



# Boy Scouts of the Philippines

## National Office

181 Natividad Almeda-Lopez St., Ermita, 1000 Manila, Philippines  
P.O. Box 1378, Manila CPO, Philippines  
E-mail: [bsp@scouts.org.ph](mailto:bsp@scouts.org.ph)  
Website: [www.scouts.org.ph](http://www.scouts.org.ph)  
Tels. (632) 8528-0555 • (632) 8527-8317 to 19 • (632) 8528-0577

14 November 2022

### NATIONAL OFFICE MEMORANDUM

Nº 74, Series of 2022

**TO: ALL COUNCIL SCOUT EXECUTIVES/OFFICERS-IN-CHARGE, FIELD SCOUT EXECUTIVES, AND ALL OTHER ACCOUNTABLE PERSONNEL CONCERNED**

**SUBJECT: COMPLIANCE WITH AUDIT RECOMMENDATIONS AND ALL REPORTORIAL REQUIREMENTS BY THE COMMISSION ON AUDIT**

In response to the request for assistance by the Commission on Audit (COA) in connection with their conduct of Financial and Compliance Audit of the transactions of the Local Councils of the Boy Scouts of the Philippines for CY 2021 and Prior Years pursuant to the Commission's powers, functions, and duties as defined under Section 2, Article IX-D of the 1987 Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, all Council Scout Executives/Officers-in-Charge, Field Scout Executives and all other accountable personnel concerned are enjoined to comply with the Requirements and Audit Observations and Recommendations of the Commission on Audit including, but not limited to the following:

1. Submission of reports and documents by Local Councils concerned as stated in the *List of Reports and Documents for Submission to COA*<sup>1</sup> as attached in their letter to the National President dated 02 November 2022, *and those not included in the list* but have pending compliance with the two (2) Agency Action Plan and Status of Implementation (AAPSI) Reports that were sent via e-mail by the Internal Audit Office on 09 September and 12 October 2022 as shown in a separate list<sup>2</sup>;
2. Henceforth, submission of Annual Financial Reports relative to the requirements under National Office Memorandum No. 1, s. of 2018 – *Submission of Local Councils/Regional Offices Required Reports*<sup>3</sup>, and pursuant to the provisions under Section 5, Chapter 19 of the Government Accounting Manual (GAM), Vol. I<sup>4</sup> on or before February 14 of the following year;

**"Sec. 5. Components of Financial Statements.** *A complete set of financial statements (condensed and by fund cluster) to be submitted by an entity shall include the following:*

*a. Statement of Financial Position (SFP) (Annex A);*

<sup>1</sup> Annex "A" – List of Reports and Documents provided by COA

<sup>2</sup> Annex "B" – Part II and Part III of AAR 2021, AAR 2020, and the list of Local Councils with pending AAPSI compliance

<sup>3</sup> Annex "C" – National Office Memorandum No. 1, s. of 2018

<sup>4</sup> Annex "D" – GAM for NGAs Vol. I & II for comprehensive guidance and reference in the preparation of Financial Statements

- b. Statement of Financial Performance (SFPer) (Annex B);*
- c. Statement of Changes in Net Assets/Equity (SCNA/E) (Annex C);*
- d. Statement of Cash Flows (SCF) (Annex D);*
- e. Statement of Comparison of Budget and Actual Amount (SCBAA) (Annex E); and*
- f. Notes (Annex F), comprising a summary of significant accounting policies and other explanatory notes. (Par. 21, PPSAS 1)"*

3. Substantial and relevant responses/replies/actions to Audit Observation Memorandum (AOM/s) received with pertinent supporting documents, and within the deadline set by the Commission;
4. Substantial and relevant updates/actions on the status of implementation of prior years' audit recommendations as contained in the periodic updating of the Agency Action Plan and Status of Implementation (AAPSI) Report, and within the deadline set by the Commission; and
5. All other reports that COA may require.

Compliance to the above-mentioned requirements/reports will not just assist COA in the timely completion of their audit, but more importantly, will significantly contribute to the effective and efficient management of Local Council operations through the judicious use and accounting of Local Council funds, and prevent suspension or disallowance in audit. Furthermore, compliance to this memorandum will henceforth be given more emphasis in the Local Council's Performance Evaluation in line with COA's recommendations relative to **Audit Observation (AO) No. 20 of Annual Audit Report 2019 and prior years.**

*"20.6 We recommended that Management of the BSP-NO:*

- a. Require the concerned LCs to prepare and submit the financial statements and necessary financial reports to COA in compliance with pertinent provisions of PD No.1445; and*
- b. Enforce strictly the National Office Memorandum No. 01, series of 2018 dated January 15, 2018 and integrate their compliance in the **LCs' performance evaluation.**"*

For strict and immediate compliance.

  
**DIOSDADO M. SAN ANTONIO**  
 Officer-in-Charge  
 Office of the Secretary General

cc: Office of the National President  
 Office of the Deputy Secretary General  
 National Office Division Directors  
 Regional Scout Directors  
 Internal Audit Office  
 COA-BSOP Resident Auditors



**List of Reports and Documents  
For Submission to COA**

Name of Reports/Documents	Name of Local Council															
	Caloocan	Marikina	Pasig City Council	Malabon - MMWLC	Pasay City Council **	Mandaluyong	Valenzuela	Manila Council **	Quezon City **	Paranaque	Taguig	Las Pinas*	Muntinlupa*	Pateros*	Makati	Navotas
1. Annual Financial Statements/Report	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	Submitted
2. Certified true copies of Resolutions approved by the Local Executive Board;	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2020 2021	2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021
3. Copy of Cash Receipts Record maintained by the Collecting Officer;	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	November 2020 to December 31, 2021	January 2019 to December 31, 2021	November 2020 to December 31, 2021	September 2019 to Dec. 31, 2021	September 2019 to Dec. 31, 2021	2019 2020 2021	2019 2020 2021 January to June 30, 2022	2019 2020 2021 January to June 30, 2022	2019 2020 2021 January to June 30, 2022	September 2019 to Dec. 31, 2021	2019 2020 2021
4. Reports of Collections and Deposits (duly signed by the AO) supported by Official Receipts/Sales Invoices, validated Deposit Slips, and other pertinent documents, all in original form;	July 12, 2018 to December 31, 2021	December 2018 to December 31, 2021	2019 2020 2021	December 2018 to Dec. 31, 2021	December 2018 to Dec. 31, 2021	January 2019 to December 31, 2021	January 2019 to December 31, 2021	February 2019 to December 31, 2021	September 2019 to Dec. 31, 2021	September 2019 to Dec. 31, 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	September 2019 to Dec. 31, 2021	Submitted
5. Report of paid Petty Cash Vouchers and Petty Cash Vouchers and supporting documents, if any (all in original form)	July 12, 2018 to December 31, 2021	December 2018 to Dec. 31, 2021	2019 2020 2021	December 2018 to Dec. 31, 2021	December 2018 to Dec. 31, 2021	November 2020 to December 31, 2021	January 2019 to December 31, 2021	November 2020 to December 31, 2021	September 2019 to Dec. 31, 2021	September 2019 to Dec. 31, 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	September 2019 to Dec. 31, 2021	Dec. 2018 2019 2020 2021
6. Monthly Report of Accountable Forms duly signed by the accountable officer;	July 12, 2018 to December 31, 2021	December 2018 to Dec. 31, 2021	2019 2020 2021	December 2018 to Dec. 31, 2021	December 2018 to Dec. 31, 2021	November 2020 to December 31, 2021	January 2019 to December 31, 2021	November 2020 to December 31, 2021	September 2019 to Dec. 31, 2021	September 2019 to Dec. 31, 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	September 2019 to Dec. 31, 2021	Dec. 2018 2019 2020 2021

Name of Reports/Documents	Name of Local Council															
	Caloocan	Marikina	Pasig City Council	Malabon - MMWLC	Pasay City Council **	Mandaluyong	Valenzuela	Manila Council **	Quezon City **	Paranaque	Taguig	Las Pinas*	Muntinlupa*	Pateros*	Makati	Navotas
1. Correlation of Accountable Forms per transactions;	July 12, 2018 to December 31, 2021	December 2018 to Dec. 31, 2021	December 2018 to December 31, 2021	December 2018 to Dec. 31, 2021	December 2018 to Dec. 31, 2021	November 2020 to December 31, 2021	January 2019 to December 31, 2021	November 2020 to December 31, 2021	September 2019 to Dec. 31, 2021	September 2019 to Dec. 31, 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	September 2019 to Dec. 31, 2021	Dec. 2018 2019 2020 2021
2. List of Unused Accountable Forms;	July 12, 2018 to December 31, 2021	December 2018 to Dec. 31, 2021	December 2018 to Dec. 31, 2021	December 2018 to Dec. 31, 2021	December 2018 to Dec. 31, 2021	November 2020 to December 31, 2021	January 2019 to December 31, 2021	November 2020 to December 31, 2021	September 2019 to December 31, 2021	September 2019 to December 31, 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	September 2019 to Dec. 31, 2021	Dec. 2018 2019 2020 2021
3. List of Property, Plant and Equipment;	2018 2019 2020 2021	2018 2019 2020 2021	2018 2019 2020 2021	2018 2019 2020 2021	2018 2019 2020 2021	2018 2019 2020 2021	2018 2019 2020 2021	2018 2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021	2019 2020 2021 Jan-June 2022	2019 2020 2021 Jan-June 2022	2019 2020 2021 Jan-June 2022	2018 2019 2020 2021	2018 2019 2020 2021
10. Report of Cash/Check Disbursements;	July 2018 to Dec. 31, 2021	Dec. 2018 to Dec. 31, 2021	December 2018 to Dec. 31, 2021	December 2018 to Dec. 31, 2021	December 2018 to Dec. 31, 2021	November 2020 to December 31, 2021	January 2019 to December 31, 2021	November 2020 to December 31, 2021	September 2019 to December 31, 2021	September 2019 to December 31, 2021	2019 2020 2021	2019 2020 2021 Jan-June 2022	2019 2020 2021 Jan-June 2022	2019 2020 2021 Jan-June 2022	September 2019 to Dec. 31, 2021	Dec. 2018 2019 2020 2021
11. Copies of Disbursements Vouchers including all supporting documents, all in original form;	July 12, 2018 to December 31, 2021	December 2018 to Dec. 31, 2021	December 2018 to Dec. 31, 2021	December 2018 to Dec. 31, 2021	December 2018 to Dec. 31, 2021	November 2020 to December 31, 2021	January 2019 to December 31, 2021	November 2020 to December 31, 2021	September 2019 to December 31, 2021	September 2019 to December 31, 2021	2019/20 20 2021	2019 2020 2021 Jan-June 2022	2019 2020 2021 Jan-June 2022	2019 2020 2021 Jan-June 2022	September 2019 to Dec. 31, 2021	2019 2020 2021 Submitted but not in original form
12. Certified true copy of the Council's Bank Statements/Passbook on its authorized depository bank	July 12, 2018 to December 31, 2021	December 2018 to Dec. 31, 2021	2019/2020/2021	December 2018 to Dec. 31, 2021	December 2018 to Dec. 31, 2021	January 2019 to December 31, 2021	January 2019 to December 31, 2021	February 2019 to December 31, 2021	October 2019 to Dec. 31, 2021	October 2019 to Dec. 31, 2021	2019/20 2020/2021	2019/2020/ 2021	2019/2020/ 2021	2019/2020 2021	September 2019 to Dec. 31, 2021	2019 2020 2021 Submitted but not certified true copy
13. Bank Reconciliation Statements duly signed by the preparer, if any.	July 12, 2018 to December 31, 2021	December 2018 to Dec. 31, 2021	2019/2020/ 2021	December 2018 to Dec. 31, 2021	December 2018 to Dec. 31, 2021	January 2019 to December 31, 2021	January 2019 to December 31, 2021	February 2019 to December 31, 2021	October 2019 to Dec. 31, 2021	October 2019 to Dec. 31, 2021	2019/20 20 2021	2019/2020/ 2021	2019/2020/ 2021	2019/2020/ 2021	September 2019 to Dec. 31, 2021	Submitted



Name of Reports/Documents	Name of Local Council															
	Caloocan	Marikina	Pasig City Council	Malabon - MMWLC	Pasay City Council **	Mandaluyong	Valenzuela	Manila Council **	Quezon City **	Paranaque	Taguig	Las Pinas*	Muntinlupa*	Pateros*	Makati	Navotas
14. Copy of Memorandum of Agreement between the BSoP and the Local Government Unit or its equivalent, for any financial assistance received from the latter	2018 - 2021	2020 - 2021	2019/2020/ 2021	2019/2020	2019/2020/ 2021	2019/2020/ 2021	2019/2020/ 2021	2019/2020/ 2021	2020/2021	2020/2021	2019/20 20/2021	2019/2020/ 2021	2019/2020/ 2021	2019/2020/ 2021	2019/2020/ 2021	2019/2020/ 2021

**Note:**

- \* Was created in CY 2019 thus a copy of document showing the LC's creation has to be submitted.
- \*\* Initial and follow-up letters were already sent to and received by the LC
- Please take note that the LCs may maintain in their files the photocopies of the documents (in original form) that are to be submitted to COA

List of Local Councils with Pending Compliance to AAPSI Pertaining to Observations and Recommendations Specified in **AAR 2021**

<b>Part II of AAR 2021</b> (AAPSI sent through BSoP Official e-mail addresses on 09 September 2022; see AAR 2021 below for details)		
REGION	LOCAL COUNCIL & AO No.	Audit Observation No.
National Capital Region	Caloocan City, Manila, Quezon City, Pasig City, Metro Manila East, Makati City	AO No. 12
Eastern Mindanao Region	<b>Cotabato</b> (15), Sultan Kudarat (24)	AO No. 15, 24
Bicol Region	<b>Catanduanes</b> (15, 25), Iriga (16, 23, 24), Masbate(16, 21, 23, 24, 25), Camarines Sur (16, 25), Mayon (Albay) (17, 25), Ligao City Associate Council (20, 24), <b>Legazpi City</b> (20), Naga City (24), Sorsogon (24), <b>Camarines Norte</b> (25)	AO No. 15, 16, 17, 20, 21, 23, 24, 25
Southern Tagalog Region	Laguna	AO No. 15, 23
Western Visayas Region	Guimaras (15, 23), Aklan (16), Capiz (16, 17, 22), Iloilo (16,17), Antique (23)	AO No. 15, 16, 17, 22, 23
Northeastern Luzon Region	Nueva Vizcaya (15, 19), Cagayan North -Tuguegarao City (16, 21), Abra (19), <b>Cauayan City Associate Council</b> (19, 20, 22), Benguet (21), <b>Isabela</b> (21), Santiago City (22), Quirino (24), Batanes (24)	AO No. 15, 16, 19, 20, 21, 22, 24
Eastern Visayas Region	Cebu (16), Bohol (18)	AO No. 16, 18
Ilocos Region	La Union (21, 24), Dagupan City (21), Pang-San Carlos City (21)	AO No. 21

Note: LCs in red fonts have no registered e-mail addresses



List of Local Councils with Pending Compliance to AAPSI Pertaining to Observations and Recommendations Specified in **AAR 2021**

<b>Part III of AAR 2021 – Status of Prior Year’s Audit Recommendation</b> (AAPSI sent through BSoP Official e-mail addresses on 12 October 2022; see AAR 2020 below for details)		
REGION	LOCAL COUNCIL	Audit Observation No.
<b>National Capital Region</b>		
	City of Mandaluyong	AO No.15, p. 111 of AAR 2020; AO No.16, p. 112 of AAR 2020;
	Makati City	AO No.15, p. 111 of AAR 2020; AO No.16, p. 112 of AAR 2020; AO No.18, p. 115 of AAR 2020;
	Manila	AO No.15, p. 111 of AAR 2020; AO No.16, p. 112 of AAR 2020
	Metro Manila South	AO No.15, p. 111 of AAR 2020; AO No.16, p. 112 of AAR 2020; AO No.19, p. 116 of AAR 2020
	Quezon City	AO No.15, p. 111 of AAR 2020; AO No.16, p. 112 of AAR 2020; AO No.19, p. 116 of AAR 2020
	Parañaque City	AO No.15, p. 111 of AAR 2020; AO No.16, p. 112 of AAR 2020
<b>Central Luzon Region</b>		
	Bulacan	AO No.19, p. 116 of AAR 2020;
<b>Ilocos Region</b>		
	Dagupan	AO No.15, p. 111 of AAR 2020; AO No. 21, p. 118 of AAR 2020
	Eastern Pangasinan	AO No.15, p. 111 of AAR 2020; AO No.18, p. 115 of AAR 2020; AO No. 21, p. 118 of AAR 2020
	Ilocos Sur	AO No.15, p. 111 of AAR 2020; AO No.20, p. 117 of AAR 2020; AO No. 21, p. 118 of AAR 2020
	Ilocos Norte	AO No.15, p. 111 of AAR 2020; AO No. 21, p. 118 of AAR 2020
	La Union	AO No.15, p. 111 of AAR 2020; AO No. 21, p. 118 of AAR 2020
	Pang-San Carlos City	AO No.15, p. 111 of AAR 2020; AO No. 21, p. 118 of AAR 2020
<b>Northeastern Luzon Region</b>		
	Baguio	AO No.16, p. 112 of AAR 2020
	Batanes	AO No.15, p. 111 of AAR 2020
	Benguet	AO No.16, p. 112 of AAR 2020
	Cag. North-Tuguegarao City	AO No.19, p. 116 of AAR 2020

	Ifugao	AO No.16, p. 112 of AAR 2020; AO No.19, p. 116 of AAR 2020
	Mountain Province	AO No.16, p. 112 of AAR 2020
	Quirino	AO No.15, p. 111 of AAR 2020
	Santiago City	AO No.15, p. 111 of AAR 2020
<b>Bicol Region</b>		
	Camarines Norte	AO No.15, p. 111 of AAR 2020
	Camarines Sur	AO No.16, p. 112 of AAR 2020
	Ligao City Associate	AO No.15, p. 111 of AAR 2020; AO No.16, p. 112 of AAR 2020
	Masbate	AO No.15, p. 111 of AAR 2020
	Mayon (Albay)	AO No.15, p. 111 of AAR 2020; AO No.16, p. 112 of AAR 2020
	Sorsogon	AO No.16, p. 112 of AAR 2020
<b>Western Visayas Region</b>		
	Aklan	AO No.16, p. 112 of AAR 2020
	Antique	AO No.16, p. 112 of AAR 2020





## Boy Scouts of the Philippines

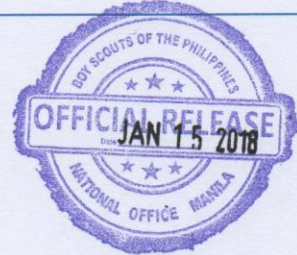
### National Office

181 Natividad Almeda-Lopez St. Ermita, 1000 Manila, Philippines

E-mail: bsp@scouts.org.ph

(632) 528-0555 \* (632) 527-5109 \* (632) 527-8317 to 20 \* Fax (632) 528-0577

JAN 15 2018



#### NATIONAL OFFICE MEMORANDUM

Number 01 s. 2018

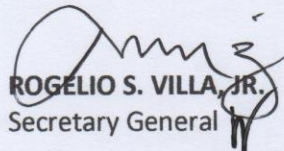
**To : Regional Scout Directors, Council Scout Executives and Officers-In-Charge**

**SUBJECT : SUBMISSION OF LOCAL COUNCILS/REGIONAL OFFICES REQUIRED REPORT**


As agreed upon during the National Year-End Performance Review held on 16-17 December 2017 at BSP National Executive Board Room, Ermita, enclosed is the checklist of the Required Reports to be submitted to National Office. These reports shall form part as basis in the evaluation of the Local Council's performance.

Kindly be guided with the new guidelines and deadlines in the submission of the said reports.

For your information, guidance and compliance.

  
**ROGELIO S. VILLA, JR.**  
Secretary General

Incl: as stated

/RSV/SDF/mgi 

## CHECKLIST OF REQUIRED REPORTS

### I. COUNCIL REPORT

The Council Report is accomplished in three (3) copies. The original copy for the National Office, the duplicate copy for the Regional Office and the triplicate copy for Council file. All reports from local council (the original and duplicate copies) should be submitted direct to the Regional Office who shall in turn forward the same to the National Office within **TWO WEEKS** after receipt from the Local Councils. All reports are expected to reach the receiving office not later than the deadline, viz:

A. ANNUAL COUNCIL REPORT	DEADLINE
<b>1. Annual Narrative Council Report</b> (Prepared by the Council Scout Executive or Chairman, accepted by the Board, covering Council operations for the period from Jan. 01 to Dec. 31 of the year just ended – narrative, statistical, analytical and pictorials is appreciated).	31 January
<b>2. Annual Financial Statement/Report</b> (This is a Treasurer's Report duly audited by the Council Auditor and approved by the Board covering the period from Jan. 01 to Dec. 31 of the year just ended).	31 January
<b>3. Council Profile</b> (with approved Minutes of the meeting when the Annual Council Meeting was conducted and Election of Officers).	31 March
<b>4. Application for Local Council Charter Renewal</b> with Bank Deposit Slip showing payment of charter fee.	31 January
<b>5. Council Budget</b> (Estimated income and expenditures for the coming year prepared by Finance Committee approved by the Board).	31 January
<b>6. Calendar of Scouting Events and Observances</b> (12 onth spread for the ensuing year)	31 January
<b>7. Training Calendar and Goals</b> (Schedule of courses, number of courses planned for the ensuing year).	31 January
<b>8. Office Performance Commitment and Review</b> (for the ensuing year. Put your priorities, action steps and action plans to undertake, target date of accomplishment and success indicator)	31 January

### B. MONTHLY COUNCIL REPORTS

<b>1. Minutes of Local Council Board/Executive Committee Meeting</b> (at least six (6) Regular Board Meetings and six (6) Executive Committee Meetings).	within 15 – 20 days after each meeting
<b>2. Minutes of the Steering and Other Committees</b>	within 15 – 20 days after each meeting



<b>3. Monthly Council Operations Report</b> (council performance with information on activities conducted and analysis)	every 20 <sup>th</sup> of the month
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**II. REGIONAL REPORT**  
(accomplished and submit in two copies, original for National Office)

**A. ANNUAL REGIONAL REPORT**

<b>1. Annual Narrative Regional Report</b> (Prepared by RSD or RSC Chairman, accepted by RSC, covering Regional Operations for the period from Jan. 01 to Dec. 31 of the year just ended- narrative, statistical, analytical and with pictorials, if necessary).	31 January
<b>2. Inventory of Regional Property</b> (Prepared by RSD, audited and approved by RSC including additional property acquired either by purchase or donations during the year just ended).	31 January
<b>3. Nomination for Regional Commissioners</b> (For the ensuing year).	31 January
<b>4. Regional Profile</b> (with approved minutes of the meeting when the RSC meeting was conducted and election of officers).	30 April

**B. QUARTERLY REGIONAL REPORTS**

<b>1. Regional Operations Report</b> (Regional Performance Information and Analysis)	10 <sup>th</sup> of the 1 <sup>st</sup> month of the following quarter
<b>2. Training Statistical Report, etc.</b>	10 <sup>th</sup> of the 1 <sup>st</sup> month of the following quarter

**C. MONTHLY REGIONAL REPORTS**

<b>1. Membership Registration and Statistical Report</b> (2 sets one for Finance Division with attached bank the following month deposit slip/s and one for Field Operations Division).	Every 15 <sup>th</sup> day of the Following month
<b>2. Scout Advancement Statistical Report</b>	Every 20 <sup>th</sup> day of the Following month

**D. OTHER REGIONAL REPORTS**

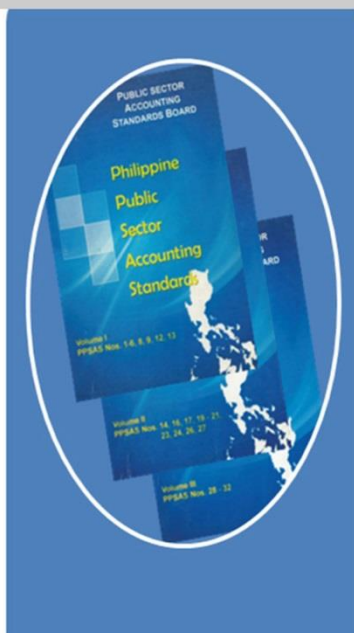
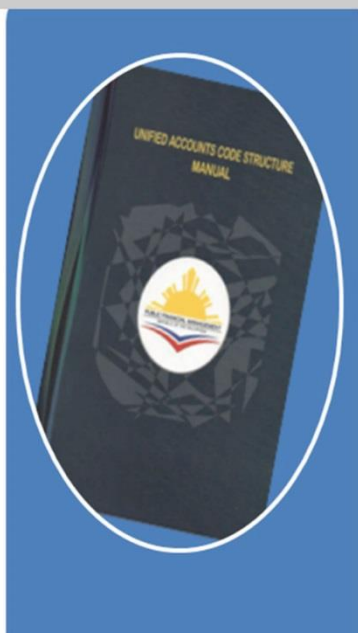
- |                                                                                                |                                              |
|------------------------------------------------------------------------------------------------|----------------------------------------------|
| <b>1. Minutes of the Regional Scout Committee Meetings</b> (at least six (6) RESCOM Meetings). | 15 – 20 days after each meeting as required. |
| <b>2. Special Reports</b>                                                                      | 15 – 20 days after each meeting as required. |

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Annex "D"

# GOVERNMENT ACCOUNTING MANUAL



**For National Government Agencies**

**Volume I**

Accounting Policies, Guidelines and Procedures, and  
Illustrative Accounting Entries



## **FOREWORD**

The implementation of the Government Accounting Manual (GAM) for National Government Agencies is another milestone in the Philippine Government insofar as public sector accounting is concerned. The GAM will supersede the New Government Accounting System (NGAS) Manual that national government agencies have been using since 2002 when the Commission on Audit (COA), based on the authority granted under Sec. 2 (2), Art. IX-D of the 1987 Constitution, prescribed the use of the NGAS effective 1 January 2002. The revision of the NGAS Manual was prompted by the implementation of the Philippine Public Financial Management Reform Roadmap, which includes the development of the Philippine Public Sector Accounting Standards (PPSAS) that are harmonized with the International Public Sector Accounting Standards (IPSAS).

This GAM consists of three volumes as follows:

Volume I – Accounting Policies, Guidelines and Procedures, and Illustrative Accounting Entries

Volume II – Accounting Books, Registries, Records, Forms and Reports

Volume III – The Revised Chart of Accounts

The GAM contains the accounting policies in accordance with the PPSAS as well as the guidelines and procedures to be adopted by the accountants, budget officers, cashiers, property officers, accountable officers and other finance personnel in recording and reporting government financial transactions. It will serve as guide in the preparation of the financial statements and other reports and the accomplishment and/or maintenance of various registries, records and forms. Illustrative accounting entries were also provided for reference of the accounting unit in recording transactions.

To help the accountants and other agency personnel, as well as COA auditors, in determining the particular provisions of the PPSAS applicable to the financial transactions of the agencies, the provisions under the IPSAS were lifted and incorporated in the Manual, as necessary.

This GAM ensures uniformity, accuracy, reliability and timeliness in the preparation of financial statements and other reports in conformity with the requirements of the PPSAS and relevant accounting policies.



**MICHAEL G. AGUINALDO**  
Chairperson

## ACKNOWLEDGEMENT

The Government Accounting Manual (GAM) for National Government Agencies (NGAs) is a product of hard work and selfless commitment of the working group composed of the heads of the services and selected personnel of the Government Accountancy Sector (GAS), Commission on Audit (COA) with the proficient guidance and direction of Assistant Commissioner Lourdes M. Castillo, Director Usmin P. Diamel, Director Luzvi Pangan Chatto, Director Maria Fe A. Dinapo, as well as Director Sheila U. Villa and Director Marlon M. Marquina.

The review and evaluation of the various policies in this Manual by the National Government Sector (NGS); the Corporate Government Sector (CGS); the Planning, Finance and Management Sector (PFMS); and the Professional and Institutional Development Sector (PIDS) of this Commission helped in identifying issues and concerns that need to be addressed in the GAM.

The gathering of valuable inputs through the conduct of two (2) batches of Focus Group Discussions (FGDs) was successfully done with the unwavering support of the Assistant Commissioners, Directors, selected auditors and personnel of the NGS, PFMS and PIDS under the able leadership of Assistant Commissioners Susan P. Garcia, Carmela S. Perez and Luz Loreto-Tolentino, respectively. The FGDs were led by Assistant Commissioner Lourdes M. Castillo, GAS, and panelists from the GAS, namely, Director Usmin P. Diamel, Director Luzvi Pangan Chatto, Director Maria Fe A. Dinapo and Director Marlon R. Marquina, and from the NGS, namely, Director Marietta M. Lorenzo and Director Adelina Concepcion L. Ancajas. The FGDs were participated in by the following COA and various government agency personnel, who unselfishly shared their meaningful recommendations on how to make the Manual more useful to its intended users:

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**National Government Agencies, Bureau of Internal Revenue:** Assistant Commissioner Zenaida B. Chang, Sittie Alyssah A. Banisil, Edna L. Bautista, Teresa A. Cancino, Ma. Teresa C. Gonzales, Teresita G. Marquinez, Joyce A. Nipal, Maria Victoria B. Villena and Roy B. Villena; **Bureau of the Treasury:** Carol D. Jorge, Marites B. Masarap, Salvacion C. Rios, Emilia T. Tuquero, Avelina H. Zumarraga, Gloria M. Antazo, Marcela J. Dalangin, Agnes D. Lacuata, Rowena R. Gamba and Reynaldo Z. Delos Santos; **Civil Service Commission:** Rodel R. Timbol, Julius B. Remudaro, and Escarlet G. Conde; **Commission on Elections:** Danilo E. Lustre and Minerva N. Madjus; **Department of Agriculture:** Edna S. Camacho, Marcela H. Nepomuceno, Corazon A. Saldivar and Nelson E. Vagilidad; **Department of Agrarian Reform:** Rowena U. Agbayani and Ma. Lourdes G. Ranara; **Department of Education:** Neliza G. Advincula and Presentacion A. Salandanan; **Department of Environment and Natural Resources:** Marivic B. Hidalgo, Renato E. Ho and Diña M. Nillosan; **Department of Finance:** Josef G. Espiritu; **Department of Foreign Affairs:** Fernette A. Ubanos, Danilo G. Cabanayan and Maria Celesty D. Cornejo; **Department of Health:** Racquel P. Alvendia and Agnes D. Marfori; **Department of Health-East Avenue Medical Center:** Laiza Marie V. Annang and Marietta M. Cruz; **Department of the Interior and Local Government:** Estela R. Basañes, Sharry I. Sinon, Rina B. Capistrano and Aira Kathrina C. Perez; **Department of National Defense-Propert:** Rolando J. Romero; **Department of Justice:** Vicente B. Mirano III and Jelly B. Tugbo; **Department of Public Works and Highways:** Marilou D. Alfanta, Mary Antoinette Z. Puno and Jessica J. Catibayan; **Department of Science and Technology:** Rosario D. Balde, Van Rijn A. Espinoza, Adora L. Gabiana, Luciana C. Panaligan and Rosalia F. Sosa; **Department of Social Welfare and Development:** Meriel P. Castillo, Joan V. Biñas, Grace Ann S. Nisperos and Angelina E. Racho; **Department of Transportation and Communications:** Edna C. Tapar, Evangeline T. Fernandez and Elvira F. Villar; **National Historical Commission of the Philippines:** Pricila M. Manalo; **National Museum:** Consuelo M. Bernardo; **Public-Private Partnership Center of the Philippines:** Heidee-May H. Aquitania; **Supreme Court:** Violeta T. Alarcon, Moises B. Figueroa and Nelson C. Martin; and **University of the Philippines-Diliman:** Alexandria P. Pineda and Karen Krista F. Villanueva.

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Finally, the Government Accountancy Sector is very grateful to all the aforementioned individuals and entities for all their priceless contributions in this Manual.

Name

Position

**Office of the Assistant Commissioner**

Lourdes M. Castillo	Assistant Commissioner
Editha M. Ramirez	State Auditor V
Luisa S. Nadonga	Supervising Administrative Officer
Benjie D. Baturi	Administrative Aide VI
Maricel S. Ampoc	Administrative Aide VI
Magdalena M. Gaviola	Administrative Aide IV

**Government Accountancy Office**

***Office of the Director***

Usmin P. Diamel	Director IV
Maria Fe A. Dinapo	Director III
Ma. Belen L. Estuaria	State Auditor III
Mary Jane S. Liberato	Administrative Aide VI
Maria C. Lainez	Administrative Aide V
Rufa L. Gunabe	Administrative Aide V
Teddy N. Alejandro	Administrative Aide IV

***Local Government Accounts Services***

Emelita V. Cayetano	State Auditor V
Avelina G. Marquez	State Auditor IV
Aida A. Donasco	State Auditor III
Joven L. Recto	State Auditor III
Maribel G. Cablayan	State Auditor III
Elizabeth D. Ducay	State Auditor II

***General Accounts Services-National I***

Thelma F. Panganiban	State Auditor V
Lorelie L. Datu	State Auditor IV
Josefino O. Lainez	State Auditor III
Susan C. Vega	State Auditor III
Carol F. Manzanillo	Administrative Officer III

***General Accounts Services-National II***

Marilyn C. Bibat	State Auditor V
Narcisa S. dela Rosa	State Auditor III
Ma. Corazon D. Eguia	State Auditor II
Jane L. Maramag	State Auditor II
Rodel Joseph Y. Navarro	State Auditing Examiner II

***Corporate Government Accounts Services***

Agustina Q. Baseo	State Auditor IV
-------------------	------------------

<u>Name</u>	<u>Position</u>
Vanessa Donnabel F. Manito	State Auditor III
Zenaida P. Balmes	State Auditor III
Princess M. Buan	State Auditor I
Elizabeth P. Quiban	State Auditor I
<b><i>Public Debt and Miscellaneous Accounts Services</i></b>	
Anicia H. Guillermo	State Auditor V
Elmer M. Grande	State Auditor IV
Ma. Lourdes D. Marayan	State Auditor III
Visitacion T. Corpuz	State Auditor II
Jose Jayson L. Medel	State Auditor I
<b>Accounting Systems Development and Other Services Office</b>	
<b><i>Office of the Director</i></b>	
Luzvi Pangan Chatto	Director IV
Elena B. Monteza	State Auditor V
Editha C. Ramirez	Administrative Assistant VI
Lailah D. Chua	Administrative Aide VI
Marissa D. Labajan	Administrative Aide IV
Roberto L. Palita, Jr.	Administrative Aide IV
<b><i>Accounting Systems Development and Other Services-National</i></b>	
Annabelle A. Puserio	State Auditor V
Cristina C. Gungon	State Auditor III
Pretizel Ivy T. Arteche	State Auditor I
Berlin M. Quevedo	Administrative Aide VI
<b><i>Accounting Systems Development and Other Services-Corporate</i></b>	
Annabella P. Gabiran	State Auditor IV
Juanita C. Fuggan	State Auditor III
Mairyl Ann R. Merced	State Auditor I
Bernadette P. Virrey	Administrative Officer III
<b><i>Accounting Systems Development and Other Services-Local</i></b>	
Carmen Z. Zafe	State Auditor IV
Susana M. de Guzman	State Auditor IV
Hannah Grace P. Valente	State Auditing Examiner II
Mhay D. Litada	Administrative Aide IV
<b><i>Technical Assistance and Help Desk Services</i></b>	
Romeo C. Cruz	State Auditor V
Jorgen Z. Fulleros	State Auditor IV
Michelle M. Gagarra	Administrative Officer III
Gabriel B. Mercado	Computer Maintenance Technologist I
Lara Jane M. Dela Torre	Administrative Aide IV

**GOVERNMENT ACCOUNTING MANUAL  
(GAM)  
For National Government Agencies**

**Volume I  
Accounting Policies, Guidelines and Procedures  
and Illustrative Accounting Entries**

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# Chapter 1

## INTRODUCTION

Recent developments brought about by the Philippine Public Financial Management Reforms and significant changes in the field of accounting prompted the harmonization of the existing accounting standards with the international accounting standards. This Commission revised the New Government Accounting System (NGAS) Manual prescribed under Commission on Audit (COA) Circular No. 2002-002 dated June 18, 2002 to make it responsive to dynamic changes and modern technology.

**Sec. 1. Legal Basis.** The Government Accounting Manual (GAM) is prescribed by COA pursuant to Article IX-D, Section 2 par. (2) of the 1987 Constitution of the Republic of the Philippines which provides that:

*"The Commission on Audit shall have exclusive authority, subject to the limitations in this Article, to define the scope of its audit and examination, establish the techniques and methods required therefor, and promulgate accounting and auditing rules and regulations, including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable expenditures, or uses of government funds and properties". (Underscoring supplied)*

**Sec. 2. Coverage.** This Manual presents the basic accounting policies and principles in accordance with the Philippine Public Sector Accounting Standards (PPSAS) adopted thru COA Resolution No. 2014-003 dated January 24, 2014 and other pertinent laws, rules and regulations. It includes the Revised Chart of Accounts (RCA) prescribed under COA Circular No. 2013-002 dated January 30, 2013, as amended; the accounting procedures, books, registries, records, forms, reports, and financial statements; and illustrative accounting entries. It shall be used by all National Government Agencies (NGAs) in the:

- a. preparation of the general purpose financial statements in accordance with the PPSAS and other financial reports as may be required by laws, rules and regulations; and
- b. reporting of budget, revenue and expenditure in accordance with laws, rules and regulations.

**Sec. 3. Objective of the Manual.** The Manual aims to update the following:

- a. standards, policies, guidelines and procedures in accounting for government funds and property;
- b. coding structure and accounts; and
- c. accounting books, registries, records, forms, reports and financial statements.

## Chapter 2

### GENERAL PROVISIONS, BASIC STANDARDS AND POLICIES

**Sec. 1. Scope.** This chapter covers the general provisions from existing laws, rules and regulations; and the basic standards/fundamental accounting principles for financial reporting by national government agencies.

**Sec. 2. Definition of Terms.** For the purpose of this Manual, the terms used as stated below shall be construed to mean as follows:

- a. *Accrual basis* – means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recognized in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue, and expenses.
- b. *Assets* – are resources controlled by an entity as a result of past events, and from which future economic benefits or service potential are expected to flow to the entity.
- c. *Contributions from owners* – means future economic benefits or service potential that have been contributed to the entity by parties external to the entity, other than those that result in liabilities of the entity, that establish a financial interest in the net assets/equity of the entity, which:
  1. conveys entitlement both to (i) distributions of future economic benefits or service potential by the entity during its life, such distributions being at the discretion of the owners or their representatives; and to (ii) distributions of any excess of assets over liabilities in the event of the entity being wound up; and/or
  2. can be sold, exchanged, transferred, or redeemed.
- d. *Distributions to owners* – means future economic benefits or service potential distributed by the entity to all or some of its owners, either as a return on investment or as a return of investment.
- e. *Entity* – refers to a government agency, department or operating/field unit. It may be referred to in this GAM as an agency.
- f. *Expenses* – are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners.
- g. *Government Accounting* – encompasses the processes of analyzing, recording, classifying, summarizing and communicating all transactions involving the receipt and disposition of government funds and property, and interpreting the results thereof. (Sec. 109, Presidential Decree (P.D.) No. 1445)
- h. *Government Budget* – is the financial plan of a government for a given period, usually for a fiscal year, which shows what its resources are, and how they will be generated



and used over the fiscal period. The budget is the government's key instrument for promoting its socio-economic objectives. The government budget also refers to the income, expenditures and sources of borrowings of the National Government (NG) that are used to achieve national objectives, strategies and programs.

- i. *Liabilities* – are firm obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.
- j. *Net assets/equity* – is the residual interest in the assets of the entity after deducting all its liabilities.
- k. *Revenue* – is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.
- l. *Revenue funds* – comprise all funds derived from the income of any agency of the government and available for appropriation or expenditure in accordance with law. (*Section 3, P.D. No. 1445*)

### **Sec. 3. Responsibility, Accountability and Liability over Government Funds and Property**

- a. Responsibility over Government Funds and Property
  - 1. It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with laws and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned. (*Sec. 2, P.D. No. 1445*)
  - 2. Fiscal responsibility shall, to the greatest extent, be shared by all those exercising authority over the financial affairs, transactions, and operations of the government agency. (*Sec. 4(4), P.D. No. 1445*)
  - 3. The head of any agency of the government is immediately and primarily responsible for all government funds and property pertaining to his agency. Persons entrusted with the possession or custody of the funds or property under the agency head shall be immediately responsible to him, without prejudice to the liability of either party to the government. (*Sec. 102, P.D. No. 1445*)
- b. Accountability over Government Funds and Property
  - 1. Every officer of any government agency whose duties permit or require the possession or custody of government funds or property shall be accountable therefor and for the safekeeping thereof in conformity with law. Every AO shall be properly bonded in accordance with law. (*Sec. 101, P.D. No. 1445; Section 50, Chapter 9, Subtitle B, Book V, Executive Order (E.O.) No. 292*)
  - 2. Transfer of government funds from one officer to another shall, except as allowed by law or regulation, be made only upon prior direction or authorization of the Commission or its representative. (*Sec. 75, P.D. No. 1445*)

3. When government funds or property are transferred from one AO to another, or from an outgoing officer to his successor, it shall be done upon properly itemized invoice and receipt which shall invariably support the clearance to be issued to the relieved or outgoing officer, subject to regulations of the Commission. (*Sec. 77, P.D. No. 1445*)
- c. Liability over Government Funds and Property
1. Expenditures of government funds or uses of government property in violation of law or regulations shall be a personal liability of the official or employee found to be directly responsible therefor. (*Sec. 103, P.D. No. 1445*)
  2. Every officer accountable for government funds shall be liable for all losses resulting from the unlawful deposit, use, or application thereof and for all losses attributable to negligence in the keeping of the funds. (*Sec. 105(2), P.D. No. 1445*)
  3. No AO shall be relieved from liability by reason of his having acted under the direction of a superior officer in paying out, applying, or disposing of the funds or property with which he is chargeable, unless prior to that act, he notified the superior officer in writing of the illegality of the payment, application, or disposition. The officer directing any illegal payment or disposition of the funds or property shall be primarily liable for the loss, while the AO who fails to serve the required notice shall be secondarily liable. (*Sec. 106, P.D. No. 1445*)
  4. When a loss of government funds or property occurs while they are in transit or the loss is caused by fire, theft, or other casualty or force majeure, the officer accountable therefor or having custody thereof shall immediately notify the Commission or the auditor concerned and, within 30 days or such longer period as the Commission or auditor may in the particular case allow, shall present his application for relief, with the available supporting evidence. Whenever warranted by the evidence, credit for the loss shall be allowed. An officer who fails to comply with this requirement shall not be relieved of liability or allowed credit for any loss in the settlement of his accounts. (*Sec. 73, P.D. No. 1445*)

**Sec. 4. Fundamental Principles for Revenue.** All revenues accruing to the NGAs shall be governed by the following fundamental principles:

- a. Unless otherwise specifically provided by law, all revenues accruing to an entity by virtue of the provisions of existing law, orders and regulations shall be deposited/remitted in the National Treasury (NT) or in any duly authorized government depository, and shall accrue to the General Fund (GF) of the NG. (*Sec. 65(1), P.D. No. 1445*)
- b. Except as may otherwise be specifically provided by law or competent authority, all moneys and property officially received by a public officer in any capacity or upon any occasion must be accounted for as government funds and government property. (*Sec. 42, Chapter 7, Title I(B), Book V, E.O. No. 292*)
- c. Amounts received in trust and from business-type activities of government may be separately recorded and disbursed in accordance with such rules and regulations as may be determined by a Permanent Committee composed of the Secretary of Finance as Chairman, and the Secretary of Budget and Management and the Chairman, COA, as members. (*Sec. 65(2), P.D. No. 1445*)

- d. Receipts shall be recorded as revenue of Special, Fiduciary or Trust Funds or Funds other than the GF, only when authorized by law as implemented by rules and regulations issued by the Permanent Committee. (*Sec. 66, P.D. No. 1445*)
  - e. No payment of any nature shall be received by a collecting officer without immediately issuing an official receipt in acknowledgement thereof. The receipt may be in the form of postage, internal revenue or documentary stamps and the like, officially numbered receipts, subject to proper custody, accountability, and audit. (*Sec. 68(1), P.D. No. 1445*)
  - f. Where mechanical devices (e.g. electronic official receipt) are used to acknowledge cash receipts, the COA may approve, upon request, exemption from the use of accountable forms. (*Sec. 68 (2), P.D. No. 1445*)
  - g. At no instance shall temporary receipts be issued to acknowledge the receipt of public funds. (*Sec. 72, GAAM Volume I*)
  - h. Pre-numbered ORs shall be issued in strict numerical sequence. All copies of each receipt shall be exact copies or carbon reproduction in all respects of the original. (*Sec. 73, GAAM Volume I*)
  - i. An officer charged with the collection of revenue or the receiving of moneys payable to the government shall accept payment for taxes, dues or other indebtedness to the government in the form of checks issued in payment of government obligations, upon proper endorsement and identification of the payee or endorsee. Checks drawn in favor of the government in payment of any such indebtedness shall likewise be accepted by the officer concerned.
- At no instance should money in the hands of the CO be utilized for the purpose of cashing private checks. (*Sec. 67(1) and (3), P.D. No. 1445*)
- j. Under such rules and regulations as the COA and the Department of Finance (DOF) may prescribe, the Treasurer of the Philippines and all AGDB shall acknowledge receipt of all funds received by them, the acknowledgement bearing the date of actual remittance or deposit and indicating from whom and on what account it was received. (*Sec. 70, P.D. No. 1445*)

**Sec. 5. Fundamental Principles for Disbursement of Public Funds.** Section 4 of P.D. No. 1445, the Government Auditing Code of the Philippines, provides that all financial transactions and operations of any government entity shall be governed by the following fundamental principles:

- a. No money shall be paid out of any public treasury or depository except in pursuance of an appropriation law or other specific statutory authority.
- b. Government funds or property shall be spent or used solely for public purposes.
- c. Trust funds shall be available and may be spent only for the specific purpose for which the trust was created or the funds received.
- d. Fiscal responsibility shall, to the greatest extent, be shared by all those exercising authority over the financial affairs, transactions, and operations of the government agency.

- e. Disbursement or disposition of government funds or property shall invariably bear the approval of the proper officials.
- f. Claims against government funds shall be supported with complete documentation.
- g. All laws and regulations applicable to financial transactions shall be faithfully adhered to.
- h. Generally accepted principles and practices of accounting as well as of sound management and fiscal administration shall be observed, provided that they do not contravene existing laws and regulations.

**Sec. 6. Basic Government Accounting and Budget Reporting Principles.** Each entity shall recognize and present its financial transactions and operations conformably to the following:

- a. generally accepted government accounting principles in accordance with the PPSAS and pertinent laws, rules and regulations;
- b. accrual basis of accounting in accordance with the PPSAS;
- c. budget basis for presentation of budget information in the financial statements (FSs) in accordance with PPSAS 24;
- d. RCA prescribed by COA;
- e. double entry bookkeeping;
- f. financial statements based on accounting and budgetary records; and
- g. fund cluster accounting.

**Sec. 7. Keeping of the General Accounts.** The COA shall keep the general accounts of the Government and, for such period as may be provided by law, preserve the vouchers and other supporting papers pertaining thereto, pursuant to Section 2, par. (1), Article IX-D of the 1987 Philippine Constitution.

**Sec. 8. Financial Reporting System for the National Government.** The financial reporting system of the Philippine government consists of accounting system on accrual basis and budget reporting system on budget basis under the statutory responsibility of the NGAs, Bureau of the Treasury (BTr), Department of Budget and Management (DBM), and the COA, as follows:

- a. Each entity of the National Government (NG) maintains complete set of accounting books by fund cluster which is reconciled with the records of cash transactions maintained by the BTr.
- b. The BTr accounts for the cash, public debt and related transactions of the NG.
- c. Each entity maintains budget registries which are reconciled with the budget records maintained by the DBM and the Government Accountancy Sector (GAS), COA.
- d. The COA, through the GAS:
  - 1. maintains budget records showing the overall approved budget of the NG and its execution/implementation;



2. consolidates the FSs and budget accountability reports of all NGAs and the BTr with COA's records to come up with an Annual Financial Report (AFR) for the NG as required in Section 4, Article IX-D of the 1987 Philippine Constitution; and
3. prepares other financial reports required by law for submission to oversight agencies.

**Sec. 9. Objectives of General Purpose Financial Statements.** The objectives of general purpose financial statements (GPFs) are to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. Specifically, the objectives of general purpose financial reporting in the public sector are to provide information useful for decision-making, and to demonstrate the accountability of the entity for the resources entrusted to it.

**Sec. 10. Responsibility for Financial Statements.** The responsibility for the preparation of the FSs rests with the following:

- a. for individual entity/department FSs – the head of the entity/department central office (COF) or regional office (RO) or operating unit (OU) or his/her authorized representative jointly with the head of the finance/accounting division/unit; and
- b. for department/entity FSs as a single entity – the head of the entity/department COF jointly with the head of the finance unit.

**Sec. 11. Components of General Purpose Financial Statements.** The complete set of GPFs consists of:

- a. Statement of Financial Position (*Annex A*);
- b. Statement of Financial Performance (*Annex B*);
- c. Statement of Changes in Net Assets/Equity (*Annex C*);
- d. Statement of Cash Flows (*Annex D*);
- e. Statement of Comparison of Budget and Actual Amounts (*Annex E*); and
- f. Notes to the Financial Statements, comprising a summary of significant accounting policies and other explanatory notes. (*Annex F*)

**Sec. 12. Books of Accounts and Registries.** The books of accounts and registries of the NG entities consist of:

- a. Journals
  1. General Journal (*Appendix 1*)
  2. Cash Receipts Journal (*Appendix 2*)
  3. Cash Disbursements Journal (*Appendix 3*)
  4. Check Disbursements Journal (*Appendix 4*)
- b. Ledgers
  1. General Ledgers (*Appendix 5*)
  2. Subsidiary Ledgers (*Appendix 6*)

c. Registries

1. Registries of Revenue and Other Receipts (*Appendices 7, 7A, 7B, 7C and 7D*)
2. Registry of Appropriations and Allotments (*Appendix 8*)
3. Registries of Allotments, Obligations and Disbursements (*Appendices 9A, 9B, 9C and 9D*)
4. Registries of Budget, Utilization and Disbursements (*Appendices 10A, 10B, 10C and 10D*)

**Sec. 13. Fund Accounting.** The books of accounts shall be maintained by fund cluster as follows:

<u>Code</u>	<u>Description</u>
01	Regular Agency Fund
02	Foreign Assisted Projects Fund
03	Special Account-Locally Funded/Domestic Grants Fund
04	Special Account-Foreign Assisted/Foreign Grants Fund
05	Internally Generated Funds
06	Business Related Funds
07	Trust Receipts

The composition of fund clusters is enumerated in *Annex P*.

**Sec. 14. Components of Budget and Financial Accountability Reports.** The budget reports consist of the following Budget and Financial Accountability Reports (COA-DBM-DOF Joint Circular No. 2013-1, as amended by COA and DBM Joint Circular No. 2014-1 dated July 2, 2014):

- a. Quarterly Physical Report of Operation (QPRO) – BAR No. 1
- b. Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAODB) – FAR No. 1
- c. Summary of Appropriations, Allotments, Obligations, Disbursements and Balances by Object of Expenditures (SAAODBOE) – FAR No. 1-A
- d. List of Allotments and Sub-Allotments (LASA) – FAR No. 1-B
- e. Statement of Approved Budget, Utilizations, Disbursements and Balances (SABUDB) – FAR No. 2 (for Off-Budget Fund)
- f. Summary of Approved Budget, Utilizations, Disbursements and Balances by Object of Expenditures (SABUDBOE) – FAR No. 2-A (for Off-Budget Fund)
- g. Aging of Due and Demandable Obligations (ADDO) – FAR No. 3
- h. Monthly Report of Disbursements (MRD) – FAR No. 4
- i. Quarterly Report of Revenue and Other Receipts (QRROR) – FAR No. 5

**Sec. 15. Fair Presentation.** The FSs shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and

recognition criteria for assets, liabilities, revenue, and expenses set out in PPSAS. The application of PPSAS, with appropriate disclosures, if necessary, would result in fair presentation of the FS.

**Sec. 16. Compliance with PPSASs.** An entity whose financial statements comply with PPSASs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with PPSASs unless they comply with all the requirements of PPSASs. Inappropriate accounting policies that do not comply with PPSAS are not rectified either by disclosure of the accounting policies used, or by notes or explanatory material.

**Sec. 17. Departure from PPSAS.** In the event that Management strongly believes that compliance with the requirement of PPSAS would result in misleading presentation that it would contradict the objective of the FSs set forth in PPSAS, the entity may depart from that requirement if the relevant regulatory framework allows, or otherwise does not prohibit, such a departure.

**Sec. 18. Going Concern.** The FSs shall be prepared on a going concern basis unless there is an intention to discontinue the entity operation, or if there is no realistic alternative but to do so.

**Sec. 19. Consistency of Presentation.** The presentation and classification of items in the FSs shall be retained from one period to the next unless laws, rules and regulations, and PPSAS require a change in presentation.

**Sec. 20. Materiality and Aggregation.** Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately unless they are immaterial. If a line item is not material, it is aggregated with other items either on the face of FSs or in the Notes to the FSs. A specific disclosure requirement in a PPSAS need not be satisfied if the information is not material.

**Sec. 21. Offsetting.** Assets and liabilities, and revenue and expenses shall not be allowed to offset unless required or permitted by a PPSAS except when offsetting reflects the substance of the transaction or other event.

**Sec. 22. Comparative Information.** Comparative information shall be disclosed with respect to the previous period for all amounts reported in the FSs. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's FSs.

**Sec. 23. Structure and Content.** The FSs and each component shall be identified clearly and distinguished from other information in the same published document.

**Sec. 24. Statement of Financial Position.** An entity shall present current and non-current assets, as well as current and non-current liabilities, as separate classifications on the face of the Statement of Financial Position (SFP).

**Sec. 25. Statement of Financial Performance.** The Statement of Financial Performance (SFPer) shall include line items that present the revenue, expenses and net surplus or deficit for the period.

**Sec. 26. Statement of Changes in Net Assets/Equity.** An entity shall present in the Statement of Changes in Net Assets/Equity (SCNA/E) the following:

- a. Net Income or Deficit for the period;
- b. Each item of revenue and expenses for the period that, as required by Standards, is recognized directly in net assets/equity, and the total of these items;
- c. Total revenue and expenses for the period; and
- d. For each component of net assets/equity separately disclosed, the effects of changes in accounting policies and corrections of errors recognized in accordance with PPSAS 3-Accounting Policies, Changes in Accounting Estimates and Errors.

**Sec. 27. Statement of Cash Flows.** The Statement of Cash Flows (SCF) provides information to users of FSs a basis to assess the ability of the entity to generate cash and cash equivalents and to determine the entity's utilization of funds. This also provides information on how the entity generates income authorized to be used in their operation and its utilization.

**Sec. 28. Statement of Comparison of Budget and Actual Amounts.** A comparison of budget and actual amounts will enhance the transparency of financial reporting in government. This shall be presented by government agencies as a separate additional financial statement referred in this Manual as the Statement of Comparison of Budget and Actual Amounts (SCBAA).

**Sec. 29. Notes to Financial Statements.** The Notes to FSs contain information in addition to that presented in the SFP, SFPer, SCNA/E, SCF and SCBAA. Notes provide narrative descriptions or disaggregation of items disclosed in those FSs and information about items that do not qualify for recognition in those statements.

**Sec. 30. Qualitative Characteristics of Financial Reporting.** An entity shall present information including accounting policies in a manner that meets a number of qualitative characteristics such as understandability, relevance, materiality, reliability and comparability. These qualitative characteristics are the attributes that make the information provided in the FSs useful to users.

**Sec. 31. Key Features of Assets.** The key features of an asset are:

- a. the benefits must be controlled by the entity;
- b. the benefits must have arisen from a past event; and
- c. future economic benefits or service potential must be expected to flow to the entity.

The following are indicators of control of the benefits by the entity:

- a. the ability of an entity to benefit from the asset and to deny or regulate the access of others to that benefit.
- b. an entity can, depending on the nature of the asset, exchange it, use it to provide goods or services, exact a price for others' use of it, use it to settle liabilities, hold it, or perhaps even distribute it to owners.



- c. possession or ownership of an object or right would normally be synonymous with control over the future economic benefits embodied in the right or object.

However, there are instances when an entity may possess an object or right but not expect to enjoy the benefits embodied in it, e.g. under a finance lease agreement, control over the leased property owned by the lessor is transferred to the lessee.

The following are indicators of past event:

- a. the specification of a past event differentiates assets from intentions to acquire assets, which are not to be recognized.
- b. a transaction or event giving rise to control of the future economic benefits must have occurred.

The following are indicators of future economic benefits:

- a. distinguishable from the source of the benefit i.e. the particular physical resource or legal right;
- b. does not imply that assets necessarily generate cash flows, the benefits can also be in the form of 'service potential';
- c. in determining whether a resource or right needs to be accounted for as an asset, the potential to contribute to the objectives of the entity should be the prime consideration;
- d. capacity to contribute to activities/objectives/programs; and
- e. the fact that an asset cannot be sold does not preclude it from providing future economic benefits.

**Sec. 32. Recognition of an Asset.** An asset shall be recognized in the financial position when and only when (a) it is probable that the future economic benefits will flow to the entity; and (b) the asset has a cost or value that can be measured reliably.

The following are indicators of probable inflow of future economic benefits:

- a. the chance of benefits arising is more likely rather than less likely (e.g. greater than 50%).
- b. benefits can be expected on the basis of available evidence or logic.

The following are indicators of reliable measurement:

- a. valuation method is free from material error or bias.
- b. faithful representation of the asset's benefits.
- c. reliable information will, without bias or undue error, faithfully represent those transactions and events.

**Sec. 33. Accounting Standards for Revenue.** The following accounting standards shall apply for revenue and receipts of government entities:

- a. Revenue includes only the gross inflows of economic benefits or service potential received and receivable by the entity in its own account. (PPSAS 9)
- b. Receipts/Collections shall refer to all cash actually received from all sources during a given accounting period.
- c. Fines shall include economic benefits or service potential received or receivable by a public sector agency, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations. Fines and penalties, either on tax revenue or other specific income account, shall be recognized as income of the year these were collected.
- d. Gifts and donations shall consist of voluntary transfers of assets including cash or other monetary assets, goods in-kind and services in-kind that one agency makes to another, normally free from stipulations. (PPSAS 23)
- e. Goods in-kind are tangible assets transferred to an agency in a non-exchange transaction, without charge, but may be subject to stipulations. External assistance provided by multilateral or bilateral development organizations often includes a component of goods in-kind. (PPSAS 23)
- f. Taxes are economic benefits or service potentials compulsory paid or payable to public sector agencies, in accordance with laws and or regulations, established to provide revenue to the government. Taxes do not include fines or other penalties imposed for breaches of the law. (PPSAS 23)
- g. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. (PPSAS 23)

**Sec. 34. Use of Appropriated Funds.** All moneys appropriated for functions, activities, projects and programs shall be available solely for the specific purposes for which these are appropriated.

**Sec. 35. Appropriation for Loan Proceeds.** Expenditures funded by foreign and domestic borrowings shall be included within the expenditure program of the entity concerned. Loan proceeds, whether in cash or in kind, shall not be used without the corresponding release of funds through a Special Budget.

**Sec. 36. Basic Requirements for Disbursements and the Required Certifications.** Disbursements of government funds shall comply with the following basic requirements and certifications:

- a. Availability of allotment/budget for obligation/utilization certified by the Budget Officer/Head of Budget Unit;
- b. Obligations/Utilizations properly charged against available allotment/budget by the Chief Accountant/Head of Accounting Unit;
- c. Availability of funds certified by the Chief Accountant. The Head of the Accounting Unit shall certify the availability of funds before an Agency Head or his duly authorized representative enter into any contract that involves the expenditure of public funds based on the copy of budget release documents;

- d. Availability of cash certified by the Chief Accountant. The Head of the Accounting Unit shall certify the availability of cash and completeness of the supporting documents in the disbursement voucher and payroll based on the Registry of Allotments and Notice of Cash Allocation/Registry of Allotment and Notice of Transfer of Allocation;
- e. Legality of the transactions and conformity with existing rules and regulations. The requesting and approving officials shall ensure that the disbursements of government funds are legal and in conformity with applicable rules and regulations;
- f. Submission of proper evidence to establish validity of the claim. The Head of the Requesting Unit shall certify on the necessity and legality of charges to allotments under his/her supervision as well as the validity, propriety and legality of supporting documents. All payments of government obligations and payables shall be covered by Disbursement Vouchers (DV)/Payrolls together with the original copy of the supporting documents which will serve as basis in the evaluation of authenticity and authority of the claim. It should be cleared, however, that the submission of the supporting documents does not preclude reasonable questions on the funding, legality, regularity, necessity and/or economy of the expenditures or transactions; and
- g. Approval of the disbursement by the Head of Agency or by his duly authorized representative. Disbursement or disposition of government funds or property shall invariably bear the approval of the proper officials. The DVs/Payrolls shall be signed and approved by the head of the agencies or his duly authorized representatives.

**Sec. 37. Certification of Availability of Funds.** No funds shall be disbursed, and no expenditures or obligations chargeable against any authorized allotment shall be incurred or authorized in any department, office or agency without first securing the certification of its Chief Accountant or head of accounting unit as to the availability of funds and the allotment to which the expenditure or obligation may be properly charged.

No obligation shall be certified to accounts payable unless the obligation is founded on a valid claim that is properly supported by sufficient evidence and unless there is proper authority for its incurrence. Any certification for a non-existent or fictitious obligation and/or creditor shall be considered void. The certifying official shall be dismissed from the service, without prejudice to criminal prosecution under the provisions of the Revised Penal Code. Any payment made under such certification shall be illegal and every official authorizing or making such payment, or taking part therein or receiving such payment, shall be jointly and severally liable to the government for the full amount so paid or received. (*Book VI, Section 41 of EO No. 292*)

**Sec. 38. Prohibition against the Incurrence of Overdraft.** Heads of departments, bureaus, offices and agencies shall not incur nor authorize the incurrence of expenditures or obligations in excess of allotments released by the DBM Secretary for their respective departments, offices and agencies. Parties responsible for the incurrence of overdrafts shall be held personally liable therefor. (*Book VI, Chapter 5, Section 41 of EO No. 292*)

**Sec. 39. Mode of Disbursements.** Payments/Disbursements by NGAs may be effected through the Treasury Single Account (TSA), by issuing Modified Disbursements System (MDS) check or commercial check, cash through cash advance, Advice to Debit Account (ADA), or Non-Cash Availment Authority (NCAA).

**Sec. 40. Authority to Disburse/Pay.** NGAs are authorized to disburse/pay based on the Notice of Cash Allocation (NCA), Notice of Transfer of Allocation (NTA), Cash Disbursement Ceiling (CDC) or other authority that may be provided by law.

**Sec. 41. Disbursement Voucher/Payroll.** Checks/ADA shall be drawn based on duly approved disbursement voucher or payroll.

**Sec. 42. Maintenance of Records.** All checks/ADA drawn during the day, whether released or unreleased including cancelled checks shall be recognized chronologically in the Checks/ADA Disbursement Record maintained by the Cash/Treasury Unit.

**Sec. 43. Reporting of Disbursements.** All payments/disbursements shall be reported using the prescribed forms for recording in the books of accounts.

## Chapter 3

### BUDGET EXECUTION, MONITORING AND REPORTING

**Sec. 1. Scope.** This Chapter prescribes the guidelines in monitoring, accounting and reporting of the budget in the financial statements. This also prescribes the records to be maintained by the national government agencies, forms to be used and reports to be prepared to effectively monitor the budget as well as the required information disclosure and presentation of budget information in the financial statements in accordance with PPSAS 24.

**Sec. 2. Definition of Terms.** For the purpose of this Manual, the terms stated below shall be construed to mean as follows:

- a. *Allotment* – is an authorization issued by the DBM to NGAs to incur obligations for specified amounts contained in a legislative appropriation in the form of budget release documents. It is also referred to as Obligational Authority.
- b. *Appropriation* – is the authorization made by a legislative body to allocate funds for purposes specified by the legislative or similar authority.
- c. *Approved Budget* – is the expenditure authority derived from appropriation laws, government ordinances, and other decisions related to the anticipated revenue or receipts for the budgetary period. The approved budget consists of the following:

	<u>UACS Code</u>
New General Appropriations	01
Continuing Appropriations	02
Supplemental Appropriations	03
Automatic Appropriations	04
Unprogrammed Funds	05
Retained Income/Funds	06
Revolving Funds	07
Trust Receipts	08

- d. *Automatic Appropriations* – are the authorizations programmed annually or for some other period prescribed by law, by virtue of outstanding legislation which does not require periodic action by Congress.
- e. *Budget Information* – the budgetary information consists of, among others, data on appropriations or the approved budget, allotments, obligations, revenues and other receipts, and disbursements.
- f. *Continuing Appropriations* – are the authorizations to support obligations for a specific purpose or project, such as multi-year construction projects which require the incurrence of obligations even beyond the budget year.
- g. *Disbursements* – are the actual amounts spent or paid out of the budgeted amounts.
- h. *Final Budget* – is the original budget adjusted for all reserves, carry-over amounts, transfers, allocations and other authorized legislative or similar authority changes applicable to the budget period.



- i. *New General Appropriations* – are annual authorizations for incurring obligations during a specified budget year, as listed in the GAA.
- j. *Obligation* – is an act of a duly authorized official which binds the government to the immediate or eventual payment of a sum of money. Obligation may be referred to as a commitment that encompasses possible future liabilities based on current contractual agreement.
- k. *Original Budget* – is the initial approved budget for the budget period usually the General Appropriations Act (GAA). The original budget may include residual appropriated amounts automatically carried over from prior years by law such as prior year commitments or possible future liabilities based on a current contractual agreement.
- l. *Revenues* – are increases in economic benefits or service potential during the accounting period in the form of inflows or increases of assets or decreases of liabilities that result in increases in net assets/equity, other than those relating to contributions from owners.
- m. *Supplemental Appropriations* – are additional appropriations authorized by law to augment the original appropriations which proved to be insufficient for their intended purpose due to economic, political or social conditions supported by a Certification of Availability of Funds (CAF) from the BTr.

**Sec. 3. Fund Release Documents.** With the adoption of the UACS and the Performance-Informed Budgeting (PIB), the following are the fund release documents:

- a. **Obligational Authority or Allotment** – the following are the documents which authorize the entity to incur obligations:
  - 1. *General Appropriations Act Release Document (GAARD)* – serves as the obligational authority for the comprehensive release of budgetary items appropriated in the GAA, categorized as For Comprehensive Release (FCR).
  - 2. *Special Allotment Release Order (SARO)* – covers budgetary items under For Later Release (FLR) (negative list) in the entity submitted Budget Execution Documents (BEDs), subject to compliance of required documents/clearances. Releases of allotments for Special Purpose Funds (SPFs) (e.g., Calamity Fund, Contingent Fund, E-Government Fund, Feasibility Studies Fund, International Commitments Fund, Miscellaneous Personnel Benefits Fund and Pension and Gratuity Fund) are also covered by SAROs.
  - 3. *General Allotment Release Order (GARO)* – is a comprehensive authority issued to all national government agencies, in general, to incur obligations not exceeding an authorized amount during a specified period for the purpose indicated therein. It covers automatically appropriated expenditures common to most, if not all, agencies without need of special clearance or approval from competent authority, i.e. Retirement and Life Insurance Premium.
- b. **Disbursement Authority** – the following documents authorize the entity to pay obligations and payables:
  - 1. *Notice of Cash Allocation (NCA)* – authority issued by the DBM to central, regional and provincial offices and operating units to cover the cash requirements of the agencies;

2. *Non-Cash Availment Authority (NCAA)* – authority issued by the DBM to agencies to cover the liquidation of their actual obligations incurred against available allotments for availment of proceeds from loans/grants through supplier's credit/constructive cash;
3. *Cash Disbursement Ceiling (CDC)* – authority issued by DBM to the Department of Foreign Affairs (DFA) and Department of Labor and Employment (DOLE) to utilize their income collected/retained by their Foreign Service Posts (FSPs) to cover their operating requirements, but not to exceed the released allotment to the said post; and
4. *Notice of Transfer of Allocation* – authority issued by the Central Office to its regional and operating units to cover the latter's cash requirements.

**Sec. 4. Classification of Expenditures.** Expenditures of NGAs shall be classified into categories as may be determined by the DBM including, but not limited to the following:

- a. Entity incurring the obligation;
- b. Program, Activity and Project (PAP);
- c. Object of expenditures, including personnel services (PS), maintenance and other operating expenditures (MOOE), financial expenses (FE), and capital outlays (CO);
- d. Region or locality of use;
- e. Economic or functional classification of the expenditures;
- f. Obligational authority and cash transactions arising from fund releases; and
- g. Such other classifications as may be necessary for the budget process.

**Sec. 5. Monitoring of the Budget.** The budget shall be monitored by the Budget Division/Units of NGAs through the maintenance of registries for that purpose.

**Sec. 6. Registries of Revenue and Other Receipts.** The Registries of Revenue and Other Receipts (*Appendices 7, 7A, 7B, 7C and 7D*) shall be maintained by the Budget Division/Unit of NGAs to monitor the revenue and other receipts estimated/budgeted, collected and remitted/deposited.

**Sec. 7. Procedures in Monitoring and Recognizing Revenue and Other Receipts**

- a. Recognizing Estimated Revenue/Other Receipts

Area of Responsibility	Seq. No.	Activity
Budget Division/Unit Staff Concerned	1	Receives copy of the Estimated Revenue per Approved Budget of the Agency (ERABA). Records the same in the logbook and forwards the ERABA and the supporting documents (SDs) to the Budget Staff.

Area of Responsibility	Seq. No.	Activity
Budget Staff	2	Records the estimated revenue/other receipts in the appropriate column of the RROR. Files the RROR and the copy of ERABA for reference.

b. Recognizing Revenue/Other Receipts Collected and Deposited

Area of Responsibility	Seq. No.	Activity
Budget Division/Unit Staff Concerned	1	<p>Receives from the Cash/Treasury Unit or other unit concerned of the entity the copy of the Report of Collections and Deposits (RCD), TRA (<i>Note 1</i>), Cash Receipts Register (CRReg) (<i>Note 2</i>) and Credit Memo/Abstract of Deposits (<i>Note 3</i>). Records the same in the logbook and forwards the documents to the Budget Staff.</p> <p><i>Note 1</i> – The TRA is used by the Bureau of Internal Revenue (BIR) to recognize the income from taxes withheld by various NGAs.</p> <p><i>Note 2</i> – The CRReg is used by operating units of NGAs without complete set of books of accounts such as foreign-based government agencies, etc.</p> <p><i>Note 3</i> – The Credit Memo/Abstract of Deposits from the bank is used to recognize revenue deposited with the National Treasury through the AGDBs or Authorized Agent Banks (AABs).</p>
Budget Staff	2	Records the collections of revenue/other receipts/constructive receipts of revenue under the appropriate column of the RROR. Files the RROR and the copy of RCD and supporting documents for reference.

**Sec. 8. Registry of Appropriations and Allotments.** The Registry of Appropriations and Allotments (RAPAL) (*Appendix 8*) shall be maintained by NGAs to monitor appropriations and allotments charged thereto. It shall show the original, supplemental and final budget for the year and all allotments received charged against the corresponding appropriation. The balance is extracted every time an entry is made to prevent incurrence of overdraft in appropriations. Separate RAPAL shall be maintained by fund cluster and by Major Final Output (MFO)/PAP/Appropriation Acts.

**Sec. 9. Procedures in Recording Appropriations and Allotments.** The procedures for recording appropriations and allotments are as follows:

Area of Responsibility	Seq. No.	Activity
Staff Concerned	1	Receives the GAA and the allotment release documents from the DBM. Records the same in the logbook and forwards these documents to the Budget Staff for recording in the RAPAL and RAOD.
Budget Staff	2	Records the appropriations and allotments in the appropriate columns of the RAPAL and the RAOD. Forwards a copy of the allotment release documents to the Accounting Division/Unit for reference.

*Note* – The amount of allotment should not exceed the authorized appropriations in the GAA. If the allotment exceeds the appropriation, appropriate actions should be taken.

**Sec. 10. Registries of Allotments, Obligations and Disbursements.** The Registries of Allotments, Obligations and Disbursements (RAOD) shall be maintained by the Budget Division/Unit of agencies to record allotments, obligations and disbursements. It shall show the allotments received for the year, obligations incurred against the corresponding allotment and the actual disbursements made. The balance is extracted every time an entry is made to prevent incurrence of obligations in excess of allotment and overdraft in disbursements against obligations incurred. The RAODs shall be maintained by appropriation act, fund cluster, MFO/PAP, and allotment class.

- a. Registry of Allotments, Obligations and Disbursements-Personnel Services (RAOD-PS) (*Appendix 9A*) shall be used to record the allotments received, obligations incurred and disbursements classified under PS.
- b. Registry of Allotments, Obligations and Disbursements-Maintenance and Other Operating Expenses (RAOD-MOOE) (*Appendix 9B*) shall be used to record the allotments received, obligations incurred and disbursements classified under MOOE.
- c. Registry of Allotments, Obligations and Disbursements-Financial Expenses (RAOD-FE) (*Appendix 9C*) shall be used to record the allotments received, obligations incurred and disbursements classified under FE.
- d. Registry of Allotments, Obligations and Disbursements-Capital Outlays (RAOD-CO) (*Appendix 9D*) shall be used to record the allotments received, obligations incurred and disbursements classified under CO.

**Sec. 11. Obligation Request and Status.** The incurrence of obligations shall be made through the issuance of Obligation Request and Status (ORS) (*Appendix 11*). The ORS shall be prepared by the Requesting/Originating Office supported by valid claim documents like DVs, payrolls, purchase/job orders, itinerary of travel, etc. The Head of the Requesting/Originating Office or his/her authorized representative shall certify in the Section A of the ORS as to the necessity and legality of charges to the budget under his/her supervision, and validity, propriety and legality of SDs. The Head of the Budget Division/Unit shall certify to the availability of allotment and such is duly obligated by signing in Section B of the ORS.

**Sec. 12. Subsidiary Record for Obligation.** A subsidiary record to monitor a particular obligation shall be maintained by the Budget Division/Unit in Section C of the ORS. It shall contain the original amount of obligation, payable (goods delivered and services rendered) and the actual amount paid.

**Sec. 13. Adjustment of Obligation.** Adjustment of obligation incurred after the processing of the claim by the Accounting Division/Unit shall be made through the use of Notice of Obligation Request and Status Adjustment (NORSA) (*Appendix 12*). The adjustment shall be effected through a positive entry (if additional obligation is necessary) or a negative entry (if reduction is necessary) in the 'Obligation' column of the ORS and RAOD.

**Sec. 14. Notice of Obligation Request and Status Adjustment.** The NORSA shall be prepared by the Accounting Division/Unit after the processing of the claim which shall be used in adjusting the original amount obligated to the actual obligations incurred in the RAOD. It shall be forwarded by the Accounting Division/Unit to the Budget Division/Unit to take up the adjustments of obligation in the RAOD. The following transactions shall also need adjustments of obligations:

Transactions	Supporting Documents
a. Refund of cash advance granted during the year	Certified copies of official receipts and other SDs
b. Over/Underpayment of expenditures during the year	Certified copies of official receipts and bills and other SDs
c. Disallowances pertaining to expenses incurred during the validity period of the budget that became final and executory during the same period	Certified copies of official receipts and bills, notice that the disallowances are final and executory, and other SDs

**Sec. 15. Procedures in Recording Obligation.** Obligation shall be recorded in the appropriate RAOD through ORS with the following procedures:

Area of Responsibility	Seq. No.	Activity
Budget Division/Unit Staff Concerned	1	Receives the ORS, duly signed by the Head of the Requesting Office, including copies of DV/Payroll, Contract/Purchase Order (PO) and other SDs from office/personnel concerned. Verifies completeness of the documents. If complete, records the same in the logbook maintained for the purpose and forwards the documents to the Budget Staff for processing. If incomplete, returns the documents to the Requesting Office for completion.
Budget Staff	2	Receives the ORS and its SDs from the Staff concerned. Verifies availability of allotment based on the appropriate RAOD. If allotment is not available, returns the documents to the office/personnel concerned.
	3	If allotment is available, assigns number on the ORS based on the Control Logbook maintained for the purpose. Records the amount obligated based on the ORS in the 'Obligation' column of the RAOD. Initials



Area of Responsibility	Seq. No.	Activity
		in Section B of the ORS and forward all copies of the documents to the Head of the Budget Division/Unit for signature.
Head of Budget Division/Unit	4	Reviews the ORS and SDs. If in order, signs the certification in Section B of the ORS. Forwards the ORS and SDs to the Budget Staff.
Budget Staff	5	Forwards the ORS and SDs to the Accounting Division/Unit for processing of the claim. Retains original copy of the ORS for maintenance/monitoring of obligation status.
<i>Note – For the succeeding activities, refer to Chapter 6-Disbursements.</i>		

**Sec. 16. Recording of Disbursement in the RAOD.** The disbursements shall be posted under the ‘Payment’ column of Section C of the ORS based on the Reports of Checks Issued (RCI)/Report of ADA Issued (RADAI) (*Appendix 13*)/TRA and JEV and recorded in the appropriate RAOD by the Budget Division/Unit.

**Sec. 17. Procedures for the Recording of Disbursements and Adjustment of Obligation.** The procedures for the recording of disbursements and adjustment of obligation are as follows:

Area of Responsibility	Seq. No.	Activity
Budget Division/Unit Staff Concerned	1	Receives copies of RCI, RADAI, TRA, JEV and NORSA from the Accounting Division/Unit as basis for posting in Section C of the ORS and recording to RAOD. Records in the Logbook and forwards the RCI, RADAI, TRA, JEV and NORSA to Budget Staff concerned for recording in the RAOD and updating Section C of the ORS.
Budget Staff	2	<b><u>Recording of Disbursements</u></b> Posts the RCI/RADAI/TRA/JEV and pertinent Check/ADA/TRA numbers in Section C, ‘Payment’ column of the ORS and ‘Disbursements’ column of the RAOD.
	3	In Section C of the ORS, determines the balance of unpaid obligations by subtracting the amount of disbursements from obligations. Files the RCI, RADAI, TRA, JEV and other documents for reference.
	4	<b><u>Adjustment of Obligation</u></b> Posts the NORSA in the ‘Obligation’ column of Section C of the ORS. If the original amount is lesser than the actual obligation after the processing of the claim, a

Area of Responsibility	Seq. No.	Activity
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positive entry corresponding to additional obligation shall be recorded in the RAOD based on the NORSA. If the original obligation is greater, a negative entry representing the excess shall be recorded in the RAOD.

**Sec. 18. Registries of Budget, Utilization and Disbursements.** The Registries of Budget, Utilization and Disbursements (RBUD) shall be used to record the approved special budget and the corresponding utilizations and disbursements charged to retained income authorized under R.A. 8292 for SUCs and other retained income collection of a national government agency with similar authority, Revolving Funds and Trust Receipts/Custodial Funds. It shall be maintained by legal/authority, fund cluster, MFO/PAP and budget classification.

- a. Registry of Budget, Utilization and Disbursements-Personnel Services (RBUD-PS) (*Appendix 10A*) shall be used to record the budget utilizations and disbursements classified under PS.
- b. Registry of Budget, Utilization and Disbursements-Maintenance and Other Operating Expenses (RBUD-MOOE) (*Appendix 10B*) shall be used to record the budget utilizations and disbursements classified under MOOE.
- c. Registry of Budget, Utilization and Disbursements-Financial Expenses (RBUD-FE) (*Appendix 10C*) shall be used to record the budget utilizations and disbursements classified under FE.
- d. Registry of Budget, Utilization and Disbursements-Capital Outlays (RBUD-CO) (*Appendix 10D*) shall be used to record the budget utilizations and disbursements classified under CO.

**Sec. 19. Budget Utilization Request and Status.** The incurrence of budget utilization shall be made through the issuance of Budget Utilization Request and Status (BURS) (*Appendix 14*). The BURS shall be prepared by the Requesting/Originating Office supported by valid claim documents like DV, payroll, purchase/job order, itinerary of travel, etc. The Head of Requesting/Originating Office or his/her authorized representative shall certify in Section A of the BURS as to the necessity and legality of charges to the budget under his/her supervision, and validity and propriety of SDs. The Head of Budget Division/Unit shall certify to the availability of budget and its utilization in accordance with its purpose by signing in Section B of the BURS.

**Sec. 20. Subsidiary Record for Budget Utilization.** The Section C of the BURS shall serve as the subsidiary record to monitor budget utilization to be maintained by the Budget Division/Unit. It shall contain the original amount of utilization, payable (goods delivered and services rendered) and the actual amount paid after the processing of the claim.

**Sec. 21. Adjustment of Budget Utilization.** Adjustment of budget utilization after the processing of the claim by the Accounting Division/Unit shall be made through the use of Notice of Budget Utilization Request and Status Adjustment (NBURSA) (*Appendix 15*). The adjustment shall be effected thru a positive entry (if additional utilization is necessary) or a negative entry (if reduction is necessary) in the 'Utilization' column of the BURS and RBUD.

**Sec. 22. Notice of Budget Utilization Request and Status Adjustment.** The NBURSA shall be prepared by the Accounting Division/Unit after the processing of the claim which shall be used in adjusting the original amount utilized to the actual utilizations in the RBUD. It shall be forwarded by the Accounting Division/Unit to Budget Division/Unit to take up

the adjustments of utilization in the RBUD. The following transactions shall also need adjustments of budget utilizations:

Transactions	Supporting Documents
a. Refund of cash advance granted during the year	Certified copies of official receipts and other SDs
b. Over/Underpayment of expenditures during the year	Certified copies of official receipts and bills and other SDs
c. Disallowances pertaining to expenses incurred during the validity period of the budget that became final and executory during the same period	Certified copies of official receipts and bills, notice that the disallowances are final and executory, and other SDs

**Sec. 23. Recording of Disbursement in the RBUD.** The disbursement shall be posted in Section C of the BURS and recorded in the appropriate RBUD based on the RCI, RADAI, TRA and JEV furnished by the Cashier/Accounting Units to Budget Division/Unit.

**Sec. 24. Procedures in Monitoring Budget, Utilizations and Disbursements charged to Retained Income, Revolving Funds and Trust Receipts/Custodial Funds.** The procedures are as follows:

Area of Responsibility	Seq. No.	Activity
<b><u>Posting of Approved Budget</u></b>		
Budget Division/Unit		
Receiving/Releasing Staff	1	Receives the approved budget (AB) from the concerned entity official. Records the same in the logbook and forwards the AB to the Staff Concerned for recording in the appropriate RBUD.
Staff Concerned	2	Records the AB in the 'Budgeted Amount' column of the RBUD and forwards copies of the budget documents to the Accounting Division/Unit for reference.
<b><u>Posting of Utilization</u></b>		
Receiving/Releasing Staff	3	Receives the BURS, duly signed by the head of the Requesting Office including copies of DV/Payroll, Contract/PO and other SDs from concerned office/personnel. Verifies completeness of the documents. If complete, records the same in the logbook maintained for the purpose and forwards the documents to Staff Concerned for recording of utilizations in the appropriate RBUD. If incomplete, returns the documents to Requesting Office for completion.
Staff Concerned	4	Receives the BURS and its SDs from Receiving/Releasing Staff. Verifies availability of budget based on the appropriate RBUD.
	5	If budget is available, assigns number on the BURS based on the Control Logbook maintained for the purpose. Records the amount utilized based on the BURS in the 'Utilization' column of the RBUD. Initials in Section B of the BURS and forward all copies of the documents to the Head of the Budget Division/Unit for signature. If budget

Area of Responsibility	Seq. No.	Activity
		is not available, returns the documents to the office/personnel concerned.
Head of Budget Division/Unit	6	Reviews the BURS and SDs. Signs the certification in Section B of the BURS. Forwards to the Staff Concerned the BURS and SDs.
Staff Concerned	7	Records in the logbook the release of the BURS and SDs to the Accounting Division/Unit for processing of the claim. Retains original copy of the BURS for maintenance/monitoring of utilization status.
<i>Note</i> – For the succeeding activities, refer to Chapter 6- Disbursements.		
Receiving/Releasing Staff	8	<b><u>Posting of Disbursement</u></b> Records in the logbook the receipt of the RCI and RADAI from the Cash Unit, and TRA, JEV and NBURSA from the Accounting Division/Unit. Forwards the same to Staff Concerned.
Staff Concerned	9	Posts the RCI/RADAI/TRA/JEV in Section C, Payment column of the BURS and to the Disbursement column of the RBUD.
	10	In Section C of the BURS, determines the balance of unpaid utilizations. Files the RCI, RADAI, TRA, JEV and other documents for reference.
Staff Concerned	11	<b><u>Adjustment of Utilization</u></b> Posts the NBURSA in the ‘Utilization’ column of Section C of the BURS. For any excess of the actual budget utilization over the original amount, a positive entry corresponding to additional utilization shall be recorded in the RBUD based on the NBURSA. If the original utilization is greater, a negative entry representing the excess shall be recorded in the RBUD.

**Sec. 25. Presentation of Budget Information in the Financial Statements on a Comparable Basis.** An entity shall prepare a comparison of the budget and actual amounts spent as a separate statement since the budget and the financial statements are not prepared on a comparable basis in accordance with PPSAS (*Par. 23, PPSAS 24*).

**Sec. 26. Statement of Comparison of Budget and Actual Amounts.** This shall be prepared based on the various registries maintained by the Budget Division/Unit such as the RRORs, RAPAL, RAOD/RBUD and other SDs. The data on Actual Amounts shall be verified by the Accounting Division/Unit in the Statement of Cash Flows (SCF). The statement shall present the following:

- a. The original (approved appropriations, prior year’s not yet due and demandable obligations) and final budget (continuing appropriations, transfers, realignments and withdrawals) amounts;
- b. The actual amounts on a comparable basis; and

- c. By way of note disclosure, an explanation of the material differences between the budget and actual amounts, which are not included in the financial statements.

(NAME OF THE ENTITY) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT (ALL FUNDS OR NAME OF FUND) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousand pesos)					
Particulars		Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
		Original	Final		
Notes					
RECEIPTS					
Tax Revenue	3.13 & 3.15	xxx	xxx	xxx	xxx
Services and Business Income	3.14 & 3.15	xxx	xxx	xxx	xxx
Assistance and Subsidy	3.13 & 3.15	xxx	xxx	xxx	xxx
Shares, Grants and Donations	3.13 & 3.15	xxx	xxx	xxx	xxx
Gains	3.14 & 3.15	xxx	xxx	xxx	xxx
Others	3.15	xxx	xxx	xxx	xxx
Total Receipts		xxx	xxx	xxx	xxx
PAYMENTS					
Personnel Services	3.15	xxx	xxx	xxx	xxx
Maintenance and Other Operating Expenses	3.15	xxx	xxx	xxx	xxx
Capital Outlay	3.15	xxx	xxx	xxx	xxx
Financial Expenses	3.15	xxx	xxx	xxx	xxx
Others	3.15	xxx	xxx	xxx	xxx
Total Payments		xxx	xxx	xxx	xxx
NET RECEIPTS/PAYMENTS		xxx	xxx	xxx	xxx
The above statement should be read in conjunction with the accompanying notes.					

