Republic of the Philippines

Mountain Province State Polytechnic College

Bontoc, Mountain Province

TERMINAL REPORT

Seminar-Workshop on Cooperative Financial Management

June 9-11, 2016

Department of Accountancy

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REPUBLIC OF THE PHILIPPINES
MOUNTAIN PROVINCE STATE POLYTECHNIC COLLEGE
Bontoc, Mountain Province

Terminal Report

ACTIVITY IDENTIFICATION

Training Title:	Cooperative Financial Management
Extension Component:	Continuing Education
Extension Program:	Seminar-Workshop
Cooperating Agency	Mountain Province Cooperative Union
Implementing Department:	Bachelor of Science in Accountancy
Faculty Extension Workers:	Rachel F. Fagyan Rodeline D. Vilog Jenifer N. Damayan
Activity Facilitators:	BSA Students Rufina A. Taguindodo Mirabel D. Pacalso
No. of Participants:	42
Venue:	EDNP Hall, Poblacion, Bontoc
Date:	June 9-11, 2016
Source of Fund	MPSPC and MPCU
Total Budget Requirement	**P 12,680.00** (2,166.00 c/o MPSPC)

EXECUTIVE SUMMARY

In response with the new CDA Memorandum Circular No. 2015-09 (Revised Guidelines Implementing The New Training Requirements of Cooperative Officers), the Department of Accountancy in partnership with the Mountain Province Cooperative Union (MPCU) conducted a seminar-workshop at EDNP Hall, Chico Building, Bontoc, Mountain Province last June 9-11, 2016. The target participants were cooperative officers of different primary cooperative members of MPCU. However, there were various Alumni from MPSPC who came and joined the said activity as part of desire to have a continuing professional education. Some of them wanted also to join cooperatives not only as members but to become an officer in the future as well. The Executive Officer of MPCU, Ms. Milagros Pangesfan, together with the Accountancy Department faculty members and representatives of the Mountain Province State Polytechnic College- Master in Business Administration (MBA) carried out the three-day seminar on Cooperative Financial Management.

Mr. Samson L. Batnag opened the seminar by giving the opening remarks and followed by the presentation of participants and as well as the introduction of the first speaker by Ma'am Mila Pangesfan.

Before the seminar proper started a Pre-Evaluation was disseminated to the participants for them to measure their initial level of knowledge on some topics which will be discussed under Risk Management, Credit Management and Financial Management. The forms were then collected and the seminar proper started.

Ms. Rachel F. Fagyan, the resource speaker for Day 1: Risk Management topic delivered the discussion. A workshop on Risk Analysis was also given to the participants. Participants were asked to group themselves into three groups and think of events their cooperatives were exposed to risk and identify what types of risk were involved. After few minutes, participants were asked to present their work and sharing follows. The Risk Management lecture was ended with the evaluation of the resource speaker.

On the second day, after the preliminaries, one of the participants gave a recap on the previous lectures on Risk Management. After that the second topic which is Credit Management was then discussed by Ma'am Rachel F. Fagyan. Since all cooperatives that came have a credit operation, there was a good interaction between the participants as well as with the speaker through the questions raised. Some of the participants also gave their insights on some of the questions being raised by their co-participants.

Finally, during the last day, another participant gave a recap on the topics on Credit Management before Ma'am Jenifer N. Damayan started her lecture on the first part of Financial Management. Ma'am Damayan tackled the topics on Financial Management Concepts and on Financial Standards. There was also a reiteration of the effect of having an effective accounting system which allowed the participants to request for a Basic Bookkeeping and Computerized Accounting Seminar. In the afternoon, the second part of the Financial Management topics was discussed by Ma'am Rodeline D. Vilog. These include topics on Understanding the Financial Statement, Ratio Analysis and Plans and Budgets.

While the topics were being delivered, related questions were also entertained. In effect, the participants were more attentive and digesting every word the speaker has to say. Further, an open forum was given at the end of the day where all questions were entertained and other participants shared some issues related to the topics.

Apart from the regular discussions, during breaks, there were mini-consultation sessions done whereby the participants referred some of cooperative issues, debacles, and experiences and ask for professional opinion regarding that matter.

All throughout the activity, aside from being one of the participants, some of the Accountancy students also acted as Activity Facilitator.

At the end of the three day activity, participants were enlightened with the topics as it will be useful for the enhancement of their operation as coop. They were also able to comply with the CDA Memorandum Circular on the required trainings for officers and committee members.

To end the three-day activity, Certificates of Completion were given to participants who attended the training as well as to the Resource Speakers. Since the partnership of MPCU and MPSPC were already three years, MPSPC was as well as that of the Department of Accountancy was given recognition for their active contribution in Continuing Cooperative Education which are very helpful to the participating cooperatives.

Over-all the activity was a success for all the participants and more so with the organizers, resource speakers and facilitators.

Prepared By:

RACHEL F. FAGYAN, CPA, MBA
Extension Department Coordinator

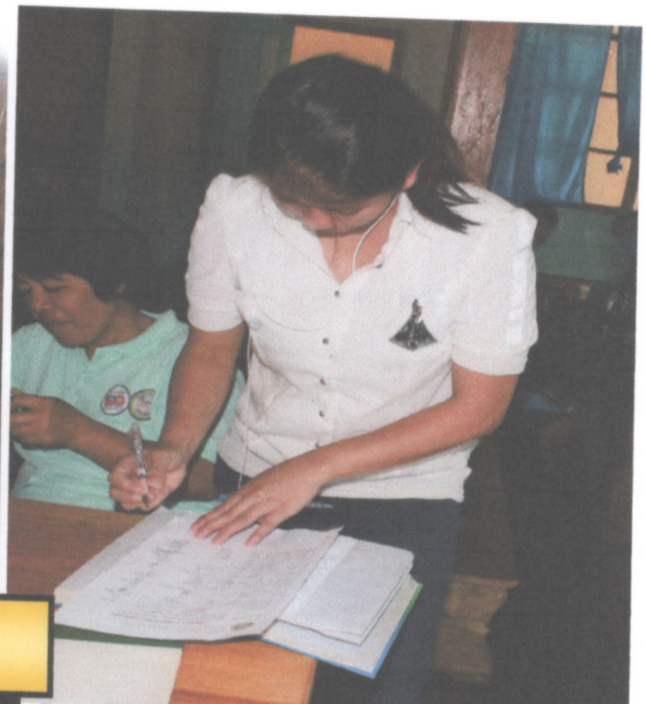
Noted By:

ELMER D. PAKIPAC, MSCD
Extension Director

Seminar- Workshop on Cooperative Financial Management

June 9-11, 2016

Registration... Welcome participants =)



Starting the day with a smile..

MPSPC Alumni are also in the house.. =)

Seminar Preliminaries...

Mr. Samson L. Batnag (MPCU BOD Chairperson) giving his welcome remarks to all the participants and Ma'am Milagros F. Pangesfan (MPCU Executive Officer) introducing the participants and the Resource Speakers

The early birds with the early seminar coordinators and Resource Speakers

Giving of Recap on Previous Topics

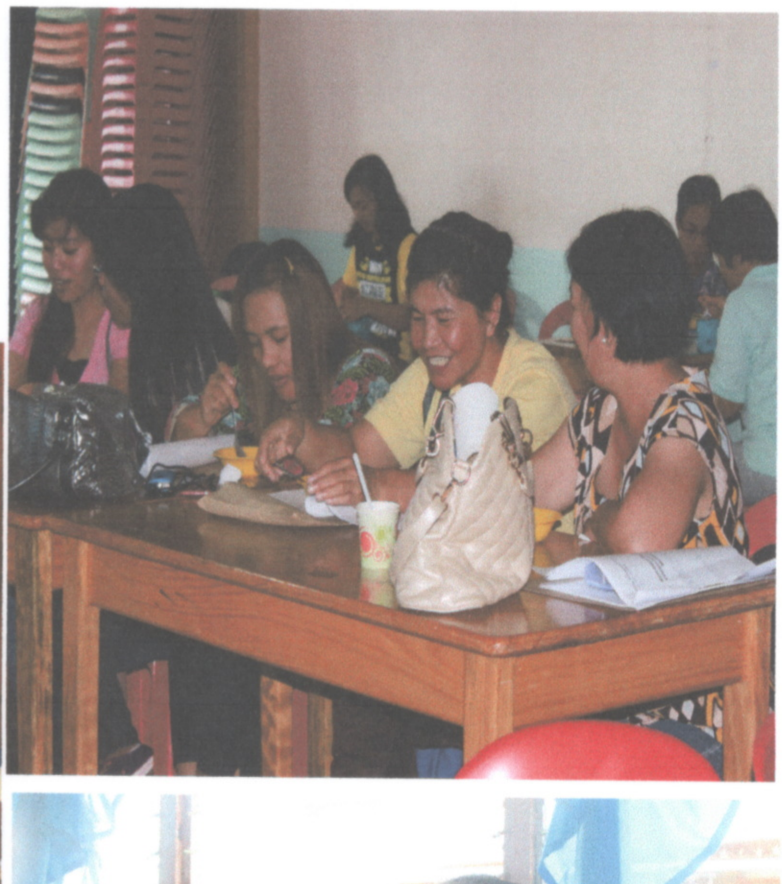
Participants giving a recap on the previous topics: Risk Management and Credit Management

Ice Breaker... It's time to dance..

Participants enjoying the ice breaker:
Stretch those arms and jump a bit to break the ice!

Lecture Proper...

Participants enjoying the lecture sessions: Who says joining a seminar is boring?



Lecture Proper...

Ma'am Jenifer N. Damayan on deck.. Giving participants an idea on financial management techniques.

Ma'am Rodeline Vilog is on the go.. Ready to share her thoughts on financial statement analysis and budgeting to the participants.


Ma'am Rachel Fagyan firing out ideas on risk management and credit management to the participants.

Lecture Proper...

Nobody's giving up on the lectures given by the Resource Speakers. Everyone was keenly listening to the sharing and lectures given.

Lecture Proper...

Participants are also taking down notes as they listen to the lectures.

More lectures and discussion...

Question and Answer... Open Forum

Participants take their chances to ask questions to Ma'am Rachel Fagyan.

A participant raising his questions and another partici-
pant gave an idea on the questions raised.

Question and Answer... Open Forum

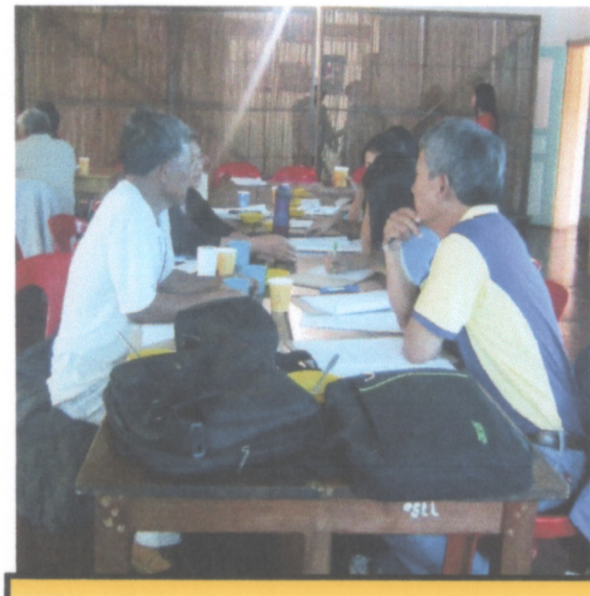
More questions and answers:
Participants shares their question marks during the seminar as Ma'am Rodeline Vilog gave answers to this queries.

Question and Answer... Open Forum

**Getting more technical:
Ma'am Jenifer Damayan on a consultation with the participants during the break.**

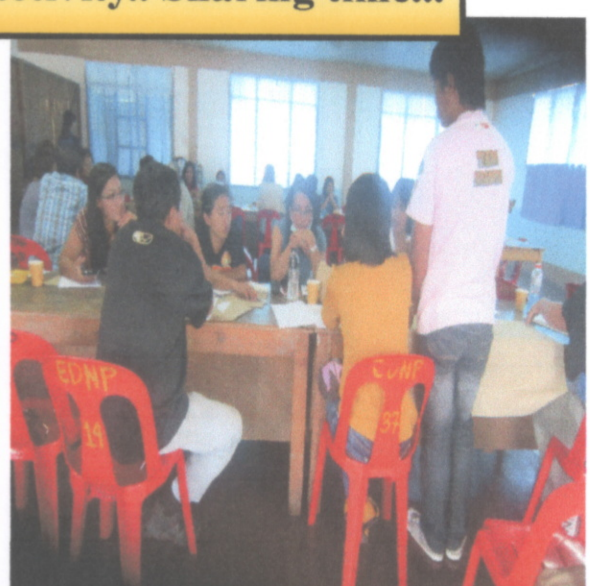
More of technical questions: Ma'am Rachel Fagyan answering a legal issues raised in case of cooperative liquidation.

Workshop Activities

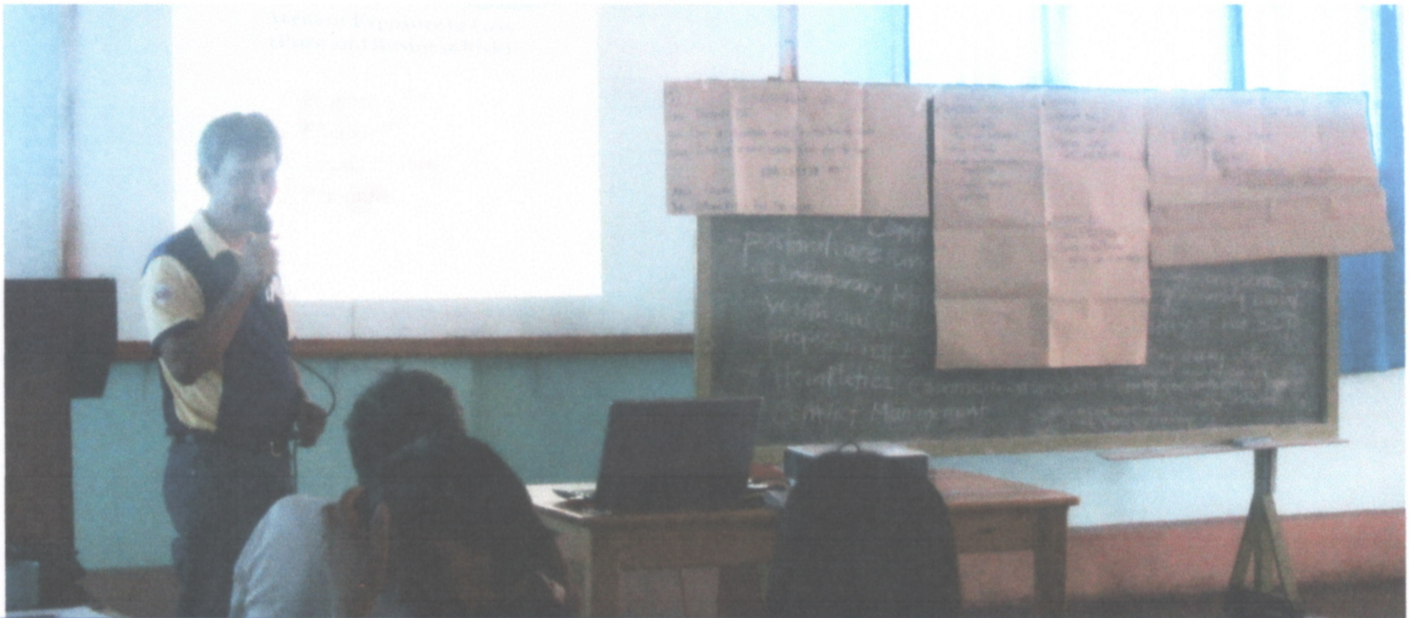


The three groupings of participants as they go with the workshops.

Everybody's being part of the activity.. Sharing time...



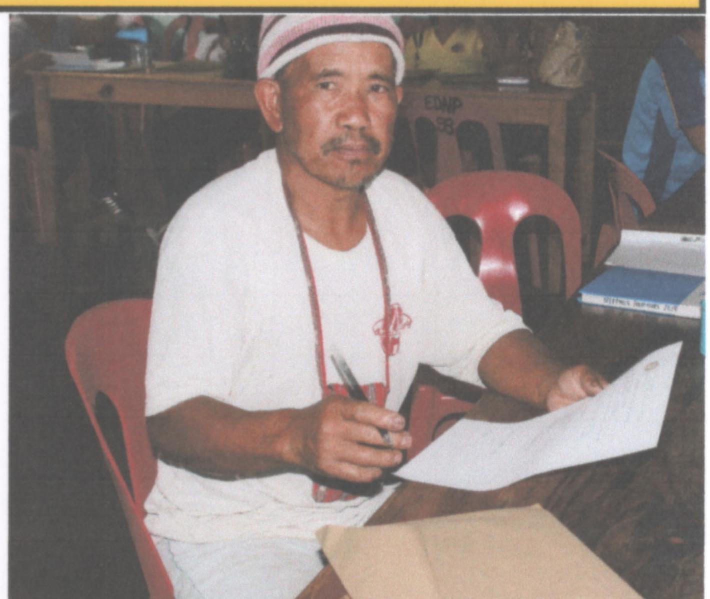
Workshop Activities



The representatives from different groups presenting their output on the workshop activity.

Workshop Evaluation...

The participants as they evaluate the Resource Speakers and the Activity conducted.



Awarding of Certificates of Appreciation..

Ma'am Jenifer N. Damayan receiving the Certificate of Appreciation in behalf of MPSPC in recognition of its involvement on Continuing Cooperative Education for their Extension Programs.

Ma'am Rodeline D. Vilog receiving the Certificate of Appreciation in behalf of MPSPC–Accountancy Department in recognition of its involvement on Continuing Cooperative Education in providing Resource Speakers thru their Extension Programs.

Awarding of Certificates to Participants

The participants as they happily receive their certificate of completion for the three courses: Risk Management, Credit Management and Financial Management

Mountain Province Cooperative Union

2nd Floor, ASCCO Building, Foyayeng, Bontoc Ili, Mountain Province

May 25, 2016

REXTON F. CHAKAS, Ph.D.
College President
Mountain Province State Polytechnic College
Bontoc, Mountain Province

Sir:

The Mountain Province Cooperative Union would like to inform that the scheduled training for the Financial Management, Credit Management and Risk Management last April 14-16, 2016 was postponed due to unavoidable circumstances.

Relative hereto, may we respectfully request your permission for the presence of two of your faculty members from the Accountancy Department particularly **Ms. Rachel F. Fagyan** and **Ms. Rodeline D. Vilog** be allowed as our Resource Speakers as the training will resume on June 9-11, 2016.

Thank you very much and hoping for your continued support.

Very truly yours,

SPangesfan
MILAGROS F. PANGESFAN
MPCU Executive Officer

Republic of the Philippines
MOUNTAIN PROVINCE STATE POLYTECHNIC COLLEGE
Bontoc Campus
Bontoc, Mountain Province

June 6, 2016

ELMER D. PAKIPAC, MSCD
Extension Director
Mountain Province State Polytechnic College

Sir:

This is to transmit the activity design of an extension activity on "Seminar-Workshop on Risk Management, Credit Management and Financial Management" to be held on June 9-11, 2016 at EDNP Hall, Poblacion, Bontoc, Mountain Province.

