Holdings, Inc. and its affiliates shall have a systematic basis to identify its related parties and shall follow the related parties' definition mentioned in section 4.1 of this manual, when identifying its related parties.
- 4.3.2 Related party transactions should be recorded in accordance with PAS 24 *Related Party Disclosures*, and accounting policies set out in this manual.
- 4.3.3 Amounts due from or to related parties' balances shall be classified under current or noncurrent assets or liabilities based on their nature on the face of the balance sheet and related notes to the financial statements.
- 4.3.4 All material transactions with related parties shall be disclosed in the financial statements regardless of the existence or non-existence of balances from these transactions at year end. Disclosure shall, at least, include the following:
- The related party.
 - The nature of the relationship.
 - Type of transactions made between the Group and the related parties during the financial period.
 - Amounts of transactions made between the Group and the related parties during the financial period.
- 4.3.5 Balances with related parties at the end of the financial period.
- 4.3.6 All related parties' balances should be confirmed and reconciled on a monthly basis, or whenever is required and when a valid reason exists.
- 4.3.7 Reconciliation for all related parties shall be completed within 5 days subsequent to the end of each month. Accounts reconciliation sheets should be signed and dated.

4.4 Procedures

No.	Activities	Action Taken by	Key form/ Template
Related Party Transactions			

Due from Affiliates (Payable) Process:

1.	Generate statement of account (SOA) addressed to the paying affiliates and forward to the paying affiliates.	Receiving Party	
2.	Notify the receiving party of the payment made.	Paying party	
3.	Verify and confirm the payment received. Once confirmed, record a debit to Cash and a credit to Due from Affiliates.	Credit and Collection Team	

Reconciliation of Due to and Due From

1.	The statement of account (SOA) balance will be sent to the affiliates every month.		
2.	If all are in order, sign the Statement of Account. In case where there are variances, investigate the variances. If the variance is due to centavo difference, issue a green slip for every centavo difference.		
3.	If the variance is material, adjust to correct the difference.		

Due to Affiliates (Payable) Process:

1.	Forward the statement of account (SOA) addressed to the paying affiliates and forward to the paying affiliates.	Receiving Party	Request Form
2.	Once the SOA was received by the paying affiliate, it will be reviewed by the paying party and make an electronic purchase requisition (e-PR).	Assistant Finance Head (AFH)	
3.	Review and approve the e-PR and the supporting documents.	1 st approver – FH 2 nd approver – Co-Managing Director (CMD)	
4.	If approved, prepare the check voucher and record the debit in Due to Affiliates and the credit in Cash. If e-PR is denied, no further action is necessary.	Disbursement Officer	
5.	Check the entry made and supporting documents.	FH	

6.	If not agreed, cancel the check voucher and prepare debit/credit memo.	Disbursement Officer	
7.	If agreed, review check voucher and other documents. Review and sign the check for disbursement.	MD/CMD	

4.5 Transfer Pricing Agreement

- 4.5.1 *Bureau of Internal Revenue (BIR) Revenue Regulations (RR) no. 2-2013* states that transfer pricing is generally defined as the pricing of cross-border, intra-firm transactions between related parties or associated enterprises.
- 4.5.2 A parent entity may have wholly owned subsidiaries that provide certain services to support the parent entity's operations and are compensated for their services through intercompany transfer pricing agreements.
- 4.5.3 The arm's length principle is the internationally recognized standard for transfer pricing between associated enterprises.
- 4.5.4 Under *Section 5 of RR no. 2-2013*, the arm's length principle requires the transaction with a related party to be made under comparable conditions and circumstances as a transaction with an independent party.
- 4.5.5 In many cases, the intercompany transfer pricing agreement requires the parent entity to reimburse the subsidiary all or significantly all of its operating costs plus a mark-up.

4.6 Transfer Pricing Guidance

- 4.6.1 *Section 5, part b of RR no. 2-2013* suggests the 3-step approach in applying arm's length transactions:
- Step 1:* Conduct a comparability analysis.
 - Step 2:* Identify the tested party and the appropriate transfer pricing method.
 - Step 3:* Determine the arm's length results.
- 4.6.2 The objective of applying these steps is to present a logical and persuasive basis to demonstrate that transfer prices set between the related parties conform to the arm's length principle.
- 4.6.3 In comparability analysis, differentiation of the prices or margins adopted by related parties with those adopted independent parties engaged in similar transactions must be conducted
- 4.6.4 Comparability analysis is important to ensure that reasonably accurate adjustments can be made to eliminate the effects of such differences.

4.6.5 *RR no. 2-2013* enumerated five (5) specific methods that may be used in determining the arm's length price:

- ▶ Comparable Uncontrolled Price (CUP) Method – evaluates whether the amount charged in a controlled transaction is at arm's length by reference to the amount charged in a comparable uncontrolled transaction in comparable circumstances.
- ▶ Resale Price Method (RPM) – applied where a product that has been purchased from a related party was resold to an independent party.
- ▶ Cost Plus Method (CPM) – focuses on the gross mark-up obtained by a supplier who transfers property or provides services to a related purchaser.
- ▶ Transactional Net Margin Method (TNMM) – examines the net profit margin relative to an appropriate base such as costs, sales or assets attained by the member of a group of controlled taxpayers from a controlled transaction.
- ▶ Profit Split Method (PSM) – eliminate the effect on profits of special conditions made or imposed in a controlled transaction by determining the division of profits (or losses) that independent enterprises would have expected to realize from engaging in the transaction.

4.7 Transaction Pricing Policy

- 4.7.1 Starport PH Holdings, Inc. and its affiliates shall apply Cost Plus Method (CPM) to come up with a transfer price for its arm's length transactions.
- 4.7.2 All transfer price to be imposed must be duly approved by the Managing Director and Co-Managing Director.
- 4.7.3 An adequate documentation is recommended so that the Group will be able to defend their transfer pricing to the BIR, and prevent transfer pricing adjustments arising from tax examinations.
- 4.7.4 Even if the transfer pricing documents are not required to be submitted when the tax returns were filed, such documents should still be retained by the Group and submitted to BIR when required or requested to do so.

4.8 Procedures

No.	Activities	Action Taken by	Key form/ Template
Transfer Pricing Agreement			
1.	Determination of Arm's Length Price: Using the CPM method, compute for the arm's length price. The bank charges and taxes were normally added to the amount due.	FH	

No.	Activities	Action Taken by	Key form/ Template
2.	Approval of the computed transfer price: Once the arm's length or transfer price has been computed, review and approve the transfer price.	MD or CMD	Transfer Pricing Document
3.	Retention of Transfer Pricing Document: The hardcopy documents shall be retained and safekeep by the Group for at least ten (10) years. The Finance Head must be held responsible and accountable for the maintenance and safekeeping of the documents.	FH	

Accounting Manual			
Chapter Name	Cash Management	Chapter Number	5
Effective date		Revision date	

5. Cash Management

5.1 Introduction

- 5.1.1 This chapter establishes responsibility, and provides guidelines, for appropriate and consistent accounting treatment relating to cash transactions at Starport PH Holdings, Inc. and its affiliates.
- 5.1.2 The Finance Department shall be responsible for recording all cash transactions within the Group.
- 5.1.3 The Finance Department shall also be responsible for managing the fund surplus and shortfall.

5.2 Cash Management Accounting Guidance

- 5.2.1 Cash refers to money in the physical form of currency, such as bank notes and coins which could be used immediately for transaction settlement.
- 5.2.2 According to *PAS 7 Statement of Cash Flows*, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.
- 5.2.3 Petty cash fund facilitates small and frequent expenditure necessary to facilitate ordinary business operation where direct payment in bank transfer and bank draft is not feasible.
- 5.2.4 Petty cash custodian refers to the employee who keeps the petty cash on behalf of the Group.
- 5.2.5 Custodian's responsibilities include:
 - Ensure the cash assigned is kept in good custody
 - Handle cash payment and collection within the scope of usage the petty cash fund applied
 - Ensure the payment and collection in conformity with Firm's policies, including the Global Anti-bribery policy
 - Timely and accurately record the cash payment and collection
 - Timely prepare and submit the petty cash report for accounting purpose
 - Perform regular cash count
 - Arrange proper back up during absence

5.3 Cash Transaction Policy

- 5.3.1 A petty cash is allocated by the Group to meet each departments' operational expenses which are of an urgent in nature.
- 5.3.2 The Group uses Imprest System in accounting for their petty cash fund. Imprest petty cash system sets a specific fixed amount for petty cash which will be used for cash distribution with receipts that can be used for periodic replenishment. Wherein variances between expected and actual fund are regularly reviewed and investigated.
- 5.3.3 The Company should also recognize a separate line item for Petty Cash Fund in its financial statement.
- 5.3.4 The Petty Cash Custodian assigned per department shall be responsible for maintaining the petty cash fund.
- 5.3.5 The Petty Cash Fund varies per department ranging from Php25,000.00 to Php100,000.00 and should be approved by the Managing Director.
- 5.3.6 Some departments are authorized to utilize GCash for their Petty Cash Fund using the Company's mobile number for cash distribution. Use of GCash for Petty Cash Fund shall be in accordance with the Petty Cash Fund – GCash Transaction Memo Series FH051352023-10 (refer to Appendix 14 for the memorandum).

Department	Petty Cash Fund	Specifics
Finance Department	Php50,000	Cash
Sales Department	Php40,000	Gcash - 09178255105
Supplies Chain Department	Php75,000	Gcash - 09178337487

- 5.3.7 These petty cash balances will be utilized for making petty cash payments/advances not exceeding Php5,000 for:
- ▶ Office expenses
 - ▶ Employees and concerned departments expenses
 - ▶ Emergency purchases etc.
 - ▶ Alms or donation for the deceased suppliers, clients, etc.
 - ▶ Payments for utilities, communications, airfare and cargo vessel expenses.
- 5.3.8 Petty cash expenditures should be in line with the Group's approved nature of expenses enumerated in subsection 5.3.7 of this Finance Manual as well as petty cash threshold set and approved by the management as referred to 5.3.6.
- 5.3.9 Purchase requisition in a form of Electronic Purchase Requisition (e-PR) should be used for each petty cash transaction and must be signed by the requestor and obtained approvals by Department Head and General Manager.

- 5.3.10 Only original receipts will be accepted for petty cash reimbursement.
- 5.3.11 If original receipts are not available or cannot be obtained due to the nature of transaction (e.g., Public Transportation Expense such as jeepney, tricycle, etc.), it should be properly justified in the expense report signed by the requestor and approved by the department head. Other than that, absence of receipts will be automatically rejected by the Petty Cash Custodian for reimbursement. Failure to comply with the requirement of original receipt supporting an expense shall likewise be rejected and be charged to the requestor.
- 5.3.12 Cash advance through petty cash shall also be accompanied by approved e-PR (subsection 5.3.9). This cash advance shall only be used for its intended purpose. The employee must liquidate and provide original receipt of the expenses within 3 days after the intended purpose has been completed. In the event, the employee fails to liquidate, the whole amount of cash advance will be treated as receivable from the employee.
- 5.3.13 Petty cash custodian shall issue a petty cash voucher (PCV) to all disbursements made through petty cash fund. Approved e-PR and required supporting documents as indicated in subsection 5.3.10 and 5.3.11 shall be attached to PCV. The requestor shall sign the PCV upon receipt of the payment for reimbursement or cash advance.
- 5.3.14 Segregation of duties (custody, recording, and authorizing) shall always be maintained for each transaction.
- 5.3.15 A 30% petty cash minimum balance shall be maintained by the petty cash custodian. Petty cash shall be replenished by the Finance Department. Summaries of petty cash settlements with original supporting documents/receipts and vouchers shall be submitted by the Petty Cash Custodian to the Finance Head after obtaining the Head of Department's (HOD) approval.
- 5.3.16 Petty cash – Do's and Don'ts

Do's

1. Place the petty cash fund in a safe box or a drawer with lock.
2. Obtain proper approval for each transaction paid from the petty cash imprest system.
3. Record all transaction paid and received by filling up the "Petty Cash Replenishment Form".
4. Count the cash with duly care for each transaction paid and received.
5. Reconcile the balance of cash in hand plus cash paid with the imprest level on daily basis.

Don'ts

1. Don't deposit the petty cash fund in the cash custodian or any individual's personal bank account.
2. Don't use the petty cash fund to pay any items out of the usage scope or not permissible as stated in the clauses 5.3.7 of this manual.

5.4 Reconciliation and Physical Verification of Petty Cash

- 5.4.1 Reconciliations prepared by the Petty Cash Custodian will be reviewed by the FH (refer to Appendix 5: Petty Cash Reconciliation Form).
- 5.4.2 Petty cash checks/audits will be performed randomly throughout the year (e.g. quarterly, before public holidays etc.) by an authorized personnel other than the custodian to ensure proper handling and recording of petty cash at any point in time. The Internal Auditor shall be involved in the random petty cash audits/checks.
- 5.4.3 A report should be prepared documenting the random petty cash check stating the date of the Petty Cash Audit, signature of authorized personnel for verification, and the verification of the funds and discrepancies, if any.
- 5.4.4 Any unjustified discrepancies shall be charged to the Petty Cash Custodian.

5.5 Identifying Shortfall and Surpluses

- 5.5.1 Cash flow forecasting aims to identify where, when, and in what currency the cash flows are expected to occur allowing management the ability to optimize the use of the available cash. Finance Department shall decide and plan how shortfalls shall be funded and how surpluses shall be invested.
- 5.5.2 Expected cash flows should be identified in terms of amount, date and type.
- 5.5.3 Finance Department shall maintain and update on a monthly basis the cash forecast in order to develop:
 - ▶ Prospect short term investments schedule, including:
 - Available cash for operations (in all currencies)
 - Timeframe for availability of cash (in days)
 - ▶ External funding requirements schedule:
 - Required cash (in all currencies)
 - Timeframe of funding gap (in days)
 - Available external fund recourses considering cost of funding and maturity.

5.6 Funding Shortfall

- 5.6.1 The Finance Department shall arrange, coordinate and recommend funding sources and plans for shortfalls and gaps between cash flows to meet the Group's financial commitments in an efficient and effective manner. Such recommendations shall be raised to the Co-Managing Director and Managing Director for review and approval. Further approval shall be taken by the BOD based on the authority matrix.
- 5.6.2 The Finance Department shall optimize access to external sources of funds in order to maximize the value of using external funds to cover shortfalls and gaps, considering the below factors:
 - ▶ Availability of compliant funding instruments/products

- Cost of funding from external sources
- Maturity of funding from external sources

5.7 Procedures

No.	Activities	Action Taken by	Key form/ Template
Petty Cash Payment & Recording			
1.	Initiate the replenishment process by filling out a petty cash replenishment form with approval from Department Head. Submit the form to Finance Department	Petty Cash Custodian	Appendix 4: Petty Cash Replenishment Form
2.	Perform detail review of petty cash replenishment form with supporting documents.	FH	Appendix 4: Petty Cash Replenishment Form
3.	Use the necessary GL account code pertaining to the related petty cash expenses replenishment. The system requires GL account code to proceed with the process of disbursing.	Purchase Officer	
4.	Perform detailed review of replenishment through draft purchase order (PO) with supporting documents and accounting entries made by the purchase officer.	FH	Appendix 4: Petty Cash Replenishment Form and Draft Purchase Order
5.	Generate and print the approved PO. Forward the hardcopy to MD/CMD.	Purchase Officer	
6.	Review and sign the PO to indicate authorization of the transaction.	MD/CMD	
7.	Record the necessary accounting entries in system related to petty cash payment and prepare cheques.	Disbursement Officer	
8.	Review cheques prepared, supporting documents and bank details used.	FH	Appendix 4: Petty Cash Replenishment Form
9.	Review and sign check.	Authorized signatories	
10.	Encash the cheques for petty cash.	Liaison Officer	
11.	Petty cash custodian will collect the cash and acknowledge the receipt of cash.	Petty Cash Custodian	

No.	Activities	Action Taken by	Key form/ Template
12	Affix “PAID” on all supporting documents to avoid duplicate processing. File original entries along with the supporting documents in Unit’s records.	Disbursing Officer	
Reconciliation of Petty Cash			
1.	Weekly preparation of reconciliation by comparing GL balance with petty cash records (transactions and their supporting documents) - Affix signature on reconciliation form. - Send for further approval. - In case of mismatch, investigate discrepancy and propose correcting entry in the system to ensure zero differences.	Petty Cash Custodian	Appendix 5: Petty Cash Reconciliation Form
2.	Review reconciliation and the proposed correcting entry in the system, if applicable.	FH	
3.	Approve and post entries in the system.	FH	
Identifying Funding Shortfalls and Surpluses			
1.	For each period (month) identify the net flow of funds to identify: - Funding shortfalls / gaps. - Funding Surpluses. - Submit the updated cash flow forecast to CMD/MD	FH	
2.	Review and approve the updated cash forecast.	CMD/MD	
3.	Review and approve the schedules in order to take appropriate course of action	CMD/MD	
Funding Shortfalls			
1.	Review the available options to fund shortfalls and gaps, analyse them and choose the best alternative available. Contact external source of fund provider, as necessary, to discuss further financing funding shortfalls and gaps	FH	
2.	Provide funding option details to Finance Department.	CMD	

No.	Activities	Action Taken by	Key form/ Template
3.	Recommend choosing the best option for funding and submit it for approval to Finance Head.	CMD	
4.	Review external funding recommendation and provide approval	MD	
5.	Update cash forecast to reflect the external funding arrangement for the current and future cash flows	Finance Head	
6.	Review and approve the updated cash forecast	MD	

Accounting Manual			
Chapter Name	Banking Transactions and Relationship Management	Chapter Number	6
Effective date		Revision date	

6. Banking Transactions and Relationship Management

6.1 Introduction

- 6.1.1 This chapter establishes responsibility, and provides guidelines, for appropriate and consistent accounting treatment of all banking transactions of the Group and its relationship management.

6.2 Bank Payment Policy

- 6.2.1 All payments exceeding the petty cash fund limit of Php5,000 per transaction should be made through cheque or bank transfer.
- 6.2.2 The Finance Department shall initiate the payment transactions after obtaining the required approvals from the concerned departments.
- 6.2.3 All cheque or bank transfers shall be signed by authorized signatories, in accordance with the Group's policy.
- 6.2.4 The following principal disbursement activities at Starport PH and its affiliates shall be assigned to different persons within the organization to maintain proper segregation of duties and controls:
- Initiating/ requesting the payments
 - Approving the requests
 - Making the payments (Cheque or Bank Transfer)
 - Recording payments
 - Reconciliation of payments
- 6.2.5 All outgoing cheques should be logged in an outgoing cheque report.
- 6.2.6 Cheques issued, but not delivered or presented to the bank, become null and void after five months from date of issue and should be cancelled by a reversal entry. Cancelled cheques should be marked "VOID".
- 6.2.7 Signatures on blank cheques shall not be permitted.

- 6.2.8 Bank transfers should be prepared based on the determination that the transaction is valid and is in accordance with the relevant policies.
- 6.2.9 Segregation of duty should be maintained for the execution of bank transfers, meaning, initiators, approvers, and recorders should all be different individuals.
- 6.2.10 Bank payments will normally include (but not limited to) the following:
- Payments to vendors/suppliers for goods and services and other administrative supplies.
 - Payment for purchase of fixed assets (e.g. office equipment, furniture, etc.).
 - Replenishment of petty cash fund balances.
 - Repayment of loans.
 - Any other payments etc.
- 6.2.11 No transaction should be entered or posted in the system without the support of original documents. Original documents must be attached along with the entry posted and filed with the Finance Department.
- 6.2.12 Advanced invoices or photocopy of invoices will only be allowed for those transactions that will require advance payment to process the service. In these cases, the Company may temporarily accept clear scanned copy sent by the branch provided it is supported by contracts or agreements. The Finance Department shall strictly monitor and properly track the status of the scanned copies and ensure the receipt of the original invoices.

6.3 Electronic Banking Service Policy

- 6.3.1 When the bank provides the Company options to view its accounts online and to make bank transfers through the internet services, the access to such activities must be controlled.
- 6.3.2 No employees beside the Finance Head shall have access to view the banking accounts of Starport PH and its affiliates, except the Disbursement officer, Credit & Collection Team and Reconciliation officer for accessing the bank statement if an approval has been obtained from the FH after highlighting the justification for it.
- 6.3.3 Finance Department employees shall not share their usernames and passwords to the electronic accounts with anyone, whether an employee or a third party.
- 6.3.4 The Managing Director will give access to the Disbursement Officer to make electronic bank transfers. After obtaining Managing Director's approval, this employee will only have access to execute the bank transfers online. If the Disbursement Officer resigns from the Company, the Finance Department shall take immediate action to cancel his access and provide the access to his replacement.
- 6.3.5 Electronic bank transfer shall strictly be used for Government Remittances only.

6.4 Cash/cheque Received Policies

- 6.4.1 All cheques received should be in the name of the Company and not in the name of any individual or employee of the Group. Otherwise, necessary actions shall be taken. These actions include investigation and if proven to be act of mischief, appropriate sanctions will be imposed. (refer to Company's Code of Discipline)
- 6.4.2 All payments from concerned parties shall be received by the Credit & Collection team who will review the payments accuracy and deposit the payments at the bank.
- 6.4.3 The Credit & Collection team shall issue collection receipts for the payment received and post necessary journal entries.
- 6.4.1 All incoming cheques will be logged in an incoming cheque report.
- 6.4.2 All dated cheques shall be deposited daily in the collection bank accounts of Starport PH and its affiliates i.e., on the day of receipt.
- 6.4.3 Post dated cheques (PDC) should be kept overnight, under the custody of Finance Head in a secure cabinet.

6.5 Bank Authorities Signatories Policies

- 6.5.1 Bank account signatories shall be established to enable signature at an appropriate level of authority within the Group. The bank account signatories shall be recommended and approved by the MD.
- 6.5.2 Any change to the bank authorized signatories shall be authorized in accordance with the Company's policy.
- 6.5.3 Persons selected as Starport PH and its affiliates' bank account signatories shall have no responsibility for processing checks/fund transfers or reconciling bank accounts, in order to maintain segregation of duties for proper control.
- 6.5.4 Banks shall be notified promptly of all changes in the authorized signatories and their related limits.

6.6 Reconciliation of Bank Accounts

- 6.4.4 The person who prepares the bank reconciliation shall be independent of the person managing cash and executing payments.
- 6.4.5 Only authorized personnel within the Finance Department should have access to bank account reconciliation information, i.e. those whom prepare and review bank reconciliation.
- 6.4.6 Bank reconciliations shall be prepared on a monthly basis and be performed within the first week after month-end closing.
- 6.4.7 Any non-reconciling items will be treated swiftly in coordination with external and internal parties, under the direct supervision of the Finance Head.