**Sec. 27. Changes from Original to Final Budget.** An entity shall present an explanation of whether the changes between the original and final budget are a consequence of reallocations within the budget by way of note disclosure in the FSs.

**Sec. 28. Reconciliation of Actual Amounts on a Comparable Basis (Budget) and Actual Amounts in the Financial Statements.** The actual amounts presented on a comparable basis to the budget shall be reconciled with the actual amounts presented in the FSs identifying separately the differences classified as follows:

- Basis Differences, which occur when the approved budget is prepared on a basis other than the accounting basis;
- Timing Differences, which occur when the budget period differs from the reporting period reflected in the FSs; and
- Entity Differences, which occur when the budget omits program or entities that are part of the entity for which the FSs are prepared.

The reconciliation shall be disclosed as part of the Notes to the FSs.

**Sec. 29. Disclosures of Budgetary Basis, Period and Scope.** An entity shall explain in the notes to the FSs the budgetary basis (cash or accrual, or some modification thereof) used in the preparation and presentation of the budget and the accounting basis used in the financial

statements. The period and the entities included in the approved budget shall also be identified in the notes to financial statements.

### **Sec. 30. Procedures for the Preparation of the Statement of Comparison of Budget and Actual Amounts**

<b>Area of Responsibility</b>	<b>Seq. No.</b>	<b>Activity</b>
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Budget Division/Unit  
Staff Concerned

1

Based on the RRORs, RAPAL, RAODs/RBUDs and SDs, obtain the data on budgeted and actual revenue, appropriations, allotments, obligations/utilizations and disbursements and post these in the appropriate column of the SCBAA.

*Note 1* – The number in the ‘Notes’ column shall correspond to those shown in the Notes to FS prepared by the agency.

*Note 2* – The Receipts portion of the statement shall contain the various revenue and other receipts of the agency showing the following:

a. Budgeted Amount:

*Original* – the approved estimated revenue of the entity per major account based on the RROR maintained by the agency

*Final* – the approved estimated revenue of the entity after effecting the adjustments as reflected in the RROR.

In cases where the estimated revenue was not reflected on the approved budget, the actual collections shall be considered as the estimated revenue (final). The same shall be disclosed in the notes to the FSs.

b. Actual Amounts on Comparable Basis – refer to collections received from revenue transaction based on the RCD, CRReg (for OU without complete set of books) and CM/Abstract of Deposit as posted in the RROR

The NCA received for funding requirements of the agency shall not be considered as receipts for the purpose of this statement.

*Note 3* – The Payments portion of the SCBAA shall contain the expenditures of the agency classified into PS, MOOE, CO, FE and Other Disbursements showing the following:

a. Budgeted Amount:



Area of Responsibility	Seq. No.	Activity
		<p><i>Original</i> – the approved appropriations of the agency as reflected in the GAA and other appropriations law.</p> <p><i>Final</i> – the approved appropriations of the agency after effecting the adjustments (transfers, realignments and withdrawals) as reflected in the RAPAL.</p> <p>b. Actual Amounts on Comparable Basis – refer to actual payments/disbursements posted in the RAOD based on the RCI, RADAI, TRA and JEV for disbursements not recorded in the RCI and RADAI. For Operating Units without complete set of books, the source documents are the CReg, CReg and the JEV.</p> <p><i>Note 4</i> – This statement shall be prepared by fund cluster based on the UACS.</p> <p><i>Note 5</i> – In addition to Note 4, a consolidated/combined statement of all fund clusters shall be prepared.</p>
Budget Staff	2	<p>Prepares the SCBAA in two (2) copies and forwards to the Accounting Division/Unit for verification of the actual amounts with the accounting records and the SCF.</p> <p><i>Note 6</i> – The difference between the Final Budget and the Actual Amounts in the SCBAA shall be reconciled with the balances of unreleased appropriations/budget, unobligated allotments/unutilized budget, and unpaid obligations/utilizations reflected in the SAAODB/SABUDB.</p>
Head of Budget Division/Unit/ Budget Officer	3	Signs the “Certified Correct” portion of the SCBAA.
Accounting Division/Unit Accounting Staff Concerned	4	<p>Receives the 2 copies of the SCBAA from the Budget Division/Unit and retrieves the copy of the SCF. Verifies the receipts and payments on the Actual Amount columns of the SCBAA with the inflows and outflows in the SCF. Coordinate with the Budget Division/Unit discrepancy discovered, if any. Once verified, forwards the 2 copies of the SCBAA and SCF to the Head of Accounting Unit/Chief Accountant.</p>

Area of Responsibility	Seq. No.	Activity
Head of Accounting Division/Unit/Chief Accountant	5	Signs the Certified Correct portion of the SCBAA.
Concerned Accounting Staff	6	Submits the signed SCBAA to the Audit Team Leader, together with other FSs. Furnish one signed copy of the SCBAA to Budget Division/Unit for file.

**Sec. 31. Preparation of the Budget Reports.** The following budget reports/documents as required by DBM and COA shall be submitted:

- a. Quarterly Physical Report of Operation (QPRO) – Budget Accountability Report (BAR) No. 1 (*Appendix 16*). This report shall reflect the Department's/Agency's actual physical accomplishments as at a given quarter, in terms of the performance measures indicated in its Physical Plan.
- b. Statement of Appropriations, Allotments, Obligations, Disbursements and Balances – Financial Accountability Report (FAR) No. 1 (SAAODB) (*Appendix 17*). This report shall reflect the authorized appropriations and adjustments, total allotments received including transfers, total obligations, total disbursements and the balances of unreleased appropriations, unobligated allotments, and unpaid obligations of a department/office/entity by source and by allotment class. It shall be presented by:
  1. Fund Authorization;
  2. Major Final Output;
  3. Program/Activity/Project; and
  4. Major Programs/Projects - identified by Key Result area (KRA)
- c. Summary of Appropriations, Allotments, Obligations, Disbursements and Balances by Object of Expenditures – FAR No. 1.A (SAAODBOE) (*Appendix 18*). This report shall be prepared by Funding Source Code (FSC) as clustered and shall reflect the summary of appropriations, allotments, obligations, disbursements and balances detailed by object of expenditures consistent with the COA Revised Chart of Accounts per COA Circular No. 2013-002 dated January 30, 2013 and the Adoption of the PPSAS per COA Resolution No. 2014-003 dated January 24, 2014.
- d. List of Allotments and Sub-Allotments – FAR No. 1.B (*Appendix 19*). This report shall reflect the allotments released by the DBM and the sub-allotments issued by the Entity Central Office/RO, their corresponding numbers, date of issuance, and amounts by allotment class and FSC. The total allotments per this report should be equal to the total allotments appearing in the SAAODB (FAR No. 1).
- e. Statement of Approved Budget, Utilizations, Disbursements and Balances – FAR No. 2 (*Appendix 20*). This report shall reflect the approved budget, the utilizations, disbursements and balance of the entity's income authorized by law to use, such as OWWA/SUCs, duly approved by their Board of Trustee/Regents and shall be prepared by FSC as clustered.
- f. Summary of Approved Budget, Utilizations, Disbursements and Balances by Object of Expenditures – FAR No. 2.A (*Appendix 21*). This report shall reflect the details of the approved budget, utilizations, disbursements and balance of the entity's income authorized by law to use presented by object of expenditures consistent with the COA

Revised Chart of Accounts and shall be prepared by Funding Source Code as clustered.

- g. Aging of Due and Demandable Obligations – FAR No. 3 (*Appendix 22*). This report shall be prepared by FSC as clustered and shall reflect the balance of unpaid obligations as indicated in the Obligation Request (ObR) and the ADDOs as at year-end.
- h. Monthly Report of Disbursements – FAR No. 4 (*Appendix 23*). The report shall reflect the total disbursements made by department, office or entity and operating unit from the following disbursement authorities:
  - 1. Notice of Cash Allocation;
  - 2. NCA for Working Fund issued to BTr as an advance funding from loan/grant proceeds in favor of an entity;
  - 3. Tax Remittance Advice issued;
  - 4. CDC issued by departments with foreign-based agencies or units;
  - 5. Non-Cash Availment Authority; and
  - 6. Others, e.g. Customs, Duties and Taxes (CDT), BTr Documentary Stamps.

The report shall track the actual disbursement of the departments/agencies against their Disbursement Program. The reasons for over or under spending shall be indicated.

- i. Quarterly Report of Revenue and Other Receipts – FAR No. 5 (*Appendix 24*). This report shall reflect the actual revenue and other receipts/collections from all sources remitted with the BTr and deposited in other AGDB for the current year presented by quarter, and by specific sources consistent with the COA Revised Chart of Accounts.

**Sec. 32. Submission of Budget and Financial Accountability Reports.** All departments/agencies shall observe the following timelines in submitting the required FARs to COA-GAS and DBM:

- a. Within thirty (30) days after the end of each quarter –
  - 1. SAAODB – FAR No. 1
  - 2. SAAODBOE – FAR No. 1.A
  - 3. List of Allotments/Sub-Allotments - FAR No. 1.B
  - 4. SABUDB – FAR No. 2
  - 5. SABUDBOE – FAR No. 2.A
  - 6. QRROR – FAR No. 5
- b. On or before 30<sup>th</sup> day following the end of the year – ADDO – FAR No. 3
- c. On or before 30<sup>th</sup> day of the following month covered – MRD – FAR No. 4
- d. On or before February 14 of the following calendar year – Consolidated Statement of Allotments, Obligations, and Balances per Summary of Appropriations under FCR under GAA, GARO, and SARO.

## Chapter 4

### RESPONSIBILITY ACCOUNTING

**Sec. 1. Scope.** This Chapter covers the definition of terms, objectives, concepts, presentation of costs and revenue in the financial statements, and the responsibility center code structure.

**Sec. 2. Definition of Terms.** For the purpose of this Manual, the terms used in this chapter shall be construed to mean as follows:

- a. *Responsibility Accounting* — provides access to cost and revenue information under the supervision of a manager having a direct responsibility for its performance. It is a system that measures the plans (by budgets) and actions (by actual results) of each responsibility center.
- b. *Responsibility Center* — is a part, segment, unit or function of a government agency, headed by a manager, who is accountable for a specified set of activities. Except for some, which derive most of their income from collection of taxes and fees, NGAs are basically cost centers which primary purpose is to render service to the public at the lowest possible cost. Cost centers are established to provide each government agency's accessibility to cost information and to facilitate cost monitoring at any given period.

**Sec. 3. Objectives of Responsibility Accounting.** Responsibility accounting aims to: a) ensure that all costs and revenues are properly charged/credited to the correct responsibility center so that deviations from the budget can be readily attributed to managers accountable therefor; b) provide a basis for making decisions for future operations; and c) facilitate review activities, monitoring the performance of each responsibility center and evaluation of the effectiveness of agency's operations.

**Sec. 4. Concepts of Responsibility Accounting.** The following are the concepts of responsibility accounting:

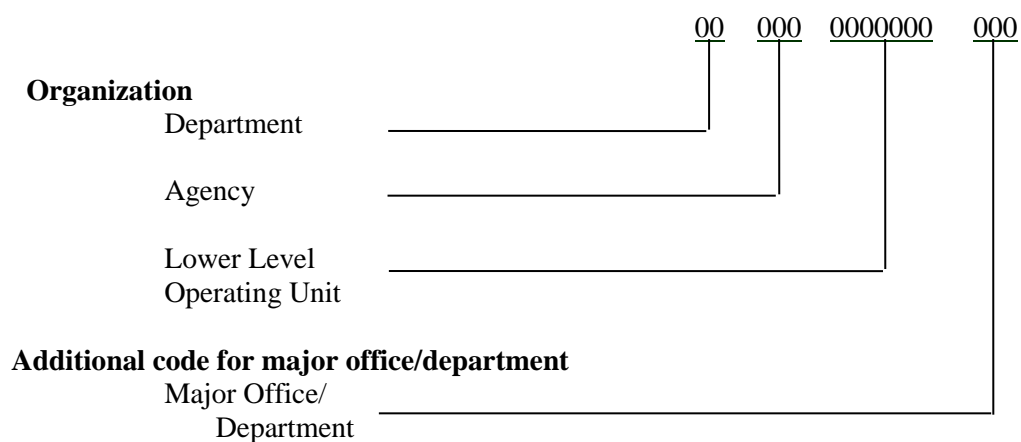
- a. Responsibility accounting involves accumulating and reporting data on revenues and costs on the basis of the manager's action who has authority to make the day-to-day decisions about the items;
- b. Evaluation of a manager's performance is based on the matters directly under his control;
- c. Responsibility accounting can be used at every level of management in which the following conditions exist:
  1. Cost and revenues can be directly associated with the specific level of management responsibility;
  2. Costs and revenues are controllable at the level of responsibility with which they are associated; and
  3. Budget data can be developed for evaluating the manager's effectiveness in controlling the costs and revenues.

- d. The reporting of costs and revenues under responsibility accounting differs from budgeting in two respects:
  - 1. A distinction is made between controllable and non-controllable costs.
    - i. A cost is considered controllable at a given level of managerial responsibility if the manager has the power to incur it within a given period of time. It follows that (1) all costs are controllable by top management because of the broad range of its activity; and (2) fewer costs are controllable as one move down to lower level of managerial responsibility because of the manager's decreasing authority.
    - ii. Non-controllable costs are costs incurred indirectly and allocated to a responsibility level.
  - 2. Performance reports either emphasize or include only items controllable by individual manager.
- e. A responsibility reporting system involves the preparation of a report for each level of responsibility. Responsibility reports usually compare actual costs with flexible budget data. The reports show only controllable costs and no distinction is made between variable and fixed costs.
- f. Evaluation of a manager's performance for cost centers is based on his ability to meet budgeted goals for controllable costs.

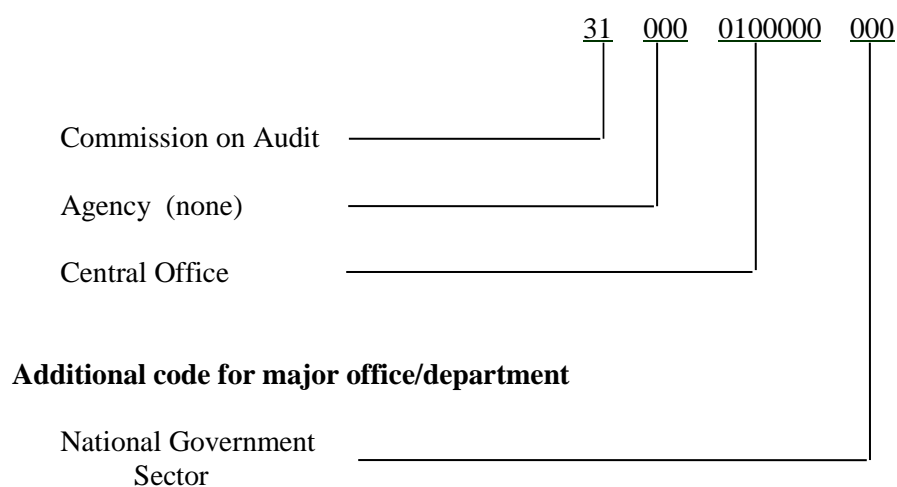
**Sec. 5. Presentation of Revenue in the Financial Statements.** An agency shall present, in the notes of the SFPer the total revenue, classified by MFO/PAP and by major classification of the nature of revenue attributed to the major offices/organizational unit of the agency.

**Sec. 6. Presentation of Costs in the Financial Statements.** An agency shall present, in the notes of the SFPer, an analysis of expenses using a classification based on the MFO/PAP and by major classification of the nature of revenue attributed to the major offices/organizational unit of the agency. The analysis of expense by MFO/PAP classifies expenses according to the program or purpose for which they were made. This method can provide more relevant information to users although allocating costs to functions may require arbitrary allocations and involves considerable judgment.

**Sec. 7. Responsibility Center Code Structure.** Each NGA shall be assigned a responsibility center code defined as organization code in the UACS Manual. For monitoring revenue and expenses, additional three digit codes for the agency's major offices/departments shall be appended to the organization code. The organization code and the agency's major offices/departments' code shall consist of 15 digits as follows:



Example: National Government of the Commission on Audit





## Chapter 5

### REVENUE AND OTHER RECEIPTS

**Sec. 1. Scope.** This Chapter provides the standards, policies, guidelines and procedures in accounting for revenue and other receipts including those collections through authorized agent banks, remittance of collections to the NT through AGDB and deposits with the AGDB in accordance with PPSAS 9-Revenue from Exchange Transactions and PPSAS 23-Revenue from Non-exchange Transactions.

**Sec. 2. Definition of Terms.** For the purpose of this Manual, the following terms shall be construed to mean as follows:

- a. *Bequest* – is a transfer made according to the provisions of a deceased person’s will. The past event giving rise to the control of resources embodying future economic benefits or service potential for a bequest occurs when the entity has an enforceable claim, for example on the death of the testator, or the granting of probate, depending on the laws of the jurisdiction. (*Par. 90, PPSAS 23*)
- b. *Concessionary loans* – are loans received by an entity at below market terms.
- c. *Exchange transactions* – are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. (*Par. 11, PPSAS 9*)
- d. *Fair value* – is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction
- e. *Fines* – are economic benefits or service potential received or receivable by NGAs, from an individual or other entity, as determined by a court or other law enforcement body, as a consequence of the individual or other entity breaching the requirements of laws or regulations. (*Par. 88, PPSAS 23*)
- f. *Gifts, Donations and Goods In-kind* – are voluntary transfers of assets, including cash or other monetary assets, goods in-kind and services in-kind that one entity makes to another, normally free from stipulations. The transferor may be an entity or an individual. For gifts and donations of cash or other monetary assets and goods in-kind, the past event giving rise to the control of resources embodying future economic benefits or service potential is normally the receipt of the gift or donation. (*Par. 93, PPSAS 23*)
- g. *Non-exchange transactions* – are transactions in which an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange. (*Par. 11, PPSAS 9*)
- h. *Pledges* – are unenforceable undertakings to transfer assets to the recipient entity.
- i. *Revenue* – is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.

- j. *Services in-kind* – are services provided by individuals to public sector agencies in a non-exchange transaction.

**Sec. 3. Accrual of Revenue to the General Fund.** Unless otherwise specifically provided by law, all revenue (income) accruing to the departments, offices and agencies by virtue of the provisions of existing laws, orders and regulations shall be deposited in the NT or in the duly authorized depository of the Government and shall accrue to the xxx General Fund of the Government: Provided, that amounts received in trust and from business-type activities of government may be separately recorded and disbursed in accordance with such rules and regulations as may be determined by the Permanent Committee. (*Sec. 44, Chapter V, Book VI, E.O. No. 292*)

**Sec. 4. Special, Fiduciary and Trust Funds.** Receipts shall be recorded as revenue of Special, Fiduciary or Trust Funds (TF) or Funds other than the GF, only when authorized by law and following such rules and regulations as may be issued by the Permanent Committee consisting of the Secretary of Finance as Chairman, and the Secretary of the Budget and the Chairman, Commission on Audit, as members. The same Committee shall likewise monitor and evaluate the activities and balances of all Funds of the NG other than the GF and may recommend for the consideration and approval of the President, the reversion to the GF of such amounts as are: (1) no longer necessary for the attainment of the purposes for which said Funds were established, (2) needed by the GF in times of emergency, or (3) violative of the rules and regulations adopted by the Committee: provided, that the conditions originally agreed upon at the time the funds were received shall be observed in case of gifts or donations or other payments made by private parties for specific purposes. (*Sec. 45, Chapter V, Book VI, EO 292*).

**Sec. 5. Sources of Revenue and Other Receipts.** Revenues received by NGAs may arise from exchange and non-exchange transactions.

In a transaction where the entity may provide some consideration directly in return for the resources received, but that consideration does not approximate the fair value of the resources received, the entity determines whether there is a combination of exchange and non-exchange transactions. Each component of which is recognized separately. (*Par. 10, PPSAS 23*)

There are transactions where it is not immediately clear whether they are an exchange or a non-exchange transaction. In these cases, an examination of the substance of the transaction will determine if they are on exchange or non-exchange transactions. For example, the sale of goods is normally classified as an exchange transaction. If, however, the transaction is conducted at a subsidized price, that is, a price that is not approximately equal to the fair value of the goods sold, that transaction falls within the definition of a non-exchange transaction.

Agencies may receive trade discounts, quantity discounts, or other reductions in the quoted price of assets for a variety of reasons. These reductions in price do not necessarily mean that the transaction is a non-exchange transaction. (*Par. 11, PPSAS 23*)

**Sec. 6. Revenue from Exchange Transactions.** Revenues received by the NGAs from exchange transactions are derived from the following:

- a. Sale of goods or provisions of services to third parties or to other NGAs. Examples are:
  - 1. *Service Income* – Permit Fees, Registration Fees, Registration Plates, Tags and Stickers Fee, Clearance and Certification Fees, Franchising Fees, Licensing Fees, Supervision and Regulation Enforcement Fees, Spectrum Usage Fees, Legal

Fees, Inspection Fees, Verification and Authentication Fees, Passport and Visa Fees, Processing Fees and Other Service Income; and

2. *Business Income* – School Fees, Affiliation Fees, Examination Fees, Seminar/Training Fees, Rent/Lease Income, Communication Network Fees, Transportation System Fees, Road Network Fees, Waterworks System Fees, Power Supply System Fees, Seaport System Fees, Landing and Parking Fees, Income from Hostels/Dormitories and Other Like Facilities, Slaughterhouse Operation, Income from Printing and Publication, Sales Revenue, Hospital Fees, Share in the Profit of Joint Venture and Other Business Income.
- b. Use by other entity of assets yielding interest, royalties and dividends or similar distributions. Examples are:
1. *Interest income* – charges for the use of cash or cash equivalents, or amounts due to the entity;
  2. *Royalties* – fees paid for the use of entity's assets such as trademarks, patents, software, and copyrights; and
  3. *Dividends* – share of the National Government from the earnings of its capital/equity investments in Government-Owned or Controlled Corporations (GOCCs) and other entities.

**Sec. 7. Recognition and Measurement of Revenue from Exchange Transactions.**

Revenue from exchange transaction shall be measured at fair value of the consideration received or receivable.

- a. Revenue shall be recognized when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably.
1. Revenue from the sale of goods shall be recognized when all the following conditions have been satisfied:
    - i. The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods; (*Par. 28, PPSAS 9*)
    - ii. The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
    - iii. The amount of revenue can be measured reliably;
    - iv. It is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
    - v. The costs incurred or to be incurred in respect of the transaction can be measured reliably.
  2. Revenue from the supply of services shall be recognized on a straight line basis over the specified period of the services unless an alternative method better represents the stage of completion of the transaction.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- i. The amount of revenue can be measured reliably;
- ii. It is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- iii. The stage of completion of the transaction at the reporting date can be measured reliably; and
- iv. The costs incurred for the transaction and the costs to complete the transaction can be measured reliably. (*Par. 19, PPSAS 9*)

For practical purposes, when services are performed by an indeterminate number of acts over a specified time frame, revenue is recognized on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. (*Par. 24, PPSAS 9*)

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue should be recognized only to the extent of the expenses recognized that are recoverable. (*Par. 25, PPSAS 9*).

3. Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions shall be recognized when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and the amount of the revenue can be measured reliably. (*Pars. 33 and 34, PPSAS 9*)
  - i. Interest shall be recognized on a time proportion basis that takes into account the effective yield on the asset;
  - ii. Royalties shall be recognized as they are earned in accordance with the substance of the relevant agreement; and
  - iii. Dividends or similar distributions shall be recognized when the shareholder's or the entity's right to receive payment is established.

Examples:

<u>Revenue</u>	<u>Revenue Recognition Point</u>
<b>Service Income</b>	
Permit Fees, Registration Fees, Registration Plates, Tags and Stickers Fee, Clearance and Certification Fees, Franchising Fees and Licensing Fees,	When services are rendered or if not practicable, when fees are collected upon issuance of the respective permits, certificates of registration, plates, stickers, clearance, certification, franchises and

<b><u>Revenue</u></b>	<b><u>Revenue Recognition Point</u></b>
	licenses
Supervision and Regulation Enforcement Fees	When services are rendered or when tickets or relevant document representing violation are issued or if not practicable, when fees are collected
Spectrum Usage Fees	When bills are rendered for the use, allocation and assignment of radio frequency wave lengths or if not practicable, when fees are collected
Inspection Fees	When bills are rendered for the conduct of inspection by authorized government official or if not practicable, when fees are collected
Legal Fees, Verification and Authentication Fees,	When filing fees are billed or if not practicable, when fees are collected
Passport and Visa Fees,	When fees are billed upon issuance of the passport and visa or if not practicable, when fees are collected
Processing Fees	When fees are billed or collected for the processing of documents for securing permits/applications.
Other Service Income	When fees are billed or if not practicable, when fees are collected
<b>Business Income</b>	
School Fees, Affiliation Fees, Examination Fees, Seminar/ Training Fees	When fees are billed or if not practicable, when fees are collected
Rent/Lease Income, Communication Network Fees, Transportation System Fees, Road Network Fees, Waterworks System Fees, Power Supply System Fees, Seaport System Fees, Landing and Parking Fees, Income from Hostels/ Dormitories and Other Like Facilities, Slaughterhouse, and Other Service Income	When fees are billed for earned revenue from use of government property/facilities or if not practicable, when fees are collected
Sales Revenue	When the significant risks and rewards of ownership have been transferred to the buyer as indicated in the sales invoice
Hospital Fees	When fees are billed for hospital and related services rendered, or if not practicable, when fees are collected

<u>Revenue</u>	<u>Revenue Recognition Point</u>
Share in the Profit of Joint Venture	When share in the profit is earned
Other Business Income	When earned or if not practicable, when fees are collected

- b. Revenue shall be measured at the fair value of the consideration received or receivable. Any amount of trade discounts and volume rebates allowed by the entity shall be taken into account. (*Par. 14-15, IPSAS 9*)

Example: Entity A is authorized to print accounting manuals for sale to other NGAs. Assume that on July 16, 2014, Entity A sold accounting manuals on account with a list price of ₱100,000 less trade discounts of 10%, 10% and 5%. The invoice price of the merchandise is computed as follows:

List price	₱100,000
Less: 10% x 100,000	<u>10,000</u>
	90,000
Less: 10% x 90,000	<u>9,000</u>
	81,000
Less: 5% x 81,000	<u>4,050</u>
Total	<u>₱ 76,950</u>

The journal entry shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Accounts Receivable	10301010	₱ 76,950	
Sales Revenue	40202160		₱ 76,950
To recognize the sale of the accounting manuals			

When the inflow of cash or cash equivalents received or receivable is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest revenue. (*Par. 16, IPSAS 9*)

Example: Assume that on August 5, 2015, Entity A received a 60-day, 9%, ₱12,000 promissory note from X entity for accounting manuals sold. On October 4, 2015, Entity X paid cash in settlement of its note.

The accounting entries shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>August 5</u>			
Notes Receivable	10301020	₱12,000	
Sales Revenue	40202160		₱12,000
To recognize the sale			
<u>October 4</u>			
Cash-Collecting Officers	10101010	₱12,180	
Notes Receivable	10301020		₱12,000
Interest Income	40202210		180
To recognize the collection of notes receivable			
Interest = ₱12,000 x 9% x 60/360 = ₱180			

**Sec. 8. Exchanges of Goods or Services for Similar/Dissimilar Good or Services.**

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. However, when goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods given up, adjusted by the amount of any cash or cash equivalents transferred. (*Par. 17, PPSAS 9*)

**Sec. 9. Impairment Losses and Allowance for Impairment Losses.** When an uncertainty arises about the collectibility of an amount already included in revenue, the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognized as an expense (impairment losses), rather than as an adjustment of the amount of revenue originally recognized.

Entities shall evaluate the collectibility of accounts receivable on an ongoing basis based on historical bad debts, customer/recipient credit-worthiness, current economic trends and changes in payment activity. An allowance is provided for known and estimated bad debts.

**Sec. 10. Disclosure.** An entity shall disclose:

- a. The accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services;
- b. The amount of each significant category of revenue recognized during the period, including revenue arising from:
  1. Rendering of services;
  2. Sale of goods;
  3. Interest;
  4. Royalties;
  5. Dividends or similar distributions; and
  6. Amount of revenue arising from exchanges of goods or services included in each significant category of revenue.



**Sec. 11. Revenue from Non-Exchange Transactions.** Revenue of the NGAs from non-exchange transactions are derived mostly from taxes, gifts and donations, goods in kind and fines and penalties. Most NGAs derive revenues from transactions where they receive resources and provide no or nominal consideration directly in return. These are as follows:

- a. Tax Revenue
  - 1. Tax Revenue-Individual and Corporation
  - 2. Tax Revenue-Property
  - 3. Tax Revenue-Goods and Services
  - 4. Tax Revenue-Others
- b. Fines and Penalties
  - 1. Tax Revenue
  - 2. Service Income
  - 3. Business Income
- c. Shares, Grants and Donations
  - 1. Share from National Wealth
  - 2. Share from Philippine Amusement and Gaming Corporation (PAGCOR)/Philippine Charity Sweepstakes Office (PCSO)
  - 3. Share from Earnings of GOCCs
  - 4. Income from Grants and Donations in Cash
  - 5. Income from Grants and Donations in Kind
- d. Revenue from non-exchange transactions may also arise when, in respect of an inflow of resources from a non-exchange transaction, the entity satisfies a present obligation recognized as a liability which may be as follows:
  - 1. Trust Liabilities – Customers’ Deposits Payable and Guaranty/Security Deposits Payable
  - 2. Deferred Credits – Deferred Finance Lease Revenue and Other Deferred Credits
  - 3. Unearned Revenue – Investment Property and Other Unearned Revenue

**Sec. 12. Recognition of Revenue from Non-Exchange Transactions.** The cash basis of accounting shall be applied by all government agencies in the recognition of revenue from non-exchange transaction until a reliable model of measurement of this revenue is developed. Therefore, asset and the corresponding revenue or liability that arises from non-exchange transaction shall be recognized when collected or when these are measurable and legally collectible.

- a. Taxation revenue shall be determined at a gross amount. It shall not be reduced for expenses paid through the tax system.
- b. Gifts and donations, other than services in kind shall be recognized as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and shall be measured at fair value.
- c. Goods in-kind received without conditions shall be recognized as revenue immediately.
- d. Donation in cash or in kind shall be recognized as revenue.

**Sec. 13. Measurement of Revenue from Non-Exchange Transactions.** Revenue from non-exchange transactions shall be measured at the amount of the increase in net assets recognized by the entity, unless it is also required to recognize a liability. Where a liability is recognized and subsequently reduced, because the taxable event occurs, or a condition is satisfied, the amount of the reduction in the liability will be recognized as revenue. (*Pars. 48 and 49, PPSAS 23*)

**Sec. 14. Measurement of Assets on Initial Recognition from Non-Exchange Transactions.** An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition. (*Par. 42, PPSAS 33*)

**Sec. 15. Measurement of Liabilities on Initial Recognition.** Where the time value of money is material, the liability will be measured at the present value of the amount expected to be required to settle the obligation. (*Par. 58, PPSAS 23*)

**Sec. 16. Tax Revenue.** Taxes are economic benefits or service potential compulsory paid or payable to public sector agencies, in accordance with laws and or regulations, established to provide revenue to the government. Taxes do not include fines or other penalties imposed for breaches of the law. Unless otherwise specified in laws and regulations, the taxable event for:

- a. Income tax is the earning of assessable income during the taxation period by the taxpayer;
- b. Value added tax is the undertaking of taxable activity during the taxation period by the taxpayer;
- c. Goods and services tax is the purchase or sale of taxable goods and services during the taxation period;
- d. Customs duty is the movement of dutiable goods or services across the customs boundary;
- e. Death duty is the death of a person owning taxable property; and
- f. Property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

**Sec. 17. Illustrative Accounting Entries.** Refer to Annexes H to N for illustrative accounting entries.

**Sec. 18. Transfer of Internal Revenue Allotment.** Where an NG imposes a tax, the entire proceeds of which is collected by NGAs and transferred to LGUs through an appropriation, the NGAs recognize assets and revenue for the tax, and a decrease in assets and an expense for the transfer to LGUs. The LGUs will recognize the assets and revenue for the transfer. The following is the accounting entry at the books of accounts of the DBM:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Financial Assistance to LGUs	50214030	₱10,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱10,000
To recognize transfer of IRA to LGUs			

**Sec. 19. Expenses Paid Through the Tax System and Tax Expenditures.** Taxation revenue shall be determined at gross amount. It shall not be reduced for expenses paid through the tax system. Expenses of the government paid through the tax system or as reduction from tax revenue received should not be offset or deducted from that tax revenue. Therefore, taxation revenue shall be recognized at the gross amount and the expenses deducted shall be recognized and shall form part of the statement of financial performance. Expenses paid through the tax system are those expenses which should be paid irrespective of whether the taxpayer pay taxes, or use a particular mechanism to pay taxes. (*Par. 71, PPSAS 23*)

**Sec. 20. Taxation Revenue Shall Not Be Grossed Up For the Amount of Tax Expenditures.** Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others. Tax expenditures are foregone revenue, not expenses, and do not give rise to inflows or outflows of resources that is, they do not give rise to assets, liabilities, revenue, or expenses of the government. (*Pars. 73 and 74, IPSAS 23*)

Examples are the tax expenditure fund, which is a subsidy released by the DBM to government-owned or controlled corporations and government financial institutions to settle customs duties and other taxes arising from the importation of goods; and benefits granted to taxpayers like the tax credits.

**Sec. 21. Recognition of Asset through Transfers.** An entity shall recognize an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. (*Par. 76, PPSAS 23*)

- a. Transfers meet the definition of an asset when the entity controls the resources as a result of a past event (the transfer), and expects to receive future economic benefits or service potential from those resources. Transfers satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur, and their fair value can be reliably measured. In certain circumstances, such as when a creditor forgives a liability, a decrease in the carrying amount of a previously recognized liability may arise. In these cases, instead of recognizing an asset as a result of the transfer, the entity decreases the carrying amount of the liability. (*Par. 78, PPSAS 23*)
- b. Transfers include grants, debt forgiveness, fines, bequests, gifts, donations and goods and services in-kind. All of these transactions transfer resources without approximate equal value in exchange and are not taxes but some are with conditions.
- c. Transfers are established by a binding arrangement that includes conditions, such as inter-entity and intra-entity fund transfers:
  1. From an NGA to another NGA;
  2. From the NGA's Central Office to its Regional/Bureau Offices and Operating/Field Units;
  3. From an NGA to an LGU and vice-versa;
  4. From an NGA to a GOCC and vice-versa;

5. From an entity that is created by law or regulation to perform specific functions with operational autonomy; and
  6. From donor entity to NGAs.
- d. An entity shall recognize an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.
  - e. An entity obtains control of transferred resources either when the resources have been transferred to the entity, or the entity has an enforceable claim against the transferor. Many arrangements to transfer resources become binding on all parties before the transfer of resources takes place. (*Par. 79, PPSAS 23*)
  - f. Transfers of resources that satisfy the definition of contributions from owners will not give rise to revenue. Agreements that specify that the entity providing resources (a) is entitled to distributions of future economic benefits or service potential during the recipient entity's life, or distribution of any excess of assets over liabilities in the event that the recipient entity is wound up, or (b) acquires a financial interest in the recipient entity that can be sold, exchanged, transferred or redeemed, are, in substance, agreements to make a contribution from owners. (*Par. 80, PPSAS 23*)

**Sec. 22. Measurement of Transferred Assets.** Transferred assets are measured at their fair value as at the date of acquisition. (*Par. 83, PPSAS 23*)

### **Sec. 23. Debt Forgiveness and Assumption of Liabilities**

- a. Lenders will sometimes waive their right to collect a debt owed by a public sector entity, effectively cancelling the debt. For example, an NGA may cancel a loan owed by an LGU. In such circumstance, the LGU concerned recognizes an increase in net assets because a liability it previously recognized is extinguished. (*Par. 84, PPSAS 23*)
- b. Entities recognize revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners. (*Par. 85, PPSAS 23*)
- c. Where a controlling entity forgives debt owed by a wholly owned controlled entity, or assumes its liabilities, the transaction may be a contribution from owners. (*Par. 86, PPSAS 23*)
- d. Revenue arising from debt forgiveness is measured at the carrying amount of the debt forgiven. (*Par. 87, PPSAS 23*)

### **Sec. 24. Recognition and Measurement of Fines**

- a. Fines are recognized as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. (*Par. 89, PPSAS 23*)
- b. Where an entity collects fines in the capacity of an agent, the fine will not be recognized as revenue of the collecting entity. (*Par. 89, PPSAS 23*)
- c. Assets arising from fines are measured at the best estimate of the inflow of resources to the entity. (*Par. 89, PPSAS 23*)

## **Sec. 25. Recognition and Measurement of Bequests**

- a. Bequests which satisfy the definition of an asset are recognized as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. Determining the probability of an inflow of future economic benefits or service potential may be problematic if a period of time elapses between the death of the testator and the entity receiving any asset. The entity will need to determine if the deceased person's estate is sufficient to meet all claims on it, and satisfy all bequests. If the will is disputed, this will also affect the probability of assets flowing to the entity. (*Par. 91, PPSAS 23*)
- b. The fair value of bequeathed assets is determined in the same manner as for gifts and donations. Where deceased estates are subject to taxation, the tax authority may already have determined the fair value of the asset bequeathed to the entity, and this amount may be available to the entity. Bequests are measured at the fair value of the resources received or receivable. (*Par. 92, PPSAS 23*)

## **Sec. 26. Recognition and Measurement of Gifts, Donations and Goods In-kind**

- a. Gifts and donations (other than services in-kind) are recognized as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. With gifts and donations, the making of the gift or donation and the transfer of legal title are often simultaneous, in such circumstances, there is no doubt as to the future economic benefits flowing to the entity. (*Par. 95, PPSAS 23*)
- b. Goods in-kind are tangible assets transferred to an entity in a non-exchange transaction, without charge, but may be subject to stipulations. External assistance provided by multilateral or bilateral development organizations often includes a component of goods in-kind. (*Par. 94, PPSAS 23*)
- c. Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied. (*Par. 96, PPSAS 23*)
- d. On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which may be ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land, non-specialized buildings, motor vehicles and many types of plant and equipment. (*Par. 97, PPSAS 23*)

**Sec. 27. Grant with Condition.** If conditions are attached to a grant, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied. If the government is required to recognize a liability in respect of any conditions relating to assets recognized as a consequence of specific purposes, it does not recognize revenue until the condition is satisfied and the liability is reduced. As an entity satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction

recognized as an asset, it shall reduce the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.

Example: The NG received a foreign grant amounting to ₱10 million for the construction of a railroad system. Under the terms of the grant, the construction project shall be completed within a period of two years from the receipt of the grant, otherwise, the money shall be returned to the grantor. The money can only be used as stipulated and the NG is required to include a note in the financial statement detailing how the money was spent. The Department of Public Works and Highways (DPWH) will be the implementing entity. The transactions shall be recognized as follows:

a. Receipt of the Grant

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>Books of the NG - BTr</u>			
Cash in Bank-Local Currency,			
Bangko Sentral ng Pilipinas	10102010	₱10,000,000	
Other Deferred Credits	20501990		₱10,000,000
To recognize receipt of grant directly credited to the account of the NG maintained by the BSP			
<u>Books of the Implementing NGA – DPWH</u>			
Cash-Modified Disbursement			
System (MDS), Special Account	10104050	₱10,000,000	
Subsidy from National			
Government	40301010		₱10,000,000
To recognize receipt of the NCA for the construction of a railroad system			

b. Purchase of construction materials and payment for labor for the construction of a railroad system amounting to ₱10,000,000.

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>Books of the Implementing NGA-DPWH</u>			
Construction in Progress-			
Infrastructure Assets	10699020	₱10,000,000	
Cash-Modified Disbursement			
System (MDS), Special			
Account	10104050		₱10,000,000
To recognize payment for the materials and labor for the construction of a railroad system			
<u>Books of the NG-BTr</u>			
Subsidy from National Government	40301010	₱10,000,000	
Cash in Bank-Local Currency,			
Bangko Sentral ng Pilipinas	10102010		₱10,000,000
To recognize replenishment of MDS checks issued for payment of the materials and labor for the construction of a railroad system			

c. Receipt of the report from DPWH for the completion of the construction of a railroad system amounting to ₱10,000,000.

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>Books of the NG - BTr</u>			
Other Deferred Credits	20501990	₱10,000,000	
Income from Grants and	40402010		₱10,000,000

#### Donations in Cash

To recognize the income from grants and donations representing payment for expenses in connection with the grant agreement.

#### d. Turnover and Acceptance of Completed Infrastructure Asset

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<b><u>Books of the Implementing NGA - DPWH</u></b>			
Railway Systems	10603100	₱10,000,000	
Construction in Progress- Infrastructure Assets	10699020		₱10,000,000
To recognize the turnover and acceptance of completed railway system			

**Sec. 28. Recognition and Measurement of Services In-kind.** These services meet the definition of an asset because the entity controls a resource from which future economic benefits or service potential is expected to flow to the entity. These assets are, however, immediately consumed and a transaction of equal value is also recognized to reflect the consumption of these services in-kind. (*Par. 98, PPSAS 23*)

- a. Public sector entities may be recipients of services in-kind under voluntary or involuntary schemes operated in the public interest. For example:
  1. Technical assistance from other governments or international organizations;
  2. Persons convicted of offenses may be required to perform community service for public sector entity;
  3. Public hospitals may receive the services of volunteers; and
  4. Public schools may receive voluntary services from parents as teachers' aides or as board members. (*Par.100, PPSAS 23*)
- b. Due to the many uncertainties surrounding services in-kind, including the ability to exercise control over the services, and measuring the fair value of the services, the entity is not required to recognize services in-kind as revenue and as an asset but is encouraged to disclose the nature and type of services in-kind received during the reporting period. (*Par.102, PPSAS 23*)

**Sec. 29. Recognition and Disclosure of Pledges.** Pledges do not meet the definition of an asset because the recipient entity is unable to control the access of the transferor to the future economic benefits or service potential embodied in the item pledged. Agencies do not recognize pledged items as assets or revenue. If the pledged item is subsequently transferred to the recipient entity, it is recognized as a gift or donation. Pledges may warrant disclosure as contingent assets. (*Par. 104, PPSAS 23*)

**Sec. 30. Advance Receipts of Revenue.** When an entity receives resources before a transfer arrangement becomes binding, the resources are recognized as an asset when they meet the definition and satisfy the criteria for recognition as an asset and recognized as a liability until the event that makes the transfer arrangement binding occurs, and all other conditions under the agreement are fulfilled. When that event occurs and all other conditions under the agreement are fulfilled, the liability is discharged and revenue is recognized. (*Par.105, PPSAS 23*)

#### **Sec. 31. Recognition and Measurement of Concessionary Loans**

- a. The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with PPSAS 29, Financial Instruments: Recognition and Measurement, Chapter 7 of this Manual.



- b. An entity considers whether any difference between the transaction price (loan proceeds) and the fair value of the loan on initial recognition is non-exchange transaction. When an entity determines that the difference between the transaction price (loan proceeds) and the fair value of the loan on initial recognition is non-exchange revenue, an entity recognizes the difference as revenue, except if a present obligation exists, e.g., where specific conditions imposed on the transferred assets by the recipient result in a present obligation. Where a present obligation exists, it is recognized as a liability. As the entity satisfies the present obligation, the liability is reduced and an equal amount of revenue is recognized. (*Par. 105A and B, PPSAS 23*)

**Sec. 32. Dishonored Checks.** A check is dishonored either by non-payment or non-acceptance. Dishonor by non-payment occurs when (a) the check is duly presented for payment and payment is refused or cannot be obtained; or (b) presentment is excused and the check is overdue and unpaid (*Sec. 83, RA No. 2031, Negotiable Instruments Law*). Dishonor by non-acceptance happens when (a) the check is duly presented for acceptance, and such an acceptance as is prescribed by law is refused or cannot be obtained; or (b) presentment for acceptance is excused and the check is not accepted (*Sec. 149, RA No. 2031, Negotiable Instruments Law*). A dishonored check may also be defined as a check paid to the agency that was dishonored by the AGDB due to “Drawn Against Insufficient Fund (DAIF)” or “Drawn Against Uncleared Deposits (DAUD).”

When a check drawn in favor of the government is not accepted by the drawee for any reason, the drawer shall continue to be liable for the sum due and all penalties resulting from delayed payments. Where the reason for non-acceptance by the drawee bank is insufficiency of funds, the drawer shall be criminally liable therefor.

Responsibility over dishonored checks:

- a. When a check is dishonored by non-payment or non-acceptance, the Collecting Officer should issue a Notice of Dishonored Checks (NDC) (*Appendix 25*) to the drawer and to each endorser, and any drawer or endorser to whom such notice is not given is discharged from liability. The NDC shall be furnished to the Agency Head, Accountant, Auditor and a copy thereof retained by the Collecting Officer. The Collecting Officer shall cancel the OR covering the dishonored check. If necessary, the head of the agency shall promptly institute the corresponding action for the collection of the amount involved.
- b. The Collecting Officer neglecting or failing to give the required NDC to the drawer (or to the endorser-payor of the government check), who, as a result thereof, is discharged from liability, shall be personally answerable for the resulting loss suffered by the government.
- c. The making, drawing and issuance of a check payment of which is refused by the drawee because of insufficient funds in or credit with such bank, when presented within ninety (90) days from the date of the check, shall be *prima facie* evidence of knowledge of such insufficiency of funds or credit unless such maker or drawer pays the holder thereof the amount due thereon, or makes arrangements for payment in full by the drawee of such check within five (5) banking days after receiving notice that such check has not been paid by the drawee.
- d. A dishonored check shall be settled by tendering payment in cash or by certified check to the Collecting Officer concerned. No other mode of payment shall be accepted.
- e. Upon settlement of the dishonored check in the manner herein prescribed, the Collecting Officer shall not return the check to the payor concerned unless the latter

first surrenders the previous OR therefor. If the previous receipt is no longer available, sworn statement to the effect that it has been lost or misplaced should be submitted by the payor.

- f. Dishonored checks shall remain in the custody of the Collecting Officer, pending their redemption, unless the agency head or the court shall direct otherwise, in which case appropriate receipts should be secured from the officer authorized to take custody of the checks. The Collecting Officer shall immediately advise the transfer of custody of the check.

### Sec. 33. Procedures in Recording Dishonored Checks

Area of Responsibility	Seq. No.	Activity
------------------------	----------	----------

Cash/Treasury  
Division/Unit

Collecting Officer/  
Designated Staff

- |   |                                                                                                                                                                                                                                                 |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Receives from AGDB the Debit Memo (DM) and copies of dishonored checks.                                                                                                                                                                         |
| 2 | Verifies the dishonored checks against previous months' RCD/CRRrec maintained on file to ascertain that the checks were included in the previous months' collections. If not included, verifies from AGDB the details of the dishonored checks. |
| 3 | If dishonored checks are included in the RCDs, prepares NDC to inform the drawers/endorsers/payors that the checks were dishonored by the AGDB.                                                                                                 |

*Note 1* – The NDC shall be prepared in five copies and distributed as follows:

- Original* – Drawer/Endorser (To be delivered personally or thru registered mail)
- Copy 2* – Accounting Division/Unit file
- Copy 3* – Agency Head's file
- Copy 4* – COA Auditor's file
- Copy 5* – Cash/Treasury Unit file

- |   |                                                                                                                          |
|---|--------------------------------------------------------------------------------------------------------------------------|
| 4 | Retrieves from file Copy 3 of the OR covering the dishonored check and cancels the OR indicating the following notation: |
|---|--------------------------------------------------------------------------------------------------------------------------|

*“Cancelled (date of Notice of Dishonored Checks) per Bank Debit Memo/Voucher No. \_\_\_\_\_ dated \_\_\_\_\_”*

- |   |                                                                                                                                 |
|---|---------------------------------------------------------------------------------------------------------------------------------|
| 5 | Retrieves RCD/CRRrec on file covering the dishonored checks and stamps the following notation on the face of the report/record: |
|---|---------------------------------------------------------------------------------------------------------------------------------|

*“Cancelled OR No. \_\_\_\_\_ dated \_\_\_\_\_ amounting to ₱ \_\_\_\_\_ due to dishonored Check No. \_\_\_\_\_ per Bank's Debit Memo No. \_\_\_\_\_ dated \_\_\_\_\_.”*

Area of Responsibility	Seq. No.	Activity
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*Note 2* – In case of collections of OUs without complete set of books, CRReg will be used instead of RCD/CRRec.

Accounting Division/Unit Accounting Staff	6	Prepares list of dishonored checks in two copies. Forwards Copy 2 of the list of dishonored checks together with originals of dishonored checks, AGDB's Debit Memo and Copy 2 of NDC to the Accounting Division/Unit for preparation of the JEV.
	7	Receives Copy 2 of the list of dishonored checks, originals of dishonored checks, AGDB's Debit Memo and Copy 2 of NDC from the Cash/Treasury Unit and records the same in the logbook maintained for the purpose.
	8	Based on the list of dishonored checks, prepares the JEV in two copies. Signs the "Prepared by" portion of the JEV and forwards the same to the Head of Accounting Division/Unit for review and signature.
Head of Accounting Division/Unit	9	Reviews and signs the "Certified Correct by" portion of the JEV. Forwards the JEV supported by Copy 2 of the list of dishonored checks, originals of dishonored checks, AGDB's Debit Memo and Copy 2 of NDC to the Bookkeeper for recording in the CRJ.

*Note 3* – For the succeeding activities, refer to Chapter 19 of this Manual for the Preparation and Submission of Trial Balances, Financial Statements and Other Reports.

### Sec. 34. Illustrative Accounting Entries for Dishonored Checks

#### a. Collections remitted to BTr

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
1. Cancellation of OR due to Dishonored Checks			
Other Receivables	10305990	xxx	
Cash-Treasury/Agency Deposit,			
Regular	10104010		xxx
To recognize the cancellation of current year's deposited collections due to dishonored checks			
Other Receivables	10305990	xxx	
Accumulated Surplus/(Deficit)	30101010		xxx
To recognize the cancellation of prior year's deposited collections due to dishonored checks			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
2. Redemption of Dishonored Check			
Cash-Collecting Officers	10101010	xxx	
Other Receivables	10305990		xxx
To recognize replacement of dishonored check			
Cash-Treasury/Agency Deposit, Regular	10104010	xxx	
Cash-Collecting Officers	10101010		xxx
To recognize the remittance of the replacement of dishonored check			

b. Collections deposited to AGDB

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
1. Cancellation of OR due to Dishonored Checks			
Other Receivables	10305990	xxx	
Cash in Bank-Local Currency, Current			
Account	10102020		xxx
To recognize the cancellation of deposited collections due to dishonored checks			
2. Redemption of Dishonored Check			
Cash-Collecting Officers	10101010	xxx	
Other Receivables	10305990		xxx
To recognize replacement of dishonored check			
Cash in Bank-Local Currency, Current			
Account	10102020	xxx	
Cash-Collecting Officers	10101010		xxx
To recognize the deposit of the replacement of dishonored check			

**Sec. 35. Accounting for Cash Overage/Shortage of Collecting Officer.** Cash overage discovered by the Auditor that cannot be satisfactorily explained by the Collecting Officer shall be forfeited in favor of the government and an official receipt shall be issued by the Collecting Officer/Cashier. The cash overage shall be taken up as Miscellaneous Income.

Cash shortage which is not restituted by the Collecting Officer despite demand in writing by the Auditor shall be taken up as receivable from the Collecting Officer.

**Sec. 36. Illustrative Accounting Entries for Cash Overage/Shortage of Collecting Officer**

a. Cash Overage

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Collecting Officers	10101010	xxx	
Miscellaneous Income	40609990		xxx
To recognize forfeiture of cash overage of the Collecting Officer			
Cash-Treasury/Agency Deposit, Regular	10104010	xxx	
Cash-Collecting Officers	10101010		xxx
To recognize the remittance of forfeited cash overage to the BTr			

b. Cash Shortage

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Due from Officers and Employees	10305020	xxx	
Cash-Collecting Officers	10101010		xxx
To recognize cash shortage of Collecting Officer			
Cash-Collecting Officers	10101010	xxx	
Due from Officers and Employees	10305020		xxx
To recognize restitution of cash shortage			
Cash-Treasury/Agency Deposit, Regular	10104010	xxx	
Cash-Collecting Officers	10101010		xxx
To recognize the remittance of restituted cash shortage to the BTr			

**Sec. 37. Disclosures.** An entity shall disclose pertinent revenue transactions as follows: either on the face of, or in the notes to, the GPFS:

a. Disclosure on the face of, or in the notes to, the GPFS (Par. 106, IPSAS 26)

1. The amount of revenue from non-exchange transactions recognized during the period:
  - i. Taxes, showing separately major classes of taxes; and
  - ii. Transfers, showing separately major classes of transfer revenue.
2. The amount of receivables recognized in respect of non-exchange revenue;
3. The amount of liabilities recognized in respect of transferred assets subject to conditions;
4. The amount of liabilities recognized in respect of concessionary loans that are subject to conditions on transferred assets;
5. The amount of assets recognized that are subject to restrictions and the nature of those restrictions;
6. The existence and amounts of any advance receipts in respect of non-exchange transactions; and
7. The amount of any liabilities forgiven.

b. Disclosure in the notes to the GPFS (*Par. 107, IPSAS 26*)

1. The accounting policies adopted for the recognition of revenue from non-exchange transactions;
2. For major classes of revenue from non-exchange transactions, the basis on which the fair value of inflowing resources was measured;
3. For major classes of taxation revenue that the entity cannot measure reliably during the period in which the taxable event occurs, information about the nature of the tax; and

4. The nature and type of major classes of bequests, gifts, and donations, showing separately major classes of goods in-kind received.
- c. Entities are encouraged to disclose the nature and type of major classes of services in-kind received, including those not recognized. Such disclosures may assist users to make informed judgment about:
  1. the contribution made by such services to the achievement of the entity's objectives during the reporting period; and
  2. the entity's dependence on such services for the achievement of its objectives in the future.

**Sec. 38. Other Receipts.** Other receipts of NGAs shall be composed of, but not limited to, the following:

- a. Receipt of NCA. The NCA specifies the maximum amount of withdrawal that an entity can make from a government bank for the period indicated. The Collecting Officer shall not issue an OR for the receipt of NCA. The accounting entries to recognize receipt of NCA are as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>Regular</u>			
Cash-Modified Disbursement			
System (MDS), Regular	10104040	₱100,000	
Subsidy from National			
Government	40301010		₱100,000
To recognize receipt of NCA for Regular Agency Fund			
<u>Special Account</u>			
Cash-Modified Disbursement			
System (MDS), Special Account	10104050	₱100,000	
Cash-Treasury/Agency Deposit,			
Special Account	10104020		₱100,000
To recognize receipt of NCA for Special Account in the General Fund			
Cash-Modified Disbursement			
System (MDS), Trust	10104060	₱100,000	
Cash-Treasury/Agency Deposit,			
Trust	10104030		₱100,000
To recognize the receipt of NCA for Trust Receipts Fund			

- b. Non-Cash Availment Authority. The accounting entry to recognize the receipt of NCAA is as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Accounts Payable	20101010	₱950,000	
Subsidy from National			
Government	40301010		₱950,000
To recognize the receipt of NCAA			

- c. Cash Disbursement Ceiling. The accounting entries for the collection of revenue of, and the constructive receipt of disbursement authority to, Foreign Service Posts (FSPs) of DFA and DOLE are as follows:

1. DFA and DOLE's Books

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Collecting Officers	10101010	₱100,000	
Passport and Visa Fees	40201120		₱100,000
To recognize collection of revenue of FSPs			
Cash in Bank-Foreign Currency,			
Current Account	10103020	₱100,000	
Cash-Collecting Officers	10101010		₱100,000
To recognize deposit of collections to authorized servicing bank of the FSPs			
Cash-Constructive Income			
Remittance	10104080	₱80,000	
Subsidy from National			
Government	40301010		₱80,000
To recognize receipt of CDC from DBM			
Quarters Allowance-Civilian	50102070	₱50,000	
Rents-Buildings and Structures	50299050	30,000	
Cash in Bank-Foreign			
Currency, Current Account	10103020		₱80,000
To recognize payment of expenses charged to CDC			

2. BTr Books:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Subsidy to NGAs	50214010	₱80,000	
Cash-Constructive Income			
Remittance	10104080		₱80,000
To recognize constructive receipt of remitted collections by FSPs and disbursements charged to the issued CDCs to FSPs			

- d. Tax Remittance Advice. This shall be used to recognize: (1) in the books of national government agencies, the constructive remittance to BIR and BOC of taxes and customs' duties withheld, and the constructive receipt of NCA for those taxes and customs duties; (2) in the books of the BIR and BOC, the constructive receipt of tax revenue and customs duties; and (3) in the books of the BTr, the constructive receipt of the taxes and customs duties remitted.

1. Tax Withheld by NGAs

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>NGAs' (withholding agency) Books</u>			
Cash-Tax Remittance Advice	10104070	₱100,000	
Subsidy from National			
Government	40301010		₱100,000
To recognize constructive receipt of NCA for TRA			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Due to BIR	20201010	₱100,000	
Cash-Tax Remittance			
Advice	10104070		₱100,000
To recognize constructive remittance to BIR of taxes withheld through TRA			

#### BIR Books

Cash-Tax Remittance Advice	10104070	₱100,000	
Income Tax	40101010		₱100,000
To recognize constructive receipt of taxes remitted by NGAs through TRA			

#### BTr Books

Subsidy to NGAs	50214010	₱100,000	
Cash-Tax Remittance			
Advice	10104070		₱100,000
To recognize constructive receipt of remittance of taxes by NGAs through TRA			

## 2. BOC Customs Duties charged to TEF

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>NGAs' (withholding agency) Books</u>			
Military, Police and Security			
Equipment	10605100	₱1,000,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱990,000
Due to NGAs	20201050		10,000
To recognize the purchase of patrol boat by Philippine Navy (Cost=₱990,000; Customs Duties = ₱10,000)			
Cash-Tax Remittance Advice	10104070	₱10,000	
Subsidy from National			
Government	40301010		₱10,000
To recognize constructive receipt of NCA for customs duties charged against TEF			
Due to NGAs	20201050	₱10,000	
Cash-Tax Remittance Advice	10104070		₱10,000
To recognize constructive remittance to BOC of custom duties through TRA			
<u>BOC Books</u>			
Cash-Tax Remittance Advice	10104070	₱10,000	
Import Duties	40103010		₱10,000
To recognize constructive receipt of import duties remitted by NGAs through TRA			
<u>BTr Books</u>			
Subsidy to NGAs	50214010	₱10,000	
Cash-Tax Remittance Advice	10104070		₱10,000
To recognize constructive receipt of the remittance of import duties by NGAs through TRA			



- e. Receipt of Subsidy/Assistance from other NGAs, LGUs, GOCCs and Other Funds. The Collecting Officer shall issue OR upon receipt of cash subsidy/assistance.

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Collecting Officers	10101010	₱100,000	
Subsidy from Other NGAs	40301020		₱50,000
Assistance from LGUs	40301030		25,000
Assistance from GOCCs	40301040		25,000
To recognize receipt of subsidy/assistance from other government agencies			
Cash-Treasury/Agency Deposit, Trust	10104030	₱100,000	
Cash-Collecting Officers	10101010		₱100,000
To recognize remittance of collections to BTr			

- f. Refund of excess cash advances granted to officers and employees. Cash advances may be classified into:

1. Advances to Officers and Employees – for official travels;
2. Advances for Operating Expenses – granted to regular disbursing officer for operating expenses of operating/field units and foreign post not maintaining complete set of books;
3. Advances for Payroll – for payment of salaries, wages and other personnel benefits; and
4. Advances to Special Disbursing Officer (SDO) – for special purpose/time-bound undertakings.

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Collecting Officers	10101010	₱100,000	
Advances for Operating Expenses	19901010		₱50,000
Advances for Payroll	19901020		25,000
Advances to Special Disbursing Officer	19901030		
or			25,000
Advances to Officers and Employees	19901040		
To recognize collection of refund of excess cash advances			
Cash-Treasury/Agency Deposit, Regular	10104010		
or			
Cash-Treasury/Agency Deposit, Special Account	10104020	₱100,000	
or			
Cash-Treasury/Agency Deposit, Trust	10104030		
Cash-Collecting Officers	10101010		₱100,000
To recognize remittance of collections to BTr			

- g. Performance bond/security deposits. Receipts of performance bond posted by contractor or supplier to guaranty full and faithful performance of their contract. It may be in the form of cash or certified checks.

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Collecting Officers	10101010	₱10,000	
Guaranty/Security Deposits Payable	19901010		₱10,000
To recognize collection of performance bond/security deposits			
Cash-Treasury/Agency Deposit, Trust	10104010	₱10,000	
Cash-Collecting Officers	10101010		₱10,000
To recognize remittance of collections to BTr			

- h. Refund of overpayment of expenses. Receipts of refunds from officers, employees and suppliers/creditors resulting from overpayment of expenses.

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Collecting Officers	10101010	₱10,000	
Specific Expense account			₱10,000
To recognize collection of refund of overpayment of expenses.			
Cash-Treasury/Agency Deposit, Regular	10104010		
or			
Cash-Treasury/Agency Deposit, Special Account	10104020	₱10,000	
or			
Cash-Treasury/Agency Deposit, Trust	10104030		
Cash-Collecting Officers	10101010		₱10,000
To recognize remittance of collections of refund of overpayment of expenses to BTr			

- i. Collections made on behalf of another entity or non-government/private organizations. Receipts of income, receivables or trust funds for the account of other NGAs, LGUs, GOCCs or non-government/private organizations. These collections are later remitted to the government agencies or non-government/private organizations concerned.

1. NGAs (other than University of the Philippines-Legal Research Fund (UP-LRF))  
Books

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Collecting Officers	10101010	₱5,000	
Due to NGAs	20201050		₱5,000
To recognize collection of fees accruing to the UP-LRF			
Due to NGAs	20201050	₱5,000	
Cash-Collecting Officers	10101010		₱5,000
To recognize remittance of collections to BTr for the account of UP-LRF			

2. BTr Books

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash in Bank-Local Currency, Savings Account	10102030	₱5,000	
Cash-Treasury/Agency Deposit, Trust	10104030		₱5,000
To recognize receipt of remitted collections for UP-LRF			

3. UP-LRF Books

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Treasury/Agency Deposit, Trust	10104030	₱5,000	
Trust Liabilities	20401010		₱5,000
To recognize remitted collections for UP-LRF by other NGAs			

- j. Intra-agency and inter-agency fund transfers. Cash received from central office/regional office/operating units of an entity and from another entity for the purpose of implementing specific projects.

1. Intra-entity Fund Transfer

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Collecting Officers Due to Central Office	10101010 20301010	₱5,000	
or Due to Bureaus	20301020		
or Due to Regional Offices	20301030		₱5,000
or Due to Operating Units	20301040		
or Due to Other Funds	20301050		
To recognize receipt of intra-entity fund transfer			
Cash-Treasury/Agency Deposit, Trust	10104030	₱5,000	
Cash-Collecting Officers	10101010		₱5,000
To recognize remittance of collections to BTr			

2. Inter-agency Fund Transfer

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Collecting Officers Due to NGAs	10101010 20201050	₱5,000	
or Due to LGUs	20201070		₱5,000
or Due to GOCCs	20201060		
To recognize receipt of inter-entity fund transfer			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Treasury/Agency Deposit, Trust	10104030	₱5,000	
Cash-Collecting Officers To recognize remittance of collections to BTr	10101010		₱5,000

**Sec. 39. Reporting of Collections and Deposits.** Receipts and deposits shall be reported as follows:

- At the close of the business day, the Collecting Officers shall prepare the Report of Collections and Deposits (RCD) (*Appendix 26*) for submission to Accounting Office/Unit. The report lists all the ORs issued in numerical sequence including cancelled ones.
- The RCD shall be supported by documentary evidence such as duplicate copies of ORs and validated deposit slips.
- The Collecting government entity issuing electronic Official Receipt (eOR) should generate and submit daily to the Auditor a copy of the RCD. In case the collection system is not integrated with the accounting system, the Accounting Division/Unit shall recognize the collections and deposits based on the generated reports duly certified by the Collecting Officer/Cashier/Head of Cash/Treasury Unit.
- Field Offices (FOs)/Operating Units (OUs) without complete set of books shall record their collections of income chronologically in the Cash Receipts Register (CRReg) (*Appendix 27*). The certified copy of the CRReg together with the required supporting documents, duplicate copies of ORs and Deposit Slip (DSs) shall be submitted within five (5) days after the end of each month to the concerned mother unit (central/regional/division office) by the FOs (a unit under the central/regional/division office) for review and recording of the transactions in the CRJ by the Chief Accountant.

**Sec. 40. Detailed Procedures for Collections and Deposits through the Collecting Officer**

<b>Area of Responsibility</b>	<b>Seq. No.</b>	<b>Activity</b>
Cash/Treasury Unit Collecting Officer		<u>Daily</u>
	1	Receives cash/check from payor representing collection based on the Order of Payment (OP) ( <i>Appendix 28</i> ) prepared by the Accounting Division/Unit.
	2	Issues OR to acknowledge receipt of cash/check.
		<i>Note 1</i> – The OR shall be prepared in three copies and distributed as follows:
		<i>Original</i> – Payor
		<i>Copy 2</i> – To be attached to the RCD/CRReg
		<i>Copy 3</i> – Cash/Treasury Unit file
	3	Records collections in the Cash Receipts Record (CRRec) ( <i>Appendix 29</i> ).

Area of Responsibility	Seq. No.	Activity
	4	Prepares DSs in three copies.  <i>Note 2</i> – The DSs shall be distributed as follows:  <div style="margin-left: 100px;"> <i>Original</i> – AGDB  <i>Copy 2</i> – To be attached to RCD/CRRec  <i>Copy 3</i> – Cash/Treasury Unit file </div>
	5	Deposits collections through AGDB for the account of the National Treasurer.  <i>Note 3</i> – As prescribed in Treasury Circular No. 03-2014 dated June 16, 2014, amended by Treasury Circular No. 05-2014 dated September 26, 2014, a List of Deposited Collections (LDC) shall accompany the validated deposit slips upon deposit. Refer to the aforesaid Treasury Circulars for the format of LDC.
	6	Based on the duplicate copies of ORs on file and validated DSs from the AGDB, prepares the RCD in four copies. Initials on the RCD and forwards the same together with Copy 2 of the ORs and validated DSs to the Head of the Cash/Treasury Unit for review and signature.
Head of Cash/Treasury Unit	7	Reviews and signs the RCD. Forwards original of RCD, Copy 2 of the ORs and validated DSs to the Collecting Officer/Designated Staff for submission to the Accounting Division/Unit.
Designated Staff	8	Records the RCD in the logbook maintained by the Cash/Treasury Unit and forwards the same with the copy 2 of the ORs and validated DSs to the Accounting Division/Unit for recording in the books of accounts.
Accounting Division/Unit		
Accounting Staff	9	Receives original of RCD with Copy 2 of the ORs and validated DSs from the Cash/Treasury Unit. Records receipt in the logbook maintained for the purpose and forwards the same to the Bookkeeper for review and preparation of the JEV.
Bookkeeper	10	Based on the RCD, prepares JEV in two copies and signs "Prepared by" portion of the JEV. Forwards the JEV and documents to the Head of the Accounting Unit for review and signature.

Area of Responsibility	Seq. No.	Activity
Head/Chief Accountant	11	Reviews and signs "Certified Correct by" portion of the JEV. Forwards the JEV and documents to the Bookkeeper for recording in the CRJ.

*Note 4* – For the succeeding activities, refer to the Chapter on Financial Reporting for the preparation and submission of Trial Balances, Financial Statements and Other Reports.

#### **Sec. 41. Procedures for Collections through AAB/AGDB**

Area of Responsibility	Seq. No.	Activity
Accounting Division/Unit		
Receiving/Releasing Staff	1	Receives the Consolidated Report of Daily Collections (CRDC) from the AAB/AGDB. Records receipt in the logbook maintained for the purpose. Forwards the same to the Bookkeeper for preparation of the JEV.
Bookkeeper	2	Based on the CRDC, prepares JEV in two copies to recognize the collections and deposits, and signs "Prepared by" portion of the JEV. Forwards the JEV and supporting documents to the Accounting Division/Unit Head/Chief Accountant for review and signature.
Head/Chief Accountant	3	Reviews and signs "Certified Correct by" portion of the JEV. Forwards the JEV and supporting documents to the Bookkeeper for recording in the GJ.

*Note* – For the succeeding activities, refer to the Chapter on Financial Reporting for the preparation and submission of Trial Balances, Financial Statements and Other Reports.

**Sec. 42. Submission of the Quarterly Report of Revenue and Other Receipts.** The Chief Accountant shall prepare the Quarterly Report of Revenue and Other Receipts (QRROR) (*Appendix 24*) and submit the report to the GAS, COA, the DBM and the BTr within 30 days after the end of each quarter. A separate report shall be prepared and submitted for income of the GF and for income and receipts for Special Account and Trust Fund.

## Chapter 6

### DISBURSEMENTS

**Sec. 1. Scope.** This Chapter covers the rules and regulations to be followed in the disbursement of public funds, the monitoring of receipt and utilization of NCA/NTA, preparation and processing of DV/Payroll; preparation and issue of checks; payment by cash; granting, utilization and liquidation/replenishment of cash advances; payment through ADA; remittance of taxes withheld through TRA; availment of foreign loans through suppliers credit/constructive cash; and payment of operating requirements on FSPs through CDC.

**Sec. 2. Definition of Terms.** For the purpose of this Manual, the terms used shall be construed to mean as follows:

- a. *Accounts Payable* – refers to valid and legal obligations of NGAs/OUTs, for which, goods/services/projects have been delivered/rendered/completed and accepted, regardless of the year when these obligations were incurred.
- b. *Advice to Debit Account* – refers to an authorization issued by the NGA/OUT appearing in the lower portion of the List of Due and Demandable Accounts Payable-Advice to Debit Account (LDDAP-ADA). It serves as instruction to the Modified Disbursement System, Government Servicing Banks (MDS-GSBs) to debit a specified amount from its available NCA balance under regular MDS sub-account for payment of creditors/payees through the Expanded Modified Direct Payment Scheme (ExMDPS).
- c. *Agency* – refers to any department, bureau or office of the national government, or any of its branches and instrumentalities, or any political subdivision, as well as any GOCCs, including its subsidiaries, or other self-governing board or commission of the government.
- d. *Authorized Card Holder* – refers to a responsible official to whom a Purchase Card is issued for purposes of making official purchases within specific categories enumerated in Annex A of Joint Memorandum No. 2014-01 dated May 15, 2014.
- e. *Billing Entity* – refers to the accounting unit of the concerned participating agency responsible in the consolidation of the billing statement from the Credit Card Company (CCC) and payment of the said billing agency.
- f. *Credit Card Company* – refers to Citibank as the authorized credit card service provider for the Cashless Purchase Card (CPC) System.
- g. *Commercial Check* – refers to a check issued by government agencies chargeable against the agency's checking account with AGDBs. These are covered by income/receipts authorized to be deposited with AGDBs; and funding checks received by Operating Units from Central/Regional/Division Offices, respectively.
- h. *Direct Payment System* – refers to the payment procedure whereby the MDS-GSB shall, upon receipt of NCA an LDDAP-ADA from DBM pay the CCC not earlier than 24 hours but not later than 48 hours, through direct credit to the CCC current account.

- i. *Disbursements* – constitute all cash paid out during a given period in currency (cash) or by check/ADA. It may also mean the settlement of government payables/obligations by cash, check or ADA. It shall be covered by DV/Petty Cash Voucher (PCV)/Payroll.
- j. *Expanded Modified Direct Payment Scheme* – refers to the payment procedures whereby the MDS-GSB shall pay the creditors/payees listed in the LDDAP-ADA not later than 48 hours but not earlier than 24 hours upon receipt of the said document from the NGA/OU:
  - 1. Direct credit to the creditor's current/savings/ATM account (CA/SA/ATM) maintained with MDS-GSB; or
  - 2. Bank transfer, if creditor's account is maintained outside the agency's MDS-GSB, where corresponding bank charges shall be borne/paid by the creditor/payee concerned.
- k. *Implementing Agency* – refers to the agency to which the funds are transferred for the purpose of prosecuting/implementing the project.
- l. *Inter-Agency Transferred Fund* – refers to cash or money transferred to an Implementing Agency (IA) for the undertaking of a project by a Source Agency (SA) in which the allotment was released.
- m. *Letter of Introduction* – refers to a letter addressed to the MDS-GSB, issued by the NGA/OU to its creditors/payees for the purpose of opening an account or validation of an existing account.
- n. *List of Due and Demandable Accounts Payable-Advice to Debit Account* – refers to an accountable form integrating the Advice to Debit Account (ADA) with the LDDAP, which is a list reflecting the names of creditors/payees to be paid by the NGA/OU and the corresponding amounts of the unpaid claims.
- o. *Merchants* – refers to those authorized by the CCC to be the sellers/suppliers under the CPC System.
- p. *Modified Disbursement System (MDS) Check* – refers to a check issued by government agencies chargeable against the account of the Treasurer of the Philippines, which are maintained with different MDS AGDBs. MDS checks are covered by NCA.
- q. *Modified Disbursement System, Government Servicing Banks* – refers to the authorized government servicing banks, such as Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP), and Philippine Veterans Bank (PVB), to which DBM issues the NCAs for crediting to the MDS sub-accounts of NGAs.
- r. *Petty Cash Fund* – refers to the amount granted to duly designated Petty Cash Fund Custodian for payment of authorized petty or miscellaneous expenses which cannot be conveniently paid through checks/LDDAP-ADA.
- s. *Program Administrator* – refers to the designated by the head of the agency who are tasked to implement and administer the Cashless Purchase Card System.



- t. *Project* – refers to the undertaking, whether construction work, research or training program, computer engagement or other authorized activities which an agency shall prosecute or implement in favor or in behalf of another agency.
- u. *Purchase Limit*:
  - 1. *Cardholder Monthly Purchase Limit* – refers to the limit established by the Program Administrator and approved by the Steering Committee for the total value of purchases that a cardholder can make in one month.
  - 2. *Cardholder Single Purchase Limit* – refers to the maximum amount allowed the cardholder for each transaction.
  - 3. *Maximum Purchase Card Limit* – refers to the maximum amount that the unit/office is authorized to utilize as stated in the Purchase Card application
- v. *Regular Cash Advance* – refers to the amount granted to cashiers, disbursing officers, paymasters, and/or other accountable officers for the payment of expenses such as salaries and wages, commutable allowances, honoraria and other similar payments to officials and employees.
- w. *Steering Committee* – refers to the advisory committee composed of representatives from DND and the DBM which shall provide the guidance on key issues such as policy and objectives, control, procedures, individual card limits, individuals authorized to use the cards, amendments, and decisions involving large expenditures.
- x. *Special Cash Advance* – refers to the amount granted on the explicit authority of the Head of the Agency only to duly designated disbursing officers or employees for other legally authorized purposes, such as payment of current operating expenditures, including salaries, wages and allowances, travel expenditures, and maintenance and other operating expenses, of the agency field office or for special purpose/time-bound undertaking of the agency when it is impractical to pay the same by check.
- y. *Source Agency* – refers to the agency to which the allotment has been originally released and in whose behalf or benefit the project will be prosecuted/implemented.
- z. *Tax Remittance Advice* – refers to a serially-numbered document prescribed by the DBM that should be used by the NGAs in the remittance of withheld taxes on funds coming from DBM. This form is being distributed by the BIR to be accomplished by the NGAs. The same shall be duly certified by the Chief Accountant and approved by the Head of the concerned NGA or his duly authorized representative, and attached to every withholding tax return filed as payment for taxes withheld. This shall be the basis for the BIR and the Bureau of the Treasury (BTr) to record the tax collection in their respective books of accounts. (BIR RR No. 1-2013).
- aa. *Withdrawal Application* – is a written request from the borrower to the development partner to pay funds against to borrower's loan account.

**Sec. 3. Notice of Cash Allocation.** The NCA shall be the authority of an agency to pay operating expenses, purchases of supplies and materials, acquisition of PPE, accounts payable, and other authorized disbursements through the issue of MDS checks, ADA or other modes of disbursements.

- a. No MDS check/ADA shall be issued without the covering NCA. Hence, the total MDS checks/ADA issued shall not exceed the total NCA received. To maximize the available NCAs of the agency, the Common Fund System policy shall be adopted whereby cash allocation balances of agencies under the Regular MDS Account may be used to cover payment of current year's accounts payable i.e., goods and services which have been delivered and accepted during the year charged against appropriations of prior year/s, after satisfying their regular operating requirements as reflected in their Monthly Cash Program.
- b. NCA issued and credited to the Special MDS Accounts of agencies for payment of retirement gratuity/terminal leave benefits as well as prior years' accounts payable shall be valid within the period prescribed under existing rules and regulations. The NCA shall be monitored through the maintenance of the Registry of Allotments and Notice of Cash Allocation (RANCA) (*Appendix 30*) by the Accounting Division/Unit.
- c. NCA issued and credited to the Special MDS Accounts for Trust to cover payments of authorized claims shall be valid within the period prescribed under existing regulations.
- d. For NCA issued for foreign assisted projects such as grants from foreign country with a separate MDS account maintained by the spending agency with Government Servicing Banks (GSBs), MDS check/ADA shall be issued only for specific purpose until full implementation of the project, subject to pertinent DBM issuances prescribing the validity of the NCA.

**Sec. 4. Notice of Transfer of Allocation.** The NTA shall be the authority of the regional and operating units to pay their operating expenses, purchases of supplies and materials, acquisition of PPE, accounts payable, and other authorized disbursements through the issue of MDS checks, ADA or other modes of disbursements.

- a. No MDS check/ADA shall be issued by the ROs/OUTs without the covering NTA. Hence, the total MDS checks issued shall not exceed the total NTA received. NTA issued and credited to the Regular MDS Accounts of ROs/OUTs for their regular operations which are programmed for a specific month shall be valid within the period prescribed under existing rules and regulations. To maximize the available NTAs of the agency, the Common Fund System policy shall be adopted whereby cash allocation balances of agencies under the Regular MDS Account may be used to cover payment of current year's accounts payable i.e., goods and services which have been delivered and accepted during the year charged against appropriations of prior year/s, after satisfying their regular operating requirements as reflected in their Monthly Cash Program.
- b. NTA issued by the Central Office and credited to the Special MDS Accounts of ROs/OUTs for payment of retirement gratuity/terminal leave benefits as well as prior years' accounts payable shall be valid within the period prescribed under existing rules and regulations. The NTA shall be monitored through the maintenance of the Registry of Allotment and Notice of Transfer of Allocation (RANTA) (*Appendix 31*) by the ROs/OUTs.

**Sec. 5. Recording of the Receipt of NCA/NTA.** The CO/ROs/OUTs shall record in the RANCA/RANTA all NCAs/NTAs received and the amount disbursed to control and monitor unfunded allotments and the balance of disbursement authorities.

## Sec. 6. Procedures for Recording of Receipt and Utilization of NCAs/NTAs

Area of Responsibility	Seq. No.	Activity
CO/RO/OU Accounting Division/Unit		
Designated Staff	1	Receives copy of the GAARD, SARO, and GARO, and posts the allotment in the 'Allotment Received' column of the RANCA/RANTA.
Receiving/ Releasing Staff	2	Receives copy of NCA/NTA from DBM/Agency's Central Office and records in the logbook. Forwards NCA/NTA to the Designated Staff for recording in the RANCA/RANTA.
Designated Personnel	3	Records the receipt of NCA/NTA in the RANCA/RANTA.
	4	Records the amount disbursed/utilized in the RANCA/RANTA based on processed DVs/Payroll.
	5	Indicates the balance of the Unutilized NCA/NTA and Unfunded Allotment.

**Sec. 7. Modes of Disbursements.** The different modes of disbursements are as follows: (a) checks (MDS or commercial checks), (b) cash (out of cash advance granted to authorized Disbursing Officer), (c) advice to debit the account, (d) tax remittance advice, (e) working Fund/CDC, and (f) direct payment method.

**Sec. 8. Disbursements by Check.** Checks shall be drawn only on duly approved Disbursement Voucher (DV) (*Appendix 32*) or Payroll (*Appendix 33*). These shall be used for payment of regular expenses which cannot be conveniently nor practically paid using the ADA or not authorized to be paid using the Petty Cash Fund or advances for operating expenses. Checks issued shall be reported and recorded in the books of accounts whether released or unreleased to the respective payees. There are two types of checks being issued by government agencies as follows:

- a. **Modified Disbursement System Checks** – are checks issued by government agencies chargeable against the account of the Treasurer of the Philippines, which are maintained with different MDS-GSBs.
- b. **Commercial Checks** – are checks issued by NGAs chargeable against the Agency Checking Account with GSBs. These shall be covered by income/receipts authorized to be deposited with AGDBs.

**Sec. 9. Documentary Requirements.** The documentary requirements for common government transactions depending on the nature of expenses to be paid by checks shall be complied with as prescribed in COA Circular No. 2012-001 dated June 14, 2012, amended by COA Circular No. 2013-001 dated January 10, 2013.

**Sec. 10. Accounting Books, Records, Forms and Reports to be Prepared and Maintained.** All checks drawn during the day, whether released or unreleased including

cancelled checks shall be recorded chronologically in the Checks and ADA Disbursements Record (CkADADRec) (*Appendix 34*) maintained by the Cash/Treasury Unit. The dates the checks were actually released shall be indicated in the appropriate column provided for in the CkADADRec. All checks/ADA drawn whether released or unreleased shall be included in the Report of Checks Issued (RCI) (*Appendix 35*) or Report of ADA Issued (RADAI) (*Appendix 13*), which shall be prepared daily by the Cashier. The RCI/RADAI together with the original copies of the supporting documents (SDs) shall be submitted to the Accounting Division/Unit for the preparation of JEV (*Appendix 36*). At the end of the year, a Schedule of Unreleased Commercial Checks shall be prepared by the Cashier for submission to the Accounting Division/Unit. The adjusting accounting entries for unreleased commercial checks are presented in Sec. 56 of Chapter 19-Financial Reporting of this Manual.

**Sec. 11. Recording of Check Disbursements by Field Offices without Complete Set of Books.** Field Offices (FOs) without complete set of books shall record chronologically in the Cash in Bank Register (CBReg) (*Appendix 37*) all checks issued/charged to deposits with the AGDB. The certified copy of the CBReg together with the required SDs shall be submitted within five days after the end of each month to the concerned mother unit (central/regional/division office) by the FOs (a unit under the central/regional/ division office) for review and recording of the transactions in the books of accounts.

## **Sec. 12. Procedures for Disbursements by Checks**

Area of Responsibility	Seq. No.	Activity
<b><u>Preparation of DV</u></b>		
Requesting Office/Unit		
Designated Staff	1	Prepares the DV in four copies in accordance with the instructions on the preparation of the DV ( <i>Appendix 32</i> ) to initiate the payment of claims. Forwards the DVs, SDs and ORS to the Budget Division/Unit for processing.
		<i>Note 1</i> – The procedures on processing/approval of ORS are discussed in Sec. 15, Chapter 3 of this Manual.
<b><u>Processing of DV</u></b>		
Accounting Division/Unit		
Receiving/Releasing Staff	2	Receives Copies 1-4 of DV, SDs and Copies 2-3 of ORS from the Budget Division/Unit. Checks completeness of SDs based on the checklist. If incomplete, returns to the party concerned for compliance.
		If complete, stamps “Received” and indicates date of receipt and initials on the stamped “Received” portion of the DV.
		<i>Note 2</i> – Copy 1 of the ORS shall be retained by the Budget Unit which shall serve as the subsidiary ledger of obligations.
	3	Assigns DV number and records in the logbook the DV number and date, creditor/payee, particular and amount.

Area of Responsibility	Seq. No.	Activity
		<p>Forwards Copies 1-4 of DV, SDs and Copies 2-3 of ORS to the designated Staff for processing.</p> <p><i>Note 3 – The numbering structure for DV shall be as follows:</i></p> <div style="text-align: center;"> <p><u>00 - 0000 - 00 - 000000</u></p> <div style="display: flex; justify-content: center; align-items: center;"> <div style="border-left: 1px solid black; height: 100px; margin-right: 10px;"></div> <div style="border-left: 1px solid black; height: 100px; margin-right: 10px;"></div> <div style="border-left: 1px solid black; height: 100px; margin-right: 10px;"></div> <div style="border-left: 1px solid black; height: 100px;"></div> </div> <div style="display: flex; justify-content: center; margin-top: 10px;"> <div style="margin-right: 100px;">→</div> <div>Serial Number (One Series per Fund Cluster for each year)</div> </div> <div style="display: flex; justify-content: center; margin-top: 10px;"> <div style="margin-right: 100px;">→</div> <div>Month of Issue</div> </div> <div style="display: flex; justify-content: center; margin-top: 10px;"> <div style="margin-right: 100px;">→</div> <div>Year of Issue</div> </div> <div style="display: flex; justify-content: center; margin-top: 10px;"> <div style="margin-right: 100px;">→</div> <div>Fund Cluster Code</div> </div> </div> <p><i>Note 4 – DV number shall also be indicated on every sheet of the SDs.</i></p>
Designated Staff/ Processing Staff	4	Receives Copies 1-4 of DV, SDs and Copies 2-3 of ORS from the Receiving/Releasing Staff. Reviews DV for completeness and propriety of SDs.
	5	Retrieves Index of Payments (IoP) ( <i>Appendix 38</i> ) from file and determines if claim is in order. If with prior payment on the same claim, returns the DV, SDs and ORS informing the requesting office/party of prior payment made. If in order, verifies ORS against DV. If the amounts in the ORS and DV are the same, records the following in the IP: DV date and number, particulars and amount and proceeds to Activity No. 9. For first-time claimant, prepares IP and records the name, address, employee number and/or TIN, DV date, particulars and amount. If the amounts in the ORS and DV differ, prepares NORSA in three copies and signs the “Prepared by” portion. Forwards Copies 1-3 of NORSA, Copies 1-4 of DV, Copies 2-3 of ORS and SDs to the Head of Accounting Division/Unit for approval of the NORSA.
Head of Accounting Division/Unit/ Authorized Officer	6	Signs the “Approved by” portion of the NORSA.
Receiving/ Releasing Staff	7	Records in the logbook the return of Copies 1-3 of NORSA, Copies 1-4 of DV, Copies 2-3 of ORS and SDs to the Budget Unit for correction of obligation.

