

**MEMORANDUM CIRCULAR**  
**NO. 12-05-00**

**SUBJECT: UNIFORM SYSTEM OF ACCOUNTS**

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Pursuant to RA 7925 and in order to establish a method by which the Commission can effectively and reasonably compare the operations of the public telecommunications entities (PTE), the attached uniform system of accounts is hereby adopted for the compliance by the PTEs.

1. All PTEs shall use the herein-prescribed uniform system of accounts in all of the reports required to be submitted to the Commission.
2. PTEs that will require substantial changes in the classification of their accounts shall be required to fully comply with the prescribed uniform system of accounts not later than 01 January 2001.

This circular shall take effect fifteen (15) days after publication in a newspaper of general circulation and three (3) certified true copies furnished the UP Law Center.

Quezon City, Philippines, 02 May 2000.

**(SGD.) JOSEPH A. SANTIAGO**  
Commissioner

**(SGD.) NESTOR C. DACANAY**  
Deputy Commissioner

**(SGD.) AURELIO M. UMALI**  
Deputy Commissioner



## **CHART OF ACCOUNTS (COA)**

### **Telecommunications**

#### **Balance Sheet and Income Statement Accounts**

### **A S S E T S**

#### **CODE            CURRENT ASSETS**

##### **CASH AND CASH EQUIVALENTS**

1110	Cash
1120	Special Cash Deposits
1130	Working Cash Advances
1140	Temporary Investments
1190	Cash and Cash Equivalent – Others
1199*	TOTAL CASH AND CASH EQUIVALENTS

##### **RECEIVABLES-CURRENT**

1210*	Telecommunications Accounts Receivable – Subscribers
1220*	Telecommunications Accounts Receivable – Connecting Carriers
1230*	Loans Receivable
1240*	Notes Receivable
1250*	Interest Receivable
1260*	Subscriptions Receivable
1270*	Dividends Receivables
1280*	Advances to Officers and Employees
1290*	Receivables Current – Others
1298*	TOTAL RECEIVABLES – CURRENT

##### **ALLOWANCE FOR DOUBTFUL ACCOUNTS–RECEIVABLES-CURRENT**

1211*	Telecommunications Accounts Receivable – Subscribers
1221*	Telecommunications Accounts Receivable – Connecting Carriers
1231*	Loans Receivable
1241*	Notes Receivable
1251*	Interest Receivable
1271*	Dividends Receivable
1291*	Receivables-current-others
1299*	TOTAL ALLOWANCE FOR DOUBTFUL ACCOUNTS-RECEIVABLES–CURRENT

##### **INVENTORIES/MATERIALS AND SUPPLIES**

1310	Telephone Instruments
1320	Cables
1330	Spare Parts
1340	Materials and Supplies in Transit
1350	Office Supplies



1360	Paging Receivers and Accessories
1370	Prepaid Cards
1380	Trunk Radios – Portable and Mobile
1390	Inventors/Materials and Supplies-Others
1398*	TOTAL INVENTORIES/MATERIALS & SUPPLIES

1399            **ALLOWANCE FOR INVENTORY LOSSES AND OBSOLESCENCE**

**PREPAYMENTS**

1410	Prepaid Rent
1420	Prepaid Taxes
1430	Prepaid Insurance
1440	Prepaid Directory Expenses
1450	Prepaid Leases
1490	Prepaid Expenses – Others
1499*	TOTAL PREPAYMENTS

**OTHER CURRENT ASSETS**

1510	Input VAT Receivable
1520	Deposits on Road Excavation and Restoration
1530	Deposits on Rental of Business Offices
1540	Deposits on Lease of Cars
1550	Deposits on Cable Reels
1560	Net Operating Loss Carry-Over (NOLCO)
1570	Deferred Income Tax
1580	Advances to Suppliers/Contractors
1590	Other Current Assets
1599*	TOTAL OTHER CURRENT ASSETS

**NON-CURRENT ASSETS**

**RECEIVABLES NON-CURRENT**

2110*	Loans Receivable
2120*	Notes Receivable
2190*	Receivables Non-Current-Others
2198*	TOTAL RECEIVABLES NON-CURRENT

**ALLOWANCE FOR DOUBTFUL ACCOUNTS-RECEIVABLES NON-CURRENT**

2111*	Loans Receivable
2121*	Notes Receivable
2191*	Receivables-Non-Current-Others
2199*	TOTAL ALLOWANCES FOR DOUBTFUL ACCOUNTS- RECEIVABLES NON-CURRENT



## **INVESTMENTS**

2210*	Investment in Affiliated Companies
2220*	Investment in Non-Affiliated Companies
2290*	Investment-Others
2299*	TOTAL INVESTMENTS

## **DEFERRED CHARGES**

2310*	Unamortized Debt Issuance Expense
2390*	Deferred Charges-Others
2399*	TOTAL DEFERRED CHARGES

## **PROPERTY, PLANT & EQUIPMENT-AT COST**

3110*	Telecommunications Plant Under Construction
3120	Land
3130	Road and Land Improvements
3140	Buildings
3150	Building Improvements
3160	Motor Vehicles
3170	Test and Other Work Equipment
3180	Aircraft
3190	Office Furniture, Fixture and Equipment
3200*	TOTAL GENERAL SUPPORT ASSETS
3210*	Operator Systems
3220*	Switching Equipment
3230*	Transmission Equipment
3240*	Telecommunications Plant in Service (TPIS) – Capital Lease
3250*	TPIS Information/Origination/Termination Equipment
3260	Poles and Accessories
3270	Wires and Cables
3280	Submarine Cables
3300*	TOTAL CABLE AND WIRE FACILITIES
3310*	Leasehold Improvements
3320*	Non-Operating Assets
3330*	Property, Plant and Equipment-Others

## **PROPERTY, PLANT & EQUIPMENT-APPRAISAL INCREMENT**

3111*	Telecommunications Plant Under Construction
3121	Land
3131	Road and Land Improvements
3141	Buildings
3151	Building Improvements
3161	Motor Vehicles
3171	Test and Other Work Equipment
3181	Aircraft
3191	Office Furniture, Fixture and Equipment



3201*	TOTAL GENERAL SUPPORT ASSETS-APPRAISAL INCREMENT
3211*	Operator Systems
3221*	Switching Equipment
3231*	Transmission Equipment
3241*	Telecommunications Plant in Service-Capital Lease
3251*	TPIS Information/Origination/Termination Equipment
3261	Poles and Accessories
3271	Wires and Cables
3281	Submarine Cables
3301*	TOTAL CABLE AND WIRE FACILITIES-APPRAISAL INCREMENT
3311*	Leasehold Improvements
3321*	Non-Operating Assets
3331*	Property, Plant and Equipment-Others

**ACCUMULATED DEPRECIATION-PROPERTY & EQUIPMENT AT COST**

3132	Road and Land Improvements
3142	Buildings
3152	Buildings Improvements
3162	Motor Vehicles
3172	Test and Other Work Equipment
3182	Aircraft
3192	Office Furniture, Fixture and Equipment
3202*	TOTAL ACCUMULATED DEPRECIATION-GENERAL SUPPORT ASSETS
3212*	Operator Systems
3222*	Switching Equipment
3232*	Transmission Equipment
3242*	Telecommunications Plant in Service (TPIS)-Capital Lease
3252*	TPIS Information/Originator/Termination Equipment
3262	Poles and Accessories
3272	Wires and Cables
3282	Submarine Cables
3302*	TOTAL ACCUMULATED DEPRECIATION-CABLE & WIRE FACILITIES
3312*	Leasehold Improvements
3322*	Non-Operating Assets
3332*	Property, Plant and Equipment-Others

**ACCUMULATED DEPRECIATION - PROPERTY & EQUIPMENT APPRAISAL INCREMENT**

3133	Road and Land Improvements
3143	Buildings
3153	Buildings Improvements
3163	Motor Vehicles
3173	Test and Other Work Equipment
3183	Aircraft
3193	Office Furniture, Fixture and Equipment



3203*	TOTAL ACCUMULATED DEPRECIATION-GENERAL SUPPORT ASSETS- APPRAISAL INCREMENT
3213*	Operating Systems
3223*	Switching Equipment
3233*	Transmission Equipment
3243*	Telecommunication Plant in Service (TPIS)- Capital Lease
3253*	TPIS Information/Origination/Termination Equipment
3263	Poles and Accessories
3273	Wires and Cables
3283	Submarine Cables
3303*	TOTAL ACCUMULATED DEPRECIATION-CABLE AND WIRE FACILITIES APPRAISAL INCREMENT
3313*	Leasehold Improvements
3323*	Non-Operating Assets
3333*	Property, Plant and Equipment-Others

### **INTANGIBLES**

4110*	Goodwill
4120*	Franchise
4130*	Organization Costs
4190*	Intangibles-Others

### **OTHER ASSETS**

5110*	Property and Equipment Held for Future use
5120*	Sinking Funds
5130*	Funds in Escrow
5140*	Miscellaneous Special Funds
5150*	Miscellaneous Deposits
5190*	Other Assets