- 6.4.8 Adjustments (if any) should be made in the books to reconcile the GL with the bank statement balances.
- 6.4.9 At a minimum, bank reconciliations should certify that:
- Entries are accurate and correspond with the Company's and its affiliates financial records. (These include deposits, wire transfers, withdrawals, expenditures and revenues on bank statements and monthly financial reports.)
 - All reconciling items have been identified and included.
- 6.6.1 Reconciling items shall include:
- Reconciling items that would clear over a period of time.
 - Reconciling items requiring adjustments to clear them, either by the bank or with an adjustment entry in the financial records.
- 6.6.2 Reconciling items which have been carried forward from the previous month's reconciliation should be highlighted and investigated.
- 6.6.3 Bank reconciliations should be filed with the Finance Department and made available to internal auditors, and external auditors, upon request.
- 6.6.4 Supporting documentation for the bank account balance, general ledger account balance and significant reconciling items should be attached to the reconciliation.

6.7 Procedures

No.	Activities	Action Taken by	Key form/ Template
Bank Payment (Cheque and Bank Transfer)			
1.	Accomplish an e-PR.	Requestor	
2.	Review and approve the e-PR.	1 st Approver – Department Head 2 nd Approver – GM	
3.	Review the supporting documents and make Purchase Order (PO) for the approved e-PR and record the necessary accounting entries.	Purchasing Officer	
4.	Review the supporting documents and the GL accounts used. If all are in order, approve the PO. If denied, have the purchasing officer revise the PO.	FH	
5.	Generate and print the approved PO. Forward the hardcopy to MD/CMD.	Purchase Officer	
6.	Review and sign the PO to indicate authorization of the transaction.	MD/CMD	

No.	Activities	Action Taken by	Key form/ Template
7.	Review the supporting documents attached with payment request i.e. contract, invoice, and pre approvals, etc. Ensure that the approved and signed PO is the same with the system. Prepare bank payment entry, cheque and submit it to Finance Head along with supporting documents.	Disbursing Officer	Payment Request and supporting documents
8.	Review the bank payment entry, cheque and supporting documents.	FH	
9.	Review and sign on the cheque.	Authorized cheque's signatories	
10	Contact the beneficiary to arrange for cheque collection Update the cheques' log sheet with the status of the cheques.	Disbursing Officer	
11	File copies of cheques or transfer details in department's records.	Disbursing Officer	
12	Stamp the documents as "PAID" for safekeeping.	Disbursing Officer	
Reconciliation of Bank Accounts			
1.	▶ Receive or download bank statements for relevant bank accounts. ▶ Perform periodic bank reconciliations of all bank accounts with the general ledger records and the bank position report. ▶ Obtain the following for each bank account: previous period's bank reconciliation, GL record for the respective period of reconciliation, and bank account statement for the respective period of reconciliation. ▶ Prepare a standard bank reconciliation statement and input the following information: bank name, bank account number, account currency, reconciliation date, and balance on the bank account statement as of the reconciliation date.	Reconciliation Officer	Appendix 6: Bank Reconciliation Form
2.	▶ Record details of receipt and payment items, on the bank statement but not in the system, or in the system but not in the bank statement, according to the following: Transaction date, transaction/cheque number or description, and transaction amount.	Reconciliation Officer	

No.	Activities	Action Taken by	Key form/ Template
	▶ Sum up the balance columns on the bank reconciliation statement and affix signature. ▶ Request explanation for items and supporting documentation, if required. ▶ Prepare adjusting entries in the system and prepare relevant documents to account for necessary adjustments.		
3.	Review and approve the bank reconciliation statement.	FH	
4.	File bank reconciliations, adjustment entries and supporting documents.	Reconciliation Officer	

Accounting Manual			
Chapter Name	Inventory Management	Chapter Number	7
Effective date		Revision date	

7. Inventory Management

7.1 Introduction

- 7.1.1 This section establishes policies and procedures that can be used to account for the Inventory transactions at Starport PH Holdings, Inc. and its affiliates.

7.2 Inventory Accounting Guidance

- 7.2.1 *Philippine Accounting Standard (PAS) 2: Inventories* states that Inventories are assets held for sale in the ordinary course of business, in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in rendering of services.
- 7.2.2 Inventories shall be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- 7.2.3 The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
- 7.2.4 The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.
- 7.2.5 There are several methods of costing being used when it comes to computation of Inventory balance.
- a) First-In, First-Out (FIFO)
- FIFO method probably gives the closest approximation to actual cost flows, since it is assumed that when inventories are sold or used in a production process, the oldest are sold or used first. Consequently, the balance of inventory on hand at any point represents the most recent purchases or production. The FIFO method, by allocating the earliest costs incurred against revenue, matches actual cost flows with the physical flow of goods

reasonably accurately. In practice, the FIFO method is generally used where it is not possible to value inventory on an actual cost basis.

b) Weighted Average Cost

The weighted average method, which like FIFO is suitable where inventory units are identical or nearly identical, involves the computation of an average unit cost by dividing the total cost of units by the number of units. The average unit cost then has to be revised with every receipt of inventory, or alternatively at the end of predetermined periods. In practice, weighted average systems are widely used in packaged inventory systems that are computer controlled, although its results are not very different from FIFO in times of relatively low inflation, or where inventory turnover is relatively quick.

c) Last In, First-Out (LIFO)

LIFO, as its name suggests, is the opposite of FIFO and assumes that the most recent purchases or production are used first. In certain cases, this could represent the physical flow of inventory (e.g., if a store is filled and emptied from the top). However, PAS 2 prohibits the use of the LIFO method. LIFO is an attempt to match current costs with current revenues so that profit or loss excludes the effects of holding gains or losses.

7.2.6 Difference between inventory and Property, Plant, and Equipment (PPE).

7.2.6.1 Outlined below are the guidance in classification when they meet the definitions as either Inventory or Property, Plant, and Equipment (PPE).

i. PAS 2 *Inventories*. Inventories are assets:

- ▶ held for sale in the ordinary course of business;
- ▶ in the process of production for such sale; or
- ▶ in the form of materials or supplies to be consumed in the production process or in the rendering of services.

ii. PAS 16 *Property, Plant, and Equipment*. PPE are tangible items that:

- ▶ are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- ▶ are expected to be used during more than one period.

The cost of an item of property, plant and equipment comprises of the following:

- 1) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- 2) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;

Examples of directly attributable costs are:

- a) costs of employee benefits (as defined in PAS 19 *Employee Benefits*) arising directly from the construction or acquisition of the item of property, plant and equipment;
 - b) costs of site preparation;
 - c) initial delivery and handling costs;
 - d) installation and assembly costs;
 - e) costs of testing whether the asset is functioning properly (ie assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes);
 - f) professional fees.
- 3) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

7.3 Inventory Policies

- 7.3.1 Inventory account shall be used for financial reporting purposes to reflect amounts held for sale by the Starport PH and its affiliates to its customers and potential customers
- 7.3.2 The Group is using weighted average method to account for the price of their inventories. In this method, the price of inventory is equal to the cost of suppliers' invoice per bag plus the distribution of freight and other transport costs such as arrastre, wharfage, allowance for damages, insurance for loading and ferries, commission. In applying weighted average inventory costing, average unit cost is computed by dividing the total cost of units by the number of units.
- 7.3.3 Inventory should be recorded net of any deductions or discounts where it is possibly and economically justified guided by subsection 7.2.4 of this manual.
- 7.3.4 Inventory analysis shall be performed on regular intervals including the when and how many bags are needed in re-order point calculation
- 7.3.5 Inventory count whether virtual or actual should be made in a regular basis and should use an inventory count sheet (see Appendix 12: Inventory Count Sheet) with signatures both from the observer and who conducted the count
- 7.3.6 Inventory reconciliation shall be prepared and performed within the first week after physical inventory count. The Company shall utilize the inventory reconciliation form for proper documentation (see Appendix 13: Inventory Reconciliation Form). All deviations above the

expectations shall be properly addressed. The result shall be brought into the knowledge of the MD and/or CMD.

- 7.3.7 Any necessary adjustments noted shall be made in the system to reconcile the GL with the result of physical count.
- 7.3.8 Ultimately, the discrepancy between the actual number of items in the inventory and what the records show should be reconciled and matched by recording any shortages as a loss subject to the final approval of MD and/or CMD. On the other hand, any unusual overages shall also be investigated.

7.4 Inventory Management

- 7.4.1 The Group may use an application or software which can help in tracking the movements of its inventory items.
- 7.4.2 The ambient temperature for storage should be maintained at humidity level which the standards identified as suitable. The warehouseman shall use a measurement device to monitor the temperature.
- 7.4.3 A wooden platform of height 150 to 200 mm is placed on the floor of the warehouse to avoid the direct contact between the floor and cement bags. On the wooden platform, the cement bags should be arranged one above the other which forms stack of cement bags. This is a guideline only and actual stocking may vary across warehouses.



- 7.4.4 Each stack should be closely connected to avoid the circulation of air. To prevent collapsing of high stacks, cross arrangement of bags one above the other is preferable. All the stacks are covered with water-proof layer for long term protection.
- 7.4.5 The use of forklift in storing newly arrived stocks for neat and accurate placement. Other advantages are Employee's safety, manoeuvrability and load capacity and human requirement reduced.
- 7.4.6 The shelf life of cements is 5-6 months, First In, First Out (FIFO) inventory method must be applied to ensure that older stocks will be sold earlier than newer stocks.

- 7.4.7 When organizing the warehouse, it is important that new stocks are not stacked on old stocks. Older inventories should be stored separately from new inventories in order to easily adhere with FIFO method
- 7.4.8 Recently purchased inventory shall undergo quality check prior to storing in the warehouse. Goods that failed to meet the standard quality should be reported to the Warehouse Operations Supervisor for further assessment.
- 7.4.9 The Warehouse Operations Supervisor is responsible for overseeing the flow of the Company's inventory which includes coordination between the inventory inflow and outflow with loading and storage activities.
- 7.4.10 In cases items were damaged due to transport, the management should be informed immediately and the cause of damage should be investigated. If the damaged item is determined to be saleable, the warehouseman should re-bag the item immediately to avoid exposure to humidity and moisture. On the other hand, if the items are not saleable, the cost of the item should be charged as loss to the trucker.
- 7.4.11 Likewise, damaged stocks in the warehouse shall also be classified as saleable or not. If saleable, the warehouseman shall perform re-bagging. If not, the item shall be removed from the warehouse upon the approval of MD. Once approved, the cost shall be charged to inventory adjustment.
- 7.4.12 For proper maintenance of inventory, the Group shall apply the following:
- a. Performance of periodic inventory count is a must to ensure that all inventories are accounted for and reported in accordance with the established policies (refer to Appendix 12: Inventory Count Sheet and Appendix 13: Inventory Reconciliation Form for the template).
 - b. Inventory shall be maintained at an adequate level to meet customer demand.
 - c. Coordinate with customer service and logistics departments.
- 7.4.13 Employees must be properly trained in asset inventory management. Treatment in case of losses. Cost Accounting general principle provides the treatment for the following kinds of inventory losses:

Normal Loss are expected losses inherent in the production process and should be apportioned over the remaining units. The cost of normal losses will be absorbed by the good units produced increasing the cost per unit.

Since the Company applies weighted average costing of inventory, normal loss should be allocated to the computation of good units.

Abnormal Loss are unexpected losses which are typically caused by accident or carelessness, theft, loss due to fortuitous events, and accidents in transit.

The following are the features of Abnormal loss:

- It is unanticipated loss
- Losses occurred due to unusual events
- It is not inherent to the production or manufacturing process
- It can be calculated as the difference between actual loss and expected loss
- It can be minimized with appropriate preventive measure

It shall be treated in a separate loss account

7.4.14 In maintaining proper inventory levels, it is a must to balance customer demands and supplier reliability. Failure to assess the inventory level to account for unexpected supply or demand problems can be costly due to the potential increase in cost for warehouse storing. To minimize over and under inventory supply, the Group shall calculate the re-order point for each type of product.

- Reorder point** is the minimum stock level inventory for each product that triggers to order more products to avoid running out of inventory. When calculating reorder point, lead time should be considered for the time taken before inventory can be replenished.

The reorder point can be computed as follows:

$$\text{Reorder Point} = \text{Demand during lead time} + \text{safety stock}$$

Lead time is the number of days between placing an order and time to receive the order. It can be longer depending on the location of the supplier. The demand during lead time can be computed by multiplying the lead time to the average daily sales. On the other hand, safety stock is the excess product on hand set aside for emergency or supply chain problem.

To find the proper safety stock of a product, the following must be considered:

- Multiply the maximum number of daily orders by the maximum lead time that maybe required in case of supplier delays
- Multiply the average number of daily orders by the average lead time
- Subtract the result of letter b from letter a

$$\text{Safety Stock} = (\text{Maximum daily orders} \times \text{Maximum lead time}) - (\text{Average daily orders} \times \text{Average lead time})$$

Chapter Name	Revenue Recognition	Chapter Number	7
Effective date		Revision date	

8 Revenue Recognition

8.1 Introduction

- 8.1.1 This chapter establishes responsibility and provides policies and procedures for appropriate and consistent accounting treatment for all revenue related transactions within the Group.
- 8.1.2 Revenue is the gross inflow of economic benefits arising from the ordinary operating activities of the Group.

8.2 Revenue Recognition Accounting Guidance

- 8.2.1 The purpose of revenue recognition policies and procedural guidelines is to prescribe the appropriate accounting policies and procedures to be applied to account for revenue in accordance with *PFRS 15 Revenue from Contracts with Customers* and leading practice.
- 8.2.2 The scope of revenue recognition policies and guidelines includes:
- ▶ Recognition Criteria.
 - ▶ Measurement of Revenues.
- 8.2.3 The core principle of PFRS 15 is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
- 8.2.4 Revenue is recognized when control is transferred to the customer, either over time or at a point of time.
- 8.2.5 Revenue recognized reflects the transfer of controls of the asset to the customer, described as satisfaction of performance of obligations.
- 8.2.6 The amount of the revenue recognized is equal to the consideration the entity is entitled to for satisfying the entity obligation.

8.3 Revenue Recognition Policies

- 8.3.1 In accordance with *PFRS 15 Revenue from Contracts with Customers*, Starport PH Holdings, Inc. and its affiliates shall recognize its revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which Starport PH and its

affiliates expects to be entitled in exchange for those goods and services. This core principle is delivered in a five-step model:

- Identify the contracts with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract (in case of multiple performance obligation)
- Recognize revenue when (or as) the entity satisfies a performance obligation.

8.3.2 The Group shall recognize revenue over a time if one of the following criteria is met:

- The customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs,
- The entity's performance creates or enhances an asset that the customer controls as the asset is created,
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

8.3.3 If above criteria did not satisfy, revenue shall therefore be recognized when control is passed at a certain point in time.

8.3.4 Contracts with customers shall be presented in the Group's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Group's performance and the customer's payment.

8.3.5 A contract asset shall be recognized when the Group's right to consideration is conditional on something other than the passage of time, for example future performance of the Starport PH and its affiliates.

8.3.6 A receivable shall be recognized when the Group's right to consideration is unconditional except for the passage of time.

8.3.7 A contract liability shall be presented in the statement of financial position where a customer has paid an amount of consideration prior to the entity performing by transferring the related good or service to the customer.

8.3.8 The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

8.3.9 Revenue Categories for Starport PH and its affiliates:

- Sales
- Other Income

8.3.10 Operating revenue is recognized when the service is rendered.

8.3.11 Other income is recognized on accrual basis.

8.3.12 The Finance Department shall involve in the process of reviewing services contracts with new customers prepared by the concerned Department as per policy.

8.4 Procedures

No.	Activities	Action Taken by	Key form/ Template
Operating Revenue			
1.	Create an electronic order slip (EOS) for the order.	Sales agent	
2.	Initially approve the EOS after verifying if the customer is an approved good customer in terms of credit and payment history. Check and review the requested payment term.	Credit and Collection	
3.	Approve the EOS if the price is within the approved range based on the list of process provided by the management.	Regional Sales Manager	
4.	Based on Approved e-OS, create a sales order (SO). Copy the SO to delivery (system form) to generate release order (RO) number. Post the RO (system form) containing RO Number in the Google Chat Group.	Releasing Officer	
5.	Release for pick up or deliver the items to customer.	Warehouseman	
6.	Copy the delivery (system form) to AR invoice. The system will automatically create an accounting entry to recognize the receivable and revenue. Post the accounting entries.	Releasing Officer	

Accounting Manual			
Chapter Name	Accounts Payable and Vendor Accounts	Chapter Number	9
Effective date		Revision date	

9 Accounts Payable and Vendor Accounts

9.1 Introduction

- 9.1.1 This section establishes policies and procedures that can be used to account for the Accounts Payable (AP) transactions at Starport PH Holdings, Inc. and its affiliates.

9.2 Accounts Payable Accounting Guidance

- 9.2.1 In accordance with *Conceptual Framework for Financial Reporting*, liability is defined as a present obligation of the entity to transfer an economic resource as a result of past events. Liabilities shall be recognized for amounts to be paid in the future when:
- ▶ It is probable that an outflow of economic resources embodying economic benefits will result from the settlement of a present obligation.
 - ▶ The amount at which the settlement will take place can be measured reliably.
 - ▶ Goods, services or assets have been received regardless of the receipt of the bill/invoice.
- 9.2.2 Accounts Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.
- 9.2.3 Long term liabilities, if any, should be discounted and disclosed at their present value in accordance with *PFRS 9 Financial Instruments: Recognition and Measurement*. Initial recognition value of the respective recognition of the assets or the expenditure should be at the present value.
- 9.2.4 If the time value of money is expected to be insignificant, the amount of liability should be identical to the accepted billed value of work done or services actually received by. Otherwise, the amount payable should be discounted to its present value at market rate.
- 9.2.5 Accounts Payable shall be recognized initially at fair value. Fair value can be determined directly by observing prices in active market. In the absence of market prices, the following can be used as an alternative in hierarchy to determine the fair value, a) use other observable inputs; b) use other valuation technique such as income and market approach and lastly, use

valuation technique from the perspective of a market participant that owes the liability or has issued the claim on an equity.

9.3 Accounts Payable Policies

- 9.3.1 Accounts payable account shall be used for financial reporting purposes to reflect amounts owed by the Reporting Company to different vendors and service providers.
- 9.3.2 The amount of liability in lieu of Accounts Payable should be identical to the accepted billed value of work done or services received by the Group.
- 9.3.3 Liabilities to vendors should be recognized once the Group certifies work done by the Vendor or otherwise as per the contract terms.
- 9.3.4 Provisions should be recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.
- 9.3.5 Amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the statement of financial position date.
- 9.3.6 Accounts payable analysis shall be performed on regular intervals. It is to be determined that Starport PH and its affiliates are making payments against amounts due to its vendors, at the time when such payments become due.
- 9.3.7 All deviations from above expectation shall be properly addressed and brought into the knowledge of the MD.
- 9.3.8 Accounts payable should be recorded net of any deductions or discounts where it is possibly and economically justified.
- 9.3.9 Accruals should be measured at a realistic and prudent estimate of the amount to be paid for the goods or services received.
- 9.3.10 Amounts recorded as payables should be supported by valid and appropriate documentation that should clearly show the basis for the amount recorded as a payable and the terms upon which payment is to be made.

9.4 Vendor Invoices Processing

- 9.4.1 All invoices detailing goods purchased or services received should be supported by an approved e-PR, Purchase Order (PO) and a Goods Receive Purchase Order (GRPO)/service completion certificate respectively duly approved.
- 9.4.2 Invoices without PO/GRPO/service completion certificate shall only be accepted if a valid contract or agreement is in place for such transactions.
- 9.4.3 Vendor invoices should be checked by the Disbursement Officer for clerical and calculation accuracy, agreement of unit cost and quantity received to the original contract/agreement or

- PO, GRPO and other supporting documents which is also known as three-way matching process. A three-way matching process must be conducted on individual invoice basis.
- 9.4.4 The Disbursement Officer should segregate all invoices under dispute and must maintain an issue tracker for disputed invoices. The items in the tracker should be mailed to the concerned parties in a timely manner in order to ensure that an appropriate action can be taken to resolve any outstanding issues.
- 9.4.5 Only invoices signed by concerned departments will be accepted and recorded by the Disbursement Officer. Any discrepant invoice shall be put on hold and communicated to the concerned department for invoice revision within two (2) working days.
- 9.4.6 The concerned department shall ensure that all rebates, discounts, returns, etc. are reflected in invoices and POs communicated to the Disbursement Officer.
- 9.4.7 The Finance Head shall ensure that the proper accounts have been debited and credited in the correct accounting period before posting to the General Ledger (GL).
- 9.4.8 The following information should be captured during the invoice recording process, but need not be limited to:
- Vendor/ Contractor Name
 - Related PO number, if applicable
 - Goods Receipt Purchase Order (GRPO) / Service Completion Certificate reference
 - Goods Received Date
 - Invoice Number
 - Invoice Value
 - Goods/Service Description
 - Payment Due Date or Payment Terms
- 9.4.9 The following shall be taken into consideration when processing vendor invoices:
- Retention/Withholding amount
 - Advance payments offsetting
 - Tax deductions, if applicable
- 9.4.10 Vendors shall be instructed to reference contract number or PO numbers on their invoices. Furthermore, PO/Contract numbers shall be referenced on the GRPO to facilitate three-way matching.
- 9.4.11 Additionally, the following check list shall be followed for reviewing and approving AP transactions:
- Transaction is necessary and appropriate
 - Goods or services receipts are evidenced and certified by the recipient
 - Invoice clearly shows the nature of the transaction, the parties involved, the exact amount, and date the transaction has occurred
 - Support documents substantiate the amount, the date and the nature of the transaction

- Support documents are on the Vendor's letter head, signed and stamped
 - Original documents are available
 - Correct accounts have been charged.
- 9.4.12 Once invoices are reviewed and posted, the Disbursement Officer should ensure that all successfully matched vendor invoices are transferred for payment approval.
- 9.4.13 On a monthly basis, the status of the vendor invoices must be tracked in the accounting system for:
- Invoices received but not recorded in the accounting system.
 - Invoices parked but not posted in the accounting system.

