

f. Land and other common areas

Pursuant to Philippine Interpretations Committee Question and Answer No. 2016-03, with the subject accounting for common areas (including land) that were constructed before the creation of the Condominium Corporation and the accounting treatment for subsequent cost related to common areas incurred by the Condominium Corporation, which became effective on January 1, 2018 and has retrospective application, land and other common areas should not be recognized in the financial statements.

3.5 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. As a lessor, PDGCC recognizes all lease receipts as income in the statement of income in the period in which these are earned.

3.6 Provisions and Contingencies

Provisions are recognized when PDGCC has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated.

When the effect of the time value of money is material, the amount of a provision shall be the present value of the amount expected to be required to settle the obligation. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money. The risks specific to the liability should be reflected either in the discount rate or in the estimation of the amounts required to settle the obligation, but not both. When the effect of the time value of money is material, the amount of a provision shall be the present value of the amount expected to be required to settle the obligation. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money. The risks specific to the liability should be reflected either in the discount rate or in the estimation of the amounts required to settle the obligation, but not both.

In cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the PDGCC that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the PDGCC can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

3.7 Equity

Equity includes investment by the owners of the entity, plus additions to those investments earned through profitable operations and retained for use in the entity's operations, minus reductions to owners' investments because of unprofitable operations and distributions to owners.

Government equity represents ownership of the members, the BTr, OP and the IA, in the net assets of the PDGCC and Retained earnings represent all current and prior period results of operations as reported in the statements of income.

3.8 Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of PDGCC when those inflows result in increase in equity, other than increases relating to contributions from equity participants. In addition, revenue is measured at the fair value of the consideration received or receivable. The fair value of the consideration received or receivable is after deducting the amount of any trade discounts, prompt settlement discounts and volume rebates allowed by the PDGCC. The fair value also takes into account the time value of money.

3.9 Expense Recognition

Expenses are recognized in the statements of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably:

- a. on the basis of a direct association between the expense incurred and the earning of specific items of income;
- b. on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- c. immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statements of financial position as an asset.

3.10 Related Party Transactions and Relationship

Related party transactions are transfers of resources, services or obligations between PDGCC and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include individuals representing the agency-members of the PDGCC who own unit/s in the Project and, as an appurtenance, have voting power and control over the PDGCC.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

3.11 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about PDGCC's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3.12 Employee Benefits

The employees of the Corporation are members of the Social Security System (SSS), which provides life and retirement insurance coverage. In addition, the Corporation has a reserve fund to cover the retirement program under Board Resolution No. 96-003 dated January 31, 1996, which provides as follows:

a. Compulsory retirement

The PDGCC shall provide a retirement benefit of one-month salary for every year of service, a fraction of six months being considered as one whole year, to an employee upon reaching the compulsory retirement age of 65 years old who has served at least five years in the Corporation.

b. Optional retirement

The PDGCC shall provide retirement benefits of one-half month salary for every year of service, a fraction of at least six months being considered as one whole year, to an employee upon reaching the age of:

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|----------------------|---|
| A. Employee's option | 55 years of age plus 10 years of service, or
20 years of service if below 55 years old |
| B. Company's option | 55 years of age plus 10 years of service, or
60 years of age |

c. Termination due to disability

The PDGCC may terminate the services of an employee who has been found to be suffering from a disease and whose continuous employment is prohibited by law or is prejudicial to his health as well as to the health of his co-employees. Such employee shall be paid separation pay equivalent to at least one-half month salary for every year of service, a fraction of at least six months being considered as one whole year.

The Corporation recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The PDGCC's financial statements prepared in accordance with PFRS for SEs requires Management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

4.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the PDGCC's accounting policies, Management has made judgment, apart from those involving estimation, which have significant effect on the

amounts recognized in the financial statements in relation to the recognition of provisions and contingencies where judgment is exercised by Management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are presented in Note 3.6.

4.2 Key Sources of Estimation Uncertainty

Key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are stated as follows:

4.2.1 Useful lives of property and equipment

The PDGCC estimates the useful lives of PE based on the period over which the assets are expected to be available for use. The estimated useful lives of PE are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of PE are analyzed in Note 9.

5. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2021	2020
Cash in bank - current account	21,389,710	16,576,915
Cash in bank - saving account	95,877	94,494
Petty cash	2,722	2,965
	21,488,309	16,674,374

Cash in bank includes restricted cash from the MERALCO refund amounting to P4.257 million and retirement fund of employees amounting to P526,501 and P436,904 for CY 2021 and CY 2020, respectively.

6. FINANCIAL ASSETS

This account consists of Investment in treasury bills (Tbills) and Investment in retail treasury bonds (RTB) amounting to P10,418,339 and P500,000, respectively. Both investments were acquired through the secondary market. Tbills were acquired on March 17, 2021 and December 2, 2021 with 343-day and 167-day term, respectively. The RTB, on the other hand, was acquired on March 9, 2021 and will mature on March 9, 2024.