Prepared By:

RACHEL F. PAGYAN, CPA, MBA
Department Extension Coordinator

Republic of the Philippines
MOUNTAIN PROVINCE STATE POLYTECHNIC COLLEGE
Bontoc, Mountain Province

ACTIVITY DESIGN

ACTIVITY IDENTIFICATION

Training Title:	Cooperative Financial Management
Extension Component:	Continuing Education
Extension Program:	Seminar-Workshop
Cooperating Agency	Mountain Province Cooperative Union
Implementing Department:	Bachelor of Science in Accountancy
Faculty Extension Workers:	Rachel F. Fagyan Rodeline D. Vilog
MBA Student:	Jenifer N. Damayan
No. of Participants:	25
Venue:	EDNP Hall, Poblacion, Bontoc
Date:	June 9-11, 2016
Source of Fund	MPSPC and MPCU
Total Budget Requirement	**P 8,466.00** (2,466.00 c/o MPSPC) (6,000.00 c/o MPCU)

RATIONALE

Mountain Province State Polytechnic College strives to provide quality education to its stakeholders. However, apart from being an educational institution is also becoming part of a community. In relation to these, providing helpful extension activities are being conducted to extend professional services in partnership with the community toward community development.

Among the MPSPC stakeholder groups are the cooperatives who are also perceived to play a major role in the economic development of the country. And as cooperatives emerge to provide economic development there are various risks that they are facing and among these are financial fraud, credit risks and various risks and other concerns. The CDA is stepping in the light as they strive to professionalize the cooperative community through mandating trainings and seminars which are necessary for them to be equipped with the knowledge and skills they need to run their cooperative. It is very important that these cooperatives maintain a good financial management practices, risk management and credit management as issues under these topics are the most encountered debacle by every cooperative most especially those who have credit services.

In this light, this extension activity is to be conducted. It aims to provide awareness and guidance to cooperatives on concepts, practices and problems on financial management, risk management and credit management which are very timely and relevant in helping the cooperatives manage their assets and help them improve on their operations.

OBJECTIVES:

At the end of the three-day activity, the participants should be able to:

a. Understand the concept of risk, itseffect to the cooperative and how to manage it.
b. Understand the concepts and risk involved in a credit transaction.

c. Understand the concepts and importance of having a strong financial management practices inside the cooperative.

METHODOLOGIES:

The activity will make use of an interactive training approach, case analysis and workshops.

ACTIVITY SCHEDULE

DAY 1: Risk Management	
Time	**Activity**
8:00 a.m. – 8:30 a.m.	Registration
8:31 a.m. – 9:30 a.m.	Opening Prayer Pambansang Awit Welcome Remarks Presentation of MPSPC VMGO
9:31a.m. – 4:30 p.m.	Seminar – Workshop Proper: Risk Management
	1. Principles of Risk Management
	2. Types of Risks
	3. Assessing/ Identifying Risks
	4. Risk Management Plan
4:31 p.m. – 5:00 p.m.	Synthesis
DAY 2: Credit Management	
Time	**Activity**
8:00 a.m. – 8:30 a.m.	Registration
8:31 a.m. – 9:00 a.m.	Recap on the Lecture 1& introduction of Speaker
9:31a.m. – 4:00 p.m.	Seminar – Workshop Proper : Credit Management
	1. Concepts and Principles of Savings & Credit
	2. Elements of Credit/ Lending Policy
	3. Effective Credit/ Lending Process
4:01 p.m. – 5:00 p.m.	Synthesis
DAY 3: Financial Management	
Time	**Activity**
8:00 a.m. – 8:30 a.m.	Registration
8:31 a.m. – 9:00 a.m.	Recap on the Lecture 1, 2 & introduction of Speaker
9:01 a.m. – 4:30 p.m.	Seminar – Workshop Proper: Financial Management
	1. Concepts of Cooperative Financial Management
	2. Financial Standards
	3. Annual Plans and Budgets
4:31 p.m. – 5:00 p.m.	Closing Activities

BUDGETARY REQUIREMENT

Item	Sub-total	Total	Fund Source
Supplies (For Lecture Notes, Certificates, Programs and Communications)		2,166.00	**MPSPC 2,466.00**
Ink Refill(Black)	600.00		
Ink Refill (Tri-colored)	700.00		
1 Ream Bond Paper Long	200.00		
4 packs Special Paper @ 60.00	160.00		
Photocopy of Lecture Handouts	506.00		
Meals (Snacks during the preparation of lecture materials)		300.00	
25 packs * P 80.00/ meal * 3 days		6,000.00	**MPCU 6,000.00**
Total			**8,466.00**

Prepared By: Noted By:

Prepared By:	Noted By:
RACHEL F. FAGYAN, CPA Department Extension Coordinator	**CHRISTIE LYNNE C. CODOD, Ed. D.** Executive Dean, Bontoc Campus
Reviewed By:	Funds Available
ELMER D. PAKIPAC, MSCD Extension Director	**IMELDA D. GUIDANGEN, CPA** Accountant III
Recommending for Approval:	Approved By:
ANNIE GRAIL F. TEKID, Ed. D. VP for Research Development And Extension	**REXTON F. CHAKAS, Ph. D.** MPSPC President

Republic of the Philippines
Mountain Province State Polytechnic College
Department of Accountancy
Bontoc Campus
Bontoc, Mountain Province

Seminar-Workshop on Cooperative Financial Management

Participants: Board of Directors, Committee Members, Management, Staff and Members of Mountain Province Cooperative Union
Date: June 9-11, 2019
Venue: EDNP Hall, Poblacion, Bontoc, Mountain Province

Rachel F. Fagyan, CPA, MBA
Rodeline D. Vilog, CPA, MBA
Jenifer N. Damayan, CPA
Resource Speakers

RISK MANAGEMENT

A. Principles of Risk Management

Risk management is the continuing process to identify, analyze, evaluate, and treat loss exposures and monitor risk control and financial resources to mitigate the adverse effects of loss. (www.marquette.edu)

Risk management is the process of identifying risk, assessing risk, and taking steps to reduce risk to an acceptable level.

B. Types of Risks

General Types of Risk:

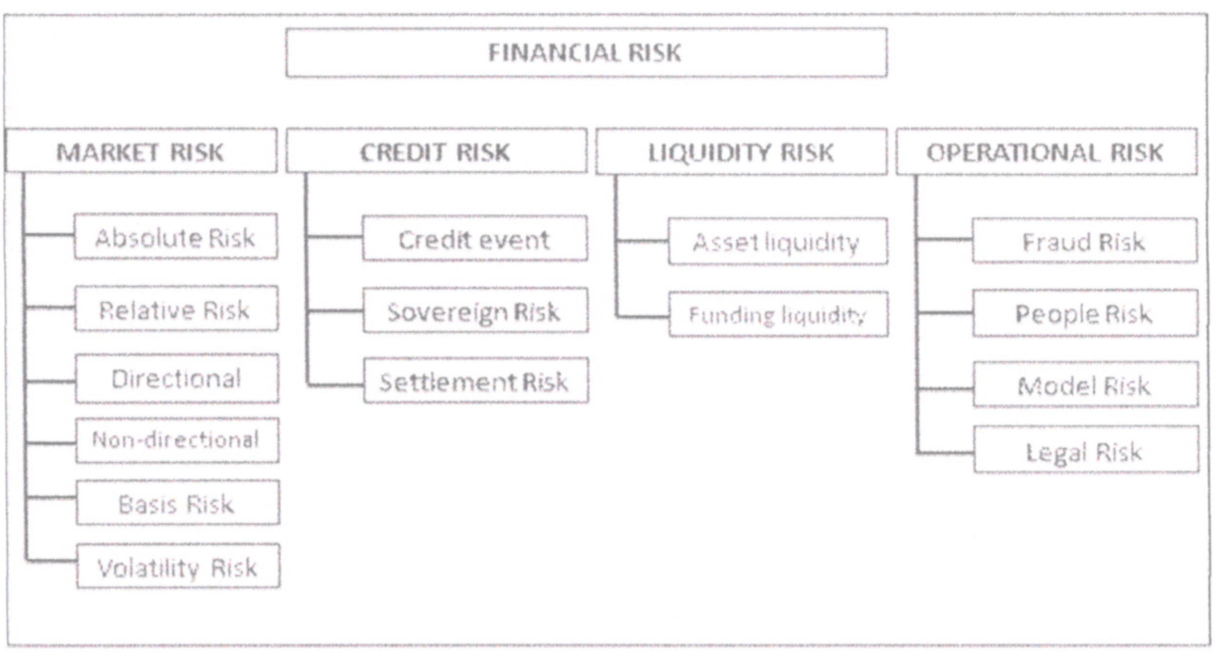
Risk can be referred as the chances of having an unexpected or negative outcome. Any action or activity that leads to loss of any type can be termed as risk. There are different types of risks that a firm might face and needs to overcome. Widely, risks can be classified into three types: Business Risk, Non-Business Risk and Financial Risk.

1. **Business Risk**
   These types of risks are taken by business enterprises themselves in order to maximize shareholder value and profits.
   Example: Companies undertake high cost risks in marketing to launch new product in order to gain higher sales.

2. **Non- Business Risk**
   These types of risks are not under the control of firms. Risks that arise out of political and economic imbalances can be termed as non-business risk.

3. **Financial Risk**
   Financial Risk as the term suggests is the risk that involves financial loss to firms. Financial risk generally arises due to instability and losses in the financial market caused by movements in stock prices, currencies, interest rates and more.

   Types of Financial Risks:
   Financial risk is one of the high-priority risk types for every business. Financial risk is caused due to market movements and market movements can include host of factors.



Market Risk:

This type of risk arises due to movement in prices of financial instrument. Market risk can be classified as Directional Risk and Non - Directional Risk.

1. Directional risk is caused due to movement in stock price, interest rates and more.
   - The risk of loss arising from exposure to the direction of a reference asset or market. An investor holding a long position experiences a loss if market prices fall and gain if they rise; one holding a short position generates gain when market prices fall and a loss as they ruse.
2. Non- Directional risk on the other hand can be volatility risks.

Credit Risk:

This type of risk arises when one fails to fulfill their obligations towards their counter parties. Credit risk can be classified into Sovereign Risk and Settlement Risk.

1. Sovereign risk usually arises due to difficult foreign exchange policies.

   In foreign exchange, the risk that a foreign central bank will significantly alter its monetary policy or other foreign exchange regulations so that it significantly affects one's currency trades. More broadly, it can apply to any political risk that a nation will refuse to comply with an agreement to which it is a party. For example, if one conducts a currency trade involving a pegged currency and the country in question decides to let its currency float, it can significantly impact the profitability of the currency trade.

2. Settlement risk on the other hand arises when one party makes the payment while the other party fails to fulfill the obligation.

Liquidity Risk:

This type of risk arises out of inability to execute transactions. Liquidity risk can be classified into Asset Liquidity Risk and Funding Liquidity Risk.

1. Asset/ Market Liquidity Risk is the risk of loss arising from an inability to sell or pledge assets at, or near, their carrying value when needed.

   Market (asset) liquidity risk is asset illiquidity. This is an inability to easily exit a position. For example, we may own real estate but, owing to bad market conditions, it can only be sold imminently at a "fire sale" price.

2. Funding Liquidity Risk is the risk of not having access to sufficient funds to make a payment on time

   Funding (cash flow) liquidity risk is the chief concern of a corporate treasurer who asks: can we pay our bills, can we fund our liabilities? A classic indicator of funding liquidity risk is the current ratio (current assets/current liabilities), or for that matter, the quick ratio.

Operational Risk:

This type of risk arises out of operational failures such as mismanagement or technical failures. Among them is Fraud Risk which usually arises due to lack of controls.

Legal Risk:

This type of financial risk arises out of legal constraints such as lawsuits. Whenever a company needs to face financial loses out of legal proceedings, it is legal risk.

C. Assessing or Identifying Risks (Risk Management Procedure)

Risk Identification

1. Spot the Hazard (Hazard Identification)

Key Point: A hazard is anything that could hurt you, someone else or most especially the coop.

2. Assess the Risk (Risk Assessment)

> Key Point:
> Assessing the risk means working out how likely it is that a hazard will harm you or the cooperative and how serious the harm could be.

Whenever you spot a hazard, assess the risk by asking yourself two questions:

1. How likely is it that the hazard could harm me or someone else?
2. How badly could I or someone else be harmed?

Always tell someone (the management, the committee members concerned or the BODs) about hazards you can't fix yourself, especially if the hazard could cause serious harm to anyone or the cooperative.

3. Make the Changes (Risk Control)

> Key Point:
> It is the cooperative's officers and management's responsibility to fix hazards.

Hazard Prevention

The first and most effective stage of hazard prevention is the elimination of hazards. The best way to fix a hazard is **to get rid of it altogether**. This is not always possible, but the officers should try to make hazards less dangerous.

If this takes too long, is too costly, or is otherwise impractical, the second stage is mitigation.

Major Categories of Techniques to Manage Risk

Once risks have been identified and assessed, all techniques to manage the risk fall into one or more of these four major categories:

1. Avoidance (eliminate, withdraw from or not become involved)
2. Reduction (optimize – mitigate)
3. Sharing (transfer – outsource or insure)
4. Retention (accept and budget)

1. Risk avoidance

- ✓ This includes not performing an activity that could carry risk.
  Example: *Not buying a property or business in order to not take on the legal liability that comes with it.*

- ✓ Not entering a business to avoid the risk of loss also avoids the possibility of earning profits.

2. Risk Reduction

- ✓ Risk reduction or "optimization" involves reducing the severity of the loss or the likelihood of the loss from occurring.
  Example: Sprinklers are designed to put out a fire to reduce the risk of loss by fire. This method may cause a greater loss by water damage and therefore may not be suitable. Halon fire suppression systems may mitigate that risk, but the cost may be prohibitive as a strategy.

- ✓ Acknowledging that risks can be positive or negative, optimizing risks means finding a balance between negative risk and the benefit of the operation or activity; and between risk reduction and effort applied.
  Example: Outsourcing could be an example of risk reduction if the outsourcer can demonstrate higher capability at managing or reducing risks.

3. Risk Sharing

- ✓ Briefly defined as "sharing with another party the burden of loss or the benefit of gain, from a risk, and the measures to reduce a risk."

- ✓ The term of 'risk transfer' is often used in place of risk sharing in **the mistaken belief** that you can transfer a risk to a third party through insurance or outsourcing. In practice if the insurance company or contractor go bankrupt or end up in court, the original risk is likely to still revert to the first party. As such in the terminology of practitioners and scholars alike, the purchase of an insurance contract is often described as a "transfer of risk." However, technically speaking, the buyer of the contract generally retains legal responsibility for the losses "transferred", meaning that insurance may be described more accurately as a post-event compensatory mechanism.
  Example: A personal injuries insurance policy does not transfer the risk of a car accident to the insurance company. The risk still lies with the policy holder namely the person who has been in the accident. The insurance policy simply provides that if an accident (the event) occurs involving the policy holder then some compensation may be payable to the policy holder that is commensurate with the suffering/damage.

4. Risk Retention

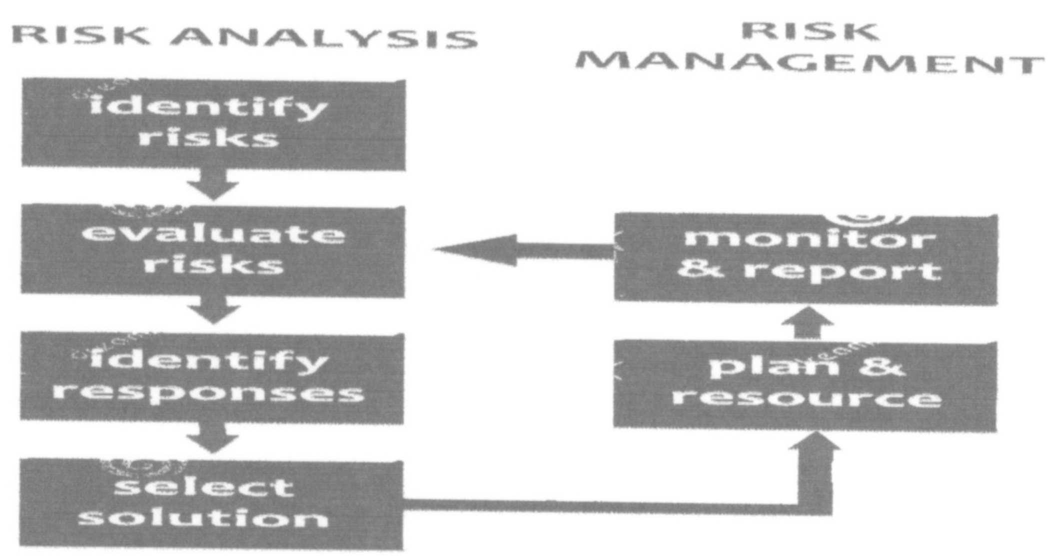
- ✓ Involves accepting the loss, or benefit of gain, from a risk when it occurs. True self insurance falls in this category. Risk retention is a viable strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default. This includes risks that are so large or catastrophic that they either cannot be insured against or the premiums would be infeasible.
  Example: Most property and risks are not insured against war, so the loss attributed by war is retained by the insured. Also any amounts of potential loss (risk) over the amount insured are retained risk. This may also be acceptable if the chance of a very large loss is small or if the cost to insure for greater coverage amounts is so great it would hinder the goals of the organization too much.

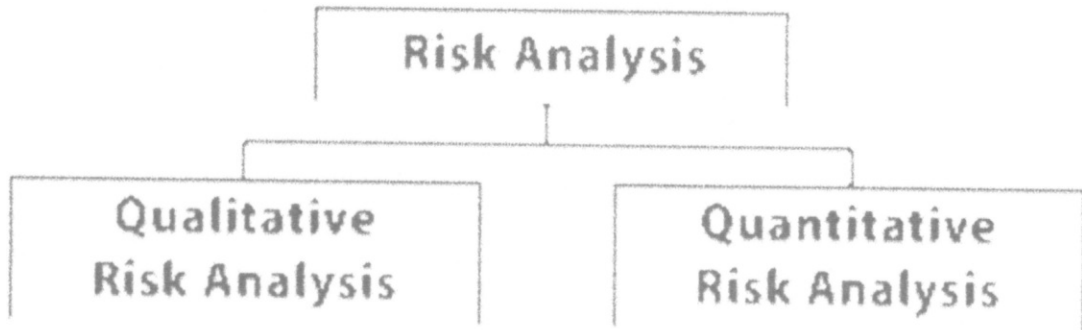
Sometimes, it will require more than one of the risk control measures above to effectively reduce exposure to hazards.

D. Risk Management Plan

A. Risk Analysis (Risk Management Procedure)

All risks identified will be assessed to identify the range of possible project outcomes. Qualification will be used to determine which risks are the top risks to pursue and respond to and which risks can be ignored.