9.5 Vendor Payments

- 9.5.1 For all vendors with whom agreements/contracts are signed at the initiation of the purchase/service, payments should be made per the credit terms mentioned in the agreement/contracts.
- 9.5.2 For other vendors, without agreements or contracts, credit terms should be agreed in the PO or at the time of vendor selection. Such agreed credit terms should be captured in the system.
- 9.5.3 The Finance Head should ensure that the credit terms are accurately updated in the accounting system as per the agreement/contract signed by both parties.
- 9.5.4 The Disbursement Officer should review payables ageing to identify due payments for purchases. This should be performed on a weekly basis for payments scheduled.
- 9.5.5 The Disbursement Officer should validate payment entry against the original invoice, supporting documents and payment due date before validating the same.
- 9.5.6 Once the Payment entry is reviewed and validated by the Disbursement Officer, it should be forwarded for review and approval by the Finance Head.
- 9.5.7 All disbursements to Vendors shall be made by check or bank transfer.
- 9.5.8 All checks and bank transfers shall be signed by an authorized signatory.
- 9.5.9 Payments are to be made only for invoices due as per credit terms unless contract stipulates advance payment to the Vendor.
- 9.5.10 In cases where a discount for early payment is offered, the payment due dates shall be taken into consideration to weigh the benefit of the early settlement discount opportunity.
- 9.5.11 When processing payments, the confirmed Statement of Accounts and the related supporting documents shall be attached to the payment entry.
- 9.5.12 An official receipt or alternative proofs such as bank transfer slips shall be obtained from the vendor when payment is made.
- 9.5.13 The Internal Auditor shall check the documents after the process/transaction. The Internal Auditor should ensure that the process made is in compliance with the policy. In the event of

non compliance, the internal auditor shall immediately inform the BOD and perform further investigation. When theft and fraud were determined, inform the BOD and take legal actions.

9.6 Vendor Invoice Adjustments – Debit/Credit Memo

- 9.6.1 Vendor invoice adjustments shall be required for cases such as purchase returns and for any invoice errors.
- 9.6.2 Vendor adjustments shall be processed through a credit/debit memo duly approved in line in accordance with contract terms.
- 9.6.3 Disbursement Officer should ensure that all proper supporting documents have been provided by the concerned department and review the same before processing the debit note.
- 9.6.4 In case of any unclear information in the supporting documents, the Disbursement Officer should ensure clarifying them from the related Department prior to submitting them for approval.
- 9.6.5 The Disbursement Officer should ensure parking the debit/credit note in the system after receipt of vendor confirmation or as per contract terms.

9.7 Vendor Master Records

- 9.7.1 Finance Department must identify the individuals who are given authority to create or carry out the changes to the vendor master files in system. Access to vendor master changes should be restricted to Finance Head.
- 9.7.2 User/Trading Function are responsible for ensuring that authorized vendor creation/change request is submitted to the Finance Department whenever a change in the vendor master records is required.
- 9.7.3 Every Vendor Account Request shall be supported by the following documents that shall be verified by Finance Head:
 - BIR form 2303
 - Supplier official name
 - Registered Address
 - Contact details
 - Bank Account Details
 - Payment Terms
 - Agreement with Supplier (if applicable)
- 9.7.4 The Finance Department shall perform a quarterly review of the vendor master file to identify any inactive vendor. Any vendor that has been blocked or removed from the financial system, must be automatically removed from the records of the Procurement/ Trading Function to prevent further purchase orders from being placed against that vendor.

9.8 Procedures

No.	Activities	Action Taken by	Key form/ Template
Purchase Order Processing			
1	Department representative to request an item to purchase through e-PR.	Requestor	
2	Review and approve the e-PR for further processing, after confirming the details.	1 st approver – Department Head 2 nd Approver – CMD	
3	Forward the approved request to the Sourcing Agent (for merchandise items) or Purchasing Officer (for non-merchandise items and services).	Requestor	
4	Route 2-3 quotations, obtain CMD's approval for the selected quotation. Prepare purchase order and obtain Finance Head's approval.	Sourcing Agent/Purchasing Officer	
5	Review the supporting documents and approve the PO. If denied, have the purchasing officer revise the PO.	FH	
6	Generate and print the approved PO for final approval of MD.	Sourcing Agent/Purchasing Officer	
7	Review and sign the PO.	MD	
8	Prepare and generate GRPO once the inventorable/merchandise items is received.	Inventory Officer	
Vendor Invoice Processing			
1	Verify and match the invoice details with the supporting documents. A three-way match is performed between the Invoice, PO and GRPO (if any) for unit price, quantity and value.	Disbursement Officer	
2	Segregate all disputed invoices and forward the items to the Sourcing Agent/Purchasing Officer to resolve the discrepancy.	Disbursement Officer	

No.	Activities	Action Taken by	Key form/ Template
3	Coordinate with the vendor to obtain necessary information/documentation. Obtain corrected invoice/credit note from vendor and send the revised documents to Finance Department.	Sourcing Agent/Purchasing Officer	
4	Review the updated documents and record the invoice in the accounting system. Generate check voucher (CV)	Disbursement Officer	
Vendor Payment Processing			
1.	Every week, generate the payables ageing report from the accounting system to identify any invoices due for payment.	Disbursement Officer	
2.	Identify the due payments and prepare the payment listing and forward for review.	Disbursement Officer	
3.	Review and verify all supporting documents. Review the documents and identify the suitable mode of payment for each transaction. Sign the generated check voucher (CV).	FH	
4.	Submit Cheque along with the payment entry for review.	Disbursement Officer	
5.	Review and approve payment entry. Submit the payment entry along with cheque / bank transfer letter and supporting documents to Authorized Signatories for signature.	FH	
6.	Receive the approved cheque and inform supplier / concerned department to collect the cheque and obtain acknowledgement from personnel collecting the cheque.	Disbursement Officer	
7.	Review and post the payment entry in the system. Stamp the document as “PAID”.	Disbursement Officer	
Vendor Invoice Adjustments – Debit / Credit Memo			

No.	Activities	Action Taken by	Key form/ Template
1.	Receive request from respective department for invoice adjustments along with the acknowledgment from supplier and supporting documents.	Disbursement Officer	
2.	Review the request along with supporting documents and make an adjustment if necessary.	Disbursement Officer	
3.	Review, and approve the adjustment entries	FH	
4.	Post the adjustment entries. Stamp the documents as “POSTED”.	Disbursement Officer	
5.	File the relevant documents for future reference.	Disbursement Officer	
New Vendor Creation			
1.	Receive request from Purchasing/User Function for creation/change of Vendor Master Data. Identify the need for creating a new supplier at the time of receiving an invoice for payment.	Disbursement Officer	
2.	Ensure that the following details are available for the supplier: BIR form 2303 (if applicable) Supplier Name & Registered Address Contact details & Point of Contact Bank Account Details Payment Terms Agreement with Supplier (if applicable)	Disbursement Officer	
3.	Coordinate with Purchasing/User Function to resolve any discrepancies.	Disbursement Officer	
4.	Obtain approval from Finance Head for creation/amendment of vendor record.	Disbursement Officer	
5.	Create account in system and input supplier details.	FH	

No.	Activities	Action Taken by	Key form/ Template
6.	Generate the Vendor Master Report on a quarterly basis for reviewing accuracy and completeness of records in the system.	FH	
7.	Review all recent edits performed to the Vendor Master records and verify validity and authorization.	FH	
8.	Investigate any discrepancies and advise Disbursement Officer for any amendments required in the vendor master records.	FH	

Chapter Name	General and Administration Expenses Policy	Chapter Number	10
Effective date		Revision date	

10 General and Administration Expenses Policy

10.1 Introduction

- 10.1.1 This chapter depicts the policies and procedures related to recording and allocation of general and administrative expenses.
- 10.1.2 The purpose of general & administrative expenses policies and procedures is to establish a framework so that all general and administrative expenses which have been properly authorized, reviewed and approved are properly accounted for and paid in accordance with Starport PH Holdings Inc. and its affiliates' credit terms.

10.2 General and Administration Expenses Policy

- 10.2.1 The scope of general & administrative expenses policies and procedures includes all general & administrative expenses incurred by the Group.
- 10.2.2 The respective User Departments/ Departments (e.g. HR & Admin Department, Finance Department) will have the primary responsibility to initiate general & administrative expenses, resulting in receipt of purchased items or services.
- 10.2.3 All general & administrative expenses transactions will go through the following process same with PO process:
- Authorization of payment
 - Allocation & recording of general & administrative expenses
 - Accrual of liability
 - Payment of expenses/liability
- 10.2.4 All expenses incurred must be directly related to or associated with the active conduct of official business with no personal benefit derived by the source of expense or other employees.
- 10.2.5 No expense should be incurred without a written service agreement contract or a formal request to provide service which has been approved in accordance with the Starport's policy.
- 10.2.6 General & administrative expenses will be directly charged to the respective departments if wholly incurred for the benefit of that department of the Group.

- 10.2.7 All expenses must be accompanied by original receipt or supporting documentation detailing the approving authority. Refer to 6.2.12 of this manual for the accepted photocopies and scanned invoices.
- 10.2.8 All expenses incurred should be cost effective and in accordance with the best use of the Group's funds.
- 10.2.9 General & administrative expenses of Starport PH and its affiliates shall be categorized according, but not limited to the following;
- Staff costs (basic salary, accommodation/ telephone/transport allowances, EOSB, overtime, marriage allowance, medical, pension, school fee, fuel, rent etc.)
 - Office expenses (grocery, printing & stationary)
 - Advertising & marketing expenses (advertising, business promotion, sponsorship, exhibition and events etc.)
 - Consultancy fees
 - Representation expenses
 - Communication expenses (telephone, fax, internet etc.)
 - Insurance expenses (vehicles and buildings etc.)
 - Postage & courier expenses (courier charges)
 - Repairs & maintenance expenses
 - Transportation and travel expenses
 - Staff development expenses (educational, seminars & conferences, subscription & membership, training etc.)
 - Statutory expenses (license fee etc.)
 - Depreciation expenses
 - Other expenses
- 10.2.10 In order to ensure that the approval of expenses is entirely independent, the Head of the concerned department should sign off on the expenses, within their authorized limits.
- 10.2.11 In addition, individuals with delegated approving authority shall not approve their own expenses.
- 10.2.12 The Finance Head shall review and approve the proposed accounting treatment and general ledger posting of all transactions.
- 10.2.13 The Finance Department shall promptly process and settle all invoices and other financial liabilities that have been properly approved for payment by the user Department in accordance with Starport PH's credit terms with the vendor.
- 10.2.14 Accrued expenses represent amounts due for services or benefits that the Group has received but have not yet been paid.
- 10.2.15 At the close of each month, accrual procedures will be performed so that all expenses related to that month are properly included in Starport's financial statements.

- 10.2.16 Accrual process shall be accomplished in a timely and accurate manner and should be in compliance with all applicable financial and accounting standards.
- 10.2.17 In determining what accruals should be made, it shall be considered that expenses are incurred during the month being closed; i.e. the product or service must have been received on or before the last day of the month in order to qualify as an expense.
- 10.2.18 General & administrative expense reports must be filed by the employee/User Department:
- Not later 3 business days after completion of each event.
 - With original receipts attached.
- 10.2.19 The following disclosures need to be made in the financial statements:
- When items of expense are material, the Group shall disclose their nature and amount, separately and not aggregated.
 - The Group shall present an analysis of expenses recognized in profit or loss using a classification based on either their nature or their department within the Group, whichever provides information that is reliable and more relevant in accordance with PAS 1, *Presentation of Financial Statements*.
 - The Group classifying expenses by department shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.

10.3 Procedures

No.	Activities	Action Taken by	Key form/ Template
Recording of General and Administrative Expenses			
1.	Receive approved expenses report and bills from User Department and verify the following: • Signatures, accuracy of totals, and supporting documentation and receipts.	Disbursement Officer	
2.	Photocopies of bills/receipts will not be acceptable in any case. If the receipts are not readily available, the Group shall apply the policy stated in part 6.2.12 of this manual. In case of error, expenses report is sent back to the user for rectification.	Disbursement Officer	
3.	Prepare relevant payment entries. Attach entries with supporting documents and send it for review.	Disbursement Officer	

No.	Activities	Action Taken by	Key form/ Template
4.	Review and sign on the payment entries and supporting documents.	Finance Head	
5.	Review expense reports. Post entry in the system.	Finance Head	
6.	Affix stamp of 'POSTED' on entry and supporting documents to avoid duplicate processing.	Disbursement Officer	

Chapter Name	Chart of Accounts	Chapter Number	11
Effective date		Revision date	

11 Chart of Accounts

11.1 Introduction

- 11.1.1 This section establishes policy and procedures to serve as a framework for the management of Chart of Accounts (CoA).

11.2 Charts of Accounts Management Policy

- 11.2.1 All additions or changes to the CoA shall be approved by the MD, therefore, departments are responsible for making available or notifying the MD for updating the CoA.
- 11.2.2 Account categories shall be presented in a standard order, beginning with the accounts presented in the Balance Sheet.
- 11.2.3 Assets are the tangible & intangible items an organization has as resources, including cash, accounts receivable, equipment and property. Assets are usually listed in descending order of liquidity. This means that cash and other assets, which are easily converted to cash, are listed first, and fixed assets such as property and equipment are listed last.
- 11.2.4 Liabilities are obligations due to creditors, such as loans and accounts payable. Current liabilities, those obligations that fall due within the next year, are usually listed first, followed by long-term liabilities. Accounts payables are usually listed before other payables. Deferred revenue and other liabilities are often further down on the list.
- 11.2.5 Shareholders' Equity reflects the financial worth of the reporting entity. They represent the balance remaining after obligations are subtracted from the reporting entity's assets.
- 11.2.6 Account numbers should proceed from the lowest to highest, with room between numbers in each category. This allow for the expansion of level of detail presented in the CoA as the activities of the reporting entity grows.
- 11.2.7 Related accounts shall be grouped together with related numbers like accounts pertaining to fixed assets must be grouped together.
- 11.2.8 All additions or changes shall be approved by MD prior to implementation, changes may include:
- Opening of new accounts,
 - Freezing existing accounts; and
 - Modifying existing accounts, i.e. account description.

- 11.2.9 Annual review of the CoA shall be performed to eliminate duplicate, redundant, inactive and old accounts.
- 11.2.10 Necessary entries shall be passed for merging of duplicate accounts or transferring of balance from one account to another on the basis of review.
- 11.2.11 Redundant or duplicate accounts shall be inactivated in the system.
- 11.2.12 The CoA should have a mechanism or reference to allow for easy identification of related party transactions.

11.3 Chart of Accounts Structure

- 11.3.1 In accordance with the Group's reporting needs, the CoA is structured under the following segments, and stratify further with future expansions in operations:

CoA Segmentation	
Account Reference Number	Account
1	Current Assets
2	Non-current Assets
3	Current Liabilities
4	Non-current Liabilities
5	Stockholder's Equity
6	Turnover (sales)
7	Cost of Sales
8	Operating Costs
9	Non-Operating Income & Expenditure

- 11.3.2 Accounts shall have titles and codes that indicate specific ledger accounts such as Cash in Bank, Furniture, Accounts Payable, etc.
- 11.3.3 The CoA shall consider and allow expansion or requirements arising in the future. To take care of such eventualities, gaps shall be provided in the existing coding structure.

11.4 Modification in CoA Listing

- 11.4.1 Circumstances may arise which require addition of new codes or deletion of an existing code. Such addition/ deletion should be made through Standard Request Form backed by proper approval per policy (refer to Appendix 6: Chart of Accounts (CoA) Modification Form).
- 11.4.2 There must be adequate segregation of duties ensuring person requesting the CoA modification is different from person approving the same.

- 11.4.3 MD should approve the CoA modification prior to any personnel making changes.
- 11.4.4 All system access rights must be reviewed periodically and re-certified.

11.5 General Ledger

- 11.5.1 General Ledger facilitates the recording, processing and reporting of financial information while maintaining and safeguarding the Group's records.
- 11.5.2 All additions or changes to the General Ledger Accounts shall be approved by the MD, therefore, departments are responsible for making available or notifying the MD for updating the General Ledger through the standard General Ledger Account Request Form (refer to Appendix 8: General Ledger Account Request Form). For example, Procurement Department is to provide Accounting Department with approved vendors list in order to update the general ledger.
- 11.5.3 Posting to the General Ledger will be affected only upon final review and approval, to ensure that all transactions posted have been reviewed for validity, accuracy and completeness. Posting of journal entries to the General Ledger shall be performed on a daily basis.
- 11.5.4 Every 15 Days, sequential voucher numbers shall be reviewed for all daily vouchers issued, to ensure that all transactions have been entered and posted.
- 11.5.5 All recurring adjusting journal entries shall be identified for posting to General Ledger system in each accounting period.
- 11.5.6 Non-recurring adjusting journal entries shall be prepared to properly reflect account balances.
- 11.5.7 Sub-ledger reconciliation is the process of agreeing the detailed balance in the Sub-ledger with the General Ledger accounts. The lack of agreement between the two balances could be due to data entry errors while recording transactions or posting setup errors.
- 11.5.8 On a monthly basis, reconciliation shall be performed between the Sub-ledger(s) and the General Ledger balances. The person performing the reconciliation shall be independent of the individual who maintains the detailed records and the control accounts.
- 11.5.9 Reconciling items shall be investigated and any adjustment required in the accounts shall be recorded only upon review and approval.

11.6 Procedures

No.	Activities	Action Taken by	Key form/ Template
Modification of CoA Listing			
1.	- Fill the CoA modification form for addition/deletion of new code. - Submit it to Finance Head for review	Finance Staff	Appendix: 5 CoA Modification Form

No.	Activities	Action Taken by	Key form/ Template
2.	Review and forward the request to MD for approval.	Finance Head	
3.	Review and approve the modification request.	Managing Director	
4.	Update the CoA listing.	Managing Director	
5.	File the request, supporting documents, and approvals for maintaining adequate audit trail.	Finance Staff	

Accounting Manual			
Chapter Name	Financial Statement Closing Process	Chapter Number	11
Effective date		Revision date	

12 Financial Statement Closing Process

12.1 Introduction

- 12.1.1 This section establishes responsibility and provides policy and procedural guidelines to serve as a framework for the Financial Statements Closing Process (FSCP) in order to effectively and efficiently produce financial statements and management reports on a timely basis.
- 12.1.2 Financial statements of Starport PH Holdings Inc. and its affiliates shall be prepared in accordance with PFRS.
- 12.1.3 The purpose of financial statement closing policies and procedures is to prescribe the policies and guiding procedures for the closing process in accordance with leading practices and applicable PFRS.
- 12.1.4 The Finance Department will be responsible for the preparation of the financial statements and management reports, which will include all of reporting entity's activities, assets, liabilities, income and expenses in accordance with PFRS.

12.2 Financial Statement Closing Process Policies

- 12.2.1 The fiscal year of the Group is January 1st through December 31st, each year.
- 12.2.2 The FSCP of the Group will be composed of five stages:
 - ▶ Closing the general ledger and relevant sub-ledgers
 - ▶ Completing non-routine transactions
 - ▶ Determining the accounting assumptions/estimates
 - ▶ Relevant adjustments
 - ▶ Presentation of the financial reports
- 12.2.3 The Finance Head will issue overall accounts closure guidelines and timetable on closing procedures. These guidelines will include details of actions required by Finance Department and other departments of the Group i.e. due dates, responsibilities, disclosure updates, and account classifications etc.
- 12.2.4 Under the direct supervision of the Finance Head, Finance Department will be responsible for the closing process according to the following:
 - ▶ Establish and coordinate the monthly/ quarterly financial closing and reviews

- Establish all monthly/quarterly/yearly closing schedules in consultation with other departments to determine that the financial statements are completed within stipulated time
 - Prepare the monthly financial management reports
 - Support senior management in the areas of financial reporting and analysis
 - Monitor financial activities through preparation of variance analysis of all financial statement accounts. This analysis will be performed to detect possible errors and/or provide explanations for significant fluctuations
 - Research and resolve accounting and reporting issues, and further analyse their impact on the operations of the Group.
- 12.2.5 The Group's accounts shall be closed on a monthly basis for internal reporting purposes and on a quarterly/yearly basis for internal and external reporting purposes.
- 12.2.6 The general ledger shall be closed within 15 working days of the next month.
- 12.2.7 A preliminary/draft trial balance will be extracted by 8th of each month and will be forwarded to Finance Head for review.
- 12.2.8 The total of the debit and credit side in the preliminary/draft trial balance should be equal. Differences, if any, should be immediately investigated.
- 12.2.9 The total of all sub ledger balances i.e. receivable, accounts payable, fixed assets etc., (and any other sub ledgers that have been established) must agree with respective accounts in the general ledger.
- 12.2.10 The Finance Head shall be responsible to review and confirm that:
- General ledger has been properly closed
 - Next accounting period has been successfully opened and the opening balances have been accurately stated.
- 12.2.11 Relevant reconciliations must be completed during 5 working days of next month.
- 12.2.12 All accruals and provisions will be made during 5 working days of next month, according to (but not limited to) the following:
- Goods/services received not invoiced.
 - End of service benefits.
 - Annual leaves.
 - All outstanding expenses.
 - Depreciation & amortization of all assets.
- 12.2.13 All other adjusting entries will be made during 8th working days of next month. The following adjusting entries are expected, in this regard:
- Depreciation on fixed assets.
 - Amortization of intangible assets (if any).
 - Bank charges

- All non-routine transactions adjustments will be supported by supporting documentation approved by relevant Department.
- 12.2.14 Adjusted trial balance shall be extracted from the System during 15 working days of next month after posting adjusting entries.
- 12.2.15 After preparation of monthly/quarterly closing trial balance, following information (financial reports) will be produced in relation to the analytical aspects of financial information accumulated during the month/quarter:
- Analysis of key financial and operating ratios.
 - Calculation of key investment rates of return (if any).
 - Comparison of results with industry standards and other benchmarking techniques, if required
 - Comparison of actual versus budgeted amounts.
 - Update on the annual profit plan with the achieved results to date.
 - Financial ratio analysis.
- 12.2.16 Monthly financial statements (financial reports) shall be approved by MD.
- 12.2.17 Quarterly and year-end financial statements shall be approved by MD and Board of Directors.
- 12.2.18 It should be ensured that a copy of the signed financial statements is retained on a file, in order to facilitate record keeping.
- 12.2.19 Access to accounting and reporting applications should be limited to the appropriate authorized individuals.
- 12.2.20 The financial statements till quarter ending December 31st should be audited by independent external auditors.
- 12.2.21 Year-end financial statements should be audited by independent external auditors.
- 12.2.22 External auditors will be provided with timely, accurate, and reliable financial information in the form of an un-audited trial balance (as mentioned above) and draft financial statements with full disclosures by year-end, after review and approval of the draft financial statements by the management.
- 12.2.23 For the purpose of preparing consolidated financial statements (quarterly and annually), the following should be provided by the Subsidiaries of the Company:
- Signed financial statements,
 - List of all inter-Company transactions,
 - Details of relevant disclosures,
 - Impairment analysis which includes the assumptions used for such impairment.
- 12.2.24 For the purpose of preparing consolidated financial statements a standard consolidation template is used.