## **LIABILITIES**

### **CURRENT LIABILITIES**

6110*	Accounts payable- Trade- Creditors
6120*	Accounts payable- Trade- Foreign Administrators
6130*	Accounts payable – Other Carriers
6140*	Notes Payable
6150*	Advance Billings and Payments
6160*	Customer’s Deposits
6170*	Current Portion of Long-Term Debt
6180*	Current Maturities – Capital Leases
6190*	Accrued Income Tax Payable
6200*	Accrued Overseas Communication Tax Payable
6210*	Accrued Interest
6240*	Dividends Payable



6250*	Withholding Tax Payable – Source
6260*	Withholding Tax Payable – Compensation
6270*	Pag-ibig Fund/SSS/Medicare Premiums Payable
6290*	Output Tax Payable
6300*	Other Accrued Taxes and Fees
6310*	Advances from Stockholders
6320*	Retention Payable
6330*	Deferred Income Tax
6340*	Accrued Expenses – Others
6390*	Other Current Liabilities

### **LONG TERM LIABILITIES**

7110*	Notes Payable
7120*	Funded Debt
7130*	Obligations Under Capital Leases
7140*	Contingent Liabilities
7150*	Premium on Long-Term Debt
7160*	Discount on Long-Term Debt
7170*	Advances from Affiliated Companies
7180*	Deferred Income Tax
7190*	Reserve for Employee’s Benefit Plan
7200*	Long-Term Liabilities- Others

### **STOCKHOLDERS’/OWNER’S/PARTNERS’EQUITY**

8110*	Common Stock
8120*	Preferred Stock
8130*	Partner’s Equity
8140*	Owner’s Equity
8150*	Paid-in Capital in Excess of Par- Common
8160*	Paid-in Capital in Excess of Par- Preferred
8170*	Treasury Stock
8180*	Deposit for Future Stock Subscription
8190*	Revaluation Increment in Property and Equipment
8200*	Retained Earnings – Appropriated
8210*	Retained Earnings – Unappropriated
8220*	Prior Period Adjustments

### **REVENUES**

#### **BASIC LOCAL SERVICE REVENUES**

9110*	Flat Rate-Business
9120*	Flat Rate- Residential
9130*	Trunklines
9140*	Extension stations
9150*	Local Usage – Metered Rates – Business
9160*	Local Usage – Metered Rates – Residential
9170*	Foreign Currency Adjustment
9180*	Optional Extended Area Revenue



9190\* Public Pay Stations Service Revenue  
9200\* Subscriber's Connection Charges  
9210\* Installation Charges  
9220\* Local Private Line Revenue  
9290\* Basic Local Services Revenue – Others

**INTERCONNECTION ACCESS REVENUE**

9310\* National  
9320\* International  
9330\* Local Network  
9340\* Cellular Mobile Service  
9390\* Interconnection Access Revenue – Others

**LONG DISTANCE NETWORK REVENUES**

9410\* Long Distance – National  
9420\* Long Distance – International  
9430\* Long Distance Private Network – National  
9440\* Long Distance Private Network – International  
9450\* Operator Surcharge/ Report Charge – National  
9460\* Operator Surcharge/ Report Charge – International  
9470\* Public Calling Office Service Revenue – National  
9480\* Public Calling Office Service Revenue – International  
9490\* Long Distance Network Revenue – Others

**OTHER SERVICES REVENUES**

9510\* Telex/Telegram – National  
9520\* Telex/Telegram – International  
9530\* Trunk Radio Service Revenue  
9540\* Facsimile/Fax Services – National  
9550\* Facsimile/Fax Services – International  
9560\* Customer Premises Revenue  
9570\* Value Added Services Revenue  
9580\* Other Services – National (Specify)  
9590\* Other Services – International (Specify)

**CELLULAR MOBILE SERVICE REVENUES**

9610 Airtime Fees  
9620 International Roaming – Airtime  
9630 Text Messaging Fee  
9650 Registration Fee  
9660 Subscription Revenue  
9680 Lease Income – Cellular Phones  
9690 SIM Card Revenue



### **PAGING SERVICE REVENUES**

9720	Subscription Revenue
9730	Lease Income – Pagers
9740	Customized Greeting Fees

### **SATELLITE PROVIDER SERVICE REVENUES**

9810	Full-time Circuits
9820	Business Service Income
9830	Television Circuits
9840	Restoral Circuits
9850	Occasional Circuits
9860	Accounting Authority Revenue
9870	Co-Location Revenue
9880	Share in Satellite Revenues

### **TRUNKING SERVICE REVENUES**

9920	Subscription Revenue – Network Franchise Fees
9930	Service Income
9940	Lease Income

### **MISCELLANEOUS OPERATING REVENUES**

10010*	Directory
10020*	Rent
10030*	Corporate Operations
10040*	Revenue from Sale of Equipment
10090*	Other Miscellaneous Revenue

### **OTHER OPERATING INCOME**

13110*	Income from Custom Work
13120*	Return from Non-Regulated Use of Regulated Facilities
13130*	Gains from Foreign Exchange
13140*	Gains from Disposition of Land and Artwork
13190*	Others – Operating Income

### **NON – OPERATING INCOME**

15110*	Dividend Income
15120*	Interest Income
15140*	Other Interest Income
15190*	Other Non-Operating Income

### **EXPENSES**

#### **OPERATING EXPENSES**

10110*	Advertising/Promotions
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10140*	Amortization- Intangibles
10170*	Communication Expense
10180*	Depreciation – Cost
10190*	Depreciation – Appraisal Increment
10200*	Donations
10210*	Employee Benefits
10220*	Freight and Delivery Charges
10230*	Insurance Expense
10270*	Interconnection Access Expense – International
10280*	Interconnection Access Expense – National
10290*	Interconnection Access Expense – Local Network
10300*	Interconnection Access Expense – Cellular Mobile Service
10310*	Interconnection Access Expense – Others
10320*	Janitorial and Security Fees
10330*	Lease Expense
10340*	Management Fees
10350*	Motor Vehicle Expense
10360*	NTC Supervision, Regulation and Permit Fees
10370*	Spectrum Users Fees
10380*	Other NTC Fees
10390*	Printing and Office Supplies
10400*	Professional Fees
10430*	Provision for Doubtful Accounts
10440*	Provision for Inventory Losses and Obsolescence
10450*	Rent – Motor Vehicles
10460*	Rent – Telecommunications Facilities
10470*	Rent – Office Buildings
10480*	Rent – Others
10490*	Repairs and Maintenance – Telecommunications Equipment
10500*	Repairs and Maintenance – Building
10510*	Repairs and Maintenance – Wires and Cables
10520*	Repairs and Maintenance – Others
10530*	Representation Expense
10540*	Research and Development
10550*	Salaries, Wages and Allowances
10560*	Seminars and Training
10580*	Taxes and Licenses
10600*	Transportation and Travel
10610*	Utilities
10690*	Miscellaneous Expense

**COST OF SERVICE PROVISIONING**

11110	Paging Receivers
11120	Pager Accessories
11130	Cellular Phone Units
11140	SIM Cards
11150	Prepaid Cards
11160	Trunked Radios
11180	Service Cost



**COST OF OPERATIONS – SATELLITE PROVIDERS**

12110 Satellite Utilization Charges  
12140 Space Segment Charges

**OTHER OPERATING EXPENSES**

14110\* Operating Taxes – Real Property Tax  
14120\* Other Operating Taxes  
14130\* Losses from Foreign Exchange  
14140\* Losses from Disposition of Land and Network  
14190\* Others – Operating Expenses

**NON-OPERATING EXPENSES**

16110\* Provision for Income Tax  
16120\* Interest on Funded Debt  
16130\* Interest Expense – Capital Lease  
16140\* Amortization of Debt Issuance Expense  
16150\* Interest Expense  
16170\* Other Interest Expense  
16190\* Other Non-Operating Expense

\* Account titles with asterisks are required for all companies. Account titles without asterisks are optional for small companies. Further reduced filing requirements for small companies may be jointly pursued by the industry and the National Telecommunications Commission (NTC).



**CHART OF ACCOUNTS (COA)**  
**Telecommunications**

Description of Accounts

**STRUCTURE OF THE BALANCE SHEET ACCOUNTS**

The balance sheet accounts shall be maintained as follows:

**Current Assets**

- Account 1110 through Account 1199 - Cash and Cash Equivalents
- Account 1210 through Account 1298 - Receivables - Current
- Account 1211 through Account 1299 - Allowance for Doubtful Accounts – Receivables - Current
- Account 1310 through Account 1398 - Inventories/Materials and Supplies
- Account 1399 - Allowance for Inventory Losses and Obsolescence
- Account 1410 through Account 1499 - Prepayments
- Account 1510 through Account 1599 - Other Current Assets

**Non-Current Assets**

- Account 2110 through Account 2198 - Receivables Non-Current
- Account 2111 through Account 2199 - Allowance for Doubtful Accounts-Receivables-Current
- Account 2210 through Account 2299 - Investments
- Account 2310 through Account 2399 - Deferred Charges
- Account 3110 through Account 3333 - Property, Plant and Equipment
- Account 4110 through Account 4190 - Intangibles
- Account 5110 through Account 5190 - Other Assets

**Current Liabilities**

- Account 6110 through Account 6390 - Current Liabilities

**Long-Term Liabilities**

- Account 7110 through Account 7290 - Long-Term Liabilities

**Equity**

- Account 8110 through Account 8220 - Equity Accounts

**ASSETS**

**CURRENT ASSETS**

**CASH AND CASH EQUIVALENTS**

- 1110 - Cash - This account shall include the amount of current funds available for use on demand in the hands of financial officers and agents, deposited in banks or other financial institutions and also funds in transit for which agents have received credit.
- 1120 - Special Cash Deposits – This account shall include the amount of cash on deposit other than in sinking and other special funds provided for elsewhere, to pay dividends, interest, and other debts, when such payments are due one year or less from the date of deposit; the amount of cash deposited to insure the performance of contracts to be performed

within one year from date of the deposit, and other cash deposits of a special nature not provided for elsewhere.