Qualitative Risk Analysis	Quantitative Risk Analysis
Risk Register	Sensitivity Analysis
Probability-Impact (PI) Matrix	Decision Tree Analysis
Risk Catergorization	Scenario Analysis
Expert Judgement	Latin Hyper Cube Simulation
	Monte Carlo Simulation

Qualitative Risk Analysis

The probability and impact of occurrence for each identified risk will be assessed by the project manager, with input from the project team using the following approach:

Probability

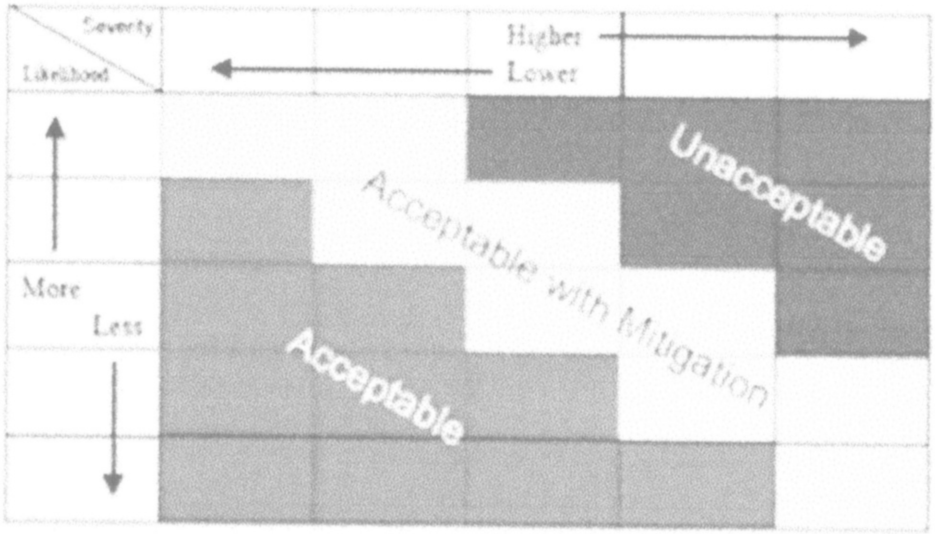
1. High – Greater than *<70%>* probability of occurrence
2. Medium – Between *<30%>* and *<70%>* probability of occurrence
3. Low – Below *<30%>* probability of occurrence

Impact

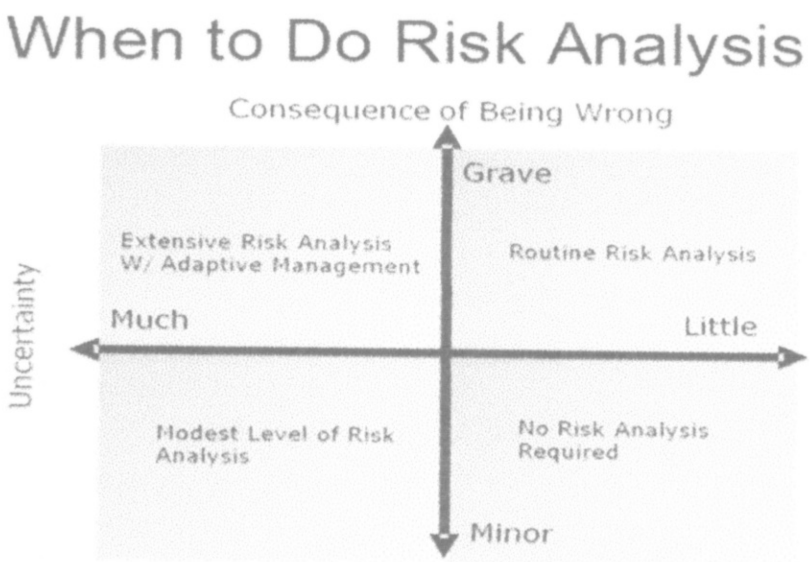
1. High – Risk that has the potential to greatly impact project cost, project schedule or performance
2. Medium – Risk that has the potential to slightly impact project cost, project schedule or performance
3. Low – Risk that has relatively little impact on cost, schedule or performance

Very likely	Medium 2	High 3	Extreme 5
Likely	Low 1	Medium 2	High 3
Unlikely	Low 1	Low 1	Medium 2
What is the chance it will happen?	Minor	Moderate	Major

Prioritizing Risks



1. Establish the risks to be eliminated due to potential impact.
2. Establish the risks which require regular management attention
3. Establish the risks that are sufficiently minor to avoid detailed management attention.



B. Risk Monitoring, Controlling, And Reporting

- **Internal Control** - A strong system of internal control is essential to effective enterprise risk management.

Risk management should:

1. create value – resources expended to mitigate risk should be less than the consequence of inaction
2. be an integral part of organizational processes
3. be part of decision making process
4. explicitly address uncertainty and assumptions
5. be a systematic and structured process
6. be based on the best available information
7. be tailorable
8. take human factors into account
9. be transparent and inclusive
10. be dynamic, iterative and responsive to change
11. be capable of continual improvement and enhancement
12. be continually or periodically re-assessed

How the Board Can Monitor Risk

1. Planning – assess the Risk to the Long Term Plan
2. Budgeting – Set Guidelines for Risk Assumptions
3. Financial Analysis – Comparatives
4. Management Report – "Grab what the Financials Miss"
   Monthly Reports:
   - ✓ Statement of Financial Position, Statement of Financial Operations, Loan Approvals/ Declines
5. Quarterly Reports:
   - ✓ Budget Variance, Investment Reports, Peer Group Comparatives
6. Policy Development
7. Committees

Monitoring Risk Through Committees:

<u>A. Audit Committee</u>

- ✓ Review the Audited Financial Statement
- ✓ Review the Scope of the Audit
- ✓ Review auditor recommendations with management
- ✓ Review related party transactions

<u>B. Credit Committee</u>

- ✓ Establish Credit Policy that Incorporates:
  1. Approval Limits (including aggregate volume)
  2. Pricing
  3. Loan Mix
  4. Delinquency and Collection of Problem Accounts
  5. Concentration of Credit
- ✓ Ensure management puts the appropriate procedures in place to support the policy

CREDIT MANAGEMENT

Definition:

- Is a term derived from the Latin word ***credo-*** meaning to believe, to trust
- Securing something of value, whether tangible or intangible, in return for a promise to pay at some determined future date;
- The ability of a person to affect exchange of values by offering a promise of future payment;
- Is the personal reputation a person has, in consequence of which he can buy money (or goods) on demand or at a specified date in the future

<u>ELEMENTS OF CREDIT</u>

1. Trust/ Confidence
2. Risks (personal, credit, settlement, optional)
3. Period/ Term
4. Exchange of temporal/ moral values

5 C's of CREDIT

1. **Character**
   - One of the most important C- the member's reputation
     - Is the borrower of good character?
     - Do they have a proven habit of repaying their loans?
     - Length of time on the job?
     - Length of time in the community?
   - Use all available information to determine the above questions as well as those items in the loan application, credit union account history, references, personal knowledge, and information from other coops.

2. **Capacity**
   - This pertains to the capacity to pay debt on schedule and in cash
   - Payment schedule fit the borrowers cash flow
   - Extent of the borrower's disposable income:
     - Total monthly debt/ net monthly income
     - Type and terms of outstanding obligations
     - Number of dependents that live on the disposable income

3. **Collateral**
   - Collateral by itself does not repay the loan
     - It is a means of gaining control over some of the borrowers' assets or capital
     - Support for loan approval if the other C's are weak
   - Savings, personal property, real property and business assets are all forms of security
   - The loan term should ever exceed the useful life of the collateral and loan amount should not exceed the value of collateral, savings balance and unsecured limits as determined by the policy.
   - Do not over lend on collateral – provide loans from 50% - 75% of the appraised value of collateral.

4. **Capital**

   A. Asset Growth
   - Has the member made steady, even if slow growth in assets or is every penny earned immediately spent?

   B. Savings Growth
   - Does the member save consistently at the cooperative?
   - Are they there just to get a loan?
   - Does the member live beyond their means?

5. **Conditions**
   - Circumstances of the economy, industry, cooperative environment in which the credit is granted.
   - Remember, conditions are peripheral circumstances, they are not a basic principle of credit

CREDIT RISK

Definition:

- ✓ The potential that a borrower or counter-party will fail to meet its obligations in accordance with agreed terms
- ✓ The probability of loss from a credit transaction

LOAN DELINQUENCY

- ✓ The failure of the borrower to pay the loan amortization upon the due date

When the account is considered delinquent?

- ✓ After one day missed payment, whatever the mode of payment
- ✓ The whole balance becomes past due even it is not yet due.

SUFFICIENT PROVISIONS FOR ALLOWANCE FOR LOAN LOSSES

- Protection against loan losses is deemed adequate if a cooperative has sufficient provision to cover:
  - ✓ 100% of all loans delinquent for more than 12 months
  - ✓ 35% of all loans delinquent for 1-12 months

WHY DO WE NEED TO ENSURE THE QUALITY OF THE COOPERATIVE LOANS?

- ✓ 70%-80% of our assets is invested in loans
- ✓ More than 80% of our income source is from loans
- ✓ Loans not repaid constitute direct losses to the cooperative assets and indirect losses through income received

FINANCIAL LOAN HOUSEKEEPING PROGRAM

- Cleaning up of delinquent accounts for over 365 days
- Done at least once or twice a year.

Key Areas of Intervention:

1. **Cleaning up loans receivable**

   A. Write-off
   - Loan account closed against allowance for probable losses
   - Needs approval from the BOD
   - Need to maintain separate ledger for all written-off accounts (**subject to monitoring and audit)**
   - Continue collection and consider payment as other income (**when allowance is sufficient)**
   - Creation of Committee on collection
   - Condonation or amnesty on penalties

   B. Reclassification
   - Transfer of Delinquent accounts (Problem accounts)
   - Same features and functions with loans receivables or accounts receivables
   - Main responsibility of Loan Monitoring Officer-for-Delinquent Accounts
   - No Effect to the total assets

2. **Proper Provisioning**
   - Amount of provisions/ allowance to cover losses for non-performing loans
     100% for loans delinquent over 365 days
     35% for loans delinquent below 365 days

IMPLICATION:
1. Decrease in Total Assets
2. Reduce Net Surplus and Increase Net Loss

3. **Charge- off or offsetting when necessary**
   - Application of deposits against delinquent accounts
   - Take effect with the member's authorization

IMPLICATION:
3. Decrease in Total Assets
4. Decrease in Members' Savings Deposits and Share Capital

   <u>Journal Entry:</u>

Savings Deposit	xx	
Share Capital	xx	
Loans Receivable		xx

5. Fair to the coop and to the members
6. Manifestation that coop concern for the members

THE LOAN CYCLE
1. PMES

2. Loan Application
   - ✓ Loan application are submitted to the loan officer together with supporting documents
   - ✓ The loan officer determines completeness of the data, verify signatures
   - ✓ Conduct initial interview and provide counseling to borrower
   - ✓ Documentations Required:
     1. Loan Application Form
     2. Amortization Schedule
     3. Sources of Income and expenditures
     4. Profit and loss statement or sources of investments
     5. Statement of assets and liabilities
     6. Self-assessment form

3. Credit Investigation/ Background Investigation Appraisal
   - ✓ The Credit Investigator (CI) visits the borrower and co-borrower for the following purposes:
     1) Validation of information
     2) Determine the paying capability, capacity
     3) Background check, character check
     4) Credit history with other creditors, community store, banks, pawnshops, other lending investors
     5) Checking with the employer of the borrower
     6) Investigation of the proof of financial capacity of co-borrower
     7) Appraisal of the security offered
     8) Appraisal may be conducted by an in-house or licensed appraiser depending on the amount

4. Evaluation/ Credit & Repayment Capacity Analysis; Credit Scoring
   - ✓ The CI submit the report to the Loan Officer (LO)
   - ✓ The Loan Officer conducts an evaluation based on the findings made by the CI
   - ✓ The LO provide recommendation to grant or not to grant and to be submitted to the credit committee/ BOD

5. Loan Officer/ Manager/ Credit Committee/ BOD Approval Process
   - ✓ Based on the approving level of authority, the approving personnel or committee shall act on the loan applications

- ✓ The reason for approval or denial shall be stated in the loan documents
- ✓ The loan application together with all the documents and CI Results shall be forwarded to the personnel concern for review
- ✓ Loan applications that has been acted upon shall be forwarded to Accounting for voucher and check/ cash preparation

6. Loan Release
   - ✓ The Accounting prepares the voucher and check/ cash for the Manager's signature
   - ✓ The Cashier disburses the loan proceeds to the borrower
   - ✓ The borrower shall be given a copy of voucher, amortization schedule, PN and other documents
   - ✓ One copy of voucher is forwarded to the Loan Officer

7. Documentation & Registration
   - ✓ The Loan Officer thru the liaison officer send the loan documents to the different agencies for proper registration
   - ✓ The credit manager ensure that the loan documents are properly registered and filed in its borrowers folder

8. Monitoring and Collection
   - ✓ The loan officer assigned each borrower to the collector for collection and monitoring
   - ✓ On a regular basis, a loan collection and monitoring report shall be submitted to credit manager and loan officer for monitoring
   - ✓ A summary of aging of loans shall be prepared on a monthly basis

ROLES OF THE BOARD OF DIRECTORS IN CREDIT MANAGEMENT

- ✓ Provide guidelines and principles for the cooperative's lending activities:
  1) Loan authority
  2) Loan portfolio
  3) Geographic limits
  4) Pricing policies
  5) Off-balance sheet exposure limits
  6) Loan review process

TIPS TO REDUCE CREDIT RISK

1. Avoid making high-risk loans
2. Use collateral to reduce risk
3. Diversify by lending to different types of borrowers and providing undue concentration to a borrower or group of borrowers
4. Documentation needed to legally enforce a loan contract
5. Guarantees by third parties can reduce risk
6. Monitor the behavior of the borrower after the loan is made.
7. Transfer risk to other parties via securitization and loan participations

Part I. Basic Concepts of Financial Management

Definition of Financial Management

Financial Management means *planning* (formulation of plans to achieve objectives), *organizing* (assembling of required resources to achieve objectives), *directing* (supervising, scheduling, disciplining and providing motivation)and *controlling*(establishing benchmarks, comparing actual performance and taking corrective actions) the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise.

Scope/Elements

Investment decisions - includes investment in fixed assets (called as capital budgeting). Investment in current assets are also a part of investment decisions called as working capital decisions.

Financial decisions - They relate to the raising of finance from various resources which will depend upon decision on type of source, period of financing, cost of financing and the returns thereby.

Dividend decision - The finance manager has to take decision with regards to the net surplus distribution. Net surplus are generally distributed in accordance with the provision of RA 9520 (Cooperative Code of 2008 and provisions in the By-Laws.

Objectives of Financial Management

The financial management is generally concerned with procurement, allocation and control of financial resources of an entity. The objectives can be:

1. To ensure regular and adequate supply of funds to the entity.

2. To ensure adequate returns to the shareholders/ members.

3. To ensure optimum funds utilization. Once the funds are procured, they should be utilized in maximum possible way at least cost.

4. To ensure safety on investment, i.e, funds should be invested in safe ventures so that adequate rate of return can be achieved.

5. To plan a sound capital structure-There should be sound and fair composition of capital so that a balance is maintained between debt and equity capital.

Functions of Financial Management

Estimation of capital requirements: A finance manager has to make estimation with regards to capital requirements of the entity. This will depend upon expected costs and profits and future programmes and policies of an entity. Estimations have to be made in an adequate manner which increases earning capacity of enterprise.

Determination of capital composition: Once the estimation have been made, the capital structure have to be decided. This involves short- term and long- term debt equity analysis. This will depend upon the proportion of equity capital a company is possessing and additional funds which have to be raised from outside parties.

Choice of sources of funds: For additional funds to be procured, a company has many choices like:

1. Issue of shares/ Capital Build-up
2. Loans to be taken from banks and financial institutions
3. Public deposits to be drawn like in form of deposit liabilities.

Choice of factor will depend on relative merits and demerits of each source and period of financing.

Investment of funds: The finance manager has to decide to allocate funds into profitable ventures so that there is safety on investment and regular returns is possible.

Disposal of surplus: The net surplusdistribution has to be made by the finance manager. This should be in compliance with the provisions of RA 9520 (Philippine Cooperative Code of 2008) and the entity's By-Laws.

Management of cash: Finance manager has to make decisions with regards to cash management. Cash is required for many purposes like payment of wages and salaries, payment of electricity and water bills, payment to creditors, meeting current liabilities, maintenance of enough stock, purchase of raw materials, etc.

Financial controls: The finance manager has not only to plan, procure and utilize the funds but he also has to exercise control over finances. This can be done through many techniques like ratio analysis, financial forecasting, cost and profit control, etc.

<u>Basic Philosophies of Cooperative Financial Management</u>

1. Service Over Profit Orientation

For Cooperatives, the real implication of service over profit motivation is the overriding consideration in choosing specific types of services that a Cooperative should offer. In the actual implementation of cooperative financial management, the main criterion in evaluating the feasibility of a service oriented project is the need for such service and not its profitability.

Example: Most of Cable Network Projects

2. Implications of the Cooperative Principles on Cooperative Financial Management

a) Principle on Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political or religious discrimination.

This principle enables the Cooperatives to assemble capital by bringing as large number of people as possible subject only to some restrictions. The common practice in cooperatives of setting a low minimum share capital/ fixed deposit for membership is intended to make it easy for potential members to comply and become members.

Example: Minimum Share Capital is set in the By-Laws P1,000.00 (IRR RA 9520, Rule 10, Section 3)

b) Principle on Democratic Member Control

Cooperatives are democratic organizations that are controlled by their members who actively participate in setting their policies and making decisions. Men and women serving as elected representatives, directors or officers are accountable to the membership. In primary Cooperatives, members have equal voting rights of one-member, one-vote.

This principle implies that the member-users ought to finance their cooperative in proportion to their use of its services.

c) Limited interest on Share Capital

The limitation of interest on share capital as provided for in IRR of RA 9520, Rule 10, Sections 9 and 11, is at least 70% of Net Surplus after deducting statutory funds. At least 30% of Net Surplus after statutory deductions shall be allocated to patronage refund, provided that in no case shall the rate of patronage refund be more than twice the rate of interest on share capital.

The significance of this principle on Cooperative financial management is that, the share capital is considered only as a tool to enable a Cooperative to render the necessary services to its members and it is provided with capital at a reasonable competitive cost. This principle also means that the interest on share capital should at least at interest levels comparable with industry level rates or at least equal to the official inflation rate of the same year (for 2011 Inflation Rate is 4.2%).

d) Principle of Disposal/ Distribution of Net Surplus

The principle of distribution of surplus has the following significant effects: theoretically, services have to be rendered at cost and any excess/ savings have to be distributed to the members on the basis of patronage and interest on share capital.

<u>Methods of Raising Capital</u>

Different methods of raising capital are available to Cooperatives. The choice of the method or methods of generating capital is best left at the discretion of the individual Cooperatives because of the varied conditions under which each Cooperative operates.

1. Borrowed/ Debt Capital

a) Loans Payable

b) Deposit Liabilities (Savings and Time Deposits)

2. Equity Capital

Equity capital refers the capital contributions provided by the cooperative members themselves and it is preferred by Cooperatives over borrowed/ debt capital. Cooperatives resort to various methods of raising equity capital such as the following:

a) Sale/ Issuance of Shares of Stock or acceptance of Share Capital contributions

b) Capital Build-up/ Collection of Retains

c) Deferment of distribution of patronage refund and/ or share capital (Revolving Capital Payable)

d) Accumulation of Reserves, specifically Reserve Fund and Optional Fund.

3. Subsidies, donations, legacies, grants aids and such other assistance from any local or foreign institution whether private or public. Provided, that these items shall not be available for distribution to members but shall form part of the donated capital of the Cooperative.

Part II. Accounting Systems for Cooperatives

Accounting Systems

Accounting systems refers to organized set of methods, procedures and standards (whether manual or computerized) followed in recording, classifying, accumulating and reporting business transactions/ events for management decisions. The system also includes all the people and equipment that are involved in producing accounting information.

Elements of the Cooperative Accounting System

1. Accounting Policies and Procedures (includes book of accounts, various accounting forms and reports)

2. People (Accounting Staff)

3. Equipment (Computer and Software)

Role of Directors and Manager/ CEO

The Board should adopt an accounting system that is flexible in its capacity (consider Cooperative principles and practices) and rigid in its controls and standards. The system should provide timely, accurate, and useful data. The management should ensure that all accounting staff should be adequately trained on the system prior to performing transactions that affect general ledger and member accounts.