12.3 Internal Reporting

12.3.1 This section contains a list of reports prepared for internal reporting purposes:

No.	Report	Frequency
Report Generates for Management		
1.	Statement of financial position.	Monthly, Quarterly and Annually
2.	Statement of profit or loss.	Monthly, Quarterly and Annually
3.	Statement of other comprehensive income.	Monthly, Quarterly and Annually
4.	Statement of changes in equity.	Monthly, Quarterly and Annually
5.	Statement of cash flow.	Monthly, Quarterly and Annually

12.4 Procedures

No.	Activities	Action Taken by	Key form/ Template
Financial Statement Closing Process			
1.	Begin closing procedures at the end of each month.	FH	
2.	▶ Ensure all transactions related to the period have been reconciled, entered and posted into the accounting system. ▶ Extract draft trial balance from the system and review the draft trial balance to determine that all entries have been passed correctly and balance against each account code is reasonable.	FH	Appendix 8: Periodic Closure Template
3.	▶ Investigate differences (if any). ▶ Obtain confirmation for the following balances from the GL: • Cash in hand; • Cash at banks/financial institutions; and • Vendors balance. ▶ Perform the following: • Accrue all outstanding expenses; • Calculate depreciation and amortization of all assets, where applicable; and • Calculate provision of end of service benefits, and other liabilities.	Finance Team	

No.	Activities	Action Taken by	Key form/ Template
4.	Prepare the following reconciliations: • Reconciliation of all bank balances; • Reconciliation of receivables; • Reconciliation of payables; • Reconciliation of movement of funds • Reconciliation of all foreign currency accounts and adjustment of exchange differences if any; and • Reconciliation of all related parties with general ledger.	Finance team	Appendix 5: Bank Reconciliation Form Appendix 9: Accounts Receivables Reconciliation Form Appendix 10: Accounts Payables Reconciliation Form
5.	▶ Prepare adjusting entries, as required. ▶ All transactions identified as relevant to the proposed month but were not recorded in the trial balance, will be recorded in the system. ▶ Extract pre-closing trial balance from the system and forward it for review.	Finance team	
6.	▶ Review pre-closing trial balance to determine that all entries/ adjustments have been passed correctly and that the balance against each account code is reasonable. ▶ Verify that the total of debit and credit sides in the pre-closing trial balance is equal. ▶ Investigate differences (if any). ▶ Produce financial reports.	FH	
7.	Review financial reports and affix signature.	Finance Head	
8.	Approve financial reports and affix signature.	MD	
9.	Send financial reports to relevant users.	FH	
10	File trial balances and financial reports along with supporting documents in a file in Unit's Records.	Concerned parties	
Quarterly Closing			

No.	Activities	Action Taken by	Key form/ Template
1.	Quarterly closing procedures follow the same procedural steps described earlier for monthly closing. However, additional steps are taken into account in addition to the varying review and approving authorities during quarter end closing according to the following: • Perform high level review of interim general ledger and determine that: - Books of accounts have been closed; - Relevant reconciliations and asset/ liability/ revenue/ expense schedules have been prepared; - Relevant accruals and adjustments have been carried out; and - All relevant accounts have been closed. • Based on the approved final trial balance information, prepare the financial statements according to the order described hereunder: - Statement of comprehensive income; - Statement of financial position; - Statement of cash flows; and - Statement of changes in equity. Prepare relevant disclosures.	FH and finance team	
2.	Send the finalized draft financial statements and the accompanying disclosure information to MD.	FH	
3.	Review and approve the finalized draft financial statements, along with the impairment calculation. In case of adjustments, send the financial statements to Finance Head for updating.	MD	
4.	Upon completion of the review of financial statements by the MD, review and approve the audited financial statements.	BOD	
5.	Post adjusting entries in the system.	FH	
6.	Affix 'POSTED' on the adjustment entries.	Disbursement officer	

No.	Activities	Action Taken by	Key form/ Template
7.	File a copy of finalized financial statements and supporting documents/ schedules in a file in Unit's Records.	FH	
8.	Send a copy of the approved quarterly financial statements to the BOD. Produce management financial reports, as required.	FH/MD	
Yearly Ending Closing Procedures			
1.	Yearly closing procedures follow the same procedural steps described earlier for quarterly closing. However, additional steps i.e. obtaining balance confirmation from vendor, various type of calculations and distribution of profits etc., are taken into account in addition to the varying review and approving authorities during year-end closing according to the following: Prepare report with the impairment calculations along with the impairment assumptions as part of the yearly closing. Consolidated the report of parent with subsidiaries. Check that the following points are taken into consideration in addition to the quarterly adjustments including: • Calculation of management remuneration. • Distribution of profits (based on final approval attained during board meeting and the resulting profit distribution resolutions). • Thus, upon receipt of required approvals, prepare the draft financial statements of Starport. • Compile the annual report and send it along with the draft financial statements to CFO.	FH and Finance Team	
2.	Review and approve the following:	MD	

No.	Activities	Action Taken by	Key form/ Template
	• Statement of financial position as at the end of the period; • A statement of comprehensive income for the period; • A statement of changes in equity for the period; • A statement of cash flows for the period; and • Notes, comprising a summary of significant accounting policies and other explanatory information.		
3.	Communicate to the external auditors, the completion of financial statements in order to start the annual audit.	FH	
4.	Carry out audit of draft financial statements. Propose adjustments (if required). Discuss proposed adjusting entries (if any) with Finance Head and Chief Financial Officer (if required).	External Auditors	
5.	Review and approve adjusting entries proposed by external auditors.	FH /MD	
6.	Affix “POSTED” on entries and all supporting documents to avoid duplication.	Finance Personnel	
7.	Prepare audited financial statements and necessary disclosures along with the representation letter.	FH /MD	
8.	Review audited financial statements and representation letter. Send audited financial statements for endorsement to the MD along with the representation letter.	FH	
9.	Endorse audited financial statements and representation letter. Present the financial statement to BOD.	MD	
10	Approve audited financial statements.	BOD	

No.	Activities	Action Taken by	Key form/ Template
11	Receive approved financial statements. Arrange to make copies and distribute approved financial statements to concerned parties, as required.	FH	
12	In order to facilitate record keeping, file a copy of the signed financial statements and supporting documents.	FH	

Chapter Name	Performance Management and Reporting	Chapter Number	12
Effective date		Revision date	

13 Performance Management and Reporting

13.1 Performance Management

- 13.1.1 Performance evaluation including addressing improvement opportunities can help maximize the efficiency and effectiveness of the Finance Department.
- 13.1.2 Demonstrating improvement requires effective measurement, showing the starting point and the improvement achieved.
- 13.1.3 The Key Performance Indicators (KPIs) set for the Finance Department shall serve as the base of unit's performance assessment against set objectives
- 13.1.4 The KPIs for the Finance Department shall be set and updated on an annual basis and approved by MD. The following are examples of KPIs which may be set:
- Results of External Auditors Annual Audit Report
 - Adherence to reporting deadlines
 - Number and type of non-compliance/ issues reported by Internal Audit and Compliance Units
 - Number and type of non-compliance/ issues reported by regulatory authorities related to finance and accounting activities
- 13.1.5 The Department's performance shall be conducted annually. The results of such assessment along with improvement opportunities identified shall be identified and reported to the Finance Head and MD for review.
- 13.1.6 The evaluation process for the unit's personnel should be in line with the evaluation process adopted by the Company.

13.2 Management Reports

- 13.2.1 The Finance Department is responsible to submit periodic management reports to the MD and BOD including the following at minimum:
- Statement of Financial Position
 - Statement of Profit or Loss
 - Statement of Other Comprehensive Income
 - Statement of Cash Flow

13.3 Filing and Documentation

- 13.3.1 It is the Finance Head's responsibility to ensure that documents/ files maintained by the Department are kept in a safe place with access restricted to authorized personnel only.
- 13.3.2 Each Department shall maintain hard and soft copies (wherever required) of records related to its activities, such records shall include but not limited to the following:
- Invoices
 - Reconciliations (Bank, Account Payables, Petty Cash, etc.)
 - Petty cash documentation
 - Assets classification analysis and related testing
 - Assets valuations
 - Department's related correspondences
- 13.3.3 Department's related records shall be maintained in line with the Group's general retention policy stipulated as a part of the Administration manual. Extending the retention period beyond the required period can be based on the discretion of the BOD and the nature of records archived.
- 13.3.4 At the end of each year, a list of all documents/files maintained by the Finance Department which have exceeded their designated archiving period must be prepared and approved.

13.4 Procedures

No.	Activities	Action Taken by	Key form/ Template
Performance Management			
1.	Annually assess the performance of the Accounting Department based on the KPIs mentioned in this manual. Identify improvement opportunities.	FH	
2.	Submit the assessment report to MD	FH	
3.	Reviews and approve the assessment.	MD	
Management Reporting			
1.	Submit on monthly basis the following documents to the MD for approval. • Statement of Financial Position • Statement of Profit or Loss • Statement of other comprehensive income • Statement of Cash Flow. • Any other information, as decided by management.	FH	

No.	Activities	Action Taken by	Key form/ Template
2.	▶ Quarterly submit the following documents to BOD for approval. • Statement of Financial Position • Statement of Profit or Loss • Statement of other comprehensive income • Statement of Cash Flow. • Any other information as decided by BOD.	FH/MD	
3.	▶ Yearly submit the following documents to the BOD for approval. • Statement of Financial Position • Statement of Profit or Loss • Statement of other comprehensive income • Statement of Cash Flow.	FH/MD	

Appendices

Appendix 1: Manual Distribution Form

Manual Distribution Form

Manual for: _____

Distributed By: _____

Date of Distribution: _____

To the resource person,

When you sign this form, you agree to adhere to all cited policies and procedures included in this manual.

You may be asked to sign additional material and changes thereto to give effect to these policies and procedures currently and in the future.

To acknowledge that you have reviewed and understood all of this material in the manual, please sign and date this form and return it to the FH within 10 days of receipt of this manual.

I acknowledge that I have read, understood, and am subject to all of the material contained in this manual.

Name

Signature

Date

Appendix 2: Manual Access Letter

Manual Access Letter *(to be printed on the Company's letterhead)*

Manual for: _____

Date of Distribution: _____

To (recipient of the manual),

When you sign this form, you agree to preserve confidentiality of this manual. As a result, this manual should not be disclosed, used or duplicated – in whole or in part – for any purpose other than purpose of which this request was initiated for.

We acknowledge that we requested to obtain a copy of the manual for the following reasons:

To acknowledge the above, please sign and date this form and return it to the FH within 10 days of receipt of this manual.

I acknowledge that I have read, understood, and am subject to all of the material contained in this manual.

Signature

(Please print name)

Date

Appendix 3: Request for Amendment Form

Request for Amendment Form

Name of entity requesting amendments: _____

Manual for: _____

Section/s Reference: _____

Policy/ies Code: _____

Policy/ies Name: _____

Description of needed amendments (problem):

Proposed amendments (solution):

Proposed by: _____

Reviewed by: _____

Reviewed by: _____

Approved by: _____

Implementation Date: _____

Appendix 4: Petty Cash Replenishment Form

Date: __/__/__

Petty Cash Replenishment Form

Date	PCV No.	Payee	Expense	Others	Amount
Total Expenditures					

Payment Voucher No.: _____

Check no.: _____

Requested by: _____ Date _____

Approved by: _____ Date _____

Appendix 5: Petty Cash Reconciliation Form

Date: __/__/__

Petty Cash Reconciliation

Cash on Hand			Receipts/Expenditures	
Notes/coins:	# of notes/coins:	Amount:	Date	Amount
Total:				
			Total Expenses:	
			Total petty cash receipts:	
Total of original petty cash fund issued:				
Cash balance of petty cash fund:				

Prepared by: _____ Date _____

Reviewed by: _____ Date _____

Approved by: _____ Date _____

Appendix 6: Bank Reconciliation Form

Date: __/__/__

Bank Reconciliation	
Name of Bank:	
Account Number:	
Currency:	
	Amount
Ending balance per bank statement as at reconciliation date __/__/__:	
Additions:	
Deductions:	
Reconciled balance:	

Prepared by: _____ Date _____

Reviewed by: _____ Date _____

Approved by: _____ Date _____

Appendix 7: Chart of Accounts (CoA) Modification Form

CoA Modification Form

Date: __/__/__

Request type	☐ Add	☐ Modify	☐ Terminate
Name of chart element:			
Chart number: (if modifying, inactivating, terminating)			
Requestor's name:			
Requestor's department:			
Reason:			

Requested by: _____ Date _____

Reviewed by: _____ Date _____

Approved by: _____ Date _____

Appendix 8: General Ledger Account Request Form

General Ledger Account Request Form

Date: __/__/____

Account	Sub-Account	Inter-company	Proposed Action (Addition/Deletion/Modification)	Comments

Proposed by: _____ Date _____

Reviewed by: _____ Date _____

Approved by: _____ Date _____

Appendix 9: Periodic Closure Template

Periodic Closure Template

Date: __/__/__

Activity	Activity Creator Initials	Activity Signoff Initials	Status	Comments
Post final accounts receivable entries				
Post final accounts payable entries				
Post final employee expense/payroll entries				
Post other month-end entries (as required)				
Complete depreciation journal entries				
Prepare and post recurring monthly journal entries				
Begin preparing nonstandard journal entries (including intercompany)				
Post nonstandard journal entries				
Close subsidiary ledgers: fixed assets, payroll, A/P, and A/R				
Post remaining intercompany transactions (if applicable)				
Review to ensure intercompany balances are eliminated				
Draft first version of financials				
Conduct preliminary review of financials				
Complete bank reconciliations and post final cash				
Post revenue, cost, accruals (as required)				
Draft revised financials				
Draft revised disclosures				
Conduct comprehensive review of financials				
Create and post final journal entries as required				
Close GL and release financials for signoff as per DOA.				
Release financial statements (including appropriate disclosures)				

Appendix 10: Account Receivables Reconciliation Form

Account Receivables Reconciliation Form

Date: __/__/__

Account Receivable Reconciliation	
Beginning AR balance:	PHP _____
Additions:	
Deductions:	
Ending AR balance per reconciliation:	PHP _____
General Ledger	
Ending AR Balance as per GL	PHP _____
Difference:	

Prepared by: _____ Date _____
Reviewed by: _____ Date _____
Approved by: _____ Date _____

Appendix 11: Account Payables Reconciliation Form

Account Payables Reconciliation Form

Date: __/__/__

Account Payables Reconciliation	
Beginning AP balance:	PHP _____
Additions:	
Deductions:	
Ending AP balance per reconciliation:	PHP _____
General Ledger	
Ending AP Balance as per GL	PHP _____
Difference:	

Prepared by: _____ Date _____

Reviewed by: _____ Date _____

Approved by: _____ Date _____

Appendix 12: Inventory Count Sheet

Inventory Count Sheet

Date: __/__/__

Item #	Description	Quantity	Location

Counted by: _____ Date _____

Reviewed by: _____ Date _____

Approved by: _____ Date _____

Appendix 13: Inventory Reconciliation Form

Inventory Reconciliation Form

Date: __/__/__

Product Name	Product Category	Expected Count	Actual Count	Discrepancy	Notes

Reconciled by: _____ Date _____
Reviewed by: _____ Date _____
Approved by: _____ Date _____

Appendix 14: Gcash transaction policy

SERIES: FH051352023-10

DATE: Jun 5, 2023

TO: ALL PETTY CASH CUSTODIANS

FROM: Finance Department

SUBJECT: GCASH TRANSACTION

We would like to inform you about an important update regarding GCASH transactions within our company. Effective immediately, all GCASH transactions that are not related to company funds will no longer be allowed. This policy has been implemented to ensure better financial management and streamline our company financial processes. By restricting non-company-related GCASH transactions, we aim to enhance accountability and minimize any potential risk or discrepancies.

Moving forward, please note the following guidelines:

1. Only GCASH transactions directly related to company funds will be permitted.
2. All company related GCASH transactions must be conducted through GCASH accounts registered under the company's number. It is important to use the designated company GCASH account for financial activities.
3. Personal transactions, such as peer-to-peer transfers, bills payments, and personal purchases, should not be processed using the company's GCash account.

We kindly request your cooperation in adhering to these guidelines to maintain financial integrity within our organization. Non compliance with this policy may result in disciplinary action, as per company's regulations.

Thank you for your understanding and cooperation.

Sincerely,

JULIE GALAMITON

Finance Head

NOTED BY

RICHARD B. LIM JR

Managing Director

TIMOTHY JAMES S. SYQUIATCO

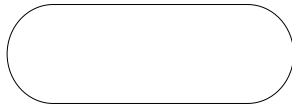
Co-Managing Director

Appendix 15 to 25: Company Process Flowcharta

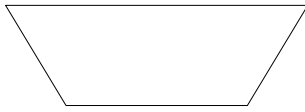
The following are the significant processes of the Company:

1. Purchase to Pay
 - a. Purchase Requisition
 - a.1. Merchandise Inventory
 - a.2. Service and Non-Merchandise Inventory
 - b. Cash Disbursement
2. Order to Cash
 - a. Revenue Recognition
 - b. Cash Receipts
3. Inventory Management
 - a. Inventory Processing
 - b. Cost Price Determination
 - c. Sales Price Determination
4. Related Party Transactions
 - a. Due From Process
 - b. Due To Process
 - c. Reconciliation Process
5. Financial Statement Close Process

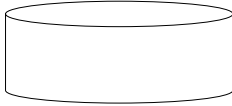
Legends



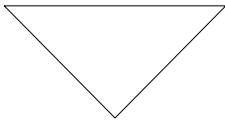
Terminator / Terminal
Use: Start or End of process



Manual Process
Use: Manually performed



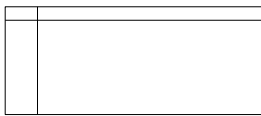
System Storage
Use: Storage or masterfile database



File
Use: Storage of hardcopy document



Document
Use: Stored Data



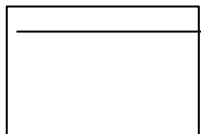
Excel
Use: Spreadsheet used for logging and simple calculations



Signed / Approved Document
Use: Signed / approved document



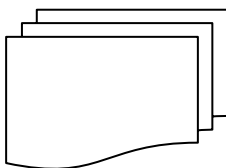
Document
Use: Hardcopy Document / Source Document



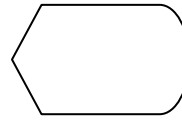
Divided Process
Use: System supported process



Automated Process
Use: Automated system process



Multiple Documents
Use: Hardcopy Document / Source Document



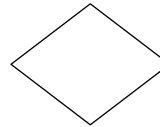
Data Entry
Use: Data entry action



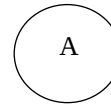
System-Generated Documents
Use: Manual/printed document processed/generated by the system



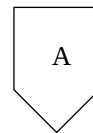
WCGW



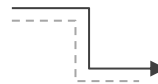
Decision
Use: Decision action



On-Page Connector
Use: Link shape within the page



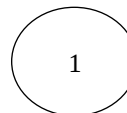
Off-Page Connector
Use: Link shape to another page



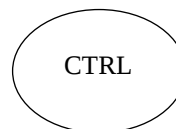
Arrow Connector
Use: Solid lines are for necessary flow, Broken lines are flow when circumstances