- 1130 - Working Cash Advances – This account shall include the amount of cash advanced to officers, agents, employees and others as petty cash or working funds from which expenditures are to be made and accounted for.
- 1140 - Temporary Investments - This account shall include the cost of securities acquired for the purpose of temporarily investing cash, such as time drafts receivable and time loans, bankers acceptances, marketable securities, and other similar investments of a temporary character.
- 1190 - Cash and Cash Equivalent– Others– This account shall include other cash and cash equivalent, other than those included in Accounts 1110 through 1140.
- 1199 - TOTAL CASH AND CASH EQUIVALENTS – This account shall show the summation of all cash and cash equivalents.

#### **RECEIVABLES – CURRENT**

- 1210/1220 - Telecommunications Accounts Receivable –These accounts shall include all amounts due from customers for services rendered or billed and from agents and collectors authorized to make collections from customers. These accounts shall also include all amounts due from customers or agents for products sold and unbilled receivables as of financial statement date.

Subsidiary accounts for Telecommunications Accounts Receivable – Connecting Carriers (Account No. 1220) should be maintained. They may include IXC Carriers, LEC Carriers, CMTS Carriers/FA, IGF Carriers, and/or Leased Circuits.

- 1230 - Loans Receivables– This account normally includes receivables arising from non-trade transaction such as sale of fixed assets, cash advanced to parties other than officers and employees. These loans mature in less than one year.
- 1240 - Notes Receivable– This account shall include the cost of demand or notes, bills and drafts receivable or other similar evidences or money receivable on demand or within a time not exceeding one year form the date of issue.
- 1250 - Interest Receivable – This account shall include the amount of interest accrued to the date of the balance sheets on bonds, notes, other commercial paper owned, and on loans made.  
  
Interest receivable under monthly settlements on short-term loans, advances and open accounts shall be included in Telecommunication Accounts Receivable and Other Accounts Receivable as appropriate.
- 1260 - Subscriptions Receivable – This account shall include the amount of subscriptions receivable on stock owned.
- 1270 - Dividends Receivable – This account shall include the amount of dividends receivable on stock owned. This shall not include dividends or other returns on securities issued or assumed by the company and held by or for it, whether pledged as collateral, or held in

its treasury in special deposits, or in sinking and other funds. Dividends received and receivable from affiliated companies accounted for on the equity method shall be included in Account 2210, Investment in Affiliated Companies.

- 1280 - Advances to Officers and Employees – This account shall include personal advances to officers and employees, which are subject to salary deductions.
- 1290 - Receivable – Others – This account shall include all amounts currently due, and not provided for in other accounts, such as those for traffic settlements, divisions of revenue, materials and supplies, matured rents, and interest receivable under monthly settlements on short-term loans, advances, and open accounts.

#### **ALLOWANCE FOR DOUBTFUL ACCOUNTS – RECEIVABLES-CURRENT**

1211 TO 1291- Allowance for Doubtful Accounts – These accounts shall show an estimate of the receivables, which will probably not be collected. The amounts for these accounts are estimated based on a study of the estimated collectibility of receivable balances and evaluation of such factors as aging of the accounts, collection experience of the company in relation to the particular receivables, past loss experiences and identified doubtful accounts.

- 1298/1299 - TOTAL RECEIVABLES-CURRENT/TOTAL ALLOWANCE FOR DOUBTFUL ACCOUNTS-RECEIVABLES-CURRENT – These accounts shall show the summation of the accounts under receivables-current and the summation of the allowance for doubtful accounts-receivables-current.

#### **INVENTORIES/MATERIALS AND SUPPLIES**

1310 to 1390 - Inventories/Materials and Supplies – These accounts consists of tangible personal properties which are to be currently consumed in the delivery of telecommunications services such as telephone instruments, cables, spares parts, materials and supplies in transit, office supplies, paging receivers and accessories, prepaid cards, trunk radios-portable and mobile and other plan supplies.

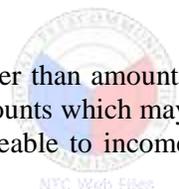
- 1398 - TOTAL INVENTORIES/MATERIALS & SUPPLIES – This account shall include the summation of all the items comprising inventories/materials and supplies.

#### **ALLOWANCE FOR INVENTORY LOSSES AND OBSOLESCENCE**

1399 - Allowance for Inventory Losses and Obsolescence - This account shall show estimates of probable losses due to inventory obsolescence and decline in the market value of inventories.

#### **PREPAYMENTS**

- 1410 - Prepaid Rent - This account shall include the amount of rent paid in advance of the period in which they are chargeable to income, except amount chargeable to telecommunications plant under construction and minor amounts which may be charged directly to the final accounts. As the term expires for which the rents are paid, this account shall be credited monthly and the appropriate account charged.
- 1420 - Prepaid Taxes – This account shall include the balance of all taxes, other than amounts chargeable to telecommunication plant under construction and minor amounts which may be charged to the final accounts, paid in advance and which are chargeable to income



within one year. As the term expires for which the taxes are paid, this account shall be credited monthly and the appropriate account charged.

- 1430 - Prepaid Insurance - This account shall include the amount of insurance premiums paid in advance of the period in which they are chargeable to income, except premiums chargeable to telecommunications plant under construction and minor amounts which may be charged directly to the final accounts. As the term expires for which the premiums are paid, this account shall be accredited monthly and the appropriate account charged.
- 1440 - Prepaid Directory Expenses - This account shall include the cost of preparing, printing, binding, and delivering directories and the cost of soliciting advertisements for directories, except minor amounts which may be charged directly to an expense account.
- 1450 - Prepaid Leases - This account shall include the amount of lease payments made in advance of the period in which they are chargeable to income such the transponder leases. As the term expires for which the payments have been made, this account shall be credited monthly and the appropriate account charged.
- 1490 - Prepaid Expenses – Others - This account shall include prepayments, other than those include in Accounts 1410 through 1450, specifically this may include: Prepaid Guarantee Fees, Prepaid Licenses and Fees, Prepaid Deposits on LCs, Prepaid Lease of Transponder, Prepaid Signing Bonus, Company Uniforms, Prepaid Various Computerization Project, Prepaid Estimated Liabilities on Import Shipments, Prepaid Contractors' Materials Accountabilities, Prepaid Undistributed Working Fund, etc.
- 1499 - TOTAL PREPAYMENTS - This account shall show the summation of all prepaid items.

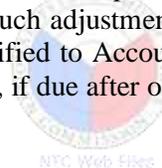
#### **OTHER CURRENT ASSETS**

- 1510 - Input VAT Receivable - This account represents the 10% tax on the cost of goods and services consumed in the delivery of telecommunications services.

#### **1520/1530/1540/1550**

Deposits- These accounts are used to record deposits made for the purchases of goods and services which are expected to be recovered or applied against maturing obligations within the normal operating cycle of the business. This may include deposits such as road excavation, land restoration, rental of business office, leasing of cars and cables reels.

- 1560 - Net Operating Loss Carry-over (NOLCO) - This account pertains to the excess if allowable deductions over gross income which can be carried over as deductions for the next three - (3) consecutive taxable years following the year of such loss.
- 1570 - Deferred Income Tax- This account shall include amounts of probable future revenue for the recovery of future increases in taxes payable. This accounts shall also be adjusted for the impact of prospective tax rate changes in the deferred tax liability for those temporary differences underlying its existing balance. If the cumulative effect of such adjustments reduce the account to a net credit balance, such balance shall be reclassified to Account No. 6330, if due within a period of one year or less or Account No. 7180, if due after one year.



- 1580 - Advances to Suppliers/Contractors - This account shall include all payments made to suppliers and contractors for goods to be delivered in the future or services to be rendered in the future.
- 1590 - Other Current Assets - This account includes other Current Assets other than those included in Accounts 1510 through 1580.
- 1599 - TOTAL OTHER CURRENT ASSETS - This account shall show the summation of all items under current assets.

