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Financial Reporting Practices Among Pharmacies in Bulan, Sorsogon: Compliance with Philippine Financial Reporting Standards for Small and Medium-Sized Enterprises

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Abstract: This study examined the financial reporting practices among pharmacies in Bulan, Sorsogon, with emphasis on compliance with the Philippine Financial Reporting Standards for Small and Medium-Sized Enterprises (PFRS for SMEs). It determined respondents' awareness, status of compliance, financial reporting practices, challenges encountered, and intervention strategies. A quantitative descriptive, cross-sectional design was employed. Eight qualified pharmacies were included through total enumeration, with 24 respondents comprising pharmacy owners, accounting staff, and sales clerks. Data were gathered using a researcher-developed questionnaire and analyzed using frequency, percentage, weighted mean, and rank. Findings revealed that accounting staff were Aware of PFRS for SMEs, with a weighted mean of 2.60, while owners and sales clerks were Slightly Aware, with weighted means of 2.47 and 1.88, respectively. Reported compliance varied across the specified indicators, with basic recording activities more evident than technical accounting procedures. Financial reporting practices were generally performed Sometimes, with overall weighted means of 2.49 for assets, 2.23 for liabilities, 2.49 for capital, 2.46 for income, and 2.22 for expenses. Major challenges involved inventory valuation, depreciation, supplier payables and taxes, separation of personal and business capital transactions, multiple income streams, cost of goods sold, and expense recognition and classification. The study concluded that awareness, reported compliance, and consistency of financial reporting practices varied among participating pharmacies. Five intervention strategies involving training, reporting tools, professional assistance, monitoring, and local support were proposed to strengthen financial reporting practices and promote more consistent application of PFRS for SMEs.

Keywords: *Financial Reporting Practices, PFRS for SMEs, Pharmacies, Compliance, Awareness.*

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I. INTRODUCTION

Small and medium-sized enterprises (SMEs) play an important role in economic development, employment generation, and the provision of goods and services. In Asia and the Pacific, micro, small, and medium-sized enterprises (MSMEs) constitute a substantial part of the business sector and are recognized as important contributors to inclusive economic growth. The Asian Development Bank (ADB, 2024) emphasized the continuing importance of MSMEs in the region and highlighted the need for an enabling ecosystem that supports their resilience, productivity, and sustainable development. The importance of MSMEs to the Philippine economy similarly makes the quality of their business and financial practices an important concern for owners, creditors, regulators, and other stakeholders.

The Philippine business environment is characterized by a large number of establishments engaged in trade and other economic activities. The Philippine Statistics Authority (PSA, 2026) reported that the 2022 Annual Survey of Philippine Business and Industry recorded 281,834 establishments in the formal sector of the Philippine economy. Wholesale and retail trade accounted for 125,257 establishments, representing 44.4% of the total. This substantial presence of businesses in the trade sector underscores the importance of sound financial management and accounting practices among enterprises engaged in commercial activities.

Financial reporting is an essential component of business operations because it provides information about an entity's financial position, financial performance, and cash flows that can assist users in making economic decisions.

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For entities that prepare general purpose financial statements, an appropriate financial reporting framework provides a basis for the recognition, measurement, presentation, and disclosure of financial information. The importance of reliable financial information is particularly relevant to smaller businesses because their owners, managers, lenders, and other stakeholders may rely on financial reports in evaluating performance, resources, obligations, and financial decisions.

The International Accounting Standards Board (IASB) developed the IFRS for SMEs Accounting Standard as a simplified reporting framework for entities that do not have public accountability and that prepare general purpose financial statements. Compared with full IFRS Accounting Standards, the IFRS for SMEs Accounting Standard contains simplifications in areas such as omitted topics, accounting policy options, recognition and measurement requirements, and disclosure requirements (International Accounting Standards Board [IASB], 2025). The IASB issued the third edition of the IFRS for SMEs Accounting Standard in February 2025. The new edition is effective for annual periods beginning on or after January 1, 2027, although early application is permitted; entities may continue to apply the previous 2015 edition until the effective date, subject to the requirements applicable in their jurisdiction (IASB, 2025). This development makes it important for studies concerning SME financial reporting to identify and apply the accounting framework that is applicable to the entities and reporting period under investigation.

Recent empirical studies have shown that accounting practices and compliance with financial reporting requirements remain important concerns among small businesses. Borromeo and Cervantes (2024), in a study of micro and small businesses in Zamboanga del Sur, Philippines, examined accounting recording practices and found that inadequate recording practices, limited knowledge, and regulatory oversight can affect the quality of accounting records. The study also emphasized the importance of accurate financial reporting for informed decision-making. These findings demonstrate that the existence of accounting requirements does not necessarily ensure that small businesses consistently apply appropriate accounting and recording practices.

Recent Philippine evidence also indicates a relationship between financial management practices and compliance with financial accounting standards. Singson et al. (2026) examined micro and small enterprises in Dasmariñas, Imus, and General Trias, Cavite, and reported high levels of financial management practices and compliance with financial accounting standards. The researchers further found a strong and statistically significant positive relationship between financial management practices and compliance with financial accounting standards. Such findings suggest that the manner in which small businesses manage and record their financial activities may be associated with their ability to comply with applicable accounting requirements.

International evidence likewise demonstrates that compliance with financial reporting standards among SMEs can vary according to characteristics of the enterprise and its reporting environment. Msechu et al. (2024), using audited financial reports of SMEs in Tanzania covering 2018 to 2021, examined compliance with IFRSs for SMEs and reported that the extent of compliance was associated with characteristics such as firm age, firm size, profitability, and auditor type. Their findings illustrate the continuing importance of examining compliance with financial reporting requirements within the particular characteristics and institutional environment of SMEs in developing countries.

Within the business sector, pharmacies are particularly relevant to financial reporting because they engage in regular commercial transactions involving the purchase and sale of goods, inventory management, operating expenses, and other financial activities. Pharmacies also operate within a regulated business environment. However, compliance with pharmacy-related regulatory requirements should not be equated with compliance with financial reporting standards. Regulatory compliance and financial reporting compliance represent different areas of business responsibility. Consequently, examining the financial reporting practices of pharmacies requires specific attention to how accounting transactions are recognized, measured, recorded, and classified under the applicable financial reporting framework.

The local setting of Bulan, Sorsogon provides an appropriate context for examining these concerns. According to the Philippine Statistics Authority (2025), Bulan had a population of 106,919 based on the 2024 Census of Population, making it the second most populous municipality in Sorsogon Province after Sorsogon City. The municipality has an established business community that includes pharmacies and drugstores. For example, the Philippine Food and Drug Administration's verification portal identifies a licensed drugstore operating in Bulan, Sorsogon, demonstrating the presence of pharmacy establishments within the study area (Food and Drug Administration, 2025). The existence of these establishments provides a local setting in which financial reporting practices can be examined in relation to the requirements applicable to small and medium-sized entities.

Although recent studies have examined accounting-recording practices, financial management practices, and compliance with financial accounting standards among micro and small enterprises in the Philippines and other developing-country settings, the findings of these studies cannot automatically be generalized to pharmacies in Bulan, Sorsogon. Borromeo and Cervantes (2024) focused on micro and small businesses in Zamboanga del Sur, while Singson et al. (2026) examined micro and small enterprises in selected cities of Cavite. Similarly, Msechu et al. (2024) investigated SMEs in Tanzania. These studies provide relevant evidence concerning accounting practices and standards compliance, but the accessible literature identified for the present study does not specifically examine

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pharmacies in Bulan, Sorsogon in terms of awareness of PFRS for SMEs, the status of compliance with selected financial reporting requirements, actual financial reporting practices, challenges encountered in preparing financial reports, and possible intervention strategies.

This gap provides a basis for conducting a localized assessment of financial reporting practices among pharmacies in Bulan, Sorsogon. Examining the level of awareness of PFRS for SMEs, the status of compliance in the recognition and measurement of assets and liabilities, recording of capital, recognition of income, and recording and classification of expenses can provide evidence regarding how financial reporting requirements are understood and applied in the study setting. Examining the financial reporting practices and challenges encountered by pharmacy owners, accounting staff, and sales clerks can further provide information that may help explain areas in which compliance can be strengthened.

Therefore, this study examined the financial reporting practices among pharmacies in Bulan, Sorsogon, with particular attention to their compliance with Philippine Financial Reporting Standards for Small and Medium-Sized Enterprises. It specifically considered the awareness of pharmacy owners, accounting staff, and sales clerks regarding PFRS for SMEs; the status of compliance in selected areas of financial reporting; the financial reporting practices currently employed by pharmacies; and the challenges encountered in preparing financial reports. The findings provided a basis for proposing appropriate intervention strategies that may help strengthen financial reporting practices and compliance among pharmacies in Bulan, Sorsogon.

This study examined the financial reporting practices among pharmacies in Bulan, Sorsogon, with particular attention to their compliance with Philippine Financial Reporting Standards for Small and Medium-Sized Enterprises. Specifically, it aimed to determine the level of awareness of PFRS for SMEs, assessed the status of compliance in selected areas of financial reporting, identify the financial reporting practices currently employed by pharmacies, determined the challenges encountered in preparing financial reports, and provided basis for proposing intervention strategies that may improve compliance and financial reporting practices.

➢ *Specifically, this Study Answered the Following Questions:*

- What is the level of awareness among pharmacy owners, accounting staff, and sales clerks in Bulan, Sorsogon regarding the Philippine Financial Reporting Standards for Small and Medium-Sized Enterprises (PFRS for SMEs)?
- What is the status of compliance of pharmacies with PFRS for SMEs in terms of:

✓ Recognition and measurement of assets,
✓ Recognition and measurement of liabilities,
✓ Recording of capital,
✓ Recognition of income, and
✓ Recording and classification of expenses?

- What financial reporting practices do pharmacies currently employ in relation to PFRS for SMEs in terms of:

✓ Recognition and measurement of assets,
✓ Recognition and measurement of liabilities,
✓ Recording of capital,
✓ Recognition of income, and
✓ Recording and classification of expenses?

- What challenges do pharmacy owners, accounting staff, and sales clerks encounter in preparing financial reports in accordance with PFRS for SMEs in terms of:

✓ Recognition and measurement of assets,
✓ Recognition and measurement of liabilities,
✓ Recording of capital,
✓ Recognition of income,
✓ Recording and classification of expenses?

- What intervention strategies can be proposed to improve compliance with PFRS for SMEs among pharmacies in Bulan, Sorsogon?

II. METHODOLOGY

➢ *Research Design*

This study employed a quantitative descriptive research design to examine the financial reporting practices and reported status of compliance with Philippine Financial Reporting Standards for Small and Medium-Sized Enterprises (PFRS for SMEs) among pharmacies in Bulan, Sorsogon. A quantitative approach was appropriate because the study gathered structured data that could be expressed numerically and analyzed using appropriate descriptive statistical procedures. Creswell and Creswell (2018) described quantitative research as an approach in which numerical data are used to examine research questions through systematic procedures of data collection and analysis.