E-mail
Use: Electronic message



Explanatory Notes
Use: Explanatory Notes

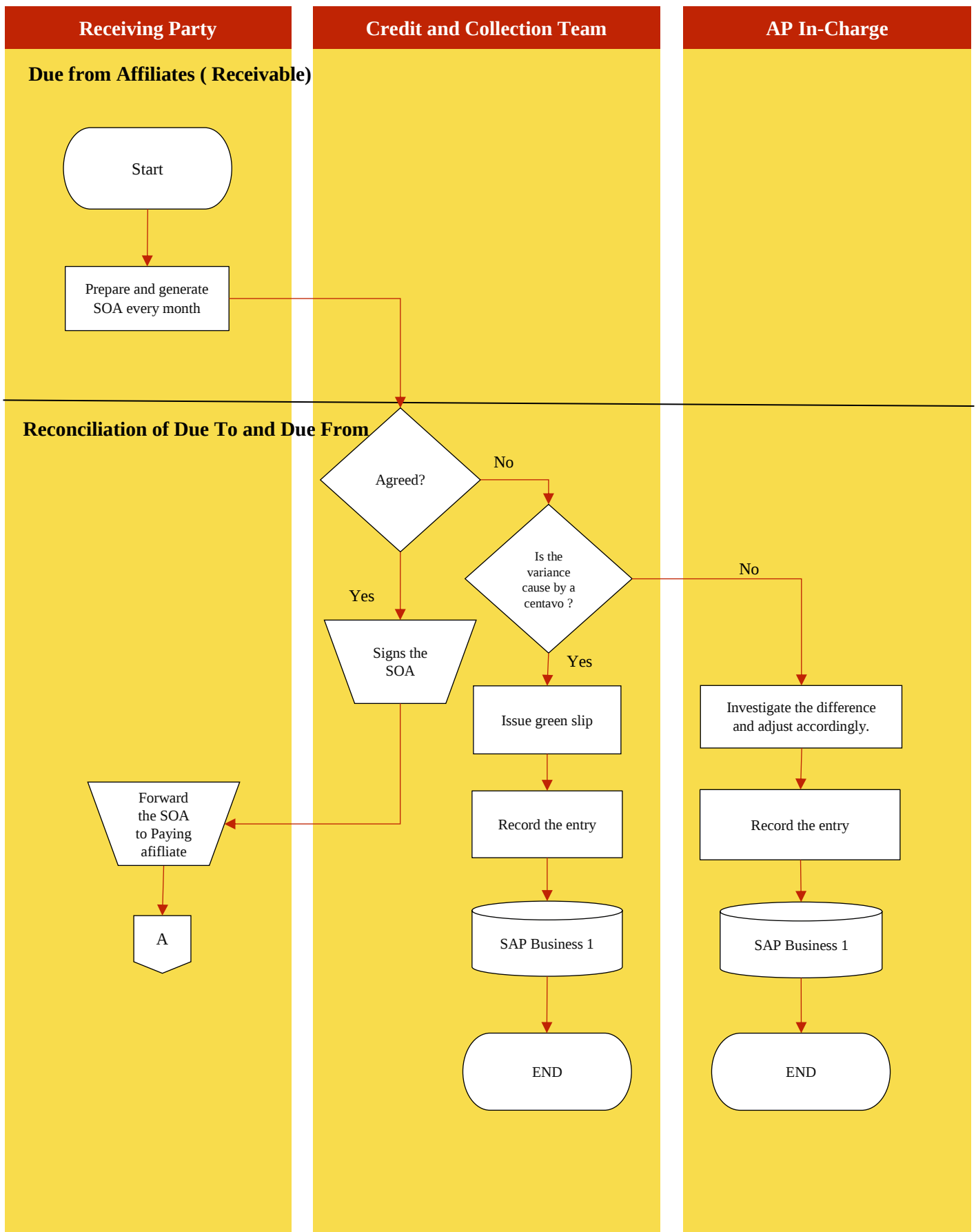


Control

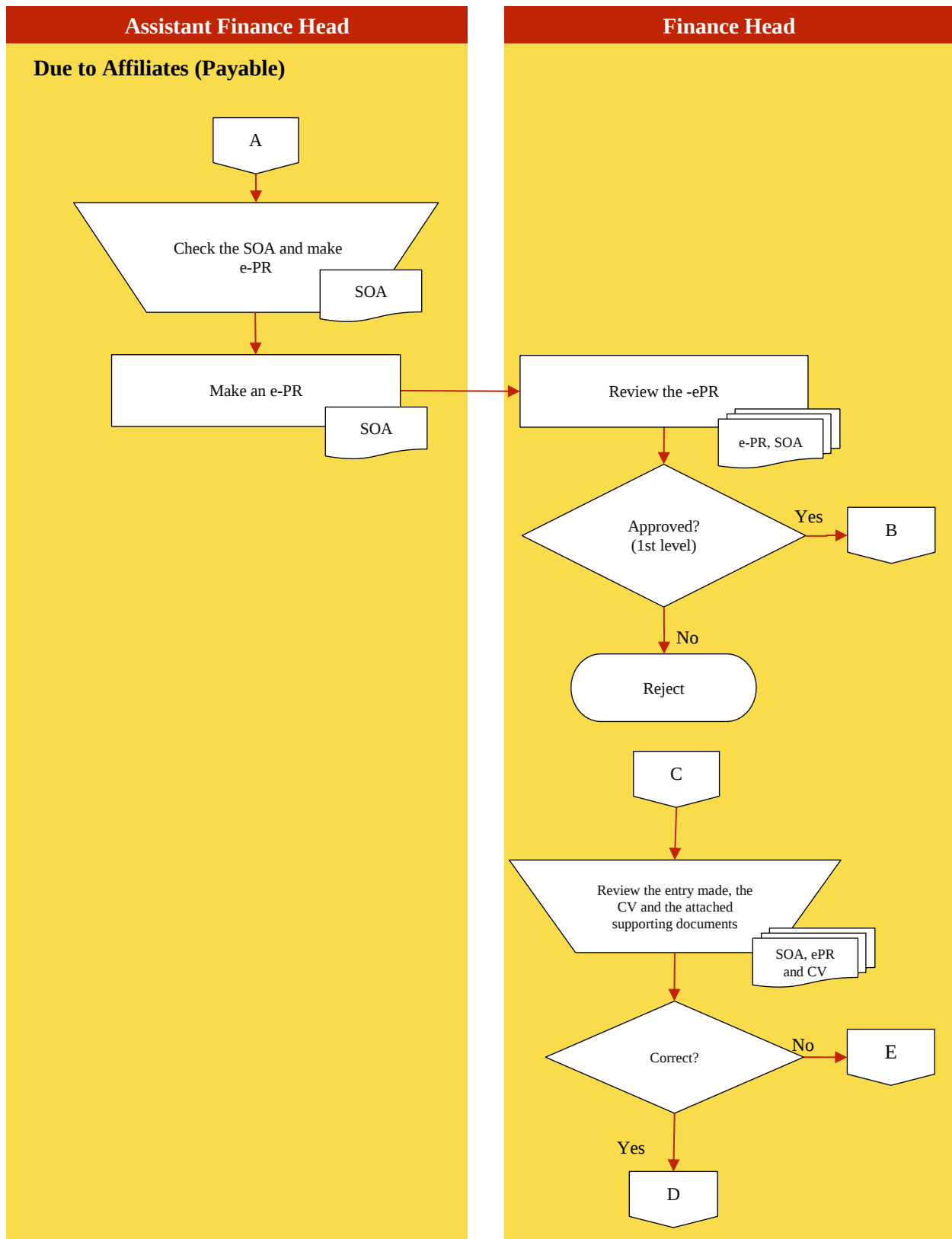
Abbreviations

Abbreviations	Meanings
DR	Delivery Receipt
e-PR	Electronic Purchase Requisition
PO	Purchase Order
GRPO	Goods Reciept Purchase Order
SO	Sales Order
DN	Delivery Note
RO	Release Order
SI	Sales Invoice
SOA	Statement of Account
P&L	Profit and Loss
PIC	Pictures
ARV	AR Invoice
CV	Check Voucher
PCRF	Petty Cash Replenishment Form
AP Inv.	AP Invoice
CF Forecast	Cash Flow Forecast
e-OS	Electronic Order Slip
e-PRAQ	Electronic Purchase Requisition with Approved Quotation

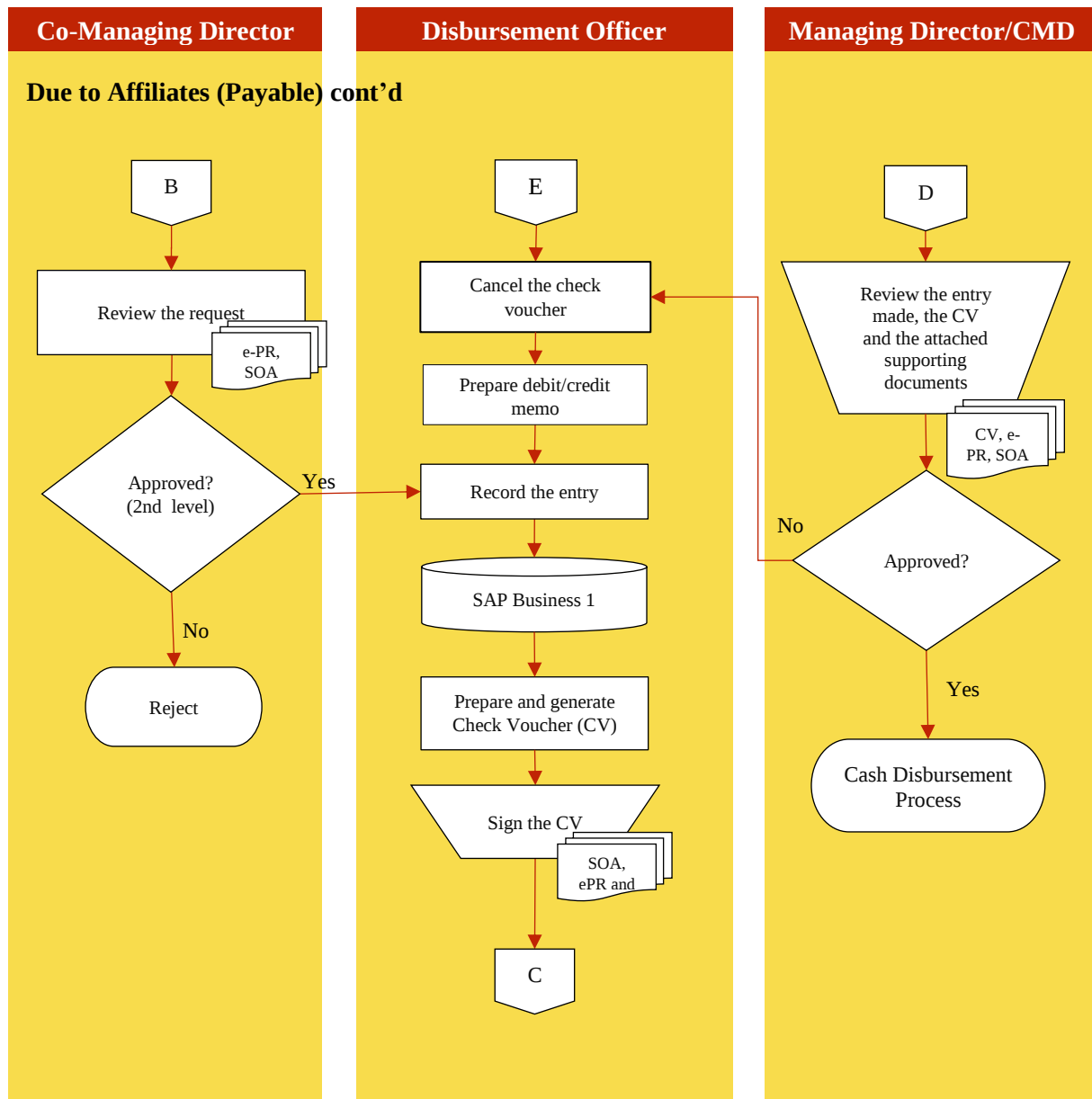
Appendix 15: Related Party Transactions



Appendix 15: Related Party Transactions

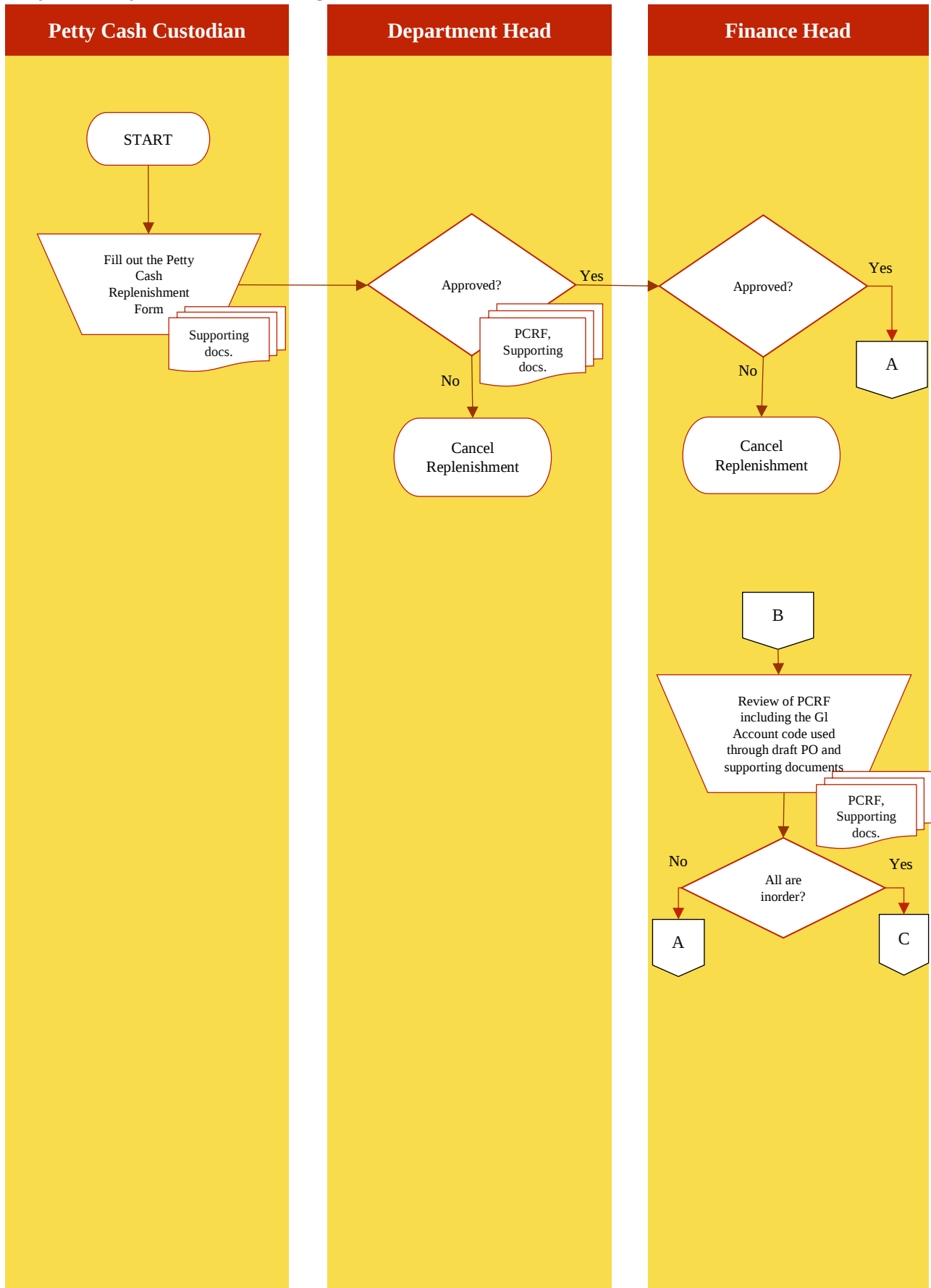


Appendix 15: Related Party Transactions

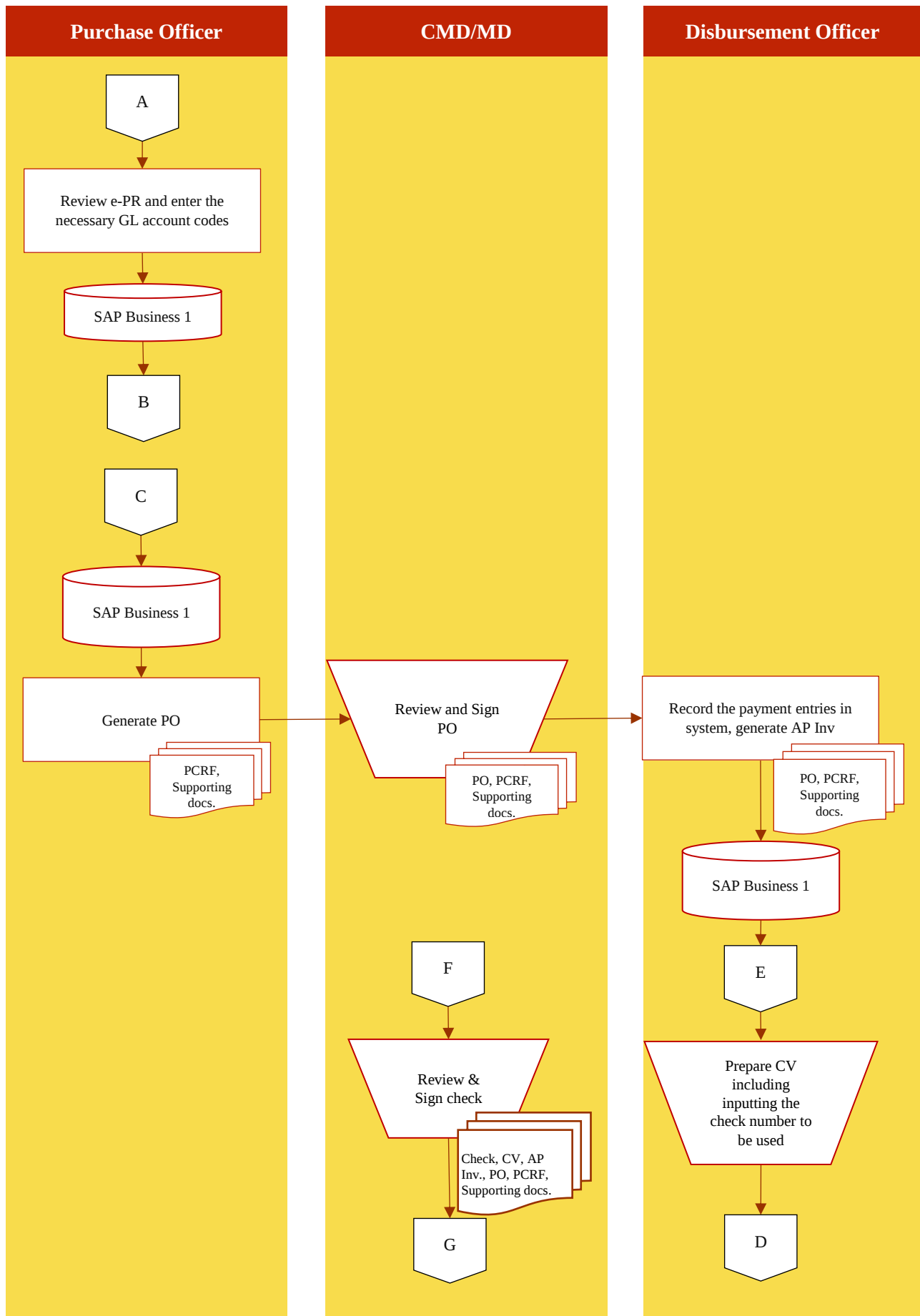


Appendix 16: Petty Cash Transactions

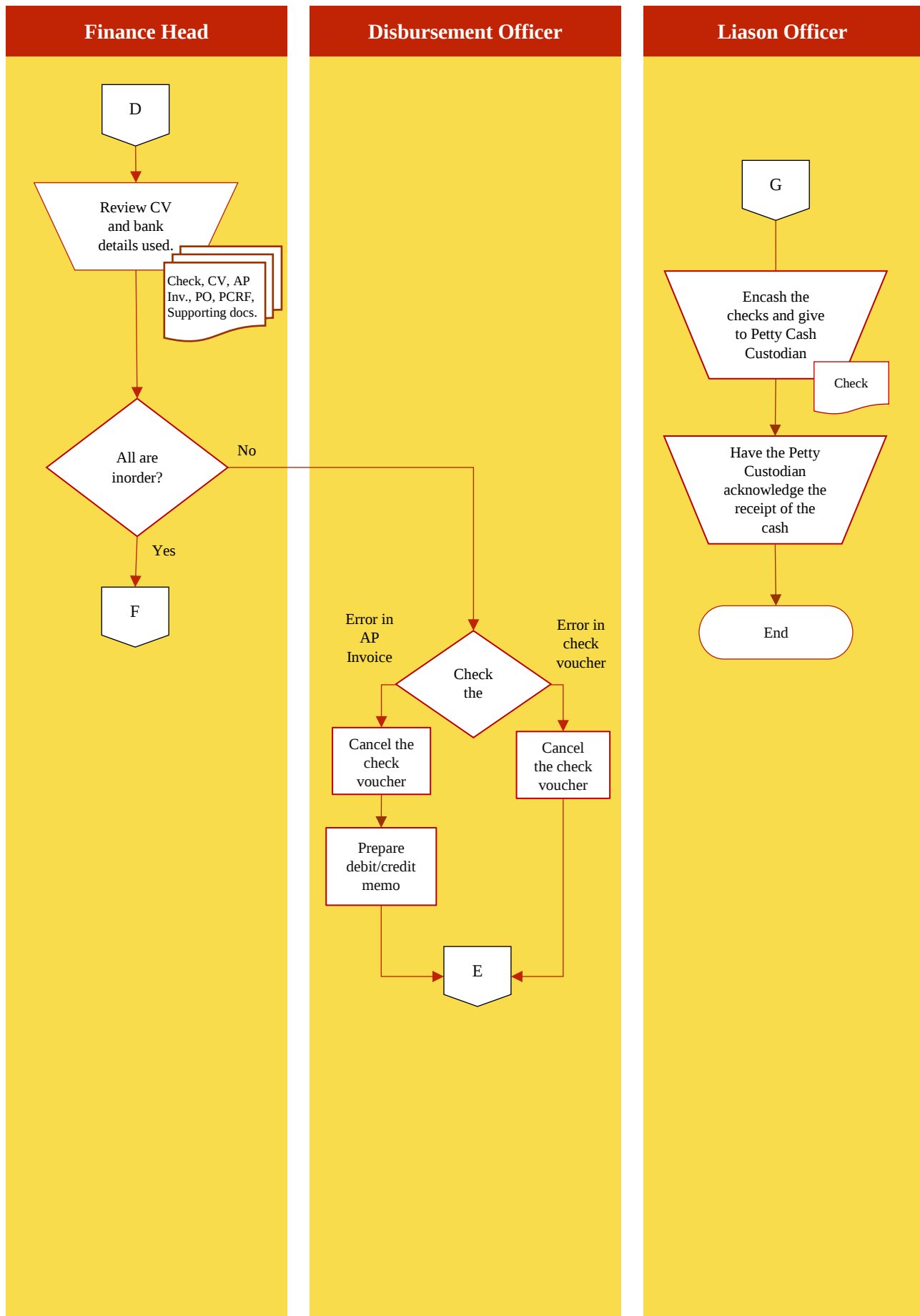
Petty Cash Payment and Recording



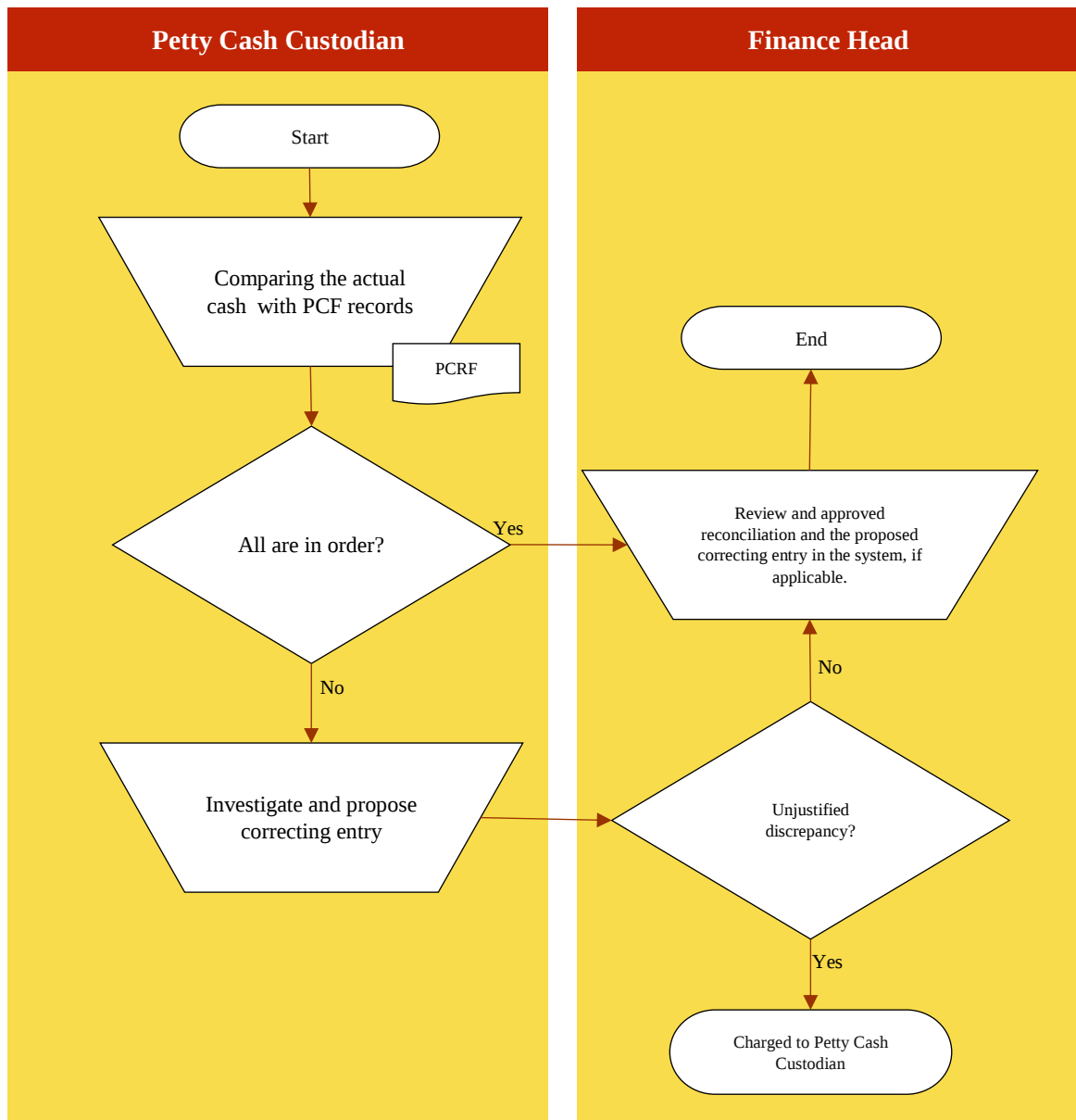
Petty Cash Payment and Recording (cont)



