



There You Are, SES!

Grandpa Sun Chu will be turning 80 years old next week. His family and closest friends planned for a grand celebration. Not only were Grandpa Sun's relatives and friends invited, but also everyone who was part of the Chu Group. The event will celebrate both Grandpa Sun's 80th birthday and the growth and success of the Chu Group, which has become a conglomerate of several businesses in manufacturing, consultancy, and hospitality. However, for Sun, what he is more excited about is that his eldest grandson, San Chu, has finally graduated from college and has joined the company as a management trainee.

Sun has a close relationship with his grandson. When San was still a young boy, Sun would tell him stories about his struggles and achievements in life. Sun would start his story by sharing his favorite Confucian proverb, "He who wished to secure the good of others, has already secured his own." Growing up, the young Sun noticed that many of his neighbors could not afford descent footwear. It saddened him to watch young children in his community walking to school without any footwear, not even slippers. Hence, when the opportunity would come for Sun to establish his footwear business, he would make sure that his products were affordable, durable, and uniquely designed. Sun had just turned 30 years old, and using his parent's land as collateral, he took a bank loan and used the proceeds as capital.

With much hard work, Sun's shoes, sandals, and slippers became the favorite of consumers all over the country. It is not surprising that Grandpa Sun's footwear business exports to different Asian countries and to North America. With Sun's meteoric success in footwear manufacturing, his management acumen



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became the talk of the business world. Wanting to share his own management principles and practices with other business people, Sun created a consultancy company.

His latest venture was a newly opened hotel, which had received five stars from travel writers and magazines. San's expansion to hospitality came from his desire to provide the best accommodations for clients and business partners. Sun chose to build his hotel in Cebu because of the island's history, culture, natural beauty, and strategic location at the center of the archipelago. He also wanted his hotel to be near the Chu Group's corporate headquarters, which is located in Cebu City.

Sun Chu believed that if his children or their grandchildren wanted to become part of the Chu Group, they should earn their position through hard work and determination. Sun trained Er Chu, his eldest son and father of San Chu. This time, it was San's turn. His grandson studied product design at a prestigious school in Asia. He also took some short courses on entrepreneurship during university breaks. Although, with his credentials, San Chu was more suited for the Chu Group's footwear manufacturing; Sun wanted his grandson to work first for the SES Foundation.

More than being identified as a successful entrepreneur, Sun wants to be remembered as a man who worked for the betterment of his fellows. The SES Foundation was founded to manage the Chu Group's corporate social responsibility activities. The main focus of the foundation is the improvement of the lives of street children, a cause very dear to Grandpa Sun's heart. Grandpa Sun hoped that San's experience working for the SES Foundation would arm him with the necessary management skills and techniques to one day become a responsible senior executive of the Chu Group. He hoped it also would instill in him the values to make him a man who has the heart to serve his fellows, especially the marginalized and the underprivileged.

Sun gave the task of making the SES Foundation's financial performance report to San. The report was to be submitted two days before Grandpa Sun's birthday. Eager to please his grandfather, he prepared to gather the needed information. San secured permission to go over the SES Foundation records. San discovered that Grandpa's working place was set in a traditional Chinese arrangement. San scanned through the titles of files. These included annual reports, bank reconciliation, brokers, deed of registration, in-house financial statements, inventory, investments, receivables, etc. For San, the files seemed to go on and on. "There you are, SES!" San exclaimed as gathered the related materials from the shelves for the financial performance report on SES.

Background on SES

Coming from a humble background, Sun was passionate about the marginalized and the less fortunate, especially street children. Even with Sun's many successful ventures in business, he had never forgotten to serve the community. With this, Sun founded the SES Foundation.

The SES Foundation was a non-stock, non-profit charitable institution. Its main purpose was to organize projects, activities, and undertakings relative to the social, spiritual, medical, and educational needs of the community. It was governed by a board of trustees, whose members did not receive any form of compensation. The board took care of the strategic management of the foundation. A committee on finance within the board was responsible for finding funding for the yearly projects of the foundation.

There were about 60,000 non-profit organizations in the Philippines organized for the underprivileged Filipinos for different purposes, including religious, charitable, research, educational, athletics, cultural, health, social welfare, social development, environmental, training, and capability

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building activities. The Philippine Council for NGO Certification (PCNC) certified non-profit organizations that met established minimum criteria for the seal of good housekeeping in the areas of financial management and accountability.¹

The SES Foundation was certified by the PCNC. Hence, the foundation met the established criteria for seal of good housekeeping in the areas of financial management and accountability. In addition, it had both secured income and donor tax exemption from the Bureau of Internal Revenue.²

Likewise, the Department of Social Welfare and Development had accredited SES Foundation center in accordance with Republic Act 4373.³ The center was located at Marina Extension, Talisay City, Philippines and was organized into homes for female and male children. Each home had a male and a female houseparent. Houseparents acted as tutors for children who needed assistance in their lessons. In a home for females, 14-16 girls, ages 5 to 17, were accommodated in a home where there would be an Ateⁱ and a bunso.ⁱⁱ The accommodation was similar in home for males where there would be a Kuyaⁱⁱⁱ and a bunso. The set-up would include discipline, understanding, love, and work ethics that closely resemble a home. Also, the center maintained a staff that would make sure that the children's physical, mental, social, and spiritual needs were met and that the center and its facilities were well maintained.

Conclusion

After going through the information about SES, San realized how much the foundation had been able to improve children's lives. He thought of Grandpa and could not control his amazement at how much his grandfather had achieved.