The descriptive design was used to determine the level of awareness of PFRS for SMEs among pharmacy owners, accounting staff, and sales clerks; describe the financial reporting practices employed by the participating pharmacies; and identify the challenges encountered in preparing financial reports. The same descriptive approach was used to determine the reported status of compliance of the pharmacies with specified PFRS for SMEs requirements through a compliance assessment checklist completed by the accounting staff. The compliance assessment focused on the financial reporting areas identified in the study, namely, recognition and measurement of assets, recognition and measurement of liabilities, recording of capital, recognition of income, and recording and classification of expenses.

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The study employed a cross-sectional approach, wherein data were collected from the participating respondents during the period covered by the research. This approach was appropriate because the study described the financial reporting conditions, practices, and reported compliance status of the participating pharmacies within a particular period rather than examine changes across multiple periods. Cross-sectional designs are commonly used to describe conditions measured at a particular point in time, although their findings do not establish causal relationships among variables (Baumeister et al., 2026).

The quantitative design enabled the researcher to obtain measurable data through structured survey questions and a compliance assessment checklist. The survey instrument provided numerical data relevant to Research Questions 1, 3, and 4, covering awareness, financial reporting practices, and challenges, respectively. The compliance assessment checklist provided structured data relevant to Research Question 2 by determining the reported status of compliance with the specified financial reporting requirements. The findings from these areas served as the empirical basis for formulating the intervention strategies proposed in response to Research Question 5.

The study did not involve manipulation of variables, experimental treatment, or testing of causal relationships among awareness, compliance, financial reporting practices, and challenges. Accordingly, the findings were interpreted descriptively and within the context of the participating pharmacies. The compliance findings represent the reported status of compliance based on the responses of the participating accounting staff and do not constitute an external audit, independent audit opinion, or independent verification of the pharmacies' financial statements and accounting records.

- *The Respondents*

The respondents of the study were pharmacy owners, accounting staff, and sales clerks from pharmacies operating in Bulan, Sorsogon that met the established inclusion criteria of the study. These respondent groups were selected because they have different but relevant roles in the financial reporting process. Pharmacy owners are involved in business and financial decision-making; accounting staff are directly involved in maintaining accounting records and preparing financial reports; and sales clerks are involved in activities such as sales recording, cash handling, and inventory-related transactions that generate information relevant to financial reporting.

The accessible population consisted of pharmacies physically operating within the municipality of Bulan, Sorsogon. The list of pharmacies was obtained from the Local Government Unit (LGU) of Bulan and the Department of Trade and Industry (DTI). The pharmacies were screened based on the established inclusion criteria of the study, particularly asset-size range and employee count. Asset information was obtained through the asset-size range provided by the participating pharmacies rather than through disclosure of exact asset amounts, considering the confidential nature of such information. Based on the established criteria, eight pharmacies qualified for inclusion in the study.

A census method was employed because the number of qualified pharmacies was small and manageable. Thus, all eight pharmacies that met the established inclusion criteria were included in the study. Three respondents were selected from each participating pharmacy: one pharmacy owner, one accounting staff member, and one sales clerk. The inclusion of these three respondent groups provided information from individuals occupying different roles within each participating pharmacy concerning awareness, financial reporting practices, and challenges encountered in the financial reporting process.

The pharmacy owner was included because of the owner's role in business and financial decision-making and oversight of the pharmacy's financial activities. The accounting staff member was included because of their direct involvement in maintaining accounting records and preparing financial reports. The accounting staff member also served as the respondent for the compliance assessment because of their direct involvement in the preparation of the pharmacy's financial information. The sales clerk was included because of their involvement in daily sales transactions, cash handling, and inventory-related activities that generate information relevant to financial reporting.

A total of 24 respondents participated in the study, consisting of eight pharmacy owners, eight accounting staff members, and eight sales clerks, representing three respondents from each of the eight participating pharmacies.

Table 1 Number of Respondents per Pharmacy

Pharmacy	Pharmacy Owner	Accounting Staff	Sales Clerk	Total
Pharmacy A	1	1	1	3
Pharmacy B	1	1	1	3
Pharmacy C	1	1	1	3
Pharmacy D	1	1	1	3
Pharmacy E	1	1	1	3
Pharmacy F	1	1	1	3
Pharmacy G	1	1	1	3
Pharmacy H	1	1	1	3
Total	**8**	**8**	**8**	**24**

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The inclusion of the three respondent groups was intended to obtain information from individuals occupying different roles within the participating pharmacies. Their responses provided the basis for describing awareness, financial reporting practices, and challenges, while the compliance assessment was based on the responses of the accounting staff who were directly involved in the preparation of financial reports.

Because the study used a census of the defined eligible population, the findings provided a representation of the eight participating pharmacies in Bulan, Sorsogon. The findings should therefore be interpreted within the boundaries of the study population and should not be generalized automatically to pharmacies in other municipalities, provinces, or regions. The use of a census did not eliminate possible limitations, including the accuracy of information provided by respondents and the limitations inherent in respondent-based assessment of compliance.

➢ *Sampling Technique*

The study employed a census method for the selection of pharmacies because the number of qualified pharmacies that met the established inclusion criteria was small and manageable. All eight qualified pharmacies operating in Bulan, Sorsogon were therefore included in the study. The use of a census enabled the researcher to include the entire defined eligible population rather than select a sample from it.

Within each participating pharmacy, purposive sampling was used to select three respondents: one pharmacy owner, one accounting staff member, and one sales clerk. The respondents were selected based on their respective roles and their involvement in activities relevant to the financial reporting process of the pharmacy. The pharmacy owner was included because of the owner's involvement in business and financial decision-making. The accounting staff member was selected because of their direct involvement in maintaining accounting records and preparing financial reports. The sales clerk was included because of their involvement in sales transactions, cash handling, and inventory-related activities that generate information relevant to financial reporting.

Thus, the study included all eight qualified pharmacies through the census method and a total of 24 respondents through purposive selection, consisting of eight pharmacy owners, eight accounting staff members, and eight sales clerks. This sampling approach was consistent with the descriptive quantitative design of the study and enabled the researcher to obtain information from respondents whose roles were relevant to the research questions.

➢ *Research Instruments*

The study used a structured questionnaire as the primary instrument for quantitative data collection. The questionnaire consisted of four sections, each designed to address a specific research question and corresponding aspect of the study. The questionnaire was administered to the pharmacy owners, accounting staff, and sales clerks included in the study. All respondents answered Sections 1, 3, and 4, while Section 2 was answered only by the accounting staff.

The first section assessed the level of awareness of Philippine Financial Reporting Standards for Small and Medium-Sized Enterprises (PFRS for SMEs) among pharmacy owners, accounting staff, and sales clerks. It contained statements covering the existence, purpose, and basic requirements of PFRS for SMEs. All respondents indicated their level of awareness using a four-point rating scale. This section addressed Research Question 1.

The second section consisted of a compliance assessment checklist that was answered only by the accounting staff of each participating pharmacy. The accounting staff were selected for this section because of their direct involvement in maintaining accounting records and preparing financial reports. The checklist covered the five financial reporting areas identified in the study: recognition and measurement of assets, recognition and measurement of liabilities, recording of capital, recognition of income, and recording and classification of expenses. Each item was answered as compliant or not compliant based on the accounting staff member's assessment of the pharmacy's financial reporting practices and available accounting records. This section addressed Research Question 2. The results were interpreted as the reported status of compliance and did not constitute an external audit, independent audit opinion, or independent verification of the pharmacy's financial statements and accounting records.

The third section assessed the financial reporting practices employed by the participating pharmacies. All respondents were asked to indicate the frequency with which their pharmacy performed specific financial reporting practices covering the same five areas: assets, liabilities, capital, income, and expenses. A four-point frequency scale ranging from always to never was used to quantify the responses. This section addressed Research Question 3.

The fourth section identified the challenges encountered in preparing financial reports. All respondents were presented with a list of possible challenges and were instructed to indicate those applicable to their pharmacy. The challenges were organized according to the five financial reporting areas covered by the study: assets, liabilities, capital, income, and expenses. This section addressed Research Question 4.

The questionnaire was organized with clear instructions and appropriate response formats to facilitate consistent data collection and statistical analysis. The instrument was structured to generate quantitative data corresponding to the approved research questions. The findings from the four sections served as the empirical basis for formulating the intervention strategies proposed in response to Research Question 5.

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➢ *Validation of Instruments*

The research instruments were subjected to validation before the actual data collection to assess their clarity, relevance, appropriateness, and alignment with the research questions.

The research instrument was initially reviewed by the thesis adviser and selected experts in accounting and research to establish content validity. The reviewers examined the items in terms of their relevance to the study, clarity of instructions and statements, appropriateness of the response and rating scales, and alignment with the approved research questions. The comments and recommendations of the reviewers were considered by the researcher and incorporated into the instruments where appropriate to improve the clarity and suitability of the items.

After the expert review, the instruments were pilot-tested with respondents who were not included in the actual study but had characteristics similar to those of the target respondents. The pilot test was conducted to determine whether the instructions and items were understandable and whether any statements were ambiguous, redundant, or difficult to answer. Based on the observations and feedback obtained during the pilot test, minor revisions were made, particularly in the wording and arrangement of some items.

The validation and pilot-testing procedures helped the researcher refine the instruments before their administration to the actual respondents and ensure that the items were understandable, relevant to the intended areas of the study, and appropriate for collecting the quantitative data needed to address the research questions.

➢ *Data Gathering Procedures*

The data gathering procedures were conducted in a systematic and ethical manner to facilitate the collection of data consistent with the objectives of the study and to protect the rights and privacy of the respondents.

First, the researcher secured the necessary permissions prior to the actual data collection. An official letter requesting permission to conduct the study was submitted to the Local Government Unit (LGU) of Bulan, Sorsogon and to the owners of the qualified pharmacies. The letter stated the purpose of the study, the nature and extent of the data to be collected, and the voluntary and confidential nature of the respondents' participation.

After the necessary permissions were obtained, the researcher coordinated with the participating pharmacy owners to arrange the schedule and conduct of data collection. The questionnaire was personally distributed to the respondents in each participating pharmacy. The awareness questionnaire, financial reporting practices questionnaire, and challenges checklist were answered by the pharmacy owner, accounting staff member, and sales clerk of each participating pharmacy.

The compliance assessment checklist was answered only by the accounting staff member of each participating pharmacy. The accounting staff were selected for this component because of their direct involvement in maintaining accounting records and preparing financial reports. Their responses provided the basis for determining the reported status of compliance with the specified PFRS for SMEs requirements.