Area of Responsibility	Seq. No.	Activity
Budget Division/Unit Designated Staff	8	Posts the NORSA in the 'Obligation' column of Section C of the ORS. If the original amount is lesser than the actual obligation, a positive entry corresponding to additional obligation shall be recorded in the RAOD based on the NORSA. If the original obligation is greater, a negative entry representing the excess shall be recorded in the RAOD. Returns Copies 2-3 of NORSA, Copies 1-4 of DV, Copies 2-3 of ORS and SDs to the Accounting Division/Unit for processing. Files Copy 2 of NORSA together with the original copy of the ORS.
Accounting Division/Unit Designated Staff	9	Initials in Box B of DV and forwards Copies 1-4 of DV and SDs, Copies 2-3 of ORS to the Head of Accounting Division/Unit/Authorized Officer for review.  <i>Note 5 – In case there is NORSA attached to the DV, it shall be included among the SDs of the DV.</i>
Head of the Accounting Division/Unit/Authorized Officer	10	Retrieves the RANCA/RANTA from file and determines availability of NCA. If NCA is sufficient to cover the disbursement, records in the RANCA/RANTA the DV date and number, and amount under the 'Utilized' column and indicates NCA balance. Otherwise, notes that cash is not yet available and returns the DV and SDs to the Designated Staff for safekeeping.
	11	Checks the "Cash available" portion in Box B of the DV.
	12	Reviews DV and SDs. Signs Box B of DV. Forwards the documents to the Receiving/Releasing Staff.
Receiving/Releasing Staff	13	Records in the logbook the release of Copies 1-4 of DV and SDs and Copies 2-3 of ORS to the Head of Agency or Authorized Representative for approval of the DV.
Office of the Agency Head/Authorized Representative Receiving/Releasing Staff	14	Receives Copies 1-4 of DV, SDs and Copies 2-3 of ORS and records in the logbook the date of receipt. Forwards the set of documents to the Approving Officer for review and approval.
Approving Officer	15	Reviews DV and signs in Box C "Approved for Payment" portion. Forwards Copies 1-4 of DV, Copies 2-3 of the ORS and SDs.

Area of Responsibility	Seq. No.	Activity
		<i>Note 6 – Depending on the set up/procedures of agencies, review of the claims may be done by authorized personnel/staff prior to the approval of the Head of the Agency or his/her Authorized Representative.</i>
Receiving/ Releasing Staff	16	Records in logbook the approved DV and all SDs and forwards the documents to the Cash/Treasury Unit.
		<b><u>Preparation and Approval of Checks</u></b>
Cash/Treasury Unit		
Receiving/ Releasing Staff	17	Receives Copies 1-4 of approved DV, Copies 2-3 of ORS and SDs. Records in the logbook the date of receipt, DV number, payee, particulars and amount.
Designated Staff	18	Checks completeness of signatories on the DV. Prepares check in three copies.
	19	Retrieves from file the CkADADRec maintained per bank account and records the date, check number, name of payee, nature of payment and amount of the DV and indicates the new balance of the NCA/bank account. Forwards Copies 1-3 of check, Copies 1-4 of DV, Copies 2-3 of ORS and SDs to the Cashier/Head of Cash/Treasury Unit for review and signature.
		<i>Note 7 – For field offices without complete set of books, the CBReg shall be maintained.</i>
Cashier or Head of Cash/ Treasury Unit	20	Verifies completeness of signature on the DV. Reviews the amount of the check against the DV and SDs. Signs the check.
Receiving/ Releasing Staff	21	Records in the logbook the date of submission to the approving authority of Copies 1-3 of check, Copies 1-4 of DV, Copies 2-3 of ORS and SDs.
Office of the Agency Head/Authorized Representative		
Receiving/ Releasing Staff	22	Records in the logbook the date of receipt of Copies 1-3 of check, Copies 1-4 of DV, Copies 2-3 of ORS and SDs. Forwards the set of documents to the Authorized Countersigning Official.
Authorized Official	23	Countersigns the check. Forwards Copies 1-3 of check, Copies 1-4 of DV, Copies 2-3 of ORS and SDs to the Receiving/Releasing Staff for return to the Cashier/Head of Cash/Treasury Unit.

Area of Responsibility	Seq. No.	Activity
Cash/Treasury Unit		
Cashier	25	Receives Copies 1-3 of check, Copies 1-4 of DV, Copy 2-3 of ORS and SDs and checks completeness of signatures in the check. Retrieves the CkADADRec and notes the return of the signed and countersigned check.
Cashier	26	Releases the original of check and Copy 4 of DV to the payee. Attaches OR/Invoice issued by payee/claimant, if any on Copy 1 of DV and requires payee/claimant to sign on Box D of the DV and the Check Registry/Logbook. Files temporarily Copies 2-3 of check, Copies 1-3 of DV, Copies 2-3 of ORS and SDs for preparation of reports. Posts in the 'Date Released' column of the CkADADRec the date of release of the check to the claimant.
		<b><u>Preparation of Reports</u></b>
		<b><u>Daily</u></b>
Cashier/ Designated Staff	27	Prepares Advice of Checks Issued and Cancelled (ACIC) ( <i>Appendix 39</i> ) in accordance with existing rules and regulations and forwards to the GSB.
	28	Retrieves Copies 2-3 of checks, Copies 1-3 of DV, Copies 2-3 of ORS and SDs and prepares the RCI in four copies.
		<i>Note 8</i> – The RCI shall include all checks drawn during the day whether released or unreleased to the payees including cancelled ones.
		<i>Note 9</i> – For field offices without complete set of books of accounts, the Disbursing Officer submits the certified true copies of the CBReg together with the SDs to the Accounting Division/Units of their respective CO/RO/Division Office (DO) for recording in the books of accounts.
	29	Initials in "Certification" portion of the RCI.
Cashier/Head of the Cash/ Treasury Unit	30	Reviews RCI and signs in "Certification" portion.
Designated Staff	31	Distributes the RCI as follows:
		<i>Original</i> – COA Auditor, through the Accounting Division/Unit, together with the original copy of the paid DVs/payroll, copy of the check and SDs
		<i>Copy 2</i> – Accounting Division/Unit



Area of Responsibility	Seq. No.	Activity
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Copy 3 – Budget Unit  
Copy 4 – Cash/Treasury Unit

**Preparation of JEV**

Accounting  
Division/Unit

**Daily**

Receiving/  
Releasing Staff

32 Receives Copies 1-2 of RCI with Copy 2 of the Check, Copies 1 and 3 of DVs, Copies 2-3 of ORS and other SDs from Cash/Treasury Unit. Forwards the documents to the Designated Staff for JEV preparation.

Designated  
Staff

33 Examines DVs and checks against RCI. Verifies if the serial number of all checks drawn whether released or unreleased, including spoiled and cancelled ones, are all accounted for.

34 Prepares JEV in two copies and signs in the “Prepared by” portion. Forwards Copies 1-2 of JEV supported with Copies 1-2 of RCI, Copy 2 of the Check, Copies 1 and 3 of DVs, Copies 2-3 of ORS and other SDs to the Chief Accountant/Head of Accounting Division/Unit.

*Note 10* – For Regional Offices with field offices without complete set of books, the Designated Staff shall prepare the JEV based on the certified copy of CBReg submitted by the Disbursing Officer concerned. The said JEV shall be recorded in the CkDJ.

Head of the  
Accounting  
Division/Unit/  
Authorized  
Signatory

35 Reviews correctness of the journal entries and signs on “Certified Correct by” portion of the JEV. Forwards Copies 1-2 of JEV supported with Copies 1-2 of RCI, Copy 2 of the Check, Copies 1 and 3 of DVs, Copies 2-3 of ORS and other SDs to Designated Staff for recording in the CkDJ.

**Recording in the CkDJ**

Designated  
Staff

36 Receives Copies 1-2 of JEV with Copies 1-2 of RCI, Copy 2 of the Check, Copies 1 and 3 of DVs, Copies 2-3 of ORS and other SDs. Records the JEV in the CkDJ.

*Note 11* – For Central Office with field offices without complete set of books, the JEV shall be recorded in the GJ.

Receiving/  
Releasing Staff

37 Records in the logbook submission of documents to COA and Budget Division/Unit. Retains Copy 2 of JEV and RCI and Copy 3 of ORS for file.

*Note 12*

To COA – Copy 1 of JEV, RCI, DV and NORSA (if there is any), Copy 2 of

Area of Responsibility	Seq. No.	Activity
		checks, Copy 2 of ORS and SDs to the Receiving/ Releasing Staff
	To Budget Division/ Unit	– Copy 3 RCI with Copy 3 of DV for posting of payments in Box C of ORS

*Note 13* – For the succeeding activities, refer to Chapter on Financial Reporting for the preparation and submission of Trial Balances, Financial Statements and Other Reports.

### Sec. 13. Illustrative Accounting Entries for Disbursements By Check

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
1. Payment of the following utility bills:			
Meralco Bill		₱ 1,200	
PLDT Bill		500	
Maynilad Bill		<u>200</u>	
Total		<u>₱ 1,900</u>	
Water Expenses	50204010	₱ 200	
Electricity Expenses	50204020	1,200	
Telephone Expenses	50205020	500	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 1,900
To recognize payment of bills from utility companies based on individual checks issued			
2. Grant of cash advance for travel			
Advances to Officers and Employees	19901040	₱ 1,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 1,000
To recognize granting of travel allowance to employees			
3. Advance payment to Procurement Service			
Due from NGAs	10303010	₱ 2,500	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 2,500
To recognize advance payment to Procurement Service for the purchase of Office Equipment			
4. Establishment of Petty Cash Fund (PCF) – ₱ 20,000			
Petty Cash Fund	10101020	₱ 20,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 20,000
To recognize establishment of PCF to cover petty expenses			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
5. Replenishment of PCF			
Expenses charged to the PCF:			
Bond paper		₱ 14,000	
Postage stamps		<u>2,000</u>	
Total		<u>₱ 16,000</u>	
Office Supplies Expenses	50203010	₱ 14,000	
Postage and Courier Expenses	50205010	2,000	
Cash-Modified Disbursement System (MDS), Regular	10104040		₱ 16,000
To recognize replenishment of PCF based on the Report on Paid Petty Cash Vouchers (RPPCV) and SDs			
6. Remittance of Government's share Retirement and Life Insurance			
Premium		₱ 3,300	
Pag-IBIG Contributions		500	
PhilHealth Contributions		<u>300</u>	
Total		<u>₱ 4,100</u>	
Retirement and Life Insurance Premiums	50103010	₱ 3,300	
Pag-IBIG Contributions	50103020	500	
PhilHealth Contributions	50103030	300	
Cash-Modified Disbursement System (MDS), Regular	10104040		₱ 4,100
To recognize remittance of government's share based on individual checks issued to GSIS, HDMF and PHIC			
7. Remittance of salary deductions			
Retirement and Life Insurance			
Premium		₱ 3,300	
Pag-IBIG Contributions		500	
PhilHealth Contributions		300	
GSIS-Salary Loan		200	
Employees' Association		<u>100</u>	
Total		<u>₱ 4,400</u>	
Due to GSIS	20201020	₱ 3,500	
Due to Pag-IBIG	20201030	500	
Due to PhilHealth	20201040	300	
Other Payables	29999990	100	
Cash-Modified Disbursement System (MDS), Regular	10104040		₱ 4,400
To recognize remittance of salary deductions based on individual checks issued to Government Service Insurance System (GSIS), Philippine Health Insurance Corporation (PHIC), Home Development Mutual Fund (HDMF) and Employees' Association			

**Sec. 14. Disbursements by Cash.** Cash disbursements constitute payments out of cash advances granted to the regular and special disbursing officers for personal services, petty expenses and MOOE for field operating requirements. All cash payments shall be covered by duly approved DVs/payrolls/petty cash vouchers (PCVs). The cash advances may be granted to the cashiers/disbursing officers/officials and employees to cover the following: salaries and wages, travels, special time-bound undertakings and petty operating expenses. The granting and liquidation of cash advances shall be governed by the following existing COA rules and regulations and other pertinent issuances:

- a. No cash advance shall be given unless for a legally authorized specific purpose;
- b. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served;
- c. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him/her is first settled/liquidated or a proper accounting thereof is made;
- d. Except for cash advance for official travel, no officer or employee shall be granted cash advance unless he/she is properly bonded in accordance with existing laws or regulations. The amount of cash advance which may be granted shall not exceed the maximum cash accountability covered by his/her bond;
- e. Only permanently appointed officials shall be designated as disbursing officers;
- f. Only duly appointed or designated disbursing officer may perform disbursing functions. Officers and employees who are given cash advances for official travel need not be designated as Disbursing Officers;
- g. Transfer of cash advance from one accountable officer to another shall not be allowed; and
- h. The cash advance shall be used solely for specific legal purpose for which it was granted. Under no circumstance shall it be used for encashment of checks or for liquidation of a previous cash advance.

The specific rules and regulations on the granting, utilization and liquidation of cash advances are provided for under COA Circular No. 97-002 dated February 10, 1997, as amended by COA Circular No. 2006-005 dated July 13, 2006.

**Sec. 15. Cash Advance for Payroll.** Advances for Payroll shall be granted to Regular Disbursing Officers for payment of salaries, wages, honoraria, allowances and other personnel benefits of officials and employees. The Advances for Payroll shall not be used for encashment of checks or for liquidation of previous or other types of cash advances. It shall be equal to the net amount of the processed payroll corresponding to the pay period. Liquidation of the advances shall be made within five (5) days after the end of the pay period. Any unclaimed salaries/allowances shall be refunded and issued official receipt to close the account.

**Sec. 16. Documentary Requirements.** The documentary requirements for Payroll Fund for salaries, wages, allowances, honoraria and other similar expenses are provided under COA Circular No. 2012-001 dated June 14, 2012, amended by COA Circular No. 2013-001 dated January 10, 2013.

**Sec. 17. Accounting Books, Records, Forms and Reports to be Prepared and Maintained.** The Disbursing Officer shall maintain the Cash Disbursements Record (CDRec) (*Appendix 40*) to monitor the cash advances/payroll, current operating expenses, and special purpose/time-bound undertakings and prepare the Report of Cash Disbursements (RCDisb) (*Appendix 41*) to report its utilization. Payments shall be based on duly approved Payroll and shall be posted by the Designated Staff to the IP. The JEV shall be prepared based on the RD and shall be recorded in the CDJ.

**Sec. 18. Procedures for Disbursements out of Advances for Payroll**

Area of Responsibility	Seq. No.	Activity
<b><u>Granting of Advances for Payroll through ADA</u></b>		
Cash/Treasury Unit		
Disbursing Officer/ Cashier	1	Receives the validated List of Due and Demandable Accounts Payable-Advice to Debit Account (LDDAP-ADA) ( <i>Appendix 42</i> ) from the authorized Accountable Officer. Records in the CDRec the date, reference, name of payee, particulars and the amount of ADA in the 'Cash Advance Received' column.
Disbursing Officer/ Cashier	2	Withdraws the amount of cash advance from the GSB and keeps cash in a safety vault.
<i>Note 1 – Agencies are enjoined to institute adequate internal control to safeguard government funds against possible losses/misappropriations.</i>		
<b><u>Utilization of Advances for Payroll</u></b>		
	3	Pays officials and employees/other payees.
<i>Note 2 – Employees/Payees shall sign on the 'Signature of Recipient' column of the Payroll to acknowledge receipt of payment.</i>		
<i>Note 3 – If there are unclaimed salaries, the Disbursing Officer should refund the same within the time prescribed by law/regulations. OR representing the refund shall be issued by the Cashier/Designated Collecting Officer.</i>		
	4	Records the refund for unclaimed salary in the 'Cash Advance Received/(Refunded)' column of the CDRec in parenthesis.
<b><u>Liquidation of Advances for Payroll</u></b>		
	5	Based on the paid payroll and SDs, prepares RCDisb in three copies. Signs the "Certification" portion of the RCDisb and submits to the Accounting Division/Unit.
<i>Note 4 – The RCDisb shall serve as the liquidation report of the Payroll Fund granted to the Disbursing Officer.</i>		

Area of Responsibility	Seq. No.	Activity
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*Note 5* - The RCDIsb shall be distributed as follows:

- Original* – COA Auditor, through the Accounting Division/Unit together with the paid Payrolls and SDs for JEV preparation
- Copy 2* – Accounting Division/Unit
- Copy 3* – Disbursing Officer's file

**Recording of Liquidation**

Accounting Division/Unit Releasing/ Receiving Clerk	6	Records the receipt of the RCDIsb in the logbook, indicates "Received" and signs on all copies, forwards the RCDIsb to the Designated Staff for JEV preparation, and returns Copy 2 to the Cash/Treasury Unit.
Designated Staff	7	Verifies completeness of data in the RCDIsb as against the SDs received. Prepares JEV and signs in the "Prepared by" portion.
Head of the Accounting Division/Unit/ Authorized Signatory	8	Reviews correctness of the journal entries and signs on "Certified Correct by" portion of the JEV.
Designated Staff	9	Records the JEV in the CDJ.
<i>Note 6</i> – For the succeeding activities, refer to Chapter on Financial Reporting for the preparation and submission of Trial Balances, Financial Statements and Other Reports.		
	10	Records in the individual IP of officials and employees the date of payment based on paid payroll. Reconciles and adjusts, if necessary, the amount of payment posted in the IP after the processing of claim with the actual amount paid based on paid payroll. Posts any refund of cash advances made by the Disbursing Officer for unclaimed salaries, wages, allowances, etc. based on the RCDIsb.

**Sec. 19. Illustrative Accounting Entries for Granting and Liquidation of Advances for Payroll and the Set-up of Salary Deductions and Due to Officers and Employees**

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
1. Set-up of Due to Officers and Employees and Salary Deductions			
Assumptions:			
Salaries and Wages	₱35,000		
PERA	<u>15,000</u>		
Total	<u>50,000</u>		
Less: Salary Deductions			
Withholding Tax	5,000		
Life and Retirement Premiums	3,000		
Pag-IBIG premiums	500		
PhilHealth premiums	600		
GSIS Salary loan	200		
Employees' Association	<u>100</u> <u>9,400</u>		
Net Amount	<u>₱ 40,600</u>		
Salaries and Wages-Regular	50101010	₱ 35,000	
PERA	50102010	15,000	
Due to BIR	20201010		₱ 5,000
Due to GSIS	20201020		3,200
01 Life and Retirement Premiums	3,000		
02 Salary Loan	200		
Due to Pag-IBIG	20201030		500
Due to PhilHealth	20201040		600
Other Payables	29999990		100
Due to Officers and Employees	20101020		40,600
To recognize payable to Officers and employees and to set up salary deductions			
2. Granting of Advances for Payroll			
Advances for Payroll	19901020	₱ 40,600	
Cash-Modified Disbursement System (MDS), Regular	10104040		₱ 40,600
To record grant of advances to cover payment of salaries and wages of employees			
3. Liquidation of Payroll Fund			
Due to Officers and Employees	20101020	₱ 40,600	
Advances for Payroll	19901020		₱ 40,600
To recognize liquidation of Advances for Payroll based on the RCDisb and SDs			

**Sec. 20. Cash Advances for Operating Expenses of Government Units without Complete Set of Books of Accounts.** Field/Extension/Satellite Offices are some of the government units under the central/regional/district offices without complete set of books of accounts. Those offices may be granted cash advances covering two months requirements for

MOOE/authorized expenses to finance their operations. The cash advance shall be granted to the duly designated or appointed Disbursing Officers.

**Sec. 21. Documentary Requirements.** The documentary requirements for the granting and liquidation of Cash Advances for Operating Expenses of Government Units without Complete Set of Books of Accounts are provided under COA Circular No. 2012-001 dated June 14, 2012, amended by COA Circular No. 2013-001 dated January 10, 2013.

**Sec. 22. Accounting Books, Records, Forms and Reports to be Prepared and Maintained.** A Cash Disbursements Register (CDReg) (*Appendix 43*) shall be maintained to record, monitor and report transactions involving the grant, utilization and liquidation of the cash advance. The Disbursing Officer shall submit within five days after month-end the certified copies of the CDReg with supporting paid DVs and other documents to the accounting units of their respective Central/Regional/Division Offices and Operating Units for JEV preparation or whenever a request for replenishment is made. The JEV shall be recorded in the books of accounts.

**Sec. 23. Procedures for Disbursements of Cash Advance for Operating Expenses of Government Units without Complete Set of Books of Accounts**

Area of Responsibility	Seq. No.	Activity
<b><u>Granting of Cash Advance for Operating Expenses of Field/Extension/Satellite Offices/Operating Units</u></b>		
Cash/Treasury Unit Disbursing Officer/Cashier	1	Receives the approved check from the Cashier of the Central/Regional/Division Office or Operating Unit. Accomplishes the CDReg ( <i>Appendix 43</i> ) in accordance with the instructions at the back of the form.
Disbursing Officer/Cashier	2	Encashes check in GSB and keeps cash in a safety vault.
<i>Note 1 – Agencies are enjoined to institute adequate internal control to safeguard government funds against possible losses/misappropriations.</i>		
<b><u>Utilization of Cash Advances for Operating Expenses</u></b>		
	3	Pays the MOOE/authorized expenses requirements of the field/extension/ satellite offices/operating units based on duly approved DVs with the required SDs.
<i>Note 2 – Refer to the instructions at the back of DV (<i>Appendix 32</i>) on how to prepare the DV and Seq. No. 1-16, Sec. 12 of this Chapter for the procedures in processing and approval of DV.</i>		
	4	Records in the CDReg the date, reference, name of payee, particulars and the amount disbursed under the 'Payments' column. Enters the nature of payments made under the appropriate columns under the 'Breakdown of Payments'.



Area of Responsibility	Seq. No.	Activity
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*Note 3* – The total of the ‘Advances for Operating Expenses-Payments’ column must always be equal to the sum of the totals of the ‘Breakdown of Payments’ columns.

- 5 Indicates the running balance of the cash advance in the ‘Balance’ column after posting each transaction.

**Liquidation of Cash Advances for Operating Expenses**

- Disbursing Officer/Cashier 6 Submits to the Accounting Division/Unit of Central/Regional/Division Office or Operating Unit concerned a certified photocopy of the CDRReg with complete SDs every time the cash advance is liquidated.

*Note 4* – Refer to Seq. No. 5-10, Section 18 of this Chapter for the procedures in recording the liquidation of cash advance. Instead of paid payroll, paid DVs shall be used as basis of liquidation. Instead of officials and employees, use creditors/payee in maintaining the IP.

**Sec. 24. Illustrative Accounting Entries to be recorded in the Central/Regional/Division Office or OU Books for Advances for MOOE/Authorized Expenses Granted to Government Units without Complete Set of Books of Account**

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
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Central/Regional/Division Office or OU Books

Assumptions:

Estimated Expenses for 2 months requirements:

Office Supplies Expenses	₱ 10,000
Traveling Expenses	15,000
Water Expenses	8,000
Telephone Expenses	5,000
Electricity Expenses	<u>12,000</u>
Total	₱ <u>50,000</u>

Advances for Operating Expenses	19901010	₱50,000	
Cash-Modified Disbursement	10104040		₱50,000
System (MDS), Regular			

To recognize granting of cash advance to field units without books of accounts

Office Supplies Expenses	50203010	₱ 10,000
Traveling Expenses-Local	50201010	15,000

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Water Expenses	50204010	8,000	
Electricity Expenses	50204020	5,000	
Telephone Expenses	50205020	12,000	
Advances for Operating Expenses	19901010		₱ 50,000
To recognize liquidation of cash advance upon receipt of the certified copies of CDRReg with paid DVs and other supporting documents from field/extension/satellite offices/operating units			

**Sec. 25. Cash Advances for Travel.** Section 2 of Executive Order (EO) No. 248 dated May 29, 1995, as amended by EO No. 248A and EO No. 298 dated August 14, 1995 and March 23, 2004, respectively, provide that travels shall cover only those that are urgent and extremely necessary, will involve the minimum expenditure and are beneficial to the agency concerned and/or the country.

- a. No government fund shall be utilized to defray foreign travel expenses of any government official or employee, except in the case of training, seminar or conference abroad when the officials or other personnel of the foreign mission cannot effectively represent the country therein, and travels necessitated by international commitments; provided that no official or employee, including uniformed personnel of the Department of the Interior and Local Government (DILG) and Department of National Defense (DND) will be sent to foreign training, conferences or attend international commitments when they are due to retire within one year after the said foreign travel [Section 16(c) of Fiscal Year (FY) 2012 GAA or pertinent provisions of the GAA for the Year]. Under Memorandum Circular No. 52 dated October 2, 2003 of the Office of the President, the grant of clothing allowance in all categories of trips is suspended indefinitely.
- b. Officials and employees authorized to travel shall be granted cash advance to cover traveling expenses. The amount to be granted shall be accounted as “Advances to Officers and Employees”. No additional cash advance shall be granted to any official or employee unless the previous cash advance given to him/her for travel is first liquidated and accounted for in the books. For local travel, liquidation shall be done within a period of 30 days upon return to the personnel’s workstation. On the other hand, cash advance for foreign travel shall be liquidated within 60 days upon return to the Philippines. The Liquidation Report (LR) (*Appendix 44*) shall be prepared by the officers/employees concerned and submitted to the Accounting Division/Unit with appropriate SDs as basis for JEV preparation. The excess cash advance shall be refunded and an OR shall be issued to acknowledge receipt thereof. In case the amount of cash advance is less than the travel expenses incurred, the LR shall be submitted to liquidate the cash advance previously granted and a DV shall be prepared to claim reimbursement of the deficiency in amount.

**Sec. 26. Documentary Requirements.** The documentary requirements for cash advance for travel as provided under 1.1.4 of COA Circular No. 2012-001 dated June 14, 2012, amended by COA Circular No. 2013-001 dated January 10, 2013, are as follows:

- a. Granting of Cash Advance
  1. Local Travel
    - i. Office Order/Travel Order approved in accordance with Section 3 of EO No. 298;

- ii. Duly approved Itinerary of Travel (IoT) (*Appendix 45*) and
- iii. Certification from the accountant that the previous cash advance has been liquidated and accounted for in the books.

## 2. Foreign Travel

- i. Office Order/Travel Order approved in accordance with the provisions of Sections 1 and 2 of EO 459 dated September 1, 2005;
  - o As approved by the Office of the President in the case of the following officials:
    - Members of the cabinet and officials of equivalent rank
    - Heads of agencies under or attached to the Office of the President

The Chief Justice and Associate Justices of the Supreme Court were exempted under Memorandum Order No. 26 dated July 31, 1986. Under E.O. No. 477 dated August 21, 1991, the Chairmen and Commissioners of the Constitutional Commissions, Chairman and Members of the Commission on Human Rights, Ombudsman and Deputy Ombudsmen were also exempted from securing prior approval from the OP in connection with travels abroad.

- o As approved by the respective heads of agencies in the case of other government officials and employees regardless of the length of travel:
  - NGAs – Department Secretaries or their equivalent
  - State Universities and Colleges (SUCs) – Chairman of Commission on Higher Education (CHED) in the case of heads of the SUCs and respective heads in the case of all other officials and employees
  - Technical and Vocational Schools – Chairman of Technical Education and Skills Development Authority (TESDA) in the case of technical and vocational schools and respective heads in the case of all other officials and employees
- ii. Duly approved IT;
- iii. Letter of invitation of host/sponsoring country/agency/organization;
- iv. For plane fare, quotations of three travel agencies or its equivalent;
- v. Flight itinerary issued by the airline/ticketing office/travel agency;
- vi. Copy of the United Nations Development Programme (UNDP) rate for the daily subsistence allowance (DSA) for the country of destination for the computation of DSA to be claimed;
- vii. Document to show the dollar to peso exchange rate at the date of grant of cash advance;
- viii. Where applicable, authority from the OP to claim representation expenses; and
- ix. In case of seminars/trainings:
  - o Invitation addressed to the agency inviting participants (issued by the foreign country)
  - o Acceptance of the nominee as participants (issued by the foreign country)
  - o Programme Agenda and Logistics Information
- x. Certification from the accountant that the previous cash advance has been liquidated and accounted for in the books.

b. Liquidation of Cash Advance

1. For Local Travel

- i. Paper/Electronic plane, boat or bus tickets, boarding pass, terminal fee;
- ii. Certificate of Appearance/Attendance;
- iii. Copy of previously approved IT;
- iv. Revised or supplemental Office Order or any proof supporting the change of schedule;
- v. Revised IT, if the previous approved itinerary was not followed;
- vi. Certification by the Head of Agency as to the absolute necessity of the expenses together with the corresponding bills or receipts, if the expenses incurred for official travel exceeded the prescribed rate per day (certification or affidavit of loss shall not be considered as an appropriate replacement for the required hotel/lodging bills and receipts);
- vii. LR (*Appendix 44*);
- viii. Reimbursement Expense Receipt (RER) (*Appendix 46*);
- ix. OR in case of refund of excess cash advance;
- x. Certificate of Travel Completed (CTC) (*Appendix 47*); and
- xi. Hotel room/lodging bills with official receipts in the case of official travel to places within 50-kilometer radius from the last city or municipality covered by the Metro Manila Area, or the city or municipality where their permanent official station is located in the case of those outside the Metro Manila Area, if the travel allowances being claimed include the hotel room/lodging rate.

2. For Foreign Travel

- i. Paper/Electronic plane, boarding pass, boat or bus ticket, terminal fee;
- ii. Certificate of Appearance/Attendance for training/seminar participation;
- iii. Bill/Receipts for non-commutable representation expenses approved by the President under Section 13 of EO No. 248;
- iv. For reimbursement of actual travel expenses in excess of the prescribed rate (EO No. 298):
  - o Approval of the President
  - o Certification from the Head of Agency that it is absolutely necessary
  - o Hotel room bills with official receipts (certification or affidavit of loss shall not be considered as an appropriate replacement for the required hotel/lodging bills and receipts)
- v. Revised IT, if applicable;
- vi. Narrative report on trip undertaken/Report on Participation;
- vii. OR in case of refund of excess cash advance;
- viii. CTC; and
- ix. LR.

**Sec. 27. Accounting Books, Records, Forms and Reports to be Prepared and Maintained.** The officers/employees who made the travel shall prepare the LR which shall be the basis for the preparation of the JEV. The Accounting Division/Unit shall record the JEV in the GJ and maintain SL/IP for officers and employees where the granting and liquidation of travel allowances shall be posted for monitoring purposes.

## Sec. 28. Procedures for Disbursements of Advances to Officers and Employees

Area of Responsibility	Seq. No.	Activity
<b><u>Receipt and Liquidation of Cash Advance for Travel</u></b>		
Various Units Officers/Employees Concerned	1	<p>Receives the approved check and Copy 4 of DV from Cash/Treasury Unit.</p> <p><i>Note 1</i> – Officers/Employees shall sign on the received portion of the original copy of the DV to acknowledge receipt of traveling allowance.</p>
	2	<p>Upon return to the official station, prepares the LR in two copies and signs in Box A or “Certification” portion. Attaches appropriate SDs such as IT, CTC, Certificate of Appearance, Travel Report, Plane/Boat Ticket, and RER.</p> <p><i>Note 2</i> – The LR together with the appropriate SDs shall be submitted to the Accounting Division/Unit upon return to the official station as follows:</p> <ul style="list-style-type: none"> <li>• Local travel – within 30 days</li> <li>• Foreign travel – within 60 days</li> </ul> <p><i>Note 3</i> – If there is unused/excess traveling allowance, the amount shall be refunded to the Cashier/ Collecting Officer who shall in turn issue the OR to acknowledge receipt of amount refunded.</p> <p><i>Note 4</i> – The DV and ORS shall be prepared by the official/ employee concerned for the reimbursement of allowable traveling expenses incurred in excess of the cash advance.</p>
Supervisor of Official/Employee Concerned	3	Signs in Box B “Certified: Purpose of travel/cash advance duly accomplished” portion of the LR.
Official/Employee Concerned	4	Submits Copies 1-2 of the LR, SDs to Accounting Division/Unit for processing and certification of Box C “Certified: SDs complete and proper” and recording of the actual traveling expenses.
Accounting Division/Unit Releasing/Receiving Clerk	5	Checks completeness of SDs. If complete, acknowledges receipt of the LR, returns Copy 2 to the claimant and records the same in the logbook.

Area of Responsibility	Seq. No.	Activity
		Otherwise, returns the documents to the claimant for appropriate action.
Chief Accountant/Head of Accounting Division/Unit	6	Verifies completeness and propriety of the SDs. If complete and proper, signs in Box C, "Certified: SDs complete and proper" portion of the LR. Otherwise, prepares letter informing the claimant of the deficiencies.
		<i>Note 5 – Upon compliance of the deficiencies, refer to Sequence No. 4.</i>
		<b><u>Recording of Liquidation of Advances to Officers and Employees</u></b>
Designated Staff	7	Prepares JEV based on the LR and SDs received. Signs in the "Prepared by" portion of the JEV.
Chief Accountant/Head of Accounting Division/Unit	8	Reviews the JEV and signs in the "Certified Correct" portion.
Designated Staff	9	Records the JEV in the GJ. Files the documents temporarily.
	10	Submits to the COA Auditor Copy 1 of JEVs, LRs and SDs at the end of the month.
		<i>Note 6 – For the succeeding activities, refer to the Chapter in Financial Reporting for the preparation and submission of Trial Balances, Financial Statements and Other Reports.</i>

**Sec. 29. Illustrative Accounting Entries for the Granting and Liquidation of Advances to Officers and Employees covering Official Travel**

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Advances to Officers and Employees	19901040	₱2,000	
Cash-Modified Disbursement System (MDS), Regular	10104040		₱2,000
To recognize granting of cash advance for local travel to officers and employees based on duly approved and paid DV, Authority to Travel and IT			
Traveling Expenses-Local	50201010	₱ 2,000	
Advances to Officers and Employees	19901040		₱ 2,000
To recognize liquidation of cash advance for local travel upon receipt of LR and supporting documents			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Advances to Officers and Employees	19901040	₱ 200,000	
Training Expenses	50202010	80,000	
Cash-Modified Disbursement System			
(MDS), Regular	10104040		₱ 280,000
To recognize granting of cash advance for training abroad			
Traveling Expenses-Foreign	50201020	₱ 200,000	
Advances to Officers and Employees	19901040		₱ 200,000
To recognize liquidation of cash advance for training abroad upon receipt of LR and supporting documents.			

**Sec. 30. Cash Advance for Specific Purpose/Time-Bound Undertaking.** Cash advance for special purpose/time-bound undertaking shall be granted only to duly authorized accountable officer/special disbursing officer. It shall be accounted for in the books of accounts as “Advances to Special Disbursing Officer.” It shall be liquidated by the accountable officer within a specified period. Any unutilized cash advance shall be refunded and an OR shall be issued to acknowledge collection thereof.

**Sec. 31. Documentary Requirements.** The documentary requirements for cash advance for specific purpose/time-bound undertaking are provided under COA Circular No. 2012-001 dated June 14, 2012, amended by COA Circular No. 2013-001 dated January 10, 2013.

**Sec. 32. Accounting Books, Records, Forms and Reports to be Prepared and Maintained.** The accountable officer/special disbursing officer shall prepare the RCDIsb and maintain the CDRec to monitor and control the granting and utilization of cash advance. The RCDIsb shall be the basis in the preparation of the JEV which shall be recorded by the designated staff in the CDJ. The SL and IP shall also be maintained by the Accounting Division/Unit.

**Sec. 33. Procedures for Disbursements of Advances to Special Disbursing Officers**

<b>Area of Responsibility</b>	<b>Seq. No.</b>	<b>Activity</b>
<b><u>Granting of Cash Advance for Specific Purpose/Time-Bound Undertaking</u></b>		
Cash/Treasury Unit		
Accountable Officer/Special Disbursing Officer	1	Receives the approved check and Copy 4 of DV from Cash/Treasury Unit. Records in the CDRec the date, reference, name of payee, particulars and the amount of check in the ‘Cash Advance Received’ column.
Designated Accountable Officer/Special Disbursing Officer	2	Encashes check in GSB and keeps cash in a safety vault.

*Note 1* – Agencies are enjoined to institute adequate internal control to safeguard government funds against possible losses/misappropriations.

Area of Responsibility	Seq. No.	Activity
<b><u>Utilization of Cash Advance for Specific Purpose/Time-Bound Undertaking</u></b>		
	3	Pays the authorized expenses based on duly approved DV and SDs.
	4	Records payments made in the 'Disbursements' column of the CDRec.
<b><u>Liquidation of Cash Advance for Special Purpose/Time-Bound Undertaking</u></b>		
	5	Prepares RCDIsb in three copies based on the CDRec. Signs the "Certification" portion of the RCDIsb. Forwards the RCDIsb and SDs to the Accounting Division/Unit.
<p><i>Note 2 – The RCDIsb shall be distributed as follows:</i></p> <p style="padding-left: 40px;"><i>Original</i> – COA Auditor, through the Accounting Division/Unit together with the paid Payrolls and SDs for JEV preparation</p> <p style="padding-left: 40px;"><i>Copy 2</i> – Accounting Division/Unit</p> <p style="padding-left: 40px;"><i>Copy 3</i> – Disbursing Officer's file</p> <p><i>Note 3 – If there are unused cash advances, refund the amount to the Cashier who shall in turn issue the OR to acknowledge receipt of the refund. The OR shall be attached to the RCDIsb.</i></p>		
<b><u>Recording of Liquidation of Cash Advance for Special Purpose/Time-Bound Undertaking</u></b>		
Accounting Division/Unit Receiving/Releasing Clerk	6	Checks completeness of SDs. If complete, acknowledges receipt of the RCDIsb, returns Copy 2 to the Accountable/Special Disbursing Officer and records the same in the logbook. Otherwise, returns the documents to the Accountable/Special Disbursing Officer for appropriate action.
Designated Staff	7	Verifies completeness and propriety of the RCDIsb and SDs. If complete and proper, prepares JEV in two copies and signs in the "Prepared by" portion. Otherwise, prepares letter informing the Accountable/Special Disbursing Officer of the deficiencies.
Chief Accountant/Head of Accounting Division/ Unit	8	Reviews the JEV and signs in the "Certified Correct" portion.
Designated Staff	9	Records the JEV in the CDJ.



Area of Responsibility	Seq. No.	Activity
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*Note 4* – For the succeeding activities, refer to Chapter on Financial Reporting for the preparation and submission of Trial Balances, Financial Statements and Other Reports.

#### **Sec. 34. Illustrative Accounting Entries for Advances to Special Disbursing Officers**

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Assumptions:			
Estimated Expenses for the celebration of agency anniversary:			
Office Supplies Expenses		₱ 10,000	
Traveling Expenses		15,000	
Printing and Publication Expenses		<u>5,000</u>	
Total			<u>₱ 30,000</u>
Advances to Special Disbursing Officer			
	19901030	₱ 30,000	
Cash-Modified Disbursement System (MDS), Regular			
	10104040		₱ 30,000
To recognize the granting of cash advance for the anniversary celebration			
Traveling Expenses-Local			
	50201010	₱ 15,000	
Office Supplies Expenses	50203010	10,000	
Printing and Publication Expenses	50299020	5,000	
Advances to Special Disbursing Officer			
	19901030		₱ 30,000
To recognize the liquidation of cash advance after the anniversary celebration based on the RCDIsb and supporting documents submitted by the Special Disbursing Officer			

**Sec. 35. Cash Advance for Petty Operating Expenses.** The Petty Cash Fund (PCF) to be set up shall be sufficient for the recurring petty operating expenses of the agency for one month. It shall be maintained using the Imprest System. All replenishments shall be directly charged to the expense account and at all times, the PCF shall be equal to the total cash on hand and the unreplenished expenses. The PCF shall be replenished as soon as disbursements reach at least 75% or as needed. The following are the accounting policies regarding cash advance for PCF:

- The fund shall be kept separately from the regular cash advances/collections and shall not be used for payment of regular expenses such as rentals, subscriptions, light and water bills, purchase of supplies and materials for stock purposes, and the like. Payments out of PCF, which shall be made through a Petty Cash Voucher (PCV) (*Appendix 48*), should be allowed only for amounts not exceeding ₱15,000 for each transaction, except when a higher amount is allowed by law and/or specific authority by the COA. Splitting of transactions to avoid exceeding the ceiling shall not be allowed. All disbursements out of PCF shall be covered by duly accomplished and approved PCV supported by cash invoices, ORs or other evidence of disbursements;

- b. The unused balance of the PCF shall not be closed/refunded at the end of the year. The fund shall be closed only upon termination, separation, retirement or dismissal of the Petty Cash Fund Custodian (PCFC), who in turn shall refund any balance to close his/her cash accountability; and
- c. At the end of the year, the PCFC shall submit to the Accounting Division/Unit all unreplenished Petty Cash Vouchers (PCVs) for recording in the books of accounts.

**Sec. 36. Documentary Requirements.** The documentary requirements for PCF as provided under COA Circular No. 2012-001 dated June 14, 2012, amended by COA Circular No. 2013-001 dated January 10, 2013, and under this Chapter, are as follows:

- a. Granting of Petty Cash Advance
  - 1. Authority of an accountable officer issued by the Head of the Agency or his/her duly authorized representatives indicating the maximum accountability and purpose of cash advance (for initial cash advance);
  - 2. Certification from the Accountant that previous cash advances have been liquidated and accounted for in the books; and
  - 3. Approved application for bond and/or Fidelity Bond for the year for cash accountability of ₱5,001 or more as provided under Treasury Circular No. 02-2009 dated August 6, 2009.
- b. Additional Documentary Requirements for initial cash advances
  - 1. Approved estimates of petty expenses for one month; and
  - 2. Copy of policy for maintaining PCF under the imprest system
- c. Liquidation of PCF
  - 1. Report on Paid Petty Cash Vouchers (RPPCV) (*Appendix 49*);
  - 2. Approved purchase request with certificate of Emergency Purchase if necessary;
  - 3. Bill, receipts, sales invoices
  - 4. Inspection and Acceptance Report (IAR) (*Appendix 62*);
  - 5. Waste Materials Report (WMR) (*Appendix 65*) in case of replacement/repair;
  - 6. Approved Trip Ticket, for gasoline/fuel expenses;
  - 7. Canvass from at least three suppliers for purchases involving P1,000 and above, except for purchases made while on official travel;
  - 8. Summary/Abstract of Canvass;
  - 9. PCVs duly accomplished and signed;
  - 10. OR in case of refund;

11. For reimbursement of toll receipts; and

- i. Toll Receipts
- ii. Trip Tickets

12. Such other supporting document that may be required.

**Sec. 37. Accounting Books, Records, Forms and Reports to be Prepared and Maintained.** The PCFC shall prepare the RPPCV and maintain the Petty Cash Fund Record (PCFR) (*Appendix 50*) to monitor and control the granting and utilization of the fund. The RPPCVs shall be the basis in the preparation of the DV to replenish the PCF. The Accounting Division/Unit shall record the replenishment of PCF in the CkDJ through a JEV and shall maintain SL to monitor and control accountability.

**Sec. 38. Procedures for Disbursements through Petty Cash**

Area of Responsibility	Seq. No.	Activity
<b><u>Establishment of PCF</u></b>		
Various Units		
Petty Cash Fund Custodian	1	Receives the approved check from the Cashier for the establishment of PCF. Records in the PCFR the date, particulars, reference and the amount of check in the 'Cash Advance' column.
	2	Encashes check in GSB and keeps cash in a safety vault.
		<i>Note 1</i> – Agencies are enjoined to institute adequate internal control to safeguard government funds against possible losses/ misappropriations.
<b><u>Utilization of Cash Advance from PCF</u></b>		
Requesting Personnel	3	Accomplishes Box I columns 'Particulars' and 'Amount' and Box A "Requested by" portion of the PCV.
Immediate Supervisor	4	Signs Box A "Approved by" portion of the PCV and returns to Requesting Personnel.
Requesting Personnel	5	Submits the required documents to the PCFC for the release of fund.
Petty Cash Custodian	6	Receives from the Requesting Personnel the PCV duly approved by the Immediate Supervisor of the Requestor.
	7	Upon release of the petty cash, signs in Box B "Paid by" portion of the PCV.
Requesting Personnel	8	Receives petty cash and signs in Box B "Cash Received by" portion of the PCV.
Petty Cash Custodian	9	Issues Copy 2 of the PCV to the Requesting Personnel.
	10	Files the original of PCV awaiting liquidation.

Area of Responsibility	Seq. No.	Activity
Requesting Personnel		<b><u>Liquidation of Cash Advance from PCF</u></b>
	11	Receives from Requesting Personnel Copy 2 of the PCV together with SDs. Checks and reviews completeness of documents such as the date, amount and nature of expenses paid as shown in the SDs.  If incomplete, returns to Requesting Personnel for completion of needed SDs.
	12	If complete, retrieves the original of PCV from file and fills up Box II "Total Amount Granted", "Total Amount Paid per OR/Invoice No.", and "Amount Refunded/ Reimbursed" portion of the original and Copy 2 of PCVs.
	13	Checks the appropriate boxes for "Received Refund" or "Reimbursement Paid" portion and signs Box C of the PCV.
Petty Cash Fund Custodian	14	Checks and fills up the appropriate boxes for "Liquidation Submitted by" and "Reimbursement Received by" upon submission of necessary SDs and receipt or reimbursement of cash, if any, and signs Box D of the PCV.
	15	Returns Copy 2 of the PCV to the Requesting Personnel.
	16	Retrieves PCFR from file and records paid PCVs. Fills up the following columns: date, PCV No., name of payee, nature of payment and the amount in the 'Disbursements' and 'Cash Advance Balance' columns.
	17	Files the original PCV together with the SDs.
		<b><u>Replenishment of PCF</u></b>
	18	Retrieves from file the original of the PCV together with the SDs. Checks the completeness of all PCVs for replenishment.
	19	Based on the paid PCVs and SDs, prepares the RPPCVs in two copies. Signs the "Certification" portion of the RPPCV.  <i>Note 1</i> – The RPPCVs shall serve as the basis in the preparation of the DV to replenish the PCF. <i>Note 2</i> – In case of retirement, separation, termination or dismissal of the PCFC, any unused balance shall be refunded to close the accountability. The incoming Custodian shall be granted a new PCF.
	21	Based on the RPPCVs, prepares DV in four copies and ORS in three copies. Forwards Copies 1-4 of the DV, original of the RPPCVs and PCV, and SDs to Authorized Official for review and signature.

Area of Responsibility	Seq. No.	Activity
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Authorized Official 22 Signs in Box A portion of the ORS and DV.

Petty Cash Fund Custodian 23 Forwards Copies 1-4 of the DV, Copies 1-3 of ORS, originals of RPPCVs and PCVs and SDs to Budget Division for recording of obligation.

*Note 3* – For the processing of ORS and check, refer to Sec. 15 of Chapter 3 and Sec. 12 of this Chapter, respectively.

*Note 4* – For the recording of replenishment of PCF, refer to Seq. 32 to 37 of Sec. 12 of this Chapter.

*Note 5* – The RPPCVs shall be distributed as follows:

*Original* – COA Auditor, through the Accounting Division/Unit, together with the original copies of the paid PCVs and SDs  
*Copy 2* – Treasury/Cash Unit

### Sec. 39. Illustrative Accounting Entries for Disbursements Out of Petty Cash

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Assumptions:			
Estimated Expenses:			
Traveling Expenses		₱10,000	
Office Supplies Expenses		8,000	
Postage and Courier Expenses		5,000	
Fuel, Oil and Lubricants Expenses		2,000	
Other MOOE		5,000	
Total		₱ 30,000	
Petty Cash	10101020	₱ 30,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 30,000
To record the establishment of PCF			
Traveling Expense-Local	50201010	₱ 10,000	
Office Supplies Expenses	50203010	8,000	
Fuel, Oil and Lubricants	50203090	2,000	
Postage and Courier Expenses	50205010	5,000	
Other Maintenance and Operating Expenses	50299990	4,800	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 29,800
To record the replenishment of Petty Cash based on the DV, RPPCVs and SDs			
Cash-Collecting Officer	10101010	₱ 200	
Petty Cash	10101020		₱ 200
To record return of unused PCF upon retirement, resignation, separation and termination of the Petty Cash Custodian based on the OR			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Assume the following are the unreplenished PCVs as at December 31:			
Office Supplies		₱ 300	
Traveling Expenses-Local		<u>400</u>	
		<u>₱ 700</u>	
Traveling Expenses-Local	50201010	₱ 300	
Office Supplies Expenses	50203010	400	
Petty Cash	10101020		₱ 700
To record the unreplenished petty cash at the end of the year			

**Sec. 40. Cash Advances for Petty Cash Fund of Government Units without Complete Set of Books of Accounts.** Government Units without complete set of books of accounts may be granted cash advance covering two months operating requirements for authorized petty and other miscellaneous expenses to finance their operations. The cash advance shall be granted to the duly designated or appointed Disbursing Officer.

**Sec. 41. Accounting Records, Forms and Reports to be Prepared and Maintained.** The PCFC shall maintain the Petty Cash Fund Register (PCFReg) (*Appendix 51*) to monitor/summarize the PCF established/replenished and the disbursements charged thereto. A photocopy of this Register together with original PCV and its SDs shall be submitted to the Accounting Division/Unit of the agency's respective Central/Regional/Division Office to serve as basis in the preparation of the DV to replenish the payments made or the JEV, at year-end, if no replenishment is made.

**Sec. 42. Accounting for Cash Shortage/Overage of Disbursing Officer.** Cash overage discovered by the Auditor that cannot be satisfactorily explained by the Disbursing Officer shall be forfeited in favor of the government and an official receipt shall be issued by the Collecting Officer/Cashier. The cash overage shall be taken up as Miscellaneous Income. Cash shortage which is not restituted by the Disbursing Officer despite demand in writing by the Auditor shall be taken up as receivable from the Disbursing Officer.

**Sec. 43. Illustrative Accounting Entries for Cash Overage/Shortage of Disbursing Officer**

a. Cash Overage

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Collecting Officers	10101010	xxx	
Miscellaneous Income	40609990		xxx
To recognize forfeiture of cash overage of the Disbursing Officer			
Cash-Treasury/Agency Deposit, Regular	10104010	xxx	
Cash-Collecting Officer	10101010		xxx
To recognize the remittance of forfeited cash overage to the BTr			

b. Cash Shortage

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Due from Officers and Employees	10305020	xxx	
Advances for Operating Expenses/	19901010/		
Advances for Payroll/	19901020/		
Advances to Special Disbursing Officer	19901030		xxx
To recognize cash shortage of Disbursing Officer			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Collecting Officers	10101010	xxx	
Due from Officers and Employees	10305020		xxx
To recognize restitution of cash shortage.			
Cash-Treasury/Agency Deposit, Regular	10104010	xxx	
Cash-Collecting Officer	10101010		xxx
To recognize the remittance of restituted cash shortage to the BTr			

**Sec. 44. Accounting for Cancelled Checks.** Checks may be cancelled when they become stale, voided or spoiled. The depository bank considers a check stale, if it has been outstanding for over six months from date of issue or as prescribed.

A stale, voided or spoiled check shall be marked cancelled on its face and reported as follows:

- a. Voided, spoiled or unclaimed stale checks with the Cashier shall be reported as cancelled in the List of Unreleased Checks that will be attached to the RCI.
- b. New checks may be issued for the replacement of stale/spoiled checks in the hands of the payees or holders in due course, upon submission of the stale/spoiled checks to the Accounting Division/Unit. A certified copy of the previously paid DVs shall be attached to the request for replacement. A JEV shall be prepared to take up the cancellation. The replacement check shall be reported in the RCI.

**Sec. 45. Illustrative Accounting Entries for Cancelled Checks**

- a. Cancellation and Replacement of Stale/Voided/Spoiled MDS check issued in the current year

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Modified Disbursement System			
(MDS), Regular	10104040	xxx	
Accounts Payable	20101010		xxx
To recognize the cancellation of stale/voided/spoiled MDS checks			
Accounts Payable	20101010	xxx	
Cash-Modified Disbursement System			
(MDS), Regular	10104040		xxx
To recognize the replacement of stale/voided/spoiled MDS checks.			
Cash-Modified Disbursement System			
(MDS), Regular	10104040	xxx	
Appropriate Account	xxxxxxx		xxx
To recognize the cancellation of stale/voided/spoiled MDS checks without replacement			

- b. Cancellation and Replacement of Stale/Voiced/Spoiled MDS check issued in the prior year

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Accumulated Surplus/(Deficit)	30101010	xxx	
Accounts Payable	20101010		xxx
To recognize the cancellation of stale/voiced/spoiled MDS checks			
Accounts Payable	20101010	xxx	
Cash-Modified Disbursement System			xxx
(MDS), Regular	10104040		
To recognize the replacement of stale/voiced/spoiled MDS checks			
Accumulated Surplus/(Deficit)	30101010	xxx	
Appropriate Account	xxxxxxxx		xxx
To recognize the cancellation of stale/voiced/spoiled MDS checks without replacement			

- c. Cancellation and Replacement of Stale/Voiced/Spoiled commercial check issued in the current and prior year

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash in Bank-Local Currency, Current		xxx	
Account	10102020		
Accounts Payable	20101010		xxx
To recognize the cancellation of stale/voiced/spoiled commercial checks			
Accounts Payable	20101010	xxx	
Cash in Bank-Local Currency, Current			xxx
Account	10102020		
To recognize the replacement of stale/voiced/spoiled commercial checks			
Accumulated Surplus/(Deficit)	30101010	xxx	
Appropriate Account	xxxxxxxx		xxx
To recognize the cancellation of stale/voiced/spoiled commercial checks without replacement.			

**Sec. 46. Accounting for Disallowances.** Disallowances shall be taken up in the books of accounts only when they become final and executory. The Accountant shall prepare the JEV to take up the Receivable-Disallowances/Charges and credit the appropriate account for the current year or Accumulated Surplus/(Deficit) account if pertaining to expenses of previous years.

Cash settlement of disallowances shall be acknowledged through the issue of an official receipt and reported by the Cashier in the RCD.

#### **Sec. 47. Illustrative Accounting Entries for Disallowances**

- a. Recording of disallowances for current year's transaction

Assume that the entity incurred overpayment of Office Supplies:

Amount paid	₱ 100,000
Should be	<u>90,000</u>
Difference	<u>₱ 10,000</u>



<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Receivables-Disallowances/Charges	10305010	₱10,000	
Office Supplies Expense	50203010		₱10,000
To recognize the overpayment of purchased office supplies directly issued to end-user			
Cash-Collecting Officers	10101010	₱10,000	
Receivables-Disallowances/Charges	10305010		₱10,000
To recognize the settlement of disallowance			
Cash-Treasury/Agency Deposit, Regular	10104010	₱10,000	
Cash-Collecting Officers	10101010		₱10,000
To recognize the deposit of collection			

b. Recording of disallowance for prior year's transaction

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Receivables-Disallowances/Charges	10305010	₱ 10,000	
Accumulated Surplus/(Deficit)	30101010		₱ 10,000
To recognize the overpayment of office supplies purchased during the prior year			
Cash-Collecting Officers	10101010	₱ 10,000	
Receivables-Disallowances/Charges	10305010		₱ 10,000
To recognize the settlement of disallowance			
Cash-Treasury/Agency Deposit, Regular	10104010	₱ 10	
Cash-Collecting Officers	10101010		₱ 10
To recognize the deposit of collection			

**Sec. 48. Accounting for Overpayments.** Sometimes overpayments or even double payment of expenditures do happen in agencies. These could be avoided with the institution of proper controls but some could not be avoided because of built-in procedures. One example is the payment of payrolls. Payrolls are prepared in advance and some agencies pay their employees through the banking system. All these are done before reports of attendance are submitted, making it impossible to know the exact amount to be paid in case there are absences without pay during the pay periods. In case of overpayments, refunds shall be demanded of the employees concerned.

**Sec. 49. Illustrative Accounting Entries for Overpayments**

a. Overpayment taken up as receivable

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Due from Officers and Employees	10305020	xxx	
Salaries and Wages-Regular	50101010		xxx
To recognize overpayment of salaries and wages (When overpayment is ascertained)			
Cash-Collecting Officers	10101010	xxx	
Due from Officers and Employees	10305020		xxx
To recognize receipt of refund			
Cash-Treasury/Agency Deposit, Regular	10104010	xxx	
Cash-Collecting Officers	10101010		xxx
To recognize the deposit of collection			

b. Refund of overpayment not taken up as receivable

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Collecting Officers	10101010	xxx	
Salaries and Wages-Regular	50101010		xxx
To recognize receipt of refund of Salaries and Wages-Regular during the current year			
Cash-Treasury/Agency Deposit, Regular	10104010	xxx	
Cash-Collecting Officers	10101010		xxx
To recognize the deposit of collection			
Cash-Collecting Officers	10101010	xxx	
Accumulated Surplus/(Deficit)	30101010		xxx
To recognize receipt of refund of overpayment in the ensuing year			
Cash-Treasury/Agency Deposit, Regular	10104010	xxx	
Cash-Collecting Officer	10101010		xxx
To recognize the deposit of collection			

**Sec. 50. Disbursements through List of Due and Demandable Accounts Payable-Advice to Debit Account.** The use of LDDAP-ADA as a mode of settlement of accounts payable due the creditors/payees of all NGAs and their OUs was prescribed under DBM Circular Letter No. 2013-16 dated December 23, 2013 which implemented the ExMDPS, amended by DBM Circular Letter Nos. 2013-16A and 2013-16B dated February 6, 2014 and February 25, 2014, respectively. The following are excluded from the implementation of ExMDPS:

- Payment of Terminal Leave and Retirement Gratuity (TL/RG) benefits which is governed by Republic Act No. 10154 as implemented by CSC Resolution No.1300237 and Budget Circular No. 2013-1;
- Remittance of social insurance premium contributions to government corporations, such as GSIS, PHILHEALTH, and HDMF;
- Payment of Accounts Payable to utility companies, such as: supplier of petroleum, oil and lubricants, water, illumination and power services, telephone, internet and other communication services; and
- Other payables which cannot be conveniently nor practicably paid using the ADA.

**Sec. 51. Signatories in the List of Due and Demandable Accounts Payable-Advice to Debit Account.** The LDDAP (Box I) shall be certified correct by the Chief Accountant/Head of Accounting Division/Unit and approved by the Head of Agency/Authorized Official. The ADA (Box II) shall be signed by the Cash/Treasury Unit Authorized Signatory and countersigned by the Head of Agency/Authorized Signatory. The signatories in Box II shall be bonded.

**Sec. 52. Accounting Books, Records, Forms and Reports to be Prepared and Maintained.** All LDDAP-ADA prepared/issued during the day shall be recorded chronologically in the CkADADRec (*Appendix 34*) maintained by the Cash/Treasury Unit. The dates the LDDAP-ADAs were actually delivered to the MDS-GSB shall be indicated in the appropriate column provided for in the CkADADRec. The RADAI shall be prepared by the Cash/Treasury Unit daily. All approved LDDAP-ADA including those not yet delivered to the MDS-GSB shall be included in the RADAI. The RADAI together with the original copies of the DVs and other SDs shall be submitted to the Accounting Division/Unit for the preparation of JEV.

**Sec. 53. Monitoring of Receipt of Validated LDDAP-ADA and Official Receipt or other Acceptable Evidence of Receipt of Payment.** The Cash/Treasury Unit shall monitor the receipt of the validated LDDAP-ADA from the MDS-GSB and the issue of Official Receipt (OR) or other acceptable evidence of receipt of payments by the creditors/payees.

**Sec. 54. Recording of LDDAP-ADA Issued/Invalidated.** The Head of the Accounting Division/Unit shall prepare a JEV and credit the “Cash-Modified Disbursement System (MDS), Regular” account upon receipt from the Cash/Treasury Unit of the RADAI supported with DV and SDs. The JEV shall be recorded in the ADA Disbursements Journal (ADADJ) (*Appendix 52*).

LLDAP-ADA may be invalidated due to any inconsistency of information (i.e., bank branch, account name/number) between the bank records and LDDAP-ADA or errors stated in item 8.0 of DBM Circular Letter 2013-16 dated December 23, 2014. An invalidated ADA shall be reported as follows:

- a. New LDDAP-ADA may be issued for the replacement of invalidated LDDAP-ADA, upon submission of the validated LDDAP-ADA indicating non-payment to creditors/payees due to any inconsistency of information (i.e., bank branch, account name/number) to the Accounting Division/Unit by the Cash/Treasury Unit. A certified copy of the previously paid DVs shall be attached to the request for replacement.
- b. A JEV shall be prepared to take up the cancellation of the invalidated LDDAP-ADA. The replacement LDDAP-ADA shall be reported in the RADAI.

**Sec. 55. Documentary Requirements.** The documentary requirements for common government transactions depending on the nature of expenses shall be complied with as prescribed under COA Circular No. 2012-001 dated June 14, 2012, amended by COA Circular No. 2013-001 dated January 10, 2013.

**Sec. 56. Procedures for Disbursements through LDDAP-ADA**

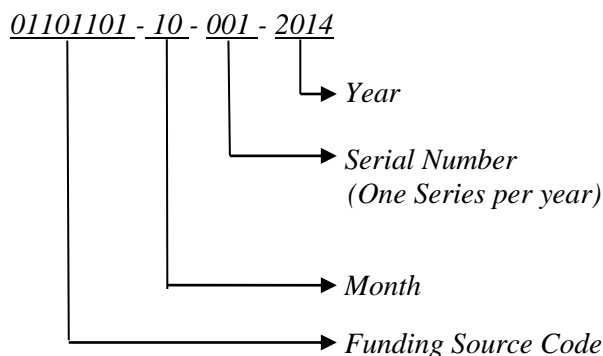
Area of Responsibility	Seq. No.	Activity
<b><u>Preparation of LDDAP-ADA</u></b>		
Accounting Division/Unit Bookkeeper	1	Prepares in 5 copies the LDDAP-ADA for approved DVs pertaining to the current and prior years' accounts payable.

*Note 1* – Prepare separate LDDAP-ADA for creditors/ payees with Current/Savings/ATM Account maintained with other banks outside the MDS-GSB of the NGAs and OUs (receiving NCAs directly from DBM).

Example: The MDS-GSB of the NGAs and OUs (receiving NCAs directly from DBM) is LBP, but some of the creditors are maintaining accounts with DBP, PVB and private banks. One LDDAP-ADA shall be prepared for creditors with LBP accounts, while separate LDDAP-ADA shall be prepared for those with accounts outside LBP.

Area of Responsibility	Seq. No.	Activity
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*Note 2 – The numbering structure for LDDAP-ADA shall be as follows:*



Chief Accountant/ Head of Accounting Division/Unit	2	Reviews and signs in Box I “Certified Correct” portion of LDDAP-ADA and forwards the documents to the Receiving/Releasing Staff.
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Receiving/ Releasing Staff	3	Records in the logbook the release of Copies 1-5 of LDDAP-ADA, Copies 1-4 of DVs and SDs to the Head of Agency or Authorized Representative for approval of the LDDAP-ADA.
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**Approval of the “LDDAP” Portion**

Office of the Agency Head/ Authorized Representative Receiving/ Releasing Staff	4	Receives Copies 1-5 of LDDAP-ADA, Copies 1-4 of DVs and SDs and records in the logbook the date of receipt thereof.
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Head of the Agency/ Authorized Representative/ Approving Officer	5	Reviews LDDAP-ADA and signs in Box I “Approved” portion of the LLDAP. Forwards Copies 1-5 of LDDAP-ADA, Copies 1-4 of DVs, and SDs.
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Receiving/ Releasing Staff	6	Records in logbook the release of Copies 1-5 of LDDAP-ADA, Copies 1-4 of DVs and all SDs and forwards the documents to the Cash/Treasury Unit.
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**Approval of “ADA” Portion**

Cash/Treasury Unit Receiving/ Releasing Staff	7	Receives Copies 1-5 of approved LDDAP-ADA, Copies 1-4 of DVs, and SDs. Records in the logbook the date of receipt of LDDAP-ADA, covering DV numbers, payees, particulars and amounts.
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Area of Responsibility	Seq. No.	Activity
Designated Staff	8	Checks completeness of signatories on the LDDAP-ADA and in the DVs and amount.
	9	Retrieves from file the CkADADRec maintained per bank account and records the date and number, name of payee, nature of payment and amount of the covering DVs, date and number of LDDAP-ADA, and indicates the new balance of the NCA/bank account. Forwards Copies 1-5 of LDDAP-ADA, Copies 1-4 of DVs and SDs to Cashier for review and signature.
Cashier	10	Verifies completeness of signature on the LDDAP-ADA and DVs. Reviews the amount of the LDDAP-ADA against the total amount of the DVs and SDs. Signs the “ADA” portion.
Receiving/ Releasing Staff	11	Records in the logbook the release of Copies 1-5 of LDDAP-ADA, Copies 1-4 of DVs and SDs.
Office of the Agency Head/Authorized Representative		
Receiving/ Releasing Staff	12	Records in the logbook the receipt of Copies 1-5 of LDDAP-ADA, Copies 1-4 of DV and SDs.
Head of Agency/ Authorized Representative/ Approving Officer	13	Countersigns the “ADA” portion. Forwards Copies 1-5 of LDDAP-ADA, Copies 1-4 of DVs, and SDs to the Receiving/Releasing Staff for return to the Cashier.
Receiving/ Releasing Staff	14	Records in the logbook the release of Copies 1-5 of approved LDDAP-ADA, Copies 1-4 of DVs and SDs.
Cash/Treasury Unit		
Designated Staff	15	Receives Copies 1-5 of LDDAP-ADA, Copies 1-4 of DV, and SDs. Retrieves the CkADADRec and checks completeness of documents. Files documents temporarily for the preparation of the Summary of LDDAP-ADAs Issued and Invalidated ADA Entries (SLIIAE) (Appendix 53).
	16	Stamps “PAID” on all LDDAP-ADA, DVs, and SDs.
		<b><u>Preparation of Summary of LDDAP-ADAs Issued and Invalidated ADA Entries</u></b>
Cash/Treasury Unit		
Designated Staff	17	Retrieves Copies 1-5 of all LDDAP-ADA for delivery to the MDS-GSB together with Copies 1-4 of DV and SDs and prepares the SLIIAE in four copies. Assigns control number in the SLIIAE. Records in the logbook the SLIIAE number and date, covering LDDAP-ADA number, date and amount and total amount of the SLIIAE and forwards the document to the Cashier/Head of Cash/ Treasury Unit.

Area of Responsibility	Seq. No.	Activity
Cashier/Head of Cash Treasury Unit	18	Verifies completeness of signature on the LDDAP-ADA. Checks the correctness of the amounts. Signs the “Certified Correct by” portion of the SLIIAE and endorses to the Head of Agency/Authorized Official. Files temporarily the covering DVs and SDs.
Receiving/Releasing Staff	19	Records in the logbook the release of Copies 1-4 of SLIIAE and copies of the LDDAP-ADA issued to the Head of Agency/Authorized Official.
Receiving/Releasing Staff	20	Receives Copies 1-4 of SLIIAE and copies of LDDAP-ADA issued and records in the logbook the date of receipt.
Head of Agency/Authorized Official	21	Signs the “Approved by” portion of the SLIIAE. Forwards Copies 1-4 of SLIIAE and copies of LDDAP-ADA issued to the Receiving/ Releasing Staff for return to the Cashier/Head of Cash/Treasury Unit.
Cash/Treasury Unit		
Receiving/Releasing Clerk	22	Receives Copies 1-4 of SLIIAE and copies of LDDAP-ADA issued. Records in the logbook the date of receipt and forwards to the Cashier/Head of Cash/Treasury Unit.
Cashier/Head of Cash/ Treasury Unit	23	Checks completeness of the SLIIAE and LDDAP-ADA and SDs. Forwards Copies 1-3 of the SLIIAE and Copies 1-4 of the LDDAP-ADA to the Designated Staff. Files Copy 4 of SLIIAE and Copy 5 of LDDAP-ADA temporarily.

*Note 3* – The MDS-GSB shall retain the original SLIIAE together with the Copy 1 of LDDAP-ADA issued as well as the Copy 2 of the SLIIAE and LDDAP-ADA for submission to the BTr on the same day of receipt of said document from the agency. This will serve as the advisory to the BTr on the magnitude of expected disbursements through LDDAP-ADA and replenishment of the MDS Seed Fund. The remaining copies of the SLIIAE and LDDAP-ADA shall be distributed as follows:

*Copy 3 of SLIIAE* – Receiving Copy  
*and Copy 4 of LDDAP-ADA*  
*Copy 4 of SLIIAE* – COA (attached to the RADAI)  
*Copy 5 of LDDAP-ADA* – To the designated staff of Cash/Treasury Unit for the preparation of RADAI.

Area of Responsibility	Seq. No.	Activity
Designated Staff	24	Releases Copies 1-2 of SLIIAE and Copies 1-3 of LDDAP-ADA immediately to MDS-GSB which shall pay the creditors/payees listed in the LDDAP-ADA not later than 48 hours but not earlier than 24 hours upon receipt of the said document from the NGA and OUs (receiving NCAs directly from DBM).  <i>Note 4 – Copy 3 of SLIIAE and Copy 4 of LDDAP-ADA which shall be the copy of the Cash/Treasury Unit shall be stamped “Received” by the MDS-GSB upon receipt of Copies 1-2 of SLIIAE and Copies 1-3 of the LDDAP-ADA. Copy 5 of LDDAP-ADA shall be given to the Designated Staff of the Cash/Treasury Unit for the preparation of the RADAI.</i>
Designated Staff	25	Furnishes creditors/payees with copy of the LDDAP-ADA or informs them of the LDDAP-ADA number for the purpose of updating them on the status of their claims and for the issue of provisional receipt once they are included in the LDDAP-ADA, subject to replacement of provisional receipt with an OR other acceptable evidence of receipt of payment of disbursements consistent with COA Circular No. 2004-006 dated September 9, 2004, immediately after actual receipt of payment.  <i>Note 5 – Copy 4 of the DV shall be given to the payee upon issue of OR.</i>
Designated Staff	26	<u>Daily</u> Obtains validated Copy 3 of the LDDAP-ADA and submits to the Cashier.
Cashier/ Designated Staff	27	Receives the validated Copy 3 of LDDAP-ADA and reproduces three copies thereof to be attached to Copies 2-4 of the DVs. Retrieves Copies 1-4 of DVs and SDs and attaches the validated Copy 3 of the LDDAP-ADA to the original DV and SDs and the photocopies of the validated Copy 3 of LDDAP-ADA to Copies 2-4 of the DVs. Files the documents temporarily.
	28	Monitors return and completeness of submission of the duly validated LDDAP-ADA from the MDS-GSB and receipt of OR other acceptable evidence of receipt of payment.
		<b><u>Preparation of Report of Advice to Debit Account Issued</u></b> <u>Daily</u>
Cash/Treasury Unit Designated Staff	29	Retrieves Copies 3-4 of SLIIAE, copies of LDDAP-ADA and Copies 1-4 of DVs and SDs and prepares the RADAI in four copies.
	30	Initials in “Certification” portion of the RADAI.

Area of Responsibility	Seq. No.	Activity
Disbursing Officer/Cashier/Head of Cash/Treasury Unit	31	Reviews RADAI and signs in “Certification” portion.
Designated Staff	32	<p>Distributes the RADAI as follows:</p> <p><i>Copies 1-3</i> – Accounting Division/Unit for submission to the following:</p> <p><i>Copy 1</i> – COA Auditor (with Copy 3 of LDDAP-ADA, originals of DVs and SDs and Copy 4 of SLIIAE)</p> <p><i>Copy 2</i> – Accounting Division/Unit file</p> <p><i>Copy 3</i> – Budget Division/Unit</p> <p><i>Copy 4</i> – Cash/Treasury Unit file copy (with Copy 3 of SLIIAE and Copy 4 of LDDAP-ADA, Copy 2 of DV and SDs)</p>
Designated Personnel	33	Furnishes assigned Unit/Office with copy of RADAI for posting in the agency’s website.
<b><u>Preparation of JEV</u></b>		
Accounting Division/Unit	<b><u>Daily</u></b>	
Receiving/Releasing Staff	34	Receives Copies 1-3 of RADAI supported with Copy 4 of SLIIAE, copies of the validated LDDAP-ADA and Copy 1 and 3 of DVs and SDs.
Designated Staff	35	Examines DVs and copies of validated LDDAP-ADA against RADAI. Verifies if the serial number of all the LDDAP-ADA issued are all accounted for.
	36	Prepares JEV in two copies and signs in the “Prepared” portion.
Head of the Accounting Division/Unit/Authorized Signatory	37	Reviews and signs the JEV. Forwards Copies 1-2 of JEV and Copies 1-3 of RADAI supported with Copy 4 of SLIIAE, copies of LDDAP-ADA, Copy 1 and 3 of DVs and SDs to the bookkeeper for recording in the ADADJ.
<b><u>Recording in ADADJ</u></b>		
Designated Staff	38	Receives Copies 1-2 of JEV, Copies 1-3 of RADAI, Copy 4 of SLIIAE, copies of LDDAP-ADA, Copies 1 and 3 of DVs and SDs. Records the JEV in the ADADJ.
	39	Records in the logbook submission of documents to COA and Budget Unit. Retains Copy 2 of JEV and RADAI, copy of LDDAP-ADA, Copy 3 of DVs and SDSs for file.
<i>Note 6 – The distribution shall be as follows:</i>		
<i>To COA – Copy 1 of JEV and RADAI, Copy 4 of SLIIAE, validated Copy 3 of LDDAP-</i>		



Area of Responsibility	Seq. No.	Activity
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ADA and Copy 1 of DV and SDs  
To Budget Unit – Copy 3 of RADAI for posting of  
payments in Box C of ORS

**Sec. 57. Illustrative Accounting Entries for Disbursements through LDDAP-ADA**

Particulars	Account Code	Debit	Credit
1. Upon set up of payables to Suppliers and Contractors			
Buildings	10604010	₱ 80,000	
Accounts Payable	20101010		₱ 80,000
To set up payables to contractors and suppliers based on approved DVs			
2. Payment through ADA			
Accounts Payable	20101010	₱ 80,000	
Cash-Modified Disbursement System			
(MDS), Regular	10104040		₱ 80,000
To recognize payment of payables to suppliers or contractors through ADA			
3. Payment of salaries through ATM			
a. Salaries and Wages	50101010	₱ 35,000	
PERA	50102010	15,000	
Due to BIR	20201010		₱ 5,000
Due to GSIS	20201020		3,200
Due to Pag-IBIG	20201030		500
Due to PhilHealth	20201040		600
Other Payables	29999990		100
Due to Officers and Employees	20101020		40,600
To recognize expenses for salaries and wages to be paid through ATM			
b. Cash in Bank-Local Currency, Current			
Account	10102020	₱ 40,600	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 40,600
To recognize deposit for salaries and wages to be paid through ATM			
c. Due to Officers and Employees	20101020	P 40,600	
Cash in Bank-Local Currency,			
Current Account	10102020		P 40,600
To recognize payment of salaries and wages through ATM			
4. Granting of Payroll Fund			
Assumptions:			
Salaries and Wages		₱ 35,000	
PERA		<u>15,000</u>	
Total		₱ 50,000	
Less: Salary Deductions			
Withholding Tax		5,000	
Life and Retirement			
Premiums		3,000	
Pag-IBIG premiums		500	
PhilHealth premiums		600	
GSIS Salary loan		200	

<u>Particulars</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Employees' Association	100		
Net Amount	<u>₱ 40,600</u>		
Advances for Payroll	19901020	₱ 40,600	
Cash-Modified Disbursement System			
(MDS), Regular	10104040		₱ 40,600
To recognize granting of cash advance for payroll based on duly approved payroll through ADA			
5. Payment for delivery of supplies and materials for consumption			
Office Supplies Inventory	10404010	P 2,500	
Cash-Modified Disbursement System			
(MDS), Regular	10104040		P 2,500
To recognize payment for the delivery of supplies and materials based on Delivery Receipt No. 12451			
6. Payment of rent			
Prepaid Rent	19902020	P 1,300	
Cash-Modified Disbursement System			
(MDS), Regular	10104040		P 1,300
To recognize payment of one year rent of photocopying machine (July, 2015–June, 2016)			
7. Advances to Contractors			
Advances to Contractors	19902010	₱ 8,000	
Cash-Modified Disbursement System			
(MDS), Regular	10104040		₱ 8,000
To recognize 15% mobilization fees to contractors to be recouped from progress billings			
8. Payment of Accounts Payable			
Gross		₱ 40,000	
Less: Withholding Tax (VAT)		<u>3,600</u>	
Net		<u>₱ 36,400</u>	
Accounts Payable	20101010	P40,000	
Due to BIR	20201010		P 3,600
Cash-Modified Disbursement System			
(MDS), Regular	10104040		36,400
To recognize payment of payables based on duly approved DV and SDs			

**Sec. 58. Disbursements Through electronic Modified Disbursement System as part of the Modified Disbursement Scheme.** As part of the implementation of the Treasury Single Account (TSA) system for government disbursement, the electronic Modified Disbursement System (eMDS) has been adopted as one of the modes of disbursement under Joint Administrative Order (JAO) No. 2015-1 dated March 12, 2015 of the DBM and DOF. This is to facilitate an efficient and prompt reconciliation of spending agencies' disbursements vis-à-vis the accounts of the BTr maintained at the LBP as Authorized Government Servicing Bank (AGSB).

This JAO shall apply to all spending agencies, offices and instrumentalities under the Executive Branch, including SUCs, together with other Executive Offices using LBP as GSB. The Judicial Branch, the Legislative Branch, Constitutional Offices, and all other Agencies, Offices and Instrumentalities banking with LBP and therefore maintaining MDS sub-accounts with said bank are likewise covered by the JAO for NG to have a holistic view of the budgetary transactions of all spending agencies.

The policy guidelines are as follows:

- a. Heads of Departments, Bureaus, Offices and other instrumentalities under the Executive Branch, maintaining MDS sub-accounts with LBP, including SUCs, together with other Executive Offices, are enjoined to enroll and subscribe to the eMDS to perform selected MDS transactions online; and to monitor disbursements and generate MDS reports under the Government's MDS;
- b. Enrolment in the eMDS shall be free of charge; and
- c. All other spending agencies, offices, and instrumentalities of government maintaining MDS sub-accounts with GSBs other than LBP shall continue to observe the current procedure of the MDS System, unless they voluntarily transfer their accounts with LBP to avail of the latter's eMDS facility or until after enrolment and subscription to the eMDS upon amendment or repeal of Memorandum Order Nos. 276 (s. 1990) and/or (s. 1994).

**Sec. 59. Disbursements through Cashless Purchase Card System.** The CPC System was prescribed as an alternative mode of payment for goods and services under Joint Memorandum Circular (JMC) No. 2014-1 dated May 15, 2014 of the Department of National Defense (DND), Armed Forces of the Philippines (AFP) and the DBM.

The general guidelines on the implementation of the CPC System are as follows:

- a. The CPC System to be implemented by participating agencies is a mode to procure specific eligible items through the use of an electronic card. The CPC functions similarly to a credit card and shall only be used for pre-identified items within body limits mutually agreed upon by members of the Steering Committee. It shall also be used only with specific merchant groups already enumerated under agreement with the credit card company.
- b. Only individuals recommended by the Program Administrator and authorized by the Steering Committee shall be allowed to use the CPC and pre-identified items within monthly limits set at levels mutually agreed upon by members of the Steering Committee. The CPC shall likewise be used only with specific merchant groups already enumerated under agreement with the credit card company.
- c. Only individuals recommended by the Program Administrator and authorized by the Steering Committee shall be allowed to use the CPC at predetermined monthly purchase limits. Authorized individuals shall be permanent employees of the participating agencies and shall, as much as possible be involved in the procurement of goods and services of their unit/office.
  1. Individual credit limits which have been approved by the Steering Committee may only be increased and/or amended by the Steering Committee.

2. Approvals or increased individual credit limits as well as additional personnel of participating agencies to be entitled to the CPC shall only be granted after three (3) months pilot testing of implementation of the CPCS.
3. In the event the participating agencies determine that additional personnel should be entitled to the CPC or in case its existing cardholders need to be replaced, the Program Administrator shall inform the Steering Committee in the writing about the changes proposed. The Program Administrator must support these changes with a written explanation on why the changes are being sought.
- d. Chief of Offices of the Participating Agencies who approved CPC are jointly accountable with their Special Disbursing Officers.
- e. The CPC System shall not, in any way, supplant, replace or revise the procurement policies and procedures prescribed under RA No. 9184 otherwise known as the Procurement Law.
- f. The total amount authorized to be covered by the CPC shall form part of the cash advance levels of the participating agencies. The CPC shall not be used nor intended to allow or justify the increase in cash advance levels for the participating agencies.
- g. The CPC shall initially be used for purchase of small value non-common use items which are not available with the Procurement Service.
- h. The cost of purchasing unauthorized items using the CPC shall be for the personal account of the individual who undertook the transaction. This is without prejudice to the suspension of the cardholder's privilege to use the issued CPC and other penalties which the participating agencies may impose.
- i. In case the participating agencies find specific items which it disputes as having been procured (based on the receipts the individual CPC holder has), they shall immediately inform CCC of this discrepancy.
- j. The participating agencies shall ensure the timely payment of the CPC billing received from the CCC. In the event that delays in payment of the CPC billings occur, any additional charges such as late payment charges/penalties shall be charged against the personal account of the employee directly responsible for the cause of such delays. In no case shall the NCA issued be used to settle late payment charges.
- k. The existing disbursement policies and procedures on the use of NCA and the Common Fund System shall continue to apply where the CPC System is concerned.
- l. Payment to the CCC for legitimate purchases made out of the CPC shall be consistent with the existing MDS disbursement procedures pursuant to DMB Circular Letter No. 2013-16.

The specific guidelines on the implementation of the CPC System are provided under Item 5.0 of DND-AFP-DBM JMC No. 2014-1 dated May 15, 2014, are as follows:

- a. Once the allotment is made available to the participating agencies, the latter shall obligate an amount under supplies, materials and other services corresponding to the amount allocated for the CPC system.
- b. The CPC holder shall be entitled to purchase goods from accredited merchants once the obligation for the CPC has been made.

- c. The CPC holder shall secure the charge slips/receipts issued by the accredited merchant and file the same for the purposes of submission to the agency accounting units. These documents shall also be used for inspection of actual goods purchased and payments to the CCC.
- d. Inspection and acceptance of the procured items shall comply with the existing procedures adopted by the agency for the purpose.
- e. The accounting offices/units shall ensure that procured items are within the items enumerated in Annex A of the above-mentioned JMC and consistent with the limitations under Annex B of the same JMC.
- f. Upon receipt of the CCC billing statement, the agency accounting units shall compare the totals of the charge slips against the amounts reflected in the billing statement and confirm the correctness of the same.
- g. The Finance Service Unit of the agency concerned shall ensure that payments are made on or before the dates specified in the CCC billing statement.
- h. The cost of items being disputed shall likewise be included in the payment to be made. Adjustments in payments, if required, shall be made in the subsequent billing cycle.
- i. In the event the CPC is lost or stolen the cardholder must immediately notify the Program Administrator. He must likewise be responsible in reporting to the CCC via phone or electronic modes, the loss of the card to prevent unauthorized utilization of the same.
  - 1. The privilege of the CPC holder to procure goods through a CPC shall temporarily be suspended in case his card is stolen or lost.
  - 2. The Program Administrator shall determine whether the CPC holder was negligent and/or culpable in the loss of his CPC. He shall recommend remedial steps in case of notes procedural gaps; permanent suspension of the privilege or restoration of the same. In all instances, the Program Administrator shall inform the Steering Committee on the measures taken.
  - 3. The CPC person shall be held accountable in terms of payment for the purchases made against the card during the period it was lost or stolen.

**Sec. 60. Disbursements through Tax Remittance Advice.** The Tax Remittance Advice (TRA) refers to a serially-numbered document prescribed by the DBM that should be used by the NGAs in the remittance of withheld taxes on funds coming from DBM. With the inclusion of all NGAs among the taxpayers who are mandated to use the Electronic Filing and Payment System (*eFPS*) under the Bureau of Internal Revenue Regulations No. 1-2013 dated January 23, 2013, the TRA is accomplished on-line which is called the Electronic TRA (*eTRA*). The *eTRA* is certified correct by the Chief Accountant/Head of Accounting Division/Unit and approved by the Head of Agency/Authorized Official, and used to record the remittance of taxes withheld to the BIR. The same document shall be the basis for the BIR and the BTr to draw a JEV to record the tax collection and deposit in their respective books of accounts. The JEV shall be recorded in the GJ.

The *eTRA* shall be supported with the Summary of Taxes Withheld (STW) certified by the Chief Accountant. The STW is the document which summarizes the type and amount of taxes withheld. The Accounting Division/Unit shall maintain SL to monitor remittances of taxes withheld from individual employees, suppliers and contractors.

## Sec. 61. Procedures for Disbursements through TRA

Area of Responsibility	Seq. No.	Activity
Accounting Division/Unit Chief Accountant/ Head of Accounting Division/Unit/ Bookkeeper	1	Complies with the registration requirements of the BIR as withholding agent pursuant to Sec. 26 of the National Internal Revenue Code.
Cash/Treasury Unit Disbursing Officer/ Cashier	2	Pays employees/suppliers/contractor for services rendered/ goods delivered net of withholding taxes.  <i>Note 1</i> – Refer to Sec.13 for the procedures for disbursement by checks and Sec. 19 for the procedures on the disbursements through Payroll Fund.
Accounting Division/Unit Bookkeeper	3	Prepares STW which will serve as basis for the remittance to the BIR.  <i>Note 2</i> – STW is prescribed in Annex A of DOF-DBM-COA Joint Circular No. 1-2000 dated January 3, 2000.
	4	Forwards the STW to the Chief Accountant for signature.
Chief Accountant/Head of Accounting Division/Unit	5	Reviews the STW and prepares the TRA and forwards to the Agency Head for approval.
Office of the Head of Agency/Authorized Official		
Receiving/Releasing Clerk	6	Records in the logbook the receipt of the STW. Forwards the same to the Head of Agency/Authorized Official for approval.
Head of Agency/ Authorized Official	7	Reviews the STW and approves.
Receiving/Releasing Clerk	8	Upon receipt from the Head of Agency/Authorized Official of the approved STW, forwards the same to the designated personnel of Accounting Division/Unit.
Accounting Division/Unit Designated Personnel	9	Receives from the Receiving/Releasing Clerk the STW. Based on the STW, files tax returns and submits through the eFPS, then proceed to payment menu, selecting TRA as type of payment and fills out the amount intended for TRA.
	10	Prints the validated eTRA and the required tax returns for all taxes withheld for compensation, expanded, final and government money payments (BIR Form 1601-C, 1601-E,

Area of Responsibility	Seq. No.	Activity
		1601-F and 1600, respectively) and forwards the documents with the STW to the Chief Accountant/Head of Accounting Division/Unit.
Chief Accountant/ Head of Accounting Division/Unit	11	Reviews the eTRA and signs on the “Certified by” portion. Forwards the eTRA, STW and required tax returns to the Head of Agency/Authorized Official for approval.
Office of the Head of Agency/Authorized Official		
Receiving/Releasing Clerk	12	Records in the logbook the receipt of the eTRA, STW and required tax returns. Forwards the same to the Head of Agency/Authorized Official.
Head of Agency/ Authorized Official	13	Reviews and approves the eTRA.
Accounting Division/Unit		
Receiving/Releasing Clerk	14	Upon receipt from the Head of Agency /Authorized Official of the approved eTRA, STW and required tax returns, forwards the same to the designated personnel of Accounting Division/Unit for the preparation of the JEV.
Designated Personnel	15	Prepares the JEV and records in the GJ the constructive receipt of NCA for TRA and remittance of all taxes withheld thru TRA.
Designated Personnel	16	Reproduces four copies of eTRA, STW and required tax returns and submits three copies to the concerned BIR Office. Files the received copy.

*Note 3* – Under DOF-DBM Joint Circular No. 1-2000A dated July 31, 2001 which prescribes the procedure for the remittance of all taxes withheld by NGAs to the BIR, an NGA shall file before the BIR a TRA supported by withholding tax returns on or before the 10<sup>th</sup> day of the following month after the said taxes had been withheld.

*Note 4* – For the succeeding activities, refer to Chapter on Financial Reporting for the preparation and submission of Trial Balances, Financial Statements and Other Reports.