San realized he had everything he needed to start and verbally outlined the tasks on hand to himself, "I would start with the construction of a statement of comprehensive income; then, summarize its excess receipts over disbursements to the statement of financial position; after which, I will be able to do the statement of cash flows. Lastly, I will compute for the common-sized statements, and the quick, current, and debt-equity ratios. Grandpa will definitely have the report two days before his birthday!"

San focused on a working trial balance of the SES Foundation as of December 31 of the preceding year as presented in **Appendix A**. It was a list of account titles in a column. As San skimmed with his fingers through the accounts, he laughed out loud. The accounts were remarkably arranged. "Now, my task will be easy!" Listed on top were the asset accounts and its contra-asset accounts, followed by liabilities and equity accounts. The receipts were grouped before the disbursements. The disbursements were segregated into direct and administrative. With the summarized expenditures on hand, San closed his eyes and visualized the happy children of the SES center.

A note fell from the files of materials. When he picked it up, he was surprised at what he discovered. SES actually means Sun Er San!

ⁱ Elder sister in Filipino language.

ⁱⁱ Youngest sibling in Filipino language.

ⁱⁱⁱ Elder brother in Filipino language.

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Appendix A

The working trial balance of SES Foundation as of December 31 of the preceding year:

Cash on hand - Gutla	4,416.73	
Cash on hand -Chelut	25,622.11	
Cash In bank - MMB savings	17,978.42	
CIB - MMK current	101,593.86	
CIB - MMK foreign currency	553,878.80	
CIB - MMK savings	24,254.62	
Revolving fund	6,000.00	
Cash in bank - BBT	11,058.00	
Advances to employees	26,602.66	
Building and improvements	3,476,179.78	
Water station	21,774.47	
Household equipment	217,575.70	
Land	1,811,968.45	
Music equipment	56,701.56	
Office equipment, furniture, and fixtures	141,976.23	
Service vehicles	277,139.90	
Tools	4,186.68	
Accumulated depreciation: Building and improvements		(1,632,200.80)
Accumulated depreciation: Water station		(12,355.41)
Accumulated depreciation: Household equipment		(213,438.11)
Accumulated depreciation: Music equipment		(51,717.39)
Accumulated depreciation: Office equipment, furniture and fixtures		(102,515.03)
Accumulated depreciation: Service vehicles		(145,446.50)
Accumulated depreciation: Tools		(3,922.18)
PAG-IBIG loan payable		(1,539.48)
PHIC contributions payable		(32.01)
SSS loan payment deposit		(57.38)
Withholding tax payable		(156.94)
Short term payable - BankBE		(40,000.00)
Fund balance		(4,532,552.33)
Donation-foreign		(2,913,712.58)
Donation-local		(24,000.00)
Interest income		(497.55)
FOREX gain		(142.50)
Direct expenditures:		
13th month pay of household parents	31,311.68	
Clothes	30,291.84	
Depreciation expense	539,278.50	
Family/household assistance	15,987.44	
Food and subsistence	254,478.80	
Food for visitors	41,193.25	
Gasoline and diesel	18,128.62	
Household supplies	37,425.59	
Housekeeping expenses	33,648.22	
Hygiene expenses	17,771.11	

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Light and water expense	66,422.56	
Love gifts and donations	74,351.90	
Medical expense	41,237.61	
Ministry expense	375,225.68	
Outreach and evangelism	155,037.28	
Recreation expenses	5,429.70	
Repairs and maintenance	75,018.35	
Salaries and wages	371,840.69	
School fees	420,399.32	
Skills and training expenses	4,427.59	
Transportation and travel	134,152.18	
Administrative expenditures:		
Documents processing	4,655.00	
Insurance expense	23,833.85	
Miscellaneous expense	7,887.70	
Office supplies expense	15,254.46	
PAG-IBIG contribution	3,600.00	
PHIC contribution	4,678.75	
Professional fees	3,600.00	
Security service charges	20,029.13	
Seminar/trainings expenses	35,953.97	
SSS/Medicare/Employer contribution	27,204.22	
Taxes and licenses expenses	5,623.23	
Total	9,674,286.19	(9,674,286.19)

Supplemental notes on the working trial balance:

All amounts in the working trial balance were in Philippine Peso (Php).

Cash had a beginning balance of Php 147,366.00.

The foreign-denominated bank deposit was computed at year-end conversion rate to Philippine peso and its gain was properly recorded. All interest income was earned on bank deposits and had been subjected to expanded withholding tax.

An employee contributed monthly to PAG-IBIG, PHIC, and SSS through his employer, and the employer had a counterpart at the employer's expense. Both contributions would be remitted together monthly. PAG-IBIG was a term used to refer to Home Development Mutual Fund or commonly known as PAG-IBIG Fund. It provided assistance for house acquisition. PHIC was an acronym for Philippine Health Insurance Corporation. It provided a limited health insurance for an employed Filipino who had 6-month active contributions. The SSS was an acronym for Social Security System. It provided compensation for leave from work due to sickness and maternity, and other worker's benefits for a privately-employed Filipino.

PAG-IBIG loan payable and SSS loan payment deposit referred to remittances to the PAG-IBIG Fund and SSS in behalf of the employees' loan.

Source: The working trial balance and its supplemental note were created by the author of the case.

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Endnotes

1 Philippine Council for NGO Certification. "PCNC Background and Rationale." 2012. Accessed 4 August 2015. <www.pcnc.com.ph/pcnc-rationale.php>

2 Republic Act No. 8424 Tax Reform Act of 1997. Accessed 4 August 2015. <www.bir.gov.ph/index.php/tax-code.html>

3 PhilippineLaw.info. Republic Act No. 4373. 2007-2014. Accessed 4 August 2015. <philippinelaw.info/statutes/ra4373.html>.