Before the administration of the instruments, the researcher provided a brief orientation on the purpose of the study and the procedures for answering the questionnaire. The respondents were informed that their participation was voluntary and that they could decline to participate or withdraw from the study in accordance with the applicable ethical requirements. They were also informed that the information they provided would be treated confidentially and used solely for academic purposes.

After the respondents completed the instruments, the researcher collected and checked the questionnaire for completeness. The completed instruments were reviewed to identify missing responses or items requiring clarification. Where necessary, respondents were allowed to clarify their understanding of the instructions or items without altering the substance of their responses. The completed questionnaire was then prepared for coding, tabulation, and statistical analysis.

Throughout the data gathering process, the researcher maintained the confidentiality of the information provided by the respondents and exercised appropriate care in handling the completed questionnaire. The data collection activities were conducted with due regard for the respondents' time, privacy, and voluntary participation.

➢ *Data Analysis Method*

The data gathered from the structured questionnaire and compliance assessment checklist were organized, coded, tabulated, and analyzed using descriptive statistical procedures appropriate to the quantitative nature of the study. The statistical treatment was aligned with the five approved research questions.

➢ *Research Question 1: Level of Awareness*

To determine the level of awareness of PFRS for SMEs among pharmacy owners, accounting staff, and sales clerks, frequency, percentage, and weighted mean were used. Frequency and percentage were used to summarize the distribution of responses, while the weighted mean was used to determine the overall level of awareness based on the four-point awareness scale.

- *The Awareness Scale was Coded as follows:*

Scale	Interpretation
4	Very Aware
3	Aware
2	Slightly Aware
1	Not Aware

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- *The Resulting Weighted Means were Interpreted using the Following Ranges:*

Weighted Mean Range	Interpretation
3.50 – 4.00	Very Aware
2.50 – 3.49	Aware
1.50 – 2.49	Slightly Aware
1.00 – 1.49	Not Aware

The analysis was presented for the respondents covered by Research Question 1, namely the pharmacy owners, accounting staff, and sales clerks.

➢ *Research Question 2: Status of Compliance*

To determine the status of compliance with PFRS for SMEs, the responses from the compliance assessment checklist answered by the accounting staff were coded as 1 for Compliant and 0 for Not Compliant. The checklist covered the five financial reporting areas specified in the study: recognition and measurement of assets, recognition and measurement of liabilities, recording of capital, recognition of income, and recording and classification of expenses.

Frequency and percentage were used to summarize the compliance responses for each indicator and each financial reporting area. The percentage of compliance was determined based on the number of compliant responses relative to the total number of accounting staff respondents who answered the checklist. Since one accounting staff member represented each of the eight participating pharmacies for this component, the compliance assessment had a total of eight respondents.

- *The compliance Coding was Interpreted as Follows:*

Rating	Interpretation
1	Compliant
0	Not Compliant

The findings were reported as the reported status of compliance based on the assessment provided by the accounting staff and did not constitute an external audit, independent audit opinion, or independent verification of the pharmacies' financial statements and accounting records.

➢ *Research Question 3: Financial Reporting Practices*

To determine the financial reporting practices employed by the participating pharmacies, frequency, percentage, and weighted mean were used. All respondents answered this section. Frequency and percentage were used to describe the distribution of responses, while the weighted mean was used to determine the frequency with which each financial reporting practice was performed.

- *The Financial Reporting Practices Scale was Coded as Follows:*

Scale	Interpretation
4	Always
3	Often
2	Sometimes
1	Never

- *The Resulting Weighted Means were Interpreted Using the following Ranges:*

Weighted Mean Range	Interpretation
3.50 – 4.00	Always
2.50 – 3.49	Often
1.50 – 2.49	Sometimes
1.00 – 1.49	Almost Never

The analysis covered the five financial reporting areas identified in the study: recognition and measurement of assets, recognition and measurement of liabilities, recording of capital, recognition of income, and recording and classification of expenses.

➢ *Research Question 4: Challenges Encountered*

To identify the challenges encountered by the respondents in preparing financial reports, frequency and percentage were used. All respondents answered the challenges checklist by indicating the challenges applicable to their pharmacy.

The frequency of each challenge was determined by counting the number of respondents who identified the particular challenge. The percentage was computed by dividing the frequency of each reported challenge by the total number of respondents and multiplying the result by 100.

The challenges were then ranked according to their frequency, with the challenge having the highest frequency assigned Rank 1. In cases where two or more challenges had the same frequency, they were assigned the same rank or handled using the ranking convention specified by the researcher.

The challenges were organized according to the five financial reporting areas covered by the study: assets, liabilities, capital, income, and expenses.

➢ *Research Question 5: Intervention Strategies*

The intervention strategies were formulated based on the findings of Research Questions 1 to 4. Areas with lower levels of awareness, lower reported compliance, less frequently performed financial reporting practices, and more frequently reported challenges were considered in identifying appropriate intervention strategies.

The proposed interventions were therefore derived from the descriptive findings of the study and were designed to address the specific financial reporting needs and challenges identified among the participating pharmacies.

➢ *Statistical Analysis*

The quantitative data gathered through the structured questionnaire and compliance assessment checklist were analyzed using descriptive statistical tools appropriate to the

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research questions and the nature of the data. The following statistical tools were used:

- *Percentage*

Percentage was used to describe the distribution of responses for awareness, compliance, financial reporting practices, and challenges. It was used to determine the proportion of respondents who selected a particular response and the proportion of compliant and non-compliant responses in the compliance assessment.

For the compliance assessment, the applicable total was eight accounting staff respondents, representing the eight participating pharmacies.

- *Weighted Mean*

Weighted mean was used to determine the level of awareness and the frequency of financial reporting practices based on the four-point rating scales used in the questionnaire.

For awareness, the scale ranged from 4 (Very Aware) to 1 (Not Aware). For financial reporting practices, the scale ranged from 4 (Always) to 1 (Never). The resulting weighted means were interpreted using the corresponding interpretation ranges established in the Data Analysis Method.

- *Compliance Rate*

For the compliance assessment checklist, each indicator was coded as 1 (Compliant) or 0 (Not Compliant). The compliance rate was computed to determine the proportion of compliant responses for each financial reporting area.

The resulting percentage indicated the reported proportion of compliance for each indicator and financial reporting area. The five areas assessed were recognition and measurement of assets, recognition and measurement of liabilities, recording of capital, recognition of income, and recording and classification of expenses.

The compliance rate represented the reported status of compliance based on the responses of the accounting staff and did not constitute an external audit, independent audit opinion, or independent verification of the pharmacies' financial statements and accounting records.

- *Frequency and Ranking of Challenges*

For the challenges checklist, frequency and percentage were used to determine how often each challenge was reported by the respondents. The frequency represented the number of respondents who identified a particular challenge, while the percentage represented the proportion of respondents who reported that challenge.

The challenges were then ranked according to their frequency, with the highest frequency assigned Rank 1. This ranking was used to identify the challenges that were most frequently reported by the respondents.

No sum of ranks was computed because the challenges checklist did not require respondents to assign numerical ranks to the challenges. The analysis therefore focused on the frequency and relative prevalence of the reported challenges.

The statistical results from the awareness, compliance, financial reporting practices, and challenges assessments served as the quantitative basis for formulating the intervention strategies proposed in response to Research Question 5.

III. RESULTS AND DISCUSSIONS

➢ *Level of Awareness of PFRS for SMEs*

Awareness of PFRS for SMEs varied across pharmacy owners, accounting staff, and sales clerks. These differences are considered in relation to the respondents' organizational responsibilities, financial-reporting knowledge, and involvement in generating or preparing accounting information.

Table 2 Level of Awareness of PFRS for SMEs Among Pharmacy Owners

Awareness Statement	Weighted Mean	Interpretation
Aware of the existence of PFRS for SMEs	2.75	Aware
Know the purpose of PFRS for SMEs	2.50	Aware
Aware that PFRS for SMEs applies to small and medium-sized enterprises	2.63	Aware
Know that PFRS for SMEs was issued to simplify financial reporting for SMEs	2.38	Slightly Aware
Aware that pharmacies may be required to comply with PFRS for SMEs	2.50	Aware
Aware that PFRS for SMEs covers assets, liabilities, capital, income, and expenses	2.25	Slightly Aware
Know that PFRS for SMEs requires the preparation of formal financial statements	2.63	Aware
Aware that non-compliance with PFRS for SMEs can result in penalties	2.13	Slightly Aware
Weighted Mean	**2.47**	**Slightly Aware**

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- *Pharmacy Owners*

Pharmacy owners registered a weighted mean of 2.47, corresponding to Slightly Aware. Their familiarity was stronger regarding the existence and general purpose of PFRS for SMEs, its applicability to SMEs and pharmacies, and the preparation of formal financial statements. Lower assessments concerned the standard's role in simplifying financial reporting, its coverage of specific reporting areas, and the possible consequences of noncompliance.

This pattern reflects a distinction between general familiarity with a financial reporting framework and detailed knowledge of its application. Awareness that a standard exists does not necessarily include an understanding of the recognition, measurement, classification, and presentation procedures needed to implement it. In the context of pharmacy ownership, this distinction is important because owners make decisions concerning record-keeping systems, engagement of accounting personnel, maintenance of supporting documents, and separation of personal and business transactions.

The result is consistent with the systematic review of Graña-Alvarez et al. (2024), which shows that financial literacy among SMEs encompasses more than basic knowledge and is connected with financial behavior, organizational capability, and the use of financial information. Sappor et al. (2023) similarly treated awareness, adoption, and compliance with IFRS for SMEs as related but distinct dimensions. Although the present study did not test the relationships among these variables, its findings reinforce the need to distinguish knowledge of a standard from its application in business reporting.

Compliance Theory provides a relevant lens for this distinction: familiarity with a requirement constitutes only one element of compliance and does not establish adherence. The Resource-Based View likewise positions financial-reporting knowledge as an organizational capability. Pharmacy owners need not personally perform every accounting procedure, but sufficient understanding enables them to authorize appropriate systems, oversee the completeness of records, and obtain professional assistance when necessary. Their orientation should therefore emphasize the managerial relevance of PFRS for SMEs, particularly their responsibility for supporting reliable documentation and maintaining a clear separation between business and personal finances.

Table 3 Level of Awareness of PFRS for SMEs Among Accounting Staff

Awareness Statement	Weighted Mean	Interpretation
Aware of the existence of PFRS for SMEs	2.88	Aware
Know the purpose of PFRS for SMEs	2.75	Aware
Aware that PFRS for SMEs applies to small and medium-sized enterprises	2.75	Aware
Know that PFRS for SMEs was issued to simplify financial reporting for SMEs	2.38	Slightly Aware
Aware that pharmacies may be required to comply with PFRS for SMEs	2.50	Aware
Aware that PFRS for SMEs covers assets, liabilities, capital, income, and expenses	2.50	Aware
Know that PFRS for SMEs requires the preparation of formal financial statements	2.75	Aware
Aware that non-compliance with PFRS for SMEs can result in penalties	2.25	Slightly Aware
Weighted Mean	**2.60**	**Aware**

- *Accounting Staff*

Accounting staff attained the highest weighted mean at 2.60, classified as Aware. They demonstrated stronger familiarity with the existence, purpose, applicability, scope, and financial-statement requirements of PFRS for SMEs. However, their awareness was more limited regarding the framework's simplifying purpose and the possible consequences of noncompliance.