**Sec. 62. Illustrative Accounting Entries for Remittance of Taxes Withheld through TRA**

<u>Particulars</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<b>a. <u>Agency Books</u></b>			
1. Constructive Receipt of NCA for TRA			
Cash-Tax Remittance Advice	10104070	₱ 5,000	
Subsidy from National Government	40301010		₱ 5,000
To recognize constructive receipt of NCA for TRA			
2. Remittance of taxes withheld through TRA			
Due to BIR	20201010	₱ 5,000	
Cash-Tax Remittance Advice	10104070		₱ 5,000
To recognize remittance of taxes withheld through TRA			
<b>b. <u>BIR Books</u></b>			
1. Constructive Receipt of Tax Revenue through TRA from the NGAs			
Cash-Tax Remittance Advice	10104070	₱ 5,000	
Income Tax	40101010		₱ 5,000
To recognize constructive receipt of tax revenue based on the TRA received from the agency			
<b>c. <u>BTr Books</u></b>			
1. Constructive Utilization of NCA for TRA by the remitting NGAs			
Subsidy to NGAs	50214010	₱ 5,000	
Cash-Tax Remittance Advice	10104070		₱ 5,000
To recognize remittance of taxes withheld by the agency based on the TRA received			

**Sec. 63. Disbursement for Inter-Agency Transferred Funds (IATF).** The following are the accounting policies for the transfer of funds:

- a. A Memorandum of Agreement (MOA) shall be entered into by the SA and the IA for the undertaking by the latter of the project of the former. The MOA shall provide for the requirements for project implementation and reporting.
- b. The fund to be transferred or sub-allotted to the IA shall be a) in an amount sufficient for three months operation subject to replenishment upon submission of the reports of disbursements by the IA, or b) the total project cost, as may be determined by the Heads of the two agencies in either case.
- c. The check shall be issued in the name of the IA for deposit to its trust account in its authorized government depository bank. The IA shall issue its official receipt in acknowledgment.
- d. Depending on the MOA, the fund transfers may be treated as a) If the MOA provides a condition that the fund shall be spent as specified and any excess shall be returned to the SA, the IA shall recognize the receipt of the fund as asset at its fair value with a corresponding liability, while the SA shall recognize a receivable corresponding to the fund transfer; or b) If the MOA provides stipulations or no condition, the IA shall recognize the receipt of the fund as asset at its fair value with a corresponding revenue, while the SA shall recognize an expense corresponding to the fund transfer.



- e. A separate subsidiary record for each account shall be maintained by the IA whether or not a separate bank account is opened.
- f. Within ten (10) days after the end of each month/end of the agreed period for the Project, the IA shall submit the RCI and the RCDisb to report the utilization of the funds. Only actual project expenses shall be reported. The reports shall be approved by the Head of the IA.
- g. The IA shall return to the SA any unused balance upon completion of the project, if stipulated in the MOA.
- h. The SA shall draw a JEV to take up the reports. The amount to take up the liquidation in the RCI shall be net of the cash advances granted by the IA to its accountable officers.
- i. The IA Auditor shall audit the disbursements out of the trust accounts in accordance with existing COA Regulations
- j. The Chief Accountant/Head of the Accounting Division/Unit of the IA shall, on the basis of the Notice of Finality of Decision (NFD), record in the books of accounts any audit disallowance as receivable.
- k. When the IA is a Bureau/Regional Office of the SA, the procedures for centrally managed projects shall be followed in accordance with entries herein provided.
- l. The illustrative accounting entries are presented in Annex E.

**Sec. 64. Disbursements by Foreign-based Government Agencies.** CDC is an authorization issued by the DBM to DFA and other agencies with foreign posts to utilize their collections retained by their Foreign Service Posts (FSPs) to cover operating requirements, but not to exceed the released allotment to the said post. (National Budget Circular No. 535 dated December 29, 2011). The following are the accounting policies regarding disbursements by Foreign-based Government Agencies (FBGAs):

- a. Based on the proposed budget of FSP/Foreign Attaché, a Working Fund shall be established to cover payment of PS and MOOE. The Finance Officer shall be required to maintain CBReg and CDReg to monitor and control the Working Fund.
- b. All disbursements from the Working Fund shall be covered by duly approved DV/Payroll with the required SDs. At the end of the month, the Finance Officer of FSPs/Foreign Attachés shall prepare and submit RCDisb together with the SDs to the Central Office concerned for preparation of JEV to record the liquidation made by the accountable officer. The JEV shall be recorded in the CkDJ and CDJ based on the CBReg and CDReg, respectively.

**Sec. 65. Illustrative Accounting Entries for Disbursements of FBGAs.** The illustrative accounting entries for disbursements of FBGAs charged to CDC are shown in Sec. 38 (c), Chapter 5 of this Manual.

**Sec. 66. Disbursements through Direct Payment Method.** This type of disbursement should be covered by an NCAA. This mode of disbursement is made through the JEV issued by the BTr to the availing/implementing agency to record payment of goods and services made directly by the lending institution to the supplier or contractor. The JEV shall be recorded in the GJ.

**Sec. 67. Procedures for Disbursements through Direct Payment Scheme of Foreign Loans Availment**

Area of Responsibility	Seq. No.	Activity
<b><u>Recording of Goods/Property/Services Procured abroad through Direct Payment Method by NGA Concerned</u></b>		
NGA		
Accounting Division/Unit Designated Personnel	1	Receives Inspection and Acceptance Report (IAR) from Property Officer/Supply Officer/Official Concerned, shipping documents and certified copy of the approved billing from supplier/contractor and prepares JEV to record goods/property in the books of accounts. The cost shall be based on the certified copy of the duly approved billing.
Head of Accounting Division/Unit/ Authorized Signatory	2	Reviews correctness of the journal entries and signs on "Certified Correct by" portion of the JEV.
Designated Personnel	3	Records the JEV in the GJ.
	4	Prepares the Withdrawal Application (WA) from the loan account to pay for the goods and services and submits to the head of the agency for approval.
Head of Agency	5	Approves the WA and submits to the foreign lending institution (FLI)/development partner (DP).
<b><u>Recording of Foreign Loans Payable in the BTr's Books of Accounts</u></b>		
Bureau of the Treasury		
Accounting Division/Unit Designated Personnel	6	Receives the WA/advice of payment or any proof of disbursement from the FLI/DP and prepares the JEV in three copies to record the amount paid by the supplier/contractor/consultant as proceeds from borrowings.
Head of Accounting Division/Unit/ Authorized Signatory	7	Reviews correctness of the journal entries and signs on "Certified Correct by" portion of the JEV. Forwards Copies 1 of JEV and WA/advice of payment or any proof of disbursement from the FLI/DP to Designated Staff for recording in the GJ and Copies 2-3 to the NGA concerned together with the WA/advice of payment or any proof of disbursement received from the FLI/DP.
Designated Personnel	8	Records the JEV in the GJ.
NGA		
Accounting Division/Unit Designated Personnel	9	Receives from the BTr Copy 2-3 of JEV together with copy of WA/advice of payment or any proof of

Area of Responsibility	Seq. No.	Activity
		disbursement from the FLI/DP and records in the logbook.
	10	Submits to the DBM Copy 2 of JEV together with copy of WA/advice of payment or any proof of disbursement, list of suppliers/contractors/consultants directly paid by the FLI/DP for the issuance of NCAA.
	11	Receives NCAA from the DBM, records in the logbook.
	12	Reconciles NCAA with the JEV to record receipt of goods/property paid by FLI/DP.
	13	Prepares JEV to record receipt of NCAA and settlement of accounts payable.
Head of Accounting Unit/Authorized Signatory	14	Reviews correctness of the journal entries and signs on "Certified Correct by" portion of the JEV.
Designated Personnel	15	Records the JEV in the GJ.
<p><i>Note</i> – For the succeeding activities, refer to the Chapter on Financial Reporting for the preparation and submission of Trial Balances, Financial Statements and Other Reports.</p>		

**Sec. 68. Illustrative Accounting Entries for Disbursements through Direct Payment Scheme of Loan Availment**

<u>Particulars</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>Agency Books</u>			
Communication Equipment	10605070	₱500,000	
Accounts Payable	20101010		₱ 500,000
To recognize receipt of PPE procured through the direct payment scheme			
Accounts Payable	20101010	₱ 500,000	
Subsidy from National Government	40301010		₱ 500,000
To recognize receipt of NCAA and payment of payables based on the WA/advice of payment or any proof of disbursement received from the FLI/DP			
<u>BTR Books</u>			
Subsidy to NGAs	50214010	₱ 500,000	
Loans Payable-Foreign	20102050		₱ 500,000
To recognize the replenishments made to AGSB negotiated MDS- checks and payments on account of the NGA			

**Sec. 69. Financial Statements Presentation.** The Financial Statement presentation of the accounts related to disbursements shall be in accordance with Chapter 19-Financial Reporting of this Manual.

## Chapter 7

### FINANCIAL INSTRUMENTS

**Sec. 1. Scope.** This Chapter provides principles for: (a) presenting financial instruments as liabilities or net assets/equity and for offsetting financial assets and financial liabilities; (b) recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items; and (c) disclosure in the entity's financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risk.

**Sec. 2. Definition of Terms.** For the purpose of this Manual, the terms stated below shall be construed to mean as follows:

- a. *Equity instrument* – is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
- b. *Derivative* – is a financial instrument that derives its value from the movement in commodity price, foreign exchange rate and interest rate of an underlying asset or financial instrument.
- c. *Financial instrument* – is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. (*Par. 9, PPSAS 28*)
- d. *Financial asset* – is any asset that is:
  1. Cash;
  2. An equity instrument of another entity;
  3. A contractual right to receive cash or another financial asset from another entity;
  4. A contractual right to exchange financial instruments with another entity under conditions that are potentially favorable; or
  5. A contract that will or may be settled in the entity's own equity instruments.
- e. *Financial liability* – is any liability that is:
  1. A contractual obligation:
    - i. To deliver cash or another financial asset to another entity; or
    - ii. To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity.
  2. A contract that will or may be settled in the entity's own equity instruments.

**Sec. 3. Financial Instruments.** The following are the characteristics of a financial instrument:

- a. There must be a contract;
- b. There are at least two parties to the contract; and

- c. The contract shall give rise to both a financial asset of one party and a financial liability or equity instrument of another party.

A specific example is NG holdings in the capital stock of Philippine Airlines (PAL) through the BTr. In the books of the BTr, this is a financial asset because it represents resources from which future economic benefits are expected to flow to the entity in the form of dividends or similar distributions. On the other hand, PAL considers the NG holdings as a financial liability because it gives rise to an obligation to return the amount on due date and to pay dividends in the future. Financial instruments could also be cash in the form of bills, coins, and checks; cash in bank; trade accounts; notes and loans; debt securities and equity securities.

**Sec. 4. Cash and other Financial Assets.** Cash is the most basic financial instrument because it is the medium of exchange and is the basis on which all transactions are measured and recognized in the financial statements. Cash deposited with a bank or similar financial institution is a financial asset because it represents the contractual right of the depositor to withdraw money from the bank or to draw a check or similar instrument against the balance in favor of a creditor in payment of a financial liability. The bank, on the other hand, views this deposit as a financial liability because of its obligation to deliver the money upon demand from the depositor.

Common examples of financial assets representing a contractual right to receive cash in the future are: Accounts Receivable, Notes Receivable, Loans Receivable-GOCCs, Loans Receivable-LGUs, and Loans Receivable-Others.

**Sec. 5. Initial Recognition of Financial Asset.** An entity shall recognize a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. (*Par. 16, PPSAS 29*)

**Sec. 6. Initial Measurement of Financial Assets.** When a financial asset at fair value through surplus or deficit is recognized initially, an entity shall measure it at its fair value. In the case of a financial asset not at fair value through surplus or deficit, the financial asset is recognized at fair value plus transaction costs that are directly attributable to the acquisition, issue or disposal of the financial asset. (*Par. 45, PPSAS 29*)

If the financial asset is measured at fair value through surplus or deficit, transaction costs are expensed outright. In the example below, assume that there is ₱10,000 transaction cost.

Example for Financial Asset at Fair Value through surplus or deficit:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Financial Assets Held for Trading	10201010	₱ 500,000	
Cash in Bank-Local Currency, Bangko Sentral ng Pilipinas	10102010		₱ 500,000
To recognize the acquired financial asset held for trading			
Other Financial Charges	50301990	₱ 10,000	
Cash in Bank-Local Currency, Bangko Sentral ng Pilipinas	10102010		₱ 10,000
To recognize the transaction cost incurred			

Example for Financial Asset not at Fair Value through surplus or deficit:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Investments in Treasury Bonds-Foreign	10202040	₱ 510,000	
Cash in Bank-Local Currency, Bangko Sentral ng Pilipinas	10102010		₱ 510,000
To recognize investment in foreign treasury bonds			

**Sec. 7. Categories of Financial Assets.** For the purpose of measuring a financial asset after initial recognition, the financial assets are classified into four categories, namely: (*Par. 47, PPSAS 29*)

- a. Financial asset at fair value through surplus or deficit. A financial asset at fair value through surplus or deficit is one that is either:
  1. A held-for-trading asset, or
  2. An asset designated as at fair value through surplus or deficit on initial recognition. Any financial asset can be classified in this category if its fair value can be reliably estimated.
- b. Held-to-maturity investments. These are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.
- c. Loans and receivables. These are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. Examples of financial assets to be recognized in this category are loans, investments in debt instruments, trade receivables and bank deposits.
- d. Available-for-sale financial assets. Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through surplus or deficit.

The initial measurement for financial asset at fair value through surplus or deficit and financial asset classified as available for sale are the same, only that the changes in fair value of financial asset measured at fair value through surplus or deficit are reported in surplus or deficit while the changes in fair value of available for sale financial asset are reported in the net asset.

**Sec. 8. Subsequent Measurement of Financial Assets.** After initial recognition, an entity shall measure financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for:

- a. Loans and receivables and Held-to-maturity investments, which shall be measured at amortized cost using the effective interest method; and
- b. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost. (*Par. 48, PPSAS 29*)

Example:

On December 31, 2014, the fair value of the Financial Assets Held for Trading with a carrying amount of ₱500,000 is ₱600,000. The changes in fair value shall be reported in surplus/deficit. The following entry shall be made on December 31, 2014 to reflect the changes in fair value.

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Financial Assets Held for Trading	10201010	₱ 100,000	
Gain from Changes in Fair Value of Financial Instruments	40501110		₱ 100,000
To recognize the changes in fair value of the Financial Assets Held for Trading			

On December 31, 2014, the fair value of the Financial Assets classified as Available-for-sale with a carrying amount of ₱500,000 is ₱600,000. If the financial asset is classified as Available-for-sale, the changes in fair value shall be reported in the Statement of Changes in Net Assets. Below is the entry to recognize the changes in fair value of the available for sale financial asset:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Investment in Bonds	10203020	₱ 100,000	
Unrealized Gain/(Loss) from Changes in the Fair Value of Financial Assets	30501010		₱ 100,000
To recognize the change in the fair value of the Available-for-sale			

**Sec. 9. Measurement at Amortized Cost.** Investments of NGAs in BTr issued bonds, loans and receivable accounts are measured at amortized cost. The following are illustrative accounting entries on measurement at amortized cost:

On January 1, 2014, an NGA granted loan amounting to ₱500,000 to an LGU with annual interest of 6%. On December 30, 2014, the LGU made a partial payment of ₱100,000.

The entries on the books of the NGA are:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
January 1, 2014			
Loans Receivable-Local Government			
Units	10301040	₱ 500,000	
Cash in Bank-Local Currency, Current Account	10102020		₱ 500,000
To recognize the loan granted to LGU			
December 30, 2014			
Cash in Bank-Local Currency, Current			
Account	10102020	₱ 130,000	
Loans Receivable-Local Government			
Units	10301040		₱ 100,000
Interest Income	40202210		30,000
To recognize the receipt of partial payment of loan of the LGU directly credited to the NGA's bank account			

The amortized amount at year-end of the Loans Receivable account of ₱ 400,000 is its cost on initial measurement less the repayment.

**Sec. 10. Impairment of Financial Assets.** An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall measure the amount of loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in surplus or deficit.

In case of Accounts Receivable, the Allowance for Impairment shall be provided in an amount based on collectibility of receivable balances and evaluation of such factors as aging of accounts, collection experiences of the agency, expected loss experiences and identified doubtful accounts.

An adjusting journal entry to recognize the impairment loss is as follows:

Example 1: Impairment of Accounts Receivable – ₱ 1,000

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Impairment Loss-Loans and Receivables	50503020	₱ 1,000	
Allowance for Impairment-Accounts Receivable	10301011		₱ 1,000
To recognize impairment loss on accounts receivable			

Example 2: Impairment of Loans Receivable from an LGU – ₱ 50,000

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Impairment Loss-Loans and Receivables	50503020	₱ 50,000	
Allowance for Impairment-Loans Receivable, Local Government Units	10301041		₱ 50,000
To recognize impairment loss on loans receivable from LGU			

**Sec. 11. Derecognition of Financial Assets.** Derecognition is the process of removing a previously recognized financial asset, liability or equity from the statement of financial position. An entity shall derecognize a financial asset when, and only when:

- a. The contractual rights to the cash flows from the financial asset expire or are waived; or
- b. The entity transfers the financial assets provided the following conditions exist:
  1. The entity transfers substantially all the risks and rewards of ownership of the financial assets; and
  2. The entity has not retained control over the financial assets.

The derecognition of financial assets is subject to the provisions of P.D. No. 1445 on the writing off of receivables and other policies issued by the COA.

Example: An LGU paid its outstanding loan balance amounting to ₱1,000,000 to an NGA. The NGA, upon receipt of the payment from the LGU, will derecognize its receivable account from said entity because its contractual rights to the cash flows from the financial asset expire. The journal entry to recognize the derecognition follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash in Bank-Local Currency, Current Account	10102020	₱ 1,000,000	
Loans Receivable-Local Government Units	10301040		₱ 1,000,000
To recognize receipt of collection of the loan receivable from LGU directly credited to the NGA's bank account			



When the contractual rights to the cash flows from the financial asset are waived as approved by the COA, assuming that impairment losses have been previously recognized, the entry will be:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Allowance for Impairment-Loans Receivable-Local Government Units	10301041	₱1,000,000	
Loans Receivable-Local Government Units	10301040		₱1,000,000
To recognize waiver of the loan receivable from the LGU			

**Sec. 12. Transfer of Financial Assets.** An entity transfers a financial asset if, and only if, it either:

- a. Transfers the contractual rights to receive the cash flows of the financial asset; or
- b. Retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the following conditions:
  1. The entity has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition; and
  2. The entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.
  3. The entity has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

When an entity transfers a financial asset, it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

- a. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.
- b. If the entity retains substantially all the risks and rewards of ownership of the financial asset, the entity shall continue to recognize the financial asset.
- c. If the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity shall determine whether it has retained control of the financial asset.

In this case:

1. If the entity has not retained control, it shall derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.
2. If the entity has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

**Sec. 13. Financial Liability.** Examples of financial liabilities which are transacted by many national government agencies are Accounts Payable, Bail Bonds Payable, Notes Payable, Interest Payable, Bonds Payable-Domestic, Bonds Payable-Foreign, and Loans Payable-Domestic and Loans Payable-Foreign representing domestic and foreign debt accounted at the BTr.

**Sec. 14. Recognition of a Financial Liability.** An entity shall recognize a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. (*Par. 16, PPSAS 29*)

A financial instrument that does not explicitly establish a contractual obligation to deliver cash or another financial asset may establish an obligation indirectly through its terms and conditions.

- a. A financial instrument may contain a non-financial obligation that must be settled if, and only if, the entity fails to make distributions or to redeem the instrument. If the entity can avoid a transfer of cash or another financial asset only by settling the non-financial obligation, the financial instrument is a financial liability.
- b. A financial instrument is a financial liability if it provides that on settlement the entity will deliver either:
  1. Cash or another financial asset; or
  2. Its own shares whose value is determined to exceed substantially the value of the cash or other financial asset. Although the entity does not have an explicit contractual obligation to deliver cash or another financial asset, the value of the share settlement alternative is such that the entity will settle in cash. In any event, the holder has in substance been guaranteed receipt of an amount that is at least equal to the cash settlement option. (*Par. 24, PPSAS 28*)

**Sec. 15. Initial Measurement of Financial Liabilities.** When a financial liability is recognized initially, an entity shall measure it at its fair value plus, in the case of a financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the issue of the financial liability. (*Par. 45, PPSAS 29*)

For financial liability designated initially as at fair value through surplus and deficit, the related transactions costs are expensed immediately. For financial liability measured at amortized cost, transaction costs are included in the initial measurement.

Transaction costs are incremental costs that are directly attributable to the issue or disposal of a financial liability. An incremental cost is one that would not have been incurred if the entity had not issued or disposed the financial liability. Transaction costs include: (a) fees and commissions paid to agents, advisers, brokers and dealers; (b) levies by regulatory agencies and securities exchanges; and (c) transfer taxes and duties.

Example: On January 1, 2014, the BTr issued a 5-year ₱100,000 face value bonds for ₱95,787.63. Interest is 5% payable annually. The prevailing interest rate is 6%. The bonds were issued through an underwriter and the agency paid bond issue cost of ₱34,000. The financial liability was measured at amortized cost. The following are the accounting journal entries to recognize the transaction:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash in Bank-Local Currency, Bangko Sentral ng Pilipinas	10102010	₱95,787.63	
Discount on Bonds Payable-Domestic	20102021	4,212.37	
Bond Payable-Domestic	20102020		₱100,000.00
To recognize the issuance of bonds payable by the BTr			
Bond Issue Cost-Domestic	20102023	₱34,000	
Cash in Bank-Local Currency, Bangko Sentral ng Pilipinas	10102010		₱34,000
To recognize the incurrence of bond issue cost by the BTr			

Bond issue costs are not treated as outright expense but amortized over the life of the bond similar to that for discount on bonds payable. Bond issue costs are conceived as cost of borrowing and therefore will increase interest expense.

The amortization of bond issue costs is recognized by debiting interest expense and crediting bond issue cost. Under the effective interest method of amortization, the bond issue cost should be aggregated to the discount on bonds payable and netted against the premium on bonds payable.

**Sec. 16. Subsequent Measurement of Financial Liabilities.** After initial recognition, an entity shall measure a financial liability at amortized cost using the effective interest method. The “amortized cost” of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. (*Par. 10, PPSAS 29*)

The difference between the face amount and present value of the financial liability is amortized through the interest expense using the effective interest method. The difference between the face amount and present value is either discount or premium on the issue of financial liability.

Assume:	
Face value of the bond	₱100,000
Term	5-years
Selling price	95,787.63
Issue Date	January 1, 2014
Nominal Rate	5% annually
Effective interest rate	6% annually
Face value of the bond	₱ 100,000.00
Selling price	<u>95,787.63</u>
Discount on Bonds Payable	₱ <u>4,212.37</u>

Below is the schedule of amortization based on the information given:

Amortization Schedule						
Date	Interest Expense (5% of FV)	Interest Expense (6% of G <sub>i</sub> )	Amortization of Bond Discount (C-B)	Debit Balance of Bond Discount (E <sub>i</sub> -D)	Credit Balance of Bonds Payable	Carrying Amount of the Bonds (F-E)
A	B	C	D	E	F	G
January 1, 2014				4,212.37	100,000.00	95,787.63
December 31, 2014	5,000.00	5,747.26	747.26	3,465.11	100,000.00	96,534.89
December 31, 2015	5,000.00	5,792.09	792.09	2,673.02	100,000.00	97,326.98
December 31, 2016	5,000.00	5,839.62	839.62	1,833.40	100,000.00	98,166.60
December 31, 2017	5,000.00	5,890.00	890.00	943.40	100,000.00	99,056.60
December 31, 2018	5,000.00	5,943.40	943.40	-	100,000.00	100,000.00

E<sub>i</sub> – previous balance of the Bond Discount

G<sub>i</sub> – previous Carrying Amount of the Bonds

The amortized cost of the bonds payable on December 31, 2014 will be:

Credit Balance of bonds payable	₱100,000.00
Debit balance of bond discount	<u>(3,465.11)</u>
Amortized cost (December 31, 2014)	<u>₱ 96,534.89</u>
Or	
Book value of the Bonds (January 1, 2014)	₱ 95,787.63
Amortization of Bond discount	<u>747.26</u>
Amortized cost (December 31, 2014)	<u>₱ 96,534.89</u>

**Sec. 17. Derecognition of Financial Liability.** An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged, waived, or cancelled, or expires.

Example: A government entity paid its ₱1,000,000 loan from a local creditor. Upon payment of the loan, the entity shall derecognize its liability from the local creditor. The journal entry in the agency's books follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Loans Payable-Domestic	20102040	₱1,000,000	
Cash in Bank-Local Currency, Bangko Sentral ng Pilipinas	10102010		₱1,000,000
To recognize the payment of the loan			
Loans Payable-Domestic	20102040	₱ 1,000,000	
Miscellaneous Income	40609990		₱ 1,000,000
To recognize the condoned/waived loan			

**Sec. 18. Equity Instrument.** The term “equity instrument” may be used to denote the following:

- A form of unitized capital such as ordinary or preference shares;
- Transfers of resources (either designated or agreed as such between the parties to the transaction) that evidence a residual interest in the net assets of another entity; and/or

- c. Financial liabilities in the legal form of debt that, in substance, represent an interest in an entity's net assets. (AG27, PPSAS 28)

Equity security encompasses any instrument representing ownership shares and right, warrants or options to acquire or dispose of ownership shares at a fixed or determinable price. It represents an ownership interest in an entity. This includes ordinary share, preference share and other share capital.

The government securities issued by the BTr are debt securities in the form of treasury bills and treasury notes. They have maturity date and maturity value. Other examples include Bangko Sentral ng Pilipinas commercial papers and preference shares with mandatory redemption date or are redeemable at the option of the holder.

**Sec. 19. Derivatives.** Derivative is a financial instrument that derives its value from the movement in commodity price, foreign exchange rate and interest rate of an underlying asset or financial instrument.

PPSAS 29 provides the following characteristics of a derivative financial instrument:

- a. Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the “underlying”);
- b. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- c. It is settled at a future date.

The very purpose of derivatives is risk management. Risk management is the process of identifying the desired level of risk, identifying the actual level of risk and altering the latter to equal the former.

**Sec. 20. Hedging.** Hedging is a method of offsetting a potential financial loss or the structuring of a transaction to reduce risk involving financial instruments. Hedge accounting recognizes the offsetting effects on surplus or deficit of changes in the fair values of the hedging instrument and the hedged item.

Par. 96 of PPSAS 29 provides the 3 types of hedging relationships:

- a. Fair value hedge: a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect surplus or deficit.
- b. Cash flow hedge: a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and (ii) could affect surplus or deficit.
- c. Hedge of a net investment in a foreign corporation.

A hedge or hedging relationship has two components, namely hedging instrument and hedged item.

**Sec. 21. Hedging Instrument.** A designated derivative or a designated non-derivative financial asset or non-derivative financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of designated hedged item.

**Sec. 22. Hedged Item.** Hedged item is an asset, liability, firm commitment, highly probable forecast transaction or net investment in a foreign operation that (a) exposes that entity to risk of changes in fair value or future cash flows and (b) is designated as being hedged.

**Sec. 23. Presentation of Financial Instruments.** The issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. (*Par. 13, PPSAS 28*)

#### **Sec. 24. Illustrative Accounting Entries on Financial Assets**

##### **a. Financial Assets classified as Held-to-Maturity**

On January 1, 2014 the BTr purchased a 5-year 5% ₱100,000 face value bonds for ₱95,787.63. The issuer pays the interest annually. The prevailing interest rate is 6%. The table below shows the amortization of bond discount.

Amortization Schedule				
Date	Interest Income (5% x FV)	Interest Income (6% x E <sub>1</sub> )	Amortization of Bond Discount (C-B)	Carrying Amount of the Bonds (E <sub>1</sub> +D) E
A	B	C	D	E
January 1, 2014				95,787.63
December 31, 2014	5,000	5,747.26	747.26	96,534.89
December 31, 2015	5,000	5,792.09	792.09	97,326.98
December 31, 2016	5,000	5,839.62	839.62	98,166.60
December 31, 2017	5,000	5,890.00	890.00	99,056.60
December 31, 2018	5,000	5,943.40	943.40	100,000.00

E<sub>1</sub> – previous balance of the Carrying Amount of the Bonds

*Note:* On maturity date December 31, 2018, the carrying amount of the investment is ₱100,000 which is equal to the face value of the bond.

The accounting entries in the books of the BTr are as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
January 1, 2014			
Investment in Bonds	10203020	₱ 95,787.63	
Cash in Bank-Local Currency, Bangko Sentral ng Pilipinas	10102010		₱ 95,787.63
To recognize investment in bonds			

*Note:* Cash in Bank-Local Currency, Current Account and Cash in Bank-Local Currency, Savings Account may also be used.

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
December 31, 2014			
Cash in Bank-Local Currency,		₱ 5,000	
Bangko Sentral ng Pilipinas	10102010		
Interest income	40202210		₱ 5,000
To recognize receipt of annual interest			
Investment in Bonds	10203020	₱ 747.26	
Interest income	40202210		₱ 747.26
To recognize amortization of bond discount			
December 31, 2015			
Cash in Bank-Local Currency,		₱ 5,000	
Bangko Sentral ng Pilipinas	10102010		
Interest income	40202210		₱ 5,000
To recognize receipt of annual interest			
Investment in Bonds	10203020	₱ 792.09	
Interest income	40202210		₱ 792.09
To recognize amortization of bond discount			
December 31, 2016			
Cash in Bank-Local Currency,		₱ 5,000	
Bangko Sentral ng Pilipinas	10102010		
Interest income	40202210		₱ 5,000
To recognize receipt of annual interest			
Investment in Bonds	10203020	₱ 839.62	
Interest income	40202210		₱ 839.62
To recognize amortization of bond discount			
December 31, 2017			
Cash in Bank-Local Currency,		₱ 5,000	
Bangko Sentral ng Pilipinas	10102010		
Interest income	40202210		₱ 5,000
To recognize receipt of annual interest			
Investment in Bonds	10203020	₱ 890	
Interest income	40202210		₱ 890
To recognize amortization of bond discount			
December 31, 2018			
Cash in Bank-Local Currency,		₱ 5,000	
Bangko Sentral ng Pilipinas	10102010		
Interest income	40202210		₱ 5,000
To recognize receipt of annual interest			
Investment in Bonds	10203020	₱ 943.40	
Interest income	40202210		₱ 943.40
To recognize amortization of bond discount			
Cash in Bank-Local Currency,		₱ 100,000	
Bangko Sentral ng Pilipinas	10102010		
Investment in Bonds	10203020		₱ 100,000
To recognize maturity of investment in bonds			

b. Loans Receivable

On January 1, 2014, an NGA relented a loan to an LGU amounting to ₱1,000,000 payable in 5 years with 6% annual interest. The accounting entries to recognize the transactions are as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
January 1, 2014			
Loans Receivable-Local Government Units	10301040	₱ 1,000,000	
Cash in Bank-Local Currency, Current Account	10102020		₱ 1,000,000
To recognize the relented loan			
December 31, 2014			
Cash in Bank-Local Currency, Current Account	10102020	₱ 200,000	
Loans Receivable-Local Government Units	10301040		₱ 200,000
To recognize the collection of receivable			
Cash in Bank-Local Currency, Current Account	10102020	₱ 60,000	
Interest income	40202210		₱ 60,000
To recognize collection of interest			

c. Notes Receivable

On March 15, 2014, a government hospital received promissory notes from several patients amounting to ₱100,000 payable in 6 months with 6% annual interest. The accounting entries to recognize the transactions follow:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
March 15, 2014			
Notes Receivable	10301020	₱ 100,000	
Hospital Fees	40202170		₱ 100,000
To recognize the receipt of the promissory note			
August 15, 2014			
Impairment Loss-Loans and Receivables	50503020	₱ 30,000	
Allowance for Impairment-Notes Receivable	10301021		₱ 30,000
To recognize impairment of Notes Receivable			
September 15, 2014			
Cash-Collecting Officers	10101010	₱ 70,000	
Allowance for Impairment-Notes Receivable	10301021	30,000	
Notes Receivable	10301020		₱ 100,000
To recognize collection of the balance of the Notes Receivable			
Cash-Collecting Officers	10101010	₱ 2,850	
Interest Income	40202210		₱ 2,850
To recognize collection of interest income			



## Sec. 25. Illustrative Accounting Entries on Financial Liabilities

On January 1, 2014 the BTr issued a 5-year 9% ₱100,000 domestic bonds at 10% effective interest rate for ₱96,149. Interests are paid semi-annually. The amortization schedule based on the information given is presented below:

Amortization Schedule						
Date	Interest Expense (4.5% x FV)	Interest Expense (5% x G <sub>1</sub> )	Amortization of Bond Discount (C-B)	Debit balance of Bond Discount (E <sub>1</sub> -D)	Credit Balance of Bonds Payable	Carrying Amount of the Bonds (F-E)
A	B	C	D	E	F	G
January 1, 2014				3,851.00	100,000	96,149.00
June 30, 2014	4,500	4,807.45	307.45	3,543.55	100,000	96,456.45
December 31, 2014	4,500	4,822.82	322.82	3,220.73	100,000	96,779.27
June 30, 2015	4,500	4,838.96	338.96	2,881.76	100,000	97,118.24
December 31, 2015	4,500	4,855.91	355.91	2,525.85	100,000	97,474.15
June 30, 2016	4,500	4,873.71	373.71	2,152.14	100,000	97,847.86
December 31, 2016	4,500	4,892.39	392.39	1,759.75	100,000	98,240.25
June 30, 2017	4,500	4,912.01	412.01	1,347.74	100,000	98,652.26
December 31, 2017	4,500	4,932.61	432.61	915.13	100,000	99,084.87
June 30, 2018	4,500	4,954.24	454.24	460.88	100,000	99,539.12
December 31, 2018	4,500	4,960.88	460.88	-	100,000	100,000.00

E<sub>1</sub> – previous balance of the Bond Discount

G<sub>1</sub> – previous Carrying Amount of the Bonds

The accounting entries are as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
January 1, 2014			
Cash in Bank-Local Currency, Bangko Sentral ng Pilipinas	10102010	₱ 96,149	
Discount on Bonds Payable-Domestic	20102021	3,851	
Bonds Payable-Domestic	20102020		₱ 100,000
To recognize the issue of bonds			
June 30, 2014			
Interest Expenses	50301020	₱ 4,500	
Cash in Bank-Local Currency, Bangko Sentral ng Pilipinas	10102010		₱ 3,600
Due to BIR	20201010		900
To recognize payment of semi-annual interest and taxes withheld from the investor			
Due to BIR	20201010	₱ 900	
Cash-Tax Remittance Advice	10104070		₱ 900
To recognize remittance to BIR of the withheld final tax			
June 30, 2014			
Interest Expenses	50301020	₱ 307.45	
Discount on Bonds Payable-Domestic	20102021		₱ 307.45
To recognize amortization of bond discount			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
December 31, 2014			
Interest Expenses	50301020	4,500	
Cash in Bank-Local Currency,			
Bangko Sentral ng Pilipinas	10102010		3,600
Due to BIR	20201010		900
To recognize payment of semi-annual interest and taxes withheld			
Due to BIR	20201010	₱ 900	
Cash-Tax Remittance Advice	10104070		₱ 900
To recognize remittance to BIR of the final tax withheld			
Interest Expenses	50301020	₱ 322.82	
Discount on Bonds Payable-			
Domestic	20102021		₱ 322.82
To recognize amortization of bond discount			
December 31, 2018			
Bonds Payable-Domestic	20102020	₱ 100,000	
Cash in Bank-Local Currency,			
Bangko Sentral ng Pilipinas	10102010		₱ 100,000
To recognize redemption of the bonds			

**Sec. 26. Presentation in the Financial Statements.** Financial instruments accounts shall appear in the Statement of Financial Position as follows.

ABC Agency  
Condensed Statement of Financial Position  
As at December 31, 2014

Asssets	Note	2015	2014
Current Assets			
Cash and Cash Equivalents	6	xxx	xxx
Investments	7	xxx	xxx
Receivables	8	xxx	xxx
Non-Current Assets			
Investments	7	xxx	xxx
Receivables	8	xxx	xxx
Liabilities and Equity			
Current Liabilities			
Financial Liabilities	15	xxx	xxx
Non-Current Liabilities			
Financial Liabilities	15	xxx	xxx

*Note:* Refer to Annex F of Volume I of this Manual for the sample disclosure in the Notes to the Financial Statements.

**Sec. 27. Forms and Reports to be Prepared and Maintained.** The following schedules and forms shall be prepared and maintained by the agencies relative to their financial instruments accounts:

- a. To be prepared by all National Government Agencies
  - 1. Schedule of Accounts Payable (*Appendix 54*)
  - 2. Schedule of Accounts Receivable (*Appendix 55*)
  - 3. Registry of Accounts Written-Off (*Appendix 56*)
- b. The BTr shall maintain records on loan availments and repayments, grant availments and utilization, and guaranteed loans using its computerized application.

## Chapter 8

### INVENTORIES

**Sec. 1. Scope.** This Chapter covers the definition, recognition, measurement, cost formulas to be used and related disclosure requirement in accordance with PPSAS 12 on Inventories. It includes specific guidelines and procedures on acquisition, issue, disposal and impairment of inventory and defines the benchmark for those tangible items not enough to be considered as Property, Plant and Equipment (PPE).

**Sec. 2. Definition of Terms.** For the purpose of this Manual, the terms used as stated below shall be construed to mean as follows: (*Par. 9, PPSAS 12*)

- a. *Current Replacement Cost* – is the cost the entity would incur to acquire the asset on the reporting date.
- b. *Fair Value* – is the amount for which the same inventory could be exchanged between knowledgeable and willing buyers and sellers in the marketplace.
- c. *Inventories* are assets:
  - 1. In the form of materials or supplies to be consumed in the production process (examples: materials and supplies awaiting use in the production process);
  - 2. In the form of materials or supplies to be consumed or distributed in the rendering of services (examples: office supplies, ammunitions, maintenance materials);
  - 3. Held for sale or distribution in the ordinary course of operations (examples: merchandise purchased by an entity and held for resale, or land and other property held for sale, agricultural produce); or
  - 4. In the process of production for sale or distribution (examples: goods purchased or produced for distribution to other parties for no charge or for a nominal charge like educational books produced by a health authority for donation to schools).
- d. *Net Realizable Value* – is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. It is the net amount that an entity expects to realize from the sale of inventory in the ordinary course of operations. (*Pars. 9 & 10, PPSAS 12*)
- e. *Perpetual Inventory System* – is a system that continually tracks all additions to and deletions from inventory

**Sec. 3. Cost of Inventories.** The cost of inventories shall comprise all costs of purchase, costs of conversion (materials, labor and overhead) and other costs incurred in bringing the inventories to their present location and condition, excluding abnormal amounts of wasted materials, labor, other production and selling costs, administrative overheads that do not contribute to bringing inventories to their present location and condition. Trade discounts, rebates, and other similar items are deducted in determining the costs of purchase. (*Pars. 18, 19 & 25, PPSAS 12*)

**Sec. 4. Measurement.** Inventories shall be measured as follows:

- At the lower of cost and net realizable value. However, where inventories are acquired through a non-exchange transaction, their costs shall be measured at their fair value as at the date of acquisition; (*Pars. 15-16, PPSAS 12*)
- At the lower of cost and current replacement cost where they are held for distribution at no charge or for a nominal charge, or for consumption in the production process of goods to be distributed at no charge or for a nominal charge; or (*Par. 17, PPSAS 12*)
- In accordance with PPSAS 27, inventories comprising agricultural produce that an entity has harvested from its biological assets shall be measured on initial recognition at their fair value less costs to sell at the point of harvest. (*Par. 29, PPSAS 12*)

**Sec. 5. Cost Formulas.** The cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects, shall be assigned by using the specific identification of their individual costs. Specific identification of costs means that specific costs are attributed to identified items of inventory. This is appropriate treatment for items that are segregated for a specific project, regardless of whether they have been bought or produced. However, specific identification of costs is inappropriate when there are large numbers of items of inventory that are ordinarily interchangeable. In such circumstances, the method of selecting those items that remain in inventories could be used to obtain predetermined effects on the surplus or deficit for the period. (*Par. 32-33, PPSAS 12*)

For interchangeable items, cost is determined using the weighted average cost formula. (*PAG2 and Par. 35, PPSAS 12*)

**Sec. 6. Weighted Average Method.** The weighted average method shall be used for costing inventories. This method calls for the re-calculation of the average cost of all items in stock after every purchase. Therefore, the weighted average cost is the total cost of all units subsequent to the latest purchase, divided by their total number of units available. The Accounting Division/Unit shall be responsible in computing the cost of inventory on a regular basis as shown in the following sample Supplies Ledger Card (*Appendix 57*).

SUPPLIES LEDGER CARD											
Entity Name _____											
Inventory Item No. : <u>10404010-003</u>											
Description : <u>INK CARTRIDGE</u>											
Fund Cluster : <u>(01) Regular Agency</u>											
Unit of Measurement : <u>piece</u>											
Reorder Point : <u>3</u>											
Date	Reference	Receipt			Issue			Balance			No. of Days to Consume
		Qty.	Unit Cost	Total Cost	Qty.	Unit Cost	Total Cost	Qty.	Unit Cost	Total Cost	
01-01-2015	Beginning Balance							1	1,332.55	1,332.55	
01-10-2015	JEV-01-2015-01-0356	12	1,399.18	16,790.16				13	1,394.05	18,122.71	
01-15-2015	JEV-01-2015-01-0357				10	1,394.05	13,940.50	3	1,394.05	4,182.15	
01-20-2015	JEV-01-2015-01-0358	4	1,539.10	6,156.40				7	1,476.94	10,338.55	
01-23-2015	JEV-01-2015-01-3449				5	1,476.94	7,384.70	2	1,476.94	2,953.88	
02-10-2015	JEV-01-2015-02-5454	8	1,490.00	11,920.00				10	1,487.39	14,873.88	
02-15-2015	JEV-01-2015-02-5668				5	1,487.39	7,436.95	5	1,487.39	7,436.95	

**Sec. 7. Recognition as an Expense.** When inventories are sold, exchanged, or distributed, their carrying amount shall be recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expense is recognized when the goods are distributed or the related service is rendered.

The amount of any write-down to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. Reversal of any write-down of inventories arising from increase in net realizable value shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs. (*Par. 44, PPSAS 12*)

**Sec. 8. Impairment.** An asset is said to be impaired if the cost of inventories held for sale is higher than the net realizable value or the cost of inventories held for distribution or consumption is higher than the current replacement cost. The difference between the cost and net realizable value/current replacement cost shall be recognized as an expense in the financial statement.

**Sec. 9. Perpetual Inventory Method.** Supplies and materials purchased for inventory purpose shall be recorded using the perpetual inventory system, resulting in a more accurate inventory records and a running total for the cost of goods sold in each period. The system requires accounting records to show the amount of inventory on hand at all times through the maintenance of the SLC (*Appendix 57*) by the Accounting Division/Unit and Stock Card (SC) (*Appendix 58*) by the Supply and/or Property Division/Unit for each item in stock. Regular purchases shall be coursed through the inventory account and issues thereof shall be recorded as they take place except for supplies and materials purchased out of PCF for immediate use or on emergency cases which shall be charged directly to the appropriate expense accounts.

**Sec. 10. Semi-expendable Property.** Tangible items below the capitalization threshold of ₱15,000 shall be accounted as semi-expendable property. The following policies apply as follows:

- a. Semi-expendable property which were recognized as PPE shall be reclassified to the affected accounts.
- b. These tangible items shall be recognized as expenses upon issue to the end-user.

**Sec. 11. Accountability over Semi-expendable Property.** Inventory Custodian Slip (ICS) (*Appendix 59*) shall be issued to end-user of Semi-expendable Property to establish accountability over them. Accountability shall be extinguished upon return of the item to the Property and Supply Division/Unit or in case of loss, upon approval of the relief from property accountability.

**Sec. 12. Disclosure and Presentation.** The financial statements shall disclose:

- a. The accounting policies adopted in measuring inventories, including the cost formula used;
- b. The total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;
- c. The carrying amount of inventories carried at fair value less costs to sell;

- d. The amount of inventories recognized as an expense during the period;
- e. The amount of any write-down of inventories recognized as an expense in the period;
- f. The amount of any reversal of any write-down that is recognized in the statement of financial performance in the period;
- g. The circumstances or events, such as changed economic circumstances, that led to the reversal of a write-down of inventories; and
- h. The carrying amount of inventories pledged as security for liabilities. (*Par. 47, PPSAS 12*)

**Sec. 13. Inventory Accounting System.** The Inventory Accounting System consists of the system of monitoring, controlling and recording of acquisition and disposal of inventory. The system starts with the receipt of the purchased inventory items. The requesting office in need of the inventory items, after the Property and Supply Division/Unit has determined that the items are not available in stock, shall prepare and cause the approval of the Purchase Request (PR) (*Appendix 60*). Based on the approved PR and after accomplishing all the required procedures adopting a particular mode of procurement, the agency shall issue a duly approved Contract or Purchase Order (PO) (*Appendix 61*).

Procedures relative to the obligation of allotment to cover the funding requirement of the Contract/PO and payment of the inspected and accepted deliveries are discussed under Chapter 3-Budget Execution, Monitoring and Reporting, and Chapter 6-Disbursements of this Manual.

Physical count/inventory, which is required semi-annually, is an indispensable procedure for checking the integrity of property custodianship.

**Sec. 14. Inventory Accounting Sub-Systems.** The sub-systems for inventory accounting are as follows:

- a. Receipt, Inspection, Acceptance and Recording Deliveries of Inventory Items
- b. Requisition and Issue of Inventory Items
- c. Transfer and/or Disposal of Inventory Items

**Sec. 15. Procedures in the Receipt, Inspection, Acceptance and Recording of Deliveries of Inventory Items**

Area of Responsibility	Seq. No.	Activity
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**Delivery of Inventory Items**

Property and/or Supply Division/Unit

Property and/or Supply Custodian

1

Signs "Received" portion of the original and Copy 2 of the Delivery Receipt (DR). Files the original and returns Copy 2 of the DR to the Supplier/Procurement Service.

Area of Responsibility	Seq. No.	Activity
Inspection Committee Property Inspector	2	Prepares Inspection and Acceptance Report (IAR) ( <i>Appendix 62</i> ) in four (4) copies. Forwards Copies 1-4 of IAR, original of DR, and Copy 2 of approved PO to the Property Inspector for inspection of deliveries.
	3	Inspects and verifies items as to quantity and conformity to specifications based on the DR and approved PO. If delivery is not in conformity to the specifications or delivery is incomplete, indicates notation on the IAR that the deliveries are not in conformity to specifications and/or terms agreed under the approved PO and returns the Copies 1-4 of IAR, original of DR, and Copy 2 of approved PO to the Property and/or Supply Division/Unit. If delivery is in order, indicates the date of inspection, places “√” in the box for “ <i>Inspected, verified and found in order as to quantity and specifications</i> ”, and signs the “Inspection” portion of the IAR. Retains Copy 2 of IAR and forwards Copies 1, 3 and 4 of IAR, original of DR and Copy 2 of PO to the Property and/or Supply Custodian for acceptance of goods delivered.
	4	For deliveries not conforming to specification and/or terms of the PO, receives Copies 1-4 of IAR, original of DR and Copy 2 of PO. Returns the items to the supplier and requires the latter to comply with the agreed specifications and/or terms of the PO.
Property and/or Supply Division/Unit Property and/or Supply Custodian		For deliveries in order, indicates the date of acceptance, places “√” in the box for “ <i>Complete as to quantity and specifications</i> ” or “ <i>Partial (pls. specify quantity)</i> ”, and signs the “Acceptance” portion of the IAR. Stores the items delivered for issue to the Requisitioning Office.
	5	Forwards Copy 3 of IAR and photocopy of PO and DR to the Accounting Division/Unit for recording the received/accepted goods and posting to the SLC, and Copy 4 of IAR and copy 2 of PO to the Stock Card Keeper for recording in the SCs.

*Note 1* – Distribution of the IAR shall be as follows:

- Original* – Property and/or Supply Division/Unit (to be attached to the DV, together with the original DR)
- Copy 2* – Inspector/Inspection Committee
- Copy 3* – Accounting Division/Unit (attached in setting up of payables)
- Copy 4* – Property and/or Supply Division/Unit file



Area of Responsibility	Seq. No.	Activity
Accounting Division/Unit		
Receiving/Releasing Staff	6	Records in the logbook the receipt of Copy 3 of IAR and photocopy of PO and DR and forwards to the Accounting Staff concerned for the preparation of JEV.
Accounting Staff	7	Based on Copy 3 of the IAR and photocopy of PO and DR, prepares JEV to recognize the receipt of inventory items in the books of account (GL). Signs the "Prepared by" portion of the JEV and forwards the JEV and SDs to the Chief Accountant/Head of the Accounting Division/Unit for approval.
Chief Accountant/Head of Accounting Division/Unit	8	Reviews correctness of the journal entries and signs on "Certified Correct by" portion of the JEV. Forwards JEV and SDs to Designated Staff for recording in the GJ.
Property and/or Supply Division/Unit		
Property and/or Supply Custodian	9	Prepares DV. Attaches the original IAR, Copy 2 of DR, Original copy of PO and photocopy of PR. Forwards documents to the Accounting Division/Unit for the processing of DV.
		<p><i>Note 2</i> – For the preparation of DV, refer to Seq. 1, Sec. 12, Chapter 6-Disbursements of this Manual.</p> <p><i>Note 3</i> – For succeeding activities on processing of payment for delivered inventory items and equipment, refer to Sec. 15, Procedures in Recording Obligations, Chapter 3-Budget Execution, Monitoring and Reporting, and Sections 12 and 48, Procedures in Disbursements by Checks/LDDAP-ADA, Chapter 6-Disbursements of this Manual.</p> <p><i>Note 4</i> – For purchases made through the Procurement Service (PS), the DV shall be prepared on the basis of the approved Agency Procurement Request (APR). The payment shall be made directly to the PS.</p>

Area of Responsibility	Seq. No.	Activity
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**Maintenance of SLC**

Accounting Division/Unit SLC Keeper	10	Records receipt of delivered/accepted goods and posts necessary information to the SLC based on the Copy 3 of IAR, copy of PO and DR.
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**Sec. 16. Procedures in the Requisition and Issue of Inventory Items**

Area of Responsibility	Seq. No.	Activity
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Requesting Office Requesting Personnel	1	Prepares Requisition and Issue Slip (RIS) ( <i>Appendix 63</i> ) in three (3) copies.
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*Note 1* – The RIS shall be distributed as follows:

*Original* – Accounting Division/Unit  
*Copy 2* – Requesting Office  
*Copy 3* – Property and/or Supply  
Division/Unit

	2	Fills up all the necessary information except for the 'Issue' column. Initials in the "Requested by" portion and forwards the RIS to authorized official for review.
Head/Authorized Official	3	Determines the reasonableness of the quantity and nature of item/s being requested and ensures that the same does not exceed the planned usage for the period. Signs the "Approved by" portion of the RIS.
Requesting Personnel	4	Receives signed RIS and forwards to the Property and/or Supply Division/Unit for determination of availability of stocks and/or withdrawal of inventory items requested.
Property and/or Supply Division/Unit Property and/or Supply Custodian	5	Receives RIS from Requesting Personnel. Reviews and verifies the completeness of information. Indicates a "✓" in the 'Stock Available? Yes' column, if item/s being requisitioned is/are available on stock, or "X" in the 'Stock Available? No' column if not available. If item/s requisitioned is/are available, issues the item/s requisitioned, indicates the quantity issued in the 'Issued-Quantity' column and any remarks in the 'Issued-Remarks' column, and signs the "Issued by" portion. If item/s requisitioned is/are not available, returns the RIS to the Requisitioning Office for the preparation of the PR.

Area of Responsibility	Seq. No.	Activity
Requesting Office Requesting Personnel	7	Receives supplies requested and signs in the “Received by” portion of the RIS.  <i>Note 2 – For items not available on stock, prepares the PR (Appendix 60) in accordance with the instructions provided at the back of the form.</i>
Property and/or Supply Division/Unit		
Property and/or Supply Custodian	8	Files permanently in numerical order Copy 3 of RIS and temporarily the originals of RIS for the preparation of Report of Supplies and Materials Issued (RSMI) (Appendix 64).
	9	Retrieves the original copies of RIS from temporary file, ensures the completeness of the RIS and prepares the RSMI in two (2) copies at the end of the day.
	10	Signs the “Certified by” portion of the RSMI.
Stock Card Keeper	11	Receives signed RSMI and forwards to the Accounting Division/Unit the original copy of RSMI together with original RIS. Files Copy 2 of RSMI.
Accounting Division/Unit Accounting Staff	12	Receives the original copy of RSMI and original RIS. Checks and verifies the completeness of information. Retrieves SLC from file and fills up the “To be filled up in the Accounting Division/Unit” portion of RSMI. Records the RSMI in the SLC and signs in the “Posted by/date” portion.
	13	Prepares JEV in two (2) copies based on the RSMI to record the issue of stock.
	14	Signs the “Prepared by” portion of the JEV and forwards JEV and SDs to the Chief Accountant/Head of the Accounting Division/Unit for review and approval.
Chief Accountant/Head of Accounting Division/Unit	15	Reviews correctness of the accounting entry and completeness of SDs. If in order, signs the “Certified Correct by” portion of the JEV and forwards Copies 1 and 2 of JEV to the Bookkeeper. If not in order, returns the JEV and SDs to the Accounting Staff concerned for correction.
Accounting Staff	17	Receives JEV and SDs for the correction of accounting entry. Returns the JEV and SDs to the Chief Accountant/Head of the Accounting Division/Unit for approval.

Area of Responsibility	Seq. No.	Activity
Bookkeeper	16	Receives signed JEV supported with the RSMI and RIS and records JEV in the GJ. Files copy 2 of JEV.

*Note 3* – For succeeding activities, refer to Section on the Preparation and Submission of Trial Balances, Financial Statements and Other Reports in Chapter 19-Financial Reporting of this Manual.

**Sec. 17. Records, Forms and Reports to be prepared and/or maintained.** The following records, forms and reports are prescribed for use:

- b. Stock Card (SC) (*Appendix 58*) – shall be used to record all receipts and issues of supplies and the balance in quantity at any time. It shall be maintained by the Property and/or Supply Division/Unit for each item in stock. The IAR, RIS, PO and DR serve as the original sources of information for making entries on the card.
- c. Supplies Ledger Card (SLC) (*Appendix 57*) – shall be used to record materials received, issued and the balance both in quantity and amount at any time. It shall be maintained by the Accounting Division/Unit for each kind of supplies and materials. The IAR, RIS, RSMI, PO and DR serve as the original sources of information for making entries on the card.
- d. Requisition and Issue Slip (RIS) (*Appendix 63*) – shall be used by the end-user to request issue of supplies and materials that are carried on stock. It is also used by the Property and/or Supply Division/Unit to indicate availability or non-availability of items requisitioned and/or to record issues of item/s requisitioned.
- e. Purchase Request (PR) (*Appendix 60*) – shall be used by the end-user to request for the purchase of inventory or item/s not available on stock. It shall be the basis of preparing the PO.
- f. Purchase Order (PO) (*Appendix 61*) – shall be used by the Property and/or Supply Custodian to support the purchase of property, supplies and materials, etc. It shall be issued to the selected supplier indicating, among other information, the specifications, quantities, and agreed prices of property, supplies and materials to be purchased.
- g. Report of Supplies and Materials Issued (RSMI) (*Appendix 64*) – shall be prepared by the Property and/or Supply Custodian based on the RIS and shall be used by the Accounting Division/Unit as basis in preparing the JEV to record the supplies and materials issued.
- h. Waste Materials Report (WMR) (*Appendix 65*) – shall be used by the Property and/or Supply Custodian to report all waste materials such as destroyed spare parts and other materials considered scrap due to replacement.
- i. Report on the Physical Count of Inventories (RPCI) (*Appendix 66*) – shall be used to report the physical count of supplies by type of inventory as at a given date. It shows the balance of inventory items per card and per count and shortage/overage, if any. These include the semi-expendable property wherein the issue is covered by ICS.

- j. Inspection and Acceptance Report (IAR) (*Appendix 62*) – shall be used for inspection and acceptance of purchased and delivered property, supplies and materials.
- k. Report of Accountability for Accountable Forms (RAAF) (*Appendix 67*) – shall be prepared by the Accountable Officer to report on the movement and status of accountable forms in his/her possession. The accountable forms include those with or without face value.
- l. Inventory Custodian Slip (ICS) (*Appendix 59*) – shall be prepared upon issue of semi-expendable property covered by approved RIS.

**Sec. 18. Illustrative Accounting Entries.** The following are the illustrative accounting entries for transactions involving inventories:

a. Inventory Held for Sale:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Merchandise Inventory	10401010	₱ 1,000	
Cash-Modified Disbursement Systems (MDS), Regular	10104040		₱ 1,000
To recognize purchase of inventories for sale amounting to ₱ 1,000			
Cash-Collecting Officers	10101010	₱ 1,200	
Sales Discounts	40202161	300	
Sales Revenue	40202160		₱ 1,500
To recognize sale of merchandise for ₱ 1,500 at 20% discount			
Cost of Sales	50402010	₱ 1,000	
Merchandise Inventory	10401010		₱ 1,000
To recognize sale of merchandise inventory worth ₱ 1,000			
Sales Revenue	40202160	₱ 1,500	
Revenue and Expense Summary	30301010		₱ 1,500
To close the Revenue accounts to Revenue and Expense Summary account			
Revenue and Expense Summary	30301010	₱ 1,300	
Cost of Sales	50402010		₱ 1,000
Sales Discount	40202161		300
To close the Expense accounts to Revenue and Expense Summary account			
Revenue and Expense Summary	30301010	₱ 1,200	
Accumulated Surplus/(Deficit)	30101010		₱ 1,200
To close the Revenue and Expense Summary account to Accumulated Surplus/(Deficit) account			

b. Inventory Held for Distribution:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Welfare Goods for Distribution	10402020	₱ 2,000	
Accounts Payable	20101010		₱ 2,000
To recognize the purchase of welfare goods for distribution			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Accounts Payable	20101010	₱ 2,000	
Cash-Modified Disbursement			
Systems (MDS), Regular	10104040		₱ 2,000
To recognize payment of welfare goods purchased			
Welfare Goods Expenses	50203060	₱ 2,000	
Welfare Goods for Distribution	10402020		₱ 2,000
To recognize the issue/distribution of goods amounting to ₱ 2,000			
Revenue and Expense Summary	30301010	₱ 2,000	
Welfare Goods Expenses	50203060		₱ 2,000
To close the expense account to Revenue and Expense Summary account			
Accumulated Surplus/(Deficit)	30101010	₱ 2,000	
Revenue and Expense			
Summary	30301010		₱ 2,000
To close the Revenue and Expense Summary account to Accumulated Surplus/(Deficit) account			

c. Inventory Held for Manufacturing:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Raw Materials Inventory	10403010	₱ 1,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 1,000
To recognize purchase of raw materials worth ₱ 1,000			
Direct Labor	50401010	₱ 500	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 500
To recognize direct labor costs incurred in operations for ₱500			
Manufacturing Overhead	50401020	₱ 300	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 300
To recognize applied manufacturing overhead amounting to ₱ 300			
Work-in-Process Inventory	10403020	₱ 1,800	
Raw Materials Inventory	10403010		₱ 1,000
Direct Labor	50401010		500
Manufacturing Overhead	50401020		300
To recognize transfer of raw materials, direct labor and manufacturing overhead to production process amounting to ₱ 1,800			
Finished Goods Inventory	10403030	₱ 1,800	
Work-in-Process Inventory	10403020		₱ 1,800
To recognize transfer of completed units to finished goods worth ₱ 1,800			
Cash-Collecting Officers	10101010	₱ 2,500	
Sales Revenue	40202160		₱ 2,500
To recognize sales revenue of finished goods for ₱2,500			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cost of Sales	50402010	₱ 1,800	
Finished Goods Inventory	10403030		₱ 1,800
To recognize cost of sales of finished goods inventory worth ₱1,800			
Sales Revenue	40202160	₱ 2,500	
Revenue and Expense Summary	30301010		₱ 2,500
To close the Revenue accounts to Revenue and Expense Summary account			
Revenue and Expense Summary	30301010	₱ 1,800	
Cost of Sales	50402010		₱ 1,800
To close the Expense accounts to Revenue and Expense Summary account			
Revenue and Expense Summary	30301010	₱ 700	
Accumulated Surplus/(Deficit)	30101010		₱ 700
To close the Revenue and Expense Summary account to Accumulated Surplus/(Deficit) account			

d. Inventory Held for Consumption:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Office Supplies Inventory	10404010	₱ 600	
Accounts Payable	20101010		₱ 600
To recognize purchase of office supplies on account amounting to ₱ 600			
Office Supplies Expenses	50203010	₱ 400	
Office Supplies Inventory	10404010		₱ 400
To recognize issue/consumption of office supplies amounting to ₱ 400			
Revenue and Expense Summary	30301010	₱ 520	
Office Supplies Expenses	50203010		₱ 520
To close the expense accounts to Revenue and Expense Summary account			
Accumulated Surplus/(Deficit)	30101010	₱ 520	
Revenue and Expense Summary	30301010		₱ 520
To close the Revenue and Expense Summary account to Accumulated Surplus/(Deficit) account			

e. Semi-Expendable Machinery and Equipment:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Semi-Expendable Machinery	10405010	₱ 13,000	
Cash-Modified Disbursement			
System (MDS), Regular	10401010		₱ 13,000
To recognize purchase of air-conditioning unit amounting to ₱ 13,000			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Semi-Expendable Office Equipment	10405020	₱ 14,500	
Cash-Modified Disbursement System (MDS), Regular	10401010		₱ 14,500
To recognize purchase of printer amounting to ₱ 14,500			
Semi-Expendable Machinery and Equipment Expenses	50203210	₱ 27,500	
Semi-Expendable Machinery	10405010		₱ 13,000
Semi-Expendable Office Equipment	10405020		14,500
To recognize the issue of semi-expendable machinery and office equipment to end-users			
Repairs and Maintenance-Semi-Expendable Machinery and Equipment	50213210	₱4,000	
Cash-Modified Disbursement System (MDS), Regular	10104040		₱4,000
To recognize repair of the air-conditioning unit two years after purchase			
Revenue and Expense Summary	30301010	₱ 31,500	
Semi-Expendable Machinery and Equipment Expenses	50203210		₱ 27,500
Repairs and Maintenance-Semi-Expendable Machinery and Equipment	50213210		4,000
To close the expense account to Revenue and Expense Summary account			
Accumulated Surplus/(Deficit)	30101010	₱ 31,500	
Revenue and Expense Summary	30301010		₱ 31,500
To close the Revenue and Expense Summary account to Accumulated Surplus/(Deficit) account			

f. Semi-Expendable Furniture, Fixtures and Books:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Semi-Expendable Furniture and Fixtures	10406010	₱ 10,000	
Cash-Modified Disbursement System (MDS), Regular	10401010		₱ 10,000
To recognize purchase of sofa set amounting to ₱ 10,000			
Semi-Expendable Books	10406020	₱ 12,500	
Cash-Modified Disbursement System (MDS), Regular	10401010		₱ 12,500
To recognize purchase of books amounting to ₱ 12,500			
Semi-Expendable Furniture, Fixtures and Books Expenses	50203220	₱ 22,500	



<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Semi-Expendable Furniture and Fixtures	10406010		₱ 10,000
Semi-Expendable Books	10406020		₱ 12,500
To recognize the issue of semi-expendable furniture, fixtures and books to end-users			
Revenue and Expense Summary	30301010	₱ 22,500	
Semi-Expendable Furniture, Fixtures and Books Expenses	50203220		₱ 22,500
To close the expense account to Revenue and Expense Summary account			
Accumulated Surplus/(Deficit)	30101010	₱ 22,500	
Revenue and Expense Summary	30301010		₱ 22,500
To close the Revenue and Expense Summary account to Accumulated Surplus/(Deficit) account			

g. Impairment and Reversal of Inventories

1. Inventories Held for Sale:

Assume:

Cost	₱4,000,000
Net Realizable Value*	<u>3,880,000</u>
Impairment Loss	<u>₱ 120,000</u>

\*Computation of Net Realizable Value

Estimated Selling Price	₱4,080,000
Less: Estimated cost of disposal	<u>200,000</u>
Net Realizable Value	<u>₱3,880,000</u>

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Impairment Loss-Inventories	50503070	₱120,000	
Merchandise Inventory	10401010		₱120,000
To recognize impairment loss of inventories held for sale			

2. Inventories Held for Distribution:

Assume:

Inventories	Cost	Current Replacement Cost	Impairment Loss
Office Supplies Inventory	₱2,000,000	₱1,750,000	₱250,000
Welfare Goods for Distribution	<u>1,000,000</u>	<u>850,000</u>	<u>150,000</u>
Total	<u>₱3,000,000</u>	<u>₱2,600,000</u>	<u>₱ 400,000</u>

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Impairment Loss-Inventories	50503070	₱400,000	
Office Supplies Inventory	10404010		₱250,000
Welfare Goods for Distribution	10402020		150,000
To recognize impairment loss of Office Supplies Inventory and Welfare Goods for Distribution			

3. Inventories Held for Manufacturing:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Impairment Loss-Inventories	50503070	₱ 15,000	
Raw Materials Inventory	10403010		₱ 15,000
To recognize impairment of raw materials inventory at the reporting date – P15,000			
Raw Materials Inventory	10403010	₱ 15,000	
Accumulated Surplus/(Deficit)	30101010		₱ 15,000
To recognize the reversal of write-down of Raw Materials Inventory after the reporting date – ₱ 15,000			

## Chapter 9

### INVESTMENT PROPERTY

**Sec. 1. Scope.** This Chapter provides standards, policies, procedures and guidelines in accounting for investment property (IP) under PPSAS 16, Investment Property. Entities shall apply these policies on IP, including (a) the measurement in a lessee's financial statements of IP interests held under a lease accounted for as a finance lease and (b) the measurement in a lessor's financial statements of IP provided to a lessee under an operating lease.

**Sec. 2. Definitions of Terms.** The following terms are used in this Chapter with the meanings specified:

- a. *Carrying amount* – is the amount at which an asset is presented in the statement of financial position.
- b. *Cash Generating Unit* – the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.
- c. *Cost* – is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction.
- d. *Depreciation* – is the systematic allocation of the depreciable amount of an asset over its useful life.
- e. *Impairment* – a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.
- f. *Investment Property* – is a property (land or buildings-or part of a building-or both) held to earn rentals, or for capital appreciation or both. It is not held for use in the production or supply of goods or services, for administrative purposes, or sale in the ordinary course of business.
- g. *Owner-occupied property* – is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.
- h. *Recoverable amount* – is the higher of a cash-generating asset's fair value less costs to sell and its value in use.

**Sec. 3. Items considered as Investment Property.** The following are examples of IP:

- a. Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- b. Land held for a currently undetermined future use;

- c. A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases on a commercial basis;
- d. A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties;
- e. Property that is being constructed or developed for future use as IP; and
- f. Significant portion of a property that is held to earn rentals or for capital appreciation rather than to provide services, and insignificant portion that is held for use in the production or supply of goods or services or for administrative purposes.

**Sec. 4. Items not considered as Investment Property.** The following are not IP:

- a. Biological assets related to agricultural activity;
- b. Mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources;
- c. Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- d. Property being constructed or developed on behalf of third parties;
- e. Owner-occupied property, including:
  - 1. Property held for future use as owner-occupied property;
  - 2. Property held for future development and subsequent use as owner-occupied property;
  - 3. Property occupied by employees; or
  - 4. Owner-occupied property awaiting disposal.
- f. Property that is leased to another entity under a finance lease;
- g. Property held to provide a social service and which also generates cash inflows;
- h. Property held for strategic purposes; and,
- i. Property held for use in the production or supply of goods or services or for administrative purposes.

**Sec. 5. Criteria for Recognition.** IP shall be recognized as an asset when, and only when:

- a. It is probable that the future economic benefits or service potential that are associated with the IP will flow to the entity; and
- b. The cost or fair value of the IP can be measured reliably.

**Sec. 6. Measurement at Initial Recognition.** IP shall be measured initially at its cost. Transaction costs shall be included in this initial measurement. Cost includes purchase price and any directly attributable expenditures, such as:

- a. Professional fees for legal services;
- b. Property transfer taxes; and
- c. Other transaction costs.

Costs not included at initial recognition:

- a. Start-up costs unless they are necessary to bring the property to the condition necessary for it to be capable of operating in the manner intended by management;
- b. Operating losses incurred before the investment property achieves the planned level of occupancy; or
- c. Abnormal amounts of wasted materials, labor or other resources incurred in constructing or developing the property.

**Sec. 7. Mode of Acquisition of Investment Property.** IP can be acquired through cash purchase, non-exchange transaction, construction, exchange of assets and installment.

- a. **Cash Purchase.** The cost of a purchased IP consists of the purchase price and all costs directly attributable to its acquisition, such as, professional fees for legal services, property transfer taxes and other transaction costs.

Example: Entity A purchased a land for capital appreciation at a cash price of ₱1,000,000. Professional fees and transfer taxes totaling to ₱50,000 were also paid. The accounting entry to recognize the purchase shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Investment Property, Land	10501010	₱ 1,050,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 1,050,000
To recognize purchase of land for capital appreciation			

- b. **Non-exchange Transaction.** Where an IP is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition. Non-exchange transactions may be through transfer of property at no cost (donation), or by the exercise of powers of sequestration.

Example: Entity A received an unconditional donation of a piece of land with a fair value of ₱2,000,000. The accounting entry to recognize the receipt of donated land shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Investment Property, Land	10501010	₱ 2,000,000	
Income from Grants and			
Donations in Kind	40402020		₱ 2,000,000
To recognize receipt of donated land			

- c. Self-constructed Property. If an IP is self-constructed, whether by contract or by administration, all costs related to the construction shall be recognized as “Construction in Progress” while it is not completed. Upon completion, these costs shall be transferred to an “Investment Property” account when the criteria for recognition of such are met.

Example: Entity A constructed a building intended to earn rent income. Contract price is ₱11,200,000, inclusive of VAT, payable in two progress billings. Advance payment to contractor is 15% of the contract price while retention fee is 10% of the progress billing.

The following are the illustrative accounting entries:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Advances to Contractors	19902010	₱ 1,680,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 1,680,000
To recognize payment of mobilization fee to contractor			
Construction in Progress-			
Buildings and Other Structures	10610030	₱ 5,600,000	
Advances to Contractors	19902010		₱ 1,680,000
Accounts Payable	20101010		3,920,000
To recognize first progress billing – 50% completed (₱11,200,000 x 50% = ₱5,600,000 – ₱1,680,000 = ₱3,920,000)			
Accounts Payable	20101010	₱ 3,920,000	
Guaranty/Security Deposits			
Payable	20401040		₱ 560,000
Due to BIR	20201010		350,000
Cash-Modified Disbursement			
System (MDS), Regular	10104040		3,010,000
To recognize payment for first progress billing			
Cash-Tax Remittance Advice	10104070	₱ 350,000	
Subsidy from National			
Government	40301010		₱ 350,000
To recognize constructive receipt of NCA for TRA			
Due to BIR	20201010	₱ 350,000	
Cash-Tax Remittance Advice	10104070		₱ 350,000
To recognize constructive remittance of withholding tax through TRA			
Construction in Progress-			
Buildings and Other Structures	10610030	₱ 5,600,000	
Accounts Payable	20101010		₱ 5,600,000
To recognize receipt of final progress billing			
Accounts Payable	20101010	₱ 5,600,000	
Guaranty/Security Deposit			
Payable	20401040		₱ 560,000
Due to BIR	20201010		350,000
Cash-Modified Disbursement			
System (MDS), Regular	10104040		4,690,000
To recognize payment of final progress billing			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Tax Remittance Advice	10104070	₱ 350,000	
Subsidy from National Government	40301010		₱ 350,000
To recognize constructive receipt of NCA for TRA			
Due to BIR	20201010	₱ 350,000	
Cash-Tax Remittance Advice	10104070		₱ 350,000
To recognize constructive remittance of withholding tax through TRA			
Investment Property, Buildings	10501020	₱ 11,200,000	
Construction in Progress-			
Buildings and Other Structures	10610030		₱ 11,200,000
To recognize IP based on the certificate of acceptance			
Guaranty/Security Deposits Payable	20401040	₱ 1,120,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 1,120,000
To recognize refund of retention fee			

Entity A constructed a building by administration with total costs of ₱1,048,000, consisting of construction materials (inclusive of VAT), labor costs and various overhead expenses amounting to ₱448,000, ₱350,000, and ₱250,000, respectively.

The illustrative accounting entries shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Construction Materials Inventory	10404130	₱ 448,000	
Due to BIR	20201010		₱ 24,000
Cash-Modified Disbursement			
System (MDS), Regular	10104040		424,000
To recognize payment of construction materials amounting to ₱ 448,000			
Construction in Progress-			
Investment Property, Buildings	10599010	₱ 448,000	
Construction Materials			
Inventory	10404130		₱ 448,000
To recognize issue of construction materials amounting to ₱ 448,000			
Construction in Progress-			
Investment Property, Buildings	10599010	₱ 350,000	
Due to BIR	20201010		₱ 35,000
Cash-Modified Disbursement			
System (MDS), Regular	10104040		315,000
To recognize payment of labor costs amounting to ₱350,000			
Construction in Progress-			
Investment Property, Buildings	10599010	₱ 250,000	
Water Expenses	50204010		₱ 10,000
Electricity Expenses	50204020		150,000
Salaries and Wages-Regular	50101010		90,000
To recognize payment of overhead expenses amounting to ₱250,000			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Tax Remittance Advice	10104070	₱ 59,000	
Subsidy from National Government	40301010		₱ 59,000
To recognize constructive receipt of NCA for TRA			
Due to BIR	20201010	₱ 59,000	
Cash-Tax Remittance Advice	10104070		₱ 59,000
To recognize constructive remittance of taxes withheld through TRA			
Investment Property, Buildings	10501020	₱ 1,048,000	
Construction in Progress- Investment Property, Buildings	10599010		₱ 1,048,000
To recognize investment property upon completion of construction			

- d. Installment Payment. If payment for IP is deferred, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit.

Example: Entity A purchased a land for capital appreciation. Cash price is ₱1,120,000, 50% down payment and the balance is payable in 10 equal annual installments at 10% interest per year.

The accounting entries shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Investment Property, Land	10501010	₱ 1,120,000	
Cash-Modified Disbursement System (MDS), Regular	10104040		₱ 510,000
Due to BIR	20201010		50,000
Accounts Payable	20101010		560,000
To recognize initial down payment of ₱560,000			
Accounts Payable	20101010	₱ 56,000	
Interest Expenses	50301020	5,600	
Cash-Modified Disbursement System (MDS), Regular	10104040		₱ 58,100
Due to BIR	20201010		3,500
To recognize payment of first annual installment			
Accounts Payable	20101010	₱ 56,000	
Interest Expenses	50301020	5,600	
Cash-Modified Disbursement System (MDS), Regular	10104040		₱ 58,100
Due to BIR	20201010		3,500
To recognize payment of second annual installment			

**Sec. 8. Measurement after Recognition.** After initial recognition, an entity shall use the cost model (*PAG 2, PPSAS 16*) as its accounting policy and this shall be applied to all of its investment property. Under this model, IP shall be measured at cost less any accumulated depreciation and any accumulated impairment losses. The depreciation expense and impairment



loss to be recognized shall be computed in the same manner as that for PPE. Refer to Chapter 10-Property, Plant and Equipment for illustrative transactions.

**Sec. 9. Transfers To or From Investment Property.** Transfers to or from IP shall be made when, and only when, there is a change in use, as evidenced by the following:

- a. Commencement of owner-occupation, for a transfer from IP to owner-occupied property;
- b. Commencement of development with a view to sale, for a transfer from IP to inventories;
- c. End of owner-occupation, for a transfer from owner-occupied property to IP; or
- d. Commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to IP.

**Sec. 10. Transfer from Investment Property to Owner-occupied Property.** Consistent with application of cost model in recognizing subsequent measurement of PPE, when an entity converts its IP to owner-occupied property, the latter shall be carried at cost less any accumulated depreciation and any accumulated impairment loss.

Example: On January 1, 2015, Entity A decided to occupy a building currently used as an IP. The building has a cost of ₱20,000,000, original useful life of 10 years, accumulated depreciation of ₱9,500,000, allowance for impairment of ₱500,000, residual value of 5% of the cost and remaining useful life of 5 years.

The accounting entries shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>January 1, 2015</u>			
Buildings	10604010	₱ 20,000,000	
Accumulated Depreciation-Investment Property, Buildings	10501021	9,500,000	
Accumulated Impairment Losses-Investment Property, Buildings	10501022	500,000	
Accumulated Depreciation-Buildings	10604011		₱ 9,500,000
Accumulated Impairment Losses-Buildings	10604012		500,000
Investment Property, Buildings	10501020		20,000,000
To recognize transfer from IP to owner-occupied property			
<u>January 31, 2015</u>			
Depreciation-Buildings and Other Structures	50501040	₱ 158,333.33	
Accumulated Depreciation-Buildings	10604011		₱ 158,333.33
To recognize depreciation of building for the month of January 2015 (₱ 20,000,000 – 1,000,000/10 x 1/12 = ₱ 158,333.33)			

**Sec. 11. Transfer from Investment Property to Inventories.** When an entity converts its IP to Inventories, the latter shall be recognized at the carrying amount of the former and shall be measured in accordance with PPSAS 12-Inventories.

Example: On January 1, 2015, Entity A decided to subdivide, develop and sell a land currently held as an IP. The land has a cost of ₱20,000,000.

The accounting entry shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>January 1, 2015</u>			
Merchandise Inventory	10401010	₱ 20,000,000	
Land/Reclaimed Land-06			
Investment Property, Land	10501010		₱ 20,000,000
To recognize transfer from IP to Inventories			

**Sec. 12. Transfer from Owner-occupied Property to Investment Property.** Consistent with application of cost model in recognizing subsequent measurement of IP, when an entity converts its owner-occupied property to IP, the latter shall be carried at cost less any accumulated depreciation and any accumulated impairment loss.

Example: On January 1, 2015, Entity A decided to lease out an owner-occupied building with a cost of ₱10,000,000, original useful life of 10 years, accumulated depreciation of ₱4,750,000, allowance for impairment of ₱250,000, residual value of 5% and remaining useful life of 5 years.

The accounting entries shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>January 1, 2015</u>			
Investment Property, Buildings	10501020	₱10,000,000	
Accumulated Depreciation- Buildings	10604011	4,750,000	
Accumulated Impairment Losses- Buildings	10604012	250,000	
Buildings	10604010		₱ 10,000,000
Accumulated Depreciation- Investment Property, Buildings	10501021		4,750,000
Accumulated Impairment Losses-Investment Property, Buildings	10501022		250,000
To recognize transfer from PPE to IP			
<u>January 31, 2015</u>			
Depreciation-Investment Property	50501010	₱ 79,166.67	
Accumulated Depreciation- Investment Property, Buildings	10501021		₱ 79,166.67
To recognize the depreciation of the IP for the month of January 2015			

**Sec. 13. Transfer from inventories to investment property.** When an entity converts its inventories to IP, the latter shall be recognized at the carrying amount of the former and shall be depreciated over its remaining useful life applying the policies in this Chapter.

Example: A building held for sale in the ordinary course of business is to be leased out by the entity. The building is carried as inventory at a cost of ₱10,000,000 at the time of change in use on June 1, 2015. Residual value is 5% and remaining useful life is 5 years.

The accounting entries shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>June 1, 2015</u>			
Investment Property, Buildings	10501020	₱ 10,000,000	
Merchandise Inventory	10401010		₱ 10,000,000
To recognize transfer from Merchandise Inventory to IP			
<u>June 30, 2015</u>			
Depreciation-Investment Property	50501010	₱ 158,333.33	
Accumulated Depreciation-Investment Property,			
Buildings	10501021		₱ 158,333.33
To recognize depreciation of IP for the month of June 2015			

**Sec. 14. Derecognition of Investment Property.** An IP shall be derecognized on disposal or when the IP is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

**Sec. 15. Gains/Losses.** Gains or losses arising from the retirement or disposal of IP shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and shall be recognized in surplus or deficit in the period of the retirement or disposal.

Example: A building held as IP is sold to another entity for ₱5,000,000. It had a cost of ₱4,000,000, accumulated depreciation of ₱500,000 and allowance for impairment of ₱100,000.

The accounting entries shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Collecting Officers	10101010	₱ 5,000,000	
Accumulated Depreciation-Investment Property, Buildings	10501021	500,000	
Accumulated Impairment Losses-Investment Property, Buildings	10501022	100,000	
Investment Property, Buildings	10501020		₱ 4,000,000
Gain on Sale of Investment Property	40501030		1,600,000
To recognize the gain on the disposal of the IP			

**Sec. 16. Compensation from third parties.** Compensation from third parties for IP that was impaired, lost or given up shall be recognized in surplus or deficit when the compensation becomes receivable.

Example: A building held as IP was razed by fire. It had a cost of ₱4,000,000, accumulated depreciation of ₱500,000 and allowance for impairment of ₱100,000.

The accounting entries shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Loss of Assets	50504090	₱ 3,400,000	
Accumulated Depreciation-			
Investment Property, Buildings	10502011	500,000	
Accumulated Impairment Losses-			
Investment Property, Buildings	10502012	100,000	
Investment Property, Buildings	10502010		₱ 4,000,000
To recognize the loss of Investment Property, Buildings			
Due from Government-Owned or			
Controlled Corporations	10303020	₱ 1,500,000	
Other Service Income	40201990		₱ 1,500,000
To recognize the receivable due from GSIS Insurance Fund			
Cash-Collecting Officers	10101010	₱ 1,500,000	
Due from Government-Owned or			
Controlled Corporations	10303020		₱ 1,500,000
To recognize collection from GSIS Insurance Fund			
Cash-Treasury/Agency Deposit,			
Regular	10104010	₱ 1,500,000	
Cash-Collecting Officers	10101010		₱ 1,500,000
To recognize remittance to BTr			

**Sec. 17. Impairment of Investment Property.** An asset is said to be impaired when its carrying amount in the SFP exceeds its recoverable amount due to fall in market value of an asset. The following policies apply to impairment of an asset:

- a. At each reporting date, an entity shall assess whether there is an indication that an asset may be impaired. If an indication of impairment exists, the entity shall estimate the recoverable amount of the asset. In assessing whether there is an impairment of an asset, an entity shall consider, as a minimum, the following indications:
  1. External sources of information:
    - i. During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
    - ii. Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic, or legal environment in which the entity operates, or in the market to which an asset is dedicated;
    - iii. Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
  2. Internal sources of information:
    - i. Evidence is available of obsolescence or physical damage of an asset;

- ii. Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or the manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- iii. A decision to halt the construction of the asset before it is complete or in a usable condition; and
- iv. Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected, which includes the existence of:
  - (a) Cash flows for acquiring the asset, or subsequent cash needs for operating or maintaining it, that are significantly higher than those originally budgeted;
  - (b) Actual net cash flows or surplus or deficit flowing from the asset that are significantly worse than those budgeted;
  - (c) A significant decline in budgeted net cash flows or surplus, or a significant increase in budgeted loss, flowing from the asset; or
  - (d) Deficits or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future. (Par. 25 and 27, PPSAS 26)

b. The computation for impairment loss is shown in the formula below:

Impairment Loss = Carrying Amount less Recoverable Amount

Carrying amount = Cost less Accumulated Depreciation and Accumulated Impairment Loss

Recoverable Amount = Higher of Fair Value less Cost to sell and Value in Use

Value in Use = Present Value of the Asset's estimated future cash flows

Estimates of future cash flows shall include:

1. Projections of cash inflows from the continuing use of the asset;
2. Projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
3. Net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life. (Par. 52, PPSAS 26)

- c. The impairment loss shall be recognized as an expense in the financial statement.

Example:

Investment Property, Buildings (with estimated useful life of 40 years)	₱35,000,000
Accumulated Depreciation (for 25 years)	<u>20,781,250</u>
Carrying Amount	<u>₱14,218,750</u>
Fair Value (net of cost to sell) of Investment Property, Buildings	<u>₱14,150,000</u>
Value in Use	<u>₱13,500,000</u>
Recoverable Amount	<u>₱14,150,000</u>
Computation of impairment loss:	
Carrying Amount	₱14,218,750
Less: Recoverable amount (Fair Value)	<u>14,150,000</u>
Impairment Loss	<u>₱ 68,750</u>

The accounting entry to recognize impairment loss is as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Impairment Loss-Investment Property <i>Buildings-02</i>	50503080	₱68,750	
Accumulated Impairment Losses- Investment Property, Buildings	10502012		₱68,750
To recognize impairment loss of the investment property			

- d. After the recognition of an impairment loss, the depreciation charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, on a systematic basis over its remaining useful life. Depreciation after the recognition of an impairment loss shall be computed as follows:

$$\text{Depreciation Expense} = \frac{\text{Revised Carrying Amount} - \text{Residual Value}}{\text{Remaining Estimated Useful Life (in months)}}$$

Example: Investment Property, Buildings	₱35,000,000
Less: Accumulated Depreciation (25 years)	20,781,250
Impairment Loss	<u>68,750</u>
Revised Carrying Amount	<u>₱14,150,000</u>

$$₱ 68,888.89 = \frac{₱14,150,000 - ₱1,750,000}{180 \text{ mos.}}$$

The accounting entry to recognize the adjusted depreciation is as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Depreciation-Investment Property	50501010	₱ 68,888.89	
Accumulated Depreciation- Investment Property, Buildings	10502011		₱ 68,888.89
To recognize monthly depreciation expense after recognition of an impairment loss			

- e. If there is any indication that an asset may be impaired, the recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an entity shall determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). (*Par. 77, PPSAS 26*)

An impairment loss shall be recognized for a cash-generating unit if, and only if, the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss shall be allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognized immediately in surplus or deficit. (*Par. 91, PPSAS 26*)

In allocating an impairment loss, an entity shall not reduce the carrying amount of an asset below the highest of:

1. Its fair value less costs to sell (if determinable);
2. Its value in use (if determinable); and
3. Zero.

The amount of the impairment loss that would otherwise have been allocated to the asset shall be allocated pro rata to the other cash generating assets of the unit. (*Par. 92, PPSAS 26*)

**Sec. 18. Reversal of Impairment Loss.** An entity shall assess whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the entity shall estimate the recoverable amount of that asset.

- a. The entity shall consider, at the minimum, the following indications in assessing whether an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased:
1. External sources of information:
    - i. The asset's market value has increased significantly during the period;
    - ii. Significant changes with a favorable effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic, or legal environment in which the entity operates or in the market to which the asset is dedicated; and
    - iii. Market interest rates or other market rates of return on investments have decreased during the period, and those decreases are likely to affect the discount rate used in calculating the asset's value in use and increase the asset's recoverable amount materially.
  2. Internal sources of information:
    - i. Significant changes with a favorable effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or the manner in which, the asset is used or is expected to be

used. These changes include costs incurred during the period to improve or enhance the asset's performance or restructure the operation to which the asset belongs;

A decision to resume construction of the asset that was previously halted before it was completed or in a usable condition; and

- ii. Evidence is available from internal reporting that indicates that the economic performance of the asset is, or will be, better than expected.
- b. If the impairment loss recognized for an asset no longer exists or may have decreased, this indicates that the remaining useful life, the depreciation method or the residual value may need to be reviewed and adjusted even if no impairment loss is reversed for the asset.
- c. An impairment loss recognized in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.
- d. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior periods.
- e. A reversal of an impairment loss for an asset shall be recognized immediately in surplus or deficit.