## **NON-CURRENT ASSETS**

### **RECEIVABLES NON-CURRENT**

- 2110 - Loans Receivable - This account normally includes receivables arising from non-trade transactions such as sale of fixed assets, cash advanced to parties other than officers and employees. The loans mature within a period exceeding one year.
- 2120 - Notes Receivable - This account shall include the cost of demand or time notes, bills and drafts receivable or other similar evidences or money receivable within a period exceeding one year from date of issue.
- 2190 - Receivable Non-Current – Others - This account shall include non-current receivables other than those include in Accounts 2110 to 2120
- 2198 - TOTAL RECEIVABLES NON-CURRENT - This account shall show the summation of all items under non-current receivables.

### **ALLOWANCE FOR DOUBTFUL ACCOUNT-RECEIVABLES NON-CURRENT**

- 2111 to 2191 - Allowance for Doubtful Accounts - Receivables Non-Current - These accounts shall show an estimate of the receivables that will probably not be collected. The amount for each of these accounts is estimated based on a study of the estimated collectibility of receivable balances and an evaluation of such factors as aging of the accounts, collection experience of the company in relation to the particular receivables, past loss experiences and identified doubtful accounts.
- 2199 - TOTAL ALLOWANCE FOR DOUBTFUL ACCOUNTS - RECEIVABLES NON-CURRENT - This account shall show the summation of the allowance for doubtful accounts receivables non-current.

## **INVESTMENTS**

- 2210 - Investments in Affiliated Companies - This account shall include the acquisition cost of the company's investment in equity or other securities issued or assumed by affiliated companies, other than securities held in special funds which shall be charged to Account 5120, Sinking Funds. The carrying value of the investment (securities) accounted for on the equity method shall be adjusted to recognize the company's share of the earnings or losses and dividends received or receivable from the affiliated company from the date of acquisition.
- 2220 - Investment in Non-Affiliated Companies - This account shall include the acquisition cost of the company's investment in securities issued or assumed by non affiliated companies and individuals, other than securities held in special funds which shall be charged to Acct

No. 5120, Sinking Funds, and also its investment advances to such parties and special deposits of cash for more than one year from date of deposit.

This account shall also include advances represented by book accounts only with respect to which it is agreed or intended that they shall be either settled by issuance of capital stock or debt; or shall not be subject to current cost settlement.

- 2290 - Investment – Others - This account shall include investments other than those included in Accounts 2210 and 2220.
- 2299 - TOTAL INVESTMENTS - This account shall show the summation of the items comprising the investments account.

#### **DEFERRED CHARGES**

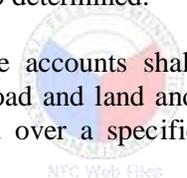
- 2310 - Unamortized Debt Issuance Expense - This account shall include the total unamortized balance of debt issuance expense for all classes of outstanding long-term debt. Amounts included in this account shall be amortized monthly and charged to account 16140, Amortization of Debt Issuance Expense.
- 2390 - Deferred Charge – Others - This account may include Employees’ Materials Accountabilities, Computerization Project, Contractor’s Material Accountabilities, etc.
- 2399 - TOTAL DEFERRED CHARGES- This account shall show the summation of items comprising the deferred charges category.

#### **PROPERTY, PLANT AND EQUIPMENT**

- 3110/3111 - Telecommunications Plant under Construction - at cost/appraisal increment. These accounts shall include the original cost of construction projects and the corresponding appraisal increment. The original cost includes capitalized foreign exchange losses and interest expense during construction. When any telecommunications plant, the cost of which has been included in this account, is completely ready for service, the cost thereof shall be credited to this account and charged to the appropriate telecommunications plant or other plants.
- 3120/3121 - Land - at cost/appraisal increment. These accounts shall include the original cost of all land and the corresponding appraisal increment held in fee and easements, and similar rights in land having a term of more than one year used for purposes other than the location of outside plant or externally mounted telecommunications equipment. It shall also include special assessments upon land for the construction of public improvements.

When land, together with buildings thereon, is acquired, the original cost shall be fairly apportioned between the land and the buildings and accounted for accordingly. If the plan of acquisition contemplates the removal of buildings, the total cost of the land and buildings shall be accounted for as the cost of the land, and the salvage value of the buildings when disposed of shall be deducted from the cost of the land so determined.

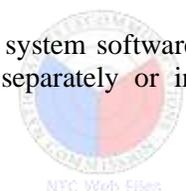
- 3130/3131 - Road and Land Improvements – at cost/appraisal increment. These accounts shall include the amount of expenses incurred for the improvement of the road and land and their corresponding appraisal increments which are to be depreciated over a specific period of time.



- 3140/3141 - Buildings - at cost/appraisal increment. These accounts shall include the original costs of buildings, and the cost of all permanent fixtures, machinery, appurtenances and appliances installed as a part thereof and the corresponding appraisal increment. It shall include costs incident to the construction or purchase of a buildings and to securing possession and title. When land together with the buildings thereon, is acquired, the original cost shall be fairly apportioned between the land and buildings, and the amount applicable to the buildings shall be included in this account. This account shall not include the cost of any telephone equipment or wiring apparatus for generating or controlling electricity for operating the telephone system.
- 3150/3151 - Building Improvements – at cost/appraisal increment. These accounts shall include the amount of expenses incurred for the improvement of the building and the corresponding appraisal increments, which are to be amortized over a specific period of time.
- 3160/3161 - Motor Vehicles- at cost/appraisal increment. These accounts shall include the original cost of motor vehicles of the type which are designed and routinely licensed to operate on public streets and highways and their corresponding appraisal increments.
- 3170/3171 - Test and Other Work Equipment - at cost/appraisal increment. These accounts shall include the original cost of power-operated equipment, general-purpose tools and other items of work equipment and their corresponding appraisal increments.
- 3180/3181 - Aircraft - at cost/appraisal increment. These accounts shall include the original cost of aircraft and any associated equipment and furnishing installed as an integral part of the aircraft and their corresponding appraisal increments.
- 3190/3191 - Office Furniture, Fixtures and Equipment - at cost/appraisal increment. These accounts shall include the original cost of furniture, fixture and equipment in offices, storerooms, shops and all other quarters and their corresponding appraisal increments. These accounts also include the cost of objects which possess aesthetic value, are of original or limited edition, and do not have a determinable useful life and the corresponding appraisal increment. The cost of any furniture attached to and constituting a part of a building shall be charged to Account 3150, Building Improvements.

These accounts also include general-purpose computers described as follows:

- (a) This account shall include the original cost of computers and peripheral devices, which are designed to perform general administrative information processing activities.
- (b) Administrative information processing includes but is not limited to activities such as the preparation of financial, statistical, or other business analytical reports; preparation of payroll, customer bills, and cash management reports, and other records and reports not specifically designed for testing, diagnosis, maintenance or control of the telecommunications network facilities.
- (c) This account shall include the original cost of initial operating system software for computers classifiable to this account whether acquired separately or in conjunction with associated hardware.



Small items (expenditures amounting to P10, 000.00 and below) under this classification may be expensed in the year incurred. They are handled via subsidiary records.

3200/3201 - TOTAL GENERAL SUPPORT ASSEST - AT COST/APPRAISAL INCREMENT. These accounts shall show the summation of Accounts 3110 to 3190 and 3111 to 3191.

3210/3211 - Operator Systems - at cost/appraisal increment. These accounts shall include the original cost of those items of equipment used to assist subscribers in utilizing the network, including but not limited to equipment used in the provision of directory service, call intercept and call completion and the corresponding appraisal increment.

3220/3211 - Switching Equipment - at cost/appraisal increment. These accounts shall consist of the following:

Analog electronic switching - This account shall include the original cost of stored program control analog circuit-switching and associated equipment and the corresponding appraisal increment. This account shall also include the cost of remote analog electronic circuit switches.

Digital electronic switching - This account shall include the original cost of stored program control digital switches and their associated equipment and the corresponding appraisal increment. Included in this account are digital switches, which utilize either dedicated or non-dedicated circuits. This account shall also include the cost of remote digital electronic switches.

Electro-mechanical switches - This account shall include the original cost of non-electronic circuit-switching equipment and the corresponding appraisal increment.

Subsidiary accounts for Switching Equipment may be used to classify as LEC, Tandem, IGF, etc.

3230/3231 - Transmission Equipment - at cost/appraisal increment. These accounts shall be used to record the original cost of radio system and circuit equipment and the corresponding appraisal increment as follows:

Radio System- This account shall include the original cost of ownership of radio transmitters and receivers and the corresponding appraisal increment. The investment in radio system shall be maintained in the following sub-accounts:

Satellite and Earth Station Facilities  
Other Radio Facilities

Circuit Equipment - This account shall include the original cost of equipment which is used to reduce the number of physical pairs otherwise required to serve a given number of subscribers by utilizing carrier systems, concentration stages or combinations of both and the corresponding appraisal increment. It shall include equipment that provides for simultaneous use of a number of interoffice channels on a single transmission path. This account shall also include equipment which is used for the amplification, modulation, regeneration, circuit patching, balancing or control of signals transmitted over interoffice communications transmission channels. This account shall also include the original cost of associated material used in the construction of such plant. Circuit equipment may be

located in central offices, in manholes, on poles, in cabinets or huts or at other company locations. This account excludes carrier and auxiliary equipment and patch bays, which are, included in the sub-account - Other Radio Facilities.