Their comparatively higher assessment corresponds with their direct involvement in maintaining accounting records and preparing financial information. Regular exposure to accounting terminology and reporting procedures may provide accounting staff with a stronger knowledge base than personnel whose responsibilities primarily involve sales or inventory transactions. Nevertheless, the Aware classification should not be equated with complete technical mastery. The instrument measured self-reported awareness through eight general statements rather than through a technical examination of the respondents' ability to apply the standard.

The role of accounting personnel in SMEs is supported by Weigel and Hiebl (2023), whose systematic review identified accountants as providers of reporting services, advisers to owners, and intermediaries between small businesses and providers of capital. Their analysis presents accounting expertise as a resource that can strengthen the organizational capabilities of SMEs. Graña-Alvarez et al. (2024) similarly associate financial literacy with organizational processes and financial behavior.

The accounting staff's awareness thus represents a potentially valuable internal capability, but it does not by

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itself demonstrate consistent application of the standard. This distinction becomes evident in the subsequent findings, where several procedures involving inventory valuation, depreciation, liability classification, accrual recognition, and expense classification were reported less consistently. Compliance Theory clarifies the difference between knowing a requirement and applying it, while the Resource-Based View highlights the value of personnel who can translate financial-reporting knowledge into appropriate procedures. For accounting staff, professional development should therefore extend beyond general orientation and concentrate on the practical application of technically demanding accounting procedures.

Table 4 Level of Awareness of PFRS for SMEs Among Sales Clerks

Awareness Statement	Weighted Mean	Interpretation
Aware of the existence of PFRS for SMEs	1.88	Slightly Aware
Know the purpose of PFRS for SMEs	1.88	Slightly Aware
Aware that PFRS for SMEs applies to small and medium-sized enterprises	1.88	Slightly Aware
Know that PFRS for SMEs was issued to simplify financial reporting for SMEs	1.75	Slightly Aware
Aware that pharmacies may be required to comply with PFRS for SMEs	1.88	Slightly Aware
Aware that PFRS for SMEs covers assets, liabilities, capital, income, and expenses	1.88	Slightly Aware
Know that PFRS for SMEs requires the preparation of formal financial statements	2.00	Slightly Aware
Aware that non-compliance with PFRS for SMEs can result in penalties	1.88	Slightly Aware
Weighted Mean	**1.88**	**Slightly Aware**

- *Sales Clerks*

Sales clerks obtained a weighted mean of 1.88, interpreted as Slightly Aware, with all eight indicators falling within the same category. Their strongest area concerned the requirement to prepare formal financial statements, whereas their lowest assessment related to the role of PFRS for SMEs in simplifying financial reporting.

This result should be considered within the boundaries of their organizational role. Sales clerks are principally engaged in sales transactions, cash handling, issuance of transaction documents, recording of returns and discounts, and inventory-related activities. They generally have less involvement in financial-statement preparation, accounting measurement, or the application of technical reporting requirements. Their lower awareness of PFRS for SMEs therefore does not necessarily indicate inadequate performance of their assigned duties.

Their work nevertheless contributes directly to the information that enters the accounting system. Incomplete sales documentation, inaccurate cash records, unrecorded returns or discounts, and missing inventory information may affect the records maintained by accounting staff. Consequently, sales clerks require an appropriate understanding of how transaction-level documentation supports the preparation of reliable financial reports, even if they are not expected to apply complex accounting standards independently.

Institutional Theory helps situate this pattern within the distribution of responsibilities inside an organization. Formal financial-reporting requirements may not be understood uniformly when employees have different levels of involvement in accounting activities. From the Resource-Based View, the more relevant capability for sales clerks is the accurate and consistent production of source information. Their orientation should therefore concentrate on sales documentation, cash records, returns and discounts, and inventory movements rather than on technical recognition and measurement rules.

Across the three groups, accounting staff recorded the highest awareness mean of 2.60, followed by pharmacy owners at 2.47 and sales clerks at 1.88. The difference of 0.13 between accounting staff and pharmacy owners placed them on opposite sides of the 2.50 interpretive threshold. Given the small number of respondents in each group and the absence of an inferential test, this difference should be understood descriptively and not as evidence that accounting staff were statistically more aware than pharmacy owners.

A broader pattern nevertheless emerges. Familiarity was generally stronger regarding the existence, purpose, applicability, and financial-statement requirement of PFRS for SMEs than regarding its simplifying features, specific reporting coverage, and possible consequences of noncompliance. This pattern aligns with the distinction among awareness, adoption, and compliance emphasized by Sappor et al. (2023) and with the broader understanding of SME financial literacy advanced by Graña-Alvarez et al. (2024).

Taken together, Compliance Theory and the Resource-Based View offer the most direct interpretations of the awareness results. The former demonstrates why familiarity with a requirement cannot be treated as evidence of adherence, while the latter highlights role-appropriate knowledge and accounting expertise as organizational capabilities. The variation among respondent groups consequently supports differentiated capacity-building: managerial financial-reporting orientation for pharmacy

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owners, procedure-based technical development for accounting staff, and transaction-documentation training for sales clerks. These interventions respond to the descriptive patterns but should not be interpreted as evidence that awareness caused the reported compliance or practice results.

➢ *Status of Compliance of Pharmacies with PFRS for SMEs*

This section discusses the reported status of compliance of the participating pharmacies with selected indicators involving assets, liabilities, capital, income, and expenses. The checklist was completed by one accounting staff member from each of the eight pharmacies based on knowledge of the pharmacy's practices and available records. Because the underlying financial statements and accounting documents were not independently examined, the results do not constitute an audit or a comprehensive determination of compliance with all provisions of PFRS for SMEs.

The size of the participating population also warrants careful interpretation. Each pharmacy represents 12.5% of the eight-pharmacy population; consequently, a difference of one or two pharmacies produces a noticeable percentage change. The discussion therefore considers the number of pharmacies together with the reported percentages.

Table 5 Compliance Status: Recognition and Measurement of Assets

Indicator	Compliant Pharmacies	Percentage
Cash is recognized and recorded as an asset.	8	100%
Inventory is recognized as an asset.	7	88%
Equipment is recognized as an asset.	5	63%
Furniture and fixtures are recognized as assets.	5	63%
Assets are measured at cost at initial recognition.	4	50%
Depreciation is recorded for depreciable assets.	3	38%
Inventory is measured at the lower of cost or net realizable value.	2	25%
Receivables are recognized when earned and measurable.	2	25%

- *Recognition and Measurement of Assets*

Asset-related results reveal a distinction between recognizing resources encountered in daily operations and applying measurement or subsequent-accounting procedures. All eight pharmacies were assessed as compliant with recognizing and recording cash, while seven recognized inventory and five accounted for equipment, furniture, and fixtures. Lower reported compliance characterized initial measurement at cost, depreciation, inventory valuation at the lower of cost or net realizable value, and recognition of receivables when earned and measurable.

This pattern indicates that identifying cash, inventory, and operating equipment was more established than procedures requiring periodic calculations, valuation, adjustment, or supporting schedules. In pharmacy operations, this distinction is particularly important because medicines may expire, become damaged, move slowly, or decline in recoverable value. Maintaining an inventory list therefore does not necessarily establish that inventory has been measured appropriately.

Comparable limitations in systematic accounting records have been documented among Philippine micro and small enterprises by Borromeo et al. (2024). Lee (2023) similarly identified data accuracy, inventory tracking, process efficiency, and financial-reporting systems as concerns among micro and small enterprises. For depreciation, Karista and Nugraeni's (2024) pharmacy-based intervention demonstrates the practical relevance of fixed-asset registers and depreciation schedules among smaller pharmacy businesses.

The Resource-Based View offers the most direct interpretation of these results. Inventory valuation, receivables recognition, and depreciation depend on organized records, appropriate worksheets, accounting knowledge, and periodic review. Compliance Theory further clarifies that recognizing cash or inventory does not establish conformity with the related measurement and subsequent-accounting requirements. Reported compliance must therefore be considered at the indicator level rather than inferred from the performance of a single routine procedure.

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Table 6 Compliance Status: Recognition and Measurement of Liabilities

Indicator	Compliant Pharmacies	Percentage
Accounts payable to suppliers are recognized.	6	75%
Bank loans or borrowings are recognized as liabilities.	4	50%
Taxes payable to BIR are recognized.	4	50%
Salaries and wages payable are recognized.	3	38%
Utilities payable are recognized.	2	25%
Liabilities are measured at the amount expected to be paid.	3	38%
Current and non-current liabilities are classified.	1	13%
Lease obligations, if any, are recognized.	0	0%

- *Recognition and Measurement of Liabilities*

Liability-related results show a similar contrast. Accounts payable to suppliers received the highest reported compliance, identified in six pharmacies. Four recognized bank loans or borrowings and taxes payable, while three accounted for salaries and wages payable and measured liabilities at the amount expected to be paid. Recognition of utilities payable and classification of liabilities as current or non-current were less frequently reported.

The stronger result for supplier payables corresponds with the regularity of credit purchases in pharmacy operations. Obligations to medicine and product suppliers arise directly from routine inventory acquisition and may be supported by invoices or statements of account. By comparison, unpaid payroll, utilities, and other accrued obligations require procedures for identifying amounts incurred but not yet settled. Current and non-current classification additionally requires consideration of the expected settlement period.

Bautista (2020) stated that in examining financial management among pharmacies in Cabanatuan City, identified cash and accounts-payable management as relevant aspects of pharmacy operations. Although the study did not assess PFRS for SMEs compliance, it supports the operational importance of supplier obligations. The present results extend this evidence by showing that liability reporting also encompasses loans, taxes, payroll, utilities, measurement, and financial-statement classification. The pattern likewise corresponds with Borromeo et al. (2024), who documented limitations in the systematic accounting practices of Philippine micro and small businesses.

Compliance Theory underscores why recognition of a familiar obligation cannot represent compliance with the entire liability area. A pharmacy may record supplier balances while applying accrued-liability recognition, measurement, and classification less consistently. Institutional Theory provides a broader contextual perspective because these obligations arise from relationships with suppliers, lenders, employees, tax authorities, and accounting professionals. Fanani et al. (2024) found that IFRS for SMEs implementation varies across institutional and socioeconomic settings, although the present study did not directly measure such influences.