The following are the procedures in recognizing reversal of impairment loss:

1. Determine the recoverable amount, which is the higher between the fair value less cost to sell and the value in use, of the investment property.
2. Compare the recoverable amount with the carrying amount (net of accumulated depreciation and accumulated impairment losses) as at the reporting period. If the recoverable amount is higher than the carrying amount, the difference is the estimated reversal of previously recognized impairment loss or a portion thereof. On the other hand, if the recoverable amount is equal to or lower than the carrying amount, no reversal shall be recognized.
3. Compute the carrying amount (net of accumulated depreciation) had no impairment loss been recognized in prior periods.
4. Compare the carrying amount (net of accumulated depreciation and accumulated impairment losses) with the carrying amount (net of accumulated depreciation) had no impairment loss been recognized in prior periods. If the former is lesser than the latter, the difference is compared with the estimated reversal computed in (2).
5. The amount of reversal of the impairment loss is the lower of the difference between the two carrying amounts referred to in (4) and the estimated reversal in (2).



Example of Reversal of Impairment Loss:

Step	Assumptions and Computations	Amount
	Investment Property, Buildings	₱35,000,000.00
	Less: Accumulated Depreciation, Investment Property, Buildings (27 years)	
	Accumulated Depreciation (25 years)	₱20,781,250.00
	Accumulated Depreciation (2 years)	
	(68,055.56 x 24 months)	<u>1,653,333.33</u>
	Accumulated Impairment Losses	<u>68,750.00</u>
	Revised Carrying Amount, December 31 (27 <sup>th</sup> year)	₱ <u>12,496,666.67</u>
1	Assume on December 31 of the 27 <sup>th</sup> year:	
	Fair value less cost to sell	₱ 13,000,000.00
	Value in Use (present value of future cash flows)	₱ 12,700,000.00
	Recoverable Amount	₱ 13,000,000.00
2	Computation of the estimated reversal of impairment loss:	
	Recoverable Amount	₱ 13,000,000.00
	Carrying Amount with impairment loss, December 31 (27 <sup>th</sup> year)	<u>12,496,666.67</u>
	Estimated Reversal	₱ <u>503,333.33</u>
3	Computation of the Carrying Amount as if no impairment loss is recognized:	
	Cost of Investment Property, Buildings	₱35,000,000.00
	Less: Accumulated Depreciation-Investment Property, Buildings (for 27 years)	<u>22,443,750.00</u>
	Carrying Amount had no impairment loss been recognized in prior years	<u>₱12,556,250.00</u>
4	Computation of the difference between the two carrying amounts:	
	Carrying Amount had no impairment loss been recognized in prior years	₱ 12,556,250.00
	Carrying Amount with impairment	<u>12,496,666.67</u>
	Difference	₱ <u>59,583.33</u>
5	Comparison between the estimated reversal in Step 2 and the difference in Step 4	
	Estimated Reversal	₱ 503,333.33
	Difference	₱ 59,583.33
	The amount of reversal of the impairment loss is the lower of the two amounts.	₱ <u>59,583.33</u>

The accounting entry to recognize reversal of impairment loss recognized in previous year:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Accumulated Impairment Losses- Investment Property, Buildings	10502012	₱ 59,583.33	
Reversal of Impairment Losses	40602010		₱ 59,583.33
To recognize reversal of impairment loss			

Example of No Reversal of Impairment Loss:

<u>Step</u>	<u>Assumptions and Computations</u>	<u>Amount</u>
1	Assume on December 31 of the 27 <sup>th</sup> year: Fair value less cost to sell Value in Use (present value of future cash flows)	 ₱ 12,000,000.00 ₱ 10,000,000.00
	Recoverable Amount	₱ 12,000,000.00
2	Computation of the estimated reversal of impairment loss: Recoverable Amount Carrying Amount with impairment loss, December 31 (27 <sup>th</sup> year) Difference	 ₱ 12,000,000.00 <u>12,496,666.67</u> (₱ <u>496,666.67</u> )
<i>Note:</i> No reversal of impairment loss shall be recognized.		

- f. After a reversal of an impairment loss is recognized, the depreciation (amortization) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.
- g. A reversal of an impairment loss for a cash-generating unit shall be allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts shall be treated as reversals of impairment losses for individual assets and recognized immediately in surplus or deficit. No part of the amount of such a reversal shall be allocated to a non-cash-generating asset contributing service potential to a cash-generating unit. (*Par. 110, PPSAS 26*)

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset shall not be increased above the lower of:

1. Its recoverable amount (if determinable); and
2. The carrying amount that would have been determined (net of amortization or depreciation) if no impairment loss had been recognized for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset shall be allocated pro rata to the other assets of the unit. (*Par. 111, PPSAS 26*)

**Sec. 19. Accounting Records to be Prepared and Maintained.** The Accounting Division/Unit shall record promptly the acquisition, description, estimated life, depreciation,

impairment loss, disposal, and other information for each class of IP in the Investment Property Ledger Card (IPLC) (*Appendix 68*). The IPLC shall be reconciled with the inventory of the asset and the control accounts and any discrepancies shall be immediately verified and adjusted.

**Sec. 20. Disclosures.** An entity shall disclose:

- a. That it applies the cost model;
- b. When classification is difficult, the criteria it uses to distinguish IP from owner-occupied property and from property held for sale in the ordinary course of operations;
- c. The amounts recognized in surplus or deficit for:
  1. Rental revenue from IP;
  2. Direct operating expenses (including repairs and maintenance) arising from IP that generated rental revenue during the period; and
  3. Direct operating expenses (including repairs and maintenance) arising from IP that did not generate rental revenue during the period.
- d. The existence and amounts of restrictions on the realizability of IP or the remittance of revenue and proceeds of disposal;
- e. Contractual obligations to purchase, construct or develop IP or for repairs, maintenance, or enhancements;
- f. The depreciation methods used;
- g. The useful lives or the depreciation rates used;
- h. The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;
- i. The reconciliation of the carrying amount of IP at the beginning and end of the period, showing the following:
  1. Additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognized as an asset;
  2. Additions resulting from acquisitions through entity combinations;
  3. Disposals;
  4. Depreciation;
  5. The amount of impairment losses recognized, and the amount of impairment losses reversed, during the period in accordance with PPSAS 21 or PPSAS 26, as appropriate;
  6. The net exchange differences arising on the translation of the financial statement into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity;

7. Transfers to and from inventories and owner-occupied property; and
8. Other changes.

**Sec. 21. Procedures in Recording Investment Property.** The procedures in recording investment property are as follows:

Area of Responsibility	Seq. No.	Activity
<b><u>Acquisition of IP</u></b>		
Property and/or Supply Division/Unit	1	<b><u>Cash purchase/Installment payment</u></b>  Follow the same procedures as prescribed under Sec. 46, Chapter VI – Disbursements. Assigns property number on the IP and indicates the same on the IAR. Forwards the IAR to the Accounting Division/Unit.
	2	<b><u>Self-construction of IP (by administration or by contract)</u></b>  Follow the same procedures as prescribed under Sec. 46-47, Chapter 10 – Property, Plant and Equipment. Assigns property number on the IP and indicates the same on the Certificate of Acceptance (CAc). Forwards the CAc to the Accounting Division/Unit.
Accounting Division/Unit	3	<b><u>Initial Recognition</u></b>  Based on the supporting documents, prepare JEV to recognize the IP in the books of accounts (GJ, GL and IPLC).
Cash/Treasury Unit	4	<b><u>Generation of Income</u></b>  Issues OR for the rent income. Follows the same procedures as prescribed under Sec. 43 - Procedures on Collections and Deposits, Chapter V – Revenue and Other Receipts.
Accounting Division/Unit	5	<b><u>Depreciation</u></b>  Prepares JEV to recognize the monthly depreciation in the books of accounts (GJ, GL and IPLC).
	6	<b><u>Impairment Loss, if applicable</u></b>  Prepares JEV to recognize impairment loss, if applicable, in the books of accounts (GJ, GL and IPLC).

Area of Responsibility	Seq. No.	Activity
	7	<p><b><u>Reversal of Impairment Loss, if applicable</u></b></p> <p>Prepares JEV to recognize reversal of impairment loss, if applicable, in the books of accounts (GJ, GL and IPLC).</p>
	8	<p><b><u>Disposal</u></b></p> <p><i>Sale of IP held for capital appreciation</i></p> <p>Upon sale of IP, prepares JEV to derecognize the IP and recognize the gain/loss in the books of accounts (GJ, GL and IPLC) based on SDs.</p>

## Chapter 10

### PROPERTY, PLANT AND EQUIPMENT

**Sec. 1. Scope.** This Chapter covers accounting for Property, Plant and Equipment (PPE) which includes land; land improvements; buildings and other structures; machinery and equipment; transportation equipment; furniture, fixtures and books; leasehold improvements; and other PPE including specialist military equipment, infrastructure assets, and heritage assets. It also, covers accounting treatment, recognition, measurement, derecognition to ensure that all PPEs are properly valued and recorded, and the disclosure requirements in reporting PPE.

**Sec. 2. Definition of Terms.** When used in this Manual, the following terms shall mean:

- a. *Carrying Amount* – is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.
- b. *Cost* – is the amount of cash or cash equivalents paid and the fair value (FV) of the other consideration given to acquire an asset at the time of its acquisition or construction.
- c. *Depreciation* – is the systematic allocation of the depreciable amount of an asset over its useful life.
- d. *Depreciable Amount* – is the cost of an asset, or other amount substituted for cost, less its residual value.
- e. *Entity-specific Value* – is the present value (PV) of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.
- f. *Exchange Transactions* – are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.
- g. *Fair Value* – is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
- h. *Impairment Loss of a Cash-generating Asset* – is the amount by which the carrying amount of an asset exceeds its recoverable amount.
- i. *Impairment Loss of a Non Cash-generating Asset* – is the amount by which the carrying amount of an asset exceeds its recoverable service amount.
- j. *Non-exchange Transactions* – are transaction where an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.
- k. *Property, Plant and Equipment* – are tangible assets that are:
  1. purchased, constructed, developed or otherwise acquired;

2. held for use in the production or supply of goods or services or to produce program outputs;
  3. for rental to others;
  4. for administrative purposes;
  5. expected to be used during more than one reporting period; and
  6. not intended for resale in the ordinary course of operations.
- l. *Residual Value* – is the equivalent to at least five percent (5%) of the cost of an asset that the entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life, unless a more appropriate percentage is determined by an entity based on their operation.
  - m. *Recoverable Service Amount* – is the higher of a non cash-generating asset's fair value less costs to sell and its value in use.
  - n. *Useful Life* – is the period over which an asset is expected to be available for use by an entity; or the number of production or similar units expected to be obtained from the asset by an entity.
  - o. *Value in use of a cash generating asset* – the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.
  - p. *Value in use of a non-cash generating asset* – the present value of the asset's remaining service potential.

**Sec. 3. Criteria for Recognition.** The cost of an item of PPE shall be recognized as assets if, and only if:

- a. it is probable that the future economic benefits or service potential associated with the item will flow to the entity;
- b. the cost or fair value of the item can be measured reliably;
- c. beneficial ownership and control clearly rest with the government;
- d. the asset is used to achieve government objectives; and
- e. it meets the capitalization threshold of ₱15,000.

Under this recognition principle, an entity shall evaluate all its PPE costs at the time they are incurred. These costs include cost incurred initially to acquire or construct an item of PPE and costs incurred subsequently to add to, replace part of, or service the PPE.

**Sec. 4. Applying the Capitalization Threshold of ₱15,000.** The capitalization threshold of ₱15,000 represents the minimum cost of an individual asset recognized as a PPE on the Statement of Financial Position.

- a. Items with individual values below the threshold but which work together in the form of a group of network asset whose total value exceeds the threshold shall be recognized as part of the primary PPE. (Example: computer network, PABX system, sewerage system).

Expenditures incurred on purchasing, developing, and operating hardware, like web servers, staging servers, production servers and internet connections of a website is accounted for as PPE if the total value of the primary asset (communications networks) and these items is within the threshold of ₱15,000 and above.

- b. This threshold shall be applied on an individual asset or per item basis. Each item within the bulk acquisition with aggregate or total value of PPE, such as library books, computer peripherals and small items of equipment, will need to meet the capitalization threshold to be recognized as PPE.

**Sec. 5. Measurement at Recognition.** PPE that qualifies for recognition as an asset shall be measured at cost. However, where the PPE is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition. The cost of an item of PPE comprises: (*Pars. 30 and 31, PPSAS 17*)

- a. Purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- b. Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Examples of directly attributable costs are:
  - 1. Costs of employee benefits arising directly from the construction or acquisition of the item of PPE;  
  
This shall be limited to salaries and benefits of employees directly involved in the project delivery (example: project management or construction)
  - 2. Costs of site preparation;
  - 3. Initial delivery and handling costs;
  - 4. Installation and assembly costs;
  - 5. Costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and
  - 6. Professional fees.
- c. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

These costs may be incurred as a result of a contract. When such costs can be reasonably estimated, they shall be accrued (net of expected recoveries), as part of the capital asset and amortized over its useful life.

The provision for future site restoration costs is to be recognized as a liability until the future site restoration takes place. Example, when an entity constructs an asset on leased land, with the condition that it restores the site to its original condition at the end of the lease term. In this case, an estimate of the cost of demolishing the asset and cleaning-up the site shall be capitalized as part of the cost of the asset and amortized to expense at the same rate as the asset. The rationale behind this



accounting treatment is that the site restoration costs linked to the use of the asset and hence shall be recognized over the years of use rather than at the time the restoration work is performed.

Where future site restoration costs are expected to be significant but cannot be reasonably estimated, a contingent liability shall be reported in accordance with PPSAS 19, Provisions, Contingent Liabilities and Contingent Assets.

#### Computation of cost of PPE with Dismantling Cost

Example: The East Avenue Medical Center purchased medical equipment, with estimated useful life of five years, on January 2, 2014 with the following data:

Purchase price	₱1,000,000
Delivery cost	15,000
Dismantling cost at the end of five-year useful life	80,000

Computation of Cost:

Purchase price	₱1,000,000
Delivery cost	15,000
PV of Dismantling Cost (₱80,000 x 0.62092 <sup>1</sup> )	<u>49,674</u>
Total Cost	<u>₱1,064,674</u>

<sup>1</sup> – assumed: average borrowing rate at the time of acquisition is 10%  
(0.62092 is the PV factor of 1)

Computation of Interest Expense:

<u>Year</u>	<u>Computation of Interest</u>	<u>Initial Cost</u>	<u>Interest</u>	<u>Carrying Amount</u>
Year 1	₱ 49,674 x 10%	₱ 49,674	₱ 4,967	₱ 54,641
Year 2	54,641 x 10%		5,464	60,105
Year 3	60,105 x 10%		6,011	66,116
Year 4	66,116 x 10%		6,612	72,728
Year 5			7,272	80,000

Computation of Depreciation Expense:

$$\text{Residual Value} = \text{₱1,015,000} \times 5\% = \text{₱50,750}$$

Note: PV of dismantling cost shall not be included in the computation of residual value

$$\text{Depreciation Expense} = \frac{\text{₱1,064,674} - \text{₱50,750}}{5 \text{ years}} = \text{₱202,785}$$

The accounting entries to recognize the medical equipment shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>January 2, 2014</u>			
Medical Equipment	10605110	₱ 1,064,674	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 1,015,000
Other Provisions	20601990		49,674
To recognize cash purchase of medical equipment			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>1<sup>st</sup> year – 2014 (Dec. 2014)</u>			
Depreciation-Machinery and Equipment	50501050	₱ 202,785	
Accumulated Depreciation-Medical Equipment	10605111		₱ 202,785
To recognize the depreciation for the year			
<u>1<sup>st</sup> year – 2014 (Dec. 2014)</u>			
Interest Expenses	50301020	₱ 4,967	
Other Provisions	20601990		₱ 4,967
To recognize the finance charges corresponding to the provisions for the year			

Items of PPE may be required under existing laws, rules and regulations for safety or environmental reasons. The acquisition of such PPE, although not directly increasing the future economic benefits of or service potential of any particular existing item of PPE, may be necessary for the entity to obtain the future economic benefits or service potential from its other assets in excess of what could be derived had those items not been acquired. For example, fire safety regulations may require a hospital to retro-fit new sprinkler systems. These enhancements are recognized as an asset because, without them, the entity is unable to operate the hospital in accordance with the regulations. However, the resulting carrying amount of such an asset and related assets is reviewed for impairment as Non-Cash Generating Asset.

**Sec. 6. Costs not qualified for recognition as PPE.** The following are examples of costs that are expensed rather than recognized as elements of cost of a PPE: (*Par. 33, PPSAS 17*)

- a. Costs of opening a new facility;
- b. Costs of introducing a new product or service (including costs of advertising and promotional activities);
- c. Costs of conducting business in a new location or with a new class of customers (including costs of staff training); and
- d. Administration and other general overhead costs.

**Sec. 7. Modes of Acquisition of PPE.** Acquisition is the process through which one entity gains possession or takes over the ownership of a particular PPE. The different modes of acquiring PPE includes purchase, construction, exchange transaction, non-exchange transaction, transfer and finance lease.

**Sec. 8. Purchase of PPE.** PPE acquired through purchase are charged against appropriations/allotments or special budget for capital outlay. PPE can be purchased on cash basis, on account, on installment basis, with promotional items, and at a lump sum price.

- a. **On Cash Basis.** PPE acquired through cash purchase shall initially be recognized at cost which includes cash paid plus all costs incurred in bringing the asset to the location necessary for its intended use such as delivery, installation costs, etc. These are recognized in the books of accounts as PPE after inspection and acceptance of delivery.

Example: An entity purchased a photocopying machine with the following costs:

Total cost:	
Invoice price	₱45,000
Delivery cost	3,000

Installation cost	1,500
Test run cost	<u>1,000</u>
Total	50,500
Less: Withholding Tax	<u>3,140</u>
Net Amount Paid	₱37,460

The accounting entries to recognize the photocopying machine shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Office Equipment	10605020	₱50,500	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱37,460
Due to BIR	20201010		3,140
To recognize cash purchase of office equipment			

*Note:* Refer to Chapter 22-Illustrative Entries of this Manual for the constructive receipt of NCA for TRA and remittance to BTr

- b. On Account. When an asset is acquired on account subject to a cash discount, the cost of the asset is equal to the purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

Example: An entity purchased a threshing machine on account at ₱200,000, with credit terms of 2/10, n/30.

The accounting entries to recognize the machine shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Agricultural and Forestry Equipment	10605040	₱196,000	
Accounts Payable	20101010		₱196,000
To recognize purchase of machinery on account			
Accounts Payable	20101010	₱196,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱184,240
Due to BIR	20201010		11,760
To recognize payment of machinery within the discount period			
Accounts Payable	20101010	₱196,000	
Other Losses	50504990	4,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱188,240
Due to BIR	20201010		11,760
To recognize payment of machinery beyond the discount period			

*Note:* Refer to Chapter 22-Illustrative Entries for the constructive receipt of NCA for TRA and remittance to BTr

*Note:* The cost of the asset is the invoice price minus the discount regardless of whether the discount is taken or not. Cash discounts are generally considered as reduction of cost and not as income. If the discount is not taken, it shall be recognized as Other Losses.

- c. On Installment Basis. The cost of an item of PPE is the cash price equivalent or its fair value at the recognition date. However, if acquired through installment and payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit, unless such interest is capitalized as allowed in PPSAS 5, Borrowing Cost.

Example: An entity purchased a bulldozer at an installment price of ₱3,000,000. The terms are ₱500,000 down payment and the balance is payable in four equal annual installments. The cash price of the heavy equipment is ₱2,700,000. The purchase shall be recognized as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Construction and Heavy Equipment	10605080	₱2,700,000	
Accounts Payable	20101010		₱2,200,000
Cash-Modified Disbursement			
System (MDS), Regular	10104040		355,359
Due to BIR	20201010		144,641

To recognize the purchase and initial payment for the bulldozer acquired on installment basis

*Note:* Refer to Chapter 22 – Illustrative Entries for the constructive receipt of NCA for TRA and remittance to BTr

Accounts Payable	20101010	₱550,000	
Interest Expenses	50301020	75,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 625,000

To recognize the first installment payment and corresponding interest

- d. Purchase with promotional items. If promotional items are received upon purchase of the PPE, the allocation of cost for the promo items received shall be as follows:

1. If the promotional item received is the same as the PPE purchased, the total purchase cost shall be allocated to the total quantity purchased plus the promotional item.

Example: An entity purchased 10 units of motor vehicles at ₱330,000 per unit totaling ₱3,300,000. An additional unit was received as promotional item. Computation of the cost per unit is ₱3,300,000/11 units = ₱300,000.

The journal entry to recognize the motor vehicles are as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Motor Vehicles	10606010	₱ 3,300,000	
Accounts Payable	20101010		₱ 3,300,000

To recognize the purchase of 11 units of motor vehicles at ₱300,000/unit

Accounts Payable	20101010	₱3,300,000	
Cash-Modified			
Disbursement System			
(MDS), Regular	10104040		₱ 3,102,000.00
Due to BIR	20201010		198,000.00

To recognize the payment of 11 units of motor vehicles at ₱300,000/unit

*Note:* Refer to Chapter 22-Illustrative Entries for the constructive receipt of NCA for TRA and remittance to BTr

- e. If the promotional item received is different from the PPE purchased, the cost of the promo item shall be its fair value. It shall be deducted from the total cost of the items purchased and the balance shall be allocated to the total quantity purchased.

Example: An entity purchased a motor vehicle at ₱330,000. A window-type air conditioning unit with fair value of ₱20,000 was received as promotional item. Computation of the cost of motor vehicle is  $₱330,000 - ₱20,000 = ₱310,000$ . The journal entry to recognize the motor vehicles are as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Motor Vehicles	10606010	₱310,000	
Accounts Payable	20101010		₱310,000
To recognize the purchase of motor vehicles at ₱310,000			
Office Equipment	10605020	₱20,000	
Accounts Payable	20101010		₱20,000
To recognize the receipt of window-type air conditioning unit as promo item			
Accounts Payable	20101010	₱330,000.00	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱310,200
Due to BIR	20201010		19,800
To recognize the payment of accounts payable			

*Note:* Refer to Chapter 22-Illustrative Entries for the constructive receipt of NCA for TRA and remittance to BTr

- f. At a lump sum price. In case the acquisition of PPE is at a “lump sum price”, the cost shall be apportioned to the asset acquired in order to have proper basis for computing depreciation. The purchase cost shall be distributed based on the relative fair value of the assets acquired.

Example: An entity purchased a land and building in cash at a single cost of ₱4,400,000. The land and building have fair values of ₱1,000,000 and ₱3,000,000, respectively, at the time of acquisition. The cost shall be allocated as follows:

<u>Property</u>	<u>Fair Value</u>	<u>Fraction</u>	<u>Allocated Cost</u>
Land	₱1,000,000	1/4	₱1,100,000.00
Building	3,000,000	3/4	3,300,000.00
	<u>₱4,000,000</u>		4,400,000.00
Less: Withholding Tax			<u>220,000.00</u>
Net Amount Paid			<u>₱4,180,000.00</u>

The accounting entry to recognize the land and building shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Land	10601010	₱1,100,000.00	
Buildings	10604010	3,300,000.00	
Cash-Modified Disbursement	10104040		₱4,180,000
System (MDS), Regular			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Due to BIR	20201010		220,000
To recognize cash purchase of land and building at proportionate cost based on relative fair values of the property			

*Note:* Refer to Chapter 22 – Illustrative Entries for the constructive receipt of NCA for TRA and remittance to BTr

The cost of several PPE purchased at lump sum price per set/group/lot shall be allocated to each PPE based on the breakdown of cost reflected in the invoice, if any. In the absence of such breakdown, the allocation of cost shall be based on the relative fair value of the assets acquired.

Example: An entity purchased a computer set with printer, table and chair at a lump sum price of ₱55,000. The invoice reflected the following cost component:

<u>PPE Acquired</u>	<u>Invoice Cost</u>
Computer (CPU, Monitor, Keyboard and Mouse)	₱48,000.00
Printer	3,500.00
Computer Table	2,500.00
Computer Chair	1,000.00
Total Cost	55,000.00
Less: Withholding Tax	3,300
Net Amount Paid	<u>₱ 51,700</u>

The purchase shall be recognized as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Information and Communications			
Technology Equipment	10605030	₱ 48,000.00	
Semi-Expendable Information and			
Communications Technology			
Equipment	10405030	3,500.00	
Semi-Expendable Furniture and			
Fixtures	10406010	3,500.00	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 51,700
Due to BIR	20201010		3,300
To recognize the purchase of computer set with printer, table and chair			

*Note:* Refer to Chapter 22-Illustrative Entries for the constructive receipt of NCA for TRA and remittance to BTr

- g. Construction of PPE. During the construction period, all expenses incurred in relation to the construction of the PPE shall be taken up in the books as Construction in Progress (CIP) with the appropriate asset classification. As soon as the construction is completed, the “Construction in Progress” account shall be reclassified to the proper asset account. Likewise, all expenses such as interests, license fees, etc., during the construction period shall be capitalized.

However, where loans intended for the construction of infrastructure projects that were contracted by the NG and recorded in the BTr, borrowing cost shall not be capitalized. Instead, the interest on loans shall be recognized as expenses in the NG books of the BTr.

For loans borrowed directly by the NGAs, the allowed alternative treatment discussed in Sec. 5, Chapter 17-Borrowing Costs, this Manual shall be used. At the end of the project, any PPE acquired and used in the construction shall be reclassified to the appropriate PPE account based on the depreciated cost. Such cost shall be deducted from the cost of completed/constructed PPE.

If the project is to be constructed by administration, the procurement of labor and materials shall be in compliance with the provisions of R.A. No. 9184 and its Revised Implementing Rules and Regulations. If by job order contracts, refer to relevant COA and CSC rules and regulations.

1. Illustrative accounting entries for construction undertaken by contract:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Collecting Officers	10101010	₱75,000	
Guaranty/Security Deposits Payable	20401040		₱75,000
To recognize receipt of cash from the contractor paid as performance bond			
Cash-Treasury/Agency Deposit, Trust	10104030	₱75,000	
Cash-Collecting Officers	10101010		₱75,000
To recognize deposit of (cash) performance bond to BTr through AGDB			
Advances to Contractors	19902010	₱120,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱120,000
To recognize payment of 15% of contract amount as advances to contractor (₱800,000 x 15%)			
Construction in Progress-Buildings and			
Other Structures	10699030	₱400,000	
Accounts Payable	20101010		₱340,000
Advances to Contractors	19902010		60,000
To recognize payable based on the first progress billing on the construction of building			
Computation:			
50% of ₱800,000			₱400,000
Less: Recoupment of advances to contractors (50% of ₱120,000)			60,000
Net Amount			<u>₱ 340,000</u>
Accounts Payable	20101010	₱ 340,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 282,200
Guaranty/Security Deposits Payable	20401040		34,000
Due to BIR	20201010		23,800
To recognize payment of payable based on the first progress billing on the construction of building			
Computation:			
Accounts Payable		₱340,000	
Less: 10% Retention	34,000		
Withholding Tax	<u>23,800</u>		57,800
Net Amount			<u>₱282,200</u>

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Construction in Progress-Buildings and Other Structures	10699030	₱400,000	
Accounts Payable	20101010		₱340,000
Advances to Contractors	19902010		60,000
To recognize the payable based on the final billing on the construction of building			
Computation:			
50% of ₱800,000		₱400,000	
Recoupment of advances to contractors		(60,000)	
Liquidated damages for delayed completion		<u>( 8,000)</u>	
Amount Due		<u>₱332,000</u>	
Cash-Collecting Officers	10101010	₱8,000	
Miscellaneous Income	40609990		₱8,000
To recognize collection of liquidated damages (1/10 of 1% of the contract)			
Accounts Payable	20101010	₱340,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱282,200
Guaranty/Security Deposits Payable	20401040		34,000
Due to BIR	20201010		23,800
To recognize payment of final billing			
Computation:			
Accounts Payable		₱340,000	
Less: 10% Retention	34,000		
Withholding Tax	<u>23,800</u>	<u>57,800</u>	
Net Amount		<u>₱282,200</u>	
<i>Note:</i> Refer to Chapter 22-Illustrative Entries for the constructive receipt of NCA for TRA and remittance to BTr			
Buildings	10604010	₱800,000	
Construction in Progress-Buildings and Other Structures	10699030		₱800,000
To recognize turn-over and acceptance of building-contract amount			
Guaranty/Security Deposits Payable	20401040	₱ 75,000	
Cash-Modified Disbursement			
System (MDS), Trust	10104060		₱ 75,000
To recognize return of performance bond			
Guaranty/Security Deposits Payable	20401040	₱68,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 68,000
To recognize release of retention fee			



2. Illustrative accounting entries for construction by administration:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Construction Materials Inventory	10404130	₱ 250,000	
Accounts Payable	20101010		₱ 250,000
To recognize the delivery and acceptance of construction materials with charge invoice			
Accounts Payable	20101010	₱ 250,000.00	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱236,607.14
Due to BIR	20201010		13,392.86
To recognize payment for construction materials delivered			

*Note:* Refer to Chapter 22-Illustrative Entries for the constructive receipt of NCA for TRA and remittance to BTr

Construction in Progress-Building and Other Structures	10699030	₱ 250,000	
Construction Materials			
Inventory	10404130		₱ 250,000
To recognize issue of construction materials			
Construction in Progress-Building and Other Structures	10699030	₱ 56,000	
Accounts Payable	20101010		₱ 56,000
To setup liability for labor payroll			
Advances to Special Disbursing Officers	19901030	₱ 50,400	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 50,400
To recognize cash advance granted to disbursing officer for payment of labor payroll			
Accounts Payable	20101010	₱ 56,000	
Advances to Special Disbursing Officers	19901030		₱ 50,400
Due to BIR	20201010		5,600
To recognize liquidation of advances made by the disbursing officer			

*Note:* Refer to Chapter 22-Illustrative Entries for the constructive receipt of NCA for TRA and remittance to BTr

Other Infrastructure Assets	10603990	₱ 306,000	
Construction in Progress-			
Building and Other Structures	10699030		₱ 306,000
To transfer CIP account to PPE account upon completion of the project			

**Sec. 9. Exchange Transactions.** One or more items of PPE may be acquired in exchange for a non-monetary assets, or a combination of monetary and non-monetary assets. The cost of such an item of PPE is measured at its fair value unless (a) the exchange transaction lacks commercial substance, or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. However, if the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up. Recognition of costs in the carrying amount of an item of PPE ceases when the item is in the location and condition necessary for it to

be capable of operating in the manner intended by management. Therefore, costs incurred in using or redeploying an item are not included in the carrying amount of that item. The following costs are not included in the carrying amount of an item of PPE:

- a. Costs incurred while an item capable of operating in the manner intended by management has yet to be brought into use or is operated at less than full capacity;
- b. Initial operating losses, such as those incurred while demand for the item's output builds up; and
- c. Costs of relocating or reorganizing part or all of the entity's operations

**Sec. 10. Types of Exchange Transactions.** The types of exchange transaction are exchange with commercial substance and exchange without commercial substance.

- a. **Exchange with Commercial Substance.** An exchange transaction has commercial substance by considering the extent to which its future cash flows or service potentials is expected to change as a result of the transaction. An exchange transaction has commercial substance if:
  1. The configuration (risk, timing, and amount) of the cash flows or service potential of the asset received differs from the configuration of the cash flows or service potential of the asset transferred; or
  2. The entity-specific value of the portion of the entity's operations affected by the transaction changes as the result of the exchange; and
  3. The difference in (a) or (b) is significant relative to the fair value of the asset exchanged.
- b. **Exchange without Commercial Substance.** If the PPE acquired in an exchange transaction lacks commercial substance, the cost is measured at the carrying amount of the asset given up. Consequently, no gain or loss shall be recognized.

Example: If the fair value of the car received cannot be measured, the carrying amount of the old truck given up of ₱250,000 shall be used. The accounting entry shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Accumulated Depreciation-Motor Vehicles	10606011	₱ 750,000	
Motor Vehicles	10606010	250,000	
Motor Vehicles	10606010		₱ 1,000,000
To derecognize the old truck given up and recognize the new car received at the carrying amount of the old truck (Cost = ₱ 1,000,000; Acc. Dep. = ₱ 750,000)			

**Sec. 11. Non-exchange Transaction.** PPE acquired through a non-exchange transaction, such as donation, presidential proclamation, taxes, transfers and grants, its cost shall be measured at its fair value as at the date of acquisition. However, this does not constitute revaluation. If the fair value cannot be determined, the asset shall be recorded at a nominal value (the value that is stated on currency or face value).

**Sec. 12. Donation without Condition.** Cost of PPE acquired through donation without condition shall be taken up at its fair value at the date it is acquired. All expenses incurred in connection with the donated asset, such as delivery and installation costs, shall be included in the

amount recognized as asset. The fair value of the PPE shall be recognized as “Income from Grants and Donations in Kind.”

Example: A bus was donated to Entity A with a fair value of ₱1,000,000. Duties and taxes paid were ₱10,000; thus, the total cost amounted to ₱1,010,000. The donation received shall be recognized as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Motor Vehicles	10606010	₱1,010,000	
Income from Grants and Donations in Kind	40402020		₱1,000,000
Cash-Modified Disbursement System (MDS), Regular	10104040		10,000
To recognize donations in kind received and duties and taxes paid			

**Sec. 13. Donation with Condition.** Where a PPE is acquired through donation with conditions or restrictions, a liability account shall be recognized until the conditions or restrictions have been fulfilled.

Example: A land was donated to Entity A with a condition that a school building will be constructed to operate as an elementary school for 20 years. The land has a fair value of ₱950,000 at the time of donation. The building has a residual value of 5% and an estimated useful life of 20 years. Building was available for use on June 1, 2014. The accounting entries to recognize the donation and building constructed shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Land	10601010	₱950,000	
Other Deferred Credits	20501990		₱950,000
To recognize the fair value of the land received as donations (Provide SL)			

Assume that the school building constructed by administration costing ₱600,000 has been inspected and accepted by Entity A. (*Note:* Assume that the transactions on the construction of the building were already recognized.)

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
School Buildings	10604020	₱600,000	
Construction in Progress-Buildings and Other Structures	10699030		₱600,000
To recognize the school building constructed and completed			

The monthly depreciation shall be computed as follows:

Cost less estimated residual value (5%) divided by estimated useful life in months (20 years x 12 mos.). The monthly depreciation shall be  $(₱600,000 - ₱30,000)/240 = ₱2,375$ .

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Depreciation-Buildings and Other Structure	50501040	₱2,375	
Accumulated Depreciation-School Buildings	10604021		₱2,375
To recognize depreciation for the month of June 2014			

Since the condition (construction of school building) was fulfilled, the following adjustment shall be made:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Other Deferred Credits	20501990	₱950,000	
Income from Grants and Donations in Kind	40402020		₱950,000
To recognize income from grants and donations in kind upon fulfillment of condition of the donation			

**Sec. 14. Intra-agency transfers of PPE (from Central Office to Regional Offices/Staff Bureaus or vice versa).** These shall be recognized at the carrying amount of the asset received. The receiving department/office shall recognize the asset at its original historical cost less accumulated depreciation and accumulated impairment loss.

- a. PPE purchased and transferred in the same year

Example: Entity A-Central Office transferred on December 15, 2014 to Regional Office (RO) No. I a Lexmark Printer purchased on January 12, 2014 with an acquisition cost of ₱40,000 and accumulated depreciation of ₱7,600.

The accounting entries to recognize the transfer are as follows:

1. Entity A-Central Office books

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Subsidy to Regional Offices/Staff Bureaus	50214070	₱32,400	
Accumulated Depreciation- Information and Communications Technology Equipment	10605031	7,600	
Information and Communications Technology Equipment	10605030		₱40,000
To recognize the transfer of a Lexmark Printer to Entity A-RO No. I			

2. Entity A-RO No. I books

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Information and Communications Technology Equipment	10605030	₱ 40,000	
Accumulated Depreciation- Information and Communications Technology Equipment	10605031		₱ 7,600
Subsidy from Central Office	40301060		32,400
To recognize the receipt of transferred Lexmark Printer from Entity A-Central Office			

*Note:* The Source Agency/Entity shall provide the Receiving Agency/Entity the necessary documents/information on the transferred PPE such as the remaining useful life of the PPE, among others.

- b. PPE purchased in Prior Year (PY) and transferred in Current Year (CY)

Example: On December 15, 2014, the Entity A-Central Office transferred to Entity A-RO No. I a Lexmark Printer purchased on December 20, 2013 with acquisition cost of

₱40,000, estimated useful life of five years, residual value of five percent (5%), and accumulated depreciation of ₱7,600. The accounting entries to recognize the transfer are as follows:

1. Entity A-Central Office

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Accumulated Surplus/(Deficit)	30101010	₱32,400	
Accumulated Depreciation- Information and Communications Technology Equipment	10605031	7,600	
Information and Communications Technology Equipment	10605030		₱40,000
To recognize the transfer of printer to Entity A-RO No. I			

2. Entity A-RO No. I

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Information and Communications Technology Equipment	10605030	₱40,000	
Accumulated Depreciation- Information and Communications Technology Equipment	10605031		₱ 7,600
Accumulated Surplus/(Deficit)	30101010		32,400
To recognize the receipt of printer from Entity A-Central Office			

**Sec. 15. Inter-agency transfer of PPE.** Transfer from one government entity to another shall be recognized by the recipient entity at net carrying value. The transferor shall derecognize the PPE account upon transfer.

Example: Entity A transferred to Entity B a computer purchased last year with acquisition cost of ₱40,000 and accumulated depreciation of ₱7,600. The following are the accounting entries to recognize the PPE:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>Entity A – Transferor</u>			
Accumulated Surplus/(Deficit) * <sup>1</sup>	30101010	₱ 32,400	
Accumulated Depreciation-Information and Communications Technology Equipment	10605031	7,600	
Information and Communications Technology Equipment	10605030		₱ 40,000
To derecognize the computer transferred to Entity B			
<u>Entity B – Recipient</u>			
Information and Communications Technology Equipment	10605030	₱ 32,400	
Accumulated Surplus/(Deficit) * <sup>2</sup>	30101010		₱ 32,400
To recognize the receipt of computer from Entity A			

Notes: \*<sup>1</sup> - In case the transfer was made within the same year of purchase, Financial Assistance to NGAs shall be used. (Transferor)

\*2 - In case the transfer was made within the same year of purchase, Subsidy from Other National Government Agencies shall be used. (Recipient)

**Sec. 16. Grants.** Grants are assistance in the form of transfer of resources, in cash or in kind, to an agency/entity from other levels of government, private sectors or international institutions with or without conditions relating to the operating activities of the agency/entity. These grants shall be recognized as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Grants, including non-monetary its cost shall be measured at its fair value as at the date of acquisition, and shall be recognized when there is reasonable assurance that: (a) the entity will comply with the conditions attached, and (b) the grants will be received.

The grant qualifies as trust receipt and the agreement stipulates that any PPE acquired shall be donated to the recipient entity upon completion of the projects. The following are the accounting entries:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Collecting Officers	10101010	₱ 1,000,000	
Due to Other NGAs	20201050		₱ 1,000,000
To recognize the receipt of the grants			
Cash-Treasury/Agency Deposit, Trust	10104030	₱ 1,000,000	
Cash-Collecting Officers	10101010		₱ 1,000,000
To recognize the deposit of grants received to the National Treasury			
Cash-Modified Disbursement System (MDS), Trust	10104060	₱ 200,000	
Cash-Treasury/Agency Deposit, Trust	10104030		₱ 200,000
To recognize the receipt of NCA from the DBM			
Information and Communications Technology Equipment	10605030	₱ 200,000	
Cash-Modified Disbursement System (MDS), Trust	10104050		₱ 200,000
To recognize the IT Equipment upon purchase			
Due to Other NGAs	20201050	₱ 200,000	
Income from Grants and Donations in Kind	40402020		₱ 200,000
To recognize income in proportion to the cost of ICT equipment			
Depreciation Expense-Machinery and Equipment	50501050	₱ 38,000	
Accumulated Depreciation-Information and Communications Technology Equipment	10605031		₱ 38,000
To recognize depreciation expense for the year			
$₱200,000 - 10,000 = ₱190,000$			
$₱190,000 / 5 \text{ yrs} = ₱38,000$ (annual depreciation)			

## **Sec. 17. Acquisition of PPE through Fund Transfer to other Government Agencies or Civil Society Organizations**

Implementation of projects through funds transferred to other government agencies may require the acquisition of the necessary PPE. For proper monitoring and accountability, the following policies shall be followed:

- a. Acquisition by Source Agency/Entity.
  1. The source agency/entity shall record and monitor the PPE purchased out of transferred funds to CSOs when the PPE meets the recognition criteria and the MOA/U provides that the PPE will be returned to the source agency/entity.
  2. The source agency/entity shall monitor the PPE purchased out of transferred funds to other government agencies but shall not record the PPE until it is returned by the implementing agency.
  3. The depreciation of recorded PPE shall be in accordance with Sec. 28 of this Chapter.
- b. Acquisition by Implementing Agency/Entity.
  1. The funds received from inter-agency fund transfer shall be recorded in the fund cluster for trust receipts as asset.
  2. The implementing agency/entity shall record and monitor the PPE purchased out of inter-agency transferred funds when the PPE meets the recognition criteria.

At the end of the project, the transfer shall be made in accordance with the MOA/U as in the following cases:

- i. Case 1 – The MOA/U provides that the PPE will be donated to the implementing agency/entity.
- ii. Case 2 – The MOA/U provides that the PPE will be returned by the implementing agency/entity to the Source Agency/Entity.

*Note:* Examples of accounting entries are shown in Annex M of Volume I of this Manual.

**Sec. 18. Finance Lease.** Another mode of acquiring PPE is through finance leases. A finance lease is a kind of lease that transfers substantially all the risks and rewards incident to ownership of an asset. At the start of the lease term, lessees shall recognize assets acquired under finance leases as assets, and the associated lease obligations as liabilities in their statements of financial position. The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise the asset is depreciated over the lease term or its useful life, whichever is shorter. The detailed procedures on finance lease are discussed in Chapter 13-Leases of this Manual.

**Sec. 19. Receipt, Inspection and Acceptance of PPE.** Receipt of items purchased by the agency/entity shall be inspected by the inspection officer/committee before acceptance by the Supply and/or Property Custodian. Acceptance shall be made only if the PPE delivered conform to the standards and specifications in the PO (*Appendix 61*). Inspection and acceptance shall be made using the IAR (*Appendix 62*).

**Sec. 20. Recording of Deliveries.** Deliveries of PPE shall be recorded immediately in the Property Card (*Appendix 69*) maintained by the Supply and/or Property Division/Unit on the basis of the IAR and other supporting documents. The IAR and other supporting documents shall be forwarded to the Accounting Division/Unit for the recording of deliveries in the books of accounts through JEV and in the Property, Plant and Equipment Ledger Card (PPELC) (*Appendix 70*). Based on the IAR and other supporting documents, the Supply and/or Property Division/Unit shall prepare the DV and submit to the Accounting Division/Unit for the processing of payment (Refer to Chapter 6-Disbursements).

**Sec. 21. Issue of PPE.** Based on approved RIS, the Supply and/or Property Custodian shall prepare the Property Acknowledgement Receipt (PAR) (*Appendix 71*) to support the issue of property to end-user. The PAR shall be renewed at least every three years or every time there is a change in accountability or custodianship of the property.

**Sec. 22. Measurement after Recognition.** For consistency and uniformity, the cost model shall be applied to an entire class of PPE. Cost model means that PPE are carried at cost, less any accumulated depreciation and any accumulated impairment losses.

**Sec. 23. Subsequent Costs of PPE other than Reforestation Projects.** Subsequent costs are costs of the day-to-day servicing of an item of PPE which are recognized as an expense when incurred. Costs of day-to-day servicing are primarily the costs of labor and consumables, and may include the cost of small parts. The purpose of these expenditures is often described as “repairs and maintenance” of an item of PPE.

Parts of some items of property, plant, and equipment may require replacement at regular intervals. Items of property, plant, and equipment may also be required to make a less frequently recurring replacement, such as replacing the interior walls of a building, or to make a non-recurring replacement. Under the recognition principle in Sec. 3 of this Chapter, an entity recognizes in the carrying amount of an item of property, plant, and equipment the cost of replacing part of such an item when that cost is incurred, if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of this Chapter.

**Sec. 24. Repairs and Maintenance.** Repairs and maintenance primarily maintain or improve the functionality and capacity of the PPE; increase its service life; improve the quality of its output; or reduce the operating cost. These may be categorized into major and minor repairs. Minor repairs shall be directly charged to expense account “Repairs and Maintenance” of the specific PPE while major repairs shall be added to the carrying amount of the PPE and shall be depreciated over the remaining life of the PPE. Where cost cannot easily be differentiated between a minor or major repair, it shall be treated as expense.

- a. Spare parts and servicing equipment carried as inventory shall be recognized in surplus or deficit as consumed. However, major spare parts and stand-by equipment qualify as PPE when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of PPE, they are accounted for as PPE.
- b. Parts of some items of PPE may require recurring replacement such as a road needing resurfacing every few years or non-recurring replacement such as replacing the interior walls of a building. Under the recognition principle, an entity recognizes in the carrying amount of an item of PPE the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognized.



Pro-forma accounting entries for repairs and maintenance are as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Repairs and Maintenance-			
Transportation Equipment	50213060	₱15,000.00	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱14,196.43
Due to BIR	20201010		803.57
To recognize minor repair of motor vehicle (body repainting)			
Motor Vehicles	10606010	₱80,000.00	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱75,714.29
Due to BIR	20201010		4,285.71
To recognize the cost of replacement of motor engine			
<i>Note:</i> Refer to Chapter 22-Illustrative Entries for the constructive receipt of NCA for TRA and remittance to BTr			
Loss of Assets	50504090	₱22,500	
Accumulated Depreciation-Motor			
Vehicles	10606011	47,500	
Motor Vehicles	10606010		₱70,000
To derecognize the replaced motor engine			

Repairs and maintenance which are necessary to obtain the expected service potential of a capital asset for its estimated useful life are not betterments. These costs shall be expensed when incurred. These include repairs to restore assets damaged by fire, flood, accidents or similar events, to the condition just prior to the event; and routine maintenance and expenditures, such as repainting, cleaning and replacing minor parts.

**Sec. 25. Betterments.** Betterments are enhancements to the future economic benefits or service potential of a capital asset, such as:

- an increase in the previously assessed physical output or service capacity;
- a reduction in associated operating costs;
- an extension of the estimated useful life; or
- an improvement in the quality of output.

Betterments which meet the threshold of the applicable capital asset category are capitalized. Otherwise, they are expensed. Where betterment enhances the future economic benefits or service potential of a capital asset without increasing its estimated useful life, the depreciation period shall remain the same. Where betterment increases the estimated useful life of a capital asset, its useful life shall be changed. The revised depreciation period shall not exceed the estimated useful life of that capital asset. Where betterment involves the replacement of an identifiable component of a capital asset, the original cost of that component and the related accumulated depreciation shall be derecognized.

For example, a road may need resurfacing every few years. Under the recognition principle, the cost of resurfacing shall be recognized in the carrying amount of the road. However, the carrying amount of those parts that are resurfaced shall be derecognized in accordance with the derecognition provisions of this Chapter.

Where a cost cannot easily be differentiated between a repair and betterment, the cost shall be treated as an expense with respect to the accounting principle of conservatism.

Some parts of an item of PPE may require replacement/betterment at regular intervals, of which these are capitalized. Replacements/Betterments improve the functionality or increase the useful life of the PPE, while repairs and maintenance primarily maintain the functionality of the asset.

An entity shall capitalize the costs incurred for repair, betterment, enhancement, expansion or upgrade of existing PPE if the amount is material and:

- a. where the expenditure results in an effective increase in the future economic benefits or service potential that is expected to be derived from using the asset and the increase in future economic benefits or service potential will be realized;
- b. there has been an effective increase in the quality of the services provided by the asset beyond that previously determined; or
- c. there has been an effective extension to the asset's useful life as a result of the expenditure.

**Sec. 26. Additions and Rearrangements.** Additions are modifications which increase the physical size or function of the PPE. Two types of expenditures which shall be both capitalized are namely, entirely new unit and expansion, and enlargement or extension of the old asset. For example, the addition of a wiring to a building or the addition of an air conditioning system increases the service potential of that facility and shall be capitalized. On the other hand, rearrangements are cost incurred in moving an asset from one location to another that will benefit future periods but do not represent additions, replacements or improvements.

The cost of an addition which is a new unit is depreciated over its useful life. But the cost of an expansion shall be depreciated over its useful life or remaining life of the PPE of which it is part, whichever is shorter. Rearrangement cost is the relocation or reinstallation of an asset which proves to be less efficient in its original location. This cost is also known as "moving cost", "reinstallation cost" or "relocation cost." This cost is capitalized and amortized over the remaining life of the asset for which it pertains. The undepreciated amount of the original installation cost shall be expensed and the pertinent accumulated depreciation accordingly derecognized.

**Sec. 27. Depreciation.** PPE gradually loses its ability to provide service over the course of time. Because of this, its cost needs to be distributed on a systematic basis over its useful life. The allocated cost is referred to as depreciation. The depreciation charge for each period shall be recognized as expense unless it is included in the carrying amount of another asset. For example, the depreciation of manufacturing plant and equipment is included in the costs of conversion of inventories. Similarly, depreciation of PPE used for development activities may be included in the cost of an intangible asset recognized. The following are policies regarding depreciation of PPE:

- a. There are three factors an entity must consider in determining depreciation:
  1. Initial cost,
  2. Useful life, and
  3. Expected residual value at the end of its useful life.
- b. Except for land and not recognized heritage assets, all PPE shall be depreciated.
- c. Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. For simplicity and to avoid proportionate computation,

depreciation shall be for one month if the PPE is available for use on or before the 15<sup>th</sup> of the month. However, if the PPE is available for use after the 15<sup>th</sup> of the month, depreciation shall be for the succeeding month.

- d. Depreciation of an asset ceases when the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated.
- e. The straight line method of depreciation shall be adopted unless another method is more appropriate for entity operation. That method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.
- f. The estimation of the useful life of the asset is a matter of judgment based on the experience of the entity with similar assets. The agency/entity is in the best position to estimate the expected useful life of its PPE. As a guideline, PPE shall be depreciated over the following life spans:

<u>Property, Plant and Equipment</u>	<u>Estimated Useful Life</u>
Land Improvements	- Over the useful life of the asset to which the improvement was made or the useful life of the improvement if significantly shorter
Infrastructure Assets	- 20 to 50 years
Buildings and Other Structures	- 30 to 50 years
Machinery and Equipment	- 5 to 15 years
Transportation Equipment:	
Motor vehicles	- 5 to 15 years
Motor vehicles (Military vehicles)	- 3 to 20 years
Trains	- 10 to 20 years
Aircrafts and Aircrafts Ground Equipment	- 10 to 20 years
Watercrafts	- 10 to 25 years
Furniture, Fixtures and Books	- 2 to 15 years
Leased Assets, excluding Land	- Over the useful life of the leased asset or the lease term, whichever is shorter. The lease term would include any renewal option periods where extension of the lease is expected.
Leased Assets Improvements	- Over the useful life of the improvement or the lease term, whichever is shorter. The lease term would include any renewal option periods where extension of the lease is expected.
Service Concession Assets	- Over the useful life of the service concession asset or the term of the service concession arrangement, whichever is shorter. The term of the service concession arrangement

Property, Plant and Equipment

Estimated Useful Life

would include any renewal option periods where extension of the service concession arrangement is expected.

Other Property, Plant and Equipment - 2 to 15 years

- g. Based on the above life spans, the entity shall prepare the specific estimated useful life for each asset based on its experience on the life of its PPE, copy furnished the Resident Auditor and the Government Accountancy Sector of COA.
- h. The estimated useful life of the undepreciated portion of a PPE shall be reviewed on a regular basis and revised when the appropriateness of a change can be clearly demonstrated.
- i. A residual value equivalent to at least five percent (5%) of the cost shall be adopted unless a more appropriate percentage is determined by the entity based on its operation subject to the approval of COA.

Generally, infrastructure assets have no residual value. In case, the residual value of parts of the infrastructure assets can be determined, the policy of at least five percent (5%) of the cost of that part shall be applied.

- j. The residual value and the useful life of an asset shall be reviewed at least at each annual reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with Chapter 19-Financial Reporting of this Manual.
- k. The computation of monthly depreciation expense shall be as follows:

$$\text{Depreciation Expense} = \frac{\text{Cost} - \text{Residual Value}}{\text{Estimated Useful Life (in months)}}$$

- l. Depreciation shall be recognized as a debit to the "Depreciation Expense" account and a credit to the "Accumulated Depreciation" account. Accumulated Depreciation is a contra-asset account presented in the FS as deduction from the related asset account. Depreciation expense shall be recognized on a monthly basis subject to item (c) of this Section.

Example: On June 5, 2014, an office equipment was purchased at ₱22,000 and has an estimated useful life of 5 years and 5% residual value. Said equipment was available for use on June 20, 2014.

$$\text{Monthly Depreciation} = \frac{\text{₱ } 22,000 - \text{₱ } 1,100}{60 \text{ months}} = \text{₱ } 348.33$$

The accounting entry shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
June 30, 2014			
No depreciation expense recognized.			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
July 31, 2014			
Depreciation-Machinery and Equipment	50501050	₱ 348.33	
Accumulated Depreciation-Office Equipment	10605021		₱ 348.33
To recognize depreciation for the month of July 2014			

- m. Each part of an item of PPE with a cost that is significant in relation to the total cost of the item shall be recorded and depreciated separately.

The engine amounting to ₱15,000,000 and the passenger seats amounting to ₱5,000,000 are expected to be replaced after 5 years of continuous use with 5% residual value. The remaining parts of the aircraft are estimated to have a residual value of ₱2,250,000 after 20 years.

<u>Parts</u>	<u>Amount</u>	<u>Residual Value</u>	<u>Estimated Life</u>	<u>Depreciation</u>
Engine	₱15,000,000	750,000	5 yrs. (60 mos.)	₱237,500
Passenger Seats	5,000,000	250,000	5 yrs. (60 mos.)	79,167
Remaining Parts	<u>45,000,000</u>	<u>2,250,000</u>	<u>20 yrs. (240 mos.)</u>	<u>178,125</u>
Total	<u>₱65,000,000</u>			<u>₱494,792</u>

The accounting entry to recognize the depreciation is as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Depreciation Expense-Transportation Equipment	50501060	₱494,792	
Accumulated Depreciation-Aircrafts and Aircrafts Ground Equipment	10606031		₱494,792
To recognize monthly depreciation			

**Sec. 28. Impairment of PPE other than Reforestation Projects.** A property is said to be impaired when its carrying amount in the Statement of Financial Position exceeds its recoverable service amount or recoverable amount due to fall in market value of an asset. To determine whether an item of PPE is impaired, an entity applies PPSAS 21, *Impairment of Non-Cash Generating Assets*, or PPSAS 26, *Impairment of Cash-Generating Assets*, as appropriate. The procedures in determining the amount of impairment loss and reversal for cash generating PPEs, if any, are provided in Sections 17 and 18, respectively, of Chapter 9 - Investment Property of this Manual. The following policies apply to impairment of non-cash generating PPEs:

- a. At each reporting date, an entity shall assess whether there is an indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset. In assessing whether there is an impairment of an asset, an entity shall consider, as a minimum, the following indications :
  1. External sources of information:
    - i. Cessation, or near cessation, of the demand or need for services provided by the asset; and
    - ii. Significant long-term changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the

technological, legal, or government policy environment in which the entity operates;

2. Internal sources of information:

- i. Evidence is available of physical damage of an asset;
- ii. Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date and reassessing the useful life of an asset as finite rather than indefinite;
- iii. A decision to halt the construction of the asset before it is complete or in a usable condition; and
- iv. Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

b. The computation for impairment loss is shown in the formula below:

$$\begin{aligned}\text{Impairment Loss} &= \text{Carrying Amount less Recoverable Service Amount} \\ \text{Carrying amount} &= \text{Cost less Accumulated Depreciation and Accumulated Impairment Loss} \\ \text{Recoverable Service Amount} &= \text{Higher of Fair Value less Cost to sell and Value in Use} \\ \text{Value in Use} &= \text{Present Value of the Asset's remaining Service Potential}\end{aligned}$$

Computation of Value in Use:

1. Depreciated Replacement Cost Approach

Under this approach, the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset are determined on an optimized basis since the entity would not replace or reproduce the asset with a like asset if it is an overdesigned or overcapacity asset. Overdesigned assets contain features that are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides.

Example:

Acquisition cost of ICT Equipment	₱500,000
Acquisition date	January 2, 2012

Estimated Useful Life	5 years
Residual Value:	
in 2012	10%
in 2014	5%
Replacement cost	₱300,000
Fair Value less Cost to Sell	₱100,000

#### Computation of Impairment Loss:

Cost	₱500,000
Accumulated Depreciation as at December 31, 2013 [(₱500,000-50,000) x 2/5]	<u>180,000</u>
Carrying Amount as at December 31, 2013	320,000
Depreciation in 2014 [(₱320,000-25,000)/3]	<u>98,333</u>
Carrying Amount as at December 31, 2014	<u><u>₱221,667</u></u>

Replacement Cost	₱300,000
Depreciation from 2012-2013 (₱300,000 x 0.90 x 2/5)	108,000
Depreciation for 2014 ₱300,000-108,000= ₱192,000-(300,000 x .05) x 1/3)	<u>59,000</u>
Depreciated Replacement Cost	<u><u>₱133,000</u></u>

Fair Value Less Cost to Sell	₱100,000
Depreciated Replacement Cost	133,000

Recoverable Service Amount	<u><u>₱133,000</u></u>
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*Note:* Recoverable service amount is the higher between the fair value less cost to sell and value in use using the depreciated replacement cost approach

Carrying Amount as at December 31, 2014	₱221,667
Recoverable Service Amount	<u>133,000</u>
Impairment Loss	<u><u>₱ 88,667</u></u>

## 2. Restoration Cost Approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the value in use of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Example: Entity A purchased a machinery in 2009 at the cost of ₱1,000,000, with estimated useful life of 10 years. In 2014, the machinery sustained damage due to fire requiring ₱200,000 to be restored to a usable condition. The restoration will not affect the useful life of the asset. The cost of new machinery to provide a similar service is ₱1,200,000 in 2014. The fair value less cost to sell is ₱400,000.

#### Computation of Impairment Loss:

Cost	₱1,000,000
Accumulated Depreciation as at December 31, 2013 $[(₱1,000,000-100,000) \times 4/10]$	<u>360,000</u>
Carrying Amount as at December 31, 2013	640,000
Depreciation in 2014 $[(₱640,000-50,000)/6]$	<u>98,333</u>
Carrying Amount as at December 31, 2014	<u>₱541,667</u>
Replacement Cost	₱1,200,000
Depreciation from 2009-2013 $(₱1,200,000 \times 0.90 \times 4/10)$	432,000
Depreciation for 2014 $₱1,200,000-432,000= [₱768,000-(1,200,000 \times .05)]/6$	<u>118,000</u>
Depreciated Replacement Cost	₱650,000
Restoration Cost	<u>200,000</u>
Value in Use	450,000
Fair Value less Cost to Sell	400,000
Value in Use	450,000
Recoverable Service Amount	<u>₱450,000</u>
<i>Note:</i> Recoverable service amount is the higher between the fair value less cost to sell and value in use using the restoration cost approach.	
Carrying Amount as at December 31, 2014	₱541,667
Recoverable Service Amount	<u>450,000</u>
Impairment Loss	<u>₱ 91,667</u>

### 3. Service Units Approach

Under this approach, the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Example: On January 31, 2011, Entity A acquired a new printing machine at a cost of ₱400,000. The estimated useful life of the machine would be 4 million copies of books to be printed over 10 years. In 2014, it was reported that an automated feature of the machine's function does not operate as expected, resulting in a 15 percent reduction in the machine's annual output level over the remaining 5 years of the useful life of the asset. The replacement cost of a new printing machine is ₱450,000 in 2014. The fair value less cost to sell of the same year is ₱200,000.



Cost	₱400,000
Accumulated Depreciation as at December 31, 2013 [(₱400,000-40,000) x 3/10]	108,000
Carrying Amount as at December 31, 2013	292,000
Depreciation in 2014 [(₱292,000-20,000)/7]	38,857
Carrying Amount as at December 31, 2014	<u>₱253,143</u>
Replacement Cost	₱450,000
Depreciation from 2011-2013 (₱450,000 x 0.90 x 3/10)	121,500
Depreciation for 2014 ₱450,000-121,500= [₱328,500-(450,000 x .05)]/7	43,714
Depreciated Replacement Cost	<u>₱284,786</u>
Value in Use (₱284,786 x 85%)	₱ 242,068
Fair Value less Cost to Sell	₱ 200,000
Value in Use	₱ 242,068
Recoverable Service Amount	₱ 242,068
<i>Note:</i> Recoverable service amount is the higher between the fair value less cost to sell and value in use using the restoration cost approach.	
Carrying Amount as at December 31, 2014	<u>₱253,143</u>
Recoverable Service Amount	₱ 242,068
Impairment Loss	<u>₱ 11,075</u>

The choice of the most appropriate approach to measuring value in use depends on the availability of data and the nature of the impairment:

1. Impairments identified from significant long-term changes in the technological, legal, or government policy environment are generally measurable using a depreciated replacement cost approach or a service units approach, when appropriate;
  2. Impairments identified from a significant long-term change in the extent or manner of use, including that identified from the cessation or near cessation of demand, are generally measurable using a depreciated replacement cost or a service units approach, when appropriate; and
  3. Impairments identified from physical damage are generally measurable using a restoration cost approach or a depreciated replacement cost approach, when appropriate. (Par. 50, PPSAS 21)
- c. The impairment loss may be recognized in the financial statement as an expense, or liability if, and only if, that is required by PPSAS 19-Provisions, Contingent Liabilities and Contingent Assets, as discussed in Chapter 18 of this Manual.

Example of Impairment Loss recognized as expense:

ICT Equipment	₱350,000
Accumulated Depreciation (for 2 years)	<u>126,000</u>
Carrying Amount	<u>₱224,000</u>

Fair Value of ICT Equipment less cost to sell	<u>₱200,000</u>
Value in Use	<u>₱150,000</u>
Computation of impairment loss:	
Carrying Amount	₱224,000
Less: Recoverable Service Amount (Fair Value)	<u>200,000</u>
Impairment Loss	<u>₱ 24,000</u>

The accounting entry to recognize impairment loss is as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Impairment Loss-Property, Plant and Equipment	50503090	₱24,000	
Accumulated Impairment Losses-Information and Communications Technology Equipment	10605032		₱24,000
To recognize impairment loss of ICT Equipment			

- d. After the recognition of an impairment loss, the depreciation charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Depreciation after the recognition of an impairment loss shall be computed as follows:

$$\text{Depreciation Expense} = \frac{\text{Revised Carrying Amount} - \text{Residual Value}}{\text{Remaining Estimated Useful Life (in months)}}$$

Example: ICT Equipment	₱350,000
Less: Accumulated Depreciation (2 years)	126,000
Accumulated Impairment Losses	<u>24,000</u>
Revised Carrying Amount	<u>₱200,000</u>

$$₱5,069.44 = \frac{₱200,000 - ₱17,500}{36 \text{ mos.}}$$

The accounting entry to recognize the adjusted depreciation is as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Depreciation Expense-Machinery and Equipment	50501050	₱5,069.44	
Accumulated Depreciation-Information and Communications Technology Equipment	10605031		₱5,069.44
To recognize monthly depreciation expense after recognition of an impairment loss			

**Sec. 29. Reversal of Impairment Loss.** An entity shall assess at each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable service amount of that asset.

- a. The entity shall consider, as a minimum, the following indications in assessing whether an impairment loss recognized in prior periods for an asset no longer exist or may have decreased:

1. External sources of information:
  - i. Resurgence of the demand or need for services provided by the asset; and
  - ii. Significant long-term changes with a favorable effect on the entity have taken place during the period, or will take place in the near future, in the technological, legal or government policy environment in which the entity operates.
2. Internal sources of information:
  - i. Significant long-term changes with a favorable effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, the asset is used or is expected to be used. These changes include costs incurred during the period to improve or enhance an asset's performance or restructure the operation to which the asset belongs;
  - ii. A decision to resume construction of the asset that was previously halted before it was completed or in a usable condition; and
  - iii. Evidence is available from internal reporting that indicates that the service performance of the asset is, or will be, significantly better than expected.
- b. If there is an indication that an impairment loss recognized for an asset may no longer exist or may have decreased, this may indicate that the remaining useful life, the depreciation method or the residual value shall be reviewed and adjusted even if no impairment loss is reversed for the asset.
- c. An impairment loss recognized in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable service amount. That increase is a reversal of an impairment loss.
- d. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss had been recognized for the asset in prior periods.
- e. A reversal of an impairment loss for an asset shall be recognized immediately in surplus or deficit.

The following are the procedures in recognizing reversal of impairment loss:

1. Determine the recoverable service amount, which is the higher between the fair value less cost to sell and the value in use, of the PPE.
2. Compare the recoverable service amount with the carrying amount (net of accumulated depreciation and accumulated impairment losses) as at the reporting period. If the recoverable service amount is higher than the carrying amount, the difference is the estimated reversal of previously recognized impairment loss or a portion thereof. On the other hand, if the recoverable service amount is equal to or lower than the carrying amount, no reversal shall be recognized.

3. Compute the carrying amount (net of accumulated depreciation) had no impairment loss been recognized in prior periods.
4. Compare the carrying amount (net of accumulated depreciation and accumulated impairment losses) with the carrying amount (net of accumulated depreciation) had no impairment loss been recognized in prior periods. If the former is lesser than the latter, the difference is compared with the estimated reversal computed in (2).
5. The amount of reversal of the impairment loss is the lower of the difference between the two carrying amounts referred to in (4) and the estimated reversal in (2).

Example of Reversal of Impairment Loss:

Step	Assumptions and Computations	Amount
	Office Equipment	₱50,000
	Less: Accumulated Depreciation	
	Accumulated Depreciation (2 years)	₱19,000
	Accumulated Depreciation (1 year)	
	(P21,000-P2,500/3 years)	<u>6,167</u>
	Accumulated Impairment Losses	<u>10,000</u>
	Revised Carrying Amount, December 31 (3 <sup>rd</sup> year)	<u>₱14,833</u>
1	Assume on December 31 of the 3 <sup>rd</sup> year:	
	Fair value less cost to sell	₱29,000
	Value in Use (present value of service potential)	₱20,000
	Recoverable Service Amount	₱29,000
2	Computation of the estimated reversal of impairment loss:	
	Recoverable Service Amount	₱29,000
	Carrying Amount with impairment loss, December 31 (3 <sup>rd</sup> year)	<u>₱14,833</u>
	Estimated Reversal	<u>₱14,167</u>
3	Computation of the Carrying Amount as if no impairment loss is recognized:	
	Cost of Office Equipment	₱50,000
	Less: Accumulated Depreciation-Office Equipment (for 3 years)	<u>28,500</u>
	Carrying Amount had no impairment loss been recognized in prior years	<u>₱21,500</u>
4	Computation of the difference between the two carrying amounts:	
	Carrying Amount had no impairment loss been recognized in prior years	₱21,500
	Carrying Amount with impairment	<u>₱14,833</u>
	Difference	<u>₱ 6,667</u>

<u>Step</u>	<u>Assumptions and Computations</u>	<u>Amount</u>
5	Comparison between the estimated reversal in Step 2 and the difference in Step 4	
	Estimated Reversal	₱14,167
	Difference	₱ 6,667
	The amount of reversal of the impairment loss is the lower of the two amounts.	₱ 6,667

The accounting entry to recognize reversal of impairment loss recognized in previous year:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Accumulated Impairment Losses-Office Equipment	10605022	₱ 6,667	
Impairment Loss-Property, Plant and Equipment	50503090		₱ 6,667
To recognize reversal of impairment loss			

Example of No Reversal of Impairment Loss:

<u>Step</u>	<u>Assumptions and Computations</u>	<u>Amount</u>
1	Assume on December 31 of the 3 <sup>rd</sup> year:	
	Fair value less cost to sell	₱12,000
	Value in Use (present value of service potential)	₱10,000
	Recoverable Service Amount	₱12,000
2	Computation of the estimated reversal of impairment loss:	
	Recoverable Service Amount	₱12,000
	Carrying Amount with impairment loss, December 31 (3 <sup>rd</sup> year)	14,833
	Difference	(₱2,833)
<i>Note:</i> No reversal of impairment loss shall be recognized.		

- f. After a reversal of an impairment loss is recognized, the depreciation (amortization) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, if any, on a systematic basis over its remaining useful life.

**Sec. 30. Heritage Assets.** Heritage assets are those assets which have historical, cultural and environmental significance, and are intended to be preserved in trust for future generations. Examples of heritage assets include historical buildings and monuments, statues, museum and gallery collections, archeological sites, national archives, ruins, conservation areas, nature reserves, and works of art.

- a. The following are characteristics of heritage assets (although these characteristics are not exclusive to such assets):
1. Their value in cultural, environmental, educational, and historical terms is unlikely to be fully reflected in a financial value based purely on a market price;

2. Legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale;
  3. They are often irreplaceable and their value may increase over time, even if their physical condition deteriorates; and
  4. It may be difficult to estimate their useful lives, which in some cases could be several hundred years.
- b. Heritage assets shall be measured at cost. If acquired through non-exchange transaction, its cost is its fair value at the date of acquisition. Depreciation shall not be recognized but these shall be subject to impairment. Fair value, if measurable, shall be disclosed.
  - c. Some heritage assets have future economic benefits or service potential other than their heritage value, for example, a historic building being used for office accommodation. In these cases, they may be recognized and measured on the same basis as other items of PPE. (*Par. 11, PPSAS 17*)
  - d. For accountability purposes, a Registry of Heritage Assets (RHA) (*Appendix 72*) shall be maintained for heritage assets not recognized in the books of accounts, by the Accounting Division/Unit and appropriate PAR shall be issued to end-user/accountable officer. At the end of each month, the total amount shall be posted in the Registry of Heritage Asset-Summary (RHAS) (*Appendix 72A*).

**Sec. 31. Infrastructure Assets.** Besides the five criteria for recognizing PPE, infrastructure assets have the following additional characteristics:

- a. Part of a system or network;
- b. Specialized in nature and do not have alternative uses;
- c. Immovable; and
- d. May be subject to constraints on disposal.

In accordance with PPSAS 17, public infrastructures shall be recognized as PPE in the entity's financial statements. These shall be recorded in the books of accounts as Infrastructure Assets such as road networks, sewer system, water and power supply systems, communication networks, etc.

**Sec. 32. Reforestation Projects.** With the implementation of PPSAS, reforestation projects are recognized as Land Improvements, Reforestation Projects in the books of accounts of the DENR or other entity concerned.

**Sec. 33. Initial Costs for Reforestation Projects.** The following constitutes the initial costs of Land Improvements-Reforestation Projects:

- a. Survey, Mapping and Planning (SMP)
- b. Nursery Operation and Seedling Production or Procurement
- c. Plantation Establishment (Site preparation, hauling of seedlings and planting)

Only directly attributable cost shall be recognized as part of the initial cost of the project constituting the Construction in Progress-Land Improvements based on the progress reports and other relevant reports and supporting documents provided by the concerned unit of the entity and/or the contractors/partners. These costs shall be recorded in the appropriate Construction in Progress-Land Improvements Ledger Cards maintained for Reforestation Projects for each contractor.

With appropriate assistance from DA, DAR, DENR, DSWD, LGUs and other government agencies and instrumentalities and private sector, the members of People's Organization (POs) concerned implementing the reforestation project, shall primarily be responsible for the maintenance and protection of the established plantations.

**Sec. 34. Turn-Over of Reforestation Projects.** After the duration of the planting activities (three years), the reforestation project shall be turned over to the entity provided that the conditions in the contract have been complied with, and project has passed the performance evaluation by a third party identified by the entity.

The "Construction in Progress" account shall be transferred to account "Land Improvements, Reforestation Projects" based on the Final Inspection and Acceptance Report submitted by the Implementing Agency/Contractor (IAC) and duly accepted by unit concerned of the agency/entity, supported with, among others, geo-tagged photos of all planted sites covered by Memorandum of Agreement (MOA)/Letter of Authority (LOA) and Work and Financial Plan (WFP).

**Sec. 35. Subsequent Costs for Reforestation Projects.** Subsequent expenditures incurred for the reforestation project shall be accounted for as follows:

- a. Costs for the maintenance and protection incurred within the duration of the reforestation project such as construction of firelines, strip brushing, replanting, providing pest control, patrolling shall be capitalized.
- b. Costs for the maintenance and protection incurred after the duration or turn-over of the reforestation project shall be charged to Repairs and Maintenance-Land Improvements.
- c. The cost of replacing trees shall be expensed where small numbers of trees are being replaced in any one particular area.

**Sec. 36. Impairment of Reforestation Projects.** When reforestation projects are destroyed/impaired by force majeure (fortuitous event beyond the control of man e.g., typhoon, flood, landslides, earthquakes, and the like), an impairment loss shall be taken up for the trees as soon as it is discovered that the trees in the area have been destroyed. The Assessment and Validation Office (AVO) has indicated that they cannot provide an objective split between the land value and the tree value as part of their normal valuation process. This being the case, it will be up to each agency/entity to liaise with their valuers at the point in time a reforestation area has been destroyed to arrive at an impairment value.

**Sec. 37. Illustrative Accounting Entries for Reforestation Projects**

Example: The DENR awarded a reforestation project to ABC Cooperative Inc., a registered PO to participate in the National Greening Program under E.O. No. 26 dated February 24, 2011 by planting trees in the Municipality of San Mateo, Rizal. The contract price is ₱1,000,000. The accounting entries to recognize the reforestation project shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Advances to Contractors	19902010	₱ 150,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 150,000
To recognize payment of 15% mobilization fee			
Construction in Progress-Land			
Improvements	10699010	₱ 350,000	
Advances to Contractors	19902010		₱ 52,500
Due to BIR	20201010		21,875
Guaranty/Security Deposits			
Payable	20401040		35,000
Cash-Modified Disbursement			
System (MDS), Regular	10104040		240,625
To recognize payment of 1 <sup>st</sup> progress billing – 35% work accomplished			

*Note 1:* Refer to Chapter 22-Illustrative Entries for the constructive receipt of NCA for TRA and remittance to BTr

Construction in Progress-Land			
Improvements	10699010	₱ 350,000	
Advances to Contractors	19902010		₱ 52,500
Due to BIR	20201010		21,875
Guaranty/Security Deposits			
Payable	20401040		35,000
Cash-Modified Disbursement			
System (MDS), Regular	10104040		240,625
To recognize payment of 2 <sup>nd</sup> progress billing – 35% work accomplished			

Construction in Progress-Land			
Improvements	10610010	₱ 300,000	
Advances to Contractors	19902010		₱ 45,000
Due to BIR	20201010		18,750
Guaranty/Security Deposits			
Payable	20401040		30,000
Cash-Modified Disbursement			
System (MDS), Regular	10104040		206,250
To recognize payment of 3 <sup>rd</sup> and final billing – 30% work accomplished			



<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Guaranty/Security Deposits Payable	20401040	₱ 100,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱ 100,000
To recognize refund of retention fee			

*Note 2:* Retention fee is refunded if all the requirements stipulated in the contract was met.

Loss of Assets	50504090	₱ 500,000	
Construction in Progress-Land			
Improvements	10610010		₱ 500,000
To recognize damaged reforestation project			

*Note 3:* Damaged 50% of the project as approved by the Regional Director (RD) stated in the Assessment and Validation Report (AVR) and verified by the COA Auditor

Land Improvements, Reforestation			
Projects	10602020	₱ 500,000	
Construction in Progress-Land			
Improvement	10610010		₱ 500,000
To recognize the turn-over and acceptance of the reforestation project			

*Note 4:* Undamaged 50% of the project as approved by the RD as stated in the AVR and verified by the COA Auditor

*Note 5:* For the documentary requirements refer to 13.3 of COA Circular No. 2012-001.

**Sec. 38. Physical Count of PPE.** The entity shall have a periodic physical count of PPE, which shall be done annually and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) (*Appendix 71*) as at December 31 of each year. This shall be submitted to the Auditor concerned not later than January 31 of the following year. Equipment found at station and losses discovered during the physical count shall be reported to the Accounting Division/Unit for proper accounting/recording.

**Sec. 39. Derecognition.** The cost of the PPE together with the related accumulated depreciation and accumulated impairment loss shall be removed from the accounts (*2014 ed. Financial Accounting, Volume I, Valix*). The carrying amount of an item of PPE shall be derecognized on disposal or when no future economic benefits or service potential is expected from its use or disposal. The following are the policies on the disposal of PPE:

- a. The gain or loss arising from derecognition of an item of PPE shall be included in surplus or deficit when the item is derecognized.
- b. If, under the recognition principle, an entity recognizes in the carrying amount of PPE the cost of a replacement for its part, then the carrying amount of the replaced part shall be derecognized. If it is not practicable to determine the carrying amount of the replaced part, the entity may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed.
- c. The gain or loss arising from the disposal of an item of PPE shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item;
- d. A JEV shall be prepared by the Accounting Division/Unit to derecognize the asset from the books of accounts only after its disposal;

- e. Disposal procedures of unserviceable property shall be in accordance with applicable rules and regulations on Supply and Property Management Manual, and Sec. 79 of P.D. No. 1445.

Pro-forma accounting entries to recognize disposal of PPE are as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
1. Disposal through sale (less than carrying amount)			
Cash-Collecting Officers	10101010	₱45,000	
Accumulated Depreciation-Motor Vehicles	10606011	450,000	
Loss on Sale of Property, Plant and Equipment	40501040	5,000	
Motor Vehicles	10606010		₱500,000
To recognize sale of unserviceable motor vehicle at less than the carrying amount			
2. Disposal through sale (above carrying amount)			
Cash-Collecting Officers	10101010	₱60,000	
Accumulated Depreciation-Motor Vehicles	10606011	450,000	
Motor Vehicles	10606010		₱500,000
Gain on Sale of Property, Plant and Equipment	50504040		10,000
To recognize sale of unserviceable motor vehicle above the carrying amount			
3. Disposal through Donation			
Donations	50299080	₱50,000	
Accumulated Depreciation-Motor Vehicles	10606011	450,000	
Motor Vehicles	10606010		₱500,000
To recognize disposal through donation			
4. Disposal through Destruction			
Impairment Loss-Property, Plant and Equipment	50503090	₱50,000	
Accumulated Impairment Losses-Motor Vehicles	10606012		₱50,000
To recognize impairment loss of the unserviceable PPE			
Accumulated Depreciation-Motor Vehicles	10606011	₱ 450,000	
Accumulated Impairment Losses-Motor Vehicles	10606012	50,000	
Motor Vehicles	10606010		₱ 500,000
To derecognize unserviceable PPE through disposal by destruction			

**Sec. 40. Idle, Unserviceable and Fully Depreciated PPE.** The following are the policies on idle, unserviceable and fully depreciated PPE:

- a. Temporary idle activity or abandonment of PPE does not preclude depreciating the asset, as future benefits are consumed not only through usage but also through obsolescence, and wear and tear.

- b. A PPE is said to be fully depreciated when the carrying amount is equal to zero or residual value. The cost of fully depreciated assets remaining in service and the related accumulated depreciation and accumulated impairment losses shall not be removed from the accounts.
- c. A PPE is said to be unserviceable if it is no longer capable of providing the entity with future economic benefits or service potential.
- d. All unserviceable property shall be reported in the Inventory and Inspection Report of Unserviceable Property (IIRUP) (*Appendix 74*). PPE reported in the IIRUP shall be dropped from the books by debiting Impairment Loss-Property, Plant and Equipment (cost of the PPE less Accumulated Depreciation).

**Sec. 41. Loss of Property.** The accounting policies on loss of property are as follows:

- a. When a loss of government funds or property occurs while they are in transit or the loss is caused by fire, theft, or other casualty or force majeure, the officer accountable therefore or having custody thereof shall immediately notify the Commission or the auditor concerned and, within thirty days or such longer period as the Commission or auditor may in the particular case allow, shall present his applicable for relief, with the available supporting evidence. Whenever warranted by the evidence credit for the loss shall be allowed. An officer who fails to comply with this requirement shall not be relieved of liability or allowed credit for any loss in the settlement of his accounts. (*Sec. 73, P.D. No. 1445*)
- b. Lost property and the related accumulated depreciation and impairment loss shall be derecognized in the books upon receipt of the Report of Lost, Stolen, Damaged, Destroyed Property (RLSDDP) (*Appendix 75*) supported by a Notice of Loss prepared and submitted by the Accountable Officer. The loss shall be charged to account "Loss of Assets" at an amount equal to its carrying amount.

Established accountability of the accountable officer:

Sample Computation:

Cost of Medical Equipment	₱200,000
Accumulated Depreciation	38,000
Accumulated Impairment Loss	<u>34,000</u>
Net Carrying Value (Loss of Asset)	<u><u>₱128,000</u></u>

- c. The accountability of the accountable officer over the loss of depreciable asset shall be based on depreciated replacement cost (DRC) PPSAS 21 par. 45. DRC is replacement cost less accumulated depreciation calculated on the basis of replacement cost.

Sample Computation:

Replacement Cost (Current market price)	₱150,000
Accumulated Depreciation	<u>54,000</u>
Depreciated replacement cost	<u><u>₱ 96,000</u></u>

- d. A receivable account shall be set up to record the accountability of the accountable officer simultaneous with derecognition of the lost PPE.
- e. Compensation from third parties for items of PPE that were impaired, lost or given up shall be recognized as income when the compensation becomes receivable.

- f. In case of partial destruction/loss of PPE the amount to be derecognized shall be its carrying value less the fair value of the remaining serviceable portion.

The following are the accounting entries to recognize the loss of PPE:

a. Total loss of PPE

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Loss of Assets	50504090	₱128,000	
Accumulated Depreciation-Medical Equipment	10605111	72,000	
Medical Equipment	10605110		₱200,000
To recognize loss of medical equipment			
Due from Officers and Employees	10305020	₱96,000	
Other Deferred Credits	20501990		₱96,000
To set up the accountability of the accountable officer			
Other Deferred Credits	20501990	₱96,000	
Due from Officers and Employees	10305020		₱96,000
To recognize adjustment due to the grant of relief from accountability to accountable officer by COA			
<i>Note: If request for relief from accountability denied</i>			
Cash-Collecting Officers	10101010	₱96,000	
Due from Officers and Employees	10305020		₱96,000
To recognize receipt of payment from accountable officer for the lost asset if relief was not granted			
Other Deferred Credits	20501990	₱96,000	
Miscellaneous Income	40699990		₱96,000
To recognize income realized from lost asset due to payment by accountable officer			
Cash-Collecting Officers	10101010	₱15,000	
Proceeds from Insurance/Indemnities	40609010		₱15,000
To recognize proceeds from insurance claim			

b. Partial loss of PPE

Cost of six rooms school building	₱500,000
Accumulated Depreciation	<u>225,000</u>
Carrying Amount	<u>₱275,000</u>
Assumed that two rooms were razed by fire.	
Fair Value of four remaining rooms	<u>₱184,000</u>
Computation for the Loss:	
Carrying Amount	₱275,000
Less: Fair Value of remaining rooms	<u>184,000</u>
Partial Loss	<u>₱ 91,000</u>

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Loss of Assets	50504090	₱91,000	
Accumulated Depreciation -Buildings	10604011	75,000	
Buildings	10604010		₱166,000
To recognize partial loss of building due to fire			

**Sec. 42. Accounting and Property Records to be maintained for PPE.** The Chief Accountant shall maintain the PPELC for each category of PPE including work and other animals, livestock etc. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain PC for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.

The following are the forms/reports necessary to account for PPE:

- a. Purchase Request (*Appendix 60*) – this form shall be used by the requisitioner to request for the purchase of PPEs items not available on stock. It shall be the basis of preparing the Purchase Order (PO).
- b. Purchase Order (*Appendix 61*) – this form shall be prepared by the Supply and/or Property Division/Unit to support the purchase of PPE, supplies and materials, etc. It serves as the contract between the entity and the supplier for the delivery of specified items based on the stipulations stated which was agreed upon during the procurement process.
- c. Inspection and Acceptance Report (*Appendix 62*) – this form shall be used to report the result of the inspection made by the Authorized Inspector on the deliveries and the status of the accepted items by the Supply and/or Property Custodian. This form shall also be used for the inspection of repairs, infrastructures and reforestation projects.
- d. Property Card (*Appendix 70*) – this card shall be used by the Supply and/or Property Division/Unit to record the description, acquisition, transfer, disposal, and other information about the PPE. It shall be kept for each class of PPE.
- e. Property, Plant and Equipment Ledger Card (*Appendix 71*) – this card shall be used for each class of PPE to record the acquisition, description, custody, estimated life, depreciation, impairment, disposal, transfer/adjustment, repair history and other information about the property. It shall be kept and maintained by the Accounting Office/Unit.
- f. Property Acknowledgement Receipt (*Appendix 72*) –This form shall be used by the Supply and/or Property Division/Unit to report the issuance of PPE and the acknowledgement of the end-user.
- g. Report on the Physical Count of Property, Plant and Equipment (*Appendix 73*) – this form shall be used to report the physical count and condition of PPE by type as at a given date, including those which are unrecorded and those which could not be accounted for. It shows the balance of PPE per property cards and per count and the

shortage/overage, if any. It shall be rendered by the Inventory Committee, on its yearly physical count of properties owned by the entity.

- h. Inventory and Inspection Report for Unserviceable Property (*Appendix 74*) – this report shall be used to account for all unserviceable property of an entity which is subject to disposal. It also serves as the basis in derecognizing the unserviceable properties carried in the PPE accounts.
- i. Report of Lost, Stolen, Damaged or Destroyed Property (*Appendix 75*) – this form shall be used by the accountable officer/employee to report or notify the concerned officials of the lost, stolen, damaged or destroyed property.
- j. Property Transfer Report (*Appendix 76*) – this form shall be used every time there will be transfer of property from an outgoing officer to his successor or from one accountable officer/employee to another of the same or another entity.

**Sec. 43. Property Accounting System.** The Property Accounting System consists of the following procedures:

- a. Recording of Receipt, Inspection and Acceptance of PPE
- b. Recording of Requisition and Issue of PPE
- c. Construction of PPE by administration
- d. Construction of PPE by contract

The requesting office in need of the PPE item/s, after the Supply and/or Property Division/Unit has determined that the items are not available in stock, shall prepare and cause the approval of the PR (*Appendix 60*). Based on the approved PR and after accomplishing all the required procedures adopting a particular mode of procurement/acquisition, the agency/entity shall issue a duly approved Contract/PO (*Appendix 61*). Procedures relative to the obligation of allotment to cover the funding requirement of the Contract/PO and payment of the inspected and accepted deliveries are discussed under Chapter 3-Budget Execution, Monitoring and Reporting, and Chapter 6-Disbursements, of this Manual. Physical count/inventory, which is required annually, is an indispensable procedure for checking the integrity of property custodianship.