Standard Chart of Accounts for Cooperative (CDA MC No. 2009-04)
The *Chart of Accounts* refers to lists of all accounts – assets, liabilities, equity, revenues and expenses (arrange in order of their presentation in the financial statements) use to record business/ economic transactions.
The basic purpose of prescribing the standard chart of accounts for Cooperatives is to provide guidelines in theuse of account and account titles in the preparation of financial statements for the use of all types ofcooperatives. Specifically, these shall:

a) ensure uniformity and common understanding of accounts;

b) guide in the installation of accounting and internal control systems;

c) facilitate the conduct of audit;

d) enhance transparency;

e) sets standards and discipline in measuring the financial safety and soundness;

f) facilitate the analysis and evaluation of financial management performance;

g) provide basis in monitoring, supervision and business linkages.

Part III. Understanding the Financial Statements of a Cooperative

As a matter of policy and practice in Cooperatives, the manager (representing the management) is required to submit periodically to the Board of Directors and to the General Assembly financial statements or financial reports. Basic, however, to this whole proposition is that management should have a clear understanding of the financial statements. Otherwise, the financial statements will be utterly meaningless and worthless. In fact, it will indeed be a major catastrophe for a Cooperative if its management, particularly the manager and the Board of Directors, does not even have an inkling of the contents and meaning of the financial statements.

This section is intended to make management understand financial statements enough to enable it to have a general insight into what is happening in the activities of the Cooperative and to be able to use the accounting figures to recognize and solve management problems as well as to plan and control the activities.

The principle of Understandability in accounting requires that financial information should be presented in a form and expressed in terminology that a user understands. Accordingly, *users are assumed to have a reasonable knowledge of the business activities and accounting and willingness to study the financial information with reasonable diligence.*

A co-op's financial statement is a snapshot of its financial picture at a given time. It lists assets, liabilities, equity, income and expenses.

a) Components of Audited Financial Statements (AFS) are:

* Statement of Management's Responsibility for the Financial Statements

Compliance with Philippine Financial Reporting Standards (PFRS)
Compliance with Tax Rules and Regulations

* Cooperative Development Authority (CDA) Representation Statement

* Report of Independent Auditors

* Financial Statements

Statement of Financial Condition or Balance Sheet

Statement of Financial Condition (Balance Sheet) shows assets, liabilities, and equityaccounts of a business entity as of a given date. Assets and liabilities are further classifiedas current or non-current. Non-current assets include property, plant and equipment,intangible assets, investments and financial assets (excluding investments under theequity method, trade and other receivables and cash and cash equivalents); while noncurrentliabilities include long-term debt, long-term provisions and other liabilities thatwill be settled after the current operating cycle or will not require the use of currentassets. Equity accounts for a cooperative include members' share capital, donationsand/or grants, and statutory funds.

Statement of Financial Operation or Income Statement

Statement of Operations (Income Statement) presents revenues, costs and expenses,gains and losses and net surplus or net loss. The items presented are recognized in thebooks using modified accrual basis of accounting. Expenses are classified according totheir function as part of cost of sales/services rendered, distribution or administrativeactivities. In a cooperative the difference between revenues and expenses is called netsurplus that is allocated in accordance with the Cooperative Code or the cooperative's bylaws.

Statement of Cash Flows

Cash Flows Statement is a formal statement summarizing all the cash activities of thecooperatives. These include their operating, investing and financing activities.

Statement of Changes in Equity (To include changes in statutory funds : General Reserve Fund, Cooperative Education and Training Fund, Optional Fund and *Community Development Fund*)

Statement of Changes in Equity shows separately the changes in members' equity,donations and grants and statutory funds. Transactions affecting these accounts includemembers' capital build-up, refund of share capital due to membership withdrawal,acceptance of donations and grants in cash or in kind and subsequent utilization,allocation of net surplus to and utilization of statutory funds.

Notes to Financial Statements

Notes toFinancial Statements include narrative descriptions or more detailed analyses ofamounts shown on the face of the financial statements as well as additional informationnot presented on the face of the Statement of Financial Condition, Statement of Operationand Statement of Cash Flow to achieve fair presentation. It also describes the accountingpolicies and the measurement basis /bases used in the preparation of the financialstatements.

* Financial Ratios

* Summary of Auditors Findings & Recommendations (SAFR)

Information on the financial statements help users analyzed how well the co-op is performing;past performance; its ability to meet its currentobligations; member equity vs. borrowed capital;managementeffectiveness, and how well the co-op uses currentresources.

A series of financial statements (forcomparable dates over a period of years) can give users the basis for an opinion about the co-op'schanging financial structure and financial strength.The financial statement should be made on the sameday of each year (December 31) to be most meaningful.

b) Elements of Financial Statements are:

Statement of Financial Position/ Balance Sheet

1. Assets (What We Own) are resources controlled by the entity from which future economic benefits are expected to flow to the entity.

2. Liabilities (What We Owe Others) are present obligations of an entity the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

3. Equity (What We Owe Ourselve) is the residual interest in the assets of the entity after deducting its liabilities.

Statement of Financial Operation/ Income Statement

4. Income is an increase in economic benefit in the form of inflow or increase in asset or decrease in liability that results in increase in equity, other than distribution to equity participants.

5. Expense is a decrease in economic benefit in the form of an outflow or decrease in asset or increase in liability that results in decrease in equity other than distribution to equity participants.

Example: How to read the financial statements:

Read and understand Report of Independent Auditors

Read and analyze results of operation (Income Statement) especially changes in Net Surplus, Interest income from loan, Service fee, Surcharges, Income from Investment and Subscription Fees.

Review also significant expense items such as personnel benefits (Salary, Bonuses & other benefits), officer's honoraria, losses and general assembly expense. Ask explanations for unusual changes in amounts.

Read and analyze financial condition (Balance Sheet) especially changes in Assets particularly Cash, Loans Receivable, Property& Equipment and Long-term Investments.

Review also significant changes in liability accounts andshare capital. Ask explanations for unusual changes in amounts.

Read and analyze cash flow statement especially cash flow provided by operating activities.

Read and analyze statement of changes in member's equity especially additions or charges to statutory funds. Ask explanations for unusual changes in amounts.

Read the notes to financial statements for corroborating information.

Part IV. Analysis of Financial Statements of Cooperative

The amount of information contained in a cooperative'sfinancial statements is voluminous, spanningthe cooperative's internal operations, its relationshipwith the outside world, and its relationship with itsmember/patrons. To be useful, this information mustbe organized into an understandable, coherent, andsufficiently limited set of data. Financial statementanalysis can be beneficial in this respect because ithighlights a firm's strengths and weaknesses.

The Analysis of Financial Data employs various techniques to emphasize the comparative and relative importance of the data presented and to evaluate the position of the entity. These techniques include common-size analysis, ratio analysis and comparisons of results with other data and review of descriptive material. The information derived from these types of analyses should be blended to determine the overall financial position. No one type of analysis supports overall findings.

Financial statements analysis is a judgmental process. One of the primary objectives is identification of major changes (turning points) in trends, amounts, and relationships and investigation of the reasons underlying those changes. Often, a turning point may signal an early warning of a significant shift in the future success or failure of the entity. The judgment process can be improved by experience and analytical tools.

1. Common-Size Analysis (Vertical & Horizontal)

2. Ratio Analysis (COOP-PESOS & PEARLS)

P = Portfolio Quality
E = Efficiency
S = Stability
O = Operations
S = Structure of Assets

P = Protection
E = Effective Financial Structure
A = Asset Quality
R = Rates of Return and Costs
L = Liquidity
S = Signs of Growth

3. Comparisons (Trend Analysis, Industry Averages and Comparison with Competitors)

4. Review of Descriptive Information

Common-Size Analysis (Vertical & Horizontal)

Common-size analysis expresses comparisons in percentages of Total Assets (for Balance Sheet accounts) or Total Revenues (for Income Statement accounts). The use of percentages is usually preferable to the use of absolute amounts. Vertical analysis compares each amount with a base amount selected from the same year. Horizontal analysis compares each amount with a base amount for a selected base year.

The analysis of common-size financial statementsmay best be described as structural. In the analysis ofthe balance sheet, the structural analysis focuses onseveral important aspects. What is the capital structureof the cooperative? (E.g., how much of the cooperative'sassets is financed by current liabilities, long-termliabilities, and member equity?) And what is the distributionof the cooperative's assets (current, fixed, andother)? Put another way, what is the mix of assets thecooperative uses to conduct operations?Common-sizing can also be used within subgroupson the financial statements. For example, itmay be of interest to know both the percentage of cashto current assets as well as the percentage of cash tototal assets. Knowing both provides a better understandingof the cooperative's liquidity.

In the case of the income statement, common-sizeanalysis is a very useful tool, perhaps more importantthan the analysis of the common-size balance sheet.The income statement lends itself to this form of analysis.Each item in it is related to a central quantity, thatis, Revenue. With some exceptions, such as some administrationand overhead, the level of each revenue andexpense is directly related to the level of Income. Thus, itis instructive to know what proportion of the Revenue is absorbed by the various costs and expensesincurred by the cooperative.

The use of common-size financial statements forcomparing cooperative financial performance overtime is valuable in focusing on changing proportionsof components within a group of assets, liabilities, revenues,expenses, and other financial categories.However, one must be careful in interpretingchanges. For example, the percentage of receivable to total assets could show an increasingtrend. Yet, the actual peso value of receivablemight be the same and the increase in the percentageis caused by a decline in total assets, e.g., becauseof lower fixed assets or a write-off of investments.Because a proportion can change either in the absoluteamount of the item or in the total of the group ofwhich it is a part, the interpretation of a common-sizestatement comparison requires an examination of theactual figures and the basis on which they are computed.

Ratio Analysis

Ratios are the most widely used tools for financialanalysis. Yet, their function is often misunderstood,and, consequently, their significance may easilybe overrated.A ratio expresses the mathematical relationshipbetween two quantities. The ratio of 200 to 100 isexpressed as 2:1 or 2. While the computation of a ratioinvolves a simple arithmetical operation, its interpretationis far more complex.

The ratio must express a relevant relationship.For example, there is a clear, direct, and understandablerelationship between the sales price of an itemand its cost. On the other hand, there is no real relationshipbetween salaries and investments in othercooperatives.

Ratios are analysis tools that provide clues tohelp identify symptoms of underlying conditions.Analysts, depending on their needs, may differ in theratios they find useful when examining a cooperative'sfinancial position. Short-term creditors are primarilyinterested in the cooperative's current performanceand its holdings of liquid assets that can provide aready source of cash to meet current cash requirements.These assets include cash, marketable

securities,accounts receivable, inventory, and other assetswhich can be sold for cash or can become cash throughthe normal course of a business cycle. Long-term creditorsand member/owners, on the other hand, are concerned
with both the long-term and short-term outlook.Management will also find ratios useful inmeasuring its own performance.

As a final note of caution, the analysis of ratios isuseful only when all influencing factors are interpretedskilfully and intelligently. This is, by far, the most difficultaspect of ratio analysis. Look at a simple examplerelating to a non-financial problem. In comparingthe ratio of gas consumption to mileage driven, driverA claims to be more efficient than driver B (i.e., A gets30 mpg and B only gets 20 mpg). Assuming that bothdrive the same car, it would appear that driver A ismore efficient. However, other facts should be considered:

- weight of the load carried,
- type of terrain (flat versus hilly),
- city or highway driving, and
- speed at which the car was driven.

All of these driving factors influence gasolineefficiency. In financial analysis, the same premiseholds. The ratios should be used as a tool to help findstrengths and weaknesses but, other factors shouldalso be considered.

a) Efficiency, Rate of Return and Cost, Profitability Ratios

Yields and costs directly affect the growth rates of an institution. The intent is for the institution to: pay real (competitive) rates of return on savings and shares and charges rates on loans that recover all costs.

Ratios	**Formula**	**Purpose**	**Standard**
Rate of Return on Members Share (ROI)	Interest on Share Capital/ Average Members Share	Measures the earning power of members share capital	Market Rates (4%) or Higher than Inflation Rate (4%)
Loan Portfolio Profitability	Interest Income from Loans + Service Fees + Filing Fees + Fines/ Average Total Loans Outstanding	Measures how profitable the loan portfolio is.	More than 20%
Asset Yield	Undivided Net Surplus/ Average Total Assets	Measures the ability of the Coop's assets to generate income	At least Inflation Rate (8%)
Cost Per Peso Loan	Financing Costs + Admin Costs/ Average Total Loans Outstanding	Measures efficiency in managing the Coop's loan portfolio	P.10 per P1.00 loan
Administrative Efficiency	Administrative Costs/ Average Total Assets	Measures the cost of managing the Coop's assets	3 to 10%
Ratios	**Formula**	**Purpose**	**Standard**
Cash Conversion Efficiency Ratio	Cash Flow from Operating Activities/ Total Revenues or Sales	Measures the profitability of the entity's core business	Industry Average 10% to 30%

b. Liquidity Ratios

Managing liquidity is an essential component of administering a financial institution. The goal is to maintain short-term liquidity to respond to member-client withdrawal and disbursement demands.

Ratios	Formula	Purpose	Standard
Current Ratio	Current Assets/ Current Liabilities	Measures the ability to meet its current obligations	2:1
Acid Test / Quick Ratio	Cash + (Receivables)/ Current Liabilities	Measures the ability to meet its current obligations	1:1
Liquidity	Liquid Assets (Cash + Short-term Inv)-Current Liabilities/ Total Deposits (Savings & Time)	Measures the Coop's ability to service its member's deposit on time	Not less than 15%

c. Asset Quality/ Portfolio Quality/ Protection/Stability / Structure of Assets

Asset quality is the main variable that affects institutional profitability. An excess of defaulted or delayed repayment of loan and high percentages of other non-earning assets have negative effects on the Coop's earnings because these assets are not earning income.

The primary goal of evaluating the Protection indicators is to ensure that the financial institution provides member-client a safe place to save their money. Provisions for loan losses are the first line of defense against unexpected losses to the institution. Allowances for loan losses are essential, since delinquency signals that loans are at risk; thus, the institution must set aside earnings to cover those possible losses so that member-client savings/ deposit/ investment remain protected.

Ratios	Formula	Purpose	Standard
Portfolio at Risk	Balance of Loans with one day missed payments (Total Loan Delinquency)/ Total Loans Outstanding (Gross Loan Portfolio)	Measures the risk of default in the portfolio	5% or less
APLL (Allowance for probable losses on loans- over 12 months past due)	Total Amount of allowance/ Total Outstanding balance of loans over 12 months past due	Measures the adequacy of the allowance for expected losses on loans	100%
APLL (Allowance for probable losses on loans- Less than 12 months past due)	Total Amount of allowance –Required amount of allowance for loans over 12 months past due/ Total Outstanding balance of loans less than 12 months past due	Measures the adequacy of the allowance for expected losses on loans	35%
Ratio of Non-earning Assets/ Total Assets	Non-earning assets (cash on hand, AR, Prepayments, PPE)/ Total Assets	To measure the percentage of the total assets not producing income	Less than or equal to 5%
Solvency	*Net Value of Assets/ Deposits + Share Capital	Measures the degree of protection that the Coop has	At least 110%

	* (Total Assets + Allowance for Risk Assets) – (Total Liabilities+ Past Due, Restructured & Loans under Litigation)	for members savings and shares in the event of liquidation	
Ratios	**Formula**	**Purpose**	**Standard**
Asset Structure Ratios	Total Deposits/ Total Assets	Measures the percentage of total assets finance by deposits	55% to 65%
	Net Loans Receivables/ Total Assets	Measures the percentage of total assets invested in the loan portfolio	70% to 80%
	Total Members' Share Capital/ Total Assets	Measures the percentage of total assets finance by members' share capital	35% to 45%

Comparisons (Trend Analysis, Industry Averages and Comparison with Competitors)

The analysis of an entity's financial statements is more meaningful if the results are compared with industry averages and with results of competitors.

Review of Descriptive Information

Read Notes to Financial Statements, reports of the Board of Directors, Committees and Management in the Annual General Assembly Report for corroborative information. Ask explanation for contradicting information.

Part V. COOP – PESOS

CDA Memorandum Circular 2003-04 requires the adoption of COOP-PESOS in the assessment/ evaluation of the performance of Credit Cooperatives and other types of Cooperatives with Credit Services to ensure the protection of members, the cooperatives and the sustainability of the latter's operations.

Purposes of COOP-PESOS

1. Supervisory and Regulatory Tool

To ensure safety of contributions of members who typically belong to the low income segment of the community;

To guarantee the soundness of the credit cooperative's operations;

To infuse the necessary operational and financial discipline;

To evaluate and assess cooperative performance and allow for comparison over time and with other cooperatives.

2. Management Tool

Provide management the necessary information on how its cooperative is performing vis-à-vis other cooperatives;

Management shall use the standards in making sure that the cooperative is operating effectively and efficiently;

Allow management of the cooperative to determine troubled areas and make necessary adjustments to its policies and/ or the way the cooperative's operations are handled.

COOP-PESOS Ratings

COOP Indicators – Information on Compliance to Requirements

Information on the Cooperatives compliance with the necessary administrative requirements;

Information on the governance, management and organizational structure of the Coop; and

Look at whether the Cooperatives have adequate system policies and procedures to ensure efficient operatives and effective service to members.

C – Compliance (20%)
O – Organization (26%)
O – Operations and Governance (40%)
P – Plans/ Programs and Performance (14%)

20%

PESOS Indicators – This component is comprised of indicators that look at the financial performance of the Cooperative.

Provides the manager and the Board of Directors the appropriate tools in monitoring the quality of the loan portfolio of the cooperatives;

Compares adequacy of the provisions for loan losses against the amount of delinquent loans; and

The status of the health of loan portfolio will either propel the cooperative to grow or imperil the whole sustainability program of the Cooperative.

P – Portfolio Quality (25%)
E – Efficiency (20%)
S – Stability (30%)
O – Operations (10%)
S – Structure of Assets (15%)

80%

Overall Rating System

Rating No.	Equivalent	Description
1	Excellent (90% to 100%)	The Cooperative has a strong performance that consistently provides safe and sound operations. Cooperatives in this group comply with cooperative rules and regulations and are resistant to external shocks and financial disturbances. They are also able to withstand unexpected adverse changes in business environment. These institutions do not need supervisory concern.
2	Very Good (80% to less than	The Cooperative shows satisfactory performance that consistently provides safe and sound operations. Cooperatives

	90%)	in this group are able to withstand business fluctuations well. However, there are some areas of concern that require important attention and if unchecked, can potentially develop into conditions of greater concern. Supervisory response is limited to minor adjustments to ensure that operations continue to be satisfactory and sustainable.
3	Good (70% to less than80%)	The Cooperative performance is flawed to some degree and is of supervisory concern. Results of key performance measures indicate that safe and sound operations maybe adversely affected. Cooperatives in this group are only nominally resistant to adverse business conditions and may deteriorate if identifiable areas of weakness are not corrected immediately.
4	Fair (60% to less than 70%)	The Cooperative has poor performance and is of serious supervisory concern. The Cooperatives performance if left unchecked would lead to conditions that could threaten its viability. A high potential failure is present but is not yet imminent. Cooperatives in this group require very close supervisory attention.
5	Poor (below 60%)	The Cooperative has unsatisfactory performance and is in need of immediate remedial attention. Cooperatives in this group have a very high probability of failure and will likely require liquidation.