The absence of affirmative responses for lease obligations requires separate caution. Since the checklist did not include a Not Applicable option, a negative assessment may indicate either that an existing lease obligation was not recognized or that no applicable obligation existed. The result cannot establish universal noncompliance with lease accounting among the eight pharmacies.

Table 7 Summary of the Reported Status of Compliance with the Recording, Measurement, Presentation, and Documentation of Capital Transactions

Indicator	Compliant Pharmacies	Percentage
Owner's initial investment is recorded in the capital account.	6	75%
Additional investments by the owner are properly recorded.	4	50%
Withdrawals by the owner are properly recorded.	2	25%
Net profit or loss is closed to the capital account.	2	25%
Capital is presented in the statement of financial position.	3	38%
Owner's equity is measured at residual amount after deducting liabilities.	2	25%
Changes in capital are reflected in the statement of changes in equity.	1	13%
Capital accounts are supported by accurate records.	2	25%

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➢ *Recording of Capital*

Capital-related findings indicate that initial owner contributions were recorded more consistently than subsequent changes in equity. Six pharmacies accounted for the owner's initial investment, four recorded additional contributions, and three presented capital in the statement of financial position. In comparison, only two were assessed as compliant with recording withdrawals, closing profit or loss to capital, determining owner's equity as the residual interest after liabilities, and maintaining appropriate supporting records. One pharmacy reflected changes in capital in the applicable statement.

The pattern suggests that establishing an opening capital balance was more common than maintaining a complete account of transactions that subsequently altered the owner's interest. An accurate capital balance requires continuing documentation of additional investments, withdrawals, accumulated results, and other changes—not merely recognition of the original contribution.

The result is consistent with the emphasis of Borromeo et al. (2024) on systematic and complete accounting records among small businesses. It also corresponds with the challenge findings of the present study, where separating personal funds from business capital was the most frequently selected concern, identified by 21 of the 24 respondents. This correspondence does not demonstrate that the reported challenge caused the capital-compliance pattern, but it identifies owner-related transactions as a common concern across two sets of descriptive results.

From the Resource-Based View, reliable capital accounting depends on clear procedures, separate records, adequate documentation, and cooperation between the owner and accounting staff. Stakeholder Theory adds that properly maintained capital information can help legitimate users understand the owner's investment, withdrawals, accumulated results, and residual interest in the business. The study did not examine how creditors, suppliers, or other stakeholders used this information; thus, its usefulness to those groups remains a theoretical implication rather than an observed outcome.

Table 8 Compliance Status: Recognition of Income

Indicator	Compliant Pharmacies	Percentage
Income from the sale of medicines is recognized.	7	88%
Income from the sale of non-medicine products is recognized.	6	75%
Income is recognized when earned, not when cash is received.	2	25%
Income is measured at the amount expected to be received.	3	38%
Sales returns and discounts are properly recorded.	2	25%
Other income, if any, is recognized separately.	1	13%
Income is properly presented in the income statement.	2	25%
Income is supported by official receipts or sales invoices.	6	75%

➢ *Recognition of Income*

Income-related results reveal stronger reported compliance for routine sales than for accrual recognition, adjustment, measurement, and presentation. Seven pharmacies recognized medicine sales, while six recorded income from non-medicine products and supported transactions with official receipts or sales invoices. Fewer pharmacies measured income at the expected amount, recognized it when earned, accounted for returns and discounts, or presented it in the income statement.

Recording daily sales is central to pharmacy operations, but complete income reporting extends beyond documenting cash receipts. It also involves determining when income is earned, adjusting for returns and discounts, distinguishing other sources of revenue, summarizing transactions, and presenting the resulting information in the financial statements. The results therefore distinguish transaction recording from the broader process of income recognition and reporting.

Nugraeni et al. (2025) reported an Excel-based financial-statement preparation program for pharmacy entrepreneurs that included recording, classifying, and organizing financial information. Although their work involved an intervention rather than a compliance assessment, it illustrates the need to translate routine transaction records into structured financial reports. The distinction is also consistent with Borromeo et al. (2024), whose findings differentiate basic record keeping from more systematic accounting practices among Philippine small businesses.

Compliance Theory reinforces an indicator-level interpretation: recognition of medicine sales alone cannot establish conformity with all income-related requirements. Stakeholder Theory further emphasizes the potential usefulness of complete income information to owners, creditors, and other legitimate users assessing financial performance. However, the present study did not identify the actual users of the pharmacies' reports or measure how income information influenced their decisions.

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Separate recognition of "other income, if any" presents the same measurement limitation as lease obligations. A pharmacy without another source of income would have no applicable transaction to record. The affirmative assessment received by one pharmacy should therefore not be interpreted as evidence that the remaining seven necessarily failed to recognize existing other income.

Table 9 Compliance Status: Recording and Classification of Expenses

Indicator	Compliant Pharmacies	Percentage
Cost of goods sold is properly recorded.	4	50%
Rent expense is properly recorded.	5	63%
Salaries and wages are properly recorded as expenses.	4	50%
Utilities expense is properly recorded.	3	38%
Supplies expense is properly recorded.	2	25%
Expenses are classified as operating or non-operating.	1	13%
Expenses are recognized when incurred, not when paid.	1	13%
Depreciation expense is recognized.	1	13%

➢ *Recording and Classification of Expenses*

Expense-related findings show that familiar recurring costs were recorded more consistently than procedures involving classification, accrual, allocation, and periodic adjustment. Rent received the highest reported compliance, followed by cost of goods sold and salaries and wages. Utilities and supplies were identified less frequently, while only one pharmacy received an affirmative assessment for classifying expenses, recognizing them when incurred, and recording depreciation.

The contrast is significant because documenting a payment is not equivalent to applying the complete accounting treatment for an expense. Accrual-based recognition requires unpaid obligations to be recorded when incurred, while depreciation allocates the cost of a depreciable asset over its useful life. Cost of goods sold likewise depends on appropriate inventory records and cost determination; recording purchases or maintaining a physical inventory list does not by itself establish an accurate cost of products sold.

The depreciation result corresponds with Karista and Nugraeni's (2024) work on Excel-based fixed-asset depreciation management among pharmacy MSMEs. Nugraeni et al. (2025) likewise demonstrated the practical role of guided tools in cost classification and financial-statement preparation among pharmacy entrepreneurs. Within the Philippine setting, Borromeo et al. (2024) identified broader limitations in systematic accounting practices among micro and small enterprises. The present study specifies how those limitations may appear in pharmacy expense reporting through cost-of-goods-sold computation, accrual recognition, classification, and depreciation.

The Resource-Based View connects these procedures with the availability of accounting knowledge, inventory records, source documents, fixed-asset schedules, classification guides, and regular review. Compliance Theory again distinguishes the recording of common cash payments from the application of the complete reporting requirements. These theoretical perspectives do not establish that deficiencies in organizational resources caused the observed results, but they clarify why certain procedures may demand more specialized accounting capability.

Across the five financial reporting areas, reported compliance was generally stronger for routine recognition and recording than for measurement, classification, accrual-based recognition, adjustment, documentation, and financial-statement presentation. Relatively stronger indicators concerned cash and inventory, supplier payables, the owner's initial investment, medicine sales, and common expenses. Lower assessments involved inventory valuation, receivables, depreciation, liability classification, capital reconciliation, accrual accounting, sales adjustments, and expense classification.

This pattern corresponds with Borromeo et al. (2024), who documented limitations in systematic accounting practices among Philippine micro and small enterprises, and with Msechu et al. (2024), who found variation in IFRS for SMEs compliance among Tanzanian SMEs. The contexts and assessment methods differ, but both studies caution against treating SME compliance as uniform. Fanani et al. (2024) similarly demonstrate that implementation varies across broader institutional settings.

Among the theoretical perspectives, the Resource-Based View most directly illuminates the reported pattern because technically demanding procedures require knowledgeable personnel, organized records, suitable tools, and access to professional assistance. Compliance Theory complements this interpretation by distinguishing awareness and routine bookkeeping from the application of specific reporting requirements. Institutional Theory provides contextual relevance, although regulatory and professional pressures were not measured in the study.

No participating pharmacy should therefore be characterized as fully compliant or noncompliant on the basis of these results. The checklist covered selected indicators, relied on assessments made by accounting staff,

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and was not accompanied by an independent examination of financial records. The defensible interpretation is that the reported status of compliance varies across the specified indicators, with routine recognition activities generally receiving stronger assessments than several technical measurement, classification, accrual, and presentation procedures.

➢ *Financial Reporting Practices of Pharmacies*

This section discusses how frequently the participating pharmacies reportedly performed selected financial reporting practices involving assets, liabilities, capital, income, and expenses. The findings represent the combined responses of eight pharmacy owners, eight accounting staff members, and eight sales clerks rather than direct observation or independent examination of the accounting records.

All five areas received a verbal interpretation of Sometimes. Assets and capital shared the highest weighted mean of 2.49, followed by income at 2.46, liabilities at 2.23, and expenses at 2.22. Since assets and capital were immediately below the 2.50 threshold for Often, the numerical means should be considered alongside their categorical interpretations.

Table 10 Financial Reporting Practices: Recognition and Measurement of Assets

Practice	Weighted Mean	Interpretation
The pharmacy records cash sales and cash on hand.	3.62	Always
The pharmacy maintains an inventory list of medicines and supplies.	3.13	Often
Equipment and fixtures are listed and monitored.	2.55	Often
Depreciation is computed and recorded.	1.92	Sometimes
Inventory is valued at cost or at the lower of cost or net realizable value.	2.04	Sometimes
Receivables from customers are recorded.	1.83	Sometimes
Assets are measured at their original cost.	2.46	Sometimes
A record of all assets is maintained and updated.	2.38	Sometimes
Weighted Mean	**2.49**	**Sometimes**

- *Recognition and Measurement of Assets*

Asset-related practices registered a weighted mean of 2.49, corresponding to Sometimes. Recording cash sales and cash on hand was the only asset practice undertaken Always. Inventory lists and records of equipment and fixtures were maintained Often, whereas original-cost measurement, comprehensive asset-record maintenance, inventory valuation, depreciation, and receivables recording occurred Sometimes. Receivables obtained the lowest mean within the area.

The variation distinguishes routine transaction recording from practices that require periodic measurement, adjustment, or systematic record maintenance. Cash is encountered daily, while inventory lists and equipment records may also serve immediate operational purposes. Inventory valuation, depreciation, and receivables accounting, by contrast, require supporting schedules, calculations, and periodic review.

Borromeo et al. (2024) similarly found that Philippine micro and small businesses may maintain basic transaction records without operating a complete accounting system. Aguila et al. (2022) documented continued reliance on manual bookkeeping and external assistance among SMEs, while Lee (2023) identified inventory-data accuracy and tracking as practical concerns. Karista and Nugraeni's (2024) pharmacy-based depreciation intervention further demonstrates the need for accessible fixed-asset records and calculation tools.

