

ANNEX A

STANDARD CHART OF ACCOUNTS (SCA) FOR HEALTH MAINTENANCE ORGANIZATIONS (HMO)

STATEMENT OF FINANCIAL POSITION ACCOUNTS

ASSET ACCOUNTS

1. CASH AND CASH EQUIVALENTS

1.1 CASH ON HAND

Cash in the possession of the HMO or in transit under its control are generally classified as cash on hand. This represents the total amount of undeposited collections and the different types of working funds in the custody of the cashier and/or fund custodian at the HMO's head office and branches. This may consist of:

- 1.1.1 *Undeposited Collections* - This represents Philippine currency notes and coins, checks, bank drafts, and other cash items in favor of the HMO to be deposited in the bank on the following banking day. This does not include postdated checks and returned checks which have been dishonored by the bank due to insufficient funds.
- 1.1.2 *Petty Cash Fund* - This represents fund that is established to defray immediate minimal disbursements which are evidenced by duly accomplished and approved petty cash vouchers with the corresponding supporting receipts and other cash documents. This fund shall be maintained under an imprest system.
- 1.1.3 *Commission Fund* - This represents fund that is established for the purpose of paying commissions to agents/brokers where the amounts are less than the minimum amount prescribed for check payments. This fund shall be maintained under an imprest system.
- 1.1.4 *Revolving Fund* – This represents fund set up for specified purposes with the provision that repayments to the fund will be used again for the same purposes. This fund shall be maintained under an imprest system.
- 1.1.5 *Other Fund* - This represents all other funds which cannot be classified under any of the foregoing accounts.

1.2 CASH IN BANKS

This represents non-interest- and interest-bearing account balances maintained in various banks by the HMO's head office and branches.

1.2.1 *Cash in Banks - Current* - This represents checking account balances in banks maintained by the HMO's head office and branches.

1.2.2 *Cash in Banks - Savings* - This represents savings deposit account balances in banks maintained by the HMO's head office and branches.

1.2.3 *Cash in Banks - Administrative Service Only (ASO) Fund* - This represents the amount of fund owned by the Client with coverage under an ASO Endorsement deposited to the current or savings account maintained in the banks to be utilized by the HMO for claims payment.

1.3 CASH EQUIVALENTS

This account refers to short-term, high liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has short maturity of three (3) months or less from the date of acquisition (e.g. three-month debt securities, debt securities purchased three (3) months before maturity).

1.4 EXPECTED CREDIT LOSSES

Subsequent to initial recognition, cash and cash equivalents shall be measured at amortized cost less allowance for impairment using the Expected Credit Losses (ECL) model.

Under this model, an entity shall measure the ECL of a qualifying financial asset not measured at Fair Value Through Profit or Loss (FVTPL) in a way that reflects:

- (A) an unbiased and probability-weighted amount that is determined by evaluating a wide range of possible outcomes;
- (B) the time value of money; and
- (C) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2. SHORT-TERM INVESTMENTS

This represents other short-term investments, with maturity of more than three (3) months but less than one (1) year from the acquisition date.

2.1 EXPECTED CREDIT LOSS

3. HMO AGREEMENTS ASSETS

This represents the combination of rights and obligations up to the portfolio level resulting to an asset position arising from contracts issued under which the company accepts significant insurance risk. It shall be accounted for under *IFRS 17 – Insurance Contracts*.

This account shall comprise the following sub-accounts:

3.1 ASSETS (LIABILITIES) FOR REMAINING COVERAGE

3.2 ASSETS (LIABILITIES) FOR INCURRED CLAIMS

3.3 ASSETS (LIABILITIES) FOR PRE-RECOGNITION CASH FLOWS

4. HMO CESSION AGREEMENTS ASSETS

This represents the combination of rights and obligations up to the portfolio level resulting to an asset position for contracts held by the company under which it transfers significant insurance risk to reinsurance companies. It shall be accounted for under *IFRS 17 – Insurance Contracts*.

This account shall comprise the following sub-accounts:

4.1 ASSETS (LIABILITIES) FOR REMAINING COVERAGE

4.2 ASSETS (LIABILITIES) FOR INCURRED CLAIMS

5. DEPOSIT TO HEALTHCARE PROVIDERS

This account represents funds deposited to certain healthcare providers to defray for the medical and hospitalization expenses of its members as required or in consideration of certain discounts being offered by the healthcare provider.

5.1 EXPECTED CREDIT LOSS

6. DUE FROM ASO ACCOUNTS

This refers to receivables from ASO Accounts for charges such as Administrative Fees, Enrolment Fees, and other medical collectibles on services/benefits in excess of the deposited fund by clients managed under ASO Endorsement.

6.1 EXPECTED CREDIT LOSS