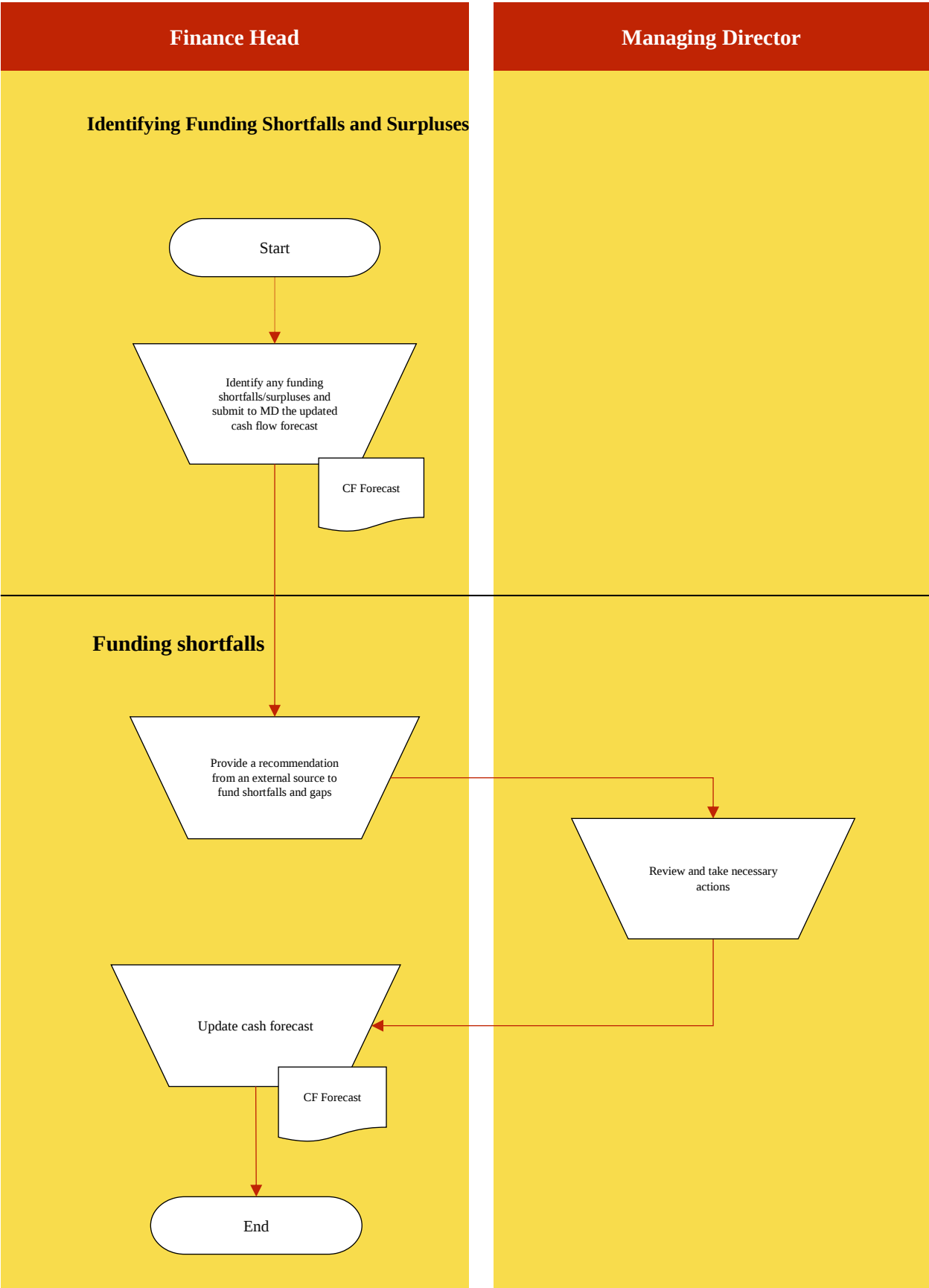
Petty Cash Payment and Recording (cont)



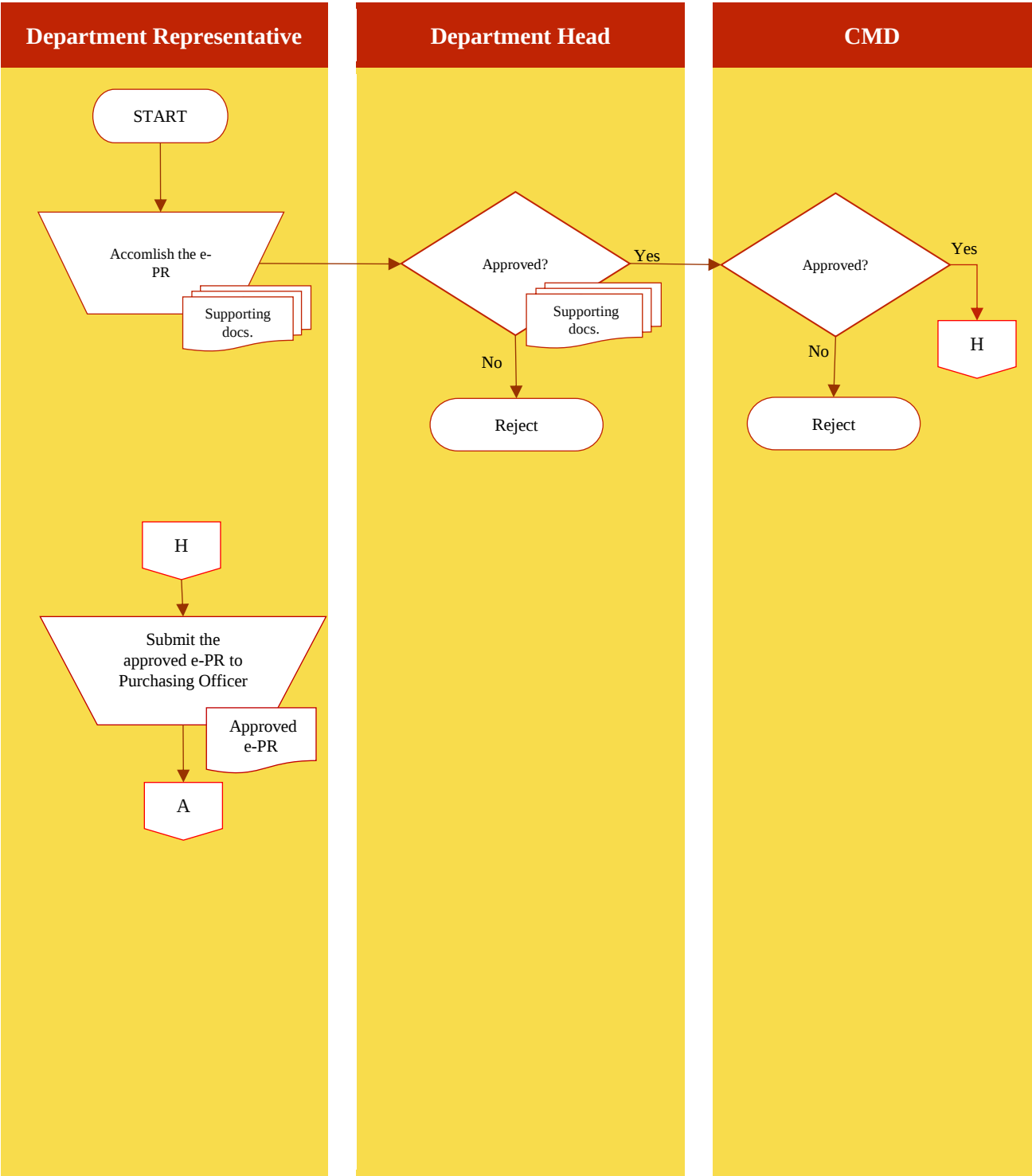
Reconciliation of Petty Cash



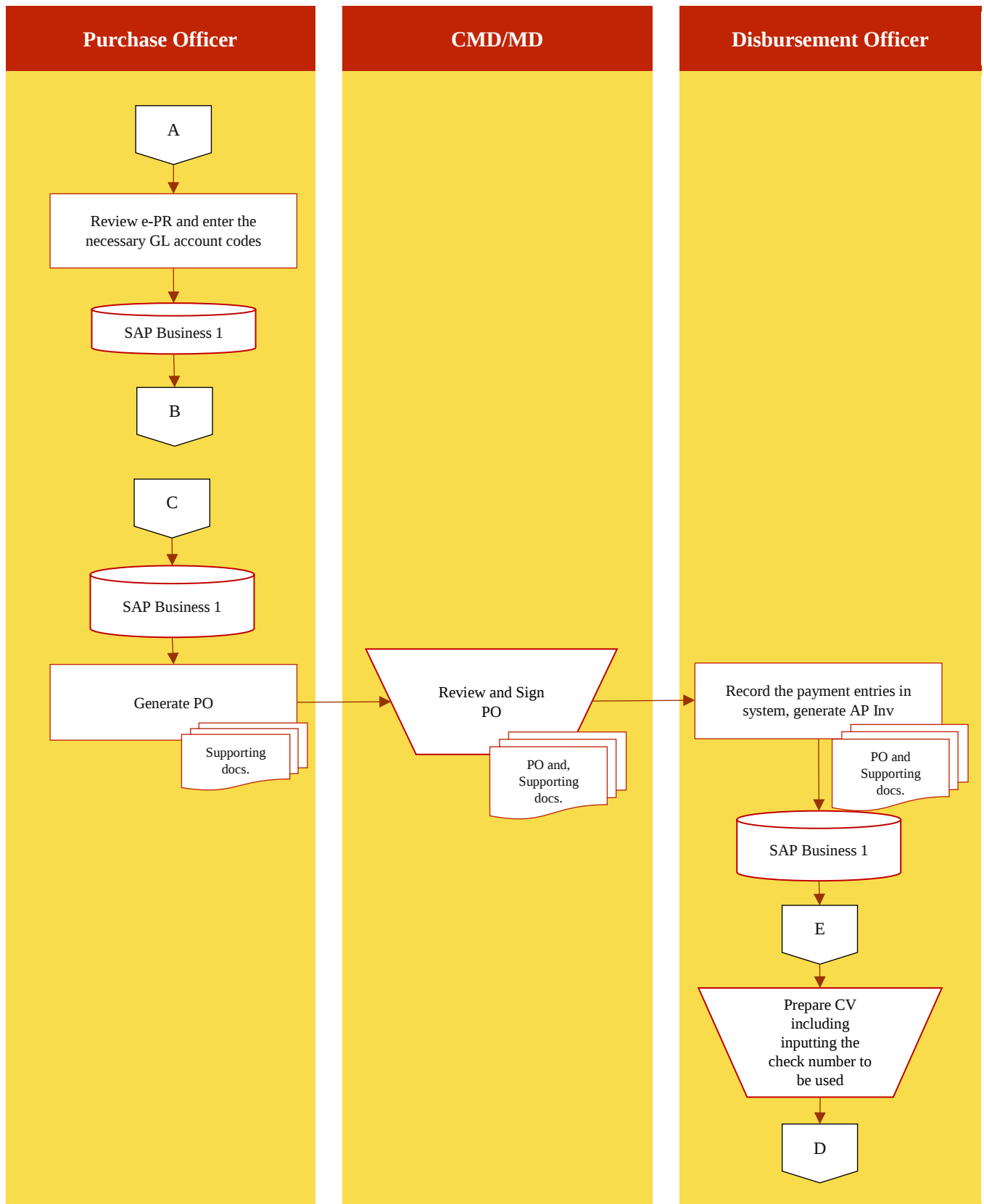
Appendix 17: Funding of shortfalls



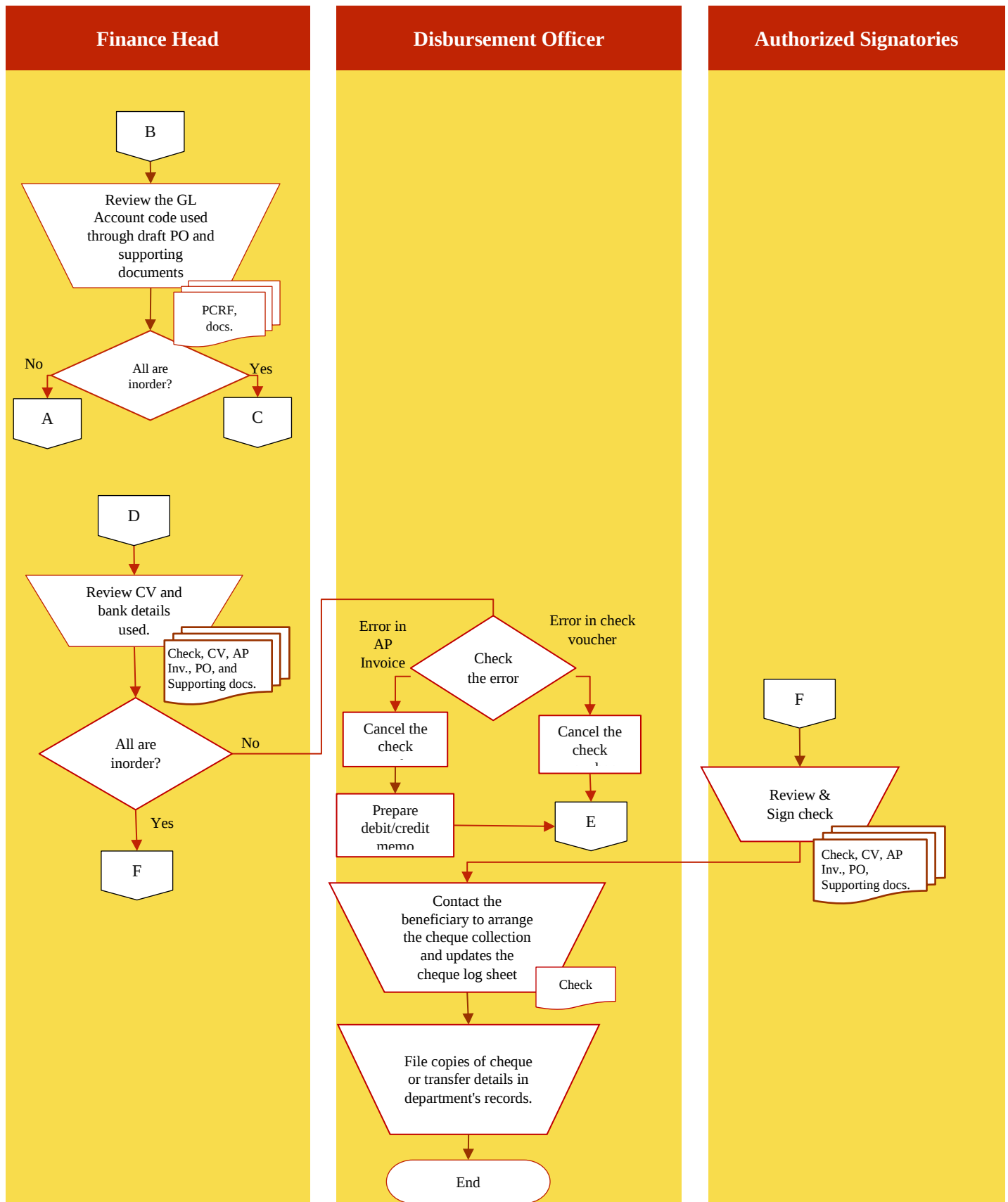
Appendix 18: Bank payment (Cheque and Bank Transfer)



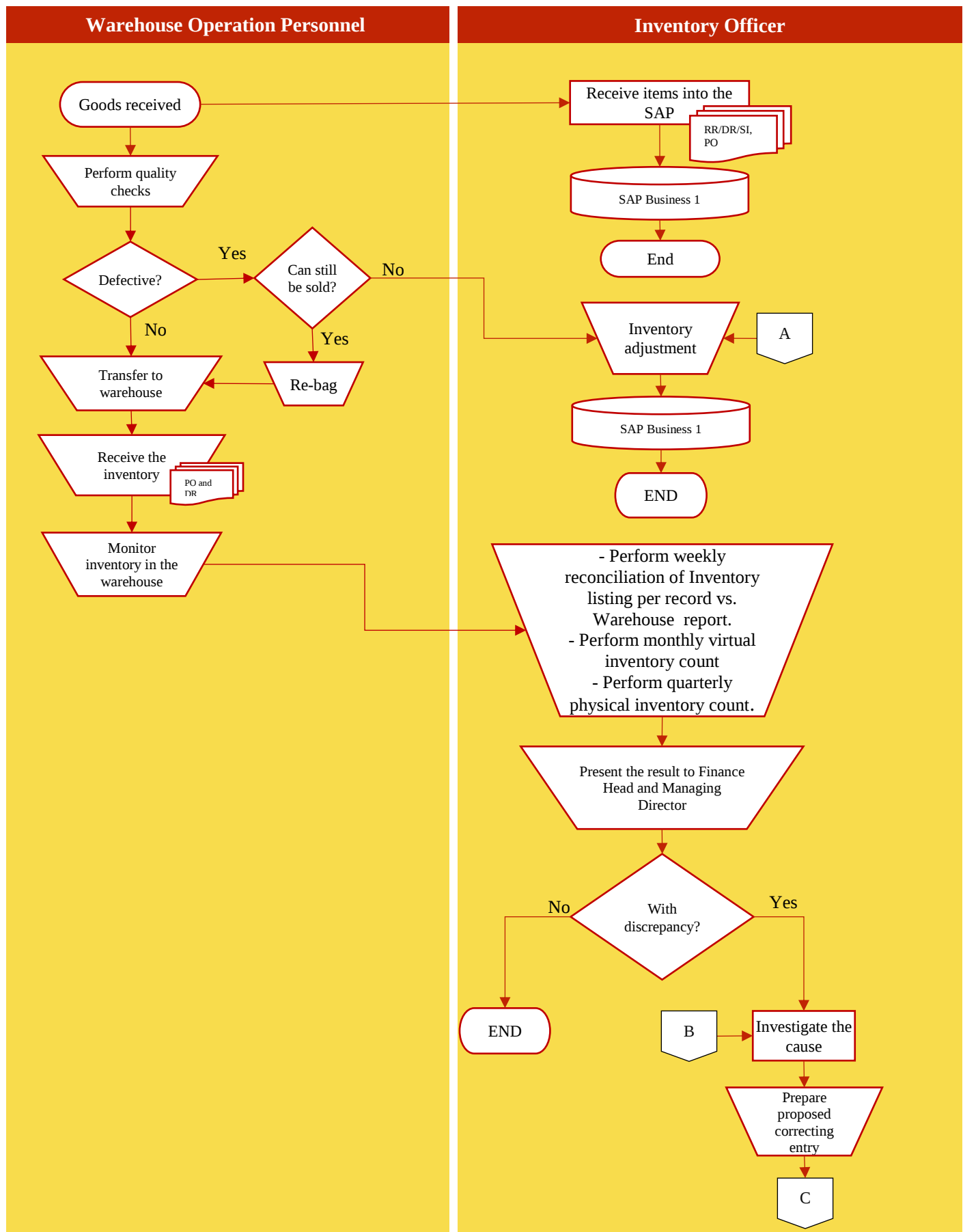
Bank payment (Cheque and Bank Transfer) (cont)



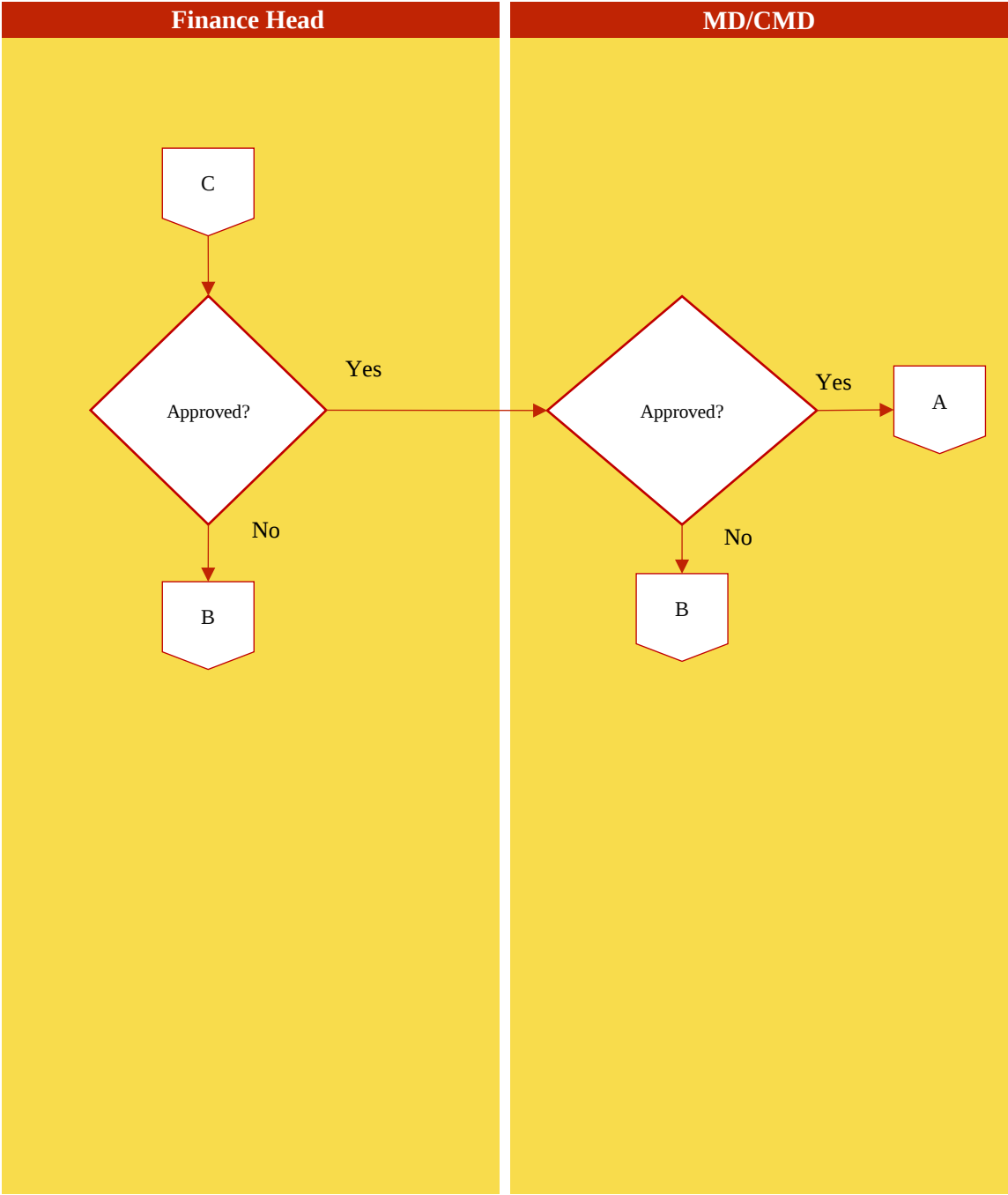
Bank payment (Cheque and Bank Transfer) (cont)