The practice results also correspond descriptively with the compliance and challenge findings. Inventory valuation, receivables recognition, and depreciation received lower reported compliance, occurred only Sometimes, and appeared among the difficulties identified by the respondents. Although this convergence does not establish causality, it consistently identifies these procedures as areas requiring attention.

Table 11 Financial Reporting Practices: Recognition and Measurement of Liabilities

Practice	Weighted Mean	Interpretation
The pharmacy records amounts owed to suppliers.	3.04	Often
Bank loans or borrowings are recorded.	2.50	Often
Taxes payable to the BIR are recorded.	2.38	Sometimes
Salaries and wages owed to staff are recorded.	2.25	Sometimes
Utility bills owed are recorded.	2.04	Sometimes
Liabilities are classified as current or non-current.	1.54	Sometimes
Liabilities are measured at the amount expected to be paid.	2.17	Sometimes
A list of all liabilities is maintained and updated.	1.92	Sometimes
Weighted Mean	**2.23**	**Sometimes**

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- *Recognition and Measurement of Liabilities*

Liability-related practices produced a weighted mean of 2.23, interpreted as Sometimes. Supplier balances and bank loans or borrowings were recorded Often, while taxes payable, salaries and wages payable, utilities payable, liability measurement, record updating, and current or non-current classification were undertaken Sometimes. Classification received the lowest mean of 1.54.

More frequent recording of supplier balances corresponds with the regular acquisition of medicines and other products, while bank loans are ordinarily supported by formal agreements and payment schedules. These obligations may therefore be more visible than accrued payroll, unpaid utilities, or financial-statement classifications that require periodic accounting review.

Bautista (2020) confirms the operational relevance of accounts-payable management among small pharmacies. The present results extend that observation by showing that regular recording of supplier balances did not necessarily encompass all liability-related procedures. This distinction is consistent with the broader limitations in systematic accounting practices identified by Borromeo et al. (2024).

Liability classification emerged as a common concern across the study. It received the lowest practice mean, only one pharmacy was assessed as compliant with the corresponding indicator, and 13 respondents reported difficulty distinguishing current from non-current liabilities. These converging results identify classification as an important area for practical guidance without demonstrating that one set of findings caused another.

Institutional Theory provides contextual relevance because pharmacies respond to obligations involving suppliers, lenders, employees, tax authorities, and other government agencies. The Resource-Based View adds that regular liability accounting depends on organized payable records, loan schedules, accrued-expense schedules, classification procedures, and knowledgeable personnel. Since these institutional influences and organizational resources were not measured directly, they remain theoretical interpretations rather than tested explanations.

Table 12 Financial Reporting Practices: Recording of Capital

Practice	Weighted Mean	Interpretation
The owner's initial investment is recorded.	3.33	Often
Additional investments are recorded separately.	2.54	Often
Owner's withdrawals are recorded.	2.04	Sometimes
Net profit or loss is closed to the capital account.	2.25	Sometimes
The owner monitors the capital balance regularly.	2.67	Often
A separate capital account is maintained.	2.79	Often
Changes in capital are documented.	2.08	Sometimes
Capital is reported in the financial statements.	2.21	Sometimes
Weighted Mean	**2.49**	**Sometimes**

- *Recording of Capital*

Capital-related practices likewise obtained a weighted mean of 2.49, classified as Sometimes. The owner's initial investment, maintenance of a separate capital account, monitoring of the capital balance, and additional investments were recorded Often. Closing profit or loss to capital, presenting capital in the financial statements, documenting changes in equity, and recording owner's withdrawals occurred Sometimes.

The pattern shows that establishing and generally monitoring capital was more frequent than maintaining a complete account of subsequent changes. An initial contribution is a visible transaction, whereas withdrawals, additional investments, and the transfer of profit or loss require continuing documentation to preserve an accurate capital balance.

This distinction supports the observation of Borromeo et al. (2024) that useful accounting information depends on systematic and complete records. It also corresponds with the challenge results: separating personal funds from business capital was the most frequently selected concern in the entire checklist, while recording additional investments and owner's withdrawals also presented difficulties.

From the Resource-Based View, separation of owner and business transactions constitutes an organizational capability supported by clear procedures, independent records, appropriate documentation, and cooperation between owners and accounting staff. Stakeholder Theory further suggests that capital information may assist owners, lenders, suppliers, and other legitimate users in distinguishing business resources from personal transactions. The study, however, did not examine the actual use of this information by specific stakeholders.

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Table 13 Financial Reporting Practices: Recognition of Income

Practice	Weighted Mean	Interpretation
Income from medicine sales is recorded daily.	3.46	Often
Income from non-medicine products is recorded.	3.13	Often
Official receipts or invoices are issued for sales.	3.04	Often
Sales returns and discounts are recorded.	1.88	Sometimes
Income is recorded when earned, not only when cash is received.	1.79	Sometimes
Other income is recorded separately.	1.67	Sometimes
Monthly income is summarized and reviewed.	2.46	Sometimes
Income is reported in the income statement.	2.25	Sometimes
Weighted Mean	**2.46**	**Sometimes**

- *Recognition of Income*

Income-related practices recorded a weighted mean of 2.46, interpreted as Sometimes. Medicine and non-medicine sales and the issuance of official receipts or invoices occurred Often. Monthly summarization, income-statement presentation, sales returns and discounts, accrual-based recognition, and separate recording of other income were undertaken Sometimes.

This pattern differentiates routine sales documentation from the adjustment, summarization, and presentation needed to produce complete income information. Daily sales are closely connected with pharmacy operations and cash handling. Formal income reporting additionally requires returns and discounts to be accounted for, revenue to be recognized when earned, other sources to be identified, and accumulated transactions to be periodically summarized.

The distinction accords with Borromeo et al. (2024), who differentiated basic transaction recording from more systematic accounting practices. Nugraeni et al. (2025) likewise demonstrated the practical value of guided, spreadsheet-based procedures for organizing pharmacy transactions and preparing financial reports.

These results should also be considered in light of the respondents' different organizational roles. Sales clerks may directly observe the recording of sales and issuance of transaction documents, whereas accounting staff are more likely to perform adjustments, summarization, and financial-statement preparation. Since the practice results combine the responses of all three groups, the means may partly reflect differences in their access to information about technical procedures.

The reported compliance, practice, and challenge findings converge on sales adjustments and accrual-based income recognition. Both procedures received lower compliance assessments, occurred only Sometimes, and were identified as difficult by respondents. This correspondence establishes their recurring presence across the descriptive results but does not demonstrate a causal relationship among the variables.

Table 14 Financial Reporting Practices: Recording and Classification of Expenses

Practice	Weighted Mean	Interpretation
Cost of goods sold is recorded.	2.79	Often
Rent expense is recorded.	2.88	Often
Salaries and wages are recorded as expenses.	2.71	Often
Utilities are recorded as expenses.	2.54	Often
Supplies expense is recorded.	2.33	Sometimes
Expenses are classified as operating or non-operating.	1.58	Sometimes
Expenses are recorded when incurred, not only when paid.	1.50	Sometimes
Depreciation expense is recorded.	1.46	Almost Never
Weighted Mean	**2.22**	**Sometimes**

- *Recording and Classification of Expenses*

Expense-related practices obtained the lowest weighted mean at 2.22, interpreted as Sometimes. Rent, cost of goods sold, salaries and wages, and utilities were recorded Often. Supplies expense, operating and non-operating classification, and accrual-based recognition occurred Sometimes. Depreciation expense, with a mean of 1.46, was the only practice across the five reporting areas classified as Never.

The pattern again separates familiar recurring transactions from procedures requiring classification, accrual, or systematic allocation. Rent, payroll, and utilities commonly generate payment documents, while accrued expenses require recognition before settlement and

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depreciation depends on complete fixed-asset records and periodic computation.

Karista and Nugraeni's (2024) depreciation initiative among pharmacy MSMEs supports the practical relevance of structured fixed-asset tools. Nugraeni et al. (2025) similarly incorporated expense classification and financial-statement preparation into their pharmacy-focused training. More broadly, Belen et al. (2024) identified knowledge and resource constraints in SME bookkeeping and compliance, reinforcing the importance of accounting expertise, time, and record-keeping systems.

Cost of goods sold illustrates why practice frequency and reported compliance must remain conceptually distinct. Although the procedure was reportedly undertaken Often, 20 respondents identified it as difficult and only four pharmacies received an affirmative compliance assessment for the corresponding indicator. A procedure may be performed regularly yet remain challenging or may not always conform to the specified accounting treatment. Conversely, a practice undertaken Sometimes is not necessarily applied incorrectly on every occasion.

Across the five areas, practices linked to daily or familiar transactions were performed more frequently. These included cash and sales recording, inventory listing, supplier balances, initial capital contributions, sales documentation, and common operating expenses. Procedures involving measurement, adjustment, classification, accrual accounting, comprehensive record maintenance, and formal presentation were generally less frequent.

This pattern is consistent with Philippine SME research. Aguila et al. (2022) documented variation in bookkeeping methods and the continued use of manual systems, while Borromeo et al. (2024) identified limitations in systematic accounting records. Dimaano et al. (2024) found varying levels of computerized accounting-system implementation among service SMEs, and Burgos et al. (2022) demonstrated the broader relevance of accounting-information systems to the processing and organization of SME financial data.

The Resource-Based View provides the most direct theoretical interpretation. Regular financial reporting depends on accounting knowledge, responsible personnel, standardized procedures, templates, record-keeping systems, and access to professional assistance. Institutional Theory adds that routine activities may receive greater attention when reinforced by supplier documents, lending arrangements, taxation procedures, or regulatory requirements. Stakeholder Theory highlights the potential usefulness of organized financial information to owners and other legitimate users. Nevertheless, organizational resources, institutional pressures, and stakeholder expectations were not directly measured and should not be treated as established causes of the reported practices.

The participating pharmacies reportedly undertook several routine recording activities with regularity but applied many technical measurement, adjustment, classification, and reporting procedures less consistently. The results consequently point to a need for support that extends beyond general awareness and includes practical tools, standardized procedures, periodic review, and access to qualified accounting guidance.

➢ *Challenges Encountered in Preparing Financial Reports*

This section discusses the challenges identified by the respondents in preparing financial reports involving assets, liabilities, capital, income, and expenses. The checklist was completed by all 24 respondents and permitted multiple selections. Accordingly, the frequencies represent the number of individuals who identified each concern rather than the number of pharmacies independently verified as experiencing it. The rankings indicate relative frequency and should not be interpreted as measures of severity.