Part VI. Basic Concepts of Budgeting

Definition of Budget

A budget is a formal written statement of management's plans for a specified future time period (usually 1 year), expressed in financial terms. It normally represents the primary method of communicating agreed upon objectives throughout the organization. Once adopted, a budget becomes an important basis for evaluating performance. It promotes efficiency and serves as deterrent to waste and inefficiency.

Benefits of Budgeting

1. It requires management to ***plan ahead*** and to formalize their goals on a recurring basis

2. It provides ***definitive objectives*** for evaluating performance at each level of responsibility

3. It creates an ***early warning system*** for potential problems. With early warning the management has time to make changes before things get out of hand

4. It ***motivates personnel*** throughout the organization to meet planned objectives.

Responsibility of the Board of Directors

The Board of Directors shall review the annual plan and ***budget*** and recommend for the approval of the General Assembly (Art. 44 of RA 9520 and IRR of RA 9520 Rule 7 Section 4).

Classifications of Budget

1. Operating Budget

Operating budgets are individual budgets that results in the preparation of the budgeted income statements/ statement of financial operations. These budgets establish goals for the Cooperative's revenues or income and expenses:

a) Revenue/ Income Budgets

1. Interest Income from Loans
2. Service Fees
3. Fines, Penalties and Surcharges
4. Membership Fees
5. Income from Investment

b) Expense Budgets

1. Finance Costs/ Interest Expense
2. Administrative Costs
3. Democratic Governance Costs

2. Financial Budget

a) Capital Expenditure Budget

Capital Budgeting refers to process of making capital expenditure decisions in business. It involves choosing among various capital projects (long-term projects or acquisition of property, equipment and investment) to find the one(s) that will maximize the cooperative's return on its financial investment and address the needs of its members and its operations.

b) Cash Budget

Cash Budget shows anticipated cash inflows. Because cash budget is so vital, this budget is considered to be the most important output in preparing financial budgets. The cash budget contains three sections (cash receipts, cash disbursements and financing) and the beginning and ending cash balances.

Beginning Cash Balance	P xxx
Add: Cash Receipts	xxx
Total Cash Available	xxx
Less: Cash Disbursements	xxx
Excess/ (Deficiency)	xxx
Investing/ (Financing)	xxx
Ending Cash Balance	P xxx

The cash receipt section includes expected cash receipts from the entity's principal sources of revenue. These are usually collection of interest income from loans, service fees, fines and income from investments. This section also shows anticipated receipts from planned sales of investments, property and equipment, collection of loans receivable and receipts from deposit liabilities and share capital.

The cash disbursement section shows expected cash payments. Such payments include loans receivable, interest expense, administrative expenses and democratic governance cost. This section also includes projected payment for investments, property and equipment, deposit liabilities and share capital.

The investing/ financing section shows expected investment or borrowing activities. If the cash budget indicates excess cash there is opportunity for investment and when the cash budget shows deficiency there is a need for borrowing.

c) Budgeted Balance Sheet/ Statement of Financial Position

The Budgeted Balance Sheet is a projection of financial position at the end of the budget period. This budget is developed from the budgeted balance sheet for the preceding year and the (various) budgets for the current year.

Budgeting Process

Generally the budgeting process for Cooperatives is informal. In larger organizations, responsibility for coordinating the preparation of the budget is assigned to the budget committee which ordinarily includes the Manager/ President, Treasurer and Accountant/ Bookkeeper.This committee then presents and defends the proposed budget to the Board of Directors. After review, the Board of Directors will recommend approval of the proposed budget during the Annual General Assembly Meeting. But ultimately the Board will be responsible in the implementation and evaluation of the Budget.

The budgeting process usually begins with the collection of data from the organization. Past performance (previous year's statements of financial operations/ income statements) is often the starting point from which budget goals are formulated. The budget committee or the staff designated to prepare the budget must be able to project the revenues for the incoming year and anticipate the expenses that the Coop will incur over the course of the year.

In developing the budget, the Budget Committee and the Board must make the following critical decisions:

What we want to accomplish– Annual Plan and Development Plan (Is there a cost associated with any of our goals in the coming year? What is the cost?) ;

How we plan to spend money in the coming year (What did we spend last year? Was that not enough or too much? Were we able to accomplish what we wanted?) ;

When the budget will be created (January or February or March?) ;

Who will actually prepare the budget (Budget Committee or Manager or Treasurer or Accountant) ; and

How will we evaluate our budget (Did we accomplished what we wanted? Did we spend the right amount?).

Illustration (For Operating Budget):

A) ESTIMATE THE REVENUES

1. Check the revenues for the present and the previous years.

2. What changes will take place next year? Set target based on action or development plan. Adjust the figures with regard to knownchanges in membership and rates/ pricing of services or products.

3. Adjust the revenue figures to allow for the incorporation of the effects of changes in local and national economic situations.

4. You now have a figure for the expected revenues for next year.

B) ESTIMATE THE RUNNING COSTS

1. Estimate Financing Costs/ Interest Expense:

Present Finance Costs
+ Expected increases (relate to changes in Deposit Liabilities and Borrowings)
-Expected decreases (relate to changes in Deposit Liabilities and Borrowings)
= Total Finance Costs next year

2. Estimate Salaries/ Wages and other staff costs (and Officers Honorarium and Allowances):

Present Salaries/ Wages
+ Expected increases (relate to policies on employees)
+ Other staff costs
= Total staff costs next year

3. Estimate Depreciation costs:

Present Depreciation Expense
+ Depreciation cost of Property (new)
- Depreciation cost of Property disposed
= Total Depreciation cost of property next year

4. Estimate Provision for Probable Losses:

Present Provision for Probable Losses
+ Expected increases (relate to past due receivables and rates)
-Expected decreases (relate to past due receivables and rates)
= Total Provision for Probable Lossesnext year

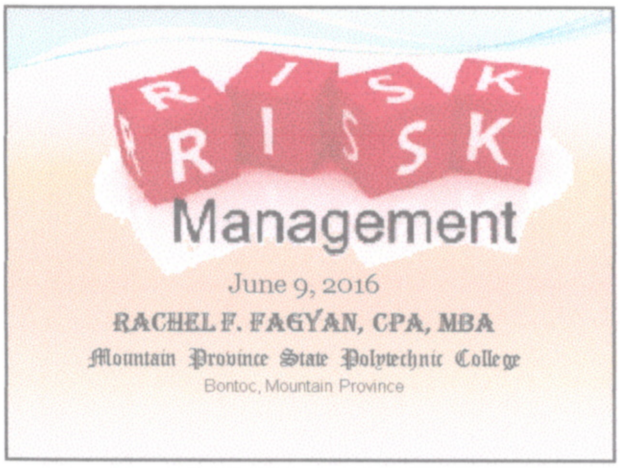
5. Estimate all other costs:

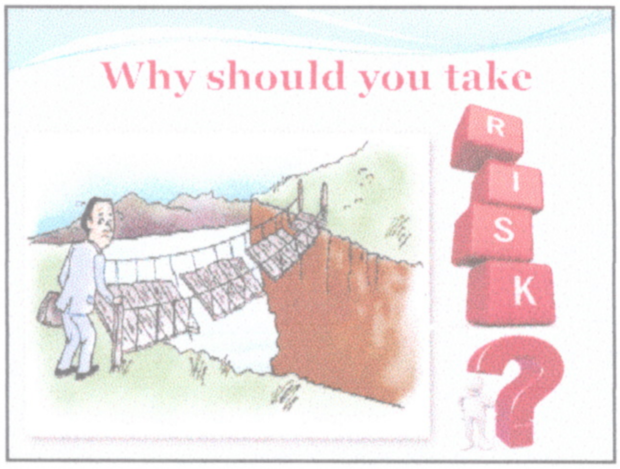
Make a detailed list of all other cost items during the current and previous year (refer to prior year financial statements, at least prior three years),consider what changes are likely to occur, and prepare a list of expected costs fornext year.

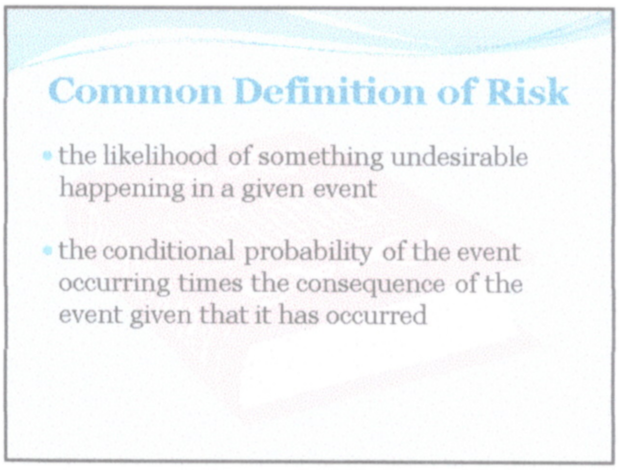
C. FOLLOW UP THE ESTIMATES

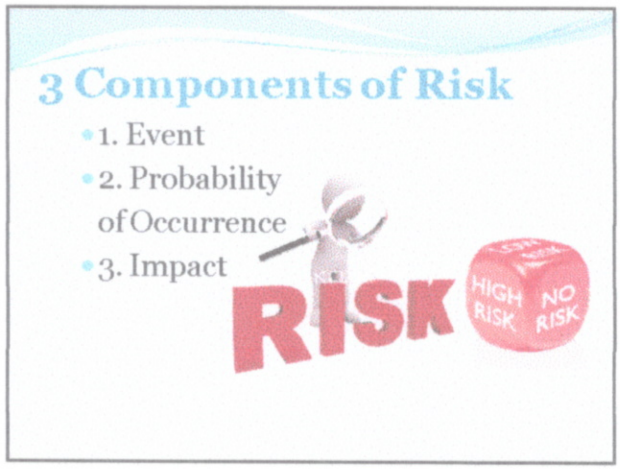
1. Conduct monthly evaluation.
2. Judge whether the target for the year is likely to be met.
3. Take action immediately if a significant difference is likely to lower the expected net surplusfor the year.

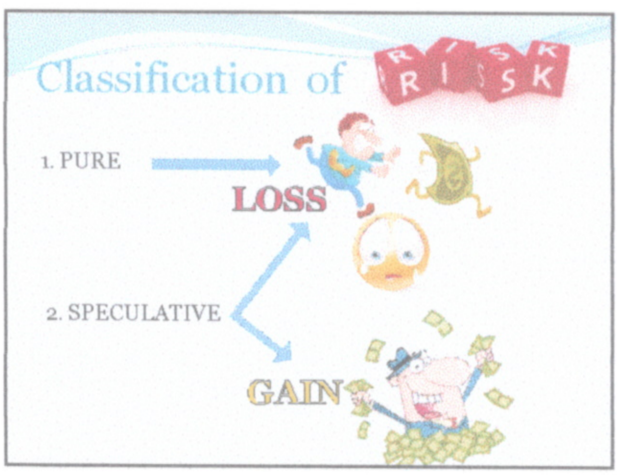
****** END OF SEMINAR ******

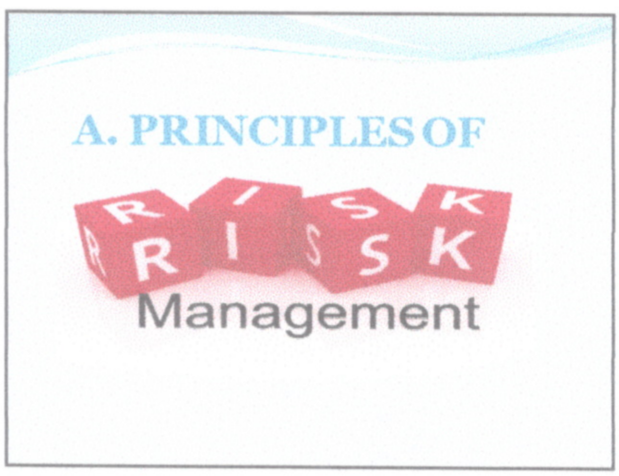

RISK
Management
June 9, 2016
RACHEL F. FAGYAN, CPA, MBA
Mountain Province State Polytechnic College
Bontoc, Mountain Province


Why should you take
RISK
?


Common Definition of Risk
• the likelihood of something undesirable happening in a given event
• the conditional probability of the event occurring times the consequence of the event given that it has occurred


3 Components of Risk
• 1. Event
• 2. Probability of Occurrence
• 3. Impact
RISK
HIGH RISK
NO RISK


Classification of RISK
1. PURE
LOSS
2. SPECULATIVE
GAIN


A. PRINCIPLES OF
RISK
Management

- ***Risk management*** is the continuing process to identify, analyze, evaluate, and treat loss exposures and monitor risk control and financial resources to mitigate the adverse effects of loss.

- the process of identifying risk, assessing risk, and taking steps to reduce risk to an acceptable level

Areas of Exposure to Loss (Pure and Business Risk)

1. Property
2. Finance
3. Legal Liability
4. Personnel

B. TYPES OF

General Types of Risk

1. BUSINESS RISK

- These types of risks are taken by business enterprises themselves in order to maximize shareholder value and profits.

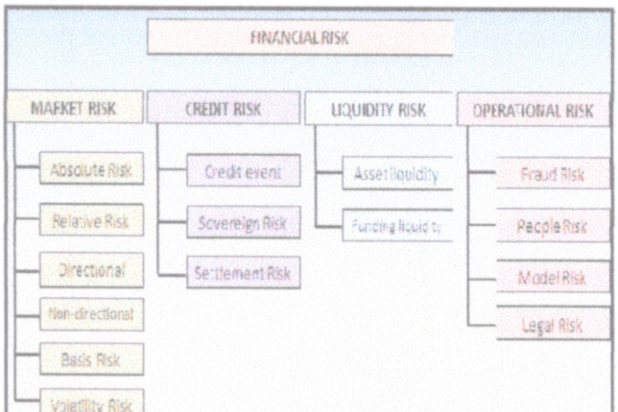
2. Non- Business Risk

- These types of risks are not under the control of firm.

Types of Risk.. Continuation

3. Financial Risk

- Financial Risk as the term suggests is the risk that involves financial loss to firms generally arises due to instability and losses in the financial market caused by movements in stock prices, currencies, interest rates and more.



Types of Financial Risk

Market Risk:
- risk arises due to movement in prices of financial instrument.
1. Directional Risk
2. Non - Directional Risk.

Credit Risk:
- risk arises when one fails to fulfill their obligations towards their counter parties.

Liquidity Risk:
- Risk arises out of inability to execute transactions.
1. Asset Liquidity Risk
2. Funding Liquidity Risk

Types of Financial Risk

Operational Risk:
- Risk arises out of operational failures such as mismanagement or technical failures.

Legal Risk:
- Risk arises out of legal constraints such as lawsuits. Whenever a company needs to face financial loses out of legal proceedings, it is legal risk.

C. RISK MANAGEMENT PROCEDURE

RISK IDENTIFICATION

Spot the Hazard
- A hazard is anything that could hurt you, someone else or most especially the coop.

Assess the Risk
- Assessing the risk means working out how likely it is that a hazard will harm you or the cooperative and how serious the harm could be.

Make the changes
- It is the cooperative's officers and management's responsibility to fix hazards.

Activity: RISK IDENTIFICATION

- Identify and present events by which your cooperative experience/ might experience Risk.

Hazard Prevention

Stage 1: Risk Elimination
- First and most effective stage of hazard prevention

Stage 2: Risk Mitigation
- Second stage if risk elimination is too long, too costly or impractical

Potential Risk Treatment

1. Risk Avoidance

- Not performing an activity that could carry risk.

- Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed.

2. Risk Reduction/ Optimization

- involves reducing the severity of the loss or the likelihood of the loss from occurring.

- Acknowledging that risks can be positive or negative, optimizing risks means finding a balance between negative risk and the benefit of the operation or activity; and between risk reduction and effort applied.

3. Risk Sharing

- sharing with another party the burden of loss or the benefit of gain, from a risk, and the measures to **reduce a risk** (and not to transfer the primary responsibility)

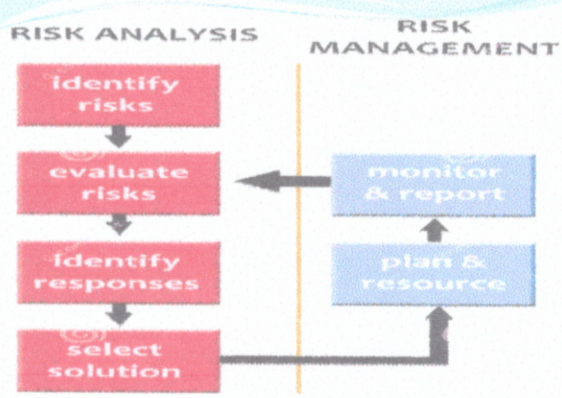
4. Risk Retention

- accepting the loss, or benefit of gain, from a risk when it occurs

Risk Management Plan

Risk Analysis

- All risks identified will be assessed to identify the range of possible project outcomes. **Qualification will be used to determine which risks are the top risks to pursue and respond to and which risks can be ignored.**



Risk Analysis

Qualitative Risk Analysis | Quantitative Risk Analysis

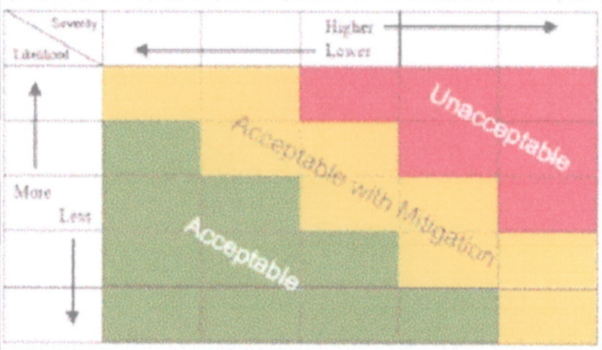
Qualitative Risk Analysis
- Risk Register
- Probability-Impact (P.I) Matrix
- Risk Catergorization
- Expert Judgement

Quantitative Risk Analysis
- Sensitivity Analysis
- Decision Tree Analysis
- Scenario Analysis
- Latin Hyper Cube Simulation
- Monte Carlo Simulation

A. Qualitative Risk Analysis

Likelihood			
Very likely	Medium 2	High 3	Extreme 5
Likely	Low 1	Medium 2	High 3
Unlikely	Low 1	Low 1	Medium 2
What is the chance it will happen?	Minor	Moderate	Major
	Impact		

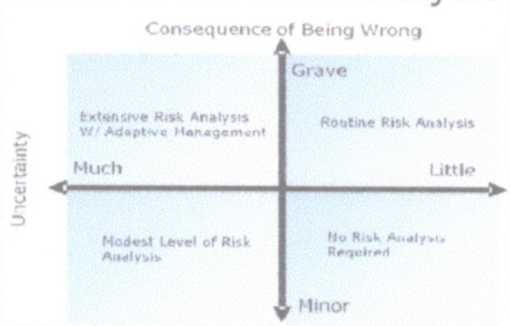
Prioritizing Risks



Prioritizing Risks

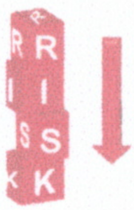
- Establish the risks to be eliminated due to potential impact.
- Establish the risks which require regular management attention
- Establish the risks that are sufficiently minor to avoid detailed management attention.

When to Do Risk Analysis



Risk Monitoring, Controlling, And Reporting

Presence of Effective Internal Control



- A strong system of internal control is essential to effective enterprise risk management.