3240/3241 - Telecommunications Plant in Service - Capital Lease - at cost/appraisal increment. These accounts shall include property acquired under a capital lease and the corresponding appraisal increment. A lease qualifies as a capital lease when one or more of the following criteria are met:

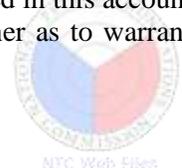
- By the end of the lease term, ownership of the leased property is transferred to the lessee.
- The lease contains a bargain purchase option.
- The lease term is substantially (75% or more) equal to the estimated useful life of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.
- At the inception of the lease, the present value of the minimum leases payments, excluding the portion of the payments representing executory costs to be paid by the lessor, including any profit thereon, equal or exceeds 90% or more of the fair value of the leased property. However, if the beginning of the lease term falls within the economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.
- All other leases are operating leases.

The amounts recorded in these accounts at the inception of a capital lease shall be equal to the original cost, if known, or to the present value not to exceed fair value, at the beginning of the lease term, excluding that portion of the payments representing executory costs to be paid by the lessor, together with any profit thereon.

3250/3251 - TPIS /Origination/Termination Equipment — at cost/appraisal increment. These accounts shall be used to record the original cost of information origination/termination equipment such as Station Apparatus, Station Installations, Customer Premises Wiring, Large Private Branch Exchanges, Public Telephone and Terminal Equipment and Other Terminal Equipment and their corresponding appraisal increments.

The following subsidiary accounts should be maintained:

Station Apparatus — This account shall include the original cost of station apparatus, including teletypewriter equipment, telephone and miscellaneous equipment, small private branch exchanges and radio equipment (excluding mobile), installed for customers' use and the corresponding appraisal increment. Items included in this account shall remain herein until finally disposed of or until used in such manner as to warrant inclusion in other accounts.



Station Installations — This account shall include the original cost of materials used in the installation of station apparatus for the customer's use and the corresponding appraisal increment.

Private Branch Exchanges — This account shall include the original cost, including the cost of installation, of multiple manual private branch exchanges installed for customer's use and the corresponding appraisal increment. This account shall also include the original cost of other large installations of station equipment: (1) which do not constitute stations, (2) which require special or individualized treatment because of their complexity, special design, or other distinctive characteristics, and (3) for which individual or other specialized cost records are appropriate.

Public Telephone Terminal Equipment - This account shall include the original cost of coinless, coin-operated (including public or semi-public), credit card and pay telephone installed for use by the public and the corresponding appraisal increment.

Other Terminal Equipment - This account shall include the original cost of other terminal equipment not specifically provided for elsewhere and items such as a specialized communications equipment provided to meet the needs of the disabled, over-voltage protection equipment, multiplexing equipment to deliver multiple channels to customers, etc. and the corresponding appraisal increment.

3260/3261 - Poles and Accessories - at cost/appraisal increment. This account shall include the original cost of poles, crossarms, guys and materials used in the construction of pole lines and shall include the cost of towers when not associated with buildings and their corresponding appraisal increments. This account shall also include the cost of clearing pole line routes and of tree trimming but shall exclude the cost of maintaining previously cleared routes.

3270/3271 - Wires and Cables — at cost/appraisal increment. These accounts shall be used to record the original cost of cable and wire facilities such as aerial cable, buried cable, underground cable and associated conduit,

3280/3281 - Submarine Cables - at cost/appraisal increment. These accounts shall include the original cost of submarine cables and other materials used in the construction of such plant and the corresponding appraisal increment. Subsidiary record categories are to be maintained for nonmetallic submarine cable and metallic submarine cable.

Nonmetallic cable shall include the original cost of optical fiber cable and other associated materials used in constructing a physical path for the transmission of telecommunications signals and the corresponding appraisal increment.

Metallic cable shall include the original cost of single or paired conductor cable, wire and other associated materials used in constructing a physical path for the transmission of telecommunications signals and the corresponding appraisal increment.

3300/3301 - TOTAL CABLE AND WIRE FACILITIES - AT COST/APPRAISAL INCREMENT. These accounts shall show the summation of Accounts 3210 to 3280 and 3211 to 3281.

3310/3311 - Leasehold Improvements — at cost/appraisal increment. These accounts shall include the original cost of leasehold improvements made to telecommunications plant held under a

capital or operating lease, which are subject to depreciation and their corresponding appraisal increments. These accounts shall also include those improvements which will revert to the lessor.

Improvements to leased telecommunications plant which are of a relatively minor cost or short life or for which the period of the lease is one year or less shall be charged to the account chargeable with the cost of repairs to such plant.

Amounts contained in this account shall be depreciated over the term of the related lease.

3320/3321 - Non-Operating Assets - at cost/appraisal. These accounts shall include the company's investment in regulated property, which is not included in the plant accounts as operating telecommunications plant and the corresponding appraisal increment. It shall include the company's investment in telecommunications property held for sale.

3330/3331 - Property, Plant and Equipment - Others - at cost/appraisal increment. These accounts shall include the original cost of other types of property and equipment not provided for in the other classifications such as high value computerization projects, and their corresponding appraisal increments.

3132 to 3333 - Accumulated Depreciation – Cost/Appraisal Increment

Accumulated depreciation on cost is the accumulated depreciation computed based on the historical cost or acquisition cost

Appraised or appraisal value is also known as replacement cost or reproduction cost. It is the revalued amount of property, plant and equipment as determined by recognized specialists.

Accumulated depreciation on appraisal is the accumulated depreciation computed based on the appraised value.

Sound value is also known as net appraised value and is computed by deducting the observed depreciation from the appraised value.

Net book value is computed by deducting accumulated depreciation on cost from historical cost.

Appraisal increase is computed by deducting the historical cost from the appraised value.

## **INTANGIBLES**

4110/4120/4130/4190

Intangibles - These accounts shall include the cost of organizing, and incorporating the company, the original cost of government franchises, the original cost of patent rights, and intangible property having a life of more than one year and used in the company's telecommunications operations.

## **OTHER ASSETS**

5110 - Property and Equipment Held for Future Use - This account shall include the original cost of property owned and held for no longer than two years under a definite plan for use in telecommunications service. If at the end of two years the property is not in service,



the original cost of the property shall be transferred to Account 3323, Non-Operating Assets.

- 5120 - Sinking Funds- This account shall include the amount of cash and other assets which are held by trustees or by the company's treasurer in a distinct fund, for the purpose redeeming outstanding obligations.

Interest or other income arising from funds carded in this account shall generally be charged to this account.

5130/5140/5150/5190

Other Assets - These accounts are used to record other non-current assets not included in accounts 5110 and 5120 such as restricted funds (e.g. sinking fund, fund in escrow), miscellaneous special funds, miscellaneous deposits.

### **CURRENT LIABILITIES**

6110/6120/6130

Accounts Payable Trade-These accounts shall include all amounts currently due to creditors, foreign administrators, other carriers and to others for recurring trade obligations, and not provided for in other accounts, such as those for traffic settlements, materials and supplies, repairs to telecommunications plant, matured rents, and interest payable under monthly settlements on short-term loans, advances, and open accounts.

- 6140 - Notes Payable - This account shall include the face amount of notes, drafts, and other evidences of indebtedness issued or assumed by the company which are payable on demand or within a period of one year or less from date of issue. If any part of an obligation, otherwise included in this account matures more than one year from date of issue, it shall be included in Account 7120, Funded Debt or other appropriate account.

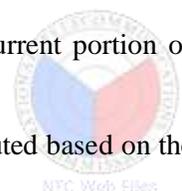
- 6150 - Advance Billings and Payments - This account shall include the amount of advance billings creditable to revenue accounts in future months; also advance payments made by prospective customers prior to the establishment of telecommunications services. Amounts included in this account shall be credited to the appropriate revenue accounts in the months in which the service is rendered or cleared from this account as refunds are made.

- 6140 - Customers' Deposits - This account shall include the amount of cash deposited with the company by customers as security for the payment of telecommunications services. Advance payments made by prospective customers prior to the establishment of service shall be credited to Account 6150, Advance Billings and Payments.

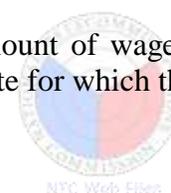
- 6170 - Current Portion of Long -Term Debt - This account shall include the amount (including any obligations for premiums) of long-term debt matured and unpaid without any specific agreement for extension of maturity, including unrepresented bonds drawn for redemption through the operation of sinking fund agreements.

- 6180 - Current Maturities - Capital Leases - This account shall include the current portion of obligations under capital leases.

- 6190 - Accrued Income Tax Payable - This account pertains to liabilities computed based on the statutory corporate income tax rate.