**Sec. 44. Procedures in the Recording of Receipt, Inspection and Acceptance of PPE**

Area of Responsibility	Seq. No.	Activity
<b><u>Delivery/Receipt of PPE</u></b>		
Supply and/or Property Division/Unit Supply and/or Property Custodian	1	Signs “Received” portion of the original and Copy 2 of the DR. Files the original and returns Copy 2 of the DR to the Supplier/ Procurement Service.
	2	Prepares IAR in three copies. Forwards IAR, original of DR, and Copy 2 of approved PO from file to Property Inspector/Committee for inspection of deliveries.

*Note 1* – Distribution of the IAR shall be as follows:

*Original* – Supplier (to be attached to the DV)  
*Copy 2* – Property Inspector/Inspection Committee

Area of Responsibility	Seq. No.	Activity
<i>Copy 3 – Supply and/or Property Division/Unit's file</i>		
Property Inspector	3	Inspects and verifies PPE as to quantity and conformity with specifications based on the DR and approved PO. If in order, signs and indicates date of inspection in the 'Inspection' column of the IAR. Retains Copy 3 of IAR. Forwards the PPE, Copies 1-2 of IAR, original of DR and Copy 2 of PO to Supply and/or Property Custodian for acceptance.
	4	If specifications are not in order or delivery is not complete, indicates notation on the IAR that the deliveries are not in conformity with specifications agreed under the approved PO or deliveries are not complete.
Supply and/or Property Custodian	5	Receives the item/s from the Property Inspector, and assigns property number on the PPE received and indicate the same on the IAR.
	6	Signs on the 'Acceptance' column of the IAR, acknowledging receipt of the items delivered. Checks the appropriate box whether complete or partial (indicate quantity received) delivery, and indicate the date of receipt and remarks, if any.
		Forwards the IAR to the Accounting Division/Unit
	7	If specifications are not in order or delivery is not complete, contact the supplier for appropriate action.
Accounting Division/Unit	8	Based on the IAR and supporting documents, prepare JEV and recognize the receipt of PPE in the books of accounts (GJ and GL).
Accounting Staff	9	Records promptly the receipt/acquisition of PPE in the PPELC maintained for each class of PPE.
Supply and/or Property Division/Unit	10	Prepares DV indicating the Supplier as Payee. Attaches the original IAR, Copy 2 of DR, PO and photocopy of PR. Forwards documents to Budget Division/Unit for the preparation of ORS. Forwards Copy 2 of IAR and copy of PO to the Property Card Keeper for recording in the PC.
<i>Note 2 – For succeeding activities on processing of payment for delivered PPE, refer to Chapter 3 and 6 of this Manual, for the Procedures in the Recording of Obligations and Procedures in Disbursements, respectively.</i>		

Area of Responsibility	Seq. No.	Activity
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*Note 3* – For purchases made through the Procurement Service, the DV shall be prepared on the basis of the Approved Agency Procurement Request. The payment shall be made directly to the Procurement Service.

Supply and/or  
Property Custodian

9

Records promptly the receipt/acquisition of PPE in the Property Card maintained for each item of PPE.

#### **Sec. 45. Procedures in the Recording of Requisition and Issue of PPE**

Area of Responsibility	Seq. No.	Activity
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Requesting Office

Requesting  
Personnel

1

Prepares RIS in three copies. It shall be distributed as follows:

- Original* – Accounting Division/Unit (to be attached to the PAR)
- Copy 2* – Requisitioning Division/Office's file
- Copy 3* – Supply and/or Property Division/Unit's file

Fills out the necessary information pertaining to requisition, except the 'Issue' columns of the RIS.

Authorized Official

2

Reviews RIS and signs on the "Requested by" portion in the RIS.

Requesting  
Personnel

3

Records the signed RIS in the logbook and indicate the date, particulars and remarks. Forwards the same to Supply and/or Property Division/Unit for processing of the requisition.

Supply and/or Property  
Division/Unit

Receiving Staff

4

Receives signed RIS from Requesting Office. Records the date, particulars and requesting office in the logbook. Assigns number on RIS and issues Copy 2 to Requesting Personnel for file.

Designated Staff

5

Determines the availability of the requisitioned PPE. If not available, returns the RIS to the Requesting Office for the preparation of PR for the PPE requested. If available, forwards RIS to the Supply and/or Property Custodian.

Supply and/or  
Property Custodian

6

Receives and initials RIS. Forwards the original and Copy 3 of RIS to the Head of the Supply and/or Property Division/Unit for review and approval.



Area of Responsibility	Seq. No.	Activity
Head of the Supply and/or Property Division/Unit	7	Reviews RIS and signs the “Approved By” portion of RIS. Forwards Copies 1 and 3 of RIS to Supply and/or Property Custodian.
Supply and/or Property Custodian	8	Based on the approved RIS, indicates the number in the RIS.
	9	Prepares PAR. Indicates the quantity, unit, description and property number of the items being issued. Signs in the “Issued by” portions of the RIS and PAR. Records the date, number and particulars in the PAR logbook.
<i>Note 1</i> – PAR shall be distributed as follows:		
<p style="margin-left: 40px;"><i>Original</i> – Supply and/or Property Division/Unit file</p> <p style="margin-left: 40px;"><i>Copy 2</i> – Recipient or user of the property file</p>		
<i>Note 2</i> – The PAR shall be renewed every three years or every time there is a change in custodianship/user of the property		
Concerned Office Requesting Personnel	10	Retrieves Copy 2 of RIS. Checks item if in conformity with RIS. Signs ‘Received By’ portion of original and Copy 2 of PAR and RIS.
	11	Returns original PAR and Copies 1 and 3 of RIS to Supply and/or Property Custodian for recording in the PC. Files Copy 2 of PAR and Copy 3 of RIS.
Supply and/or Property Division/Unit Supply and/or Property Custodian	12	Files original of PAR per accountable officer/employee and Copy 3 of RIS. Forwards the original RIS to the Accounting Division/Unit.
Supply and/or Property Custodian	13	Records promptly the issuance of PPE in the PC maintained for each class of PPE.
Accounting Division/Unit Designated Staff	14	Receives original RIS from the Supply and/or Property Division/Unit. Prepares JEV to record the issuance of PPE.
PPELC Keeper	15	Records promptly the issuance of PPE in the PPELC maintained for each class of PPE.

**Sec. 46. Procedures in the Construction of PPE by administration**

<b>Area of Responsibility</b>	<b>Seq. No.</b>	<b>Activity</b>
Supply and/or Property Division/Unit, and/or Accounting Division/Unit	1	<p><b><u>Receipt, Inspection, Acceptance and Recording of Materials</u></b></p> <p>Follow the same procedures as prescribed under Sec. 15-Procedures in the Receipt, Inspection, Acceptance and Recording Deliveries of Inventory Items, Chapter 8-Inventory, except that the receipt of these materials shall be recognized as a debit to “Construction Materials Inventory” account.</p>
Supply and/or Property Division/Unit, and/or Accounting Division/Unit	2	<p><b><u>Requisition and Issue of Materials</u></b></p> <p>Follow the same procedures as prescribed under Sec. 16-Procedures in the Requisition and Issuance of Inventory Items, Chapter 8-Inventory, except that such shall be recognized as a debit to “Construction in Progress” and a credit to “Construction Materials Inventory”. Posts the issuance to the CIP Ledger Card.</p>
Supply and/or Property Division/Unit, and/or Accounting Division/Unit	3	<p><b><u>Payment of Direct Labor and Overhead Expenses</u></b></p> <p>Follow the same procedures as prescribed under Sec. 33-Procedures for Disbursements of Advances to Special Disbursing Officers, Chapter 6-Disbursements, except that such shall be recognized as a debit to “Construction in Progress” and a credit to appropriate asset or liability accounts. Posts the disbursements to the CIP Ledger Card (<i>Appendix 77</i>).</p> <p><i>Note 1</i> – Refer to Sec. 8(g) on Acquisition or Construction of PPE for the illustrative accounting entries for construction by administration.</p>
Supply and/or Property Division/Unit	3	<p><b><u>Upon Completion of the Project</u></b></p> <p>Based on the Project Management Team’s Certification of 100% Completion, assigns property number on the completed project and indicates the same on the Certificate of Acceptance (CAc).</p> <p>Forwards the Project Management Team’s Certification of 100% Completion and CAc to the Accounting Division/Unit.</p>
Accounting Division/Unit	4	<p>Prepares JEV to recognize in the books of accounts the completed project based on the Project Management Team’s Certification of 100% Completion and Final Acceptance.</p> <p><i>Note 2</i> – Upon completion of the project, the fair value less cost to sell of PPE purchased and used in the construction (e.g., motor</p>

Area of Responsibility	Seq. No.	Activity
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vehicles, computers, air conditioning units, etc.) shall be deducted from the total project cost and to be recognized in the appropriate PPE accounts.

#### **Sec. 47. Procedures in the Construction of PPE by contract**

Area of Responsibility	Seq. No.	Activity
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##### **Public Bidding**

Bids and Awards Committee	1	Conducts bidding in accordance with R.A. 9184.
Cash/Treasury Unit Collecting Officer/Cashier	2	Issues Official Receipt for Bidders' Bond payment. Follows the same procedures as prescribed under Sec. 40- Detailed Procedures for Collections and Deposits through the Collecting Officer, Chapter 5-Revenue and Other Receipts.
Bids and Awards Committee	3	Award the project to the bidder with Lowest Calculated Responsive Bid.
Head of the Agency/Entity	4	Signs the contract and forwards to the Accounting Division/Unit.
Accounting Division/Unit Chief Accountant/ Head of Accounting Division/Unit	5	Certifies the contract as to availability of funds. This may be done by stamping on the contract itself or by preparing a Certificate of Availability of Funds (CAF).
Budget Division/Unit Designated Staff	6	Prepares ORS for the entire contract price and attaches the signed contract and CAF.
Cash/Treasury Unit	7	Issues OR for the receipt of Performance Bond (cash bond). The amount of Performance Bond will be decreased by the amount paid for the Bidders' Bond. Follow the same procedures as prescribed under Sec. 40-Detailed Procedures for Collections and Deposits through the Collecting Officer, Chapter 5-Revenue and Other Receipts.
Accounting Division/Unit	8	Validates/Verifies the performance bond (non-cash bond) issued by the insurance company.
Project Management Unit and/or Supply and/or Property Unit	9	Prepares DV for the payment of mobilization fee. Attaches the bill of the creditor and copies of the contract, original ORS, abstract of bids, bidder's bond, notice to commence work, performance bond and blue print and other documents required under COA Circular No. 2012-001.

Area of Responsibility	Seq. No.	Activity
		For the procedures on disbursements, refer Chapter 6-Disbursements.
Accounting Division/Unit	10	Posts the disbursements in the appropriate CIPLC.  <i>Note 1</i> – All transactions pertaining to the construction including accounts payable shall be posted in the CIPLC.
		<b><u>Progress Billings</u></b>
Project Management Unit and/or Supply and/or Property Unit	11	Prepares DV for the progress billing received. Attaches the bill of the creditor, Project Management Team's Certification of Work Done and copy of the original ORS and other documents required under COA Circular No. 2012-001.
		<b><u>Final Billing</u></b>
Project Management Unit and/or Supply and/or Property Unit	12	Prepares DV for the progress billing received. Attaches the bill of the creditor, Project Management Team's Certification of 100% Completion and Final Acceptance, and copies of the contract, original ORS, performance bond, Statement of Work Accomplished duly Approved by the Head of the Procuring Entity and notice to commence work.
Project Management Unit and/or Supply and/or Property Unit	11	Prepares DV for the refund of Retention fee to the contractor. Attaches the bill of the creditor, Project Management Team's Certification of 100% Completion and Final Acceptance, and copies of the contract, original ORS, abstract of bids, bidder's bond, performance bond and notice to commence work.

**Sec. 48. Disclosure.** The financial statements shall have the following PPE disclosures:

- a. The financial statements shall disclose, for each class of PPE recognized in the financial statements:
  1. The measurement bases used for determining the gross carrying amount;
  2. The depreciation methods used;
  3. The useful lives or the depreciation rates used; and
  4. The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.
- b. A reconciliation of the carrying amount at the beginning and end of the period showing:
  1. Additions;

2. Disposals;
3. Acquisitions through entity combinations;
4. Increases or decreases and impairment losses;
5. Impairment losses recognized in surplus or deficit in accordance with PPSAS 21;
6. Depreciation;
7. Other changes; and
8. A reconciliation report shall be prepared using the following format:

**Reconciliations** (in thousand pesos)

Particulars	Land		Buildings		Machinery		Furniture and Fixtures	
	2015	2014	2015	2014	2015	2014	2015	2014
<i>Comparative Reporting Periods</i>								
Beginning Carrying Amount	2,025	2,025	2,090	2,260	1,085	1,100	200	150
Add : Additions	-	-	250	100	120	200	20	100
Total	2,025	2,025	2,340	2,360	1,205	1,300	220	250
Less : Disposals	-	-	(150)	(40)	(60)	(80)	(20)	-
Depreciation (As per Statement of Financial Performance)	-	-	(160)	(180)	(145)	(135)	(50)	(50)
Impairment Loss (As per Statement of Financial Performance)	-	-	(30)	(50)	-	-	-	-
Ending Carrying Amount (As per Statement of Financial Position)	<u>2,025</u>	<u>2,025</u>	<u>2,000</u>	<u>2,090</u>	<u>1,000</u>	<u>1,085</u>	<u>150</u>	<u>200</u>
Gross Cost (Asset Account Balance per Statement of Financial Position)	2,025	2,025	2,420	2,320	1,280	1,135	250	250
Less : Accumulated Depreciation Allowance for Impairment	-	-	(340) (80)	(180) (50)	(280)	(135)	(100)	(50)
Carrying Amount (As per Statement of Financial Position)	<u>2,025</u>	<u>2,025</u>	<u>2,000</u>	<u>2,090</u>	<u>1,000</u>	<u>1,085</u>	<u>150</u>	<u>200</u>

- c. The financial statements shall also disclose for each class of PPE recognized in the financial statements:
  1. The existence and amounts of restrictions on title, and PPE pledged as securities for liabilities;
  2. The amount of expenditures recognized in the carrying amount of an item of PPE in the course of its construction;
  3. The amount of contractual commitments for the acquisition of PPE; and
  4. If it is not disclosed separately on the face of the statement of financial performance, the amount of compensation from third parties for items of PPE that were impaired, lost or given up that is included in surplus or deficit.

- d. Agencies are encouraged to disclose the following using the data in the IIRUP:
1. The carrying amount of temporarily idle PPE;
  2. The gross carrying amount of any fully depreciated PPE that is still in use;
  3. The carrying amount of PPE retired from active use and held for disposal; and
  4. When the cost model is used, the fair value of PPE when this is materially different from the carrying amount.

## Chapter 11

### AGRICULTURE

**Sec. 1. Scope.** This Chapter provides standards, policies, procedures and guidelines on the recognition, measurement, presentation and disclosure requirements of agricultural activity prescribed under PPSAS 27, Agriculture. Agencies shall apply these policies on biological assets and agricultural produce at the point of harvest when they relate to agricultural activity except for land related to agricultural activity, intangible assets related to agricultural activity, and biological assets held for the supply of services.

**Sec. 2. Definition of Terms.** For the purpose of this Manual, the terms used as stated below shall be construed to mean as follows:

- a. *Agricultural Activity* – is the management by an entity of the biological transformation and harvest of biological assets for sale, including exchange or non-exchange transactions, or for conversion into agricultural produce, or into additional biological assets. (Par. 9, PPSAS 27)
- b. *Agricultural Produce* – is the harvested product of the entity's biological assets. (Par. 9, PPSAS 27)
- c. *Bearer Biological Assets* – are those biological assets that are used repeatedly or continuously for more than one year in an agricultural activity. Bearer biological assets are not agricultural produce but, rather, are self-regenerating. Example, livestock from which milk is produced, grape vines, fruit trees, and trees from which firewood is harvested while the tree remains. (Par. 40, PPSAS 27)
- d. *Biological Asset* – is a living animal or plant. (Par. 9, PPSAS 27)
- e. *Biological Transformation* – comprises the processes of growth, degeneration, production and procreation that cause qualitative or quantitative changes in a biological asset. (Par. 9, PPSAS 27)
- f. *Consumable Biological Assets* – are those that are held for harvest as agricultural produce or for sale or distribution at no charge or for a nominal charge as biological assets. Examples of consumable biological assets are animals and plants for one-time use such as livestock intended for the production of meat, livestock held for sale, fish in farms, crops such as maize and wheat, and trees being grown for lumber.
- g. *Costs to Sell* – are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes. (Par. 9, PPSAS 27)
- h. *Degeneration* – is a decrease in the quantity or deterioration in quality of an animal or plant. (Par. 11, PPSAS 27)
- i. *Group of Biological Assets* – is an aggregation of similar living animals or plants. (Par. 9, PPSAS 27)
- j. *Growth* – is an increase in quantity or improvement in quality of an animal or plant. (Par. 11, PPSAS 27)

- k. *Harvest* – is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.
- l. *Mature Biological Assets* – are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets). (*Par. 43, PPSAS 27*)
- m. *Procreation* – is the creation of additional living animals or plants. (*Par. 11, PPSAS 27*)

**Sec. 3. Examples of Biological Assets, Agricultural Produce and Products.** The following are examples of biological assets, agricultural produce and products that are the result of processing after harvest.

<u>Biological assets</u>	<u>Agricultural produce</u>	<u>Products that are the result of processing after harvest</u>
Trees in a plantation forest	Felled trees Coconut fruit (mature) Coconut fruit (young) Coconut husk Coconut trunks	Logs, Lumber Coconut oil Coconut juice Bunot Coco lumber
Plants	Rice Harvested cane Corn Cotton Cassava	Rice Flour Sugar Corn Flour, Corn Starch Thread, Clothing Cassava Flour
Dairy cattle	Milk	Cheese
Sheep	Wool	Yarn, Carpet
Pigs	Carcass	Sausages, Cured hams
Bushes	Leaf	Tea, Cured tobacco
Vines	Grapes	Wine
Fruit trees	Picked fruit	Processed fruit

**Sec. 4. Agricultural Activity.** It covers a diverse range of activities; for example, raising livestock, forestry, annual or perennial cropping, cultivating orchards and plantations, floriculture, and aquaculture (including fish farming). The following are certain common features that exist within this diversity:

- a. *Capability to change.* Living animals and plants are capable of biological transformation;
- b. *Management of change.* Management facilitates biological transformation by enhancing, or at least stabilizing, conditions necessary for the process to take place (for example, nutrient levels, moisture, temperature, fertility, and light). Such management distinguishes agricultural activity from other activities. For example, harvesting from unmanaged sources (such as ocean fishing and deforestation) is not agricultural activity; and
- c. *Measurement of change.* The change in quality (for example, genetic merit, density, ripeness, fat cover, protein content, and fiber strength) or quantity (for example, progeny, weight, cubic meters, fiber length or diameter, and number of buds) brought about by biological transformation or harvest is measured and monitored as a routine management function.



**Sec. 5. Biological Transformation.** Biological transformation results in the following types of outcomes:

- a. Asset changes through:
  1. Growth (an increase in quantity or improvement in quality of an animal or plant),
  2. Degeneration (a decrease in the quantity or deterioration in quality of an animal or plant), or
  3. Procreation (creation of additional living animals or plants); or
- b. Production of agricultural produce such as latex, tea leaf, wool, and milk.

**Sec. 6. Recognition.** An entity shall recognize a biological asset or agricultural produce when and only when:

- a. The entity controls the asset as a result of past events;

In agricultural activity, control may be evidenced by, for example, legal ownership of cattle and the branding or otherwise marking of the cattle on acquisition, birth, or weaning.

- b. It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and

The future benefits or service potential are normally assessed by measuring the significant physical attributes.

- c. The fair value or cost of the asset can be measured reliably. (*Par. 13, PPSAS 27*)

**Sec. 7. Measurement.** A biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell, except where market-determined prices or values are not available, and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. (*Pars. 16 and 34, PPSAS 27*)

In determining cost, accumulated depreciation and accumulated impairment losses, an entity considers policies on Inventories, Property, Plant and Equipment, Impairment of Non-Cash-Generating Assets and Impairment of Cash-Generating Assets. (*Par. 37, PPSAS 27*)

In all cases, agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying PPSAS 12-Inventories or another applicable Standard. (*Par. 18, PPSAS 27*)

**Sec. 8. Determination of Fair Value.** The following are the basis for determining the fair value of a biological asset or agricultural produce:

- a. The determination of fair value for a biological asset or agricultural produce may be facilitated by grouping biological assets or agricultural produce according to significant attributes; for example, by age or quality. An entity selects the attributes corresponding to the attributes used in the market as a basis for pricing. (*Par. 19, PPSAS 27*)

- b. When entities enter into contracts to sell their biological assets or agricultural produce at a future date, the fair value of a biological asset or agricultural produce is not adjusted because of the existence of a contract. (*Par. 20, PPSAS 27*)
- c. If an active market exists for a biological asset or agricultural produce in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an entity has access to different active markets, the entity uses the most relevant one. For example, if an entity has access to two active markets, it would use the price existing in the market expected to be used. (*Par. 21, PPSAS 27*)
- d. The fair value of an asset is based on its present location and condition. As a result, for example, the fair value of cattle at a farm is the price for the cattle in the relevant market less the transport and other costs of getting the cattle to that market or to the location where it will be distributed at no charge or for a nominal charge. (*Par. 14, PPSAS 27*)
- e. If an active market does not exist, an entity uses one or more of the following, when available, in determining fair value:
  - 1. The most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the reporting date;
  - 2. Market prices for similar assets with adjustment to reflect differences; and
  - 3. Sector benchmarks such as the value of an orchard expressed per export tray, bushel, or hectare, and the value of cattle expressed per kilogram of meat. (*Par. 22, PPSAS 27*)
- f. In some cases, the information sources listed in letter (e) may suggest different conclusions as to the fair value of a biological asset or agricultural produce. An entity considers the reasons for those differences, in order to arrive at the most reliable estimate of fair value within a relatively narrow range of reasonable estimates. (*Par. 23, PPSAS 27*)
- g. In some circumstances, market-determined prices or values may not be available for a biological asset in its present condition. In these circumstances, an entity uses the present value of expected net cash flows from the asset discounted at a current market-determined rate in determining fair value. (*Par. 24, PPSAS 27*)
- h. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition. An entity considers this in determining an appropriate discount rate to be used and in estimating expected net cash flows. In determining the present value of expected net cash flows, an entity includes the net cash flows that market participants would expect the asset to generate in its most relevant market. (*Par. 25, PPSAS 27*)
- i. An entity does not include any cash flows for financing the assets, taxation, or re-establishing biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest). (*Par. 26, PPSAS 27*)
- j. In agreeing an arm's length transaction price, knowledgeable, willing buyers and sellers consider the possibility of variations in cash flows. It follows that fair value reflects the possibility of such variations. Accordingly, an entity incorporates

expectations about possible variations in cash flows into either the expected cash flows, or the discount rate, or some combination of the two. In determining a discount rate, an entity uses assumptions consistent with those used in estimating the expected cash flows, to avoid the effect of some assumptions being double-counted or ignored. (*Par. 27, PPSAS 27*)

- k. Cost may sometimes approximate fair value, particularly when:
  - 1. Little biological transformation has taken place since initial cost incurrence (for example, for fruit tree seedlings planted immediately prior to reporting date); or
  - 2. The impact of the biological transformation on price is not expected to be material (for example, for the initial growth in a 30-year pine plantation production cycle). (*Par. 28, PPSAS 27*)
- l. Biological assets are often physically attached to land (for example, trees in a plantation forest). There may be no separate market for biological assets that are attached to the land but an active market may exist for the combined assets, that is, for the biological assets, raw land, and land improvements, as a package. An entity may use information regarding the combined assets to determine fair value for the biological assets. For example, the fair value of raw land and land improvements may be deducted from the fair value of the combined assets to arrive at the fair value of biological assets. (*Par. 29, PPSAS 27*)
- m. An entity that has previously measured a biological asset at its fair value less costs to sell continues to measure the biological asset at its fair value less costs to sell until disposal. (*Par. 35, PPSAS 27*)

**Sec. 9. Gain or Loss.** A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in surplus or deficit for the period in which it arises. Likewise, a gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in surplus or deficit for the period in which it arises. (*Pars. 30 & 32, PPSAS 27*)

**Sec. 10. Disclosure.** The financial statements shall have the following disclosures on biological assets and agricultural produce:

- a. An entity shall disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets. (*Par. 38, PPSAS 27*)
- b. An entity shall provide a description of each group of biological assets, distinguishing between consumable and bearer biological assets and between biological assets held for sale and those held for distribution at no charge or for a nominal charge.
- c. An entity shall distinguish between mature and immature biological assets, as appropriate. These distinctions provide information that may be helpful in assessing the timing of future cash flows and service potential. An entity discloses the basis for making any such distinctions. (*Par. 42, PPSAS 27*)
- d. If not disclosed elsewhere in information published with the financial statements, an entity shall describe:
  - 1. The nature of its activities involving each group of biological assets; and
  - 2. Non-financial measures or estimates of the physical quantities of:

- i. Each group of the entity's biological assets at the end of the period; and
  - ii. Output of agricultural produce during the period. (*Par. 44, PPSAS 27*)
- e. An entity shall disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological assets. (*Par. 45, PPSAS 27*)
- f. An entity shall disclose the fair value less costs to sell of agricultural produce harvested during the period, determined at the point of harvest. (*Par. 46, PPSAS 27*)
- g. An entity shall disclose:
  - 1. The existence and carrying amounts of biological assets whose title is restricted, and the carrying amounts of biological assets pledged as security for liabilities;
  - 2. The nature and extent of restriction on the entity's use or capacity to sell biological assets;
  - 3. The amount of commitments for the development or acquisition of biological assets; and
  - 4. Financial risk management strategies related to agricultural activity. (*Par. 47, PPSAS 27*)
- h. An entity shall present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include:
  - 1. The gain or loss arising from changes in fair value less costs to sell, disclosed separately for bearer biological assets and consumable biological assets;
  - 2. Increases due to purchases;
  - 3. Increases due to assets acquired through a non-exchange transaction;
  - 4. Decreases attributable to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with the relevant international or national standard dealing with non-current assets held for sale and discontinued operations;
  - 5. Decreases due to distributions at no charge or for a nominal charge;
  - 6. Decreases due to harvest;
  - 7. Increases resulting from entity combinations;
  - 8. Net exchange differences arising on the translation of financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity; and
  - 9. Other changes. (*Par. 48, PPSAS 27*)

- i. An entity shall disclose, by group or otherwise, the amount of change in fair value less costs to sell included in surplus or deficit due to physical changes and price changes. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year. This information is generally less useful when the production cycle is less than one year (for example, when raising chickens or growing cereal crops).
- j. Additional disclosures for biological assets where fair value cannot be measured reliably
  1. If an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses at the end of the period, the entity shall disclose for such biological assets:
    - i. A description of the biological assets;
    - ii. An explanation of why fair value cannot be measured reliably;
    - iii. If possible, the range of estimates within which fair value is highly likely to lie;
    - iv. The depreciation method used;
    - v. The useful lives or the depreciation rates used; and
    - vi. The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period. (*Par. 52, PPSAS 27*)
  2. If, during the current period, an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses, an entity shall disclose any gain or loss recognized on disposal of such biological assets and the reconciliation shall disclose amounts related to such biological assets separately. In addition, the reconciliation shall include the following amounts included in surplus or deficit related to those biological assets: (*Par. 53, PPSAS 27*)
    - i. Impairment losses;
    - ii. Reversals of impairment losses; and
    - iii. Depreciation.
  3. If the fair value of biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment losses becomes reliably measurable during the current period, an entity shall disclose for those biological assets:
    - i. A description of the biological assets;
    - ii. An explanation of why fair value has become reliably measurable; and
    - iii. The effect of the change. (*Par. 54, PPSAS 27*)

**Sec. 11. Narrative Procedures.** The procedures of the acquisition and recognition of biological assets are as follows:

a. Acquisition of biological assets

Area of Responsibility	Seq. No.	Activity
Biological Asset's Caretaker/Officer-in-charge	1	Upon receipt of biological asset and based on the approved IAR, Delivery Receipt and other supporting documents, records the biological asset in the Biological Assets Property Card (BAPC) ( <i>Appendix 78</i> ).
	2	Submit copies of the approved IAR with the required supporting documents to the Accounting Division/Unit.
Accounting Division/Unit Accountant/Bookkeeper	3	Prepare JEV to recognize the receipt of the biological asset. (Refer to Sec. 12-Illustrative Accounting Entries of this Chapter)
	4	Post the appropriate accounts in the GJ, GL and SL for biological assets.  (Refer to Sec. 55, Chapter 19-Financial Reporting)

b. Recognition of gain or loss due to physical change

Area of Responsibility	Seq. No.	Activity
Biological Asset's Caretaker/Responsible Person	1	Prepare Quarterly Report of Biological Assets (QRBA) ( <i>Appendix 79</i> ) containing, among others, the balances at the beginning of the quarter and the changes in fair value of the biological assets due to physical changes such as: a) growth, b) degeneration, c) production, and d) procreation.
	2	Submit the QRBA to the Accounting Division/Unit.
Accounting Division/Unit Accountant/Bookkeeper	3	Prepare JEV to recognize the gain or loss on fair value of the biological asset due to physical changes. (Refer to Sec. 12-Illustrative Accounting Entries of this Chapter)
	4	Post the appropriate accounts in the GJ, GL and SL for biological assets.  (Refer to Sec. 55, Chapter 19-Financial Reporting)

c. Recognition of gain or loss due to price changes

Area of Responsibility	Seq. No.	Activity
Biological Asset's Caretaker/Responsible Person	1	Regularly, gather data on current fair value of the biological assets and post in the respective individual BAPC.
	2	Prepare QRBA containing, among others, the balances at the beginning of the quarter and the changes in fair value of the biological assets due to price changes
	3	Submit to the Accounting Division/Unit the QRBA with the table of current fair values of biological assets.
Accounting Division/Unit Accountant/Bookkeeper	4	Prepare JEV to recognize the gain or loss on fair value of the biological asset. (Refer to Sec. 12-Illustrative Accounting Entries of this Chapter)
	5	Post the appropriate accounts in the GJ, GL and SL for biological assets. (Refer to Sec. 55, Chapter 19-Financial Reporting)

**Sec. 12. Illustrative Accounting Entries.** The illustrative accounting entries as well as sample financial statement presentation and disclosures are shown below.

Assume that the CY 2015 transactions of Entity A for revolving fund/income generating project are as follows:

Balances as at January 1, 2015:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash in Bank-Local Currency, Current Account	10102020	₱75,000	
Accumulated Surplus/(Deficit)	30101010		₱75,000

Transactions made during the year are the following:

Date	Transactions
January 1, 2015	Purchased five 2-year old breeding stocks with FV less cost to sell of ₱5,000 each.
	Purchased feeds and other agricultural supplies amounting to ₱2,000.
	Issued feeds and other agricultural supplies to the caretaker.
July 1, 2015	Born 10 breeding stocks with FV less cost to sell of ₱2,000 each
	Purchased two 2-year old breeding stocks at fair value less cost to sell as at date

Date	Transactions
	Purchased feeds and other agricultural supplies amounting to ₱8000
December 31, 2015	Born three breeding stocks with FV less cost to sell of ₱2,100
	Sold one 3-year old breeding stock at ₱5,600
	Paid salaries of caretaker - ₱6,000
	Purchased feeds and agricultural supplies for stock - ₱10,000

The fair values of breeding stocks are as follows:

<u>Date</u>	<u>Age</u>	<u>FV</u>
January 1, 2015	2	₱5,000
July 1, 2015	Newborn	2,000
	0.5	2,000
	2	5,100
	2.5	5,200
	3	5,500
December 31, 2015	Newborn	2,100
	0.5	2,150
	2	5,200
	2.5	5,400
	3	5,700

a. The following entries shall be made:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>January 1, 2015</u>			
Breeding Stocks	10701010	₱5,000	
Cash in Bank-Local Currency,			
Current Account	10102020		₱5,000
To recognize purchase of five 2-year old breeding stocks at ₱1,000 each			
Agricultural and Marine Supplies			
Inventory	10404090	₱2,000	
Cash in Bank-Local Currency,			
Current Account	10102020		₱2,000
To recognize purchase of feeds and other agricultural supplies			
Agricultural and Marine Supplies			
Expenses	50203100	₱2,000	
Agricultural and Marine			
Supplies Inventory	10404090		₱2,000
To recognize issue of feeds and other agricultural supplies to the caretaker			



<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>July 1, 2015</u>			
Breeding Stocks	10701010	₱20,000	
Gain on Initial Recognition of Biological Assets	40501050		₱20,000
To recognize the ten new born breeding stocks with FV less cost to sell at ₱2,000 each			
Breeding Stocks	10701010	₱10,200	
Cash in Bank-Local Currency, Current Account	10102020		₱10,200
To recognize purchase of two breeding stocks with FV less cost to sell at ₱5,100 each			
Agricultural and Marine Supplies Inventory	10404090	₱18,000	
Cash in Bank-Local Currency, Current Account	10102020		₱18,000
To recognize purchase of feeds and other agricultural supplies			
<u>December 31, 2015</u>			
Breeding Stocks	10701010	₱6,300	
Gain from Changes in Fair Value Less Cost to Sell of Biological Assets Due to Physical Change	40501070		₱6,300
To recognize the three new born breeding stocks at ₱2,100 each			
Breeding Stocks	10701010	₱5,600	
Gain from Changes in Fair Value Less Cost to Sell of Biological Assets Due to Physical Change	40501070		₱3,400
Gain from Changes in Fair Value Less Cost to Sell of Biological Assets Due to Price Change	40501080		2,200
To recognize the increase in fair value of the breeding stocks (See computation in the reconciliation)			
Cash-Collecting Officers	10101010	₱5,600	
Loss on Sale of Biological Assets	50504050	100	
Breeding Stocks	10701010		₱5,700
To recognize the sale of one 3-year old breeding stock			
Salaries and Wages-Casual/ Contractual	50101020	₱6,000	
Cash in Bank-Local Currency, Current Account	10102020		₱6,000
To recognize payment of salaries of caretaker			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Agricultural and Marine Supplies Inventory	10404090	₱10,000	
Cash in Bank-Local Currency, Current Account	10102020		₱10,000
To recognize purchase of feeds and other agricultural supplies for stock			

b. The following closing entries shall be made:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Gain from Changes in Fair Value Less Cost to Sell of Biological Assets Due to Physical Change	40501070	₱29,700	
Gain from Changes in Fair Value Less Cost to Sell of Biological Assets Due to Price Change	40501080	2,200	
Loss on Sale of Biological Assets	50504050		₱ 100
Revenue and Expense Summary	30301010		31,800
To close gain and loss accounts			
Revenue and Expense Summary	30301010	₱8,000	
Salaries and Wages-Casual/ Contractual	50101020		₱2,000
Agricultural and Marine Supplies Inventory	10404090		6,000
To close expense accounts			
Revenue and Expense Summary	30301010	₱23,800	
Accumulated Surplus/(Deficit)	30101010		₱23,800
To close Revenue and Expense Summary account to Accumulated Surplus/(Deficit) account			

**Sec. 13. Financial Statements and Reconciliation Statements.** The following are the FS and reconciliations that shall be prepared:

a. Statement of Financial Position

Entity A Statement of Financial Position As at December 31, 2015			
<b>ASSETS</b>			
Cash in Bank-LCCA		₱ 3,800	
Cash-Collecting Officer		<u>5,600</u>	
Total			₱ 9,400
Inventories			
Agricultural and Marine Supplies Inventory			28,000
Biological Assets			
Breeding Stocks			<u>61,400</u>
<b>TOTAL ASSETS</b>			<b>₱ 98,800</b>

# LIABILITIES AND NET ASSETS/EQUITY

Net Assets/Equity	
Accumulated Surplus/(Deficit)	<u>98,800</u>

TOTAL LIABILITIES AND NET ASSETS/EQUITY ₹ 98,800

## b. Statement of Financial Performance

### Entity A Statement of Financial Performance For the Year Ended December 31, 2015

Revenue		
Gain from Changes in Fair Value Less Cost to Sell of Breeding Stocks	₹ 31,900	
Loss on Sale of Biological Assets	<u>(100)</u>	
Total Revenue		₹ 31,800
Less: Expenses		
Salaries and Wages – Casual/Contractual	6,000	
Agricultural and Marine Supplies Expenses	<u>2,000</u>	
Total Expenses		<u>8,000</u>
Surplus (Deficit) for the Period		<u>₹ 23,800</u>

## c. Reconciliation of Carrying Amount of Breeding Stock

### Entity A Reconciliation of the Carrying Amount of Breeding Stocks As at December 31, 2015

Carrying Amount as at January 1, 2015	₹	0
Increases due to purchases		35,200
Gain arising from changes in fair value less costs to sell attributable to physical changes	<i>Note 1</i>	29,700
Gain arising from changes in fair value less costs to sell attributable to price changes	<i>Note 2</i>	2,200
Decreases due to sales		<u>(5,700)</u>
Carrying amount at December 31, 2015		<u>₹ 61,400</u>

*Note 1: Due to Physical Change*

<u>Date Recognized</u>	<u>Qty.</u>	<u>CAFV <sup>1</sup></u>	<u>PAFV <sup>2</sup></u>	<u>Difference</u>	<u>Amount</u>
July 1, 2015					
newborn	10		2,000	2,000	₹ 20,000
Dec. 31, 2015					
newborn	3		2,100	2,100	6,300
0.5 years old	10	2,150	2,100	500	500

2.5 years old	2	5,400	5,200	200	400
3 years old	5	5,700	5,200	500	<u>2,500</u>
					<u><u>₱ 29,700</u></u>

*Note 2: Due to Price Change*

<u>Date Recognized</u>	<u>Qty.</u>	<u>CFV</u> <sup>3</sup>	<u>PFV</u> <sup>4</sup>	<u>Difference</u>	<u>Amount</u>
Dec. 31, 2015					
0.5 years old	10	2,100	2,000	100	₱ 1,000
2.5 years old	2	5,200	5,100	100	200
3 years old	5	5,200	5,000	200	<u>1,000</u>
					<u><u>₱ 2,200</u></u>

<sup>1</sup> CAFV – Current Age Fair Value

<sup>2</sup> PAFV – Previous Age Fair Value

<sup>3</sup> CFV– Current Fair Value - FV of the Breeding Stocks of the same age when the breeding stocks were recognized

<sup>4</sup> PFV – Previous Fair Value - FV of the breeding stocks on the previous recognition date

## Chapter 12

### INTANGIBLE ASSETS

**Sec. 1. Scope.** This Chapter covers accounting treatment, recognition, measurement, as well as, the presentation and disclosure requirements in reporting intangible assets.

**Sec. 2. Definitions.** For the purpose of this Manual, the terms used as stated below shall be construed to mean as follows:

- a. *Active Market* – is a market in which all the following conditions exist:
  - 1. the items traded in the market are homogeneous,
  - 2. willing buyers and sellers can normally be found at any time; and
  - 3. prices are available to the public.
- b. *Amortization* – is the systematic allocation of the depreciable amount of an intangible asset over its useful life.
- c. *Development* – is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems, or services before the start of commercial production or use.
- d. *Intangible Assets* – are identifiable non-monetary asset without physical substance.
- e. *Intangible Heritage Assets* – are intangible assets which displayed the following characteristics:
  - 1. Their value in cultural, environmental and historical terms is unlikely to be fully reflected in a financial value based purely on a market price;
  - 2. Legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale;
  - 3. Their value may increase over time; and
  - 4. It may be difficult to estimate their useful lives, which in some cases could be several hundred years.
- f. *Research* – is original and planned investigation undertaken with the prospect of gaining new scientific and technical knowledge and understanding.

**Sec. 3. Nature of Intangible Asset.** To qualify as intangible asset, an item must possess the following elements: identifiability, control over a resource and existence of future economic benefits or service potential.

- a. Identifiability – an intangible asset is identifiable when it:
  - 1. is separable, i.e., capable of being separated and divided from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a

related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or

2. arises from binding arrangements including contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. (*Par. 19, PPSAS 31*)
- b. Control over a resource – an entity controls an asset if it has the power to obtain the future economic benefits or service potential flowing from the underlying resource and to restrict the access of others to those benefits or that service potential. The capacity of an entity to control the future economic benefits or service potential from an intangible asset would normally stem from legal rights that are enforceable in a court of law. However, legal enforceability of a right is not a necessary condition for control because an entity may be able to control the future economic benefits or service potential in some other way. (*Par. 21, PPSAS 31*)
- c. Existence of future economic benefits or service potential – the future economic benefits or service potential flowing from an intangible asset may include revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity. For example, the use of intellectual property in a production or service process may reduce future production or service costs or improve service delivery rather than increase future revenues (e.g., an on-line system that allows citizens to apply or renew licenses more quickly on-line, resulting in a reduction in office staff required to perform this function while increasing the speed of processing). (*Par. 25, PPSAS 31*)

Common examples of intangible assets are computer software, patents, copyrights, franchise, motion picture films, trademarks or brand names, licenses, acquired import quotas, lists of users of a service, and relationships with users of a service.

**Sec. 4. Recognition of Intangible Asset.** An intangible asset shall be recognized if, and only if:

- a. It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- b. The cost or fair value of the asset can be measured reliably. (*Par. 28, PPSAS 31*)

An entity shall assess the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. (*Par. 29, PPSAS 31*)

**Sec. 5. Measurement of an Intangible Asset.** An intangible asset shall be measured initially at cost. If an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition shall be measured at its fair value as at that date. (*Par. 31, PPSAS 31*)

**Sec. 6. Acquisition of Intangible Assets.** Intangible assets can be acquired (a) by separate purchase or acquisition, (b) as part of a business or entity combination, (c) through a non-exchange transaction, (d) by exchanges of assets, or (e) by self-creation (internal generation).

- a. Separate Purchase or Acquisition – the cost of a separately acquired intangible asset comprises:

1. its purchase price, including import duties and non-refundable taxes, after deducting trade discounts and rebates; and
2. any directly attributable cost of preparing the asset for its intended use, such as costs of employee benefits and professional fees arising directly from bringing the asset to its working condition, and costs of testing whether the asset is functioning properly. (*Pars. 34 and 35, PPSAS 31*)

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment. (*Par. 39, PPSAS 31*)

Examples of expenditures that are not part of the cost of an intangible asset are:

1. Costs of introducing a new product or service (including costs of advertising and promotional activities);
  2. Costs of conducting operations in a new location or with a new class of users of a service (including costs of staff training); and
  3. Administration and other general overhead costs.
- b. Entity Combination – intangible assets acquired in an entity combination shall be measured at its fair value on the date of acquisition.
  - c. Non-Exchange Transactions – intangible asset acquired free of charge or for nominal consideration, through a non-exchange transaction, shall be initially recognized at fair value at the date it is acquired.
  - d. Exchanges of Assets – the cost of such an intangible asset acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets is measured at fair value unless the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired asset is measured in this way even if an entity cannot immediately derecognize the asset given up. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.
  - e. Internal Generation – to assess whether an internally generated intangible asset meets the criteria for recognition, an entity classifies the generation of the asset into: (a) research phase; and (b) development phase.
    1. If an entity cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the entity treats the expenditure on that project as if it were incurred in the research phase only. (*Pars. 50-51, PPSAS 31*)
    2. No intangible asset arising from research (or from the research phase of an internal project) shall be recognized. Expenditure on research (or on the research phase of an internal project) shall be recognized as an expense when it is incurred. Examples of research activities are:
      - i. Activities aimed at obtaining new knowledge;

- ii. The search for, evaluation and final selection of, applications of research findings or other knowledge;
  - iii. The search for alternatives for materials, devices, products, processes, systems or services; and
  - iv. The formulation, design, evaluation, and final selection of possible alternatives for new or improved materials, devices, products, processes, systems, or services. (*Pars. 52 and 54, PPSAS 31*)
3. An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, an entity can demonstrate all of the following:
- i. The technical feasibility of completing the intangible asset so that it will be available for use or sale;
  - ii. Its intention to complete the intangible asset and use or sell it;
  - iii. Its ability to use or sell the intangible asset;
  - iv. How the intangible asset will generate probable future economic benefits or service potential. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
  - v. The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
  - vi. Its ability to measure reliably the expenditure attributable to the intangible asset during its development. (*Par. 55, PPSAS 31*)
4. Internally generated brands, mastheads, publishing titles, lists of users of a service, and items similar in substance shall not be recognized as intangible assets since these cannot be distinguished from the cost of developing the entity's operations as a whole. (*Par. 61, PPSAS 31*)
5. The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria. Reinstatement of expenditure previously recognized as an expense is prohibited.
6. The following are not components of the cost of an internally generated intangible asset:
- i. Selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to preparing the asset for use;
  - ii. Identified inefficiencies and initial operating deficits incurred before the asset achieves planned performance; and
  - iii. Expenditure on training staff to operate the asset. (*Par. 65, PPSAS 31*)



**Sec. 7. Recognition of an Expense.** Expenditure on an intangible item shall be recognized as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. Expenditure on an intangible item that was initially recognized as an expense shall not be recognized as part of the cost of an intangible asset at a later date. (*Par 70, PPSAS 31*)

**Sec. 8. Measurement after Initial Recognition.** After initial recognition, intangible assets should be carried at its cost less any accumulated amortization and any accumulated impairment losses.

**Sec. 9. Useful Life.** Intangible assets are classified as having: (a) Indefinite life – no foreseeable limit to the period over which the asset is expected to generate net cash inflows for, or provides service potential to, the entity; and (b) Finite life – a limited period of benefit to the entity.

- a. An intangible asset with a finite useful life is amortized on a straight line method while an intangible asset with an indefinite useful life is not. (*Par. 88, PPSAS 31*)
- b. The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. As a guideline, the finite useful life of intangible assets shall be 2 to 10 years. Amortization shall begin when the asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortization shall cease at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale). (*Par. 96, PPSAS 31*)

**Sec. 10. Residual Value.** The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless:

- a. There is a commitment by a third party to acquire the asset at the end of its useful life; or
- b. There is an active market for the asset, and: (1) residual value can be determined by reference to that market; and (2) it is probable that such a market will exist at the end of the asset's useful life.

**Sec. 11. Amortization of Intangible Assets.** The amortization period and amortization method for an intangible asset with a finite useful life shall be reviewed at least at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortization period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortization method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with PPSAS 3.

Amortization of an intangible asset with a finite useful life does not cease when the intangible asset is no longer used, unless the asset has been fully depreciated or is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations.

An intangible asset with an indefinite useful life shall not be amortized.

**Sec. 12. Subsequent Expenditure.** Subsequent expenditure on an intangible asset shall be recognized as an expense when it is incurred, unless it is probable that this expenditure will

enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and the expenditure can be measured and attributed to the asset reliably.

**Sec. 13. Impairment.** An entity is required to test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment by comparing its recoverable service amount or its recoverable amount, as appropriate, with its carrying amount: (a) annually; and (b) whenever there is an indication that the intangible asset may be impaired.

An entity shall assess intangible assets with definite useful life at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount or the recoverable amount of the asset.

The procedures in determining the amount of impairment loss and reversal for cash generating assets, if any, are provided in Sections 17 and 18, respectively, of Chapter 9-Investment Property of this Manual.

The procedures in determining the amount of impairment loss and reversal for non-cash generating assets, if any, are provided in Chapter 10-Property, Plant and Equipment of this Manual.

**Sec. 14. Derecognition.** An intangible asset shall be derecognized (a) on disposals (including disposal through a non-exchange transaction); or (b) when no future economic benefits or service potential are expected from its use or disposal.

If, in accordance with the recognition principle in Sec. 4 of this Chapter, an entity recognizes in the carrying amount of an asset the cost of a replacement for part of an intangible asset, then it derecognizes the carrying amount of the replaced part. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or internally generated.

The consideration receivable on disposal of an intangible asset is recognized initially at its fair value. If payment for the intangible asset is deferred, the consideration received is recognized initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognized as interest revenue in accordance with PPSAS 9-Revenue from Exchange Transactions reflecting the effective yield on the receivable.

**Sec. 15. Gain or Loss arising from Derecognition.** The gain or loss arising from derecognition (eliminated from statement of financial position) of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognized in surplus or deficit when the asset is derecognized. Gains shall be classified as revenue.

**Sec. 16. Disclosure.** For each class of intangible asset, distinguishing between internally generated intangible assets and other intangible assets, an entity shall disclose the following:

- a. Whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortization rates used;
- b. The amortization method used, which is straight line method, for intangible assets with finite useful lives;
- c. The gross carrying amount, any accumulated amortization and any accumulated

- impairment losses at the beginning and end of the period;
- d. The line item(s) of the statement of financial performance in which any amortization of intangible assets is included;
  - e. A reconciliation of the carrying amount at the beginning and end of the period showing:
    - 1. Additions, indicating separately those from those internal development, those acquired separately;
    - 2. Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations and other disposals;
    - 3. Impairment losses recognized in surplus or deficit during the period (if any);
    - 4. Impairment losses reversed in surplus or deficit during the period (if any);
    - 5. Any amortization recognized during the period; and
    - 6. Other changes in the carrying amount during the period.
  - f. For an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life;
  - g. A description, the carrying amount, and remaining amortization period of any individual intangible asset that is material to the entity's financial statements;
  - h. For intangible assets acquired through a non-exchange transaction and initially recognized at fair value:
    - 1. The fair value initially recognized for these assets; and
    - 2. Their carrying amount.
  - i. The existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities;
  - j. The amount of contractual commitments for the acquisition of intangible assets;
  - k. The aggregate amount of research and development expenditure recognized as an expense during the period;
  - l. An entity that recognized intangible heritage assets is not required to apply the measurement requirements of this chapter but must apply the following disclosure requirements:
    - 1. The measurement basis used;
    - 2. The amortization method used, if any;
    - 3. The gross carrying amount;

4. The accumulated amortization at the end of the period, if any; and
  5. A reconciliation of the carrying amount at the beginning and end of the period showing certain components thereof.
- m. An entity is encouraged, but not required, to disclose the following information:
1. A description of any fully amortized intangible asset that is still in use; and
  2. A brief description of significant intangible assets controlled by the entity but not recognized as assets because they did not meet the recognition criteria in this Chapter.

**Sec. 17. Illustrative Accounting Entries.** The following are the illustrative accounting entries of a purchased software transactions:

a. Purchase of Intangible Assets

Example: An entity spent ₱5,600,000 (inclusive of VAT) in acquiring its new software package from outside party at the beginning of the year. Such software shall be installed and used to speed up processing the entity's operations. The useful life of the software is determined to be 10 years and no residual value was assigned to it.

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Computer Software	10801020	₱ 5,600,000	
Due to BIR	20201010		₱ 350,000
Cash-Modified Disbursement			
System (MDS), Regular	10104040		5,250,000
To recognize the purchase of the software package			

b. Amortization at the end of the first year

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Amortization-Intangible Assets	50502010	₱ 1,120,000	
Accumulated Amortization-			
Computer Software	10801021		₱ 1,120,000
To recognize the amortization of the software at the end of the first year (₱5,600,000/5 years = ₱1,120,000)			

c. Impairment Loss

Computer Software	
(with estimated useful life of 5 years)	₱5,600,000
Accumulated Amortization-Computer Software	
(for 3 years)	<u>3,360,000</u>
Carrying Amount	<u>₱2,240,000</u>
Fair Value (net of cost to sell) of Computer Software	<u>₱2,200,000</u>
Value in Use	<u>₱2,000,000</u>

Computation of impairment loss:	
Carrying Amount	₱2,240,000
Less: Recoverable amount (Fair Value)	<u>2,200,000</u>
Impairment Loss	<u>₱ 40,000</u>

The accounting entry to recognize impairment loss is as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Impairment Loss-Intangible Assets			
<i>Computer Software-02</i>	50503110	₱40,000	
Accumulated Impairment Losses- Computer Software	10801012		₱40,000
To recognize impairment loss of the computer software			

## Chapter 13

### LEASES

**Sec. 1. Scope.** This Chapter covers the accounting standards and policies involving transactions on leases, except for agreements or contracts for services that do not transfer the right to use assets from one contracting party to the other. The herein discussion will involve standards on recognition, initial and subsequent measurement of leased assets and the disclosure requirements prescribed under PPSAS 13-Leases.

**Sec. 2. Definition of Terms.** For the purpose of this Manual, the terms used shall be construed to mean as follows:

- a. *Commencement of the lease term* – is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e., the recognition of the assets, liabilities, revenue, or expenses resulting from the lease, as appropriate).
- b. *Contingent rent* – is that portion of the lease payments that is not fixed in amount, but is based on the future amount of a factor that changes other than with the passage of time (e.g., percentage of future sales, amount of future use, future price indices, future market rates of interest).
- c. *Economic life* – is either:
  - 1. The period over which an asset is expected to yield economic benefits or service potential to one or more users; or
  - 2. The number of production or similar units expected to be obtained from the asset by one or more users.
- d. *Finance lease* – is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.
- e. *Gross investment in the lease* – is the aggregate of:
  - 1. The minimum lease payments receivable by the lessor under a finance lease; and
  - 2. Any unguaranteed residual value accruing to the lessor.
- f. *Guaranteed residual value* – is:
  - 1. For a lessee, that part of the residual value that is guaranteed by the lessee, or by a party related to the lessee (the amount of the guarantee being the maximum amount that could, in any event, become payable); and
  - 2. For a lessor, that part of the residual value that is guaranteed by the lessee, or by a third party unrelated to the lessor that is financially capable of discharging the obligation under the guarantee.

- g. *Inception of the lease* – is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. As at this date:
  - 1. A lease is classified as either an operating or a finance lease; and
  - 2. In the case of a finance lease, the amounts to be recognized at the commencement of the lease term are determined.
- h. *Initial direct costs* – are incremental costs that are directly attributable to negotiating and arranging a lease, except for such costs incurred by manufacturer or trader lessors.
- i. *Interest rate implicit in the lease* – is the discount rate that, at the inception of the lease, causes the aggregate present value of:
  - 1. The minimum lease payments; and
  - 2. The unguaranteed residual value,
 to be equal to the sum of (a) the fair value of the leased asset and (b) any initial direct costs of the lessor.
- j. *Lease* – is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time.
- k. *Lease term* – is the non-cancelable period for which the lessee has contracted to lease the asset, together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.
- l. *Lessee's incremental borrowing rate of interest* – is the rate of interest the lessee would have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.
- m. *Minimum lease payments* – are the payments over the lease term that the lessee is, or can be, required to make, excluding contingent rent, costs for services and, where appropriate, taxes to be paid by and reimbursed to the lessor, together with:
  - 1. For a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or
  - 2. For a lessor, any residual value guaranteed to the lessor by:
    - a. The lessee;
    - b. A party related to the lessee; or
    - c. An independent third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

However, if the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised, the minimum lease payments comprise the minimum payments payable over the lease term to the expected date of exercise of this purchase option and the payment required to exercise it.

- n. *Net investment in the lease* – is the gross investment in the lease discounted at the interest rate implicit in the lease.
- o. *Non-cancelable lease* – is a lease that is cancelable only:
  - 1. Upon the occurrence of some remote contingency;
  - 2. With the permission of the lessor;
  - 3. If the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or
  - 4. Upon payment by the lessee of such an additional amount that, at inception of the lease, continuation of the lease is reasonably certain.
- p. *Operating lease* – is a lease other than a finance lease.
- q. *Unearned finance revenue* – is the difference between:
  - 1. The gross investment in the lease; and
  - 2. The net investment in the lease.
- r. *Unguaranteed residual value* – is that portion of the residual value of the leased asset, the realization of which by the lessor is not assured or is guaranteed solely by a party related to the lessor.
- s. *Useful life* – is the estimated remaining period, from the commencement of the lease term, without limitation by the lease term, over which the economic benefits or service potential embodied in the asset are expected to be consumed by the entity.

**Sec. 3. Changes in Lease Payments between the Inception of the Lease and the Commencement of the Lease Term.** A lease agreement or commitment may include a provision to adjust the lease payments (a) for changes in the construction or acquisition cost of the leased property, or (b) for changes in some other measure of cost or value, such as general price levels, or in the lessor's costs of financing the lease, during the period between the inception of the lease and the commencement of the lease term. If so, the effect of any such changes shall be deemed to have taken place at the inception of the lease for the purposes of this Standard.

**Sec. 4. Hire Purchase Contracts.** The definition of a lease includes contracts for the hire of an asset which contain a provision giving the hirer an option to acquire title to the asset upon the fulfillment of agreed conditions. These contracts are sometimes known as hire purchase contracts.

**Sec. 5. Classification of Leases.** The classification of leases is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. Risks include the possibilities of losses from idle capacity, technological obsolescence or changes in value because of changing economic conditions. Rewards may be represented by the expectation of service potential or profitable operation over the asset's economic life and gain from appreciation in value or realization of a residual value. Leases are classified either as finance lease or operating lease which classification depends on the substance of the transaction rather than the form of the contract.



The following are examples of situations that individually or in combination would normally lead to a lease being classified as:

a. Finance Lease

1. The lease transfers ownership of the asset to the lessee by the end of the lease term;
2. The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
3. The lease term is for the major part of the economic life of the asset even if title is not transferred. A lease qualifies to be accounted for as finance lease if the contract is a non-cancellable contract;
4. At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset
5. The leased assets are of such a specialized nature that only the lessee can use them without major modifications;
6. The leased assets cannot easily be replaced by another asset;
7. If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
8. Gains or losses from the fluctuation in the fair value of the residual (leased asset) accrue to the lessee (for example in the form of a rent rebate equaling most of the sales proceeds at the end of the lease); and
9. The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

b. Operating Lease. A lease is classified as an operating lease if it does not transfer substantially all the risk and rewards incidental to ownership.

**Sec. 6. Lease of Land and Building.** The following are policies regarding lease of land and building:

- a. When a lease includes both land and buildings elements, an entity assesses the classification of each element as a finance or an operating lease.
- b. The land and building elements of a lease of land and buildings are considered separately for the purpose of lease classification.
- c. To classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

- d. If the amount that would initially be recognized for the land element is immaterial, the land and buildings may be treated as a single unit and classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

**Sec. 7. Accounting for Leases.** Accounting for leases shall be made according to their classification, as follows:

a. Finance Lease – Lessee’s Books

1. At the commencement of the lease term, lessees shall recognize assets acquired under finance lease as assets, and the associated lease obligations as liabilities in their statements of financial position. The assets and liabilities shall be recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee’s incremental borrowing rate shall be used;
2. Initial direct costs incurred in connection with specific leasing activities, such as negotiating and securing leasing arrangements, which are identified as directly attributable to activities performed by the lessee for a finance lease are added to the amount recognized as an asset;
3. Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability;
4. Contingent rents shall be charged as expenses in the period in which they are incurred; and
5. A finance lease gives rise to a depreciation expense for depreciable assets as well as a finance expense for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned, and the depreciation recognized shall be calculated in accordance with PPSAS 17-Property, Plant and Equipment, and PPSAS 31-Intangible Assets, as appropriate. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term or its useful life.

b. Finance Lease – Lessor’s Books

1. Lessors shall recognize lease payments receivable at an amount equal to the net investment in the lease;
2. Initial direct costs such as commissions, legal fees and internal costs are often incurred by lessors in negotiating and arranging a lease. Such initial direct costs are included in the initial measurement of the finance lease receivable, and reduce the amount of revenue recognized over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable;

3. The recognition of finance revenue shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. Lease payments relating to the accounting period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue; and
  4. Estimated unguaranteed residual values used in computing the lessor's gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the revenue allocation over the lease term is revised, and any reduction in respect of amounts already accrued is recognized immediately.
- c. Operating Lease – Lessee's Books
1. Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the user's benefit.
- d. Operating Lease – Lessor's Books
1. Lease revenue from operating leases shall be recognized as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits derived from the leased asset is diminished;
  2. Initial direct costs, such as finder's fee and legal expenses, incurred by lessors in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease revenue; and
  3. The depreciation policy for depreciable leased assets shall be consistent with the lessor's normal depreciation policy for similar assets, and depreciation shall be calculated in accordance with PPSAS 17 or PPSAS 31, as appropriate.

**Sec. 8. Illustrative Accounting Entries.** The following are the illustrative accounting entries to recognize lease transactions both in the lessee's and lessor's books of accounts:

Case 1: Finance Lease – Lessee

On January 2, 2014, Entity A (Lessee) entered into a 20-year lease on office building. The ownership of the building will be turned over to the lessee at the end of the lease term. The lease requires 20 equal annual amount, payable beginning December 31, 2014. Implicit interest rate is 6%, which is known to lessee. Periodic lease payment is ₱100,000. The carrying amount and fair value of the office building on January 2, 2014 is ₱1,150,000 and the estimated useful life is 20 years. The present value factor is rounded to 5 decimal places. The amortization table following the effective interest method is shown in the succeeding page:

Date	Payment	Interest	Principal	Present Value
January 1, 2014				1,146,992.00
December 31, 2014	100,000.00	68,819.52	31,180.48	1,115,811.52
December 31, 2015	100,000.00	66,948.69	33,051.31	1,082,760.21
December 31, 2016	100,000.00	64,965.61	35,034.39	1,047,725.82
December 31, 2017	100,000.00	62,863.55	37,136.45	1,010,589.37
December 31, 2018	100,000.00	60,635.36	39,364.64	971,224.74
December 31, 2019	100,000.00	58,273.48	41,726.52	929,498.22
December 31, 2020	100,000.00	55,769.89	44,230.11	885,268.11
December 31, 2021	100,000.00	53,116.09	46,883.91	838,384.20
December 31, 2022	100,000.00	50,303.05	49,696.95	788,687.25
December 31, 2023	100,000.00	47,321.24	52,678.76	736,008.49
December 31, 2024	100,000.00	44,160.51	55,839.49	680,169.00
December 31, 2025	100,000.00	40,810.14	59,189.86	620,979.14
December 31, 2026	100,000.00	37,258.75	62,741.25	558,237.88
December 31, 2027	100,000.00	33,494.27	66,505.73	491,732.16
December 31, 2028	100,000.00	29,503.93	70,496.07	421,236.09
December 31, 2029	100,000.00	25,274.17	74,725.83	346,510.25
December 31, 2030	100,000.00	20,790.62	79,209.38	267,300.87
December 31, 2031	100,000.00	16,038.05	83,961.95	183,338.92
December 31, 2032	100,000.00	11,000.34	88,999.66	94,339.25
December 31, 2033	100,000.00	5,660.75	94,339.25	-

The **Present Value (PV) factor** used in the amortization table is 11.46992 which is based on the present value annuity table where payment will be at end of the period. Thus, the present value of ₱1,146,992 is equal to ₱100,000 multiplied by 11.46992.

**Payment** = annual lease payments

**Interest** = preceding present value multiplied by 6%

**Principal** = rental payment less the interest

**Present Value** = balance of lease liability or the preceding present value less principal.

The illustrative entries to recognize the transactions in the books of the Entity A (Lessee) shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>January 2, 2014</u>			
Leased Assets, Buildings and Other Structures	10608020	₱1,146,992	
Finance Lease Payable	20101070		₱1,146,992
To recognize lease payable computed as follows: (PV of MLP = ₱100,000 x 11.46992 = ₱1,146,992)			
 <i>Note:</i> The assets and liabilities shall be recognized at the amounts equal to the fair value of the asset, or if lower, the present value of the minimum lease payments. Therefore, ₱1,146,992, the PV of the minimum lease payment, was used instead of the fair value of ₱1,150,000.			
<u>December 31, 2014</u>			
Finance Lease Payable	20101070	₱31,180.48	
Interest Expenses	50301020	68,819.52	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱100,000.00
To recognize lease payment for the 1 <sup>st</sup> year			
Depreciation-Leased Assets	50501080	₱54,482.12	
Accumulated Depreciation-Leased Assets, Buildings and Other Structures	10608021		₱54,482.12
To recognize depreciation for the year Depreciation = (₱1,146,992 – ₱57,349.60) ÷ 20 years			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>December 31, 2015</u>			
Finance Lease Payable	20101070	₱33,051.31	
Interest Expenses	20101050	66,948.69	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱100,000.00
To recognize lease payment for the 2 <sup>nd</sup> year			
Depreciation-Leased Assets	50501080	₱54,482.12	
Accumulated Depreciation-Leased			
Assets, Buildings and Other			
Structures	10608021		₱54,482.12
To recognize depreciation for the year			
<u>December. 31, 2016</u>			
Finance Lease Payable	20101070	₱35,034.39	
Interest Payable	20101050	64,965.61	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱100,000.00
To recognize lease payment for the 3 <sup>rd</sup> year			
Depreciation-Leased Assets	50501080	₱54,482.12	
Accumulated Depreciation-Leased			
Assets, Buildings and Other			
Structures	10608021		₱54,482.12
To recognize depreciation for the year			

*Note:* For the 4th to the 20th year, the illustrative entries shall be the same using the amount of interest expense and the reduction of lease liability shall be based on per amortization table while the annual depreciation expense shall be uniform up to the 20th year.

#### Case 2: Finance Lease – Lessor (Sales Type Lease)

On January 2, 2014, Entity B (Lessor), a dealer, leased to Entity A an office equipment recognized as Merchandise Inventory with an annual rental of ₱40,000 for 5 years payable beginning December 31, 2014. The estimated useful life of the office equipment is 5 years and the cost is ₱120,000. The implicit interest rate is 10% which is known to lessee. The present value factor is rounded to 5 decimal places.

Based on the Present Value Annuity Table – Payment at End of the Period, the PV factor is 3.79079.

#### Computation of Unearned Interest:

Gross Rentals (₱40,000 x 5)	₱200,000.00
Less: Present Value of annuity of 1 for 5 years at 10%	
(₱40,000 x 3.79079)	151,631.60
Unearned Interest Income	<u>₱ 48,368.40</u>

Computation of the Gross Profit on Sales:

Present Value of Rentals	₱151,631.60
Less: Cost of Merchandise Inventory (Office Equipment)	120,000.00
Gross Profit on Sales	<u>₱ 31,631.60</u>

The amortization table is shown below:

Date	Payment	Interest	Principal	Present Value
January 1, 2014				151,631.60
December 31, 2014	40,000.00	15,163.16	24,836.84	126,794.76
December 31, 2015	40,000.00	12,679.48	27,320.52	99,474.24
December 31, 2016	40,000.00	9,947.42	30,052.58	69,421.66
December 31, 2017	40,000.00	6,942.17	33,057.83	36,363.83
December 31, 2018	40,000.00	3,636.38	36,363.83	-

**Payment** = annual lease payments

**Interest** = preceding present value multiplied by 10%

**Principal** = rental payment less the interest

**Present Value** = balance of lease liability or the preceding present value less principal

The illustrative accounting entries in the books of Entity B (Lessor) shall be as follows:

Account Title	Account Code	Debit	Credit
<u>January 2, 2014</u>			
Finance Lease Receivable	10302020	₱200,000.00	
Sales Revenue	40202160		₱151,631.60
Deferred Finance Lease Revenue	20501010		48,368.40
To recognize finance lease receivable			
Cost of Sales	50402010	₱120,000.00	
Merchandise Inventory	10401010		₱120,000.00
To recognize the cost of sold office equipment			
<u>December 31, 2014</u>			
Cash-Collecting Officers	10101010	₱40,000.00	
Finance Lease Receivable	10302020		₱40,000.00
To recognize receipt of annual lease payment			
Deferred Finance Lease Revenue	20501010	₱15,163.16	
Interest Income	40202210		₱15,163.16
To recognize interest income for the year			

The Finance Lease Receivable in the Entity B's (Lessor) Statement of Financial Position shall be presented showing the gross receivable, the unearned interest income and the net carrying amount. For example, the Statement of Financial Position as at December 31, 2014 shall show the following:

	Current	Non-Current	Total
Finance Lease Receivable	₱40,000.00	₱120,000.00	₱160,000.00
Less: Unearned interest income	<u>12,679.48</u>	<u>20,525.76</u>	<u>33,205.23</u>
Net Carrying amount			
as at December 31, 2014	<u>₱27,320.52</u>	<u>₱ 99,474.24</u>	<u>₱126,794.77</u>

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>December 31, 2015</u>			
Cash-Collecting Officers	10101010	₱40,000.00	
Finance Lease Receivable	10302020		₱40,000.00
To recognize receipt of annual lease payment			
Deferred Finance Lease Revenue	20501010	₱12,679.48	
Interest Income	40202210		₱12,679.48
To recognize interest income for the year			
<u>December 31, 2016</u>			
Cash-Collecting Officers	10101010	₱40,000.00	
Finance Lease Receivable	10302020		₱40,000.00
To recognize receipt of annual lease payment			
Deferred Finance Lease Revenue	20501010	₱9,947.42	
Interest Income	40202210		₱9,947.42
To recognize interest income for the year			
<u>December 31, 2017</u>			
Cash-Collecting Officers	10101010	₱40,000.00	
Finance Lease Receivable	10302020		₱40,000.00
To recognize receipt of annual lease payment			
Deferred Finance Lease Revenue	20501010	₱6,942.17	
Interest Income	40202210		₱6,942.17
To recognize interest income for the year			
<u>December 31, 2018</u>			
Cash-Collecting Officers	10101010	₱40,000.00	
Finance Lease Receivable	10302020		₱40,000.00
To recognize receipt of annual lease payment			
Deferred Finance Lease Revenue	20501010	₱3,636.17	
Interest Income	40202210		₱3,636.17
To recognize interest income for the year			

### Case 3: Operating Lease

On January 2, 2014, Entity B purchased a machine for ₱1,600,000. On the same date, the machine was leased to Entity A for a non-cancelable term of 4 years. The machine is expected to have a useful life of 8 years. The machine is to be depreciated on straight-line basis without residual value. Initial direct costs incurred by Entity B were ₱40,000. Uneven lease payments by Entity A are to be made at the beginning of the year as follows:

January 2, 2014	₱ 400,000
January 2, 2015	480,000
January 2, 2016	360,000
January 2, 2017	300,000
Total	<u>₱ 1,540,000</u>

a. Operating Lease – Books of Entity B – Lessor

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>January 2, 2014</u>			
Other Machinery and Equipment	10605990	₱1,600,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱1,600,000
To recognize acquisition of equipment for lease			
Other Machinery and Equipment	10605990	₱40,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱40,000
To recognize payment of initial direct costs in the acquisition of the equipment			
Cash-Collecting Officers	10101010	₱400,000	
Rent/Lease Income	40202050		₱385,000
Other Unearned Revenue	20502990		15,000
To recognize receipt of rent for the year (₱1,540,000/4yrs = ₱385,000)			

*Note:* If it is the policy of the agency/entity to recognize the rent/lease income and the corresponding finance charge on a monthly basis, the amounts should be recognized first under account Other Unearned Revenue and amortized monthly.

Cash-Treasury/Agency Deposits,			
Regular	10104010	₱400,000	
Cash-Collecting Officers	10101010		₱400,000
To recognize remittance of collection to the BTr			

<u>December 31, 2014</u>			
Depreciation-Machinery and Equipment	50501050	₱210,000	
Accumulated Depreciation-Other			
Machinery and Equipment	10605991		₱210,000
To recognize depreciation for the year			
$\frac{₱1,600,000}{8} = ₱200,000$			
$\frac{40,000}{4} = 10,000$			
Total		<u>₱210,000</u>	

<u>January 2, 2015</u>			
Cash-Collecting Officers	10101010	₱480,000	
Rent/Lease Income	40202050		₱385,000
Other Unearned Revenue	20502990		95,000
To recognize collection of income from leased property			

Cash-Treasury/Agency Deposits-			
Regular	10104010	₱480,000	
Cash-Collecting Officers	10101010		₱480,000
To recognize remittance to the BTr			

<u>December 31, 2015</u>			
Depreciation-Machinery and Equipment	50501050	₱210,000	
Accumulated Depreciation-Other			
Machinery and Equipment	10605991		₱210,000
To recognize depreciation for the year			



<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>January 2, 2016</u>			
Cash-Collecting Officers	10101010	₱360,000	
Other Unearned Revenue	20502990	250,000	
Rent/Lease Income	40202050		₱385,000
To recognize collection of income from leased property			
Cash-Treasury/Agency Deposits,			
Regular	10104010	₱360,000	
Cash-Collecting Officers	10101010		₱360,000
To recognize remittance of collection to the BTr			
<u>December 31, 2016</u>			
Depreciation-Machinery and Equipment	50501050	₱210,000	
Accumulated Depreciation-Other			
Machinery and Equipment	10605991		₱210,000
To recognize depreciation for the year			
<u>January 2, 2017</u>			
Cash-Collecting Officers	10101010	₱300,000	
Other Unearned Revenue	20502990	85,000	
Rent/Lease Income	40202050		₱385,000
To recognize collection of income from leased property			
Cash-Treasury/Agency Deposits,			
Regular	10104010	₱300,000	
Cash-Collecting Officers	10101010		₱300,000
To recognize remittance to the BTr			
<u>December 31, 2017</u>			
Depreciation-Machinery and Equipment	50501050	₱210,000	
Accumulated Depreciation-Other			
Machinery and Equipment	10605991		₱210,000
To recognize depreciation for the year			

b. Operating Lease – Books of Entity A – Lessee

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>January 2, 2014</u>			
Rent/Lease Expenses	50299050	₱385,000	
Prepaid Rent	19902020	15,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱400,000
To recognize rent/lease expense for the year			
<u>January 2, 2015</u>			
Rent/Lease Expenses	50299050	₱385,000	
Prepaid Rent	19902020	95,000	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱480,000
To recognize rent/lease expense for the year			
<u>January 2, 2016</u>			
Rent/Lease Expenses	50299050	₱385,000	

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Prepaid Rent	19902020		₱ 25,000
Cash-Modified Disbursement System (MDS), Regular	10104040		360,000
To recognize rent/lease expense for the year			
<u>January 2, 2017</u>			
Rent/Lease Expenses	50299050	₱385,000	
Prepaid Rent	19902020		₱ 85,000
Cash-Modified Disbursement System (MDS), Regular	10104040		300,000
To recognize rent/lease expense for the year			

**Sec. 9. Disclosure.** The financial statements shall have the following disclosures for finance lease and operating lease:

a. Finance Lease – Lessee:

1. For each class of asset, the net carrying amount at the reporting date;
2. A reconciliation between the total of the future minimum lease payments at the reporting date, and their present value;
3. In addition, an entity shall disclose the total of future minimum lease payments at the reporting date, and their present value, for each of the following periods:
  - i. Not later than one year;
  - ii. Later than one year and not later than five years; and
  - iii. Later than five years;
4. Contingent rents recognized as an expense in the period;
5. The total of future minimum sublease payments expected to be received under non-cancelable subleases at the reporting date; and
6. A general description of the lessee's material leasing arrangements including, but not limited to, the following:
  - i. The basis on which contingent rent payable is determined;
  - ii. The existence and terms of renewal or purchase options and escalation clauses; and
  - iii. Restrictions imposed by lease arrangements, such as those concerning return of surplus, return of capital contributions, dividends or similar distributions, additional debt, and further leasing.

b. Finance Lease – Lessor:

1. A reconciliation between the total gross investment in the lease at the reporting date, and the present value of minimum lease payments receivable at the reporting date. In addition, an entity shall disclose the gross investment in the lease and the present value of minimum lease payments receivable at the reporting date, for each of the following periods:

- i. Not later than one year;
    - ii. Later than one year and not later than five years; and
    - iii. Later than five years;
  - 2. Unearned finance revenue;
  - 3. The unguaranteed residual values accruing to the benefit of the lessor;
  - 4. The accumulated allowance for uncollectible minimum lease payments receivable;
  - 5. Contingent rents recognized in the statement of financial performance; and
  - 6. A general description of the lessor's material leasing arrangements.
- c. Operating Lease – Lessee:
- 1. The total of future minimum lease payments under non-cancelable operating leases for each of the following period:
    - i. Not later than one year;
    - ii. Later than one year and not later than five years; and
    - iii. Later than five years;
  - 2. The total of future minimum sublease payments expected to be received under non-cancelable subleases at the reporting date;
  - 3. Lease and sublease payments recognized as an expense in the period, with separate amounts for minimum lease payments, contingent rents, and sublease payments; and
  - 4. A general description of the lessee's significant leasing arrangements including, but not limited to, the following:
    - i. The basis on which contingent rent payments are determined;
    - ii. The existence and terms of renewal or purchase options and escalation clauses; and
    - iii. Restrictions imposed by lease arrangements, such as those concerning return of surplus, return of capital contributions, dividends or similar distributions, additional debt, and further leasing.
- d. Operating Lease – Lessor:
- 1. The future minimum lease payments under non-cancelable operating leases in the aggregate and for each of the following period:
    - i. Not later than one year;
    - ii. Later than one year and not later than five years; and
    - iii. Later than five years;

2. Total contingent rents recognized in the statement of financial performance in the period; and
3. A general description of the lessor's leasing arrangements.

## Chapter 14

### SERVICE CONCESSION ARRANGEMENTS: GRANTOR

**Sec. 1. Scope.** This Chapter provides standards, policies, guidelines and procedures of accounting for service concession arrangements by the grantor, a public sector entity. This includes the recognition of service concession asset, liability, revenue, expenses and equity, and the required presentation and disclosures in the financial statements.

**Sec. 2. Definition of Terms.** For the purpose of this Manual and this Chapter, the terms used as stated below shall be construed as follows:

- a. *Binding Arrangements* – are contracts and other arrangements that confer similar rights and obligations on the parties to it as if they were in the form of a contract.
- b. *Grantor* – is the public sector entity that grants the right to use the service concession asset to the operator.
- c. *Operator* – is the entity that uses the service concession asset to provide public services subject to the grantor’s control of the asset.
- d. *Service Concession Arrangement* – is a binding arrangement between a grantor and an operator in which:
  1. The operator uses the service concession asset to provide a public service on behalf of the grantor for a specified period of time; and
  2. The operator is compensated for its services over the period of the service concession arrangement.
- e. *Service Concession Asset* – is an asset used to provide public services in a service concession arrangement that:
  1. Is provided by the operator which:
    - i. the operator constructs, develops, or acquires from a third party;
    - ii. or is an existing asset of the operator; or
  2. Is provided by the grantor which:
    - i. is an existing asset of the grantor; or
    - ii. is an upgrade to an existing asset of the grantor. (*Par. 8, PPSAS 32*)

**Sec. 3. Recognition and Measurement of a Service Concession Asset.** The service concession assets shall be recognized and measured as follows:

- a. The grantor shall recognize an asset provided by the operator and an upgrade to an existing asset of the grantor as a service concession asset if:
  1. The grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and

2. The grantor controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement. (*Par. 9, PPSAS 32*)

The grantor does not need to have complete control of the price: it is sufficient for the price to be regulated by the grantor, binding arrangement, or a third party regulator that regulates other entities that operate in the same industry or sector (e.g., hospitals, schools, or universities) as the grantor (e.g., by a capping mechanism). However, the condition is applied to the substance of the agreement. Non-substantive features, such as a cap that will apply only in remote circumstances, are ignored. Conversely, if, for example, an arrangement purports to give the operator freedom to set prices, but any excess profit is returned to the grantor, the operator's return is capped and the price element of the control test is met. (*AG7, PPSAS 32*)

Control should be distinguished from management. If the grantor retains both the degree of control described in item a.1 and any significant residual interest in the asset, the operator is only managing the asset on the grantor's behalf—even though, in many cases, it may have wide managerial discretion. (*AG10, PPSAS 32*)

- b. This Chapter also applies to an asset used in a service concession arrangement for its entire useful life (a “whole-of-life” asset) if the conditions in Sec. 3 (a) of this Chapter are met.

The assessment of whether a service concession asset should be recognized in accordance with Sec. 3 or the preceding paragraph for a whole-of-life asset is made on the basis of all of the facts and circumstances of the arrangement. (*AG5, PPSAS 32*)

- c. The grantor shall initially measure the service concession asset as follows:
  1. At fair value, if the service concession assets is provided by the operator in accordance with this Section; or
  2. At cost in accordance with PPSAS 17-Property, Plant and Equipment and PPSAS 31-Intangible Assets, as appropriate, if the service concession assets are reclassified from the existing assets of the grantor.
- d. After initial recognition or reclassification, service concession assets shall be accounted for as a service concession assets (separate class of PPE) or service concession intangible assets (separate class of intangible assets), as appropriate.

**Sec. 4. Concession Arrangements Provided under R.A. No. 7718.** The following are examples of service concession arrangements provided under R.A. No. 7718, An Act Amending Certain Sections Of Republic Act No. 6957, Entitled "An Act Authorizing The Financing, Construction, Operation And Maintenance Of Infrastructure Projects By The Private Sector, And For Other Purposes",:

- a. Build-operate-and-transfer (BOT) – A contractual arrangement whereby the project proponent undertakes the construction, including financing, of a given infrastructure facility, and the operation and maintenance thereof. The project proponent operates the facility over a fixed term during which it is allowed to charge facility users appropriate tolls, fees, rentals, and charges not exceeding those proposed in its bid or as negotiated and incorporated in the contract to enable the project proponent to recover its investment, and operating and maintenance expenses in the project. The project proponent transfers the facility to the government agency or local government unit concerned at the end of the fixed term that shall not exceed fifty (50) years. This

shall include a supply-and-operate situation which is a contractual arrangement whereby the supplier of equipment and machinery for a given infrastructure facility, if the interest of the Government so requires, operates the facility providing in the process technology transfer and training to Filipino nationals.

- b. Build-transfer-and-operate (BTO) – A contractual arrangement whereby the public sector contracts out the building of an infrastructure facility to a private entity such that the contractor builds the facility on a turn-key basis, assuming cost overruns, delays, and specified performance risks. Once the facility is commissioned satisfactorily, title is transferred to the implementing agency. The private entity however operates the facility on behalf of the implementing agency under an agreement.
- c. Contract-add-and-operate (CAO) – A contractual arrangement whereby the project proponent adds to an existing infrastructure facility which it is renting from the Government and operates the expanded project over an agreed franchise period. There may or may not be a transfer arrangement with regard to the added facility provided by the project proponent.

If there will be transfer of the added facility to the public sector at the end of the arrangement, this shall be treated as service concession arrangement, for the purpose of this Manual.

- d. Develop-operate-and-transfer (DOT) – A contractual arrangement whereby favorable conditions external to a new infrastructure project which is to be built by a private project proponent are integrated into the arrangement by giving that entity the right to develop adjoining property, and thus, enjoy some of the benefits the investment creates such as higher property or rent values.
- e. Rehabilitate-operate-and-transfer (ROT) – A contractual arrangement whereby an existing facility is turned over to the private sector to refurbish, operate and maintain for a franchise period, at the expiry of which the legal title to the facility is turned over to the Government. The term is also used to describe the purchase of an existing facility from abroad, importing, refurbishing, erecting and consuming it within the host country.

**Sec. 5. Recognition and Measurement of Liabilities.** The service concession liabilities shall be recognized and measured as follows:

- a. Where the grantor recognizes a service concession asset, the grantor shall also recognize a liability at the same amount as with the service concession asset, adjusted by the amount of any other consideration (e.g., cash) from the grantor to the operator, or from the operator to the grantor.
- b. The grantor shall not recognize a liability when an existing asset of the grantor is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.
- c. In exchange for the service concession asset, the grantor may compensate the operator for the service concession asset by any combination of:
  - 1. Making payments to the operator (the “financial liability” model);
  - 2. Compensating the operator by other means (the “grant of a right to the operator” model) such as:

- i. Granting the operator the right to earn revenue from third-party users of the service concession asset; or
- ii. Granting the operator access to another revenue-generating asset for the operator's use (e.g., a private wing of a hospital where the remainder of the hospital is used by the grantor to treat public patients or a private parking facility adjacent to a public facility). (*Par. 17, PPSAS 32*)

**Sec. 6. Financial Liability Model.** A model where the grantor has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the grantor shall account for the liability recognized as a financial liability.

- a. The grantor shall allocate the payments to the operator and account for them according to their substance as a reduction in the liability, a finance charge, and charges for services provided by the operator.
- b. The finance charge and charges for services provided by the operator in a service concession arrangement shall be accounted for as expenses.
- c. Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the grantor to the operator shall be allocated by reference to the relative fair values of the service concession asset and the services. Where the asset and service components are not separately identifiable, the service component of payments from the grantor to the operator is determined using estimation techniques.

**Sec. 7. Grant of a Right to the Operator Model.** Where the grantor does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the grantor shall account for the liability recognized as the unearned portion of the revenue arising from the exchange of assets between the grantor and the operator.

As the right granted to the operator is effective for the period of the service concession arrangement, the grantor does not recognize revenue from the exchange immediately. Instead, a liability (Deferred Service Concession Revenue) is recognized for any portion of the revenue that is not yet earned. The revenue (Service Concession Revenue) is recognized according to the economic substance of the service concession arrangement, and the liability (Deferred Service Concession Revenue) is reduced as revenue (Service Concession Revenue) is recognized.

**Sec. 8. Dividing the Arrangement.** If the grantor pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability (Service Concession Arrangements Payable) and partly by the grant of a right to the operator (Deferred Service Concession Revenue), it is necessary to account separately for each part of the total liability. The amount initially recognized for the total liability shall be the same amount as the service concession asset adjusted by the amount of any other consideration (e.g., cash) from the grantor to the operator, or from the operator to the grantor.

**Sec. 9. Other Liabilities, Commitments, Contingent Liabilities and Contingent Assets.** The grantor shall account for other liabilities, commitments, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with PPSAS 19 for Provisions, Contingent Liabilities and Contingent Assets, and PPSAS 28-30 for Financial Instruments, discussed in Chapters 18 and 7 of this Manual, respectively.



**Sec. 10. Other Revenues.** The grantor shall account for revenues from a service concession arrangement, other than those specified in Sec. 7 (revenue arising from exchanges of assets between the grantor and the operator under the Grant of a Right to the Operator Model) in accordance with PPSAS 9-Revenue from Exchange Transactions discussed in Chapter 5-Revenue and Other Receipts of this Manual.

Examples of these arrangements are: when an operator uses (a) a private wing of a hospital where the remainder of the hospital is used by the grantor to treat public patients or (b) a private parking facility adjacent to a public facility, where the recognition criteria provided in Sec. 3 are met.

**Sec. 11. Impairment of Service Concession Assets.** The grantor shall apply the procedures in determining the amount of impairment loss and reversal for cash generating assets, if any, provided in Sections 17 and 18, respectively, of Chapter 9-Investment Property of this Manual.

The procedures in determining the amount of impairment loss and reversal for non-cash generating assets, if any, are provided in Chapter 10-Property, Plant and Equipment of this Manual.

**Sec. 12. Derecognition of Service Concession Assets.** If the service concession asset no longer meets the conditions for recognition in Sec. 3, the grantor follows derecognition principles in Chapter 10-Property, Plant and Equipment, and Chapter 12-Intangible Assets of this Manual, as appropriate. For example, if the asset is transferred to the operator on a permanent basis, it is derecognized. If the asset is transferred on a temporary basis, the grantor considers the substance of this term of the service concession arrangement in determining whether the asset should be derecognized. In such cases, the grantor also considers whether the arrangement is a lease transaction.

