

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the ten audit recommendations embodied in last year's Annual Audit Report, four were partially implemented and six were not implemented.

Reference	Observation	Recommendations	Status of Implementation
2013-AAR; Observation No. 1; page 22	The non-maintenance of proper subsidiary records, non-approval of some recorded transactions and errors in booking up the cost of items sold resulted to the discrepancies in the balances between the general ledger, subsidiary records and inventory count of Merchandise Inventory. Thus, the validity and accuracy of the inventory balance of ₱28.469 million is doubtful.	<p>a. Reconcile balances between the general ledger, subsidiary records and the inventory count and account for the discrepancies.</p> <p>b. Maintain a complete and updated subsidiary record for each of the inventory items traded by PPI with all necessary information relative to the inventory items.</p> <p>c. Support all transactions to be recorded in the Merchandise Inventory account with complete and properly approved documents.</p> <p>d. Adopt an accounting system for Inventories and Cost of Sales (COS) depending on available resources such as manpower and equipment.</p>	<p>Not implemented. Reiterated in Audit Observations and Recommendations No. 2.</p> <p>Not implemented. Reiterated in Audit Observations and Recommendations No. 2.</p> <p>Not implemented. Reiterated in Audit Observations and Recommendations No. 2.</p> <p>Not implemented. Reiterated in Audit Observations and Recommendations No. 2.</p>
2013-AAR; Observation No. 2; page 25	Discrepancy in the amount of ₱0.936 million was noted in the balance per books against the computed balance per audit of the COS account due to errors in recording, resulting in the understatement of the COS and overstatement of Income account by the said amount.	<p>a. Support with duly approved documents all transactions recorded in the books of accounts including the COS.</p> <p>b. Support with complete information and references to other documents all transactions recorded in Journal Vouchers such as accruals of cost of sales, reversal of accruals and adjustments of previous entries.</p>	<p>Partially implemented.</p> <p>Partially implemented.</p>

Reference	Observation	Recommendations	Status of Implementation
		<p>c. Discontinue the practice of accruing cost of goods sold for “dropshipped” sales. Record the Sales and COS transactions simultaneously when properly documented after actual delivery of goods.</p> <p>d. Institute policies and procedures for monitoring and recording of transactions affecting the Inventory and COS accounts.</p> <p>e. Initiate best efforts to shift from manual accounting system to a computerized system in order to minimize risk of errors.</p>	<p>Not implemented.</p> <p>Not implemented.</p> <p>Partially implemented.</p>
<p>2013-AAR; Observation No. 3; page 27</p>	<p>While PPI reported a net income before tax of ₱12 million in 2013 after seven years of losses, it still needs to exert effort to recover from capital deficiency which stood at ₱303 million.</p>	<p>We recommended that Management continue to pursue effectively, plans and programs to pave the way to PPI’s full financial recovery.</p>	<p>Partially implemented.</p>