- 6200 - Accrued Overseas Communication Tax Payable - This account shall include the amount of overseas communication tax accrued to the date for which the balance sheet is made, but not payable until after that date.
- 6210 - Accrued Interest - This account shall include interest on indebtedness of the company accrued to the date for which the balance sheet is made, but not payable until after that date.
- 6240 - Dividends Payable - This account includes cash dividends that have been declared by board of directors but have not yet been paid.
- 6250 - Withholding Tax Payable - Source - This account is used to record taxes withheld on various income payments to individuals or corporations other than the salaries, wages and fringe benefits of employees.
- 6260 - Withholding Tax Payable - Compensation - This account is used to record taxes withheld on salaries, wages, allowances and fringe benefits of employees.
- 6270 - Pag-ibig Fund/SSS/Medicare Premiums Payable – This account is used to record the employees’ and employers’ share in the Pag-ibig Fund contributions and the employees’ and employers’ share in the Social Security System (SSS) contributions.
- 6290 - Output Tax Payable- This account represents the 10% value added tax (VAT) on revenues subject to VAT. A subsidiary account may be used to classify this account into National and International.
- 6300 - Other Accrued Taxes and Fees- This account is used to record tax liabilities other than corporate income tax and output tax. This account includes National Telecommunications Commission (NTC) licenses and fees, Bureau of Internal Revenue (BIR) registration fees etc.
- 6310 - Advances from Stockholders – This account shall include the amount of advances from stockholders or owners of the company.
- 6320 - Retention Payable - This account represents the portion of the construction contract price, which has been withheld pending final acceptance of the output.
- 6330 - Deferred Income Tax - This account shall include amounts of probable future revenue reductions attributable to future decreases in taxes payable due within a period of one year or less. If the amount is due after one year, such balance shall be reclassified to Account 7180, Deferred Income Tax. This account shall also be adjusted for the impact of prospective tax rate changes on the deferred tax liability for those temporary differences underlying its existing balance. If the cumulative effect on such adjustments reduces the account to a net debit balance, such balance shall be reclassified to Account 1570, Deferred Income Tax
- 6340 - Accrued Expenses – Others - This account shall include the amount of wages, compensated, absences, rents and other expenses accrued to the date for which the balance sheet is made but not payable until after that date.



- 6390 - Other Current Liabilities - This account consists of liabilities of current character which are not included in Accounts 6110 through 6340.

### **LONG-TERM LIABILITIES**

- 7110 - Notes Payable - This account shall include the face amount of notes, drafts, and other evidences of indebtedness issued or assumed by the company which are payable beyond one year from date of issue.
- 7120 - Funded Debt - This account shall include the total face amount of unmatured debt, maturing more than one year from date of issue, issued by the company and not retired, and the total face amount of similar unmatured debt of other companies, the payment of which has been assumed by the company, including funded debt the maturity of which has been extended by specific agreement. This account shall include such items as mortgage bonds, collateral trust bonds, income bonds, convertible debt, debt securities with detachable warrants and other similar obligations maturing more than one year from date of issue.
- 7130 - Obligations under Capital Leases - This account shall include the non-current portion of obligations applicable to property obtained under capital leases. Amounts subject to current settlement shall be included in Account 6180, Current Maturities - Capital Leases.
- 7140 - Contingent Liabilities - This account is used to record liabilities which can be reasonably estimated and which may arise from a possible loss or expense stemming from past events which will be resolved as to existence and amount by some future events. Examples are loss contingency from a pending lawsuit against the company.
- 7150 - Premium on Long -Term Debt - This account shall include the premium associated with all classes of long-term debt. Premium as applied to securities issued or assumed by the company, means the excess of the current money value received at their sale over the sum of their book or face amount and interest or dividends accrued at the date of the sale.  
  
Amounts included in this account shall be amortized monthly by the interest method and credited to Account 16120, Interest on Funded Debt.
- 7160 - Discount on Long - Term Debt - This account shall include the discount associated with all classes of long-term debt. Discount, as applied to securities issued or assumed by the company, means the excess of the book or face amount of the securities plus interest or dividends accrued at the date of the sale over the current money value of the consideration received at their sale.  
  
Amounts included in this account shall be amortized monthly by the interest method and charged to Account 16120, Interest on Funded Debt.
- 7170 - Advances from Affiliated Companies - This account shall include the amount of cash advances from affiliated companies and amounts paid by affiliated companies to third parties for expenses or purchases of goods and services on behalf of the company. Amounts subject to current settlement shall be included in Account 6110, Accounts Payable -Trade Creditors or Account 6140, Notes Payable as appropriate.
- 7180 - Deferred Income Tax - This account shall include amounts of probable future revenue reductions attributable to future decreases in taxes payable. This account shall also be

adjusted for the impact of prospective tax rate changes on the deferred tax liability for those temporary differences underlying its existing balance. If the cumulative effect on such adjustments reduces the account to a net debit balance, such balance shall be reclassified to Account 1570, Deferred Income Tax.

- 7190 - Reserve for Employees' Benefit Plan — This account represents the estimated amount of liability for employee benefits such as retirement, sickness, etc. which have not been funded.
- 7200 - Long- Term Liabilities - Others - This account consists of all other non-current liabilities not included under Accounts 7110 through 7190.

## **EQUITY ACCOUNTS**

8110/8120/8130/8140

Capital Stock - These accounts shall include the par value, stated amount, or in the case of non-par stock, the amount received for capital stock issued and outstanding. This account can be further classified into Common Stock and Preferred Stock. This account shall be charged with the book amount of any stock retired.

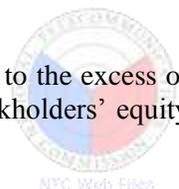
Common Stock - This is the type of stock that possesses the traditional rights of ownership such as voting rights, participation in dividends and in residual claim on assets the event of liquidation.

Preferred Stock - This is the type of stock which has preference or priority over the common stock in receiving dividends. Preferred shares usually do not have voting rights.

Partner's Equity account is used to record the initial investment of a partner of the partnership. This account is increased or reduced by the income or loss from the business respectively. A distribution of share in the partnership's profit is debited to this account.

Owner's Equity account is used to record the initial investment of a single proprietor. This account is increased or reduced by the income or loss from the business respectively.

- 8150/8160 - Paid in Capital in Excess of Par - These accounts shall include payments by an investor to purchase shares of stocks over the par value of said shares of stock as registered with the Securities and Exchange Commission.
- 8170 - Treasury Stock - This account shall include the cost of the company's own capital stock which have been issued and subsequently reacquired but not retired or resold.
- 8180 - Deposit for Future Stock Subscription - This account shall include the amounts received from present or prospective stockholders for the purchase of shares of stock which are treated as deposits pending proper authorization from the board of directors and the Securities and Exchange Commission. This account shall be reclassified as capital upon proper authorization.
- 8190 - Revaluation Increment in Property and Equipment – This account refers to the excess of sound value over the net book value. This account is shown in the stockholders' equity section after the capital stock.



- 8200 - Retained Earnings - Appropriated - This account shall include the portion of retained earnings set aside for a specified purpose such as future plant expansion, a contingency, purchase of capital assets, etc.
- 8210 - Retained Earnings - Unappropriated - This account shall include the portion of retained earnings, which is unrestricted and is available for dividends.
- 8220 - Prior Period Adjustments - This account shall include corrections to the beginning balance of Retained Earnings for errors of an earlier period.

## **STRUCTURE OF THE INCOME STATEMENT ACCOUNTS**

The income statement account shall be maintained as follows:

### **REVENUES**

Account 9110 through Account 9290 - Basic Local Service Revenues  
 Account 9310 through Account 9390 - Interconnection Access Revenues  
 Account 9410 through Account 9490 - Long Distance Network Revenues  
 Account 9510 through Account 9590 - Other Services Revenues  
 Account 9610 through Account 9690 - Cellular Mobile Service Revenues  
 Account 9710 through Account 9740 - Paging Service Revenues  
 Account 9810 through Account 9890 - Satellite Provider Service Revenues  
 Account 9910 through Account 9940 - Trunking Service Revenues  
 Account 10010 through Account 10090 - Miscellaneous Operating Revenues  
 Account 13110 through Account 13190- Other Operating Income  
 Account 15110 through Account 15190 - Non-Operating Income

### **NOTE:**

The revenue derived from prepaid cards whether CMTS or LEC shall be recorded as revenue upon sale and allocated to the respective revenue accounts (basic revenue or long distance network revenue) based on historical usage data.

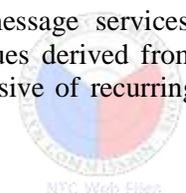
### **EXPENSES**

Account 10110 through Account 10690 - Operating Expenses  
 Account 11110 through Account 11180 - Cost of Service Provisioning  
 Account 12110 through Account 12140 - Cost of Operations - Satellite Providers  
 Account 14110 through Account 14190 - Other Operating Expenses  
 Account 16110 through Account 16190 - Non-Operating Expenses

### **BASIC LOCAL SERVICE REVENUES**

9110/9120/9130/9140/ 9150/9160

Flat Rate - Business/Flat Rate - Residential/Trunklines/Extension Stations/Local Usage - Metered Rates - Business/Local Usage - Metered Rates - Residential - These accounts shall include revenues derived from the provision of basic area message services, revenues derived from non-optional extended area services and revenues derived from the billed or guaranteed portion of semi-public services. This is inclusive of recurring monthly charges and monthly-billed usage charges.