Risk Management Should:

1. create value – resources expended to mitigate risk should be less than the consequence of inaction
2. be an integral part of organizational processes
3. be part of decision making process
4. explicitly address uncertainty and assumptions
5. be a systematic and structured process
6. be based on the best available information
7. be tailorable
8. take human factors into account
9. be transparent and inclusive
10. be dynamic, iterative and responsive to change
11. be capable of continual improvement and enhancement
12. be continually or periodically re-assessed

How the Board Can Monitor Risk

1. Planning
   - assess the Risk to the Long Term Plan
2. Budgeting
   - Set Guidelines for Risk Assumptions
3. Financial Analysis
   - Comparatives
4. Management Report
   - "Grab what the Financials Miss"
5. Policy Development
6. Committees

Monitoring Risk Through Committees

Audit Committee

- Review the AFS
- Review the Scope of Audit
- Review Audit recommendations
- Review related party transaction

Credit Committee

- Establish a holistic Credit Policy
- Ensure management puts the appropriate procedures in place to support the policy

End of Presentation

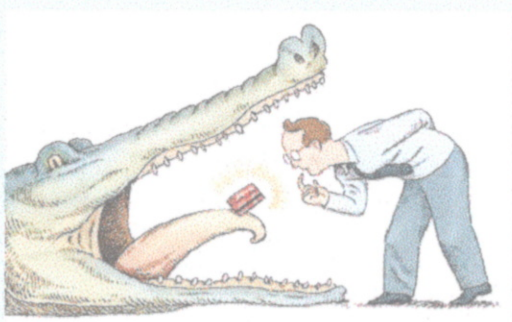
- *Thank You.!.!.!.!=)*

CREDIT MANAGEMENT

June 10, 2016

RACHEL F. FAGYAN, CPA, MBA
Mountain Province State Polytechnic College
Bontoc, Mountain Province

What comes into your mind when you see this?



Definition of Credit

- Is a term derived from the Latin word ***credo***- meaning to believe, to trust
- Securing something of value, whether tangible or intangible, in return for a promise to pay at some determined future date
- The ability of a person to affect exchange of values by offering a promise of future payment;
- Is the personal reputation a person has, in consequence of which he can buy money (or goods) on demand or at a specified date in the future

Elements of Credit

- 1. Trust/ Confidence
- 2. Risks
- 3. Period/ Term
- 4. Exchange of temporal/ moral values

5 C's of Credit

1. Character
2. Capacity
3. Collateral
4. Capital
5. Conditions

The 5 C's Of Credit

Character

- Is the borrower of good character?
- Do they have a proven habit of repaying their loans?
- Length of time on the job?
- Length of time in the community?

Capacity

- This pertains to the capacity to pay debt on schedule and in cash
- Payment schedule fit the borrowers cash flow
- Extent of the borrower's disposable income:
- Total monthly debt/ net monthly income
- Type and terms of outstanding obligations
- Number of dependents that live on the disposable income

The 5 C's Of Credit

Collateral

- A means of gaining control over some of the borrowers' assets or capital
- Support for loan approval if the other C's are weak
- The loan term should ever exceed the useful life of the collateral and loan amount should not exceed the value of collateral
- Do not over lend on collateral – provide loans from 50% - 75% of the appraised value of collateral

Capital

- **Asset Growth** - Has the member made steady, even if slow growth in assets or is every penny earned immediately spent?
- **Savings Growth** - Does the member save consistently at the cooperative?
- Are they there just to get a loan?
- Does the member live beyond their means?

The 5 C's Of Credit

Conditions

- Circumstances of the economy, industry, cooperative environment in which the credit is granted.
- Remember, conditions are peripheral circumstances, they are not a basic principle of credit

Credit Risk

- The potential that a borrower or counter-party will fail to meet its obligations in accordance with agreed terms
- The probability of loss from a credit transaction

Loan Delinquency

- The failure of the borrower to pay the loan amortization upon the due date

What account is considered delinquent?

- After one day missed payment, whatever the mode of payment
- The whole balance becomes past due even it is not yet due.

Sufficient Provisions for Allowance for Loan Losses

100% of all loans delinquent for more than 12 months

35% of all loans delinquent for 1-12 months

Why do we need to ensure the quality of the cooperative loans?

- 70%-80% of our assets is invested in loans
- More than 80% of our income source is from loans
- Loans not repaid constitute direct losses to the cooperative assets and indirect losses through income received

FINANCIAL LOAN HOUSEKEEPING PROGRAM

- Cleaning up of delinquent accounts for over 365 days
- Done at least once or twice a year.

Key Areas of Intervention:

- **1. Cleaning up the loans receivable**

A. Write-off

1. Loan account closed against allowance for probable losses
2. Needs approval from the BOD
3. Need to maintain separate ledger for all written-off accounts (**subject to monitoring and audit)**

Key Areas of Intervention:

4. Continue collection and consider payment as other income (**when allowance is sufficient)**
5. Creation of Committee on collection
6. Condonation or amnesty on penalties

Key Areas of Intervention:

B. Reclassification

1. Transfer of Delinquent accounts (Problem accounts)
2. Same features and functions with loans receivables or accounts receivables
3. Main responsibility of Loan Monitoring Officer-for-Delinquent Accounts
4. No Effect to the total assets

Key Areas of Intervention:

2. Proper Provisioning

- Amount of provisions/ allowance to cover losses for non-performing loans

100% for loans delinquent over 365 days

35% for loans delinquent below 365 days

IMPLICATION:

- Decrease in Total Assets
- Reduce Net Surplus and Increase Net Loss

Key Areas of Intervention:

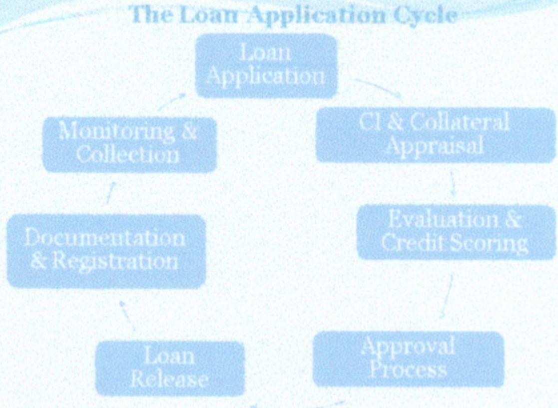
3. Charge-off or Offsetting

- Application of deposits against delinquent accounts
- Take effect with the member's authorization

IMPLICATION:

- Decrease in Total Assets
- Decrease in Members' Savings Deposits and Share Capital
- Loss

The Loan Application Cycle



ROLES OF THE BOARD OF DIRECTORS IN CREDIT MANAGEMENT

Provide guidelines and principles for the cooperative's lending activities:

1. Loan authority
2. Loan portfolio
3. Geographic limits
4. Pricing policies
5. Off-balance sheet exposure limits
6. Loan review process

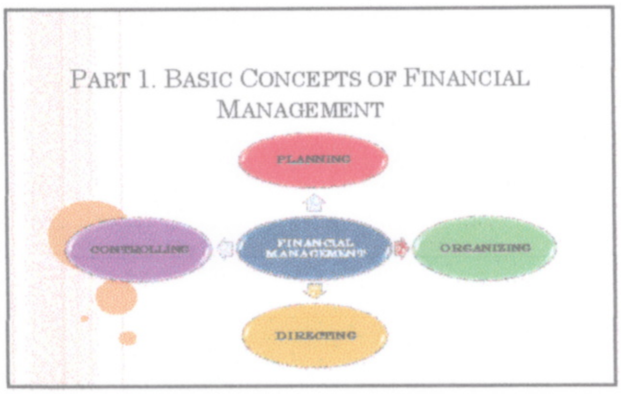
TIPS TO REDUCE CREDIT RISK

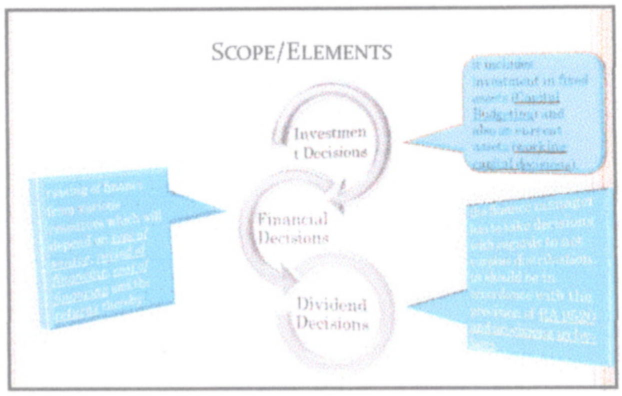
- Avoid making high-risk loans
- Use collateral to reduce risk
- Diversify by lending to different types of borrowers and providing undue concentration to a borrower or group of borrowers
- Documentation needed to legally enforce a loan contract

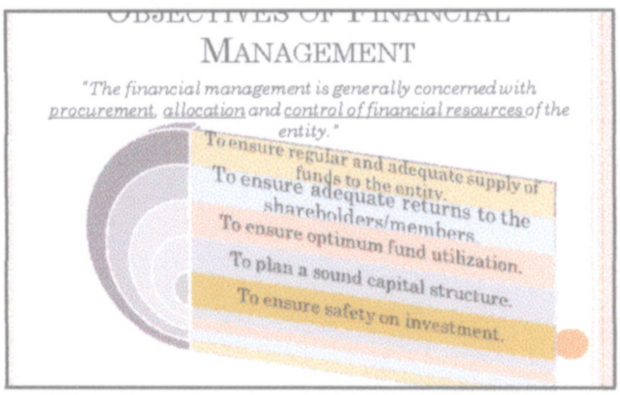
TIPS TO REDUCE CREDIT RISK

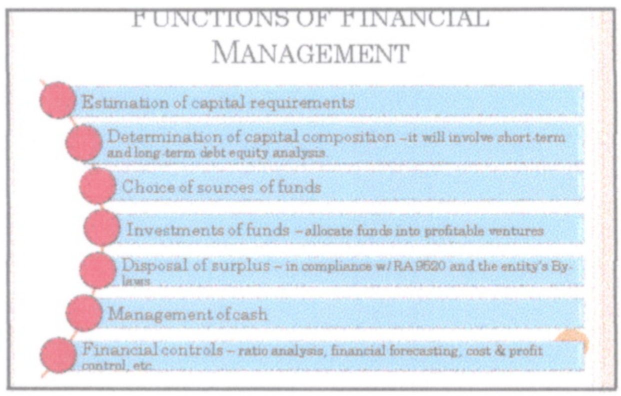
- Guarantees by third parties can reduce risk
- Monitor the behavior of the borrower after the loan is made.
- Transfer risk to other parties via securitization and loan participations

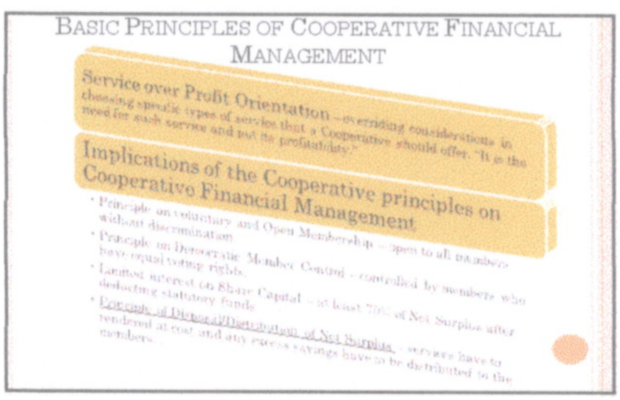

END OF PRESENTATION
Gracias!!! =)

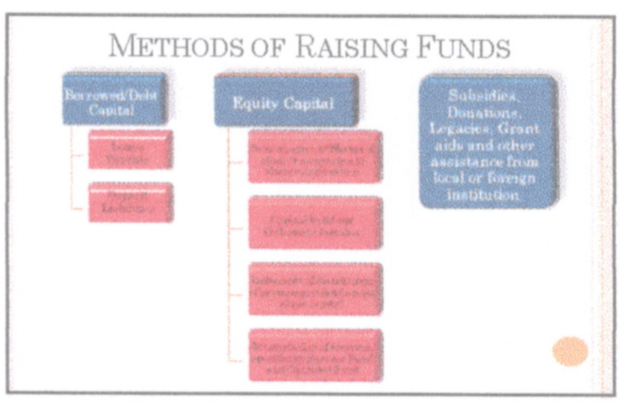

PART 1. BASIC CONCEPTS OF FINANCIAL MANAGEMENT
PLANNING
CONTROLLING
FINANCIAL MANAGEMENT
ORGANIZING
DIRECTING


SCOPE/ELEMENTS
Investment Decisions
Financial Decisions
Dividend Decisions


OBJECTIVES OF FINANCIAL MANAGEMENT
"The financial management is generally concerned with procurement, allocation and control of financial resources of the entity."
To ensure regular and adequate supply of funds to the entity.
To ensure adequate returns to the shareholders/members.
To ensure optimum fund utilization.
To plan a sound capital structure.
To ensure safety on investment.


FUNCTIONS OF FINANCIAL MANAGEMENT
Estimation of capital requirements
Determination of capital composition – it will involve short-term and long-term debt equity analysis.
Choice of sources of funds
Investments of funds – allocate funds into profitable ventures
Disposal of surplus – in compliance w/ RA 9520 and the entity's By-laws
Management of cash
Financial controls – ratio analysis, financial forecasting, cost & profit control, etc.


BASIC PRINCIPLES OF COOPERATIVE FINANCIAL MANAGEMENT
Service over Profit Orientation
Implications of the Cooperative principles on Cooperative Financial Management


METHODS OF RAISING FUNDS
Borrowed/Debt Capital
Equity Capital
Subsidies, Donations, Legacies, Grant aids and other assistance from local or foreign institution.

COOPERATIVES

Accounting System – refers to organized set of methods, procedures and standards followed in recording, classifying, accumulating and reporting business transactions/events for management decisions.

STANDARD CHART OF ACCOUNTS FOR COOPERATIVES (CDA MC NO. 2009-04)

"the basic purpose is to provide guidelines in the use of account and account titles in the preparation of financial statements for the use of all types of

- Ensure uniformity and common understanding of accounts
- Guide in the installation of accounting and internal control systems
- Facilitate the conduct of audit
- Enhance transparency
- Set standards and discipline in measuring the financial safety and soundness
- Facilitate the analysis and evaluation of financial management performance
- Provide basis in monitoring, supervision and business linkages

PART 3. UNDERSTANDING THE FINANCIAL STATEMENTS OF A COOPERATIVE

A. Components of Audited Financial Statements

i. Statement of Management's Responsibility for the Financial Statements
ii. Cooperative Development Authority Representation Statement
iii. Report of Independent Auditors
iv. Financial Statements

Statement of Financial Condition or Balance Sheet – shows assets, liabilities, and equity accounts of a business entity as of a given date.

Statement of Financial Operation or Income Statement – presents revenues, costs and expenses, gains and losses and net surplus or net loss.

PART 3. UNDERSTANDING THE FINANCIAL STATEMENTS OF A COOPERATIVE

Components of Audited Financial Statements

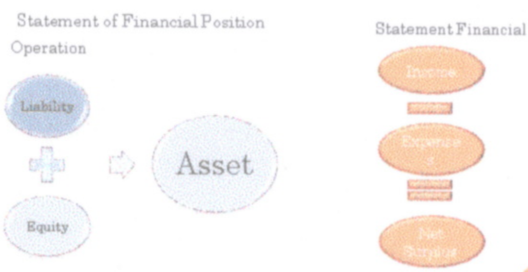
Statement of Cash Flows – is a formal statement summarizing all the cash activities of the cooperatives. These include their operating, investing and financing activities.

Statement of Changes in Equity (to include changes in statutory funds: General Reserve Fund, Cooperative Education and Training Fund, Optional Fund and Community Development Fund)

Notes to Financial Statements – include narrative descriptions or more detailed analyses of amounts shown on the face of the financial statements.

i. Financial Ratios
ii. Summary of Auditors Findings & Recommendations (SAFR)

B. Elements of Financial Statements



PART 4. ANALYSIS OF FINANCIAL STATEMENTS OF COOPERATIVES

- Common-Size Analysis (Vertical & Horizontal) – expresses comparisons in percentages of Total Assets(for Balance Sheet accounts) or Total Revenues (for Income Statement accounts.
  - a) Vertical Analysis compares each amount with a base amount selected from the same year.
  - b) Horizontal Analysis compares each amount with a base amount for a selected base year.

Part 4. Analysis of Financial Statements of Cooperatives

- **Ratio Analysis** – are analysis tools provide clues to help identify symptoms of underlying conditions. The ratios should be used as a tool to help find strengths and weaknesses but, other factors should also be considered.
  - a) Profitability Ratios – measure the overall performance of the firm and its efficiency managing assets, liabilities and equity
  - b) Liquidity Ratios – measure the firm's ability to meet cash needs as they arise
  - c) Asset quality/Portfolio quality/Protection/Stability/Structure of Assets
    - Asset quality is the main variable that affects institutional profitability.
    - The primary goal of evaluating the Protection indicators is to ensure that the financial institution provides member-client a safe place to save their money.

Part 5. COOP - PESOS

"To ensure the protection of members, the cooperatives and the sustainability of the latter's operations."

Purpose of COOP-PESOS

Supervisory and Regulatory Tool

- To ensure safety of contributions of members who typically belong to the low income segment of the community.
- To guarantee the soundness of the credit cooperative's operations.
- To infuse the necessary operational and financial discipline.
- To evaluate and assess cooperative performance and allow for comparison over time and with other cooperatives.

Part 5. COOP - PESOS

Purpose of COOP-PESOS

Management Tool

- Provide management the necessary information on how its cooperative is performing vis-à-vis other cooperatives.
- Management shall use the standards in making sure that the cooperative is operating effectively and efficiently.
- Allow management of the cooperative to determine troubled areas and make necessary adjustments to its policies and/or the way the cooperative's operations are handled.

COOP – PESOS Ratings

COOP Indicators – information on Compliance to Requirements (20%)

C – Compliance (20%)

O – Organization (26%)

O – Operations and Governance (40%)

P – Plans/Programs and Performance (14%)

PESOS Indicators – this component is comprised of indicators that look at the financial performance of the Cooperative (80%)

P – Portfolio Quality(25%)

E – Efficiency(20%)

S – Stability(30%)

O – Operations(10%)

S – Structure of Assets(15%)

COOP- PESOS

COMPLIANCE

- *Compliance with administrative and legal requirements.*
- set of questions that looks at whether the credit cooperative complies with the various legal requirements imposed by various institutions (e.g. Cooperative Development Authority, Bureau of Internal Revenue, Local Government Unit and the Department of Labor and Employment).

ORGANIZATION

- *Organizational Structure and Linkages.*
- *This includes questions on the* cooperative's governance and membership structure. It also includes questions on affiliation and linkages with cooperative federations and other organizations involved in the promotion and development of cooperatives.

COOP- PESOS

Operation and Management.

- This includes indicators that determine presence or absence of the necessary system, policies and procedures for efficient and effective management of the credit cooperative. Questions related to the Board of Directors and the cooperative's management are included in this portion.

Plans and Programs.

- This includes parameters that determines whether the credit cooperative has a development plan and an approved annual plan and budget. This also looks at whether the credit cooperative reviews its performance vis-à-vis the projections in it's business plan.

COOP- PESOS *Indicators on Financial Performance*

- ***Portfolio Quality.***
  - This first group of ratios/indicators provides the managers and Board of Directors of credit cooperatives appropriate tools in monitoring the quality and the level of risks of the loan portfolio of the cooperatives.
  - Protection is measured by comparing the adequacy of the allowance provided for loan losses against the amount of delinquent loans. The status of the health of the portfolio of the cooperative will either propel the cooperative to grow or imperil the whole sustainability program of the cooperative.
- ***Efficiency.***
  - This second group of indicators focuses on the operational and administrative efficiency of the delivery of financial services, i.e., loans and savings products to its members. Indicators under this category determine the ability of the credit cooperative to generate sufficient income to cover expenses on operations.