**Sec. 13. Presentation and Disclosure.** The financial statements shall have the following disclosures for service concession assets:

- a. The grantor shall present information in accordance with the presentation and disclosure of assets, liabilities, revenue, expenses, and net assets/equity provided in Chapter 19-Financial Reporting of this Manual.
- b. All aspects of a service concession arrangement shall be considered in determining the appropriate disclosures in the notes. A grantor shall disclose the following information in respect of service concession arrangements in each reporting period:
  1. A description of the arrangement;
  2. Significant terms of the arrangement that may affect the amount, timing, and certainty of future cash flows (e.g., the period of the concession, re-pricing dates, and the basis upon which re-pricing or re-negotiation is determined);
  3. The nature and extent (e.g., quantity, time period, or amount, as appropriate) of:
    - i. Rights to use specified assets;
    - ii. Rights to expect the operator to provide specified services in relation to the service concession arrangement;
    - iii. Service concession assets recognized as assets during the reporting period, including existing assets of the grantor reclassified as service concession assets;

- iv. Rights to receive specified assets at the end of the service concession arrangement;
  - v. Renewal and termination options;
  - vi. Other rights and obligations (e.g., major overhaul of service concession assets); and
  - vii. Obligations to provide the operator with access to service concession assets or other revenue-generating assets; and
4. Changes in the arrangement occurring during the reporting period.

**Sec. 14. Illustrative Accounting Entries.** The illustrative entries related to service concession arrangements are presented below:

a. Financial Liability Model

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Service Concession-Road Networks	10611010	xxx	
Service Concession Arrangement Payable	20101090		xxx
To recognize the service concession asset			
Interest Expenses	50301020	xxx	
Service Concession Arrangement Payable	20101090		xxx
To recognize the finance charge prior to payment being made			
Cash-Modified Disbursement System (MDS), Regular	10104040	xxx	
Subsidy from National Government	40301010		xxx
To recognize receipt of NCA for payment of liabilities			
Depreciation-Service Concession 01-Road Network	50501110	xxx	
Accumulated Depreciation-Service Concession-Road Networks	10611011		xxx
To recognize depreciation expense			
Service Concession Arrangement Payable	20101090	xxx	
Cash-Modified Disbursement System (MDS), Regular	10104040		xxx
To recognize payment of liabilities			

b. Grant of Right to the Operator Model

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Service Concession-Road Networks	10611010	xxx	
Deferred Service Concession Revenue	20501020		xxx
To recognize construction and upgrade on service concession assets made by the operator			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Deferred Service Concession Revenue	20501020	xxx	
Service Concession Revenue	40202240		xxx
To recognize the revenue earned by the operator on third party user of service concession asset			

Detailed illustrative entries related to service concession arrangements are shown in Chapter 22 of this Manual.

## Chapter 15

### INTERESTS IN JOINT VENTURES

**Sec. 1. Scope.** This Chapter covers the accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, revenue and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers' interests in jointly controlled entities held by:

- a. Venture capital organizations; or
- b. Mutual funds, unit trusts and similar entities including investment linked insurance funds

that are measured at fair value, with changes in fair value recognized in surplus or deficit in the period of the change in accordance with PPSAS 29, Financial Instruments: Recognition and Measurement. A venturer holding such an interest shall make the disclosures required under Sec. 13 items (c) and (d) of this Chapter.

**Sec. 2. Definition of Terms.** For the purpose of this Manual, the terms as stated below shall be construed to mean as follows:

- a. *Equity method* – is a method of accounting whereby an interest in a jointly controlled entity is initially recognized at cost, and adjusted thereafter for the post-acquisition change in the venturer's share of net assets/equity of the jointly controlled entity. The surplus or deficit of the venturer includes the venturer's share of the surplus or deficit of the jointly controlled entity.
- b. *Joint control* – is the agreed sharing of control over an activity by a binding arrangement.
- c. *Joint Venture* – Joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.
- d. *Significant influence* – is the power to participate in the financial and operating policy decisions of an activity but is not control or joint control over those policies.
- e. *Venturer* – is a party to a joint venture and has joint control over that joint venture. (Par. 6, PPSAS 8)

**Sec. 3. Forms and Structures of Joint Ventures.** The following are the three forms and structures of joint ventures:

- a. Jointly controlled operations;
- b. Jointly controlled assets; and
- c. Jointly controlled entities.

**Sec. 4. Jointly Controlled Operations.** In a jointly controlled operation, a venturer uses its own assets in the joint venture and, because it controls those assets, continues to recognize them in its financial statements. The venturer also recognizes the liabilities and expenses that it

incurs, and its share of income from sales by the joint venture. Each venturer records joint venture transactions in their own books of account.

**Sec. 5. Jointly Controlled Assets.** In respect of an interest in jointly controlled assets, a venturer recognizes in its financial statements its share of the jointly controlled assets, classified according to the nature of assets rather than as an investment. It also recognizes its share of any jointly incurred liabilities and expenses, and revenue from the sale or use of its share of the output of the joint venture. Similarly with the jointly controlled operations, each venturer recognizes joint venture transactions in their own books of account.

**Sec. 6. Jointly Controlled Entities.** A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a binding arrangement between the venturers establishes joint control over the activity of the entity. (*Par. 29, PPSAS 8*)

A jointly controlled entity controls the assets of the joint venture, incurs liabilities and expenses and earns revenue. It may enter into contracts in its own name and raise finance for the purposes of the joint venture activity. Each venturer is entitled to a share of the surpluses of the jointly controlled entity, although some jointly controlled entities also involve a sharing of the output of the joint venture. (*Par. 30, PPSAS 8*)

A jointly controlled entity maintains its own accounting records and prepares and presents financial statements in the same way as other entities in conformity with IPSASs, or other accounting standards if appropriate. (*Par. 33, PPSAS 8*)

Each venturer usually contributes cash or other resources to the jointly controlled entity. These contributions are included in the accounting records of the venturer and recognized in its financial statements as an investment in the jointly controlled entity. (*Par. 34, PPSAS 8*)

**Sec. 7. Financial Statements of a Venturer.** A venturer shall recognize its interest in a jointly controlled entity using the equity method.

The interest of the venturer in the jointly controlled entity is to be initially recognized at cost. The carrying amount of the investment is adjusted subsequently to recognize the venturer's share in the surplus or deficit of the jointly controlled entity. The investment is decreased for every distributions received. The carrying amount will also be adjusted to reflect the venturer's proportionate interest in the adjusted net assets of the jointly controlled entity, if the net assets did change. The entity shall discontinue the use of the equity method from the date on which it ceases to have joint control over, or have significant influence in, a jointly controlled entity.

**Sec. 8. Exceptions to Equity Method.** Interests in jointly controlled entities for which there is evidence that the interest is acquired and held exclusively with a view to its disposal within twelve months from acquisition, and that management is actively seeking a buyer, as set out in paragraph 3(a) of PPSAS 8-Interests in Joint Ventures, shall be classified as held for trading and accounted for in accordance with Chapter 7-Financial Instruments of this Manual.

**Sec. 9. Separate Financial Statements of a Venturer.** An interest in a jointly controlled entity shall be accounted for in a venturer's separate financial statements in accordance with paragraphs 58-64 of PPSAS 6. This Chapter does not mandate which entities produce separate financial statements available for public use.

**Sec. 10. Transactions between a Venturer and a Joint Venture.** When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction. While the assets are retained by the joint

venture, and provided the venturer has transferred the significant risks and rewards of ownership, the venturer shall recognize only that portion of the gain or loss that is attributable to the interests of the other venturers. The venturer shall recognize the full amount of any loss when the contribution or sale provides evidence of a reduction in the net realizable value of current assets or an impairment loss.

When a venturer purchases assets from a joint venture, the venturer shall not recognize its share of the gains of the joint venture from the transaction until it resells the assets to an independent party. A venturer shall recognize its share of the losses resulting from these transactions in the same way as gains, except that losses shall be recognized immediately when they represent a reduction in the net realizable value of current assets or an impairment loss.

**Sec. 11. Reporting Interests in Joint Ventures in the Financial Statements of an Investor.** An investor in a joint venture that does not have joint control, but does have significant influence, shall account for its interest in a joint venture as an investment in associates.

Guidance on accounting for interests in joint ventures where an investor does not have joint control or significant influence can be found in PPSAS 29-Financial Instruments: Recognition and Measurement.

**Sec. 12. Operators of Joint Ventures.** Operators or managers of a joint venture shall account for any fees in accordance with PPSAS 9-Revenue from Exchange Transactions.

Management fee paid to venturer as operator or manager of a joint venture shall be accounted for as an expense in the books of the joint venture.

**Sec. 13. Disclosure.** A venturer shall disclose:

- a. The aggregate amount of the following contingent liabilities, unless the possibility of any outflow in settlement is remote, separately from the amount of other contingent liabilities:
  1. Any contingent liabilities that the venturer has incurred in relation to its interests in joint ventures, and its share in each of the contingent liabilities that have been incurred jointly with other venturers;
  2. Its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and
  3. Those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers of a joint venture;
- b. A brief description of the following contingent assets and, where practicable, an estimate of their financial effect, where an inflow of economic benefits or service potential is probable:
  1. Any contingent assets of the venturer arising in relation to its interests in joint ventures and its share in each of the contingent assets that have arisen jointly with other venturers; and
  2. Its share of the contingent assets of the joint ventures themselves.
- c. The aggregate amount of the following commitments in respect of its interests in joint ventures separately from other commitments:

1. Any capital commitments of the venturer in relation to its interests in joint ventures and its share in the capital commitments that have been incurred jointly with other venturers; and
  2. Its share of the capital commitments of the joint ventures themselves.
- d. A listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities. A venturer that recognizes its interests in jointly controlled entities using the equity method shall disclose the aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, revenue, and expenses related to its interest in joint ventures; and
  - e. The method it uses to recognize its interests in jointly controlled entities.

**Sec. 14. Illustrative Accounting Journal Entries.** The following are accounting journal entries to recognize the Joint Venture transactions for jointly controlled operations, jointly controlled assets and jointly controlled entities:

a. Jointly Controlled Operations

Entities A and B tendered jointly for a public contract with an LGU to construct a motorway between two municipalities. Following the tender process, the LGU awarded the contract jointly to entities A and B. In accordance with the contractual arrangements, entities A and B are jointly contracted with the LGU for delivery of the motorway in return for a fixed price contract of ₱16 million.

In accordance with the agreement between entities A and B:

1. Entities A and B each used their own equipment and employees in the construction activity;
2. Entity A constructed three bridges needed to cross rivers on the route at a cost of ₱5 million;
3. Entity B constructed all of the other elements of the motorway at a cost of ₱7 million; and
4. Entities A and B shared equally in the ₱16 million jointly invoiced from the LGU.

The journal entries in the venturer books to account for their interests in the joint venture (jointly controlled operation) are as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>Entity A</u>			
Construction in Progress-			
Infrastructure Assets	10699020	₱5,000,000	
Cash in Bank-Local Currency,			
Current Account	10102020		₱5,000,000
To recognize payment for the construction cost incurred for putting up three bridges			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Road Networks	10603010	₱5,000,000	
Construction in Progress- Infrastructure Assets	10699020		₱5,000,000
To recognize completion of construction of three bridges			
Cash in Bank-Local Currency, Current Account	10102020	₱8,000,000	
Road Networks	10603010		₱5,000,000
Other Business Income	40202990		3,000,000
To recognize the revenue earned and the turn-over to LGU of the completed three bridges			

#### Entity B

Construction in Progress- Infrastructure Assets	10699020	₱7,000,000	
Cash in Bank-Local Currency, Current Account	10102020		₱7,000,000
To recognize payment for the construction cost incurred for putting up the all other elements of the motorway			
Road Networks	10603010	₱7,000,000	
Cash in Bank-Local Currency, Current Account	10102020		₱7,000,000
To recognize construction cost incurred for building all of the other elements of the motorway			
Cash in Bank-Local Currency, Current Account	10102020	₱8,000,000	
Road Networks	10603010		₱7,000,000
Other Business Income	40202990		1,000,000
To recognize the revenue earned and the turn-over to LGU of the completed elements of motorway			

The above illustration is an example of a jointly controlled operation because entities A and B have retained control of the assets they use to perform the contract requirements and are responsible for their respective liabilities. They meet their respective contractual obligations by providing construction services to the LGU. Entities A and B recognize in their financial statements their own PPE and operating assets. They also recognize the income and expenses associated with providing construction services to the LGU.

#### b. Jointly Controlled Assets

Entities A, B and C contractually form a Joint Venture operation on January 2, 2014 to construct an oil well to extract oil that each of the venturer will purify. The three companies agree to contribute the following amounts of capital to the venture in the same proportion as their rights to the assets and outputs.



<u>Entity</u>	<u>Amount of Capital Contribution</u>	<u>Share %</u>
A	₱37,500,000	50%
B	22,500,000	30%
C	<u>15,000,000</u>	<u>20%</u>
	<u>₱75,000,000</u>	<u>100%</u>

On January 15, 2012 the resources are used to purchase land for ₱15 million and an oilrig and other equipment for ₱35 million. The balance of ₱25 million will be called on by the joint venture manager as required. B and C companies borrowed ₱5 million and ₱7 million, respectively, to finance their contributions to the joint venture.

<u>Account Title</u>	<u>Account Code</u>	Amount in thousand pesos					
		<b>A</b>		<b>B</b>		<b>C</b>	
		<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
Land	10601010	₱7,500		₱4,500		₱3,000	
Construction and Heavy Equipment	10605080	17,500		10,500		7,000	
Cash in Bank-Local Currency, Current Account	10102020		₱25,000		₱10,000		₱3,000
Loans Payable-Domestic	20102040				5,000		7,000

To recognize the jointly controlled assets in the books of the venturers

c. Jointly Controlled Entities

Entities M and N were partners in a joint venture, Entity MN, sharing profits and losses at 80% and 20%, respectively. Details are as follows:

<u>Particulars</u>	<u>Entity M</u>	<u>Entity N</u>	<u>Entity MN</u>
Cash contributed	₱1,600,000	₱400,000	₱2,000,000
Merchandise Inventory contributed	7,200,000	1,800,000	9,000,000
Merchandise Inventory, end			700,000
Sales			12,000,000
Expenses			600,000
Net Profit	2,480,000	620,000	3,100,000

The journal entries in the books of the joint venture and co-venturer are as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<b><u>Entity M</u></b>			
Investment in Joint Venture	10205010	₱1,600,000	
Cash in Bank-Local Currency, Current Account	10102020		₱1,600,000
To recognize the cash contributed to Entity MN			
Investment in Joint Venture	10205010	₱7,200,000	
Merchandise Inventory	10401010		₱7,200,000
To recognize the value of goods given to Entity MN			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Investment in Joint Venture	10205010	₱2,480,000	
Share in the Profit of Joint Venture	40202220		₱2,480,000
To recognize the share in the profit of joint venture, Entity MN			
<u>Entity N</u>			
Investment in Joint Venture	10205010	₱400,000	
Cash in Bank, Local Currency, Current Account	10102020		₱400,000
To recognize the cash contributed to Entity MN			
Investment in Joint Venture	10205010	₱1,800,000	
Merchandise Inventory	10401010		₱1,800,000
To recognize the value of goods given to Entity MN			
Investment in Joint Venture	10205010	₱620,000	
Share in the Profit of Joint Venture	40202220		₱620,000
To recognize the share in the profit of joint venture, Entity MN			

## Chapter 16

### THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

**Sec. 1. Scope.** This Chapter covers the accounting for transactions and balances in foreign currencies, except for those derivative transactions and balances that are within the scope of PPSAS 29-Financial Instruments: Recognition and Measurement.

**Sec. 2. Definition of Terms.** For the purpose of this Manual and this Chapter, the terms used as stated below shall be construed as follows:

- a. *Closing rate* – the spot exchange rate at the reporting date.
- b. *Exchange difference* – the difference resulting from translating a given number of units of one currency into another currency at different exchange rates. (Par. 10, PPSAS 4)
- c. *Exchange Rate* – the ratio of exchange for two currencies. (Par. 10, PPSAS 4)
- d. *Foreign Currency* – the currency other than the functional currency of the entity. (Par. 10, PPSAS 4)
- e. *Foreign Currency Transactions* – are transactions that are denominated and require settlement in foreign currency, including transactions arising when an entity:
  1. Buys or sells goods or services whose price is denominated in a foreign currency;
  2. Borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency; or
  3. Otherwise acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency. (Par. 23, PPSAS 4)
- f. *Functional Currency* – the currency of the primary economic environment in which the entity operates. (Par. 10, PPSAS 4)
- g. *Monetary items* – are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency. (Par. 10, PPSAS 4)
- h. *Non-Monetary items* – items which essential feature is the absence of a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency. (Par. 17, PPSAS 4)
- i. *Spot exchange rate* – the exchange rate for immediate delivery. (Par. 10, PPSAS 4)

**Sec. 3. Initial Recognition.** A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. (Par. 24, PPSAS 4)

For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used, for example, an average rate for a week or a month might be used for all transactions in each foreign currency occurring during that period. However, if exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate. (*Par. 25, PPSAS 4*)

**Sec. 4. Measurement at Reporting Date.** At each reporting date:

- a. Foreign currency monetary items shall be translated using the closing rate;
- b. Nonmonetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and
- c. Nonmonetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined. (*Par. 27, PPSAS 4*)

**Sec. 5. Recognition of Exchange Difference of Monetary Items.** Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, shall be recognized in surplus or deficit in the period in which they arise. (*Par. 32, PPSAS 4*)

**Sec. 6. Recognition of Exchange Difference of Non-Monetary Items.** When a gain or loss on a nonmonetary item is recognized directly in net assets/equity, any exchange component of that gain or loss shall be recognized directly in net assets/equity. Conversely, when a gain or loss on a nonmonetary item is recognized in surplus or deficit, any exchange component of that gain or loss shall be recognized in surplus or deficit. (*Par. 35, PPSAS 4*)

**Sec. 7. Accounting for Change in Functional Currency.** The entity shall apply the translation procedures applicable to the new functional currency prospectively from the date of the change. (*Par. 40, PPSAS 4*) The entity translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for nonmonetary items are treated as their historical cost. (*Par. 42, PPSAS 4*) The functional currency can only be changed if there are modifications to the underlying transactions, events, and conditions that are relevant to the entity.

When there is a change in an entity's functional currency, the entity shall apply the translation procedures applicable to the new functional currency prospectively from the date of the change. (*Par. 40, PPSAS 4*)

The effect of a change in functional currency is accounted for prospectively. In other words, an entity translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for nonmonetary items are treated as their historical cost. Exchange differences arising from the translation of a foreign operation previously classified in net assets/equity in accordance with paragraphs 37 and 44(c) are not recognized in surplus or deficit until the disposal of the operation. (*Par. 42, PPSAS 4*)

An entity's functional currency reflects the underlying transactions, events, and conditions that are relevant to it. Accordingly, once determined, the functional currency is not changed unless there is a change in those underlying transactions, events, and conditions. (*Par. 15, PPSAS 4*)

**Sec. 8. Accounting for Translation of Financial Statements to a Presentation Currency other than the Functional Currency.** The financial performance and financial position of an entity shall be translated into a different presentation currency using the following procedures:

- a. Assets and liabilities for each statement of financial position presented (i.e., including comparatives) shall be translated at the closing rate at the date of that statement of financial position;
- b. Revenue and expenses for each statement of financial performance (i.e., including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- c. All resulting exchange differences shall be recognized as a separate component of net assets/equity. (*Par. 44, PPSAS 4*)

The financial performance and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedures: (a) Assets and liabilities for each statement of financial position presented (i.e., including comparatives) shall be translated at the closing rate at the date of that statement of financial position; (b) Revenue and expenses for each statement of financial performance (i.e., including comparatives) shall be translated at exchange rates at the dates of the transactions; and (c) All resulting exchange differences shall be recognized as a separate component of net assets/equity. (*Par. 44, PPSAS 4*)

**Sec. 9. Disclosures and Presentation.** The entity shall disclose:

- a. The amount of exchange differences recognized in surplus or deficit; and
- b. Net exchange differences recognized and accumulated in a separate component of net assets/equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the period.

**Sec. 10. Illustrative Accounting Entries.** The illustrative accounting entries at initial recognition, at reporting date and settlement are as follows:

Example: On June 2, 2014, the BTr received credit advice amounting to \$1,000,000 from the BSP for loan received from WB for the rehabilitation of roads in provinces affected by calamities. The loan is payable within 30 years. Exchange rate at the transaction date is ₱46:\$1.

- a. At initial recognition:

Account Title	Account Code	Debit	Credit
Cash in Bank-Foreign Currency, Bangko Sentral ng Pilipinas	10103010	₱46,000,000	
Loans Payable-Foreign	20102050		₱46,000,000
To recognize the loan received from World Bank			

- b. At the reporting date:

Assume that at year-end (reporting date) the exchange rate is ₱47:\$1.

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Loss on Foreign Exchange	50504010	₱1,000,000	
Loans Payable-Foreign	20102050		₱1,000,000
To recognize the change in the foreign exchange rate at reporting date			
$(₱47 \times \$1,000,000) - ₱46,000,000 = \underline{₱1,000,000}$			

- c. At the settlement date:

Assume that payment of 1st installment is on June 30, 2013 of \$33,333. As at that date, the exchange rate is ₱45:\$1.

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Loans Payable-Foreign	20102050	₱1,566,666.67	
Cash in Bank-Foreign			
Currency, Bangko Sentral			
ng Pilipinas	10103010		₱1,500,000.00
Gain on Foreign Exchange			
(FOREX)	40501010		66,666.67
To recognize the first installment payment			
$(₱47 \times \$33,333.33) - (₱45 \times \$33,333.33) = \underline{₱1,500,000}$			

## Chapter 17

### BORROWING COSTS

**Sec. 1. Scope.** This Chapter covers the definition, recognition and measurement, presentation and the adequate disclosures required in accordance with PPSAS 5 on Borrowing Costs. It also includes the policies and guidelines in accounting for borrowing costs.

**Sec. 2. Definition of Terms.** For the purpose of this Manual and this Chapter, the terms used as stated below shall be construed to mean as follows:

- a. *Borrowing costs* – are interest and other expenses incurred by an entity in connection with the borrowing of funds. (*Par. 5, PPSAS 5*)
- b. *Qualifying asset* – is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. (*Par. 5, PPSAS 5*)

**Sec. 3. Composition of Borrowing Costs.** Borrowing costs may include:

- a. Interest on bank overdrafts and short-term and long-term borrowings;
- b. Amortization of discounts or premiums relating to borrowings;
- c. Amortization of ancillary costs incurred in connection with the arrangement of borrowings;
- d. Finance charges in respect of finance leases and service concession arrangements; and
- e. Exchange differences arising from foreign currency borrowings, to the extent that they are regarded as an adjustment to interest costs. (*Par. 6, PPSAS 5*)

**Sec. 4. Recognition: Benchmark Treatment.** Borrowing costs shall be recognized as an expense in the period in which they are incurred. (*Par. 14, PPSAS 5*) For the borrowing costs pertaining to loans borrowed by the NG which are recognized by the Bureau of the Treasury, the benchmark treatment shall be used. (*PAG2, PPSAS 5*)

**Sec. 5. Recognition: Allowed Alternative Treatment.** Borrowing costs shall be recognized as an expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset shall be capitalized as part of the cost of that asset. Said costs shall be capitalized when it is probable that they will result in future economic benefits or service potential to the entity and the costs can be measured reliably. (*Pars. 17, 18 & 19, PPSAS 5*)

For loans borrowed directly by the NGAs, the allowed alternative treatment shall be used and applied consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the entity. (*Par. 20, PPSAS 5*)

**Sec. 6. Borrowing Costs Eligible for Capitalization.** To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period, less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the outlays on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period. (*Pars. 23 and 25, PPSAS 5*)

**Sec. 7. Commencement of Capitalization.** The capitalization of borrowing costs as part of the cost of a qualifying asset shall commence when outlays for the asset are being incurred, borrowing costs are being incurred, and activities that are necessary to prepare the asset for its intended use or sale are in progress. (*Par. 31, PPSAS 5*)

**Sec. 8. Suspension of Capitalization.** Capitalization of borrowing costs shall be suspended during extended periods in which active development is interrupted, and expensed. (*Par. 34, PPSAS 5*)

**Sec. 9. Cessation of Capitalization.** Capitalization of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. When the construction of a qualifying asset is completed in parts, and each part is capable of being used while construction continues on other parts, capitalization of borrowing costs shall cease when substantially all the activities necessary to prepare that part for its intended use or sale are completed. (*Pars. 36 and 38, PPSAS 5*)

**Sec. 10. Disclosures.** The financial statements shall disclose:

- a. The accounting policy adopted for borrowing costs;
- b. The amount of borrowing costs capitalized during the period; and
- c. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization. (*Pars. 16 and 40, PPSAS 5*)

**Sec. 11. Illustrative Accounting Entries.** The following are the illustrative accounting entries for borrowing costs:

- a. Specific Borrowings

Example: On January 2, 2014, Entity A obtained a loan for ₱10,000,000 at an interest rate of 10%, specifically to finance the construction of a building. The proceeds of the loan were temporarily invested and earned interest income amounting to ₱120,000. Total disbursements from January to December 2014 amounted to ₱35,000,000.

Actual interest on specific borrowing (10,000,000 x 10%)	₱ 1,000,000
Less: Interest earned	<u>120,000</u>
Total interest added to the cost of the asset	880,000
Total disbursements from Jan. to Dec. 2014	<u>35,000,000</u>
Total cost	<u><u>₱ 35,880,000</u></u>



The journal entries are as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Construction in Progress-Buildings and Other Structures	10699030	₱1,000,000	
Interest Payable	20101050		₱1,000,000
To recognize interest on borrowings			
Cash in Bank-Local Currency, Current Account	10102020	₱ 120,000	
Construction in Progress- Buildings and Other Structures	10699030		₱ 120,000
To recognize interest in temporary investment			
Construction in Progress-Buildings and Other Structures	10699030	₱35,000,000	
Cash in Bank-Local Currency, Current Account	10102020		₱35,000,000
To recognize payments for the construction of building			

b. General Borrowings

Example: Entity A had the following general borrowings during 2014 that were used to finance the construction of its new building:

<u>Date</u>	<u>Term</u>	<u>Interest Rate</u>	<u>Amount</u>
January 2, 2014	5 yrs.	7.5 %	₱20,000,000
January 2, 2014	2 yrs.	12 %	30,000,000
Total borrowings			<u>₱50,000,000</u>

Entity A made the following disbursements in relation to the construction of its building which started on January 2 and was completed on December 31, 2014:

January 2	₱12,000,000
March 31	7,000,000
June 2	8,000,000
August 1	5,000,000
December 31	<u>3,000,000</u>
Total Disbursements	<u>₱35,000,000</u>

Interest was paid on December 31, 2014.

1. Computation of actual interest incurred

<u>Interest rate</u>	<u>Loan Amount</u>	<u>Interest Cost</u>
7.5%	₱20,000,000	₱1,500,000
12%	30,000,000	<u>3,600,000</u>
Total		<u>₱5,100,000</u>

2. Computation of Weighted Average Interest Rate

<u>Total interest cost on general borrowing</u>	=	<u>5,100,000</u>
Total general borrowings	=	50,000,000
Weighted Average Interest Rate	=	<u>10.2 %</u>

3. Computation of Weighted Average Accumulated Expenditure

January 2	₱12,000,000	x	12	=	₱144,000,000
March 31	7,000,000	x	9	=	63,000,000
June 2	8,000,000	x	7	=	56,000,000
August 1	5,000,000	x	5	=	25,000,000
December 31	<u>3,000,000</u>	x	0	=	
Total Disbursements	<u>₱35,000,000</u>				<u>₱288,000,000</u>
Divided by 12 months					12
Weighted Average Accumulated Expenditures					<u>₱24,000,000</u>

4. Computation of borrowing cost for capitalization

Weighted Average Accumulated Expenditure	₱24,000,000
x Weighted Average Interest Rate	<u>10.2%</u>
Borrowing Cost for capitalization	<u>₱ 2,448,000</u>

The journal entries are as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Construction in Progress-Buildings and Other Structures	10699030	₱12,000,000	
Cash in Bank-Local Currency, Current Account	10102020		₱12,000,000
To recognize payments for the construction of building on January 2, 2014			
Construction in Progress-Buildings and Other Structures	10699030	₱7,000,000	
Cash in Bank-Local Currency, Current Account	10102020		₱7,000,000
To recognize payments for the construction of building on March 31, 2014			
Construction in Progress-Buildings and Other Structures	10699030	₱8,000,000	
Cash in Bank-Local Currency, Current Account	10102020		₱8,000,000
To recognize payments for the construction of building on June 2, 2014			
Construction in Progress-Buildings and Other Structures	10699030	₱5,000,000	
Cash in Bank-Local Currency, Current Account	10102020		₱5,000,000
To recognize payments for the construction of building on August 1, 2014			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Construction in Progress-Buildings and Other Structures	10699030	₱3,000,000	
Cash in Bank-Local Currency, Current Account	10102020		₱3,000,000
To recognize payments for the construction of building on December 31, 2014			
Construction in Progress-Buildings and Other Structures	10699030	₱2,448,000	
Interest Expenses	50301020	2,652,000	
Cash in Bank-Local Currency, Current Account	10102020		₱5,100,000
To recognize payment of interest on borrowings			

## Chapter 18

### PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

**Sec. 1. Scope.** This Chapter covers the definition, recognition, measurement, related disclosures and presentation of provisions, contingent liabilities and contingent assets prescribed under PPSAS 19.

**Sec. 2. Definition of terms.** For the purpose of this Manual and this Chapter, the terms used as stated below shall be construed to mean as follows:

- a. *Constructive Obligation* – is an obligation that derives from an entity’s actions where:
  - 1. By an established pattern of past practice, published policies, or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and
  - 2. As a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.
- b. *Contingent Asset* – is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
- c. *Contingent Liability* is:
  - 1. A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
  - 2. A present obligation that arises from past events, but is not recognized because:
    - i. It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
    - ii. The amount of the obligation cannot be measured with sufficient reliability. (Par. 18, PPSAS 19)
- d. *Executory Contracts* – are contracts under which neither party has performed any of its obligations, or both parties have partially performed their obligations to an equal extent. (Par. 18, PPSAS 19)
- e. *Legal Obligation* – is an obligation that derives from:
  - 1. contract (through its explicit or implicit terms);
  - 2. legislation; or
  - 3. other operation of law. (Par. 18, PPSAS 19)

- f. *Obligating Event* – is an event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation. (Par. 18, PPSAS 19)
- g. *Onerous Contract* – is a contract for the exchange of assets or services in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it. (Par. 18, PPSAS 19)
- h. *Provision* – is a liability of uncertain timing or amount. (Par. 18, PPSAS 19)
- i. *Restructuring* – is a program that is planned and controlled by management, and materially changes either:
  - 1. The scope of an entity's activities; or
  - 2. The manner in which those activities are carried out. (Par. 18, PPSAS 19)

**Sec. 3. Criteria for Recognition.** A provision shall be recognized when:

- a. An entity has a present obligation (legal or constructive) as a result of a past event;
- b. It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- c. A reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognized.

In some cases it is not clear whether there is a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the reporting date. (Par. 23, PPSAS 19)

An entity shall not recognize a contingent liability. However, it is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Likewise, an entity shall not recognize a contingent asset since this may result in the recognition of revenue that may never be realized. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable. (Pars. 35, 36, 39, 41 and 42, PPSAS 19)

**Sec. 4. Measurement.** A provision shall be measured as follows:

- a. Best Estimate

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. The best estimate is the amount that an entity would rationally pay to settle the obligation at reporting date or to transfer it to a third party at that time. (Pars. 44 and 45, PPSAS 19)

The estimates of outcome and financial effect are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. (Par. 46, PPSAS 19)

b. Risks and Uncertainties

The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision. (*Par. 50, PPSAS 19*)

c. Present Value

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted. (*Pars. 53 and 56, PPSAS 19*)

d. Future Events

Future events that may affect the amount required to settle an obligation shall be reflected in the amount of a provision where there is sufficient objective evidence that they will occur. (*Par. 58, PPSAS 19*)

e. Expected Disposal of Assets

Gains from the expected disposal of assets shall not be taken into account in measuring a provision. (*Par. 61, PPSAS 19*)

**Sec. 5. Reimbursements.** Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. In the statement of financial performance, the expense relating to a provision may be presented net of the amount recognized for a reimbursement. (*Pars. 63 and 64, PPSAS 19*)

**Sec. 6. Changes in Provisions.** Provisions shall be reviewed at each reporting date, and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed. (*Par. 69, PPSAS 19*)

**Sec. 7. Use of Provisions.** A provision shall be used only for expenditures for which the provision was originally recognized. (*Par. 71, PPSAS 19*)

**Sec. 8. Application of the Recognition and Measurement Rules**

a. Future Operating Net Deficits

Provisions shall not be recognized for net deficits from future operating activities. An expectation of net deficits from future operating activities is an indication that certain assets used in these activities may be impaired. An entity tests these assets for impairment. (*Pars. 73 and 75, PPSAS 19*)

b. Onerous Contracts

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract shall be recognized and measured as a provision. (*Par. 76, PPSAS 19*)

c. Restructuring

A constructive obligation to restructure arises only when an entity:

1. Has a detailed formal plan for the restructuring identifying at least:
  - i. The activity/operating unit or part of an activity/operating unit concerned;
  - ii. The principal locations affected;
  - iii. The location, function, and approximate number of employees who will be compensated for terminating their services;
  - iv. The expenditures that will be undertaken; and
  - v. When the plan will be implemented; and
2. Has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding agreement. (*Par. 90, PPSAS 19*)

A restructuring provision shall include only the direct expenditures arising from the restructuring, which are those that are both:

- a. Necessarily entailed by the restructuring; and
- b. Not associated with the ongoing activities of the entity. (*Par. 93, PPSAS 19*)

A restructuring provision does not include such costs as retraining or relocating continuing staff, marketing, or investment in new systems and distribution networks. (*Par. 94, PPSAS 19*)

**Sec. 9. Disclosures.** For each class of provision, an entity shall disclose:

- a. The carrying amount at the beginning and end of the period;
- b. Additional provisions made in the period, including increases to existing provisions;
- c. Amounts used (that is, incurred and charged against the provision) during the period;
- d. Unused amounts reversed during the period; and
- e. The increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.
- f. A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential;

- g. An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events; and
- h. The amount of any expected reimbursement, stating the amount of any asset that has been recognized for that expected reimbursement.
- i. A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential;
- j. An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events; and
- k. The amount of any expected reimbursement, stating the amount of any asset that has been recognized for that expected reimbursement.
- l. Unless the possibility of any outflow in settlement is remote, an entity shall disclose, for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability and, where practicable:
  - 1. An estimate of its financial effect;
  - 2. An indication of the uncertainties relating to the amount or timing of any outflow; and
  - 3. The possibility of any reimbursement.
- m. Where an inflow of economic benefits or service potential is probable, an entity shall disclose a brief description of the nature of the contingent assets at the reporting date, and, where practicable, an estimate of their financial effect.
- n. Unless the possibility of any outflow in settlement is remote, an entity shall disclose, for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability and, where practicable:
  - 1. An estimate of its financial effect;
  - 2. An indication of the uncertainties relating to the amount or timing of any outflow; and
  - 3. The possibility of any reimbursement.
- o. Comparative information is not required. (*Pars. 97, 98, 100 and 105, PPSAS 19*)

**Sec. 10. Illustrative Accounting Entries.** The following are the illustrative accounting entries to recognize provisions books of accounts:

Example: The East Avenue Medical Center purchased medical equipment, with estimated useful life of five years, on January 2, 2014 with the following data:

Purchase price	₱1,000,000
Delivery cost	15,000
Dismantling cost at the end of five-year useful life	80,000



Computation of Cost:

Purchase price	₱1,000,000
Delivery cost	15,000
PV of Dismantling Cost (₱80,000 x 0.62092 <sup>1</sup> )	<u>49,674</u>
Total Cost	<u>₱1,064,674</u>

<sup>1</sup> – assumed: average borrowing rate at the time of acquisition is 10%  
(0.62092 is the PV factor of 1)

Computation of Interest Expense:

<u>Year</u>	<u>Computation of Interest</u>	<u>Initial Cost</u>	<u>Interest</u>	<u>Carrying Amount</u>
Year 1	₱ 49,674 x 10%	₱ 49,674	₱ 4,967	₱ 54,641
Year 2	54,641 x 10%		5,464	60,105
Year 3	60,105 x 10%		6,011	66,116
Year 4	66,116 x 10%		6,612	72,728
Year 5			7,272	80,000

Computation of Depreciation Expense:

$$\text{Residual Value} = \text{₱1,015,000} \times 5\% = \text{₱50,750}$$

Note: PV of dismantling cost shall not be included in the computation of residual value

$$\begin{aligned} \text{Depreciation Expense} &= \frac{\text{₱1,064,674} - \text{₱50,750}}{5 \text{ years}} \\ &= \underline{\underline{\text{₱202,785}}} \end{aligned}$$

The accounting entries shall be as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>January 2, 2014</u>			
Medical Equipment	10605110	₱1,064,674	
Cash-Modified Disbursement			
System (MDS), Regular	10104040		₱1,015,000
Other Provisions	20601990		49,674
To recognize cash purchase of medical equipment			
<u>1<sup>st</sup> year – 2014 (Dec. 2014)</u>			
Depreciation-Machinery and			
Equipment	50501050	₱202,785	
Accumulated Depreciation-			
Medical Equipment	10605111		₱202,785
To recognize the depreciation for the year			
Interest Expenses	50301020	₱4,967	
Other Provisions	20601990		₱ 4,967
To recognize the finance charges corresponding to the provisions for the year			

## Chapter 19

### FINANCIAL REPORTING

**Sec. 1. Scope.** This Chapter prescribes the manner in which the general purpose financial statements (GPFS) should be prepared and presented to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.

It presents the:

- a. overall considerations for the preparation and presentation of financial statements;
- b. guidance for their structure;
- c. minimum requirements for the content of financial statements prepared under the accrual basis of accounting as required by the PPSAS; and
- d. other guidelines and requirements in the preparation of financial statements.

The recognition, measurement and disclosure of specific transactions and other events are discussed in other Chapters of this Manual.

Provisions of PPSAS 1-Presentation of financial statements and the applicable PAG shall be applied in the presentation and preparation of GPFS.

The application for the following PPSAS topics shall be discussed:

- a. Presentation of Financial Statements;
- b. Statement of Cash Flows;
- c. Events after the Reporting Date;
- d. Related Party Disclosures;
- e. Accounting Policies, Changes in Accounting Estimates and Errors; and
- f. Accounting Process

**Sec. 2. Definition of Terms.** For the purpose of this Manual, the terms used as stated below shall be construed to mean as follows:

- a. *Accounting Policies* – are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. (Par. 7, PPSAS 3)
- b. *Cash* – comprises cash on hand and cash in bank (held under current and savings account) and cash treasury accounts.

- c. *Cash Equivalents* – are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. (Par. 8, PPSAS 2)
- d. *Cash Flows* – are inflows and outflows of cash and cash equivalents. (Par. 8, PPSAS 2)
- e. *Change in accounting estimate* – is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors. (Par. 7, PPSAS 3)
- f. *Financial Reporting* – is the process of preparation, presentation and submission of general purpose financial statements and other reports. The objective of financial reporting is to provide information about the entity that is useful to users for accountability purposes and decision-making.
- g. *General Purpose Financial Statements* – are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. (Par. 3, PPSAS 1)
- h. *Material omissions or misstatements of items* – are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. (Par. 7, PPSAS 1)
- i. *Notes* – contain information in addition to that presented in the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets/Equity, and Statement of Cash Flows. Notes provide narrative descriptions or disaggregation of items disclosed in those statements and information about items that do not qualify for recognition in those statements. (Par. 7, PPSAS 1)
- j. *Prospective application of a change in accounting policy* – means applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed. (Par. 7, PPSAS 3)
- k. *Prospective application of recognizing the effect of a change in an accounting estimate* – means recognizing the effect of the change in the accounting estimate in the current and future periods affected by the change. (Par. 7, PPSAS 3)
- l. *Retrospective application* – is applying a new accounting policy to transactions, other events, and conditions as if that policy had always been applied. (Par. 7, PPSAS 3)
- m. *Retrospective restatement* – is correcting the recognition, measurement, and disclosure of amounts of elements of financial statements as if a prior period error had never occurred. (Par. 7, PPSAS 3)

### **Sec. 3. Purpose of Financial Statements**

- a. Financial statements are a structured representation of the financial position and financial performance of an entity. The objectives of general purpose financial

statements are to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. Specifically, the objectives of general purpose financial reporting in the public sector should be to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it, by:

1. providing information about the sources, allocation, and uses of financial resources;
  2. providing information about how the entity financed its activities and met its cash requirements;
  3. providing information that is useful in evaluating the entity's ability to finance its activities and to meet its liabilities and commitments;
  4. providing information about the financial condition of the entity and changes in it;
  5. providing aggregate information useful in evaluating the entity's performance in terms of service costs, efficiency and accomplishments;
- b. General purpose financial statements can also have a predictive or prospective role, providing information useful in predicting the level of resources required for continued operations, the resources that may be generated by continued operations, and the associated risks and uncertainties. Financial reporting may also provide users with information:
1. indicating whether resources were obtained and used in accordance with the legally adopted budget; and
  2. indicating whether resources were obtained and used in accordance with legal and contractual requirements, including financial limits established by appropriate legislative authorities. (*Par. 15-16 PPSAS 1*)
- c. Financial statements provide information about an entity's:
1. Assets;
  2. Liabilities;
  3. Net assets/equity;
  4. Revenue;
  5. Expenses;
  6. Other changes in net assets/equity;
  7. Cash flows; and
  8. Comparison of budget and actual amounts. (*Par. 17, PPSAS 1*)

**Sec. 4. Responsibility for Financial Statements.** The responsibility for the fair presentation and reliability of financial statements rests with the management of the reporting entity, particularly the head of finance/accounting office and the head of entity or his authorized representative. The Statement of Management Responsibility for Financial Statements (*Annex G*) shall serve as the covering letter in transmitting the entity financial statements to the COA, and other regulatory agencies and other entities. It shows the entity's responsibility for the preparation and presentation of the financial statements.

**Sec. 5. Components of Financial Statements.** A complete set of financial statements (condensed and by fund cluster) to be submitted by an entity shall include the following:

- a. Statement of Financial Position (SFP) (*Annex A*);
- b. Statement of Financial Performance (SFPer) (*Annex B*);
- c. Statement of Changes in Net Assets/Equity (SCNA/E) (*Annex C*);
- d. Statement of Cash Flows (SCF) (*Annex D*);
- e. Statement of Comparison of Budget and Actual Amount (SCBAA) (*Annex E*); and
- f. Notes (*Annex F*), comprising a summary of significant accounting policies and other explanatory notes. (*Par. 21, PPSAS 1*)

For the purpose of preparing the Annual Financial Report, all national government agencies shall submit to the Government Accountancy Sector, COA detailed financial statements and trial balances by fund cluster.

**Sec. 6. Qualitative Characteristics of Financial Reporting.** An entity shall present information including accounting policies in a manner that meets the following qualitative characteristics enumerated in PPSAS 1:

- a. Understandability – information is understandable when users might reasonably be expected to comprehend its meaning. For this purpose, users are assumed to have a reasonable knowledge of the entity's activities and the environment in which it operates, and to be willing to study the information. Information about complex matters should not be excluded from the financial statements merely on the grounds that it may be too difficult for certain users to understand.
- b. Relevance – information is relevant to users if it can be used to assist in evaluating past, present or future events or in confirming, or correcting, past evaluations. In order to be relevant, information must also be timely.
- c. Materiality – the relevance of information is affected by its nature and materiality. Information is material if its omission or misstatement could influence the decisions of users or assessments made on the basis of the financial statements. Materiality depends on the nature or size of the item or error, judged in the particular circumstances of its omission or misstatement.
- d. Timeliness – the usefulness of financial statements is impaired if they are not made available to users within a reasonable period after the reporting date. Ongoing factors such as the complexity of an entity's operations are not sufficient reason for failing to report on a timely basis. More specific deadlines are dealt with by legislation and regulations in many jurisdictions.

If there is an undue delay in the reporting of information, it may lose its relevance. To provide information on a timely basis, it may often be necessary to report before all aspects of a transaction are known, thus impairing reliability. Conversely, if reporting is delayed until all aspects are known, the information may be highly reliable but of little use to users who have had to make decisions in the interim. In achieving a balance between relevance and reliability, the overriding consideration is how best to satisfy the decision-making needs of users. (*Appendix A, PPSAS 1*)

- e. Reliability – reliable information is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.
- f. Faithful representation – information to represent faithfully transactions and other events, it should be presented in accordance with the substance of the transactions and other events, and not merely their legal form.
- g. Substance over form – if information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they be accounted for and presented in accordance with their substance and economic reality, and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form.
- h. Neutrality – information is neutral if it is free from bias. Financial statements are not neutral if the information they contain has been selected or presented in a manner designed to influence the making of a decision or judgment in order to achieve a predetermined result or outcome.
- i. Prudence – is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or revenue are not overstated and liabilities or expenses are not understated. However, the exercise of prudence does not allow, for example, the creation of hidden reserves or excessive provisions, the deliberate understatement of assets or revenue, or the deliberate overstatement of liabilities or expenses, because the financial statements would not be neutral and, therefore, not have the quality of reliability.
- j. Completeness – the information in financial statements should be complete within the bounds of materiality and cost.
- k. Comparability – information in financial statements is comparable when users are able to identify similarities and differences between that information and information in other reports. Comparability applies to the comparison of financial statements of different entities and comparison of the financial statements of the same entity over periods of time. An important implication of the characteristic of comparability is that users need to be informed of the policies employed in the preparation of financial statements, changes to those policies, and the effects of those changes. Because users wish to compare the performance of an entity over time, it is important that financial statements show corresponding information for preceding periods. (*PPSAS 1*)

**Sec. 7. Fair Presentation and Compliance with PPSAS.** Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in PPSASs. The application of PPSASs, with additional disclosures

when necessary, is presumed to result in financial statements that achieve a fair presentation. (*Par. 27, PPSAS 1*)

An entity whose financial statements comply with PPSASs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with PPSASs unless they comply with all the requirements of PPSASs. (*Par. 28, PPSAS 1*)

A fair presentation also requires an entity:

- a. To select and apply accounting policies in accordance with PPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors. PPSAS 3 sets out a hierarchy of authoritative guidance that management considers, in the absence of a Standard that specifically applies to an item.
- b. To present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- c. To provide additional disclosures when compliance with the specific requirements in PPSASs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. (*Par. 29, PPSAS 1*)

Inappropriate accounting policies are not rectified either by disclosure of the accounting policies used, or by notes or explanatory material. (*Par. 30, PPSAS 1*)

**Sec. 8. Going Concern.** When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern. (*Par. 38, PPSAS 1*)

**Sec. 9. Consistency of Presentation.** The presentation and classification of items in the financial statements shall be retained from one period to the next unless:

- a. it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in PPSAS 3; or
- b. a PPSAS requires a change in presentation. (*Par. 42, PPSAS 1*)

**Sec. 10. Materiality and Aggregation.** Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately, unless they are immaterial. (*Par. 45, PPSAS 1*)

**Sec. 11. Offsetting.** Assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by a PPSAS. (*Par. 48, PPSAS 1*)

In addition, gains and losses arising from a group of similar transactions are reported on a net basis, for example, foreign exchange gains and losses and gains and losses arising on financial instruments held for trading. Such gains and losses are, however, reported separately if they are material. (*Par. 51, PPSAS 1*)

**Sec. 12. Comparative Information.** Except when a PPSAS permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all

amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements. (*Par. 53, PPSAS I*)

- a. When the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose:
  1. The nature of the reclassification;
  2. The amount of each item or class of items that is reclassified; and
  3. The reason for the reclassification. (*Par. 55, PPSAS I*)
- b. When it is impracticable to reclassify comparative amounts, an entity shall disclose:
  1. The reason for not reclassifying the amounts; and
  2. The nature of the adjustments that would have been made if the amounts had been reclassified. (*Par. 56, PPSAS I*)

**Sec. 13. Identification of the Financial Statements.** The financial statements shall be identified clearly, and distinguished from other information in the same published document. (*Par. 61, PPSAS I*). In addition, the following information shall be displayed prominently, and repeated when it is necessary for a proper understanding of the information presented:

- a. The name of the reporting entity or other means of identification, and any change in that information from the preceding reporting date;
- b. Whether the financial statements cover the individual entity or a group of entity;
- c. The reporting date or the period covered by the financial statements, whichever is appropriate to that component of the financial statements;
- d. Name of fund cluster;
- e. The reporting currency; and
- f. The level of rounding used in presenting amounts in the financial statements. (*Par. 63, PPSAS I*)

**Sec. 14. Reporting Period.** Financial statements shall be presented at least annually. When an entity's reporting date changes and the annual financial statements are presented for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:

- a. The reason for using a longer or shorter period; and
- b. The fact that comparative amounts for certain statements such as the statement of financial performance, statement of changes in net assets/equity, cash flow statement, and related notes are not entirely comparable. (*Par. 66, PPSAS I*)

**Sec. 15. Statement of Financial Position.** The Statement of Financial Position is a formal statement which shows the financial condition of the entity as at a certain date. It includes



information on the three elements of financial position, namely, assets, liabilities and equity. The Statement of Financial Position shall be presented in comparative, detailed and condensed format.

- a. Condensed Statement of Financial Position – presents only the major sub-classification of Statement of Financial Position accounts in the Revised Chart of Accounts. Condensed Statement of Financial Position shall be submitted at yearend to the concerned Auditor. Its breakdown and other relevant information shall be disclosed in the Notes to Financial Statements.
- b. Detailed Statement of Financial Position – presents all Statement of Financial Position accounts in the Revised Chart of Accounts as a line item in the financial report. Detailed Statement of Financial Position shall be submitted at yearend to the Government Accountancy Sector, COA, as part of the yearend financial statements.

**Sec. 16. Current/Non-current Distinction.** An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its Statement of Financial Position.

- a. Current/Non-current Assets. An asset shall be classified as current when it satisfies any of the following criteria:
  1. It is expected to be realized in, or is held for sale or consumption in, the entity's normal operating cycle;
  2. It is held primarily for the purpose of being traded;
  3. It is expected to be realized within twelve months after the reporting date; or
  4. It is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as non-current. (*Par. 76, PPSAS I*)

- b. Current/Non-current Liabilities. A liability shall be classified as current when it satisfies any of the following criteria:
  1. It is expected to be settled in the entity's normal operating cycle;
  2. It is held primarily for the purpose of being traded;
  3. It is due to be settled within twelve months after the reporting date; or
  4. The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All other liabilities shall be classified as non-current. (*Par. 79, PPSAS I*)

**Sec. 17. Information to be presented on the Face of Statement of Financial Position.** As a minimum, the face of the Statement of Financial Position shall include line items that present the following amounts:

- a. Cash and cash equivalents;
- b. Receivables from exchange transactions;

- c. Recoverable from non-exchange transactions (taxes and transfers);
- d. Financial assets (excluding amounts shown under (a), (b) and (c));
- e. Inventories;
- f. Investment Property;
- g. Property, Plant and Equipment;
- h. Intangible assets;
- i. Taxes and Transfers Payable;
- j. Payables under exchange transactions;
- k. Provisions;
- l. Financial liabilities (excluding amounts shown under (h), (i) and (j)); and
- m. Net assets/equity.

Additional line items, headings, and sub-totals shall be presented on the face of the Statement of Financial Position when such presentation is relevant to an understanding of the entity's financial position. (*Par. 89, PPSAS 1*)

An entity shall disclose, either on the face of the Statement of Financial Position or in the notes, further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations. (*Par. 93, PPSAS 1*)

**Sec. 18. Statement of Financial Performance.** The Statement of Financial Performance shows the results of operation/performance of the entity at the end of a particular period. All items of revenue and expense recognized in a period shall be included in surplus or deficit unless a PPSAS requires otherwise.

- a. Normally, all items of revenue and expense recognized in a period are included in surplus or deficit. This includes the effects of changes in accounting estimates. However, circumstances may exist when particular items may be excluded from surplus or deficit for the current period, as follows:
  - 1. The correction of prior period errors (*PPSAS 3*);
  - 2. The effect of changes in accounting policies (*PPSAS 3*); and
  - 3. Gains or losses on remeasuring available-for-sale financial assets. (*PPSAS 29*)
- b. The Statement of Financial Performance shall be prepared in comparative detailed and comparative condensed format.

**Sec. 19. Information to be presented in the Statement of Financial Performance.** The presentation of information in the Statement of Financial Performance shall be governed by the following provisions:

- a. As a minimum, the face of the statement of financial performance shall include line items that present the following amounts for the period:

1. Revenue;
  2. Finance costs;
  3. Share of the surplus or deficit of associates and joint ventures accounted for using the equity method;
  4. Gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinuing operations; and
  5. Surplus or deficit. (*Par. 102, PPSAS I*)
- b. Additional line items, headings, and subtotals shall be presented on the face of the statement of financial performance when such presentation is relevant to an understanding of the entity's financial performance. (*Par. 104, PPSAS I*)
  - c. When items of revenue and expense are material, their nature and amount shall be disclosed separately. (*Par. 105, PPSAS I*)
  - d. Circumstances that would give rise to the separate disclosure of items of revenue and expense include:
    1. Write-downs of inventories to net realizable value or of property, plant, and equipment to recoverable amount or recoverable service amount as appropriate, as well as reversals of such write-downs;
    2. Restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;
    3. Disposals of items of property, plant, and equipment;
    4. Privatizations or other disposals of investments;
    5. Discontinuing operations;
    6. Litigation settlements; and
    7. Other reversals of provisions. (*Par. 107, PPSAS I*)
  - e. An entity shall present, either on the face of the statement of financial performance or in the notes:
    1. a sub-classification of total revenue, classified in a manner appropriate to the entity's operations (*Par. 108, PPSAS I*); and,
    2. an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant. (*Par. 109, PPSAS I*)
  - f. Entities classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortization expense and employee benefits expense. (*Par. 115, PPSAS I*)

**Sec. 20. Statement of Changes in Net Assets/Equity.** The Statement of Changes in Net Assets/Equity shows the changes in equity between two accounting periods reflecting the increase or decrease in the entity's net assets during the year.

An entity shall present a statement of changes in net assets/equity showing on the face of the statement:

- a. Surplus or deficit for the period;
- b. Each item of revenue and expense for the period that, as required by other Standards, is recognized directly in net assets/equity, and the total of these items (example: unrealized gain/(loss) from changes in the fair value of financial assets);
- c. Total revenue and expense for the period (calculated as the sum of (a) and (b));
- d. The effects of changes in accounting policies and corrections of errors for each component of net asset/equity disclosed; and
- e. The balance of accumulated surpluses or deficits at the beginning of the period and at the reporting date, and the changes during the period.

**Sec. 21. Statement of Comparison of Budget and Actual Amount.** A separate additional financial statement for comparison of budget and actual amounts shall be prepared since the financial statements and budget of NGAs are not on the same accounting basis. (*PAG4, PPSAS 1*)

**Sec. 22. Statement of Cash Flows.** The Statement of Cash Flows summarizes the cash flows from operating, investing and financing activities of an entity during a given period. It identifies the sources of cash inflows, the items on which cash was expended during the reporting period, and the cash balance as at the reporting date.

Cash flow information provides users of financial statements with a basis to assess (a) the ability of the entity to generate cash and cash equivalents, and (b) the needs of the entity to utilize those cash flows. (*Par. 126, PPSAS 1*)

Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent, it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents. (*Par. 9, PPSAS 2*)

Cash flows exclude movements between items that constitute cash or cash equivalents, because these components are part of the cash management of an entity rather than part of its operating, investing and financing activities. Cash management includes the investment of excess cash in cash equivalents. (*Par. 11, PPSAS 2*)

**Sec. 23. Presentation of Statement of Cash Flows.** The cash flow statement shall report cash flows during the period classified by operating, investing, and financing activities.

- a. Operating Activities – Cash flows from operating activities are primarily derived from the principal cash-generating activities of the entity.
  1. Cash inflows from operating activities include, among others:

- i. Cash receipt of assistance and subsidy from other NGAs, LGUs and GOCCs
  - ii. Receipt of NCA;
  - iii. Collection of income and revenues including tax revenues, service and business income, shares, grants, donations and prior year's income;
  - iv. Collection of loans, leases and other receivables including receivables from audit disallowances;
  - v. Cash receipt of trust liabilities and other trust receipts;
  - vi. Receipt of inter-entity and intra-entity fund transfers; and
  - vii. Receipt of advance payments, refunds, and other deferred credits.
- 2. Cash outflows from operating activities include, among others:
  - i. Yearend closing of remittances/deposits to National Treasury;
  - ii. Cash payments of expenses including replenishment of PCF;
  - iii. Cash payments to suppliers for goods and services;
  - iv. Cash payments for purchases of consumable biological assets;
  - v. Grant of cash advances;
  - vi. Prepayments and deposits;
  - vii. Payment of accounts payable;
  - viii. Payments representing financial assistance/subsidy;
  - ix. Remittances of personnel benefit contributions and mandatory deductions;
  - x. Cash payments in relation to litigation settlements;
  - xi. Release of inter/intra entity fund transfers; and
  - xii. Other cash disbursements included in the computation of surplus/deficit.
- b. Investing Activities – Involve the acquisition and disposal of non-current assets and other investments not included in cash equivalent. These activities include cash transactions such as the purchase of PPE, short and long-term investments and other non-current assets.
  - 1. Cash inflows under investing activities include, among others:
    - i. Cash receipts from sales/disposal of PPE, intangibles, investment property and other long-term assets;
    - ii. Cash receipts from sales of stocks, bonds, interests in joint ventures and other investments;

- iii. Collection of long-term loans (other than advances and loans of a public financial institution);
  - iv. Proceeds from matured/return of investments; and
  - v. Cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities.
- 2. Cash outflows under investing activities include, among others:
  - i. Cash payments to acquire PPE, intangibles and other long-term assets. These payments include those relating to capitalized development costs and self-constructed PPE;
  - ii. Cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);
  - iii. Cash advances and loans made to other parties (other than advances and loans made by a public financial institution); and
  - iv. Cash payments for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities.
- c. Financing Activities – Are activities concerning buildup of equity capital or borrowings of the entity. These include cash transactions involving the equity and non-current liabilities. Examples of cash flows arising from financing activities are:
  - 1. Cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short or long-term borrowings;
  - 2. Cash repayments of amounts borrowed; and
  - 3. Cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

The net increase in cash provided by (used in) operating activities, investing activities and financing activities for the year, and the cash balance at the start of the year, shall equal the cash balance at the end of the year as shown in the Statement of Financial Position.

**Sec. 24. Direct Method of Reporting Cash Flows from Operating Activities.** The entity shall report cash flows from operating activities using the direct method disclosing major classes of gross cash receipts and gross cash payments (*PAG2, PPSAS 2*). Information about major classes of gross cash receipts and gross cash payments may be obtained either:

- a. From the accounting records of the entity; or
- b. By adjusting operating revenues, operating expenses (interest and similar revenue, and interest expense and similar charges for a public financial institution) and other items in the statement of financial performance for:
  - 1. Changes during the period in inventories and operating receivables and payables;

2. Other non-cash items; and
3. Other items for which the cash effects are investing or financing cash flows.  
(*Par. 28, PPSAS 2*)

Entities reporting cash flows from operating activities using the direct method shall provide a reconciliation of the surplus/deficit from ordinary activities with the net cash flow from operating activities. This reconciliation shall be provided in the notes to the financial statements.  
(*Par. 29, PPSAS 2*)

**Sec. 25. Reporting Cash Flows from Investing and Financing Activities.** The entity shall report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities, except to the extent that cash flows described in Sec. 26 of this Chapter are reported on a net basis. (*Par. 31, PPSAS 2*)

**Sec. 26. Reporting Cash Flows on a Net Basis.** Cash flows from operating, investing and financing activities may be reported on a net basis for:

- a. Cash receipts collected and payments made on behalf of customers, taxpayers or beneficiaries when the cash flows reflect the activities of the other party rather than those of the entity; and
- b. Cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short. (*Par. 32, PPSAS 2*)

**Sec. 27. Foreign Currency Cash Flows.** Cash flows arising from transactions in a foreign currency shall be recorded in an entity's functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow. (*Par. 36, PPSAS 2*)

**Sec. 28. Unrealized Gains and Losses.** These are unrealized gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the cash flow statement in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing, and financing activities, and includes the differences, if any, if those cash flows had been reported at end of period exchange rates. (*Par. 39, PPSAS 2*)

**Sec. 29. Components of Cash and Cash Equivalents.** An entity should disclose the components of cash and cash equivalents and should present a reconciliation of the amounts in its cash flow statement with the equivalent items reported in the Statement of Financial Position. (*Par. 56, PPSAS 2*)

An entity shall disclose, together with a commentary by management in the notes to the financial statements, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the economic entity. (*Par. 59, PPSAS 2*)

**Sec. 30. Notes to Financial Statements.** Notes to financial statements are integral parts of the financial statements. Notes provide additional information and help clarify the items presented in the financial statements. It provides narrative description or disaggregation of items in the financial statements and information about them that do not qualify for recognition.

Notes shall, as far as practicable, be presented in a systematic manner. Each item on the face of the Statement of Financial Position, Statement of Financial Performance, Statement of

Changes in Net Assets/Equity, and Statement of Cash Flows shall be cross-referenced to any related information in the notes. (*Par. 128, PPSAS 1*)

**Sec. 31. Structure of the Notes to Financial Statements.** The notes shall:

- a. present information about the basis of preparation of the financial statements and the specific accounting policies used, in accordance with paragraphs 132-139;
- b. disclose the information required by IPSASs that is not presented on the face of the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets/Equity, and Statement of Cash Flows; and
- c. provide additional information that is not presented on the face of the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets/Equity, and Statement of Cash Flows, but that is relevant to an understanding of any of them. (*Par. 127, PPSAS 1*)

**Sec. 32. Contents of Notes to FS.** The Notes to Financial Statements should contain the following:

- a. a statement of compliance with PPSASs;
- b. summary of significant accounting policies adopted and followed by the reporting entity shall include:
  1. the measurement basis (or bases) used in preparing the financial statements;
  2. the extent to which the entity has applied any transitional provisions in any PPSAS; and
  3. the other accounting policies used that are relevant to an understanding of the financial statements;
- c. supporting information for items presented on the face of the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets/Equity or Statement of Cash Flows, in the order in which each statement and each line item is presented; and
- d. additional information required by PPSAS that is not shown on the face of the financial statements but is relevant to an understanding of any of them which includes the following:
  1. disclosure that the budgeted amounts have not been exceeded. If any budgeted amounts or appropriations have been exceeded or expenses incurred without appropriation/allotment, then details shall be disclosed; (*Par. 24 (b) PPSAS 1*)
  2. nature and extent of prior period errors; (*PPSAS 3*)
  3. events after the reporting date that have a material effect on the financial statements; (*PPSAS 14*)
  4. contingent liabilities (*PPSAS 19*), and unrecognized contractual commitments;
  5. related party disclosure (*PPSAS 20*); and



6. non-financial disclosures, e.g., the entity's financial risk management objectives and policies. (*PPSAS 15*)

**Sec. 33. Events After the Reporting Date.** Events after the reporting date are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified:

- a. Adjusting events after the reporting date – those that provide evidence of conditions that existed at the reporting date; and
- b. Non-adjusting events after the reporting date – those that are indicative of conditions that arose after the reporting date. (*Par. 5, PPSAS 14*)

The reporting date is set every end of the calendar year while the date on which the financial statements are authorized for issue is the date when the Statement of Management's Responsibility is approved by the Chief Executive or his authorized representative and the Head of Finance Department. (*PAG2, PPSAS 14*)

The chief accountant or the official in charge of keeping the accounts of a government agency shall submit to the Commission year-end trial balances and such other supporting or subsidiary statements as may be required by the Commission not later than the fourteenth day of February. Trial balances returned by the Commission for revision due to non-compliance with accounting rules and regulations, shall be resubmitted within three days after the date of receipt by the official concerned. (*Sec. 41(2), P.D. No. 1445*)

**Sec. 34. Adjusting Events After the Reporting Date.** The entity should adjust the amounts recognized in its financial statements to reflect adjusting events after the reporting date. Examples are as follows:

- a. The settlement after the reporting date of a court case that confirms that the entity had a present obligation at the reporting date;
- b. The receipt of information after the reporting date indicating that an asset was impaired at the reporting date, or that the amount of a previously recognized impairment loss for that asset needs to be adjusted. For example: (i) The bankruptcy of a debtor that occurs after the reporting date usually confirms that a loss already existed at the reporting date on a receivable account, and that the entity needs to adjust the carrying amount of the receivable account; and (ii) the sale of inventories after the reporting date may give evidence about their net realizable value at the reporting date;
- c. The determination after the reporting date of the cost of assets purchased, or the proceeds from assets sold, before the reporting date;
- d. The determination after the reporting date of the amount of revenue collected during the reporting period to be shared with another government entity under a revenue-sharing agreement in place during the reporting period;
- e. The determination after the reporting date of performance bonus payments to be made to staff if the entity had a present legal or constructive obligation at the reporting date to make such payments as a result of events before that date; and

- f. The discovery of fraud or errors that show that the financial statements were incorrect. (*Par 10-11, PPSAS 14*)

**Sec. 35. Disclosures of Events after the Reporting Date.** The required disclosures for events after the reporting date are as follows:

- a. an entity shall disclose the date when the financial statements were authorized for issue and who gave that authorization. If another body has the power to amend the financial statements after issuance, the entity shall disclose that fact. (*Par. 26, PPSAS 14*)
- b. if an entity receives information after the reporting date, but before the financial statements are authorized for issue, about conditions that existed at the reporting date, the entity shall update disclosures that relate to these conditions in the light of the new information. (*Par. 28, PPSAS 14*)
- c. if non-adjusting events after the reporting date are material, nondisclosure could influence the economic decisions of users taken on the basis of the financial statements. Accordingly, the entity shall disclose the following for each material category of non-adjusting event after the reporting date:
  - 1. the nature of the event; and
  - 2. an estimate of its financial effect or a statement that such an estimate cannot be made.

The following, among others are examples of non-adjusting events after the reporting date which requires disclosure:

- 1. an acquisition or disposal of a major controlled entity;
- 2. announcement of a plan to discontinue an operation or a major program;
- 3. major purchases and disposal of asset; and
- 4. the destruction of a major building by a fire after the reporting date.

**Sec. 36. Selection and Consistency in the Application of Accounting Policies.** In choosing an accounting policy to be applied to a transaction, the entity shall consider the relevant PPSAS to be applied and any relevant application guidance issued by the Commission. An entity shall select and apply accounting policies consistently for similar transactions, other events and conditions, unless PPSAS specifically requires specific accounting policies.

**Sec. 37. Changes in Accounting Policies.** The entity should be consistent in the application of an accounting policy.

- a. Change is not allowed in PPSAS unless the change:
  - 1. Is required by PPSAS; or
  - 2. Results in the financial statements that providing reliable and more relevant information about the effects of transactions, other events and conditions on the

entity's financial position, financial performance, or cash flows. (*Par. 17, PPSAS 3*)

- b. The following are considered changes in accounting policies:
  - 1. Change from one basis of accounting to another basis of accounting; and
  - 2. Change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting.

**Sec. 38. Accounting for Changes in Accounting Policies.** An entity shall account for a change in accounting policy resulting from the initial application of a PPSAS in accordance with the specific transitional provisions, if any (*Par. 24, PPSAS 3*). When an entity changes an accounting policy upon initial application of a PPSAS that does not include specific transitional provisions applying to that change, it shall apply the change retrospectively, except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change (*Par. 24 and 28, PPSAS 3*). When a change in accounting policy is applied retrospectively, the entity shall adjust the opening balance of each affected component of net assets/equity for the earliest period presented, and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied. (*Par. 27, PPSAS 3*)

**Sec. 39. Disclosures for Changes in Accounting Policy.** When initial application of an PPSAS (a) has an effect on the current period or any prior period, (b) would have such an effect, except that it is impracticable to determine the amount of the adjustment, or (c) might have an effect on future periods, an entity shall disclose:

- a. the title of the Standard;
- b. when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
- c. the nature of the change in accounting policy;
- d. when applicable, a description of the transitional provisions;
- e. when applicable, the transitional provisions that might have an effect on future periods;
- f. for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;
- g. the amount of the adjustment relating to periods before those presented, to the extent practicable; and
- h. if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures. (*Par. 33, PPSAS 3*)

**Sec. 40. Changes in Accounting Estimates.** Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors.

- a. When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate. (*Par. 40, PPSAS 3*)
- b. Estimation involves judgments based on the latest available, reliable information. For example, estimates may be required, of:
  1. tax revenue due to government;
  2. bad debts arising from uncollected receivables;
  3. inventory obsolescence;
  4. the fair value of financial assets or financial liabilities;
  5. the useful lives of, or expected pattern of consumption of future economic benefits or service potential embodied in depreciable assets; and
  6. warranty obligations. (*Par. 37, PPSAS 3*)
- c. The effect of a change in an accounting estimate shall be recognized prospectively by including it in surplus or deficit in:
  1. the period of the change, if the change affects the period only; or
  2. the period of the change and future periods, if the change affects both.
- d. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of net assets/equity, it shall be recognized by adjusting the carrying amount of the related asset, liability or net assets/equity item in the period of change. (*Par. 42, PPSAS 3*)

**Sec. 41. Disclosures for Changes in Accounting Estimates.** The required disclosures for changes in accounting estimates are as follows:

- a. the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect on future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect (*Par. 44, PPSAS 3*); and
- b. if the amount of the effect in future periods is not disclosed because estimating it is impracticable, the entity shall disclose that fact. (*Par. 45, PPSAS 3*)

**Sec. 42. Errors.** Errors can arise in respect of the recognition, measurement, presentation, or disclosure of elements of financial statements. Errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud. Financial statements do not comply with PPSASs if they contain either material errors, or immaterial errors made intentionally to achieve a particular presentation of an entity's Statement of Financial Position, Statement of Financial Performance, or Statement of Cash Flows.

- a. Errors may be classified as current period errors and prior period errors.

1. Current period errors – are errors committed and discovered within the same period. It shall be corrected by an adjusting entry, within the same year before the financial statements are authorized for issue.
2. Prior period errors – are omissions from, and misstatements in, the entities' financial statements for one or more prior periods arising from failure to use, or misuse of reliable information that:
  - i. was available when financial statements for those periods were authorized for issue; and
  - ii. could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.
- b. An entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:
  1. restating the comparative amounts for prior period(s) presented in which the error occurred; or
  2. if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented. (*Par. 47, PPSAS 3*)
- c. The correction of a prior period error is excluded from the computation of income and expense for the period in which the error is discovered. (*Par. PPSAS 3*)

**Sec. 43. Limitations of Retrospective Restatement of Prior Period Errors.** The limitations of retrospective restatement of prior period errors are as follows:

- a. A prior period error shall be corrected by retrospective restatement, except to the extent that it is impracticable to determine either the period specific effects or the cumulative effect of the error. (*Par. 48, PPSAS 3*)
- b. When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities, and net assets/equity for the earliest period for which retrospective restatement is practicable (which may be the current period). (*Par. 49, PPSAS 3*)
- c. When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable. (*Par. 50, PPSAS 3*)

**Sec. 44. Disclosure of Prior Period Errors.** An entity shall disclose the following:

- a. the nature of the prior period error;
- b. for each prior period presented, to the extent practicable, the amount of the correction for each financial statements line item affected;
- c. the amount of the correction at the beginning of the earliest prior period presented; and

- d. if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Financial statements of subsequent periods need not repeat these disclosures. (*Par. 54, PPSAS 3*)

**Sec. 45. Retrospective Restatement of Errors.** The following is an sample illustration of retrospective restatement of errors:

Entity ABC discovered in 2015 that the revenue recognized in 2014 has been inadvertently omitted in the amount of ₱6,200,000.

The entity's Statement of Financial Performance and Statement of Changes in Net Assets/Equity before adjustment of the error for 2014 and 2015 are as follows:

**Entity ABC**  
**Statement of Financial Performance**

a. Before adjustment

<u>Particular</u>	<u>2015</u>	<u>2014</u>
Revenue	₱ 50,000,000	₱ 40,500,000
Other Operating Revenue	<u>20,100,000</u>	<u>18,000,000</u>
Total Revenue	70,100,000	58,500,000
Expenses	<u>(55,000,000)</u>	<u>(45,000,000)</u>
Surplus	₱ <u>15,100,000</u>	₱ <u>13,500,000</u>

**Entity ABC**  
**Statement of Changes in Net Assets/Equity**

<u>Particular</u>	<u>2015</u>	<u>2014</u>
Opening accumulated surpluses	₱ 103,500,000	₱ 90,000,000
Surplus for the period	<u>15,100,000</u>	<u>13,500,000</u>
Closing accumulated surplus	₱ <u>118,600,000</u>	₱ <u>103,500,000</u>

b. The entity shall make the following adjustments:

1. Prepare adjusting entry to recognize the adjustment of the 2014 revenue in 2015;

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Accounts Receivables (or applicable account)	10301010	₱6,200,000	
Accumulated Surplus/(Deficit)	30101010		₱6,200,000
To correct the revenue inadvertently omitted in 2014			

2. Restate in the comparative financial statements the amounts for prior period/s to reflect the change; and
3. Restate the opening balances of assets, liabilities and equity for 2015.

**Entity ABC**  
**Statement of Financial Performance**

c. After adjustment

<u>Particular</u>	<u>2015</u>	<u>2014 As Restated</u>
Revenue	₱ 50,000,000	₱ 46,700,000
Other Operating Revenue	<u>20,100,000</u>	<u>18,000,000</u>
Total Revenue	70,100,000	64,700,000
Expenses	<u>(55,000,000)</u>	<u>(45,000,000)</u>
Surplus	<u>₱ 15,100,000</u>	<u>₱ 19,700,000</u>

d. Notice that the Revenue, Total Revenue and the Surplus figures presented in 2014 are already the adjusted amounts. Statement of Changes in Net Assets/Equity are as follows:

**Entity ABC**  
**Statement of Changes in Net Assets/Equity**

<u>Particular</u>	<u>2015</u>	<u>2014 As Restated</u>
Opening Accumulated Surplus/(Deficit) as previously reported	₱ 103,500,000	₱ 90,000,000
Correction of error	<u>6,200,000</u>	<u>-</u>
Opening Accumulated Surplus/(Deficit) as restated	109,700,000	90,000,000
Surplus for the period	<u>15,100,000</u>	<u>19,700,000</u>
Closing Accumulated Surplus/(Deficit)	<u>₱ 124,800,000</u>	<u>₱ 109,700,000</u>

e. Surplus for the period for 2014 are already adjusted, while the opening Accumulated Surpluses in 2015 is restated.

f. Extracts from Notes to the Financial Statements in 2015

Business and Operating Income of ₱6,200,000 was inadvertently omitted from the financial statements of 2014. The financial statements of 2014 have been restated to correct this error. The effect of the restatement on those financial statements is summarized below. There is no effect in 2015 Statement of Financial Performance.

Effect on 2014 Statement of Financial Performance

<u>Particular</u>	<u>Amount</u>
Increase in Business and Operating Income	₱6,200,000
Increase in Net Income	₱6,200,000

Effect on 2015 Statement of Financial Position

<u>Particular</u>	<u>Amount</u>
Increase in Accounts Receivables	₱6,200,000
Increase in Net Asset/Equity	₱6,200,000

**Sec. 46. Interim Financial Statements.** Financial statements that are required to be prepared at any given period or at a financial reporting period without closing the books of accounts. The following interim financial statements shall be prepared and submitted whenever needed:

- a. Statement of Financial Position;
- b. Statement of Financial Performance;
- c. Statement of Cash Flows;
- d. Statement of Changes in Net Assets/Equity;
- e. Statement of Comparison of Budget and Actual Amount; and
- f. Notes to Financial Statements.

The interim financial statements shall be prepared employing the same accounting principles used for annual reports. Adjusting and closing journal entries shall be prepared. However, only the adjusting journal entries are recognized in the books of accounts. To facilitate the preparation of the interim financial statements, the use of the worksheet is recommended.

**Sec. 47. Preparation and Submission of Other Reports.** In addition to the set of financial statements enumerated in Section 5 of this Chapter, the following reports/schedules/statements shall be submitted to GAS, COA:

- a. Pre-Closing Trial Balances
- b. Post-Closing
- c. Other schedules
  1. Regional Breakdown of Income
  2. Regional Breakdown of Expenses

**Sec. 48. Trial Balance.** Trial Balance (TB) is a list of all the GL accounts and their balances at a given time. The accounts are listed in the order in which they appear in the RCA, with the debit balances in the left column and the credit balances in the right column.

- a. The TB shows the equality of debit and credit balances of all GL accounts as at a given period. It is prepared and submitted monthly, quarterly and annually. At the end of the fiscal year, the pre-closing and the post-closing trial balances shall be prepared.
- b. The TB is prepared to:
  1. Prove the mathematical equality of the debits and credits after posting;
  2. Check the accuracy of the postings;
  3. Uncover errors in journalizing and posting; and
  4. Serve as basis for the preparation of the financial statements.



**Sec. 49. Pre-Closing Trial Balance.** The Pre-Closing Trial Balance shall be prepared after posting the AJE in the GJ and the same to the GL. It shows the adjusted balances of all accounts as at a given period. This is also described/termed as the Adjusted Trial Balance. The TB shall be supported with the schedule of SL balances of the controlling accounts.

**Sec. 50. Adjusting Journal Entries.** Adjusting journal entries are made at the end of an accounting period to allocate revenue and expenses to the period in which they actually occurred. AJEs are required every time a financial statement is prepared to make the statement truly reflective of the financial condition of the entity at a given period. Adjustments are of two main types:

- a. Accrued items
- b. Deferred items

**Sec. 51. Other Adjustments.** The following adjustments shall also be made (if applicable) for fair presentation of the results of operation of the entity in the financial statements:

- a. Unused NCA (National)
- b. Petty Cash Fund
- c. Unreleased Commercial Checks
- d. Allowance for/Accumulated Impairment Losses of asset accounts
- e. Write-down of Inventories
- f. Correction/Reclassification Entries
- g. Adjustment for reversal of Impairment Losses
- h. Depreciation Expense
- i. Exchange differences on foreign currency
- j. Other adjustments

**Sec. 52. Adjustment for Accrued Items.** It is an adjusting entry for an economic activity already undertaken but not yet recognized into asset and revenue accounts or liability and expense accounts. It requires asset/revenue adjustments and liability/expense adjustments.

- a. Asset/Revenue Adjustment. It involves earned revenues not yet recognized as assets and income at the end of the accounting period. Examples are receivables for revenues already earned but not yet collected nor billed as at the year-end. The adjusting journal entry are as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Interest Receivable	10301050	xxx	
Interest Income	40202210		xxx
To recognize interest income already earned			

- b. **Liability/Expense Adjustment.** It involves expenses, which have already been incurred but remained unpaid at the end of the accounting period. Examples are salaries and wages, water, electricity and other expenses which are already incurred but not yet paid. The adjusting journal entry are as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Salaries and Wages-Regular Due to Officers and Employees	50101010  20101020	xxx	xxx
To recognize salaries and wages not yet paid			

**Sec. 53. Adjustment for Deferred Items.** These are adjusting entries transferring data previously recognized in an asset account to an expense account, or data previously recognized in a liability account to a revenue account. In contrast to the accrued items, it requires asset/expense adjustments and liability/revenue adjustments.

- a. **Asset/Expense Adjustments.** These pertain to assets, portion of which are consumed/used/incurred at the end of the accounting period. Examples of these adjustments are prepayments. Prepayments are expenses paid before they are incurred. At the end of the accounting period, the expired portion shall be determined and an adjusting journal entry shall be prepared to recognize the expense applicable to the period being reported.

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>Original Entry:</u>			
Prepaid Rent	19902020	₱ 1,000	
Cash-Modified Disbursement System (MDS), Regular	10104040		₱ 1,000
<u>Adjusting Entry:</u>			
Rent/Lease Expenses	50299050	₱ 900	
Prepaid Rent	19902020		₱ 900

- b. **Liability/Revenue Adjustments.** For accounting purposes, the cash received does not represent revenue until it has been earned. Thus, the recognition of revenue must be deferred until it is earned. Advance income collections are recognized by debiting Cash and by crediting a liability account for unearned revenue. As unearned revenue is earned, an adjusting journal entry is made at the end of each period to transfer the appropriate amount from the liability account to revenue account. This adjustment reflects the fact that all or part of the entity's obligation to its customers has been fulfilled and that revenue has been realized.

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
<u>Original Entry:</u>			
Cash-Modified Disbursement System (MDS), Regular	10104040	₱ 1,000	
Other Unearned Revenue	20502990		₱ 1,000
<u>Adjusting Journal Entry:</u>			
Other Unearned Revenue	20502990	₱ 900	
Other Service Income	40201990		₱ 900

**Sec. 54. Petty Cash Fund Adjustments.** At the end of the year, all unreplenished Petty Cash Fund expenses shall be reported and supporting papers submitted to the Accounting

Division/Unit, to recognize the expenses incurred to the period to which they relate. In case no replenishment could be made for lack of fund, a JEV shall be prepared to recognize all the expenses paid under the Petty Cash with a credit to the account "Petty Cash". If replenishment is made, the credit shall be the appropriate cash account.

**Sec. 55. Reversion of Unused Notice of Cash Allocation.** For NGAs receiving subsidies from the national government in the form of NCA, adjusting journal entry shall be made for the reversion of the unused or unutilized NCA at the end of the accounting period. The entry for lapsed regular NCA and those issued for the payment of accounts payable/retirement gratuity/terminal leave, shall be:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Subsidy from National Government	40301010	₱ 10,000	
Cash-Modified Disbursement System (MDS), Regular	10104040		₱ 10,000

For unused NCA issued for the release of performance/bidders/bail bonds, which were deposited with the National Treasury, a JEV shall be drawn with debit to account "Cash-Treasury/Agency Deposit, Trust" and credit to account "Cash-Modified Disbursement System (MDS), Trust."

**Sec. 56. Adjustments for Unreleased Commercial Checks.** A Schedule of Unreleased Commercial Checks shall be prepared by the Cashier for submission to the Accounting Division/Unit. All unreleased checks at the end of the year shall be reverted back to the cash accounts. A JEV shall be prepared to recognize the restoration of the cash equivalent to the unreleased checks and the recognition of the appropriate liability/payable account. The accounting entry for the restoration of the unreleased check to the cash account shall be a debit to "Cash in Bank, Local Currency Current" account with credit to the appropriate liability account. There shall be no physical cancellation of the checks. The JEV supporting such restoration shall form part of the supporting document to the financial statements to be submitted to COA at year end. At the start of the ensuing year, another JEV shall be drawn to reverse the previous entry made and recognize the availability of the checks for release. This procedure shall not apply to account "Cash-Modified Disbursement System (MDS)" since there is no actual cash with the GSBs.

**Sec. 57. Closing Journal Entries.** Closing journal entries are entries which close out the balances of all nominal/temporary and intermediate accounts at the end of the year. The closure will reduce the balance of those accounts to zero. The nominal and intermediate accounts that shall be closed at the end of the year are as follows:

- a. Balance of all revenue accounts to the "Revenue and Expense Summary" account;
- b. Balance of all expense accounts to the "Revenue and Expense Summary" account;
- c. Balance of the "Revenue and Expense Summary" to the "Accumulated Surplus/(Deficit)" account;
- d. Balance of all "Cash-Treasury/Agency Deposit, Regular" to the "Accumulated Surplus/(Deficit)" account; and
- e. Other Closing Entries.

For the purpose of preparing the financial statements for the first, second and third quarters, the closing entries shall be prepared, but shall not be recorded in the books of accounts.

**Sec. 58. Post-Closing Trial Balance.** The Post-Closing Trial Balance shall be prepared at the end of the year after preparing and posting the closing journal entries in the GJ and posting to the GL. Since revenue and expense accounts have been closed out, the only accounts with balances are balance sheet or real accounts.

**Sec. 59. Narrative Procedures.** The procedures in the preparation and submission of trial balances and other reports are as follows:

Area of Responsibility	Seq. No.	Activity
<b><u>Preparation of Unadjusted Trial Balance</u></b>		
Accounting Division/Unit		
Bookkeeper/ Designated Staff	1	Posts the monthly summarized journal entries from the Special Journals and GJ to the respective GLs.
	2	Posts the source/summarizing documents to the respective SLs.
		<p><i>Note 1</i> – The summarizing/source documents are the following:</p> <ul style="list-style-type: none"> <li>• Report of Collections and Deposits</li> <li>• Report of Checks Issued</li> <li>• Report of Advice to Debit Account Issued</li> <li>• Report of Cash Disbursements</li> <li>• Registries of OUs without complete set of books</li> <li>• Journal Entry Voucher</li> <li>• Disbursement Voucher</li> <li>• Other Supporting Documents</li> </ul>
Bookkeeper/ Designated Staff	3	Foots and extracts the balances of the GLs and SLs
	4	Based on the balances in the GL, prepares the unadjusted Trial Balance to check the equality of debits and credits. Files temporarily.
<b><u>Preparation of Pre-Closing Trial Balance</u></b>		
	5	Prepares AJE through the JEV for unrecorded transactions and for all accounts that need to be adjusted/corrected (Refer to Sections 50-56 of this Chapter).
	6	Records the JEV in the GJ and affected SLs.
	7	Posts the GJ to the GLs.
	8	Foots and extracts balances of the GLs and SLs.

Area of Responsibility	Seq. No.	Activity
	9	Based on the GLs, prepares Pre-Closing Trial Balance in four copies. Files temporarily the Pre-Closing Trial Balance.  <i>Note 2 – The preparation of the AJEs is at month end or as necessary.</i>
Head of Accounting Division/Unit	10	Reviews and signs the “Certified Correct” portion of the Pre-Closing Trial Balance and the supporting schedules.
Bookkeeper/ Designated Staff	11	Submits the Pre-Closing Trial Balance to the Offices concerned. Records submission in the logbook maintained. Files Copy 4 of the Pre-Closing Trial Balance and Copy 4 of supporting schedules for preparation of financial statements.
		<b><u>Preparation of Post-Closing Trial Balance at yearend</u></b>
Bookkeeper/ Designated Staff	12	Prepares closing journal entries through JEV and records the same in the GJ (Refer to Sec. 57 of this Chapter).
	13	Posts the GJ in the respective GLs and SLs.
	14	Foots and extracts the balances of the GLs and the SLs.
	15	Based on the GLs, prepares Post-Closing Trial Balance in four copies.
	16	Reconciles the supporting schedules presented in the Notes to Financial Statements with the amounts in the Post-Closing Trial Balance. If not reconciled, prepares the necessary corrections through JEV. Records the JEV in the GJ. Posts the GJ in the respective GLs, and prepares the revised Post-Closing Trial Balance.
	17	Signs the “Prepared by” portion of supporting schedules and initials the “Certified Correct by” portion of the Post-Closing Trial Balance.
	18	Prepares transmittal letter and forwards the same together with the Post-Closing Trial Balance and supporting schedules to the Head of the Accounting Division/Unit.
Head of Accounting	19	Reviews and signs “Certified Correct by” portion of the Post-Closing Trial Balance, supporting schedules

Area of Responsibility	Seq. No.	Activity
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Division/Unit and transmittal letter, and forwards the same to the Accounting Staff for distribution.

Accounting Staff 20 Distributes the Post-Closing Trial Balance and supporting schedules to the Concerned Offices. Records in the logbook the submission of the same.