Appendix 19: E.1 Inventory Management Process Flow



E.1 Inventory Management Process Flow (cont)



E.2 Inventory Management

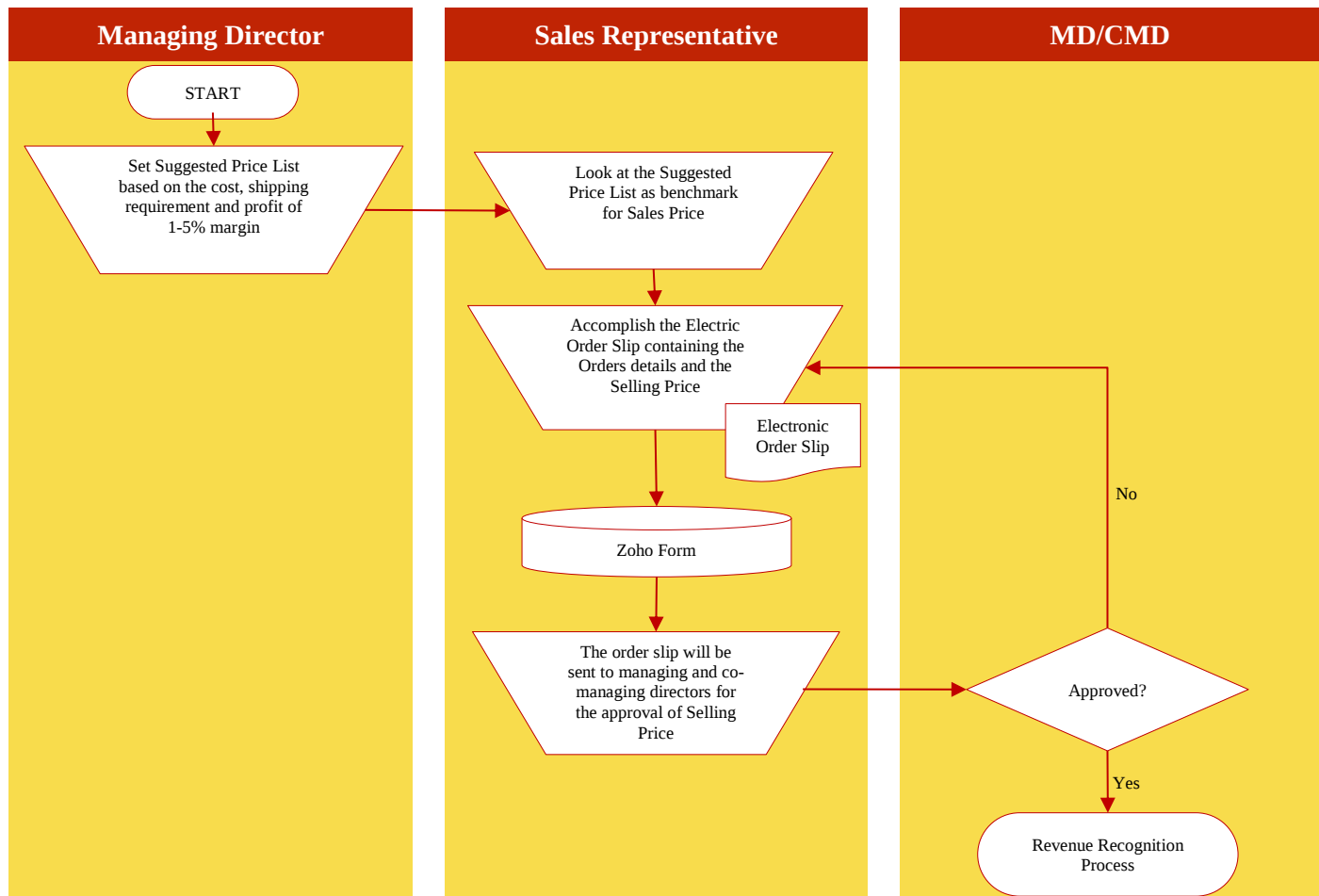
Cost Price Determination

The Company is using weighted average method of costing.
According to PAS 2 *Inventories*, paragraph 27, weighted average method pertains to cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period.

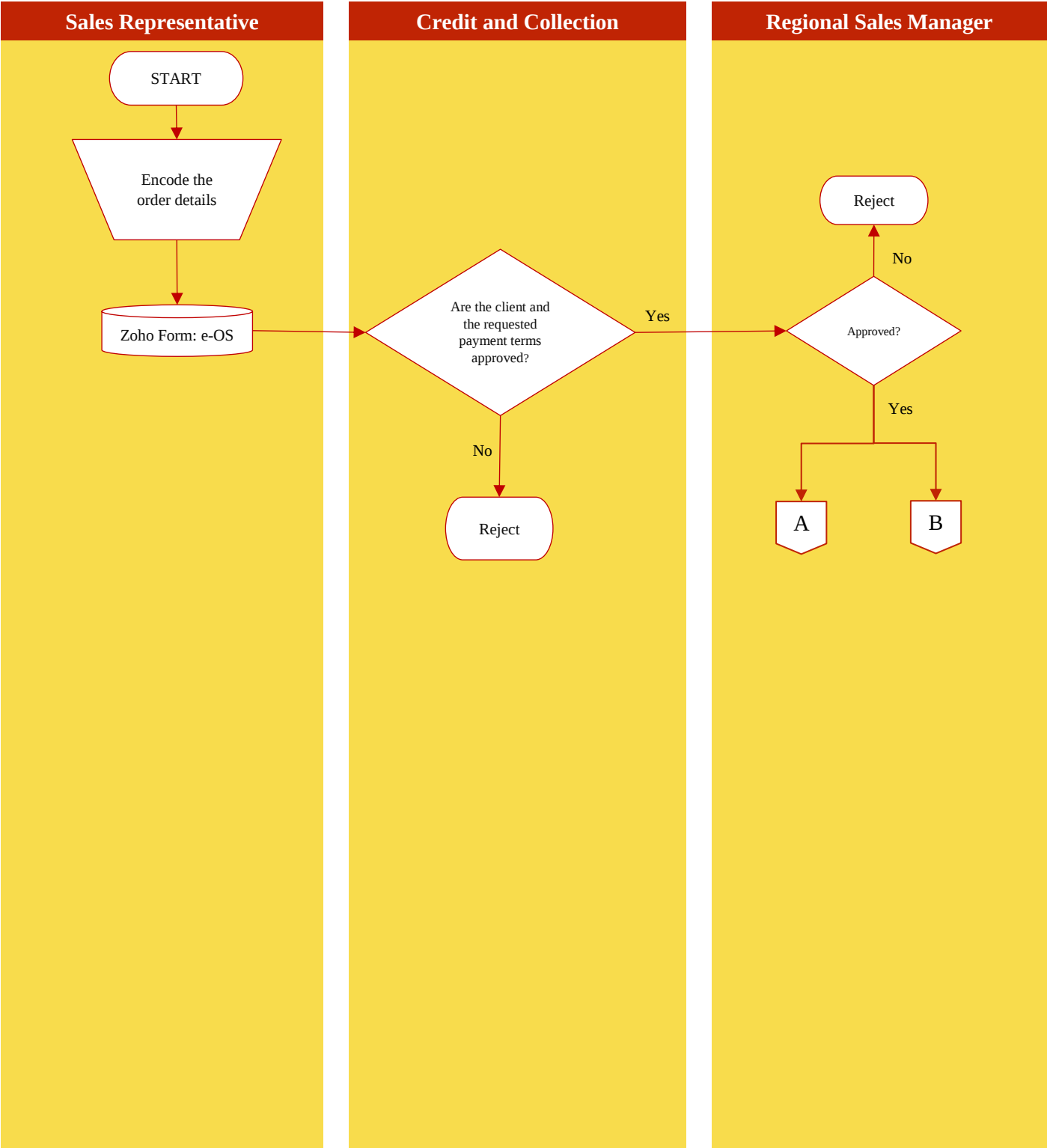
Cost consists of:
Suppliers Invoice Price per bag

+

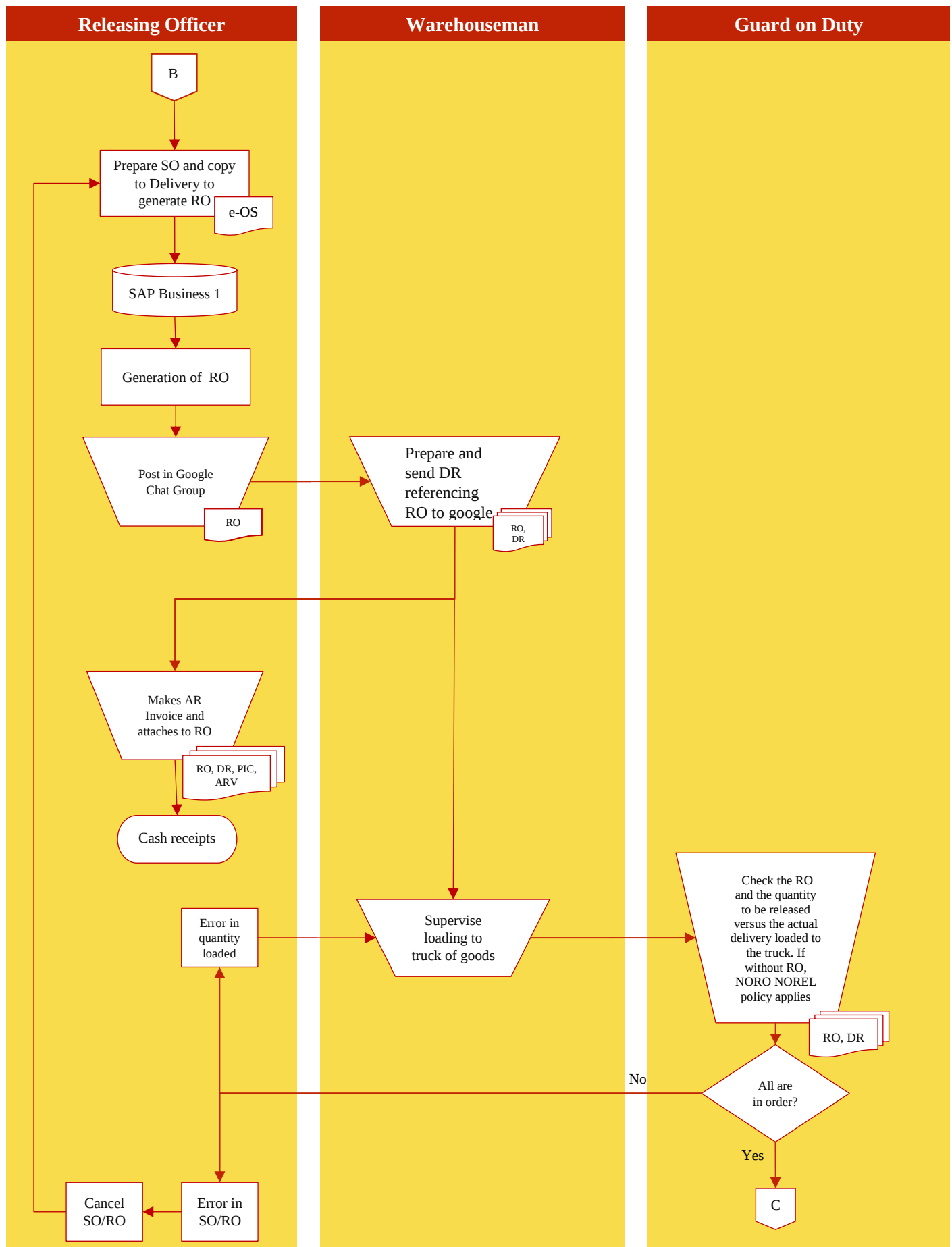
Cost of Sale:
Freight and other transport costs:
Arrastre
Wharfage
Allowance for Damages
Insurance for loading and ferries
Commission



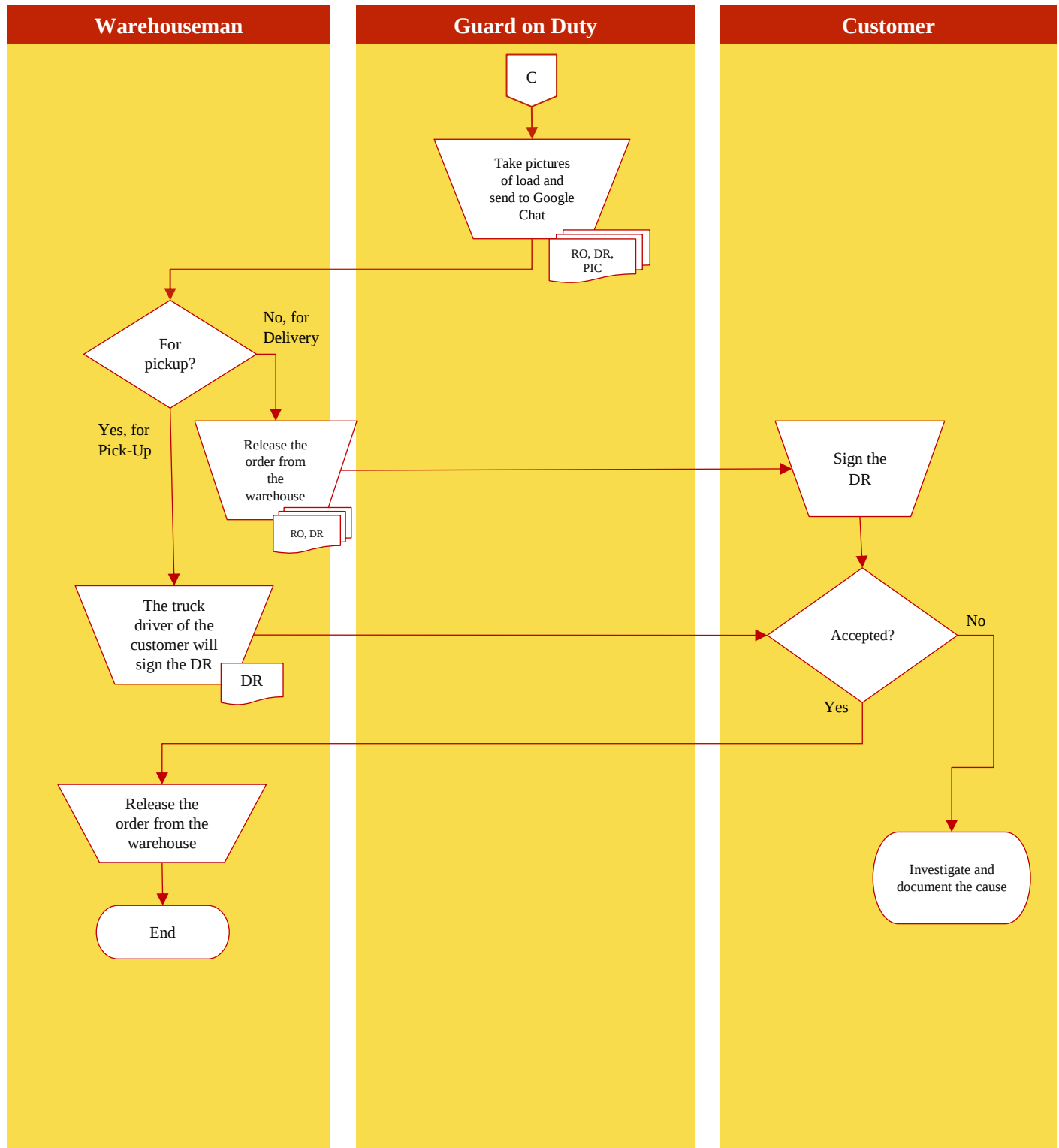
Appendix 20: Revenue Recognition



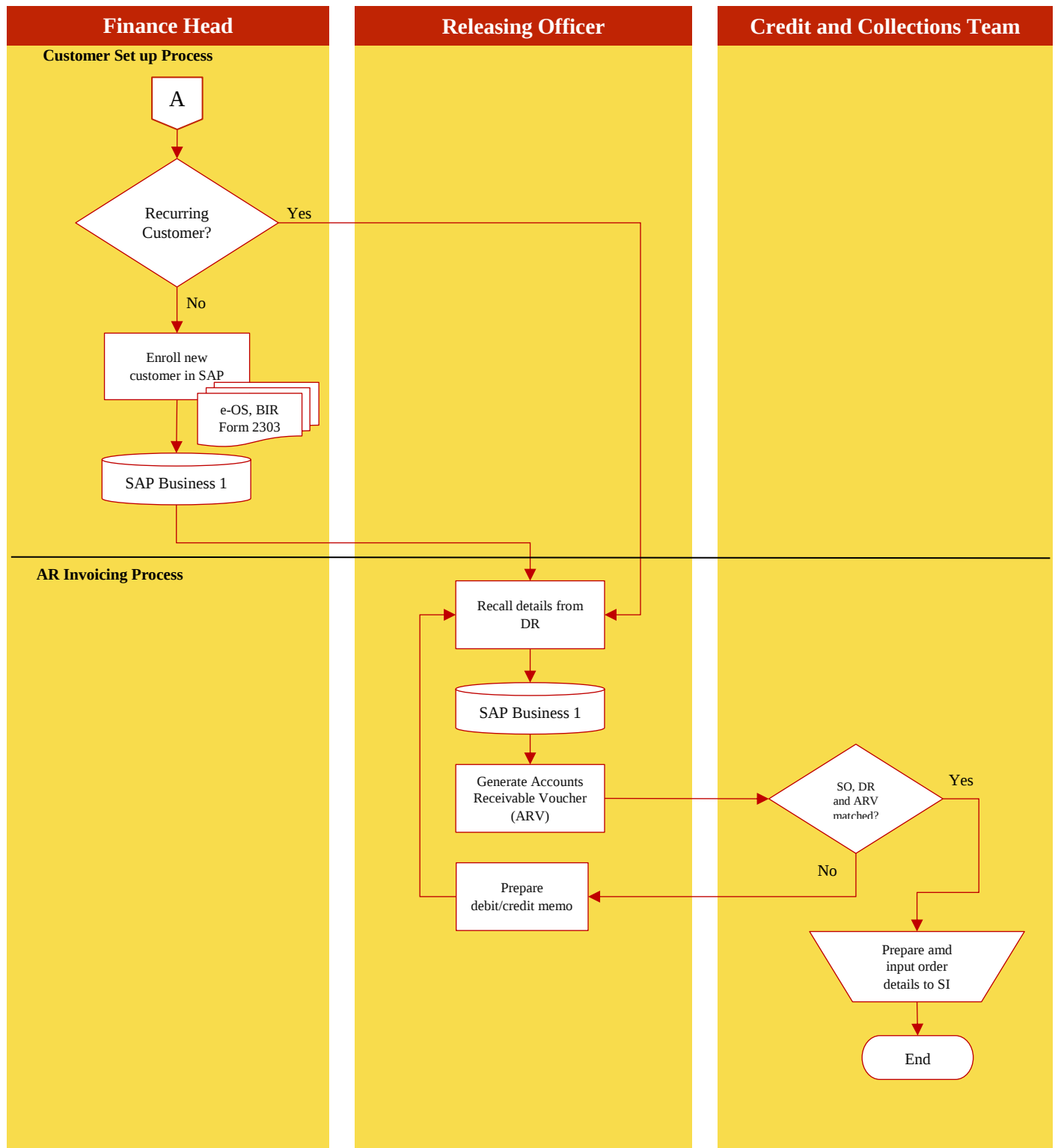
Revenue Recognition (Cont)