COOP- PESOS

- Stability.
  - Indicators on the stability of the credit cooperative determine whether financial services can be delivered to its members in a sustained manner. One way to do this is to increase the institutional capital of the cooperative instead of purely relying on the member's share capital. This will allow the credit cooperative to maintain sufficient liquidity to meet the financial needs of its members in a timely manner.
- *Operations.*
  - The indicators and standards in this group call for minimizing dependence on external borrowings and greater emphasis on mobilizing voluntary savings from its members. Strong emphasis on mobilizing voluntary savings will enable cooperatives to have a continuous and cheaper sources of funds for its operations and, a the same, provide its members an alternative investment mechanism for their excess funds. This will result in the credit cooperative's less dependence on external borrowings and lower financial costs.

COOP- PESOS

- *Structure of Assets.*
  - This group of four ratios will help ascertain the quality and the structure of the assets of the cooperative. These indicators and standards determine the extent of the share of the cooperative's various assets to its total assets and assess the effective use of these assets to generate revenues.

Overall Rating System

Rating No.	Equivalent	Description
1	Excellent (90% to 100%)	The cooperative has a strong performance that consistently provides safe and sound operations. Cooperatives in this group comply with cooperative rules and regulations and are resistant to external shocks and financial disturbances. They are also able to withstand unexpected adverse changes in business environment. These institutions do not need supervisory concern.
2	Very Good (80% to less than 90%)	The cooperative shows satisfactory performance that consistently provides safe and sound operations. Cooperatives in this group are able to withstand business fluctuations well. However, there are some areas of concern that require important attention and if unchecked, can potentially develop into conditions of greater concern. Supervisory response is limited to minor adjustments to ensure that operations continue to be satisfactory and sustainable.
3	Good (70% to less than 80%)	The cooperative performance is flawed to some degree and is of supervisory concern. Results of key performance measures indicate that safe and sound operations may be adversely affected. Cooperatives in this group are only nominally resistant to adverse business conditions and may deteriorate if identifiable areas of weakness are not corrected immediately.

Overall Rating System

Rating No.	Equivalent	Description
4	Fair (60% to less than 70%)	The cooperative has poor performance and is of serious supervisory concern. The cooperatives performance if left unchecked would lead to conditions that could threaten its viability. A high potential failure is present but is not yet imminent. Cooperatives in this group require very close supervisory attention.
5	Poor (below 60%)	The cooperative has unsatisfactory performance and is in need of immediate remedial attention. Cooperatives in this group have a very high probability of failure and will likely require liquidation.

SEMINAR ON FINANCIAL MANAGEMENT

June 11, 2016

Part 4. Analysis of Financial Statements of Cooperatives

b.) Horizontal Analysis compares each amount with a base amount for a selected base year.

FINANCIAL CONDITIONS

	2014 Amount		2013 Amount
Total Assets	281,998.50	169.17%	166,691.50
Total Liabilities	25,000.00	96.15%	26,000.00
Total Members' Equity	256,998.50	182.67%	140,691.50
Cash and Cash Equivalents	14,000.00	144.91%	9,661.00
Loans and Receivables (Net)	112,620.00	102.71%	109,651.00
Unused Supplies	2,561.00	163.96%	1,562.00
Long Term Investment	32,000.00	123.08%	26,000.00
Property and Equipment (Net)	118,000.00	694.12%	17,000.00
Other Assets	2,817.50	100.00%	2,817.50
Total Assets	**281,998.50**	169.17%	**166,691.50**

Part 4. Analysis of Financial Statements of Cooperatives

- **Common-Size Analysis (Vertical & Horizontal)** – expresses comparisons in percentages of Total Assets (for Balance Sheet accounts) or Total Revenues (for Income Statement accounts.

a.) Vertical Analysis compares each amount with a base amount selected from the same year.

Part 4. Analysis of Financial Statements of Cooperatives

- Ratio Analysis – are analysis tools that provide clues to help identify symptoms of underlying conditions. The ratios should be used as a tool to help find strengths and weaknesses but, other factors should also be considered.

a) Profitability Ratios – measure the overall performance of the firm and its efficiency managing assets, liabilities and equity

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   - Asset quality is the main variable that affects institutional profitability.
   - The primary goal of evaluating the Protection indicators is to ensure that the financial institution provides member-client a safe place to save their money.

	2014 Amount	% To TA
Total Assets	281,998.50	100.00%
Total Liabilities	25,000.00	8.87%
Total Members' Equity	256,998.50	91.13%
Cash and Cash Equivalents	14,000.00	4.96%
Loans and Receivables (Net)	112,620.00	39.94%
Unused Supplies	2,561.00	0.91%
Long Term Investment	32,000.00	11.35%
Property and Equipment (Net)	118,000.00	41.84%
Other Assets	2,817.50	1.00%
Total Assets	**281,998.50**	**100.00%**

Part 4. Analysis of Financial Statements of Cooperatives

- **Comparisons** – FS analysis is more meaningful if the results are compared with industry averages and with results of competitors
- **Review of Descriptive Information** – read reports corroborative information. Ask explanation for contradicting conflicts.

Part 5. COOP - PESOS

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COOP- PESOS

- *Structure of Assets.*
  - This group of four ratios will help ascertain the quality and the structure of the assets of the cooperative. These indicators and standards determine the extent of the share of the cooperative's various assets to its total assets and assess the effective use of these assets to generate revenues.

Part 6:Basic Concept of Budgeting

- BUDGET
  - is a formal written statement of **management's plan** for a specified **future time** expressed in **financial terms**.
- BENEFITS OF BUDGETING

1. It requires management to plan ahead
2. It provides definitive objectives for evaluating performance
3. It creates an early warning system for potential problems
4. It motivates personnel throughout the organization to meet the planned objectives

Overall Rating System

Rating No.	Equivalent	Description
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Basic Concept of Budgeting

- CLASSIFICATIONS OF BUDGET

1. OPERATING BUDGET
   a. Revenue/Income Budgets
   b. Expense Budgets

2. FINANCIAL BUDGET
   a. Capital Expenditure Budget
   b. Cash Budget
   c. Budgeted Balance Sheet/ Statement of Financial Position

Critical Decisions in Developing Budget

What do we want to accomplish?

How do we plan to spend money in the coming year?

When the budget will be created?

Who actually prepare the budget?

How will we evaluate our budget?

Preparation of Operating Budget

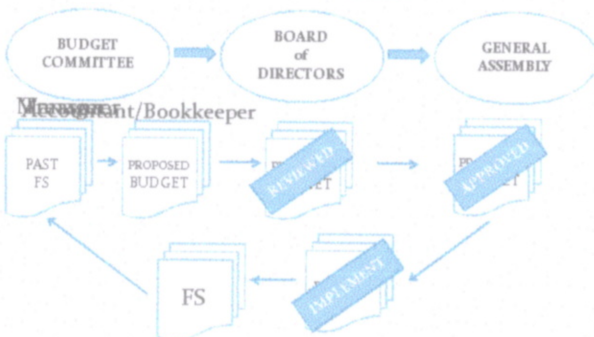
B. ESTIMATE THE RUNNING COSTS

Warning: Do not underestimate the costs. If you do, and then fail to keep the cost below estimated level, you may not achieve a net surplus.

	2012	BUDGET	ACTUAL
Sales	2,082,557.47	[illegible]	[illegible]
Less: Cost of Sales			
Merchandise Inventory, Beginning	173,553.36	[illegible]	[illegible]
Add: Purchases	1,669,537.04	[illegible]	[illegible]
Freight-in	42,512.00	[illegible]	[illegible]
Total Goods Available for Sale	[illegible]	[illegible]	[illegible]
Less: Merchandise Inventory, End	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
Gross Profit	377,778.33	[illegible]	[illegible]

ACTUAL VS BUDGET = DECREASED BY P250,000

BUDGETING PROCESS



Preparation of Operating Budget

C. FOLLOW UP THE ESTIMATES

Conduct Monthly evaluation

Judge whether the target for the year is likely to be met

Take action immediately if significant difference is likely to lower the expected net surplus for the year

Preparation of Operating Budget

A. ESTIMATE THE REVENUES

Warning: Do not overestimate the sales. If you do, and then fail to reach the estimated sales figure, your gross surplus will be lower than expected and you may run into problems.

	2012	BUDGET	ACTUAL
Sales	2,082,557.47	[illegible]	[illegible]
Less: Cost of Sales			
Merchandise Inventory, Beginning	173,553.36	[illegible]	[illegible]
Add: Purchases	1,669,537.04	[illegible]	[illegible]
Freight-in	42,512.00	[illegible]	[illegible]
Total Goods Available for Sale	[illegible]	[illegible]	[illegible]
Less: Merchandise Inventory, End	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
Gross Profit	377,778.33	[illegible]	[illegible]

ACTUAL VS BUDGET = DECREASED BY P250,000

END OF SEMINAR

THANK YOU!!!!!

Mountain Province State Polytechnic College
Bontoc Campus

DIRECTORY OF PARTICIPANTS/ ATTENDANCE

Title of Training: Cooperative Financial Management- Risk Management
Date Conducted: June 9, 2016
Venue: Chico Building, Poblacion, Bontoc, Mountain Province

Name	Position in the Cooperative	Cooperative Represented	Signature
1. ELSIE B. SANGDUYAN	Elec. com.	Tadian MPC	
2. Mauricio Y. Akramen	Alumni	MPSPC	
3. Arken F. Gamena	BOD	BBCI	
4. Lopito Malinias	BOD	Bacdangan MPC	
5. Alley Claire G. Suagen	Alumni	MPSPC	
6. Maylyn O. Doyog	Alumni	MPSPC	mdoyog
7. Junia S. Tuupa	Audit com	DECCO	
8. AGUEDA K. NA-OY	BOD	LHMRH MPC	
9. Marilou (R) Hendagan	BOD	LHMRH MPC	
10. IRENE Y. BALTAN	CREDIT	LHMRH EMPC	
11. JOVELYN T- NIWANE	MGR-	LHMRH EMPC	
12. IMEE JANE M. KADCHAO	ALUMNI	MPSPC	
13. CIRILA S. BUDADEN	BOD CHAIR	LHMRHEMPC	
14. LESLIE G. ALCIDO	SECRETARY	LHMRHEMPC	
15. SABINA SUMEDOA	BOD	-do-	
16. DORIS CLAIR L. FONGKOT	ALUMNI	MPSPC	DCFongkot
17. Ruth Ann T. Lingbanan	Alumni	Bontoc - MPSPC	
18. Edralen O. Balbalin	Acctg Staff	DPWH	
19. Jessie S. Gao-an	Acctg Staff	DPWH	
20. Felicidad C. Talabong	Member	Besao MPC	
21. Donna C. Feken	Acctg Staff.	DPWH	
22. Clarisse S. Sangayab	Alumni	MPSPC / SSS	
23. ROSALINA TABAG A.	AUDIT Com.	DECCO	
24. Joseph Sagampod	BOD	Bacdangan	
25. Kim novak Liclican			
26. NAZARIO F. PALITELANON	AUDIT COM	ASCCO	
27. PAUL B. LAUS	Audit	ASCCO	
28. SAMSON BATNAG	BOD	SPCC	
29. Pacalso, Mirabel D.	~~Alumni~~ Facilitator	MPSPC	
30. Rufina A. Taguindado	Facilitator	MPSPC	Taguindado
31. SHIELA PACONG	Alumni	"	
32. DEBORAH G. PAO-EY	Alumni	MPSPC	
33. ZYNDY K. ALVA	Facilitator	MPSPC	
34. Daniela W. Paspas	Alumni	MPSPC	
35. Rozelia A. Manuel	Alumni	MPSPC	
36. Grail Cabria P. Peleo	Member /BOD	BBCI	
37. Pacita F. Manayos	Bookkeeper	MPCU	
38. Tumbaga, Gina Lorna C	BOD	LHMRH EMPC	
39. Rodeline D. Vilog	Facilitator	MPSPC	
40. Jenifer N. Damayan	Facilitator	MPSPC	Damayan
41. Milagros F. Pangestan	MPCU Exec. Officer	MPCU	
42. RACHEL F. FACYAN	RESOURCE SPEAKER	MPSPC	RachelFacyan

Mountain Province State Polytechnic College
Bontoc Campus

DIRECTORY OF PARTICIPANTS/ ATTENDANCE

Title of Training: Cooperative Financial Management- Credit Management
Date Conducted: June 10, 2016
Venue: Chico Building, Poblacion, Bontoc, Mountain Province

Name	Position in the Cooperative	Cooperative Represented	Signature
1. Samson Batnag	BOD	S.P.C.C.	
2. JOVELYN T. NIWANE	MGR	LHMRHEMPC	
3. [illegible]	BOD	Bucdangan Coop	
4. KIM NOVAK D. LICLICAN			
5. AGUEDA K. NA-OY	BOD	LHMRHEMPC	
6. IMEE JANE M. KADCHAO	ALUMNI	MPSPC	
7. Ailey Claire G. Suagen	Alumni	MPSPC	
8. DEBORAH G. TAO-EY	ALUMNI	MPSPC	
9. Joseph Sagandoy	BOD	Bucdangan Coop	
10. Marilou [illegible]	BOD	LHMRH MPC	
11. Leslie G. Alcido	Treas	LHMRHEMPC	
12. Maylyn D. Dayog	Alumni	MPSPC	
13. DORIS CLAIR L. FONGKOT	Alumni	MPSPC	
14. NAZARIO F. PAGTEILAN JR	AUDIT	ASCCO	
15. PAUL D. LAUS	Audit	ASCCO	
16. GRAIL CABNA P. BECEO	BOD	BBCI	
17. ARLEEN EICKMEE F. GASMEÑA	BOD	BBCI	
18. SHIELA L. PASONG	Alumni	MPSPC	
19. RODELIA A. MANUEL	Alumni	MPSPC	
20. TUMBAGA, GINA LORNA C.	BOD	LHMRHEMPC	
21. IRENE Y. BALTAN	Cre/Com	LHMRH EMPC	
22. CLARISSE S. SANGAYAB	SB-Clerk-ADMIN	SSS	
23. Mauricio Y. Akramen	BK III	MPSPC	
24. JUNIA S. TULIPA	AUDIT COM	DECCO	
25. CIRILA S. BUDADEN	BOD CHAIR	LHMRHEMPC	
26. ELSIE B. SANGDUYAO	Elec. Com	Tadian MPC	
27. SABINA O. SUMEDCA	BOD	LHMRH	
28. ROSALINA A. TABAG	Audit Com.	DECCO	
29. ZYNDY K. ALVA	Facilitator	MPSPC/MPCU	
30. Daniela W. Paspas	Auditor	TF Fangasan	
31. Mirabel D. Pacalio	Facilitator	MPSPC	
32. Rufina A. Taguinodedo	Facilitator	MPSPC	
33. Ruth Ann T. Lingbanan	Alumni	MPSPC	
34. Edralen O. Balbalin	Accounting Staff	DPWH	
35. Jessie C. Gao-an	Accounting Staff	DPWH	
36. Felicidad S. Talabong	Member	Besao MPC	
37. Donna C. Feken	Accounting Staff	DPWH	
38. Pacita F. Manayos	Bookkeeper	MPCU	
39. Rodeline D. Vilog	Facilitator	MPSPC	
40. Jenifer N. Damayan	Facilitator.	MPSPC	
41. Milagros F. Paingenfan	Exec. officer	MPCU	
42. Rachel F. Faquan	Resource Speaker	MPSPC	

Bontoc Campus

DIRECTORY OF PARTICIPANTS/ ATTENDANCE

Title of Training: Cooperative Financial Management- Financial Management
Date Conducted: June 11, 2016
Venue: Chico Building, Poblacion, Bontoc, Mountain Province

Name	Position in the Cooperative	Cooperative Represented	Signature
1. Lazito K Malinias	BOD Bacdangan	Bacdangan CMPC	
2. ROSALINA TABAG A.	AUDIT	DECCO	
3. Joseph D. Sagangad	BOD	Bacdangan Coop.	
4. Aileen Claire E. Suagken	Alumni	MPSPC	
5. Tao-ey Debora G.	Alumni	MPSPC	
6. Gao-an, Jessie S.	Acctg Staff	DPWH	
7. Ruth Ann T. Lingbanan	Alumni	MPSPC	
8. Edralen O. Balbalin	Acctg Staff	DPWH	
9. Felicidad P. Talaba	Member	DPWH / Becao MPC	
10. Daniela W. Paspas	Member / Auditor	TF Fangasan / ASCCO	
11. Dona C. Feken	Acctg Staff	DPWH	
12. Linnia S. Tulipa	Audit Comm	DECCO	
13. ELSIE B. SANGDUYAN	Elec. Com	Tadiam MPC	
14. ZYNDY K. ALVA	Facilitator	MPSPC	
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16. PAUL B. LAUS	AUDIT	ASCCO	
17. Arlean E.F. Gaspar	BOD	BBCI	
18. JOVELIA T. MIWANE	MIGK	LHMRH EMPC	
19. Marilou I. Mendoza	BOD	LHMRH MPC	
20. VIRILA S BUDANE	BOD	-do-	
21. MARIA AGUEDA K. NA-OY	BOD	-do-	
22. Leslie G. ALCIDO	Treasurer	LHMRH EMPC	
23. Briget M. Gawadin / Gawading	Credit	LHMRH EMPC	
24. IRENE Y. BALTAN	CreCo.	"	
25. SABINA D. SUMEDCA	BD.	"	
26. Mauricio Y. Akramen	Alumni	MPSPC	
27. SAMSON BATHACE	BOD	S.P.C.C	
28. SANGAYAB, CLARISSE	Office Clerk	SSS	
29. PASONG, SHIELA	Alumni	MPSPC	
30. Grasl Cabria P. Beleo	BOD	BBCI	
31. RODELIA A MANUEL	ALUMNI	MPSPC	
32. Maylyn O. Doyog	ALUMNI	MPSPC	
33. TUMBAGA, GINA LORNA C.	BOD	LHMRH EMPC	
34. LICLICAN, Kim Novak D.	Alumni	MPSPC	
35. Rufina A. Taguindod	MPSPC student	MPSPC	
36. Pacita F. Manayos	MPCU-BOD-Sec	Bookkeeper - MPCU	
37. Mirabel D. Pacalso	MPSPS student	MPSPC	
38. Imee Jane M. Kadchao	ALUMNI	MPSPC	
39. Rodeline D. Virg	Resource Speaker	MPSPC	
40. Jenifer N. Damayan	Resource Speaker	MPSPC	
41. Milagros F. Pasacstan	Exec. Officer	MPCU	

MPSPC VISION

A preferred University of development culture and inclusive growth.

MPSPC MISSION

It shall produce globally competitive leaders molded from a tradition of excellence in instruction, research, effective governance, sustainable entrepreneurship and an environment that assumes major responsibility in cultural vitality and well-being of the community.

MPSPC GOALS and OBJECTIVES

1. Attain and sustain quality and excellence
2. Promote relevance and responsiveness
3. Broaden access and equity
4. Enhance efficiency and effectiveness
5. Develop harmony within the College, and with stakeholders and benefactors

OBJECTIVES OF THE DEPARTMENT OF ACCOUNTANCY

The MPSPC Department of Accountancy Aims to:

1. Produce professionally competent graduates equipped with necessary skills and right attitudes to become leaders in the field of accountancy;
2. Organize and conduct capacity building programs for faculty to improve teaching competency;
3. Develop and maintain linkages with the industry, alumni and the community.

