Securities and Exchange Commission
PHILIPPINES

SEC Memorandum Circular No. 3
Series of 2019

SUBJECT: PHILIPPINE INTERPRETATIONS COMMITTEE QUESTION AND ANSWER (PIC Q&A) NOS. 2018-12-H AND 2018-14

WHEREAS, on 15 August 2017, the Commission approved the adoption of Philippine Financial Reporting Standard (PFRS) No. 15, Revenue from Contracts with Customers, effective for annual reporting periods beginning on or after January 1, 2018, as part of its financial reporting rules.

WHEREAS, on 31 January 2018 and 27 June 2018, respectively, the PIC issued the following guidance on some implementation issues affecting the real estate industries brought about by the adoption of PFRS 15:

1. **PIC Q&A 2018-12-H,** Accounting for Common Usage Service Area (CUSA) Charges. *(Approved by Financial Reporting Standards Council (FRSC) and Professional Regulation Commission (PRC) and Board of Accountancy (BOA) on 14 February 2018 and 18 May 2018, respectively;*

2. **PIC Q&A 2018-14,** Accounting For Cancellation of Real Estate Sales. *(Approved by FRSC on 10 October 2018. The pronouncement is still pending for approval by the PRC and BOA).*

WHEREAS, the real estate industry raised implementation issues and requested to defer the implementation of the above pronouncements pending the discussion and resolution by the PIC and FRSC of the said issues.

WHEREAS, upon further consultations and discussions with the real estate industry, the Commission took note of the significant impact and difficulties faced by the real estate industry in immediately implementing the guidance in PIC Q&A Nos. 2018-12 (H) and 2018-14.

NOW, THEREFORE, the Commission *en banc*, in its meeting held on 07 February 2019, decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A Nos. 2018-12 (H) and 2018-14 for a period of three (3) years.

Effective January 01, 2021, real estate companies will adopt the subject pronouncements and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

A real estate company may opt not to avail of any of the relief provided above and instead comply in full with the requirements of PIC Q&A Nos. 2018-12 (H) and 2018-14.

Moreover, real estate companies which opted for the deferral shall be required to disclose in the Notes to the Financial Statements the accounting policies applied, a discussion of the deferral of the subject implementation issues in the PIC Q & A and a qualitative discussion of the impact in the financial statements had the concerned application guideline in the PIC Q & A been adopted. However, should any of the deferral options result into an accounting policy change, such accounting change will have to be accounted for under Philippine Accounting Standard (PAS) 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* i.e., retrospectively, together with the corresponding required quantitative disclosures.

The above relief shall form part of the PFRS for the purpose of preparing and filing general-purpose financial statements with the Commission.

The FRSC, PIC and real estate industry, through its various associations are encouraged to have continuous dialogue to address any challenges in the implementation of PIC Q&A Nos. 2018-12(H) and 2018-14 and for any new developments in the implementation of PFRS 15 and its related PIC Q&As.

Issued this 08 February 2019 at Pasay City, Philippines.

For the Commission:

EMILIO B. AQUINO
Chairperson