- 9170 - Foreign Currency Adjustment - This account shall include the net amount of rate adjustments made in cases of depreciation or appreciation of the Philippine currency against the US dollar for the current period. The rate is generally a percentage increase or decrease for every centavo increase or decrease in the exchange rate of the Philippine peso vis-à-vis the US dollar.
- 9180 - Optional Extended Area Revenue - This account shall include total revenue derived from the provision of optional extended area services.
- 9190 - Public Pay Stations Service Revenue - This account shall include message revenue (e.g., coin paid) and other revenue derived from public and semi-public telephone services provided within the basic service area.
- 9200 - Subscriber's Connection Charges - This includes revenue derived from the reconnection of a temporary disconnection or the transfer of an existing communication line (pager, telephone etc.). This account also includes the revenue from the disposal of handsets and accessories, paging receivers and accessories, trunked radio and accessories.
- 9210 - Installation Charges - This refer to charges for the initial installation of communication lines.
- 9220- - Local Private Line Revenue - This account shall include revenue derived from local services that involve dedicated circuits, private switching arrangements, and/or predefined transmission paths, whether virtual or physical, which provide communications between specific locations (e.g., point-to-point communications). It includes revenue from subvoice grade, voice grade, audio and video program grade, digital transmission and local private network switching as well as the revenue from administrative and operational support services associated with private network services and facilities, e.g., charges for company-directed testing, expedited installation, and service restoration priority.
- 9290 - Basic Local Services Revenue - Others - This account shall include revenues from basic local services other than those included under Account nos. 9110 through 9220.

**INTERCONNECTION ACCESS REVENUES**

9310/9320/9330/9340/9390

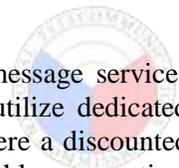
INTERCONNECTION ACCESS REVENUE - This account shall include derived from provision of exchange access services to an inter-exchange carrier or to an end user of telecommunications services beyond the exchange carrier's network.

**LONG DISTANCE NETWORK REVENUES**

9410/9420/9430/9440

LONG DISTANCE REVENUE - This account refers to revenue derive from message services that terminate beyond the basic service area of the originating wire center individually priced. This includes message services which utilize the public long distance switching network and the basic subscriber access line.

This account also includes revenue derived from individually priced message services offered under calling plans (discounted long distance) which do not utilize dedicated access lines; as well as those priced at the basic long distance rates where a discounted toll charge is on a per message basis. Any revenue derived from monthly or one-time



charges for obtaining calling plan services is likewise included in this account.

- 9450/9460 - Operator Surcharge/Report Charge Revenue - These accounts shall include revenues derived from operator assisted calls both national and international.
- 9470/9480 - Public Calling Office Service Revenue - These accounts shall include revenues derived from calls made by customers from public pay telephones both national and international.
- 9490 - Long Distance Network Revenue - Others - This account shall include long distance revenues other than those included under Accounts 9410 through 9480.

#### **OTHER SERVICES REVENUES**

9150/9520/8530/9540/9550/9570/9580/9590

Other Services Revenue - These accounts shall include revenue derived from telex, telegram, trunk radio service, facsimile, value-added services both national and international

- 9560 - Customers Premises Revenue - This account shall include revenue derived from the use facilities and equipment provided by the company such as PABX/PBX and telephone set rentals.

#### **CELLULAR MOBILE SERVICE REVENUES**

- 9610 - Airtime Fees - This account shall include revenue derived from the subscribers' airtime usage of cellular phones whether local, national or international.
- 9620 - International Roaming - Airtime- This account shall include revenue derived from a cellular service which enables subscribers to use their cellular phones in certain countries with which the telecommunications company has a roaming agreement and for foreign subscribers to use the local telecommunications company's network for their cellular calls.
- 9630 - Text Messaging Fee- This account shall include revenue derived from cellular subscribers for text messaging services.
- 9650 - Registration Fees- This account shall include the one-time charge made upon subscribers when they initially subscribe to the company's cellular services.
- 9660 - Subscription Revenue - Cellular Mobile Service - This account shall include the monthly service/subscription fees charged to cellular phone subscribers.
- 9680 - Lease Income - Cellular Phones - This account shall include the income derived from the monthly installment of cellular phones when subscribers opt to defer payment of the unit over a period of several months.
- 9690 - SIM Card Revenue- This account shall include the revenue derived from the sale of SIM (Subscriber Identity Module) cards to subscribers.

#### **PAGING SERVICE REVENUES**

- 9720 - Subscription Revenue- Paging Service - This account shall include the net monthly service/subscription fees charged to paging service subscribers.



- 9730 - Lease Income-Pagers - This account shall include revenue derived from the monthly installment of pagers when subscribers opt to defer payment of the unit for a period of several months.
- 9740 - Customized Greeting Fees — This account shall include the revenue derived from the monthly fee charged to paging subscribers for customized greetings in their pagers.

**SATELLITE PROVIDER SERVICE REVENUES**

9810/9820/9830/9840/9850/9860/9870/9880/9890

Satellite Provider Service Revenues - These accounts shall include revenues derived from full-time circuits, business service income, television circuits, restoral circuits, occasional circuits, accounting authority, co-location, share in satellite revenue.

**TRUNKING SERVICE REVENUES**

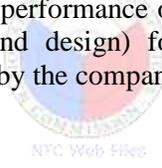
- 9920 - Subscription Revenue - Network Franchise Fees - This account shall include revenue derived from subscription fees paid by trunked radio subscribers.
- 9930 - Service Income - This account shall include revenues derived from shop, repair labor fees, installation and relocation of mobile/base radio, and trouble call charges.
- 9940 - Lease Income - This account shall include revenue derived from the rental or lease of handheld and mobile radios with option to purchase at the end of the lease.

**MISCELLANEOUS OPERATING REVENUES**

- 10010 - Directory Revenue - This account shall include revenue derived from alphabetical and classified sections of directories and shall also include fees paid by other entities for the right to publish the company's directories.
- 10020 - Rent Revenue - This account shall include revenue (including taxes, when borne by the lessee) derived from the rental or sub-rental to others of telecommunications plant furnished apart from telecommunications services rendered by the company. It includes revenue from the rent of such items as space in conduits, pole line space for attachments, and any allowance for return on property used in joint operations and shared facilities.
- 10030 - Corporate Operations Revenue - This account shall include revenue derived from services rendered to other companies under a license agreement, general services contract, or other arrangement providing for the furnishing of general account, financial, legal patent, and other general services associated with the provision and of regulated telecommunications services.
- 10040 - Revenue from Sale of Equipment - This account shall include revenue derived from sale of equipment used in operations.

**OTHER OPERATING INCOME**

- 13110 - Income From Custom Work - This account shall include profits realized from custom work (plant construction) performed for others incident to the company's regulated telecommunications operations. This include profits from the incidental performance of nontariffed construction activities (including associated engineering and design) for others which are similar in nature to those activities which are performed by the company in constructing its own telecommunications plant facilities.



The records supporting the entries in this account shall be maintained with sufficient detail to identify separately the revenue and costs associated with each undertaking.

- 13120 - Return from Non-Regulated Use of Regulated Facilities - This account shall include a return on investment for the use of regulated property, plant and equipment to provide non-regulated products and services.
- 13130 - Gains from Foreign Exchange - This account shall include all gains resulting from the exchange of foreign currency. Transaction (realized) gains should be measured based on the exchange rate in effect on the transaction date. Unrealized gains shall be measured based on the exchange rate in effect at the balance sheet date.
- 13140 - Gains from Disposition of Land and Artwork - This account shall include gains resulting from the disposition of land and artworks.
- 13190 - Other Operating Income - This account shall be credited to record the results of transaction, events or circumstances which are of an operational nature, but which occur irregularly or are peripheral to the major or central operations of the company and not provided for elsewhere.

#### **NON-OPERATING INCOME**

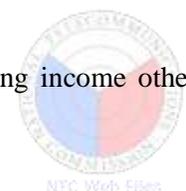
- 15110 - Dividend Income - This account shall include dividends on investments in common and preferred stock, which is the property of the company, whether such stock is owned by the company and held in its treasury, or deposited in trust (except in sinking or other funds) or otherwise controlled.

These accounts shall not include dividends or other returns on securities issued or assumed by the company and held by or for it, whether pledged as collateral, or held in its treasury in special deposits, or sinking or other funds.

- 15120 - Interest Income - This account shall include interest on securities, including notes and other evidences of indebtedness, which are the property of the company, whether such securities are owned by the company and held in its treasury, or deposited in trust (except in sinking fund or other funds) or otherwise controlled.

There shall be included in this account for each month the applicable amount requisite to extinguish, during the interval between the date of acquisition and date of maturity, the difference between the purchase price and the par value of securities owned, the income from which is included in this account. Amounts thus credited or charged shall be concurrently included in the accounts in which the securities are carried. Any such difference remaining at the sale or upon the maturity and satisfaction of such securities shall be cleared to Account 15190. Other Non-Operating Income or Account 16190, Other Non-Operating Expense.