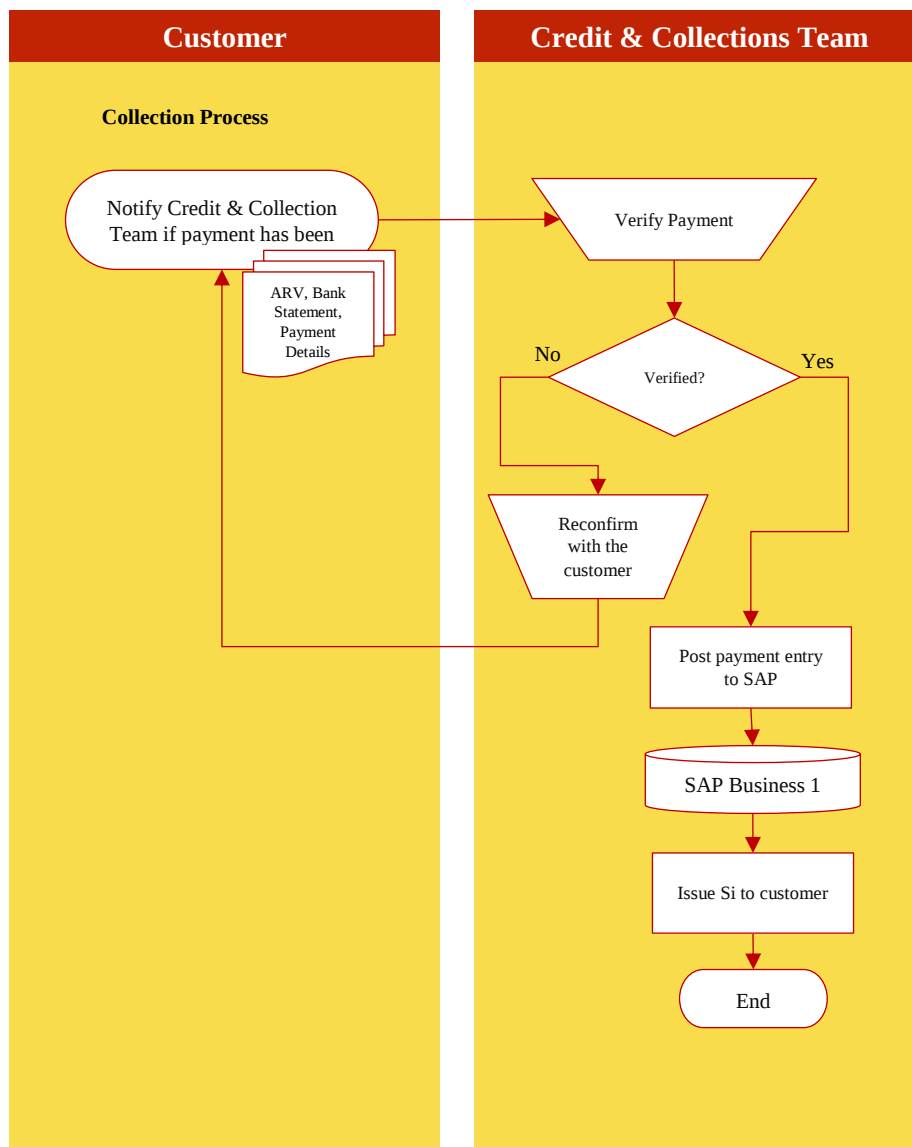
Revenue Recognition (Cont)



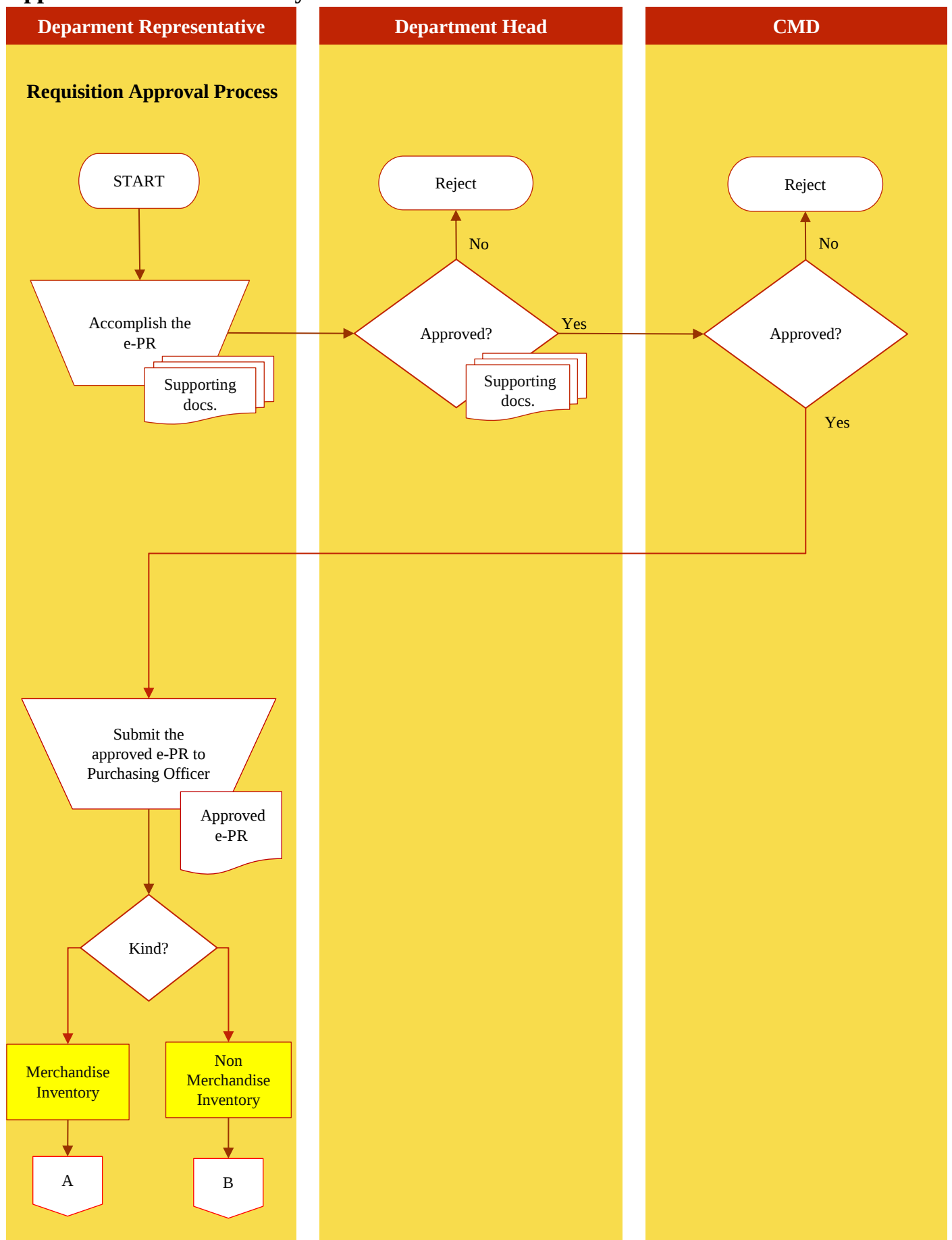
G. Cash Receipts Process



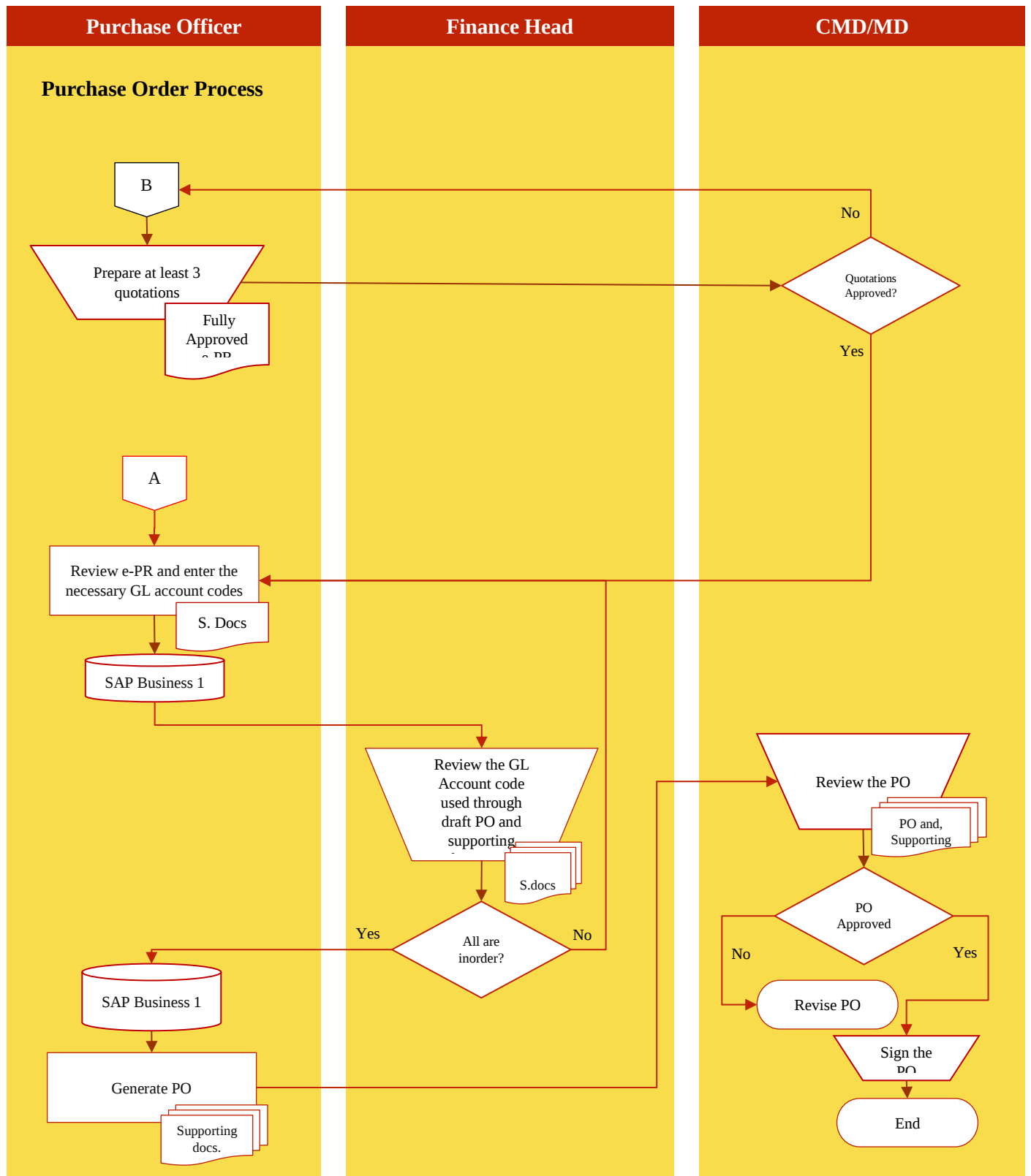
Cash Receipts Process (Cont)



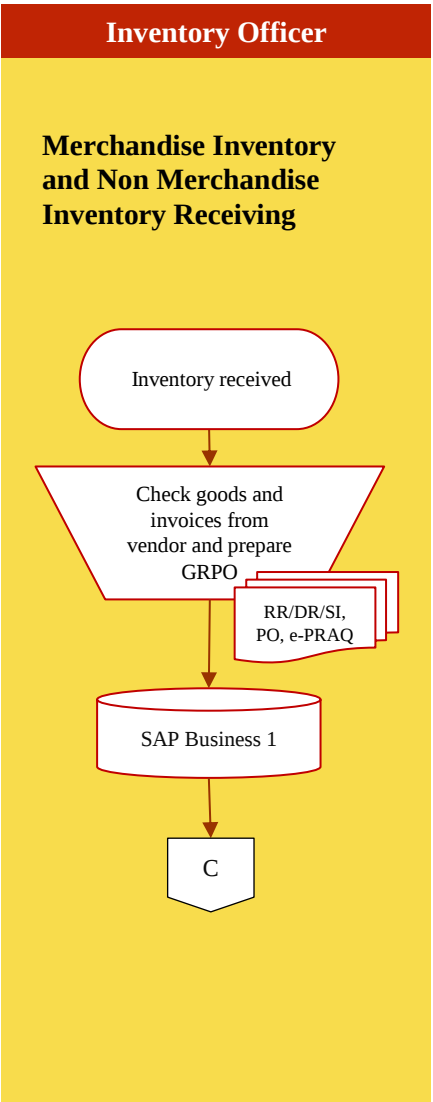
Appendix 21: Purchase to Payable Process



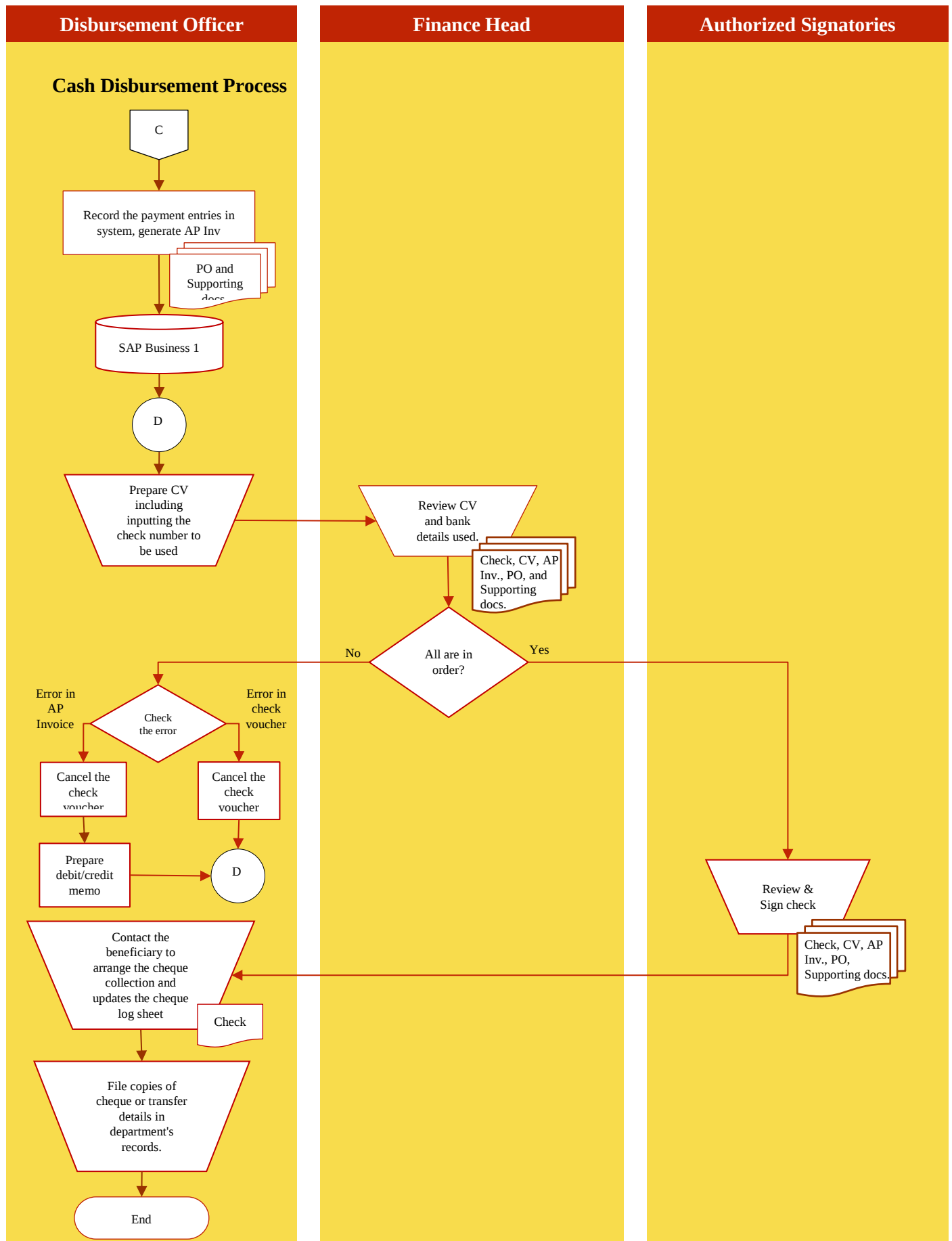
Purchase to Payable Process (Cont)



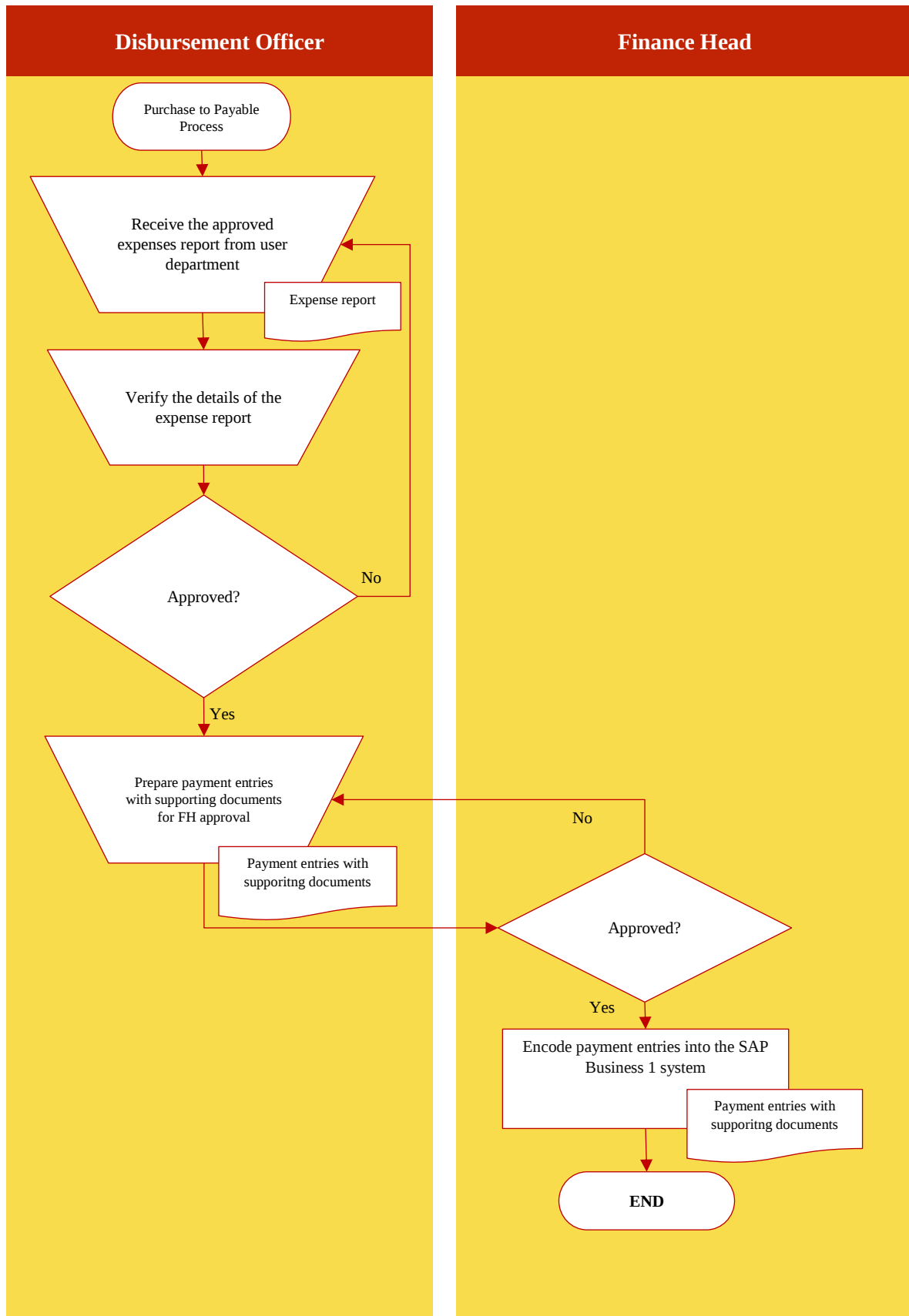
Purchase to Payable Process (Cont)



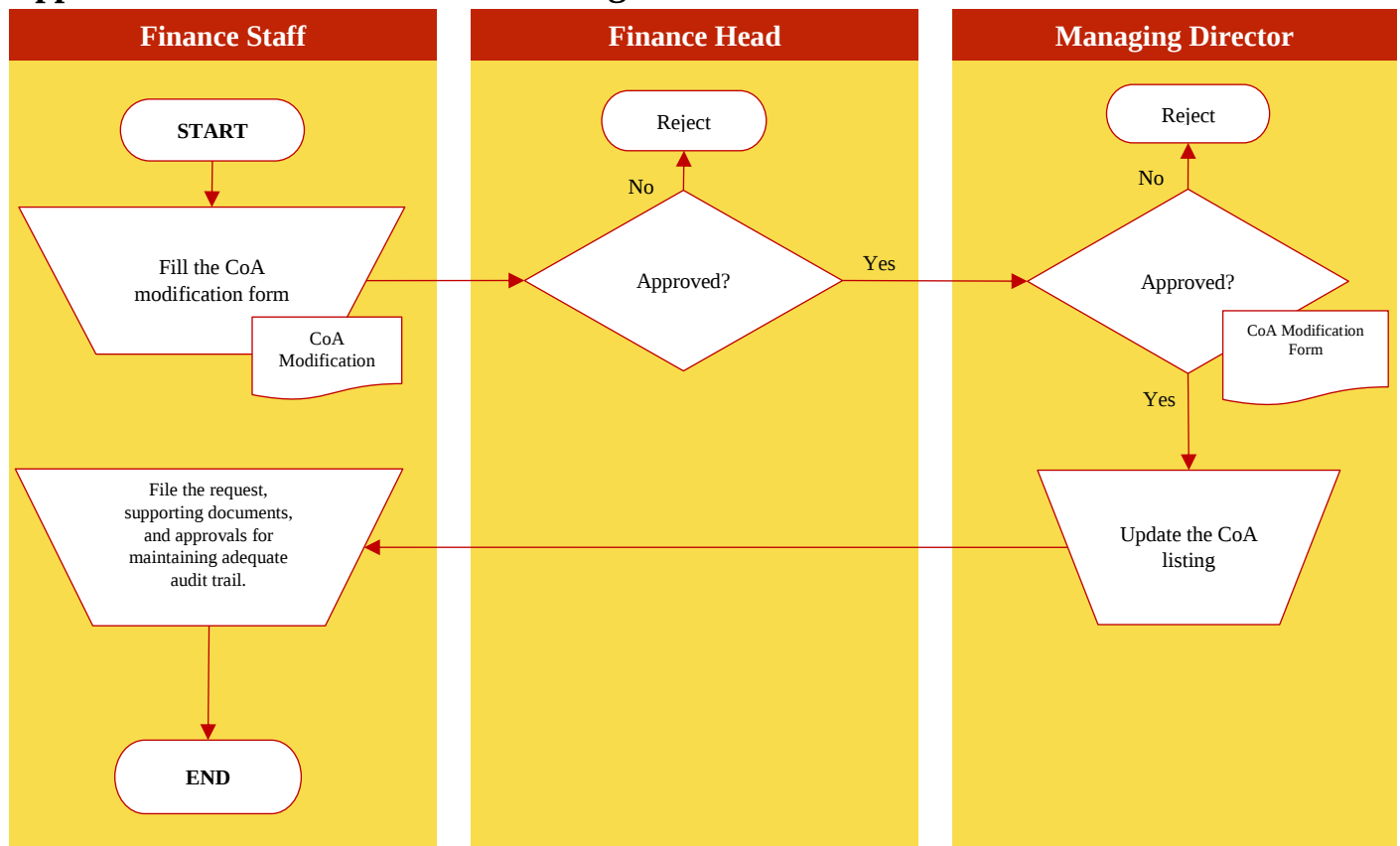
Purchase to Payable Process (Cont)



Appendix 23: General and Administrative Expenses Process flow



Appendix 24: Modification of CoA Listing Process flow



Appendix 25: FS Closing Process flow