Table 15 Challenges in Recognition and Measurement of Assets

Challenge	Frequency	Percentage	Rank
Difficulty in valuing inventory	20	83%	1
No system for tracking expired inventory	19	79%	2
Lack of knowledge in depreciation computation	18	75%	3
Difficulty in measuring equipment and fixtures	16	67%	4
No proper record of receivables	14	58%	5
Confusion between personal and business assets	12	50%	6
Inability to determine cost of fixed assets	11	46%	7
Lack of time to prepare asset records	8	33%	8

- *Recognition and Measurement of Assets*

Inventory valuation was the leading asset-related challenge, identified by 20 respondents (83%). The absence of a system for monitoring expired or slow-moving inventory followed with 19 responses (79%), while limited knowledge of depreciation computation was cited by 18 (75%). Additional concerns involved equipment and fixture measurement, receivables records, separation of personal and business assets, fixed-asset costing, and the time required to maintain asset records.

These concerns extend beyond identifying whether an asset exists. They involve valuation, monitoring, documentation, and subsequent accounting. This distinction is particularly important for pharmacies because medicines may expire, become damaged or obsolete, move slowly, or decline in recoverable value. A quantity-based inventory list alone may therefore be insufficient for financial reporting without reliable cost records and procedures for evaluating products whose carrying amounts may require adjustment.

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Lee (2023) similarly identified inventory tracking, data accuracy, process efficiency, and financial-reporting systems as concerns among micro and small enterprises. Borromeo et al. (2024) documented broader limitations in the accounting records of Philippine small businesses, while Karista and Nugraeni (2024) demonstrated the practical relevance of structured depreciation tools among pharmacy MSMEs.

The challenge results correspond descriptively with the reported compliance and practice findings. Inventory valuation and depreciation received lower compliance assessments and occurred less frequently, while respondents also identified them as prominent difficulties. This recurrence across three components of the study strengthens their relevance as priority areas, although it does not establish that the reported challenges caused the compliance or practice results.

Table 16 Challenges in Recognition and Measurement of Liabilities

Challenge	Frequency	Percentage	Rank
Difficulty in tracking payables to suppliers	19	79%	1
Difficulty in computing taxes payable	18	75%	2
No proper record of bank loans	16	67%	3
Lack of knowledge in recording salaries payable	15	63%	4
Inability to classify current and non-current liabilities	13	54%	5
Confusion in measuring the amount of liabilities	12	50%	6
No system for updating liability records	10	42%	7
Difficulty in recognizing obligations to government agencies	9	38%	8

- *Recognition and Measurement of Liabilities*

Tracking supplier payables was the most frequently identified liability-related concern, selected by 19 respondents (79%). Computing taxes payable followed at 18 (75%), while inadequate records for bank loans and borrowings were noted by 16 (67%). Respondents also identified difficulties involving salaries payable, current and non-current classification, liability measurement, record updating, and obligations to government agencies.

The prominence of supplier payables is noteworthy because accounts payable also received the strongest liability-related compliance assessment and was the most frequently performed liability practice. These results are not necessarily inconsistent. Supplier balances may be recorded regularly while respondents continue to experience difficulty maintaining complete, accurate, reconciled, and current records. Frequency, difficulty, and reported compliance represent different dimensions of the accounting process.

Bautista (2020) identified accounts-payable management as a significant aspect of financial management among small pharmacies. Belen et al. (2024) likewise documented knowledge- and resource-related concerns in SME bookkeeping and tax compliance. Although difficulty computing taxes payable does not establish noncompliance with either financial-reporting standards or tax regulations, it indicates that respondents encountered challenges in determining and recording obligations to government agencies.

Liability classification demonstrated a particularly consistent pattern. Only one pharmacy received an affirmative compliance assessment for distinguishing current from non-current liabilities, the corresponding practice had the lowest liability-related mean, and 13 respondents identified classification as difficult. Compliance Theory clarifies that recording an amount owed does not necessarily include complete measurement, updating, classification, and presentation. The Resource-Based View further highlights the relevance of payable schedules, loan registers, accrued-expense records, classification guides, and accounting expertise.

Table 17 Challenges in Recording Capital

Challenge	Frequency	Percentage	Rank
Difficulty in separating personal funds from business capital	21	88%	1
No proper recording of additional investments	16	67%	2
Difficulty in recording owner's withdrawals	15	63%	3
Lack of knowledge in closing profit or loss to capital	14	58%	4
No capital account maintained	12	50%	5
Confusion in computing owner's equity	11	46%	6
Lack of documentation for capital transactions	10	42%	7
Difficulty in updating capital records regularly	8	33%	8

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- *Recording of Capital*

Separation of personal funds from business capital was identified by 21 respondents (88%), making it both the leading capital-related concern and the most frequently selected challenge in the entire instrument. Inadequate recording of additional investments was cited by 16 respondents (67%), followed by difficulty accounting for owner's withdrawals at 15 (63%). Other concerns included closing profit or loss to capital, maintaining a separate capital account, computing owner's equity, preserving supporting documents, and updating capital records.

These difficulties center on maintaining a clear boundary between the owner and the business. When personal and business funds are combined, it may become difficult to determine whether a transaction represents income, expense, capital contribution, withdrawal, an amount due from the owner, or another account.

Aguila et al. (2022) documented variation in the formality of SME bookkeeping systems, including continued reliance on manual methods and external assistance. Borromeo et al. (2024) likewise identified weaknesses in systematic accounting records among Philippine micro and small enterprises. The present findings extend this evidence by identifying owner–business separation as a particularly prominent concern among the participating pharmacies.

Capital challenges also correspond with the other results. Recording withdrawals and documenting changes in capital occurred only Sometimes, while few pharmacies received affirmative compliance assessments for withdrawals and supporting records. From the Resource-Based View, proper separation requires organizational discipline, distinct accounts, standardized documentation, regular updating, and cooperation between owners and accounting personnel. Stakeholder Theory further suggests that clear capital records improve the distinction between business resources and personal transactions, although stakeholder use of such information was not directly examined.

Table 18 Challenges in Recognition of Income

Challenge	Frequency	Percentage	Rank
Difficulty in recording multiple income streams	17	71%	1
No proper issuance of official receipts	15	63%	2
Confusion in recognizing income when earned	14	58%	3
Difficulty in recording sales returns and discounts	12	50%	4
Lack of knowledge in measuring income accurately	11	46%	5
No system for summarizing monthly income	10	42%	6
Difficulty in separating business income from personal funds	9	38%	7
Inability to prepare income reports	8	33%	8

- *Recognition of Income*

Recording multiple income streams emerged as the most frequently identified income-related challenge, selected by 17 respondents (71%). Improper issuance of official receipts followed with 15 responses (63%), while uncertainty about recognizing income when earned was identified by 14 (58%). The remaining concerns covered returns and discounts, income measurement, monthly summarization, separation of business income from personal funds, and preparation of income reports.

The distribution of these concerns shows that difficulties occurred throughout the income-reporting process—from source documentation and transaction recording to measurement, adjustment, summarization, and financial-statement presentation. Daily medicine sales may be recorded regularly while other sources, sales adjustments, and accrual-based recognition remain difficult to organize.

Nugraeni et al. (2025) demonstrated the relevance of guided, spreadsheet-based activities for organizing transaction information and preparing pharmacy financial reports. The pattern also aligns with Borromeo et al. (2024), whose findings distinguish routine bookkeeping from more systematic accounting procedures.

Accrual-based income recognition appeared consistently across the results. Only two pharmacies received an affirmative compliance assessment for recognizing income when earned, the corresponding practice was undertaken Sometimes, and 14 respondents expressed uncertainty about the procedure. Difficulties separating business income from personal funds also mirror the capital-related concern regarding owner–business separation. Together, these patterns indicate that the boundary between personal and business transactions affects more than one area of financial reporting.

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Table 19 Challenges in Recording and Classification of Expenses

Challenge	Frequency	Percentage	Rank
Difficulty in recording cost of goods sold	20	83%	1
No proper classification of operating and non-operating expenses	18	75%	2
Difficulty in recognizing expenses when incurred	17	71%	3
Lack of knowledge in recording depreciation	16	67%	4
No system for tracking utilities and rent	14	58%	5
Difficulty in recording salaries and wages	13	54%	6
Confusion in classifying supplies expense	11	46%	7
Lack of time to update expense records	9	38%	8

- *Recording and Classification of Expenses*

Cost-of-goods-sold recording was the leading expense-related challenge, identified by 20 respondents (83%). Improper distinction between operating and non-operating expenses was selected by 18 (75%), followed by difficulty recognizing expenses when incurred at 17 (71%). Limited knowledge of depreciation was noted by 16 respondents (67%), along with concerns involving utilities, rent, salaries and wages, supplies classification, and timely record updating.

Difficulty determining cost of goods sold is closely related to inventory accounting because the computation depends on reliable records of beginning inventory, purchases, purchase adjustments, and ending inventory. The study did not test this relationship statistically, but both inventory valuation and cost-of-goods-sold recording were among the most frequently selected concerns.

Cost of goods sold was reportedly recorded Often, yet it also ranked as the leading expense challenge and received an affirmative compliance assessment from only four pharmacies. As with supplier payables, these results measure different aspects of reporting. A procedure may occur regularly while remaining difficult to compute or document, and frequency does not establish conformity with the relevant accounting requirement.

Nugraeni et al. (2025) incorporated cost classification and financial-report preparation into their pharmacy-focused training, supporting the usefulness of structured exercises and templates. Depreciation emerged even more consistently: one pharmacy received an affirmative compliance assessment for depreciation expense, the practice was classified as Never, and 16 respondents reported limited knowledge of its recording. Karista and Nugraeni's (2024) depreciation program among pharmacy MSMEs further confirms the practical relevance of this area.

Across the five financial reporting areas, the leading challenges were inventory valuation, supplier-payable tracking, separation of personal and business funds, multiple income streams, and cost-of-goods-sold recording. These concerns can be synthesized into four broader categories:

Knowledge-related concerns, including depreciation, liability classification, accrual recognition, measurement, owner's equity, and expense classification;

Record-keeping and documentation concerns, including incomplete receivables, loan, capital, income, and payable records. Systems-related concerns, including the absence of procedures for inventory monitoring, liability updating, income summarization, and recurring-expense tracking; and

Organizational concerns, particularly owner–business separation and insufficient time to maintain current records.

These categories are consistent with the broader SME literature. Aguila et al. (2022) documented variation in bookkeeping practices and continued use of manual systems; Belen et al. (2024) identified knowledge and resource constraints; Borromeo et al. (2024) reported limitations in systematic accounting records; and Lee (2023) emphasized inventory tracking and financial-reporting systems.

The Resource-Based View offers the strongest theoretical interpretation because accounting knowledge, personnel, time, documentation systems, technological tools, standardized procedures, and professional assistance constitute capabilities that support financial reporting. Compliance Theory complements this perspective by explaining why awareness of a requirement does not automatically result in its consistent application. Institutional Theory situates the concerns within a wider environment of reporting standards, taxation requirements, professional practices, suppliers, lenders, and government agencies, although those pressures were not directly measured.