- 15140 - Other Interest Income - This account shall include interest earned on properties of the company other than those included in Account 15120.
- 15190 - Other Non-Operating Income - This account shall include non-operating income other than those included in Accounts 15110 through 15140.



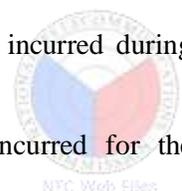
## EXPENSES

### OPERATING EXPENSES

- 10110 - Advertising/Promotions - This account shall include costs incurred in developing and implementing promotional strategies to stimulate the purchase of products and services. This excludes non-product-related advertising, such as corporate image, stock and bond issue and employment advertisements, which shall be included in the appropriate functional accounts.
- 10140 - Amortization Expense - Intangibles - This account shall include the amortization costs of intangibles assets included in Accounts 4110 through 4190.
- 10170 - Communication Expense - This account shall include the cost of communications services such as postage and telephone.
- 10180 - Depreciation - Cost - This account shall include the depreciation expense of capitalized assets.
- 10190 - Depreciation - Appraisal Increment - This account shall include depreciation expense computed based on the appraisal increment of their related accounts.
- 10200 - Donations - This account shall include the amount of gifts in cash, real property or personal property made to various entities.
- 10210 - Employee Benefits - This account shall include payroll-related benefits on behalf of employees such as SSS Contributions, Pag-ibig Contributions, pension, savings plan contributions (company's share), worker's compensation required by law, life insurance, hospital benefits, medical benefits, etc.
- 10220 - Freight and Delivery Charges - This account shall include the costs of transporting goods to and from the company premises.
- 10230 - Insurance Expense - This account shall include insurance premiums paid for the insurance of buildings, motor vehicles, telecommunications equipment, life (where the company is the beneficiary), etc.
- 10270/10280/10290/10300/10310  
Interconnection Access Expense - These accounts shall include costs incurred and payments made to others in providing exchange access services to an inter-exchange carrier to an end user of telecommunications services beyond the exchange carriers' network.
- 10320 - Janitorial and Security Fees - This account shall include fees paid for janitorial and security services rendered to the company.
- 10330 - Lease Expense - This account shall include payments for the lease of telecommunications circuits for use in the provisions of telecommunications services.
- 10340 - Management Fees - This account shall include payment made to another company for professional management services.



- 10350 - Motor Vehicle Expense - This account shall include costs of fuel, lubrication, license and inspection fees, washing, repainting, and minor accessories.
- 10360 - NTC Supervision, Regulation and Permit Fees - This account shall include all fees and permits paid to the National Telecommunications Commission (NTC).
- 10370 - Spectrum Users Fees - This account shall include fees paid annually to the NTC based on the amount of spectrum used, the type of service being offered and the economic classification of the areas covered by the radio stations. These fees are paid for cellular mobile telephone service, point-to-point radio station, point-to-multipoint radio station, satellite services, wireless local loop, broad band service, private mobile radio services, public radio paging service, in-house radio paging system, public trunked radio service, private trunked radio service.
- 10380 - Other NTC Fees - This account shall include fees collected by the NTC other than those included in Accounts 10360 and 10370.
- 10390 - Printing and Office Supplies - This account shall include the cost of printing and office supplies.
- 10400 - Professional Fees - This account shall include professional fees paid to certified public accountants for audit services. It shall include the cost of legal services such as conducting and coordinating litigation, providing guidance on regulatory and labor matters, preparing, reviewing and filing patents and contracts and interpreting legislation. It shall also include court costs, filing fees, and the costs of outside counsel, deposition, transcript and witnesses. It shall also include professional fees for services other than those specified above.
- 10430 - Provision for Doubtful Accounts - This account shall be charged with amounts concurrently credited to Accounts 1210 through 1290 or to Accounts 1211 through 1291 when such allowance is maintained.
- 10440 - Provisions for Inventory Losses and Obsolescence - This account shall be charged with amounts concurrently credited to Accounts 1310 through 1390 or to Account 1399 when such allowance is maintained.
- 10450/10460/10470/10480  
Rent – Motor Vehicles/Telecommunications Facilities/Office Buildings - These accounts shall include amounts paid for the use of real and personal operating property such as cell sites.
- 10490/10500/10510/10520  
Repairs and Maintenance - These accounts shall include the cost of repairs and maintenance of property, plant and equipment such as telecommunications equipment's, building, wires and cables.
- 10530 - Representation Expense - This account shall include the cost of food incurred during business meetings and other activities.
- 10540 - Research and Development - This account shall include express incurred for the company's research and developmental programs.



- 10550 - Salaries, Wages and Allowances - This account shall include compensation to employees in the form of wages, salaries, commissions, bonuses, incentive awards and termination pay.
- 10560 - Seminars and Training - This account shall include cost incurred in giving seminars and training for the development and advancement in the delivery of telecommunication services.
- 10580 - Taxes and Licenses - This account shall include taxes and licenses paid to government agencies.
- 10600 - Transportation and Travel - This account shall include transportation and travel expenses incurred in the delivery of telecommunications services.
- 10610 - Utilities - This account shall include electricity, water and other utilities used in the delivery of telecommunications services.
- 10690 - Miscellaneous Expense - This account shall include all other expenses not classified under Accounts 10110 through 10610 which are incidental in the delivery of telecommunications services.

**COST OF SERVICE PROVISIONING**

11110/11120/11130/11140/11150

Cost of Provisioning - These accounts shall be charged for the cost of paging receivers, pager accessories, cellular phone units, SIM cards, prepaid cards that the company has disposed of as part of the services provided.

- 11160 - Cost of Service Provisioning - Trunked Radios - This account applies to trunked radio service providers and shall be charged for the cost of trunked radios such as portable, mobile and base station that the company has disposed of as part of the services provided.
- 11180 - Service Cost - This account applies to trunked radio service providers and shall be charged for the cost of parts and accessories necessary to repair customers' radios whether in the service shop or at the customers' site. Likewise, this account shall be charged for the cost incurred by service personnel in attending to service calls and for the purchase of materials such as cables, wire, antenna, brackets needed for the installation of mobile or base stations.

**COST OF OPERATIONS - SATELLITE PROVIDERS**

12110/12140 Cost of Operations - Satellite Providers - These accounts shall be charged for the cost of operations of satellite providers such as satellite utilization charges and space segment charges.

**OTHER OPERATING EXPENSES**

- 14110 - Operating Taxes - Real Property Tax - This account shall include the cost of real property tax for the current period.
- 14120 - Other Operating Taxes - This account shall include other taxes related to regulated operations applicable to the current period.



- 14130 - Losses from Foreign Exchange - This account shall include all losses resulting from the exchange of foreign currency. Transaction (realized) losses shall be measured based on the exchange rate in effect on the transaction date. Unrealized losses shall be measured based on the exchange rate in effect at the balance sheet date.
- 14140 - Losses from Disposition of Land and Artwork - This account shall include losses resulting from the disposition of land and artworks.
- 14190 - Other Operating Expenses - This account shall be charged to record the results of transactions, events or circumstances which are of an operational nature, but which occur irregularly or are peripheral to the major or central operations of the company and not provided for elsewhere.

### **NON-OPERATING EXPENSES**

- 16110 - Provisions for Income Tax - This account shall be charged with the amount of income tax due as computed on the basis of the taxable income.
- 16120 - Interest on Funded Debt - This account shall include the current accruals of interest on all classes of debt the principal of which is included in Account 7120, Funded Debt. It shall also include the interest on funded debt the maturity of which has been extended by specific agreement.  
  
This account shall be kept so that the interest on each class of funded debt may be shown separately in the annual reports to the NTC.
- 16130 - Interest Expense - Capital Leases - This account shall include the interest portion of each capital lease.
- 16140 - Amortization of Debt Issuance Expense - This account shall include the monthly amortization of the balances in Account 2310, Unamortized Debt Issuance Expense.
- 16150 - Interest Expense - This account shall include the current accruals of interest on foreign denominated and peso denominated indebtedness of the company.
- 16170 - Other Interest Expense - This account shall include all interest deductions not provided for elsewhere, e.g., discount, premium and expense on notes maturing one year or less from date of issue.

A list of representative items of indebtedness, the interest on which is chargeable to this account, follows:

- Advances from affiliated companies;
- Advances from non-affiliated companies and other liabilities;
- Assessments for public improvements past due;
- Bond coupon, matured and unpaid;
- Claims and judgments;
- Customer's deposits;
- Funded debts matured, with respect to which a definite agreement as to extension has not been made;



- Notes payable on demand or maturing one year or less from date of issue;
- Open accounts;
- Tax assessment, past due; and
- Discount premium and issuance expense of notes maturing one year or less from date of issue.

Interest payable on notes or other evidences of indebtedness maturing serially shall be charged to Account 16120, Interest on Funded Debt, if any portion of the obligation matures more than one year from date of issue.

16190 - Other Non-Operating Expenses - This account shall include other non-operating expenses not provided for elsewhere.

Note: More detailed descriptions of revenue and expense accounts may be provided by industry players concerned. Accounts shall be “zero” filled if data does not exist, accounts should not be deleted, nor should additional accounts be added/inserted.