7. RECEIVABLES

This account is composed of the following:

	2021	2020 (As restated)
Due from National Government Agencies (NGA)		
Due from Commission on Election (COMELEC)	4,778,583	5,748,628
Due from National Coordinating Office (NCO)	940,198	940,198
Due from IA	523,971	282,770
Due from Presidential Anti-Corruption Commission (PACC)	403,111	421,107
Due from BTr	314,972	544,521
Due from National Tax Research Center (NTRC)	64,986	74,670
Due from Municipal Development Fund Office (MDFO)	0	252,215
	7,025,821	8,264,109
Due from Government Corporations (GC)		
Due from Land Bank of the Philippines (LBP)	205,201	202,740
Due from Pag-IBIG Fund	136,791	246,678
	341,992	449,418
Other Receivables		
Assessment dues receivables	4,055,725	747,395
Other receivables	604,428	1,993,727
	4,660,153	2,741,122
Due from Officers and Employees	16	16
	12,027,982	11,454,665

Due from NGAs and GCs accounts represent advances made by the Corporation for their electric/water consumption and assessment dues. It also includes the amount paid in advance by the Corporation for major expenditures chargeable against and separately billed to occupants.

Other receivables consist of Assessment dues receivable that represents the unpaid pro-rata share from occupants for the operating expenses in maintaining the common areas and receivables from telecommunication companies for their unpaid electric consumption. It also includes the amount of P84,050 representing the undeposited collections in 2006 and 2007 and overpayment of salary of a terminated employee.

8. INVENTORIES

This account is composed of inventory held for consumption, as follows:

	2021	2020
Office supplies inventory	56,878	98,818
Semi-expendables – ICT equipment	54,971	54,971
Semi-expendables – furniture and fixtures	30,872	30,872
Accountable forms inventory	4,100	4,700
Other supplies and materials inventory	84,030	48,490
	230,851	237,851

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9. PROPERTY AND EQUIPMENT

This account is composed of the following:

	IT equipment	Furniture and fixtures	Transportation equipment	Office equipment	Other PE	Total
Cost						
January 1, 2021	194,350	68,910	207,429	156,022	16,478,773	17,105,484
Additions	0	0	0	0	8,692,421	8,692,421
December 31, 2021	194,350	68,910	207,429	156,022	25,171,194	25,797,905
Accumulated depreciation						
January 1, 2021	184,633	65,464	16,421	126,596	5,988,731	6,381,845
Depreciation	0	0	28,152	8,159	2,385,534	2,421,845
December 31, 2021	184,633	65,464	44,573	134,755	8,374,265	8,803,690
Net book value						
December 31, 2021	9,717	3,446	162,856	21,267	16,796,929	16,994,215
Cost						
January 1, 2020	496,663	101,410	0	132,398	16,188,661	16,919,132
Additions			207,429	23,624	377,710	608,763
Adjustments	(302,313)	(32,500)	0	0	(87,598)	(422,411)
December 31, 2020	194,350	68,910	207,429	156,022	16,478,773	17,105,484
Accumulated depreciation						
January 1, 2020	387,975	92,549	0	96,952	4,341,775	4,919,251
Depreciation	83,855	5,053	16,421	29,644	1,730,174	1,865,147
Adjustments	(287,197)	(32,138)	0	0	(83,218)	(402,553)
December 31, 2020	184,633	65,464	16,421	126,596	5,988,731	6,381,845
Net book value						
December 31, 2020	9,717	3,446	191,008	29,426	10,490,042	10,723,639

The additions of P8.692 million in the Other PE account for CY 2021 are composed of the following acquisitions:

	Amount
High voltage switchgear	6,152,322
Electrical distribution panel board	516,110
Printed circuit board DOR-1240B and DOR-1321	490,896
Transfer pump controller duplex type	462,392
Submersible sewage cutter type centrifugal pump	407,000
Capacitors	157,501
Fire hydrant	116,000
Carpet	115,000
Deep sea controller of 500 KVA genset	94,000
CCTV cameras	90,000
AB intelligent circuit and change over switch	70,700
Motor operated roll-up grill	20,500
	8,692,421

Other PE account includes various equipment amounting to P6.816 million which were initially recorded at appraised value since the original cost of the properties cannot be determined reliably by the Corporation. Appraised value was based on the appraisal report dated June 21, 2019 prepared by a private appraiser.

Transportation equipment represents the donated motor vehicle from BTr. It was also initially recorded at appraised value as determined by COA Technical Service Office. The useful lives of the said equipment are consistent with the useful life of the same class of properties of the Corporation.