Several procedures appeared consistently across the reported compliance, practice, and challenge findings, particularly inventory valuation, depreciation, liability classification, owner withdrawals and capital documentation, accrual-based recognition, sales adjustments, and expense classification. This descriptive convergence does not establish causation, but it provides a defensible basis for directing intervention toward these areas.

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The challenges indicate that strengthening financial reporting requires more than increasing general awareness. The participating pharmacies may also benefit from role-appropriate instruction, standardized records, simplified accounting schedules, periodic review procedures, and access to qualified professional guidance.

➢ *Proposed Intervention Strategies*

To address the low awareness, technical complexities, and operational challenges regarding PFRS for SMEs compliance among pharmacies in Bulan, Sorsogon, a comprehensive five-pillar intervention framework and a 3-month pilot implementation plan are proposed. The strategy centers on five complementary components: a role-tailored PFRS for SMEs Awareness and Financial Reporting Training Program; a simplified Pharmacy Financial Reporting Toolkit comprising practical registers, schedules, and checklists; an Accounting Assistance and Professional Consultation Program providing periodic CPA guidance; an internal Pharmacy Financial Reporting Monitoring and Review System for monthly audits; and a Local Financial Reporting Support and Coordination Program engaging LGUs, professional associations, and academic institutions. To test usability, feasibility, and initial applicability without asserting causal claims, a structured non-experimental 3-month pilot involving eight participating pharmacies will be executed across three phases: Month 1 (Preparation, Baseline Assessment, and initial training/toolkit distribution), Month 2 (Guided Implementation and Technical Assistance), and Month 3 (Monitoring, Evaluation, and Strategy Refinement based on participant feedback and utilization metrics). This iterative roadmap establishes a sustainable framework that can be refined for local adoption or adapted for broader small business applications.

IV. FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS FINDINGS

➢ Level of Awareness of PFRS for SMEs

Awareness differed across the three respondent groups. Accounting staff registered the highest weighted mean of 2.60, corresponding to Aware, followed by pharmacy owners with 2.47 and sales clerks with 1.88, both corresponding to Slightly Aware.

Pharmacy owners demonstrated awareness of the existence and general purpose of PFRS for SMEs, its applicability to SMEs and pharmacies, and the requirement to prepare formal financial statements. Their familiarity was more limited regarding the standard's simplifying purpose, the specific financial reporting areas within its scope, and the possible consequences of non-compliance.

Among accounting staff, most indicators relating to the existence, purpose, application, scope, and financial statement requirements of the standard fell within the Aware category. Two areas—the role of PFRS for SMEs in simplifying financial reporting and the possible consequences of non-compliance—were classified as Slightly Aware. Sales clerks, meanwhile, obtained a Slightly Aware assessment across all indicators.

➢ *Status of Compliance with the Specified Financial Reporting Indicators*

For assets, the recognition and recording of cash received a unanimous affirmative assessment from all eight pharmacies. Inventory recognition followed with seven pharmacies, while five recognized equipment, furniture, and fixtures as assets. Initial measurement at cost was observed in four pharmacies and depreciation recording in three. Only two indicated adherence to the lower-of-cost-or-net-realizable-value rule for inventory and the recognition of receivables when earned and measurable.

Within the liabilities category, six pharmacies recognized accounts payable to suppliers. Bank loans or borrowings and taxes payable were each recognized by four, whereas salaries and wages payable and the prescribed measurement of liabilities were identified in three. Utilities payable appeared in two assessments, and only one pharmacy classified liabilities as current or non-current. Recognition of lease obligations was absent from all eight assessments.

Capital recording was strongest for the owner's initial investment, identified in six pharmacies, followed by additional investments in four. Three presented capital in the statement of financial position. Recording owner's withdrawals, closing profit or loss to capital, determining owner's equity as the residual interest after liabilities, and maintaining adequate supporting records each appeared in two pharmacies. Changes in capital were reflected in the applicable financial statement by one pharmacy.

For income, seven pharmacies recognized revenue from medicine sales. Six accounted for income from non-medicine products and supported income transactions with official receipts or sales invoices. Three applied the specified basis for measuring income. Recognition when earned, recording sales returns and discounts, and presentation in the income statement were each observed in two pharmacies, while separate recognition of other income appeared in one.

Expense-related results showed that rent was recorded by five pharmacies. Cost of goods sold and salaries and wages were each recognized by four, while utilities were recorded by three and supplies by two. Proper expense classification, recognition when incurred, and depreciation expense were each identified in one pharmacy.

➢ *Financial Reporting Practices of Pharmacies*

Asset-related practices yielded an overall weighted mean of 2.49. Cash sales and cash on hand were recorded Always, while inventory lists and records of equipment and fixtures were maintained Often. Depreciation, inventory valuation, receivables, initial cost measurement, and updating of asset records occurred Sometimes.

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Practices involving liabilities obtained an overall weighted mean of 2.23. Amounts owed to suppliers and bank loans or borrowings were recorded Often. Taxes payable, salaries and wages payable, utility obligations, liability classification and measurement, and the maintenance of current liability records were undertaken Sometimes.

Capital-related procedures likewise registered an overall weighted mean of 2.49. Initial and additional investments, monitoring of the capital balance, and maintenance of a separate capital account occurred Often. Owner's withdrawals, closing profit or loss to capital, documenting capital changes, and presenting capital in the financial statements occurred Sometimes.

Income recognition practices produced an overall weighted mean of 2.46. Medicine and non-medicine sales, together with the issuance of official receipts or invoices, were recorded Often. Treatment of sales returns and discounts, recognition of income when earned, separate recording of other income, monthly review of income, and presentation in the income statement were undertaken Sometimes.

Expense recording received the lowest overall weighted mean at 2.22. Cost of goods sold, rent, salaries and wages, and utilities were recorded Often. Supplies, classification of operating and non-operating expenses, and recognition of expenses when incurred occurred Sometimes. Depreciation expense, with a weighted mean of 1.46, was classified as Never.

- *Challenges Encountered in Preparing Financial Reports*

For assets, inventory valuation emerged as the most frequently identified concern, cited by 20 respondents (83%). The absence of a system for monitoring expired or slow-moving inventory followed at 19 respondents (79%), while insufficient knowledge of depreciation computation was cited by 18 (75%).

Among liability-related concerns, 19 respondents (79%) identified difficulty in tracking supplier payables. Tax computation was cited by 18 (75%), recording bank loans and borrowings by 16 (67%), and recognizing salaries payable by 15 (63%).

The separation of personal funds from business capital was the leading capital-related concern, identified by 21 respondents (88%). Incorrect treatment of additional investments was cited by 16 (67%), while 15 (63%) encountered difficulty in recording owner's withdrawals.

For income, 17 respondents (71%) experienced difficulty accounting for multiple revenue streams. Problems involving the proper issuance of official receipts were identified by 15 (63%), whereas uncertainty about recognizing income when earned was noted by 14 (58%).

In the area of expenses, 20 respondents (83%) encountered difficulty determining and recording cost of goods sold. Improper distinction between operating and non-operating expenses affected 18 (75%), while 17 (71%) identified difficulty recognizing expenses when incurred. Limited knowledge of depreciation accounting was cited by 16 (67%).

- *Proposed Intervention Strategies*

The intervention strategies were formulated from the findings: the PFRS for SMEs Awareness and Financial Reporting Training Program, Pharmacy Financial Reporting Toolkit, Accounting Assistance and Professional Consultation Program, Pharmacy Financial Reporting Monitoring and Review System, and Local Financial Reporting Support and Coordination Program.

The proposed training program covers the areas identified in the awareness, reported compliance, practice, and challenge results. The toolkit comprises inventory monitoring sheets, fixed-asset registers, depreciation schedules, receivable and payable records, capital and withdrawal records, sales and income records, cost-of-goods-sold worksheets, expense schedules, and financial reporting review checklists. Periodic guidance from qualified accounting professionals forms the central component of the consultation program, while the monitoring and review system provides a structure for regularly examining financial records and related procedures. The local support program establishes a mechanism for coordination among relevant government institutions, business-support organizations, pharmacy associations, academic institutions, and accounting professionals.

A. Conclusions

- The level of awareness of PFRS for SMEs is segmented across respondent groups, with accounting staff classified as Aware, while pharmacy owners and sales clerks are classified as Slightly Aware, indicating differences in awareness according to their respective roles in the pharmacies.
- The pharmacies demonstrate varying reported status of compliance across the specified PFRS for SMEs financial reporting indicators, with compliance more evident in selected basic recording activities and less consistently reported in several indicators involving inventory valuation, depreciation, liability classification, capital transactions, accrual-based recognition, and expense classification.
- The financial reporting practices of the pharmacies are generally performed Sometimes across assets, liabilities, capital, income, and expenses, although several routine transaction-recording activities are performed Often or Always, while a number of more technical accounting procedures are performed less consistently.
- The pharmacies encounter challenges across all five financial reporting areas, particularly in inventory valuation and monitoring, supplier payables and taxes, separation of personal funds from business capital, recording multiple income streams, and recording cost of goods sold and other expense-related procedures.

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- The findings provide a basis for proposing targeted intervention strategies involving financial reporting education, practical recording and reporting tools, professional accounting assistance, regular monitoring and review, and coordinated local support to address the awareness, reported compliance, financial reporting practices, and challenges identified among the pharmacies.

B. Recommendations

- Pharmacy owners should conduct periodic PFRS for SMEs orientation for owners and sales clerks focusing on the purpose and scope of the standard, financial statement requirements, and consequences of non-compliance, while accounting staff should receive refresher sessions on the simplification and compliance-related provisions of the framework.
- Pharmacy owners and accounting staff should implement routine inventory tests for nearly expiring medicines, establish monthly accrual schedules for unbilled payables, maintain fixed-asset and depreciation schedules, classify liabilities as current or non-current, document capital investments and withdrawals, and use month-end checklists for the proper recognition and classification of income and expenses.
- Accounting staff should adopt and regularly update standardized records consisting of an inventory monitoring sheet, fixed-asset and depreciation register, accounts receivable and accounts payable schedules, capital and withdrawal record, sales and income record, cost-of-goods-sold worksheet, and expense classification schedule to strengthen financial reporting practices involving assets, liabilities, capital, income, and expenses.
- Pharmacy owners and accounting staff should participate in periodic hands-on accounting workshops focusing on inventory valuation and monitoring of expired or slow-moving inventory, supplier payables and taxes, depreciation, separation of personal and business funds, recording of multiple income streams, cost of goods sold, accrual-based expense recognition, and expense classification to address the specific financial reporting challenges identified in the study.
- The eight participating pharmacies should pilot the proposed financial reporting intervention program for three months by using the Pharmacy Financial Reporting Toolkit, participating in the proposed training and professional consultation activities, completing monthly financial reporting review checklists, and documenting implementation difficulties and participant feedback as the basis for refining the intervention strategies before broader implementation.

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