Mountain Province State Polytechnic College (MPSPC)
Extension Unit/ Graduate School MBA/
Department of Accountancy
and
Mountain Province Cooperative Union (MPCU)

WELCOME !!!

SEMINAR-WORKSHOP ON RISK, CREDIT AND FINANCIAL MANAGEMENT

June 9-11, 2016
Chico Bldg., Poblacion, Bontoc,
Mountain Province

This serves as invitation

MOUNTAIN PROVINCE COOPERATIVE UNION (MPCU)

2nd Floor, ASCCO Building, Foyayeng, Bontoc, Mountain Province
CDA Registration No. 9520-15003165/ CIN-02061 50001/ CDA Accreditation No. 068

Awards this

Certificate of Appreciation

to

MPSPC- ACCOUNTANCY DEPARTMENT

For its invaluable support in promoting **Continuing Cooperative Education** through their **Extension Program** in providing professional services as **Resource Speakers** during Seminar– Workshops in partnership with the Mountain Province Cooperative Union.

Given this 11th day of June 2016 at EDNP Hall, Chico Building, Poblacion, Bontoc, Mountain Province.

MILAGROS F. PANGESFAN
MPCU Executive Director

REV. JOHNSON P. FALITANG
MPCU EDCOM Chairman

SAMSON L. BATNAG
MPCU BOD Chairperson

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Awards this

Certificate of Participation

to

RUFINA A. TAGUINDODO

For actively participating in the **Seminar-Workshop on RISK MANAGEMENT** held this June 9, 2016 at EDNP Hall, Chico Building, Poblacion, Bontoc, Mountain Province.

Given this 11th day of June 2016 at EDNP Hall, Chico Building, Poblacion, Bontoc, Mountain Province.

RACHEL F. FAGYAN, CPA
BSA Extension Coordinator

MILAGROS F. PANGESFAN
MPCU Executive Director

SAMSON L. BATNAG
MPCU BOD Chairperson

RODELINE D. VILOG, CPA
Resource Speaker

JENIFER N. DAMAYAN, CPA
Resource Speaker

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Republic of the Philippines

Mountain Province State Polytechnic College

Bontoc, Mountain Province

Department of Accountancy

"Seminar Workshop on Cooperative Financial Accounting"

Extension Activity Pre- Evaluation

Collaborating Agency: Mountain Province Cooperative Union
Venue: Poblacion, Bontoc, Mountain Province
Date: June 9-11, 2016

Before the three day seminar, the activity was subject to pre-evaluation by the participants using the a scaling of 1 to 5 to determine the current level of knowledge of the participants of different areas, concepts and topics under Risk Management, Credit Management and Financial Management. This will allow the speakers to have a baseline data and expectations on the participants. This will allow them to make necessary adjustments on how to present better the topics that will be discussed for the three day activity.

TOPIC TO BE DISCUSSED: **RISK MANAGEMENT**
DATE OF ACTIVITY: **JUNE 9, 2016**

Evaluation Ratings:

1 – Poor (1.00-1.50);
2 – Fair (1.51 – 2.50);
3 – Satisfactory (2.51 – 3.50)
4 – Very Satisfactory (3.51 – 4.50);
5 – Excellent (4.51 – 5.00)

Items for Assessment	1	2	3	4	5	Mean
1. Principles of Risk Management	8	10	4			1.82
2. Types of Risk	8	8	7	1		2.04
3. Assessing or Identifying Risks	8	6	8			2.00
4. Managing Risks	7	5	10			2.14
5. Roles of BODs and Audit Committee on Risk Mgmt.	8	5	9			2.05
Grand Mean						**2.01**

INTERPRETATION:

From the data above it can be observed that the participants have a minimal knowledge on the seminar topics which are related to Risk Management as seen by the **Grand Mean of 2.01** interpreted as **"Fair".** Given this level of knowledge from the participants the seminar will definitely be of help to them as they manage pressing issue on risk management of their cooperatives.

TOPIC TO BE DISCUSSED: **CREDIT MANAGEMENT**
DATE OF ACTIVITY: **JUNE 10, 2016**

Evaluation Ratings:

1 – Poor (1.00-1.50);
2 – Fair (1.51 – 2.50);
3 – Satisfactory (2.51 – 3.50)
4 – Very Satisfactory (3.51 – 4.50);
5 – Excellent (4.51 – 5.00)

Items for Assessment	1	2	3	4	5	Mean
1. Concepts of Savinsg and Credit	5	4	12	1		2.41
2. Elements of Credit	5	8	9			2.18
3. 5 C's of Credit	6	6	10			2.18
4. Credit or Lending Process	6	8	8			2.09
5. Roles of BODs and Credit Committee on Credit Mgmt	6	7	9			2.14
Grand Mean						**2.20**

INTERPRETATION:

From the data above it can be observed that the participants have a minimal knowledge on the seminar topics which are related to Risk Management as seen by the **Grand Mean of 2.20** interpreted as **"Fair".** From this point of level of knowledge, it can be observed that the items for assessment are generally on the same level of knowledge perceived by the participants. With this, it can be seen that their level of knowledge is not yet enough to deal with issues involving credit management of their cooperatives.

TOPIC TO BE DISCUSSED: **FINANCIAL MANAGEMENT**
DATE OF ACTIVITY: **JUNE 11, 2016**

Evaluation Ratings:

1 – Poor (1.00-1.50);
2 – Fair (1.51 – 2.50);
3 – Satisfactory (2.51 – 3.50)
4 – Very Satisfactory (3.51 – 4.50);
5 – Excellent (4.51 – 5.00)

Items for Assessment	1	2	3	4	5	**Mean**
1. Scope of Financial Management	7	7	8			2.05
2. Sources and Uses of Funds	3	5	10	4		2.68
3. Reading and Understanding the Financial Statement	4	4	9	4	1	2.73
4. Tool and Techniques of Financial Analysis	8	5	6	2	1	2.23
5. Scope of Budgeting	7	6	7	1	1	2.23
6. The Budgeting Process	6	7	7	1	1	2.27
7. Implementation and Monitoring of Plans and Budget	7	4	9		2	2.36
Grand Mean						**2.36**

INTERPRETATION:

From the data above it can be observed that the participants still have a minimal knowledge on the seminar topics which are related to Financial Management as seen by the **Grand Mean of 2.36** interpreted as **"Fair".** Although it can be observed that among the topics under Cooperative Financial Management, Financial Management has the highest mean. This can be attributed to the idea that topics under this is quite encountered by the participants although their level of knowledge are still not enough to face the challenges involving credit management of their cooperatives.

Prepared by:

RACHEL F. FAGYAN, CPA, MBA
BSA Extension Coordinator

TERRENCE LEIF F. FANGASAN, CPA, MBA
BSA Department Chairperson

Republic of the Philippines
Mountain Province State Polytechnic College
Bontoc, Mountain Province

Department of Accountancy
Summary of Extension Seminar-Workshop Evaluation

"Seminar Workshop on Cooperative Financial Accounting"

Collaborating Agency: Mountain Province Cooperative Union
Venue: Poblacion, Bontoc, Mountain Province
Date: June 9-11, 2016

Activity Evaluation

After the three day seminar, the activity was subject to evaluation by the participants using the following scaling below to determine the extent of satisfaction experienced by the participants from the conducted activity regarding the objectives and relevance of the activity, qualitative assessment and suggested future trainings.

Evaluation Ratings:
1 – Poor (1.00-1.50);
2 – Fair (1.51 – 2.50);
3 – Satisfactory (2.51 – 3.50)
4 – Very Satisfactory (3.51 – 4.50);
5 – Excellent (4.51 – 5.00)

I. Objectives and Relevance of the activity	1	2	3	4	5	Mean
1. Clarity of objectives			0	19	8	4.30
2. Relevance of the activity			1	13	13	4.44
3. Attainment of the activity objectives			0	19	8	4.30
4. Usefulness of the activity/topics to the participants			0	18	9	4.33
5. Timeliness and immediate applicability			2	15	10	4.30
6. Organization and preparation			2	16	9	4.26
7. Planning and implementation of the activity			0	16	11	4.41
8. Preparation and organizations of the activities			1	15	11	4.37
9. Ventilation, lighting, equipment and facilities in the venue		1	12	9	5	3.67
10. Appropriateness of the venue of the activity			10	10	7	3.89
11. Time allotment per activity/topic			5	15	7	4.07
12. Involvement of Participants			6	15	6	4.00
13. Enthusiasm and interest shown			3	15	9	4.22
14. Level of involvement of participants			6	15	6	4.00
Overall Evaluation	0	1	48	210	119	4.18

INTERPRETATION:

From the data presented above the activated was evaluated by the participants with a **mean of 4.18** interpreted a **Very Satisfactory** with regards to the Objectives and Relevance of the Activity.

II. Qualitative Assessment

1. General Comments:

The following are the general comments written by the participants during the conduct of activity evaluation:

POSSITIVE COMMENTS:

1. Thank you for the training. Speakers are real good/ excellent in their topic.
2. Smooth flow

3. All the speakers are good teachers keep on to be more excellent. Good to know we have young, achieving CPA in the province.
4. Perfect
5. Good Speakers
6. Seminar Appreciated
7. Food/ Snacks – OK naman
8. We learned things to be apply in our coop
9. Training is very appropriate to me as a first time BOD where terms that were strange to me which I was able to understand after the seminar
10. Job well done!
11. Good job!
12. Facilitators are very knowledgeable and expert of the endeavor
13. Very approachable
14. Open to question from participants
15. Thank you very much, Iyaman=)
16. Continue to give seminars that would mold cooperative people.

COMMENTS FOR IMPROVEMENT:

1. Ventilation is not enough
2. Very good speakers but somewhat lacking in the details. We expected workshops on the actual preparation of Financial Statement, Balance Sheet, Income Statement, Cash Flows and Proposed Budget.
3. Facilities- maintenance of the CR and cooling system.
4. Very satisfactory but there should be more encouragement from the participants to be more active and integration among them.

2. What trainings would you suggest for future activities?

The participants suggested the following trainings arranged in order of most requested:

1. Audit Management
2. Bookkeeping for Non-Accountants
3. Trainings under the new CDA Training Requirements
4. Strategic Planning
5. Training for Cooperative Development/ Improvement
6. Budgeting
7. Advanced Accounting for Non-Accountants
8. Records Management
9. Trainings for SMEs
10. Understanding the Financial Statement
11. Cooperative Management and Good Governance

Prepared by:

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BSA Extension Coordinator

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Republic of the Philippines
Mountain Province State Polytechnic College
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Department of Accountancy

Summary of Extension Seminar-Workshop Evaluation

"Seminar Workshop on Cooperative Financial Accounting "

Collaborating Agency: Mountain Province Cooperative Union
Venue: Poblacion, Bontoc, Mountain Province
Date: June 9-11, 2016

Resource Person Evaluation

After each activity conducted the facilitators administered a resource person evaluation to identify the level of performance by the Resource Speakers and to identify some areas for improvement for the next extension activities to be conducted.

RESOURCE SPEAKER: **RACHEL F. FAGYAN, CPA, MBA**
TOPIC DISCUSSED: **RISK MANAGEMENT**
DATE OF ACTIVITY: **JUNE 9, 2016**

Evaluation Ratings:
1 – Poor (1.00-1.50);
2 – Fair (1.51 – 2.50);
3 – Satisfactory (2.51 – 3.50)
4 – Very Satisfactory (3.51 – 4.50);
5 – Excellent (4.51 – 5.00)

Items for Evaluation	1	2	3	4	5	Mean
1.Clarity of topic Objectives at the beginning			4	8	14	4.38
2.Organization/Sequencing of topics		1	1	10	14	4.42
3. Clarity of topic/ideas presented/discussed			2	11	13	4.42
4. Effectiveness of methodologies/style of teaching			2	17	7	4.19
5. Quality and effectiveness of instructional materials			2	15	9	4.27
6. Ability to teach/ communicate ideas			2	13	11	4.35
7. Ability to answer questions			2	11	13	4.42
8. Ability to arouse/ sustain interest			5	12	9	4.15
9. Ability to manage time			5	11	10	4.19
10. How the topic was ended			3	16	7	4.15
GRAND MEAN						4.30

INTERPRETATION:

From the data presented above the participants rated the Resource Speaker with a **grand mean of 4.30** interpreted a **Very Satisfactory**.

THINGS LIKED IN THE RESOURCE PERSON:

1. Very good speaker. Smart
2. Jolly. She's resourceful
3. Mastery of her topic
4. She's very cute
5. Knowledgeable in all the topics discussed
6. In proper dress code
7. Well modulated voice
8. The speaker shares experiences. It helps to expound/ explain the topic.
9. The speaker is young but willing to share knowledge.
10. Explains everything that makes the listener understand the topics that is being discussed
11. She always relate the topics discussed in actual cases happening which makes the discussion more interesting

THINGS NOT LIKED IN THE RESOURCE PERSON:

1. None. She's OK
2. None so far. Speaker is unselfish to keep on talking/ sharing.

OTHER REMARKS:

1. Dagdagan pa ang jokes na related sa topic. Hehe
2. Keep up! =)
3. Interested on Audit Management
4. She should also speak in the vernacular from time to time; explain topics in the vernacular since some participants cannot comprehend the topic well
5. Just cool ma'am! Keep it up. Just try to joke sometimes which tanders relate much to arouse their interests and likes. Hehe

---

RESOURCE SPEAKER: **RACHEL F. FAGYAN, CPA, MBA**
TOPIC DISCUSSED: **CREDIT MANAGEMENT**
DATE OF ACTIVITY: **JUNE 10, 2016**

Evaluation Ratings:

1 – Poor (1.00-1.50);
2 – Fair (1.51 – 2.50);
3 – Satisfactory (2.51 – 3.50)
4 – Very Satisfactory (3.51 – 4.50);
5 – Excellent (4.51 – 5.00)

Items for Evaluation	1	2	3	4	5	Mean
1.Clarity of topic Objectives at the beginning				13	14	4.52
2.Organization/Sequencing of topics				15	12	4.44
3. Clarity of topic/ideas presented/discussed				14	13	4.48
4. Effectiveness of methodologies/style of teaching			1	19	7	4.22
5. Quality and effectiveness of instructional materials			2	15	10	4.30
6. Ability to teach/ communicate ideas			1	14	12	4.41
7. Ability to answer questions			1	12	14	4.48
8. Ability to arouse/ sustain interest			3	16	8	4.19
9. Ability to manage time			1	14	12	4.41
10. How the topic was ended			3	13	11	4.30
GRAND MEAN						**4.37**

INTERPRETATION:

From the data presented above the participants rated the Resource Speaker with a **grand mean of 4.37** interpreted a **Very Satisfactory**.

THINGS LIKED IN THE RESOURCE PERSON:

1. Organized. Clear Delivery
2. Time management- OK
3. She is a versatile speaker
4. The speaker is nice
5. Maya tag answer met ti questions
6. Openness to questions & wit to answer them
7. She's very much knowledgeable on the topic discussed

THINGS NOT LIKED IN THE RESOURCE PERSON:

1. None

OTHER REMARKS:

1. Very good, kindly give hand outs through CD for easy re echo
2. Keep up! Good work, GBU =)
3. Ice breaker to break the ice especially sleepy participants
4. Paki clarify lang pls madam all minute details
5. Go slower in the explanation
6. To conduct trainings and seminars that are required for the officers to attend

RESOURCE SPEAKER: **JENIFER N. DAMAYAN, CPA**
TOPIC DISCUSSED: **FINANCIAL MANAGEMENT**
DATE OF ACTIVITY: **JUNE 11, 2016 (MORNING SESSION)**

Evaluation Ratings:

1 – Poor (1.00-1.50);
2 – Fair (1.51 – 2.50);
3 – Satisfactory (2.51 – 3.50)
4 – Very Satisfactory (3.51 – 4.50);
5 – Excellent (4.51 – 5.00)

Items for Evaluation	1	2	3	4	5	Mean
1.Clarity of topic Objectives at the beginning			11	13	6	3.83
2.Organization/Sequencing of topics		1	9	15	5	3.80
3. Clarity of topic/ideas presented/discussed			14	10	6	3.73
4. Effectiveness of methodologies/style of teaching		1	15	10	4	3.57
5. Quality and effectiveness of instructional materials		1	10	12	7	3.83
6. Ability to teach/ communicate ideas			15	9	6	3.70
7. Ability to answer questions		2	16	8	4	3.47
8. Ability to arouse/ sustain interest		1	13	11	5	3.67
9. Ability to manage time			7	17	6	3.97
10. How the topic was ended			14	10	6	3.73
GRAND MEAN						**3.73**

INTERPRETATION:

From the data presented above the participants rated the Resource Speaker with a **grand mean of 3.73** interpreted a **Very Satisfactory**.

THINGS LIKED IN THE RESOURCE PERSON:

1. Good teacher. But can still be an excellent teacher
2. Smiling face
3. Giving examples in the explanation
4. She's cool
5. Good to be apply

THINGS NOT LIKED IN THE RESOURCE PERSON:

1. Please stress more madam on your topics. You know well your topic- feel free to teach us
2. None so far
3. The lecture is very fast in talking can't catch up

OTHER REMARKS:

1. Enlarge font on power points
2. Include/ insert examples of topics based on coop operations
3. Provide CD copies of topics
4. Expound more by using examples related to real events
5. On food- good snack
6. Offer bookkeeping training please
7. Kindly give examples of Balance Sheet, Cash Flow and Statement of Changes in Equity
8. More examples please

RESOURCE SPEAKER: **RODELINE D. VILOG, CPA, MBA**
TOPIC DISCUSSED: **FINANCIAL MANAGEMENT**
DATE OF ACTIVITY: **JUNE 11, 2016 (AFTERNOON SESSION)**

Evaluation Ratings:
1 – Poor (1.00-1.50);
2 – Fair (1.51 – 2.50);
3 – Satisfactory (2.51 – 3.50)
4 – Very Satisfactory (3.51 – 4.50);
5 – Excellent (4.51 – 5.00)

Items for Evaluation	1	2	3	4	5	Mean
1.Clarity of topic Objectives at the beginning			2	18	10	4.27
2.Organization/Sequencing of topics			3	18	9	4.20
3. Clarity of topic/ideas presented/discussed			4	14	12	4.27
4. Effectiveness of methodologies/style of teaching			3	17	10	4.23
5. Quality and effectiveness of instructional materials			5	15	10	4.17
6. Ability to teach/ communicate ideas			2	17	11	4.30
7. Ability to answer questions			4	16	10	4.20
8. Ability to arouse/ sustain interest			2	17	11	4.30
9. Ability to manage time			1	19	10	4.30
10. How the topic was ended			2	19	9	4.23
GRAND MEAN						**4.25**

INTERPRETATION:

From the data presented above the participants rated the Resource Speaker with a **grand mean of 4.25** interpreted a **Very Satisfactory**.

THINGS LIKED IN THE RESOURCE PERSON:
1. You're cool
2. Ma'am is energetic and jolly
3. Voice volume- OK
4. The speaker speaks loud
5. All learned more thing to speaker
6. Nice =)

THINGS NOT LIKED IN THE RESOURCE PERSON:
1. Minimize use of OK
2. Repeated use of the work "OK"

OTHER REMARKS:
1. When we have more time, I appreciate if we go with the workshop. Budgeting, Ratio Analysis, How to Analyze Financial Statements
2. Ma'am kindly conduct Budgeting and Audit Seminar for other organizations not only for coops or in general
3. Seminar on computerized Accounting
4. Salamat po
5. Audit Management as next seminar

Prepared by:

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