*Note 3* – Trial Balances and supporting schedules shall be distributed as follows:

*Copy 1* – COA Resident Auditor  
*Copy 2* – Government Accountancy Sector, COA  
*Copy 3* – DBM  
*Copy 4* – Accounting Division/Unit, File

*Note 4* – The frequency of submission of Pre-Closing Trial Balance/Post-Closing Trial Balance and other reports shall be as follows:

- Pre-Closing Trial Balance and other reports – monthly, within ten days after the end of the month to the COA Resident Auditor and DBM
- Yearend Pre-Closing Trial Balance/Post-Closing Trial Balance and other reports – on or before February 14 of the following year to the COA Resident Auditor, DBM and Government Accountancy Sector, COA.

**Sec. 60. Deadlines on Submission of Reports.** All NGAs shall prepare and submit the following financial statements and schedules as follows, within the prescribed deadline:

a. Provincial Offices and Operating Units

<u>Entity/Office</u>	<u>Statement/Report</u>	<u>Deadline</u>	<u>Submit to:</u>
Monthly	Trial Balances (TBs) and Supporting Schedules (SSs)	Ten days after the end of the month	Auditor, Regional Accountant
Quarterly	TBs, FSs, SSs	Ten days after the end of the quarter	Auditor, Regional Accountant
Yearend	TBs, FSs, SSs	On or before January 20 of the following year	Auditor, Regional Accountant

b. Regional/Branches Offices

<u>Entity/Office</u>	<u>Statement/Report</u>	<u>Deadline</u>	<u>Submit to:</u>
Monthly	TBs and SSs	Ten days after the end of the month	Regional Auditor, Central Office Chief Accountant
Quarterly	TB, FS, SDs	Ten days after the end of the quarter	Regional Auditor, Central Office Chief Accountant
Year-end	TBs, FS, SSs (combined RO and OUs)	On or before January 31 of the following year	Regional Auditor, Central Office Chief Accountant

c. Central/Head/Main Offices

<u>Entity/Office</u>	<u>Statement/Report</u>	<u>Deadline</u>	<u>Submit to:</u>
Monthly	TBs and SSs	Ten days after the end of the month	Auditor, DBM, Management,
Quarterly	TB, FSs, SSs	Ten days after the end of the quarter	Auditor, DBM, Management
Yearend	TBs, FS, SSs (combined CO, ROs and OUs)	February 14 of the following year	COA Auditor, DBM, COA-GAS

## Chapter 20

### CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

**Sec. 1. Scope.** This Chapter provides the standards, policies, guidelines and procedures in the Consolidation of Financial Statements. It is an accounting process that allows an entity to combine its financial data with information from its controlled entities and present financial reports as a single entity which is the whole National Government.

**Sec. 2. Definition of Terms.** For the purpose of this Manual, the terms enumerated shall be construed to mean as follows:

- a. *Consolidated Financial Statements* – are the financial statements of an economic entity (controlling entity and controlled entities) presented as those of a single entity.
- b. *Controlled Entity* – is an entity, including an unincorporated entity such as a partnership, which is under the control of another entity (known as the controlling entity).
- c. *Controlling Entity* – is an entity that has one or more controlled entities.
- d. *Equity method* – is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets/equity. The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets/equity includes its share of changes in the investee's net assets/equity that have not been recognized in the investee's surplus or deficit.
- e. *Minority Interest* – is that portion of the surplus or deficit and net assets/equity of a controlled entity attributable to net assets/equity interests that are not owned, directly or indirectly, through controlled entities, by the controlling entity.
- f. *Separate Financial Statements* – are those presented by a controlling entity, an investor in an associate, or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct net assets/equity interest rather than on the basis of the reported results and net assets of the investees. (*Par. 7, PPSAS 6*)

**Sec. 3. Presentation of Consolidated Statements.** A controlling entity, other than a controlling entity described in the following paragraph shall present consolidated financial statements in which it consolidates its controlled entities. (*Par. 15, PPSAS 6*)

A controlling entity need not present consolidated financial statements if:

- a. The controlling entity is:
  1. Itself a wholly-owned controlled entity, and users of such financial statements are unlikely to exist or their information needs are met by its controlling entity's consolidated financial statements; or



2. A partially-owned controlled entity of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the controlling entity not presenting consolidated financial statements.
- b. The controlling entity's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- c. The controlling entity did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
- d. The ultimate or any intermediate controlling entity of the controlling entity produces consolidated financial statements available for public use that comply with PPSASs. (*Par. 16, PPSAS 6*)

**Sec. 4. Components of Consolidated Financial Statements.** The consolidated financial statements shall include:

- a. Statement of Financial Position;
- b. Statement of Financial Performance;
- c. Statement of Cash Flows;
- d. Statement of Changes in Net Assets/Equity;
- e. Statement of Comparison between Budget and Actual Amounts; and
- f. Notes to Financial Statements.

**Sec. 5. Scope of Consolidated Financial Statements.** Consolidated financial statements shall include all controlled entities of the controlling entity, except where there is evidence that:

- a. control is intended to be temporary because the controlled entity is acquired and held exclusively with a view to its disposal within twelve months from acquisition; and
- b. management is actively seeking a buyer (*Par. 21, PPSAS 6*)

A controlled entity is not excluded from consolidation simply because the investor is a venture capital organization, mutual fund, unit trust, or similar entity. (*Par. 26, PPSAS 6*)

A controlled entity is not excluded from consolidation because its activities are dissimilar to those of the other entities within the economic entity, for example, the consolidation of GBEs with entities in the budget sector. Relevant information is provided by consolidating such controlled entities and disclosing additional information in the consolidated financial statements about the different activities of controlled entities. (*Par. 27, PPSAS 6*)

**Sec. 6. Establishing Control of Another Entity for Financial Reporting Purposes.** Whether an entity controls another entity for financial reporting purposes is a matter of judgment, based on the definition of control and the particular circumstances of each case. The two

elements of the definition of control that need to be considered are the:

- a. Power element which is the power to govern the financial and operating policies of another entity; and
- b. Benefit element representing the ability of the controlling entity to benefit from the activities of the other entity. (*Par. 28, PPSAS 6*)

For the purposes of establishing control, the controlling entity needs to benefit from the activities of the other entity. For example, an entity (a) may benefit from the activities of another entity in terms of a distribution of its surpluses (such as a dividend), and (b) is exposed to the risk of a potential loss. In other cases, an entity may not obtain any financial benefits from the other entity but may benefit from its ability to direct the other entity to work with it to achieve its objectives. It may also be possible for an entity to derive both financial and non-financial benefits from the activities of another entity. For example, a GBE may provide a controlling entity with a dividend, and also enable it to achieve some of its social policy objectives. (*Par. 29, PPSAS 6*)

**Sec. 7. Determining whether the Control Exists for Financial Reporting Purposes.**

In examining the relationship between two entities, control is presumed to exist when at least one of the following power conditions and one of the following benefit conditions exists, unless there is clear evidence of control being held by another entity.

a. Power Conditions

1. The entity has, directly or indirectly through controlled entities, ownership of a majority voting interest in the other entity.
2. The entity has the power, either granted by or exercised within existing legislation, to appoint or remove a majority of the members of the board of directors or equivalent governing body, and control of the other entity is by that board or by that body.
3. The entity has the power to cast, or regulate the casting of, a majority of the votes that are likely to be cast at a general meeting of the other entity.
4. The entity has the power to cast the majority of votes at meetings of the board of directors or equivalent governing body, and control of the other entity is by that board or by that body.

b. Benefit Conditions

1. The entity has the power to dissolve the other entity and obtain a significant level of the residual economic benefits or bear significant obligations. For example the benefit condition may be met if an entity had responsibility for the residual liabilities of another entity.
2. The entity has the power to extract distributions of assets from the other entity, and/or may be liable for certain obligations of the other entity. (*Par. 39, PPSAS 6*)

When one or more of the circumstances listed in the preceding paragraph does not exist, the following factors are likely, either individually or collectively, to be indicative of the existence of control.

a. Power Indicators

1. The entity has the ability to veto operating and capital budgets of the other entity.
2. The entity has the ability to veto, overrule, or modify governing body decisions of the other entity.
3. The entity has the ability to approve the hiring, reassignment, and removal of key personnel of the other entity.
4. The mandate of the other entity is established and limited by legislation.
5. The entity holds a golden share (or equivalent) in the other entity that confers rights to govern the financial and operating policies of that other entity.

b. Benefit Indicators

1. The entity holds direct or indirect title to the net assets/equity of the other entity, with an ongoing right to access these.
2. The entity has a right to a significant level of the net assets/equity of the other entity in the event of a liquidation, or in a distribution other than a liquidation.
3. The entity is able to direct the other entity to cooperate with it in achieving its objectives.
4. The entity is exposed to the residual liabilities of the other entity.

**Sec. 8. Procedures in the Consolidation of Financial Statements.** In preparing the consolidated financial statements, an entity combines the financial statements of the controlling entity and its controlled entities line by line, by adding together like items of assets, liabilities, net assets/equity, revenue, and expenses. In order that the consolidated financial statements may present financial information about the economic entity as that of a single entity, the following steps are to be taken:

- a. The carrying amount of the controlling entity's investment in each controlled entity and the controlling entity's portion of net assets/equity of each controlled entity are eliminated (the relevant international or national accounting standard dealing with business combinations provides guidance on the treatment of any resultant goodwill);
- b. Minority interests in the surplus or deficit of consolidated controlled entities for the reporting period are identified; and
- c. Minority interests in the net assets/equity of consolidated controlled entities are identified separately from the controlling entity's net assets/equity in them. Minority interests in the net assets/equity consist of:
  1. The amount of those minority interests at the date of the original combination (the relevant international or national accounting standard dealing with business combinations provides guidance on calculating this amount); and
  2. The minority's share of changes in net assets/equity since the date of combination. (*Par. 43, PPSAS 6*)

- d. Balances, transactions, revenues, and expenses between entities within the economic entity shall be eliminated in full. Consolidated financial statements shall be prepared using uniform accounting policies for like transactions and other events in similar circumstances. (*Pars. 45 and 49, PPSAS 6*)
- e. Minority interests shall be presented in the consolidated statement of financial position within net assets/equity, separately from the controlling entity's net assets/equity. Minority interests in the surplus or deficit of the economic entity shall also be separately disclosed. (*Par. 54, PPSAS 6*).

**Sec. 9. Accounting for Controlled Entities, Jointly Controlled Entities and Associates in Separate Financial Statements.** When separate financial statements are prepared, investments in controlled entities, jointly controlled entities, and associates shall be accounted for:

- a. Using the equity method as defined in Chapter 15-Interests in Joint Venture; or
- b. As a financial instrument in accordance with PPSAS 29-Financial Instruments: Recognition and Measurement.

**Sec. 10. Disclosures.** The following disclosures shall be made in consolidated financial statements:

- a. A list of significant controlled entities;
- b. The fact that a controlled entity is not consolidated in accordance with Sec. 5 of this Chapter;
- c. Summarized financial information of controlled entities, either individually or in groups, that are not consolidated, including the amounts of total assets, total liabilities, revenues, and surplus or deficit;
- d. The name of any controlled entity in which the controlling entity holds an ownership interest and/or voting rights of 50% or less, with an explanation of how control exists;
- e. The reasons why the ownership interest of more than 50% of the voting or potential voting power of an investee does not constitute control;
- f. The reporting date of the financial statements of a controlled entity when such financial statements are used to prepare consolidated financial statements and are as at a reporting date or for a period that is different from that of the controlling entity, and the reason for using a different reporting date or period; and
- g. The nature and extent of any significant restrictions (e.g., resulting from borrowing arrangements or regulatory requirements) on the ability of controlled entities to transfer funds to the controlling entity in the form of cash dividends, or similar distributions, or to repay loans or advances. (*Par. 62, PPSAS 6*)

When separate financial statements are prepared for a controlling entity that elects not to prepare consolidated financial statements, those separate financial statements shall disclose:

- a. The fact that the:
  - 1. financial statements are separate financial statements;

2. exemption from consolidation has been used;
  3. name of the entity whose consolidated financial statements that comply with PPSASs have been produced for public use and the jurisdiction in which the entity operates (when it is different from that of the controlling entity); and
  4. address where those consolidated financial statements are obtainable.
- b. A list of significant controlled entities, jointly controlled entities, and associates, including the name; the jurisdiction in which the entity operates (when it is different from that of the controlling entity); proportion of ownership interest; and, where that interest is in the form of shares, the proportion of voting power held (only where this is different from the proportionate ownership interest); and
  - c. A description of the method used to account for the entities listed under (b). (*Par. 63, PPSAS 6*)

When a controlling entity, venturer with an interest in a jointly controlled entity or an investor in an associate prepares separate financial statements, those separate financial statements shall:

- a. disclose:
  1. The fact that the statements are separate financial statements and the reasons why those statements are prepared if not required by law, legislation, or other authority;
  2. A list of significant controlled entities, jointly controlled entities, and associates, including the name; the jurisdiction in which the entity operates (when it is different from that of the controlling entity); proportion of ownership interest; and, where that interest is in the form of shares, the proportion of voting power held (only where this is different from the proportionate ownership interest); and
  3. A description of the method used to account for the entities listed under (b);
- b. and identify the financial statements prepared in accordance with Sec. 3 in this Chapter and Chapter 15-Interests in Joint Venture of this Manual, to which they relate. (*Par. 64, PPSAS 6*)

## Chapter 21

### BANK RECONCILIATION

**Sec. 1. Scope.** This Chapter covers the preparation of the bank reconciliation statements for “Cash in Bank” and “Cash-Modified Disbursement System (MDS)” accounts including the proposed adjusting entries.

**Sec. 2. Definition of Terms.** For the purpose of this Manual, the terms used as stated below shall be construed to mean as follows:

- a. *Bank Charges* – charges imposed by the bank for various services rendered excluding interest charges. This also includes cost of checkbooks, penalties and surcharges on overdrafts.
- b. *Bank Reconciliation* – settlement of differences contained in the bank statement and the cash account in the agency’s/entity’s books of accounts.
- c. *Bank Statement* – reflects the transactions in the agency’s/entity’s (depositor’s) bank account for a period such as deposits made to the account as well as checks/ADAs drawn on the account, bank charges, returned items, etc.
- d. *Canceled Check/ADA* – checks/ADAs issued and chargeable to the agency bank account but was later voided due to expiration of validity, and other valid reasons.
- e. *Credit Memorandum* – document issued by the bank informing an increase in the depositor’s (Agency’s/Entity’s) account, such as previous bank debit errors and collection directly deposited to the agency’s/entity’s bank account.
- f. *Debit Memorandum* – document issued by the bank informing a decrease in the account, such as previous bank credit errors or service charges and fees.
- g. *Deposits-in-Transit* – are amounts of agency/entity deposits in the bank but which are yet to be recorded by the bank until the next period. These usually pertain to late deposits in the last day of business for a period.
- h. *Lapsed NCAs* – NCAs which are no longer valid or its validity has expired but remain unadjusted by the bank or the agency/entity.
- i. *Notice of Cash Allocation* – authority issued by the DBM to central, regional and provincial offices and operating units to cover the cash requirements of the agency/entity.
- j. *Outstanding Checks* – checks the agency/entity has issued and recognized but which have not been presented to the bank for payment.
- k. *Returned Check* – a check returned by the bank due to errors or deficiencies in the maker’s or agency’s/entity’s account.
- l. *Unrecorded Deposits* – are collections of the agency/entity which are directly deposited by the debtor/client to the bank account of the agency/entity but remain unrecorded by the agency/entity as at the period under reconciliation.

**Sec. 3. Objectives.** The Bank Reconciliation Statement (BRS) shall be prepared in order to:

- a. check correctness of both the bank's and agency's/entity's records,
- b. serve as a deterrent to fraud, and
- c. enable the agency/entity or bank to take up charges or credits recognized by the bank or agency/entity but not yet known to the agency/entity or bank.

This shall be used in the reconciliation of bank and treasury accounts maintained with Government Servicing Bank (GSB).

**Sec. 4. Method of Bank Reconciliation.** The monthly BRS shall be prepared by the Chief Accountant/designated staff for each of the bank accounts maintained by the agency/entity using the Adjusted Balance Method. Under this method, the book balance and the bank balance are brought to an adjusted cash balance that must appear on the Statement of Financial Position.

**Sec. 5. Preparation of the Bank Reconciliation Statement.** The Chief Accountant/Designated Staff shall within ten days from receipt of the monthly Bank Statement (BS) together with the paid checks, original copies of Debit Memoranda (DM)/Credit Memoranda (CM) from the GSB, reconcile the BS with the GL and prepare the BRS in four copies.

**Sec. 6. Recognition of Adjustments.** The Chief Accountant/Designated Staff shall prepare a JEV to recognize all reconciling items that require adjustment and correction in the books of accounts.

**Sec. 7. Reporting.** The Chief Accountant shall submit the BRS within twenty days after receipt of the monthly BS to the following:

- Original* – COA Auditor (with all the supporting documents and JEVs)  
*Copy 2* – Head of Agency/Entity  
*Copy 3* – Accounting Division/Unit file  
*Copy 4* – Bank, if necessary

**Sec. 8. Procedures for the Preparation of the Bank Reconciliation Statement for “Cash-Modified Disbursement System (MDS)” accounts tranche**

Area of Responsibility	Seq. No.	Activity
Accounting Division/ Unit		
Designated Staff	1	Secures/Gathers the monthly BS, GL and SLs of accounts “Cash-Modified Disbursement System (MDS), Regular”, “Cash-Modified Disbursement System (MDS), Special Account”, “Cash-Modified Disbursement System (MDS), Trust” and previous month's BRS.
	2	Ensures that the unadjusted ending book and bank balances per previous month's BRS are the current month's beginning book and bank balances, respectively.

Area of Responsibility	Seq. No.	Activity
Designated Staff	3	Reviews the previous month's BRS to determine reconciling items needing adjustments by the agency/entity which remain unadjusted.
	4	Lists or marks the previous months' unadjusted items for inclusion in the current month's reconciling items.
	5	Compares the NCAs recognized in the books with those reflected in the bank statements to determine the unrecognized, lapsed or unused NCA and/or any errors.
	6	Compares the checks/ADAs recognized in the books with those in the bank statements.
	7	Adds to the unadjusted balance per bank the following: <ul style="list-style-type: none"> <li>a. NCAs received by the agency/entity but not yet recognized by the bank; and</li> <li>b. errors discovered in the BS that understates the cash balance.</li> </ul>
	8	Subtracts from the unadjusted balance per bank the following: <ul style="list-style-type: none"> <li>a. NCAs which are no longer valid/lapsed NCA;</li> <li>b. outstanding checks;</li> <li>c. outstanding ADA; and</li> <li>d. errors in the BS that overstates the cash balance.</li> </ul>
	9	Calculates the correct/adjusted balance per bank.
	10	Adds to the unadjusted balances of accounts "Cash-Modified Disbursement System (MDS), Regular", "Cash-Modified Disbursement System (MDS), Special Account" and "Cash-Modified Disbursement System (MDS), Trust" the following: <ul style="list-style-type: none"> <li>a. NCAs received but not yet recognized by the agency/entity;</li> <li>b. cancelled checks; and</li> <li>c. errors discovered in the agency's/entity's records that understates the cash balance.</li> </ul>
	11	Subtracts from the unadjusted balances of accounts "Cash-Modified Disbursement System (MDS), Regular", "Cash-Modified Disbursement System (MDS), Special Account" and "Cash-Modified



Area of Responsibility	Seq. No.	Activity
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Disbursement System (MDS), Trust” the following:

- a. lapsed NCA not yet adjusted by the agency/entity;
- b. errors in the agency’s/entity’s records that overstate the cash balance; and
- c. bank charges.

12 Calculates the adjusted balances of accounts “Cash-Modified Disbursement System (MDS), Regular”, “Cash-Modified Disbursement System (MDS), Special Account” and “Cash-Modified Disbursement System (MDS), Trust”.

13 Prepares the BRS in accordance with the format shown in Appendix 80.

14 Prepares JEVs to recognize the necessary adjustments for all items affecting the cash balance per books.

Chief Accountant/Head of Accounting Division/Unit

15 Reviews and approves the BRS and JEVs.

Designated Staff

16 Records the adjustments in the General Journal based on the approved JEVs.

17 Submits the BRS to the following:

- Original* – COA Auditor (with all the supporting documents and JEVs)
- Copy 2* – Head of Agency/Entity
- Copy 3* – Accounting Division/Unit file
- Copy 4* – Bank, if necessary

**Sec. 9. Illustrative Accounting Entries for Adjustments in the Bank Reconciliation Statement for “Cash-Modified Disbursement System (MDS)” accounts.** The illustrative accounting entries for the adjustments are as follows:

- a. Unrecognized/Understatement of NCA for regular and special account with allotment release order

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Modified Disbursement System (MDS), Regular	10104040	xxx	
or			
Cash-Modified Disbursement System (MDS), Special Account	10104050	xxx	
or			

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Modified Disbursement System (MDS), Trust	10104060	xxx	
Subsidy from National Government	40301010		xxx

- b. Unrecognized/Understatement of NCA for special account without allotment release order and trust account

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Modified Disbursement System (MDS), Special Account or Cash-Modified Disbursement System (MDS), Trust	10104040	xxx	
Cash-Treasury/Agency Deposit, Special Account or Cash-Treasury/Agency Deposit, Trust	10104050 10104020 10104030	xxx	xxx xxx

- c. Cancelled MDS checks/ADAs (without intention to replace)

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Modified Disbursement System (MDS), Regular or Cash-Modified Disbursement System (MDS), Special Account or Cash-Modified Disbursement System (MDS), Trust	10104040 10104050 10104060	xxx xxx xxx	
Expenses or other appropriate account	xxxxxxxx		xxx

- d. Understatement of “Cash in Bank” account due to erroneous recording of amount of checks issued

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Modified Disbursement System (MDS), Regular or Cash-Modified Disbursement System (MDS), Special Account or Cash-Modified Disbursement System (MDS), Trust	10104040 10104050 10104060	xxx xxx xxx	
Accounts Payable or Other Liabilities	xxxxxxxx		xxx

- e. Lapsed NCA or unused NCA at yearend

For regular and special account with allotment release order

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Subsidy from National Government	40301010	xxx	
Cash-Modified Disbursement System (MDS), Regular or Cash-Modified Disbursement System (MDS), Special Account	10104040		xxx
	10104050		xxx

For special account without allotment release order and trust account

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Treasury/Agency Deposit, Special Account or Cash-Treasury/Agency Deposit, Trust	10104020	xxx	
Cash-Modified Disbursement System (MDS), Regular or Cash-Modified Disbursement System (MDS), Special Account	10104030	xxx	
	10104040		xxx
	10104050		xxx

- f. Overstatement of “Cash in Bank” account due to erroneous recording of the amount of checks issued

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Expenses or Accounts Payable or Other Liabilities		xxx	
Cash-Modified Disbursement System (MDS), Regular or Cash-Modified Disbursement System (MDS), Special Account or Cash-Modified Disbursement System (MDS), Trust	10104040		xxx
	10104050		xxx
	10104060		xxx

- g. Overstatement of “Cash in Bank” account due to erroneous recording of the amount of NCA received

For regular and special account with allotment release order

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Subsidy from National Government	40301010	xxx	
Cash-Modified Disbursement System (MDS), Regular	10104040		xxx

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
or Cash-Modified Disbursement System (MDS), Special Account	10104050		xxx

*For special account without allotment release order and trust account*

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash-Treasury/Agency Deposit, Special Account	10104020	xxx	
or Cash-Treasury/Agency Deposit, Trust	10104030	xxx	
Cash-Modified Disbursement System (MDS), Regular	10104040		xxx
or Cash-Modified Disbursement System (MDS), Special Account	10104050		xxx

h. Bank Charges

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Bank Charges or any appropriate Account	xxxxxxxx	xxx	
Cash-Modified Disbursement System (MDS), Regular	10104040		xxx
or Cash-Modified Disbursement System (MDS), Special Account	10104050		xxx
or Cash-Modified Disbursement System (MDS), Trust	10104060		xxx

**Sec. 10. Procedures for the Preparation of the Bank Reconciliation Statement for Authorized Government Depository Bank accounts**

<b>Area of Responsibility</b>	<b>Seq. No.</b>	<b>Activity</b>
Accounting Division/Unit Designated Staff	1	Secures/Gathers the BS, GL and SLs of “Cash in Bank” accounts and previous month’s BRS.
	2	Ensures that the unadjusted balance per book and balance per bank in the previous month’s BRS are the current month’s beginning book and bank balances, respectively. If not the same, determines the cause of the difference and effects the appropriate adjustments, if necessary.
	3	Reviews the previous month’s BRS to determine reconciling items needing adjustments by the

Area of Responsibility	Seq. No.	Activity
		agency/entity which remain unadjusted. Lists or marks the previous months' unadjusted items for inclusion in the current month's reconciling items.
	4	Compares the deposits per book with those reflected in the BS.
	5	Compares the checks issued per book with those negotiated as reflected in the BS.
	6	Adds to the unadjusted balance per bank, the following: <ul style="list-style-type: none"> <li>a. unrecorded deposits or deposit-in-transit; and</li> <li>b. errors discovered in the BS that understates the bank balance.</li> </ul>
	7	Subtracts from the unadjusted balance per bank, the following: <ul style="list-style-type: none"> <li>a. outstanding checks; and</li> <li>b. errors in the BS which overstates the bank balance.</li> </ul>
	8	Calculates the adjusted balance per bank.
	9	Adds to the balance of the "Cash in Bank" account per GL: <ul style="list-style-type: none"> <li>a. deposits per BS which were not yet recorded in the books;</li> <li>b. cancelled checks; and,</li> <li>c. errors discovered in the agency's records that understates the book balance.</li> </ul>
	10	Subtracts from the balance of the "Cash in Bank" account per GL: <ul style="list-style-type: none"> <li>a. returned check deposits;</li> <li>b. errors in the agency's records which overstate the cash balance; and</li> <li>c. bank charges.</li> </ul>
	11	Calculates the adjusted balance per books.
	12	Prepares the BRS in accordance with the format shown as Appendix 81.
Chief Accountant/Head of Accounting Division/Unit	13	Reviews and approves the BRS.

Area of Responsibility	Seq. No.	Activity
Designated Staff	14	Prepares JEVs to record the necessary adjustments affecting the balance per books as follows:
Chief Accountant/Head of Accounting Division/Unit	15	Reviews and approves the JEVs.
Designated Staff	16	Records the adjustments in the GJ based on the approved JEVs.
	17	Submits the BRS to the following: <ul style="list-style-type: none"> <li><i>Original</i> – COA Auditor (with all the supporting documents and JEVs)</li> <li><i>Copy 2</i> – Head of Agency/Entity</li> <li><i>Copy 3</i> – Accounting Division/Unit file</li> <li><i>Copy 4</i> – Bank, if necessary</li> </ul>

**Sec. 8. Illustrative Accounting Entries for Adjustments in the Bank Reconciliation Statement for Authorized Government Depository Bank accounts.** The illustrative accounting entries for the adjustments are as follows:

a. Unrecorded Deposit

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash in Bank-Local Currency, Current Account	10102020	xxx	
Income/Other Payables or other appropriate Account	xxxxxxx		xxx

b. Understatement of cash in bank due to erroneous recording of the amount of checks issued

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash in Bank-Local Currency, Current Account	10102020	xxx	
Expenses or Accounts Payable or Other Liabilities	xxxxxxx		xxx

c. Understatement of cash in bank due to erroneous recording of deposits

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Cash in Bank-Local Currency, Current Account	10102020	xxx	
Revenue/Other Payables or other appropriate Account	xxxxxxx		xxx

d. Returned check deposits

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Revenue/Other Payables or other appropriate Account	xxxxxxx	xxx	
Cash in Bank-Local			
Currency, Current Account	10102020		xxx

e. Overstatement of cash in bank due to errors or understatements in recording of the amount of checks issued

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Expenses or Accounts Payable or Other Liabilities	xxxxxxx	xxx	
Cash in Bank-Local			
Currency, Current Account	10102020		xxx

f. Overstatement of the book balance due to error in recording the amount of deposits

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Revenue/Other Payables or other appropriate Account	xxxxxxx	xxx	
Cash in Bank-Local			
Currency, Current Account	10102020		xxx

g. Bank Charges

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Bank Charges or any appropriate Account	xxxxxxx	xxx	
Cash in Bank-Local			
Currency, Current Account	10102020		xxx

## Chapter 22

### ILLUSTRATIVE ACCOUNTING ENTRIES AND FINANCIAL STATEMENTS

**Sec. 1. Illustrative Accounting Entries.** This Chapter illustrates the accounting entries to be recognized in the books of accounts and records of NGAs, BTr and COA and the resulting financial statements for the following transactions:

- a. Regular Agency Fund – *Annex H*
- b. Foreign Assisted Projects Fund – *Annex I*
- c. Special Account-Locally Funded/Domestic Grants Fund – *Annex J*
- d. Special Account-Foreign Assisted/Foreign Grants Fund – *Annex K*
- e. Retained Income – *Annex L*
- f. Trust Receipts-Inter-Agency Transferred Funds (IATF) – *Annex M*
- g. Trust Receipts-Other Than IATF deposited with AGDB – *Annex N*
- h. Trust Receipts-Other Than IATF remitted to BTr – *Annex O*

**Sec. 2.** The illustrative entries for non-typical transactions showing the effects of the different accounting policies for each topic are presented in other chapters of this Manual.



(NAME OF THE ENTITY)  
**STATEMENT OF FINANCIAL POSITION**  
 (ALL FUNDS OR NAME OF FUND)  
 AS AT DECEMBER 31, 2015

	<u>Note</u>	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	6	xxx	xxx
Investments	7	xxx	xxx
Receivables	8	xxx	xxx
Inventories	9	xxx	xxx
Other Current Assets	14	xxx	xxx
<b>Total Current Assets</b>		<u>xxx</u>	<u>xxx</u>
<b>Non-Current Assets</b>			
Investments	7	xxx	xxx
Investment Property	10	xxx	xxx
Property, Plant and Equipment	11	xxx	xxx
Biological Assets	12	xxx	xxx
Intangible Assets	13	xxx	xxx
Other Non-Current Assets	14	xxx	xxx
<b>Total Non-Current Assets</b>		<u>xxx</u>	<u>xxx</u>
<b>Total Assets</b>		<u>xxx</u>	<u>xxx</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	15	xxx	xxx
Inter-Agency Payables	16	xxx	xxx
Trust Liabilities	17	xxx	xxx
Deferred Credits/Unearned Income	18	xxx	xxx
Provisions	19	xxx	xxx
Other Payables	20	xxx	xxx
<b>Total Current Liabilities</b>		<u>xxx</u>	<u>xxx</u>
<b>Non-Current Liabilities</b>			
Financial Liabilities	15	xxx	xxx
Trust Liabilities	17	xxx	xxx
Deferred Credits/Unearned Income	18	xxx	xxx
Provisions	19	xxx	xxx
Other Payables	20	xxx	xxx
<b>Total Non-Current Liabilities</b>		<u>xxx</u>	<u>xxx</u>
<b>Total Liabilities</b>		<u>xxx</u>	<u>xxx</u>
<b>Total Assets less Total Liabilities</b>		<u>xxx</u>	<u>xxx</u>
<b>NET ASSETS/EQUITY</b>			
Accumulated Surplus/(Deficit)		xxx	xxx
<b>Total Net Assets/Equity</b>		<u>xxx</u>	<u>xxx</u>

*This statement should be read in conjunction with the accompanying notes.*

**ENTITY NAME**  
**DETAILED STATEMENT OF FINANCIAL POSITION**  
**ALL FUNDS**  
**AS OF DECEMBER 31, 2015**

	<u><b>2015</b></u>	<u><b>2014</b></u>
<b>ASSETS</b>		
<b>Current Assets</b>		
<b>Cash and Cash Equivalents</b>	<u><b>xxx</b></u>	<u><b>xxx</b></u>
Cash on Hand	<u>xxx</u>	<u>xxx</u>
Cash-Collecting Officers	xxx	xxx
Petty Cash	xxx	xxx
Cash in Bank-Local Currency	<u>xxx</u>	<u>xxx</u>
Cash in Bank-Local Currency, Bangko Sentral Ng Pilipinas	xxx	xxx
Cash in Bank-Local Currency, Current Account	xxx	xxx
Cash in Bank-Local Currency, Savings Account	xxx	xxx
Cash in Bank-Local Currency, Time Deposits	xxx	xxx
Cash in Bank-Foreign Currency	<u>xxx</u>	<u>xxx</u>
Cash in Bank-Foreign Currency, Bangko Sentral Ng Pilipinas	xxx	xxx
Cash in Bank-Foreign Currency, Current Account	xxx	xxx
Cash in Bank-Foreign Currency, Savings Account	xxx	xxx
Cash in Bank-Foreign Currency, Time Deposits	xxx	xxx
Treasury/Agency Cash Accounts	<u>xxx</u>	<u>xxx</u>
Cash-Treasury/Agency Deposit, Regular	xxx	xxx
Cash-Treasury/Agency Deposit, Special Account	xxx	xxx
Cash-Treasury/Agency Deposit, Trust	xxx	xxx
Cash- Modified Disbursement System (MDS), Regular	xxx	xxx
Cash-Modified Disbursement System (MDS), Special Account	xxx	xxx
Cash -Modified Disbursement System (MDS), Trust	xxx	xxx
Cash-Tax Remittance Advice	xxx	xxx
Cash-Constructive Income Remittance	xxx	xxx
Cash Equivalents	<u>xxx</u>	<u>xxx</u>
Treasury Bills	xxx	xxx
<b>Investments</b>	<u><b>xxx</b></u>	<u><b>xxx</b></u>
Financial Assets at Fair Value Through Surplus or Deficit	<u>xxx</u>	<u>xxx</u>
Financial Assets Held for Trading	xxx	xxx
Financial Assets Designated at Fair Value Through Surplus or Deficit	xxx	xxx
Derivative Financial Assets Held for Trading	xxx	xxx
Derivative Financial Assets Designated at Fair Value Through Surplus or Deficit	xxx	xxx
Financial Assets-Held to Maturity	<u>xxx</u>	<u>xxx</u>
Investments in Treasury Bills-Local	xxx	xxx
<i>Allowance for Impairment-Investments in Treasury Bills-Local</i>	(xxx)	(xxx)
<i>Net Value-Investments in Treasury Bills-Local</i>	xxx	xxx

	<b><u>2015</u></b>	<b><u>2014</u></b>
Investments in Treasury Bills-Foreign	xxx	xxx
<i>Allowance for Impairment-Investments in Treasury Bills-Foreign</i>	(xxx)	(xxx)
<i>Net Value-Investments in Treasury Bills-Foreign</i>	xxx	xxx
Investments in Treasury Bonds-Local	xxx	xxx
<i>Allowance for Impairment-Investments in Treasury Bonds-Local</i>	(xxx)	(xxx)
<i>Net Value-Investments in Treasury Bonds-Local</i>	xxx	xxx
Investments in Treasury Bonds-Foreign	xxx	xxx
<i>Allowance for Impairment-Investments in Treasury Bonds-Foreign</i>	(xxx)	(xxx)
<i>Net Value-Investments in Treasury Bonds-Foreign</i>	xxx	xxx
<b>Receivables</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Loans and Receivable Accounts	xxx	xxx
Accounts Receivable	xxx	xxx
<i>Allowance for Impairment-Accounts Receivable</i>	(xxx)	(xxx)
<i>Net Value- Accounts Receivable</i>	xxx	xxx
Notes Receivable	xxx	xxx
<i>Allowance for Impairment-Notes Receivable</i>	(xxx)	(xxx)
<i>Net Value- Notes Receivable</i>	xxx	xxx
Loans Receivable-Government-Owned and/or Controlled Corporations	xxx	xxx
<i>Allowance for Impairment-Loans Receivable-GOCCs</i>	(xxx)	(xxx)
<i>Net Value- Loans Receivable-GOCCs</i>	xxx	xxx
Loans Receivable-Local Government Units	xxx	xxx
<i>Allowance for Impairment -Loans Receivable-Local Government Units</i>	(xxx)	(xxx)
<i>Net Value- Loans Receivable-LGUs</i>	xxx	xxx
Interests Receivable	xxx	xxx
<i>Allowance for Impairment-Interests Receivable</i>	(xxx)	(xxx)
<i>Net Value- Interests Receivable</i>	xxx	xxx
Dividends Receivable	xxx	xxx
Loans Receivable-Others	xxx	xxx
<i>Allowance for Impairment-Loans Receivable-Others</i>	(xxx)	(xxx)
<i>Net Value- Loans Receivable-Others</i>	xxx	xxx
Lease Receivable	xxx	xxx
Operating Lease Receivable	xxx	xxx
<i>Allowance for Impairment-Operating Lease Receivable</i>	(xxx)	(xxx)
<i>Net Value-Operating Lease Receivable</i>	xxx	xxx
Finance Lease Receivable	xxx	xxx
<i>Allowance for Impairment-Finance Lease Receivable</i>	(xxx)	(xxx)
<i>Net Value-Finance Lease Receivable</i>	xxx	xxx
Inter-Agency Receivables	xxx	xxx
Due from National Government Agencies	xxx	xxx
Due from Government-Owned and/or Controlled Corporations	xxx	xxx
Due from Local Government Units	xxx	xxx
Due from Joint Venture	xxx	xxx
Intra-Agency Receivables	xxx	xxx
Due from Central Office	xxx	xxx
Due from Bureaus	xxx	xxx
Due from Regional Offices	xxx	xxx
Due from Operating Units	xxx	xxx
Other Receivables	xxx	xxx
Receivables-Disallowances/Charges	xxx	xxx
Due from Officers and Employees	xxx	xxx
Due from Non-Government Organizations/People's Organizations	xxx	xxx

	<b><u>2015</u></b>	<b><u>2014</u></b>
Other Receivables	xxx	xxx
Allowance for Impairment-Other Receivables	(xxx)	(xxx)
<i>Net Value-Other Receivables</i>	<u>xxx</u>	<u>xxx</u>
<b>Inventories</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Inventory Held for Sale	<u>xxx</u>	<u>xxx</u>
Merchandise Inventory	xxx	xxx
Inventory Held for Distribution	<u>xxx</u>	<u>xxx</u>
Food Supplies for Distribution	xxx	xxx
Welfare Goods for Distribution	xxx	xxx
Drugs and Medicines for Distribution	xxx	xxx
Medical, Dental and Laboratory Supplies for Distribution	xxx	xxx
Agricultural and Marine Supplies for Distribution	xxx	xxx
Agricultural Produce for Distribution	xxx	xxx
Textbooks and Instructional Materials for Distribution	xxx	xxx
Construction Materials for Distribution	xxx	xxx
Property and Equipment for Distribution	xxx	xxx
Other Supplies and Materials for Distribution	xxx	xxx
Inventory Held for Manufacturing	<u>xxx</u>	<u>xxx</u>
Raw Materials Inventory	xxx	xxx
Work-in-Process Inventory	xxx	xxx
Finished Goods Inventory	xxx	xxx
Inventory Held for Consumption	<u>xxx</u>	<u>xxx</u>
Office Supplies Inventory	xxx	xxx
Accountable Forms, Plates and Stickers Inventory	xxx	xxx
Non-Accountable Forms Inventory	xxx	xxx
Animal/Zoological Supplies Inventory	xxx	xxx
Food Supplies Inventory	xxx	xxx
Drugs and Medicines Inventory	xxx	xxx
Medical, Dental and Laboratory Supplies Inventory	xxx	xxx
Fuel, Oil and Lubricants Inventory	xxx	xxx
Agricultural and Marine Supplies Inventory	xxx	xxx
Textbooks and Instructional Materials Inventory	xxx	xxx
Military, Police and Traffic Supplies Inventory	xxx	xxx
Chemical and Filtering Supplies Inventory	xxx	xxx
Construction Materials Inventory	xxx	xxx
Other Supplies and Materials Inventory	xxx	xxx
Semi-Expendable Machinery and Equipment	<u>xxx</u>	<u>xxx</u>
Semi-Expendable Machinery	xxx	xxx
Semi-Expendable Office Equipment	xxx	xxx
Semi-Expendable Information and Communications Technology Equipment	xxx	xxx
Semi-Expendable Agricultural and Forestry Equipment	xxx	xxx
Semi-Expendable Marine and Fishery Equipment	xxx	xxx
Semi-Expendable Airport Equipment	xxx	xxx
Semi-Expendable Communications Equipment	xxx	xxx
Semi-Expendable Disaster Response and Rescue Equipment	xxx	xxx
Semi-Expendable Military, Police and Security Equipment	xxx	xxx
Semi-Expendable Medical Equipment	xxx	xxx
Semi-Expendable Printing Equipment	xxx	xxx
Semi-Expendable Sports Equipment	xxx	xxx
Semi-Expendable Technical and Scientific Equipment	xxx	xxx
Semi-Expendable Other Machinery and Equipment	xxx	xxx

	<b><u>2015</u></b>	<b><u>2014</u></b>
Semi-Expendable Furniture, Fixtures and Books	xxx	xxx
Semi-Expendable Furniture and Fixtures	xxx	xxx
Semi-Expendable Books	xxx	xxx
<b>Other Current Assets</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Advances	xxx	xxx
Advances for Operating Expenses	xxx	xxx
Advances for Payroll	xxx	xxx
Advances to Special Disbursing Officers	xxx	xxx
Advances to Officers and Employees	xxx	xxx
Prepayments	xxx	xxx
Advances to Contractors	xxx	xxx
Prepaid Rent	xxx	xxx
Prepaid Registration	xxx	xxx
Prepaid Interest	xxx	xxx
Prepaid Insurance	xxx	xxx
Other Prepayments	xxx	xxx
Deposits	xxx	xxx
Deposit on Letters of Credit	xxx	xxx
Guaranty Deposits	xxx	xxx
Other Deposits	xxx	xxx
<b>Total Current Assets</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
<b>Non-Current Assets</b>		
<b>Investments</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Financial Assets-Held to Maturity	xxx	xxx
Investments in Treasury Bonds-Local	xxx	xxx
<i>Allowance for Impairment-Investments in Treasury Bonds-Local</i>	(xxx)	(xxx)
<i>Net Value-Investments in Treasury Bonds-Local</i>	xxx	xxx
Investments in Treasury Bonds-Foreign	xxx	xxx
<i>Allowance for Impairment-Investments in Treasury Bonds-Foreign</i>	(xxx)	(xxx)
<i>Net Value-Investments in Treasury Bonds-Foreign</i>	xxx	xxx
Financial Assets-Others	xxx	xxx
Investments in Stocks	xxx	xxx
Investments in Bonds	xxx	xxx
Other Investments	xxx	xxx
Investments in GOCCs	xxx	xxx
Investments in GOCCs	xxx	xxx
<i>Allowance for Impairment-Investments in GOCCs</i>	xxx	xxx
<i>Net Value-Investments in GOCCs</i>	xxx	xxx
Investments in Joint Venture	xxx	xxx
Investments in Joint Venture	xxx	xxx
<i>Allowance for Impairment-Investments in Joint Venture</i>	(xxx)	(xxx)
<i>Net Value-Investments in Joint Venture</i>	xxx	xxx
Sinking Fund	xxx	xxx

	<b>2015</b>	<b>2014</b>
<b>Receivables</b>	<b>xxx</b>	<b>xxx</b>
Loans and Receivable Accounts	xxx	xxx
Accounts Receivable	xxx	xxx
<i>Allowance for Impairment-Accounts Receivable</i>	(xxx)	(xxx)
<i>Net Value- Accounts Receivable</i>	xxx	xxx
Notes Receivable	xxx	xxx
<i>Allowance for Impairment-Notes Receivable</i>	(xxx)	(xxx)
<i>Net Value- Notes Receivable</i>	xxx	xxx
Loans Receivable-Government-Owned and/or Controlled Corporations	xxx	xxx
<i>Allowance for Impairment-Loans Receivable-GOCCs</i>	(xxx)	(xxx)
<i>Net Value- Loans Receivable-GOCCs</i>	xxx	xxx
Loans Receivable-Local Government Units	xxx	xxx
<i>Allowance for Impairment -Loans Receivable-Local Government Units</i>	(xxx)	(xxx)
<i>Net Value- Loans Receivable-LGUs</i>	xxx	xxx
Interests Receivable	xxx	xxx
<i>Allowance for Impairment-Interests Receivable</i>	(xxx)	(xxx)
<i>Net Value- Interests Receivable</i>	xxx	xxx
Loans Receivable-Others	xxx	xxx
<i>Allowance for Impairment-Loans Receivable-Others</i>	(xxx)	(xxx)
<i>Net Value- Loans Receivable-Others</i>	xxx	xxx
Lease Receivable	xxx	xxx
Finance Lease Receivable	xxx	xxx
<i>Allowance for Impairment-Finance Lease Receivable</i>	(xxx)	(xxx)
<i>Net Value-Finance Lease Receivable</i>	xxx	xxx
Other Receivables	xxx	xxx
Other Receivables	xxx	xxx
<i>Allowance for Impairment-Other Receivables</i>	(xxx)	(xxx)
<i>Net Value-Other Receivables</i>	xxx	xxx
<b>Investment Property</b>	<b>xxx</b>	<b>xxx</b>
Land and Buildings	xxx	xxx
Investment Property, Land	xxx	xxx
<i>Accumulated Impairment Losses-Investment Property, Land</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Investment Property, Buildings	xxx	xxx
<i>Accumulated Depreciation-Investment Property, Buildings</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Investment Property, Buildings</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Construction in Progress-Investment Property, Buildings	xxx	xxx
<b>Property, Plant and Equipment</b>	<b>xxx</b>	<b>xxx</b>
Land	xxx	xxx
Land	xxx	xxx
<i>Accumulated Impairment Losses- Land</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Land Improvements	xxx	xxx
Land Improvements, Aquaculture Structures	xxx	xxx
<i>Accumulated Depreciation-Land Improvements, Aquaculture Structures</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Land Improvements, Aquaculture Structures</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Land Improvements, Reforestation Projects	xxx	xxx

	<b>2015</b>	<b>2014</b>
<i>Accumulated Impairment Losses-Land Improvements, Reforestation Projects</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Other Land Improvements	xxx	xxx
<i>Accumulated Depreciation-Other Land Improvements</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Other Land Improvements</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Infrastructure Assets	<u>xxx</u>	<u>xxx</u>
Road Networks	xxx	xxx
<i>Accumulated Depreciation-Road Networks</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Road Networks</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Flood Control Systems	xxx	xxx
<i>Accumulated Depreciation-Flood Control Systems</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Flood Control Systems</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Sewer Systems	xxx	xxx
<i>Accumulated Depreciation-Sewer Systems</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Sewer Systems</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Water Supply Systems	xxx	xxx
<i>Accumulated Depreciation-Water Supply Systems</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Water Supply Systems</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Power Supply Systems	xxx	xxx
<i>Accumulated Depreciation-Power Supply Systems</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Power Supply Systems</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Communication Networks	xxx	xxx
<i>Accumulated Depreciation-Communication Networks</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Communication Networks</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Seaport Systems	xxx	xxx
<i>Accumulated Depreciation-Seaport Systems</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Seaport Systems</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Airport Systems	xxx	xxx
<i>Accumulated Depreciation-Airport Systems</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Airport Systems</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Parks, Plazas and Monuments	xxx	xxx
<i>Accumulated Depreciation-Parks, Plazas and Monuments</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Parks, Plazas and Monuments</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Railway Systems	xxx	xxx
<i>Accumulated Depreciation-Railway Systems</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Parks, Railway Systems</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Other Infrastructure Assets	xxx	xxx
<i>Accumulated Depreciation-Other Infrastructure Assets</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Other Infrastructure Assets</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Buildings and Other Structures	<u>xxx</u>	<u>xxx</u>
Buildings	xxx	xxx
<i>Accumulated Depreciation-Buildings</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Buildings</i>	<u>(xxx)</u>	<u>(xxx)</u>

	<b><u>2015</u></b>	<b><u>2014</u></b>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
School Buildings	xxx	xxx
<i>Accumulated Depreciation-School Buildings</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-School Buildings</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Hospitals and Health Centers	xxx	xxx
<i>Accumulated Depreciation-Hospitals and Health Centers</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Hospitals and Health Centers</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Markets	xxx	xxx
<i>Accumulated Depreciation-Markets</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Markets</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Slaughterhouses	xxx	xxx
<i>Accumulated Depreciation-Slaughterhouses</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses- Slaughterhouses</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Hostels and Dormitories	xxx	xxx
<i>Accumulated Depreciation-Hostels and Dormitories</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Hostels and Dormitories</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Other Structures	xxx	xxx
<i>Accumulated Depreciation-Other Structures</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Other Structures</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Machinery and Equipment	<u>xxx</u>	<u>xxx</u>
Machinery	xxx	xxx
<i>Accumulated Depreciation-Machinery</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Machinery</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Office Equipment	xxx	xxx
<i>Accumulated Depreciation-Office Equipment</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Office Equipment</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Information and Communication Technology Equipment	xxx	xxx
<i>Accumulated Depreciation-Information and Communication</i>		
Technology Equipment	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Information and Communication</i>		
Technology Equipment	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Agricultural and Forestry Equipment	xxx	xxx
<i>Accumulated Depreciation-Agricultural and Forestry Equipment</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Agricultural and Forestry Equipment</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Marine and Fishery Equipment	xxx	xxx
<i>Accumulated Depreciation-Marine and Fishery Equipment</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Marine and Fishery Equipment</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Airport Equipment	xxx	xxx
<i>Accumulated Depreciation-Airport Equipment</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Airport Equipment</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Communication Equipment	xxx	xxx
<i>Accumulated Depreciation-Communication Equipment</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Accumulated Impairment Losses-Communication Equipment</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>



	<b><u>2015</u></b>	<b><u>2014</u></b>
Construction and Heavy Equipment	xxx	xxx
<i>Accumulated Depreciation-Construction and Heavy Equipment</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Construction and Heavy Equipment</i>	(xxx)	(xxx)
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Disaster Response and Rescue Equipment	xxx	xxx
<i>Accumulated Depreciation-Disaster Response and Rescue Equipment</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Disaster Response and Rescue Equipment</i>	(xxx)	(xxx)
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Military, Police and Security Equipment	xxx	xxx
<i>Accumulated Depreciation-Military, Police and Security Equipment</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Military, Police and Security Equipment</i>	(xxx)	(xxx)
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Medical Equipment	xxx	xxx
<i>Accumulated Depreciation-Medical Equipment</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Medical Equipment</i>	(xxx)	(xxx)
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Printing Equipment	xxx	xxx
<i>Accumulated Depreciation-Printing Equipment</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Printing Equipment</i>	(xxx)	(xxx)
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Sports Equipment	xxx	xxx
<i>Accumulated Depreciation-Sports Equipment</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Sports Equipment</i>	(xxx)	(xxx)
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Technical and Scientific Equipment	xxx	xxx
<i>Accumulated Depreciation-Technical and Scientific Equipment</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Technical and Scientific Equipment</i>	(xxx)	(xxx)
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Other Machinery and Equipment	xxx	xxx
<i>Accumulated Depreciation-Other Machinery and Equipment</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Other Machinery and Equipment</i>	(xxx)	(xxx)
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Transportation Equipment	xxx	xxx
Motor Vehicles	xxx	xxx
<i>Accumulated Depreciation-Motor Vehicles</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Motor Vehicles</i>	(xxx)	(xxx)
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Trains	xxx	xxx
<i>Accumulated Depreciation-Trains</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Trains</i>	(xxx)	(xxx)
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Aircrafts and Aircrafts Ground Equipment	xxx	xxx
<i>Accumulated Depreciation-Aircrafts and Aircrafts Ground Equipment</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Aircrafts and Aircrafts Ground Equipment</i>	(xxx)	(xxx)
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Watercrafts	xxx	xxx
<i>Accumulated Depreciation-Watercrafts</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Watercrafts</i>	(xxx)	(xxx)
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
Other Transportation Equipment	xxx	xxx
<i>Accumulated Depreciation-Other Transportation Equipment</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Other Transportation Equipment</i>	(xxx)	(xxx)
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>

	<b><u>2015</u></b>	<b><u>2014</u></b>
Furniture, Fixtures and Books	xxx	xxx
Furniture and Fixtures	xxx	xxx
<i>Accumulated Depreciation-Furniture and Fixtures</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Furniture and Fixtures</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Books	xxx	xxx
<i>Accumulated Depreciation-Books</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Books</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Leased Assets	xxx	xxx
Leased Assets, Land	xxx	xxx
Leased Assets, Buildings and Other Structures	xxx	xxx
<i>Accumulated Depreciation-Leased Assets, Buildings and Other Structures</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Leased Assets, Buildings and Other</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Leased Assets, Machinery and Equipment	xxx	xxx
<i>Accumulated Depreciation-Leased Assets, Machinery and Equipment</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Leased Assets, Machinery and Equipment</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Leased Assets, Transportation Equipment	xxx	xxx
<i>Accumulated Depreciation-Leased Assets, Transportation Equipment</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Leased Assets, Transportation Equipment</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Other Leased Assets	xxx	xxx
<i>Accumulated Depreciation-Other Leased Assets</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Other Leased Assets</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Leased Assets Improvements	xxx	xxx
Leased Assets Improvements, Land	xxx	xxx
<i>Accumulated Depreciation-Leased Assets Improvements, Land</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Leased Assets Improvements, Land</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Leased Assets Improvements, Buildings	xxx	xxx
<i>Accumulated Depreciation-Leased Assets Improvements, Buildings</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Leased Assets Improvements, Buildings</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Other Leased Assets Improvements	xxx	xxx
<i>Accumulated Depreciation-Other Leased Assets Improvements</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Other Leased Assets Improvements</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Heritage Assets	xxx	xxx
Historical Buildings	xxx	xxx
<i>Accumulated Depreciation-Historical Buildings</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Historical Buildings</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Works of Arts and Archeological Specimens	xxx	xxx
<i>Accumulated Depreciation-Works of Arts and Archeological Specimens</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Works of Arts and Archeological Specimens</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Other Heritage Assets	xxx	xxx
<i>Accumulated Depreciation-Other Heritage Assets</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Other Heritage Assets</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx

	<b>2015</b>	<b>2014</b>
Service Concession Tangible Assets	xxx	xxx
Service Concession-Road Networks	xxx	xxx
Accumulated Depreciation-Service Concession-Road Networks	(xxx)	(xxx)
Accumulated Impairment Losses -Service Concession- Road Networks	(xxx)	(xxx)
Net Value	xxx	xxx
Service Concession-Flood Control Systems	xxx	xxx
Accumulated Depreciation-Service Concession-Flood Control Systems	(xxx)	(xxx)
Accumulated Impairment Losses-Service Concession-Flood Control Systems	(xxx)	(xxx)
Net Value	xxx	xxx
Service Concession-Sewer Systems	xxx	xxx
Accumulated Depreciation-Service Concession-Sewer Systems	(xxx)	(xxx)
Accumulated Impairment Losses-Service Concession-Sewer Systems	(xxx)	(xxx)
Net Value	xxx	xxx
Service Concession-Water Supply Systems	xxx	xxx
Accumulated Depreciation-Service Concession-Water Supply Systems	(xxx)	(xxx)
Accumulated Impairment Losses-Service Concession-Water Supply Systems	(xxx)	(xxx)
Net Value	xxx	xxx
Service Concession-Power Supply Systems	xxx	xxx
Accumulated Depreciation-Service Concession-Power Supply Systems	(xxx)	(xxx)
Accumulated Impairment Losses-Service Concession-Power Supply Systems	(xxx)	(xxx)
Net Value	xxx	xxx
Service Concession-Communication Networks	xxx	xxx
Accumulated Depreciation-Service Concession-Communication Networks	(xxx)	(xxx)
Accumulated Impairment Losses -Service Concession-Communication Networks	(xxx)	(xxx)
Net Value	xxx	xxx
Service Concession-Seaport Systems	xxx	xxx
Accumulated Depreciation-Service Concession-Seaport Systems	(xxx)	(xxx)
Accumulated Impairment Losses-Service Concession-Seaport Systems	(xxx)	(xxx)
Net Value	xxx	xxx
Service Concession-Airport Systems	xxx	xxx
Accumulated Depreciation-Service Concession-Airport Systems	(xxx)	(xxx)
Accumulated Impairment Losses-Service Concession-Airport Systems	(xxx)	(xxx)
Net Value	xxx	xxx
Service Concession-Parks, Plazas and Monuments	xxx	xxx
Accumulated Depreciation-Service Concession-Parks, Plazas and Monuments	(xxx)	(xxx)
Accumulated Impairment Losses-Service Concession-Parks, Plazas and Monuments	(xxx)	(xxx)
Net Value	xxx	xxx
Service Concession-Railway Systems	xxx	xxx
Accumulated Depreciation-Service Concession-Railway Systems	(xxx)	(xxx)
Accumulated Impairment Losses-Service Concession-Railway Systems	(xxx)	(xxx)
Net Value	xxx	xxx
Service Concession-Buildings and Other Structures	xxx	xxx
Accumulated Depreciation-Service Concession-Buildings and Other Structures	(xxx)	(xxx)
Accumulated Impairment Losses-Service Concession-Buildings and Other Structures	(xxx)	(xxx)
Net Value	xxx	xxx
Other Service Concession Assets	xxx	xxx
Accumulated Depreciation-Other Service Concession Assets	(xxx)	(xxx)
Accumulated Impairment Losses-Other Service Concession Assets	(xxx)	(xxx)
Net Value	xxx	xxx

	<b>2015</b>	<b>2014</b>
Other Property, Plant and Equipment	xxx	xxx
Work/Zoo Animals	xxx	xxx
<i>Accumulated Depreciation-Work/Zoo Animals</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Work/Zoo Animals</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Other Property, Plant and Equipment	xxx	xxx
<i>Accumulated Depreciation-Other Property, Plant and Equipment</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Other Property, Plant and Equipment</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
 Construction in Progress	 xxx	 xxx
Construction in Progress-Land Improvements	xxx	xxx
Construction in Progress-Infrastructure Assets	xxx	xxx
Construction in Progress-Buildings and Other Structures	xxx	xxx
Construction in Progress-Leased Assets	xxx	xxx
Construction in Progress-Leased Assets Improvements	xxx	xxx
 <b>Biological Assets</b>	 <b>xxx</b>	 <b>xxx</b>
Bearer Biological Assets	xxx	xxx
Breeding Stocks	xxx	xxx
<i>Accumulated Impairment Losses-Breeding Stocks</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Livestock	xxx	xxx
<i>Accumulated Impairment Losses-Livestock</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Trees, Plants and Crops	xxx	xxx
<i>Accumulated Impairment Losses-Trees, Plants and Crops</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Aquaculture	xxx	xxx
<i>Accumulated Impairment Losses-Aquaculture</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Other Bearer Biological Assets	xxx	xxx
<i>Accumulated Impairment Losses-Other Bearer Biological Assets</i>	xxx	xxx
<i>Net Value</i>	xxx	xxx
Consumable Biological Assets	xxx	xxx
Livestock Held for Consumption/Sale/Distribution	xxx	xxx
<i>Consumption/Sale/Distribution</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Trees, Plants and Crops Held for Consumption/Sale/Distribution	xxx	xxx
<i>Accumulated Impairment Losses-Trees, Plants and</i>		
<i>Crops Held for Consumption/Sale/Distribution</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Agricultural Produce Held for Consumption/Sale/Distribution	xxx	xxx
<i>Accumulated Impairment Losses-Agricultural Produce Held</i>		
<i>for Consumption/Sale/Distribution</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Aquaculture	xxx	xxx
<i>Accumulated Impairment Losses-Aquaculture</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Other Consumable Biological Assets	xxx	xxx
<i>Accumulated Impairment Losses-Other Consumable Biological Assets</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx

	<b>2015</b>	<b>2014</b>
<b>Intangible Assets</b>	<b>xxx</b>	<b>xxx</b>
Intangible Assets	xxx	xxx
Patents/Copyrights	xxx	xxx
<i>Accumulated Amortization-Patents/Copyrights</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Computer Software	xxx	xxx
<i>Accumulated Amortization-Computer Software</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Websites	xxx	xxx
<i>Accumulated Amortization-Websites</i>	(xxx)	(xxx)
<i>Accumulated Impairment Losses-Websites</i>	xxx	xxx
Other Intangible Assets	xxx	xxx
<i>Accumulated Amortization-Other Intangible Assets</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Service Concession-Intangible Assets	xxx	xxx
Service Concession-Intangible Assets	xxx	xxx
<i>Accumulated Amortization-Service Concession-Intangible Assets</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Development in Progress	xxx	xxx
Development in Progress-Patents/Copyrights	xxx	xxx
Development in Progress-Computer Software	xxx	xxx
Development in Progress-Websites	xxx	xxx
Development in Progress-Other Intangible Assets	xxx	xxx
<b>Other Non-Current Assets</b>	<b>xxx</b>	<b>xxx</b>
Prepayments	xxx	xxx
Advances to Contractors	xxx	xxx
Prepaid Rent	xxx	xxx
Prepaid Registration	xxx	xxx
Prepaid Interest	xxx	xxx
Prepaid Insurance	xxx	xxx
Other Prepayments	xxx	xxx
Deposits	xxx	xxx
Deposit on Letters of Credit	xxx	xxx
Guaranty Deposits	xxx	xxx
Other Deposits	xxx	xxx
Other Assets	xxx	xxx
Acquired Assets	xxx	xxx
<i>Accumulated Impairment Losses-Acquired Assets</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Foreclosed Property/Assets	xxx	xxx
<i>Accumulated Impairment Losses-Foreclosed Property/Assets</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Forfeited Property/Assets	xxx	xxx
<i>Accumulated Impairment Losses-Forfeited Property/Assets</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Confiscated Property/Assets	xxx	xxx
<i>Accumulated Impairment Losses-Confiscated Property/Assets</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Abandoned/Surrendered Property/Assets	xxx	xxx
<i>Accumulated Impairment Losses-Abandoned/Surrendered Property/Assets</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx

	<b><u>2015</u></b>	<b><u>2014</u></b>
Other Assets	xxx	xxx
<i>Accumulated Impairment Losses-Other Assets</i>	<u>(xxx)</u>	<u>(xxx)</u>
<i>Net Value</i>	<u>xxx</u>	<u>xxx</u>
<b>Total Non-Current Assets</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
<b>TOTAL ASSETS</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
<b>LIABILITIES</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
<b>Financial Liabilities</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Payables	<u>xxx</u>	<u>xxx</u>
Accounts Payable	xxx	xxx
Due to Officers and Employees	xxx	xxx
Internal Revenue Allotment Payable	xxx	xxx
Notes Payable	xxx	xxx
Interest Payable	xxx	xxx
Operating Lease Payable	xxx	xxx
Finance Lease Payable	xxx	xxx
Awards and Rewards Payable	xxx	xxx
Service Concession Arrangements Payable	xxx	xxx
Tax Refunds Payable	xxx	xxx
Bills/Bonds/Loans Payable	<u>xxx</u>	<u>xxx</u>
Treasury Bills Payable	xxx	xxx
Bonds Payable-Domestic	xxx	xxx
<i>Discount on Bonds Payable-Domestic</i>	xxx	xxx
<i>Premium on Bonds Payable-Domestic</i>	xxx	xxx
Bonds Payable-Foreign	xxx	xxx
<i>Discount on Bonds Payable-Foreign</i>	(xxx)	(xxx)
<i>Premium on Bonds Payable-Foreign</i>	xxx	xxx
Loans Payable-Domestic	xxx	xxx
Loans Payable-Foreign	xxx	xxx
<b>Inter-Agency Payables</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Due to BIR	xxx	xxx
Due to GSIS	xxx	xxx
Due to Pag-IBIG	xxx	xxx
Due to PhilHealth	xxx	xxx
Due to NGAs	xxx	xxx
Due to GOCCs	xxx	xxx
Due to LGUs	xxx	xxx
Due to Joint Venture	xxx	xxx
<b>Intra-Agency Payables</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Due to Central Office	xxx	xxx
Due to Bureaus	xxx	xxx
Due to Regional Offices	xxx	xxx
Due to Operating Units	xxx	xxx

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Trust Liabilities</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Trust Liabilities	xxx	xxx
Trust Liabilities-Disaster Risk Reduction and Management Fund	xxx	xxx
Bail Bonds Payable	xxx	xxx
Guaranty/Security Deposits Payable	xxx	xxx
Customers' Deposits Payable	xxx	xxx
<b>Other Payables</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Other Payables	xxx	xxx
<b>Deferred Credits/Unearned Income</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Deferred Finance Lease Revenue	xxx	xxx
Other Deferred Credits	xxx	xxx
Unearned Revenue-Investment Property	xxx	xxx
Other Unearned Revenue	xxx	xxx
<b>Provisions</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Pension Benefits Payable	xxx	xxx
Leave Benefits Payable	xxx	xxx
Retirement Gratuity Payable	xxx	xxx
Other Provisions	xxx	xxx
<b>Total Current Liabilities</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
<b>Non- Current Liabilities</b>		
<b>Financial Liabilities</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Payables	xxx	xxx
Notes Payable	xxx	xxx
Finance Lease Payable	xxx	xxx
Service Concession Arrangements Payable	xxx	xxx
Bills/Bonds/Loans Payable	xxx	xxx
Bonds Payable-Domestic	xxx	xxx
<i>Discount on Bonds Payable-Domestic</i>	(xxx)	(xxx)
<i>Premium on Bonds Payable-Domestic</i>	xxx	xxx
<i>Bond Issue Cost-Foreign</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Bonds Payable-Foreign	xxx	xxx
<i>Discount on Bonds Payable-Foreign</i>	(xxx)	(xxx)
<i>Premium on Bonds Payable-Foreign</i>	xxx	xxx
<i>Bond Issue Cost-Foreign</i>	(xxx)	(xxx)
<i>Net Value</i>	xxx	xxx
Loans Payable-Domestic	xxx	xxx
Loans Payable-Foreign	xxx	xxx
<b>Inter-Agency Payables</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Due to NGAs	xxx	xxx
Due to GOCCs	xxx	xxx
Due to LGUs	xxx	xxx
Due to Joint Venture	xxx	xxx

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Trust Liabilities</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Trust Liabilities	xxx	xxx
Trust Liabilities-Disaster Risk Reduction and Management Fund	xxx	xxx
Bail Bonds Payable	xxx	xxx
Guaranty/Security Deposits Payable	xxx	xxx
Customers' Deposits Payable	xxx	xxx
<b>Deferred Credits/Unearned Income</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Deferred Finance Lease Revenue	xxx	xxx
Deferred Service Concession Revenue	xxx	xxx
Other Deferred Credits	xxx	xxx
Unearned Revenue-Investment Property	xxx	xxx
Other Unearned Revenue	xxx	xxx
<b>Other Payables</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Other Payables	xxx	xxx
<b>Provisions</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Pension Benefits Payable	xxx	xxx
Leave Benefits Payable	xxx	xxx
Retirement Gratuity Payable	xxx	xxx
Other Provisions	xxx	xxx
<b>Total Non-Current Liabilities</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
<b>Total Liabilities</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
<b>Total Assets less Total Liabilities</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
<b>Net Assets/Equity</b>		
<b>Equity</b>		
<b>Government Equity</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Accumulated Surplus/(Deficit)	xxx	xxx
<b>Unrealized Gain/(Loss)</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
Unrealized Gain/(Loss) from Changes in the Fair Value of Financial Assets	xxx	xxx
<b>Total Net Assets/Equity</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>



(NAME OF THE ENTITY)  
**STATEMENT OF FINANCIAL PERFORMANCE**  
 (ALL FUNDS OR NAME OF FUND)  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Note</u>	<u>2015</u>	<u>2014</u>
<b>Revenue</b>			
Tax Revenue	21	xxx	xxx
Service and Business Income	22	xxx	xxx
Shares, Grants and Donations	23	xxx	xxx
Gains	39	<u>xxx</u>	<u>xxx</u>
<b>Total Revenue</b>		<b><u>xxx</u></b>	<b><u>xxx</u></b>
<b>Less: Current Operating Expenses</b>			
Personnel Services	24	xxx	xxx
Maintenance and Other Operating Expenses	25	xxx	xxx
Financial Expenses	26	xxx	xxx
Direct Costs		xxx	xxx
Non-Cash Expenses	27	<u>xxx</u>	<u>xxx</u>
<b>Total Current Operating Expenses</b>		<b><u>xxx</u></b>	<b><u>xxx</u></b>
<b>Surplus/(Deficit) from Current Operations</b>		<b><u>xxx</u></b>	<b><u>xxx</u></b>
Net Financial Assistance/Subsidy	28	xxx	xxx
Sale of Assets	29	xxx	xxx
Gains	29	xxx	xxx
Losses	29	<u>(xxx)</u>	<u>(xxx)</u>
<b>Surplus/(Deficit) for the period</b>		<b><u>xxx</u></b>	<b><u>xxx</u></b>

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*This statement should be read in conjunction with the accompanying notes.*

**ENTITY NAME**  
**DETAILED STATEMENT OF FINANCIAL PERFORMANCE**  
**ALL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u><b>2015</b></u>	<u><b>2014</b></u>
<b>Revenue</b>		
<b>Tax Revenue</b>		
Tax Revenue-Individual and Corporation		
Income Tax	xxx	xxx
Professional Tax	xxx	xxx
Travel Tax	xxx	xxx
Immigration Tax	xxx	xxx
Tax Revenue-Property		
Estate Tax	xxx	xxx
Donors Tax	xxx	xxx
Capital Gains Tax	xxx	xxx
Tax Revenue-Goods and Services		
Import Duties	xxx	xxx
Excise Tax	xxx	xxx
Business Tax	xxx	xxx
Tax on Sand, Gravel and Other Quarry Products	xxx	xxx
Tax on Delivery Vans and Trucks	xxx	xxx
Tax Revenue-Others		
Documentary Stamp Tax	xxx	xxx
Motor Vehicles Users' Charge	xxx	xxx
Other Taxes	xxx	xxx
Tax Revenue-Fines and Penalties		
Taxes on Individual and Corporation	xxx	xxx
Property Taxes	xxx	xxx
Taxes on Goods and Services	xxx	xxx
Other Taxes	xxx	xxx
<b>Total Tax Revenue</b>	<u><b>xxx</b></u>	<u><b>xxx</b></u>
<b>Service and Business Income</b>		
Service Income		
Permit Fees	xxx	xxx
Registration Fees	xxx	xxx
Registration Plates, Tags and Stickers Fees	xxx	xxx
Clearance and Certification Fees	xxx	xxx
Franchising Fees	xxx	xxx
Licensing Fees	xxx	xxx
Supervision and Regulation Enforcement Fees	xxx	xxx
Spectrum Usage Fees	xxx	xxx
Legal Fees	xxx	xxx
Inspection Fees	xxx	xxx
Verification and Authentication Fees	xxx	xxx
Passport and Visa Fees	xxx	xxx

	<u>2015</u>	<u>2014</u>
Processing Fees	xxx	xxx
Fines and Penalties-Service Income	xxx	xxx
Other Service Income	xxx	xxx
<b>Total Service Income</b>	<b>xxx</b>	<b>xxx</b>
<b>Business Income</b>		
School Fees	xxx	xxx
Affiliation Fees	xxx	xxx
Examination Fees	xxx	xxx
Seminar/Training Fees	xxx	xxx
Rent/Lease Income	xxx	xxx
Communication Network Fees	xxx	xxx
Transportation System Fees	xxx	xxx
Road Network Fees	xxx	xxx
Waterworks System Fees	xxx	xxx
Power Supply System Fees	xxx	xxx
Seaport System Fees	xxx	xxx
Landing and Parking Fees	xxx	xxx
Income from Hostels/Dormitories and Other Like Facilities	xxx	xxx
Slaughterhouse Operation	xxx	xxx
Income from Printing and Publication	xxx	xxx
Sales Revenue	xxx	xxx
Less: Sales Discounts	xxx	xxx
Net Sales	xxx	xxx
Hospital Fees	xxx	xxx
Guarantee Income	xxx	xxx
Fidelity Insurance Income	xxx	xxx
Dividend Income	xxx	xxx
Interest Income	xxx	xxx
Share in the Profit of Joint Venture	xxx	xxx
Fines and Penalties-Business Income	xxx	xxx
Service Concession Revenue	xxx	xxx
Other Business Income	xxx	xxx
<b>Total Business Income</b>	<b>xxx</b>	<b>xxx</b>
<b>Shares, Grants and Donations</b>		
Share from National Wealth	xxx	xxx
Share from PAGCOR/PCSO	xxx	xxx
Share from Earnings of GOCCs	xxx	xxx
<b>Grants and Donations</b>		
Income from Grants and Donations in Cash	xxx	xxx
Income from Grants and Donations in Kind	xxx	xxx
<b>Total Shares, Grants and Donations</b>	<b>xxx</b>	<b>xxx</b>
<b>Gains</b>		
Gain on Initial Recognition of Biological Assets	xxx	xxx
Gain on Sale of Biological Assets	xxx	xxx

	<b><u>2015</u></b>	<b><u>2014</u></b>
Gain from Changes in Fair Value Less Costs to Sell of Biological Assets Due to Physical Change	xxx	xxx
Gain from Changes in Fair Value Less Cost to Sell of Biological Assets Due to Price Change	xxx	xxx
Gain on Sale of Agricultural Produce	xxx	xxx
<b>Total Gains</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
<b>Total Revenue</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
<b>Less: Current Operating Expenses</b>		
<b>Personnel Services</b>		
<b>Salaries and Wages</b>		
Salaries and Wages-Regular	xxx	xxx
Salaries and Wages-Casual/Contractual	xxx	xxx
<b>Total Salaries and Wages</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
<b>Other Compensation</b>		
Personal Economic Relief Allowance (PERA)	xxx	xxx
Representation Allowance (RA)	xxx	xxx
Transportation Allowance (TA)	xxx	xxx
Clothing/Uniform Allowance	xxx	xxx
Subsistence Allowance	xxx	xxx
Laundry Allowance	xxx	xxx
Quarters Allowance	xxx	xxx
Productivity Incentive Allowance	xxx	xxx
Overseas Allowance	xxx	xxx
Honoraria	xxx	xxx
Hazard Pay	xxx	xxx
Longevity Pay	xxx	xxx
Overtime and Night Pay	xxx	xxx
Year End Bonus	xxx	xxx
Cash Gift	xxx	xxx
Other Bonuses and Allowances	xxx	xxx
<b>Total Other Compensation</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
<b>Personnel Benefit Contributions</b>		
Retirement and Life Insurance Premiums	xxx	xxx
Pag-IBIG Contributions	xxx	xxx
Pag-IBIG Contributions	xxx	xxx
PhilHealth Contributions	xxx	xxx
Employees Compensation Insurance Premiums	xxx	xxx
Provident/Welfare Fund Contributions	xxx	xxx
<b>Total Personnel Benefit Contributions</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
<b>Other Personnel Benefits</b>		
Pension Benefits	xxx	xxx
Retirement Gratuity	xxx	xxx

	<u>2015</u>	<u>2014</u>
Terminal Leave Benefits	xxx	xxx
Other Personnel Benefits	xxx	xxx
<b>Total Other Personnel Benefits</b>	<b>xxx</b>	<b>xxx</b>
<b>Total Personnel Services</b>	<b>xxx</b>	<b>xxx</b>
<b>Maintenance and Other Operating Expenses</b>		
<b>Traveling Expenses</b>		
Traveling Expenses-Local	xxx	xxx
Traveling Expenses-Foreign	xxx	xxx
<b>Total Traveling Expenses</b>	<b>xxx</b>	<b>xxx</b>
<b>Training and Scholarship Expenses</b>		
Training Expenses	xxx	xxx
Scholarship Grants/Expenses	xxx	xxx
<b>Total Training and Scholarship Expenses</b>	<b>xxx</b>	<b>xxx</b>
<b>Supplies and Materials Expenses</b>		
Office Supplies Expenses	xxx	xxx
Accountable Forms Expenses	xxx	xxx
Non-Accountable Forms Expenses	xxx	xxx
Animal/Zoological Supplies Expenses	xxx	xxx
Food Supplies Expenses	xxx	xxx
Welfare Goods Expenses	xxx	xxx
Drugs and Medicines Expenses	xxx	xxx
Medical, Dental and Laboratory Supplies Expenses	xxx	xxx
Fuel, Oil and Lubricants Expenses	xxx	xxx
Agricultural and Marine Supplies Expenses	xxx	xxx
Textbooks and Instructional Materials Expenses	xxx	xxx
Military, Police and Traffic Supplies Expenses	xxx	xxx
Chemical and Filtering Supplies Expenses	xxx	xxx
Other Supplies and Materials Expenses	xxx	xxx
<b>Total Supplies and Materials Expenses</b>	<b>xxx</b>	<b>xxx</b>
<b>Utility Expenses</b>		
Water Expenses	xxx	xxx
Electricity Expenses	xxx	xxx
<b>Total Utility Expenses</b>	<b>xxx</b>	<b>xxx</b>
<b>Communication Expenses</b>		
Postage and Courier Services	xxx	xxx
Telephone Expenses	xxx	xxx
Internet Subscription Expenses	xxx	xxx
Cable, Satellite, Telegraph and Radio Expenses	xxx	xxx
<b>Total Communication Expenses</b>	<b>xxx</b>	<b>xxx</b>

	<u>2015</u>	<u>2014</u>
<b>Awards/Rewards and Prizes</b>		
Awards/Rewards Expenses	xxx	xxx
Prizes	xxx	xxx
<b>Total Awards/Rewards and Prizes</b>	<b>xxx</b>	<b>xxx</b>
<b>Survey, Research, Exploration and Development Expenses</b>		
Survey Expenses	xxx	xxx
Research, Exploration and Development Expenses	xxx	xxx
<b>Total Survey, Research, Exploration and Development Expenses</b>	<b>xxx</b>	<b>xxx</b>
<b>Demolition/Relocation and Desilting/Dredging Expenses</b>		
Demolition and Relocation Expenses	xxx	xxx
Desilting and Dredging Expenses	xxx	xxx
<b>Total Demolition/Relocation and Desilting/Dredging Expenses</b>	<b>xxx</b>	<b>xxx</b>
<b>Generation, Transmission and Distribution Expenses</b>		
Generation, Transmission and Distribution Expenses	xxx	xxx
<b>Confidential, Intelligence and Extraordinary Expenses</b>		
Confidential Expenses	xxx	xxx
Intelligence Expenses	xxx	xxx
Extraordinary and Miscellaneous Expenses	xxx	xxx
<b>Total Confidential, Intelligence and Extraordinary Expenses</b>	<b>xxx</b>	<b>xxx</b>
<b>Professional Services</b>		
Legal Services	xxx	xxx
Auditing Services	xxx	xxx
Consultancy Services	xxx	xxx
Other Professional Services	xxx	xxx
<b>Total Professional Services</b>	<b>xxx</b>	<b>xxx</b>
<b>General Services</b>		
Environment/Sanitary Services	xxx	xxx
Janitorial Services	xxx	xxx
Security Services	xxx	xxx
Other General Services	xxx	xxx
<b>Total General Services</b>	<b>xxx</b>	<b>xxx</b>
<b>Repairs and Maintenance</b>		
Repairs and Maintenance-Investment Property	xxx	xxx
Repairs and Maintenance-Land Improvements	xxx	xxx
Repairs and Maintenance-Infrastructure Assets	xxx	xxx
Repairs and Maintenance-Buildings and Other Structures	xxx	xxx
Repairs and Maintenance-Machinery and Equipment	xxx	xxx
Repairs and Maintenance-Transportation Equipment	xxx	xxx
Repairs and Maintenance-Furniture and Fixtures	xxx	xxx
Repairs and Maintenance-Leased Assets	xxx	xxx
Repairs and Maintenance-Leased Assets Improvements	xxx	xxx

	<u>2015</u>	<u>2014</u>
Restoration and Maintenance-Heritage Assets	xxx	xxx
Repairs and Maintenance-Semi-Expendable Machinery and Equipment	xxx	xxx
Repairs and Maintenance-Semi-Expendable Furniture, Fixtures and Books	xxx	xxx
Repairs and Maintenance-Other Property, Plant and Equipment	xxx	xxx
<b>Total Repairs and Maintenance</b>	<b>xxx</b>	<b>xxx</b>
<b>Taxes, Insurance Premiums and Other Fees</b>		
Taxes, Duties and Licenses	xxx	xxx
Fidelity Bond Premiums	xxx	xxx
Insurance Expenses	xxx	xxx
<b>Total Taxes, Insurance Premiums and Other Fees</b>	<b>xxx</b>	<b>xxx</b>
<b>Labor and Wages</b>		
Labor and Wages	xxx	xxx
<b>Other Maintenance and Operating Expenses</b>		
Advertising Expenses	xxx	xxx
Printing and Publication Expenses	xxx	xxx
Representation Expenses	xxx	xxx
Transportation and Delivery Expenses	xxx	xxx
Rent/Lease Expenses	xxx	xxx
Membership Dues and Contributions to Organizations	xxx	xxx
Subscription Expenses	xxx	xxx
Donations	xxx	xxx
Litigation/Acquired Assets Expenses	xxx	xxx
Loss on Gratuity	xxx	xxx
Other Maintenance and Operating Expenses	xxx	xxx
<b>Total Other Maintenance and Other Operating Expenses</b>	<b>xxx</b>	<b>xxx</b>
<b>Total Maintenance and Other Operating Expenses</b>	<b>xxx</b>	<b>xxx</b>
<b>Financial Expenses</b>		
Financial Expenses		
Management Supervision/Trusteeship Fees	xxx	xxx
Interest Expenses	xxx	xxx
Guarantee Fees	xxx	xxx
Bank Charges	xxx	xxx
Commitment Fees	xxx	xxx
Other Financial Charges	xxx	xxx
<b>Total Financial Expenses</b>	<b>xxx</b>	<b>xxx</b>
<b>Non-Cash Expenses</b>		
<b>Depreciation</b>		
Depreciation-Investment Property	xxx	xxx
Depreciation-Land Improvements	xxx	xxx
Depreciation-Infrastructure Assets	xxx	xxx
Depreciation-Buildings and Other Structures	xxx	xxx
Depreciation-Machinery and Equipment	xxx	xxx
Depreciation-Transportation Equipment	xxx	xxx
Depreciation-Furniture, Fixtures and Books	xxx	xxx
Depreciation-Leased Assets	xxx	xxx
Depreciation-Leased Assets Improvements	xxx	xxx
Depreciation-Heritage Assets	xxx	xxx

	<u>2015</u>	<u>2014</u>
Depreciation-Service Concession Assets	xxx	xxx
Depreciation-Other Property, Plant and Equipment	xxx	xxx
<b>Total Depreciation</b>	<b>xxx</b>	<b>xxx</b>
<b>Amortization</b>		
Amortization-Intangible Assets	xxx	xxx
<b>Impairment Loss</b>		
Impairment Loss-Financial Assets Held to Maturity	xxx	xxx
Impairment Loss-Loans and Receivables	xxx	xxx
Impairment Loss-Lease Receivables	xxx	xxx
Impairment Loss-Investments in GOCCs	xxx	xxx
Impairment Loss-Investments in Joint Venture	xxx	xxx
Impairment Loss-Other Receivables	xxx	xxx
Impairment Loss-Inventories	xxx	xxx
Impairment Loss-Investment Property	xxx	xxx
Impairment Loss-Property, Plant and Equipment	xxx	xxx
Impairment Loss-Biological Assets	xxx	xxx
Impairment Loss-Intangible Assets	xxx	xxx
Impairment Loss-Investments in Associates	xxx	xxx
Impairment Loss-Other Assets	xxx	xxx
<b>Total Impairment Loss</b>	<b>xxx</b>	<b>xxx</b>
<b>Losses</b>		
Loss on Sale of Biological Assets	xxx	xxx
Loss on Sale of Agricultural Produce	xxx	xxx
Loss on Initial Recognition of Biological Assets	xxx	xxx
Loss from Changes in Fair Value Less Costs to Sell of Biological Assets Due to Physical Change	xxx	xxx
Loss from Changes in Fair Value Less Costs to Sell of Biological Assets Due to Price Change	xxx	xxx
<b>Total Losses</b>	<b>xxx</b>	<b>xxx</b>
<b>Total Non-Cash Expenses</b>	<b>xxx</b>	<b>xxx</b>
<b>Current Operating Expenses</b>	<b>xxx</b>	<b>xxx</b>
<b>Surplus (Deficit) from Current Operations</b>	<b>xxx</b>	<b>xxx</b>
<b>Financial Assistance/Subsidy from NGAs, LGUs, GOCCs</b>		
Subsidy from National Government	xxx	xxx
Subsidy from other NGAs	xxx	xxx
Assistance from Local Government Units	xxx	xxx
Assistance from Government-Owned and/or Controlled Corporations	xxx	xxx
Subsidy from Other Funds	xxx	xxx
<b>Total Financial Assistance/Subsidy from NGAs, LGUs, GOCCs</b>	<b>xxx</b>	<b>xxx</b>



	<u>2015</u>	<u>2014</u>
<b>Less: Financial Assistance/Subsidy to NGAs, LGUs, GOCCs, NGOs/POs</b>		
Subsidy to NGAs (for BTr only)	xxx	xxx
Financial Assistance to NGAs	xxx	xxx
Financial Assistance to Local Government Units	xxx	xxx
Budgetary Support to GOCCs	xxx	xxx
Financial Assistance to NGOs/POs	xxx	xxx
Subsidies-Others	xxx	xxx
<b>Total Financial Assistance/Subsidy to NGAs, LGUs, GOCCs</b>	<u>xxx</u>	<u>xxx</u>
<b>Net Financial Assistance/Subsidy</b>	<u>xxx</u>	<u>xxx</u>
<b>Other Non-Operating Income</b>		
<b>Sale of Assets</b>		
Sale of Garnished/Confiscated/Abandoned/Seized Goods and Properties	xxx	xxx
Sale of Unserviceable Property	xxx	xxx
<b>Total Sale of Assets</b>	<u>xxx</u>	<u>xxx</u>
<b>Gains</b>		
Gain on Foreign Exchange (FOREX)	xxx	xxx
Gain on Sale of Investments	xxx	xxx
Gain on Sale of Investment Property	xxx	xxx
Gain on Sale of Property, Plant and Equipment	xxx	xxx
Gain on Sale of Intangible Assets	xxx	xxx
Other Gains	xxx	xxx
<b>Total Gains</b>	<u>xxx</u>	<u>xxx</u>
<b>Losses</b>		
Loss on Foreign Exchange (FOREX)	xxx	xxx
Loss on Sale of Investments	xxx	xxx
Loss on Sale of Investment Property	xxx	xxx
Loss on Sale of Property, Plant and Equipment	xxx	xxx
Loss on Sale of Intangible Assets	xxx	xxx
Loss on Sale of Assets	xxx	xxx
Loss of Assets	xxx	xxx
Loss on Guaranty	xxx	xxx
Other Losses	xxx	xxx
<b>Total Losses</b>	<u>xxx</u>	<u>xxx</u>
<b>Surplus (Deficit) for the period</b>	<u>xxx</u>	<u>xxx</u>

(NAME OF THE ENTITY)  
**STATEMENT OF CHANGES IN NET ASSETS/EQUITY**  
 (ALL FUNDS OR NAME OF FUND)  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>Accumulated Surplus/ (Deficit)</b>	
	<b>2015</b>	<b>2014</b>
<b>Balance at January 1</b>	<b>xxx</b>	<b>xxx</b>
<b>Add/(Deduct):</b>		
Changes in accounting policy	xxx	xxx
Prior period errors	xxx	xxx
Other adjustments	xxx	xxx
<b>Restated balance</b>	<b>xxx</b>	<b>xxx</b>
<b>Add/(Deduct):</b>		
<b>Changes in Net Assets/Equity for the Calendar Year</b>		
Surplus/(Deficit) for the period	xxx	xxx
Adjustment of net revenue recognized directly in net assets/equity <sup>1</sup>	xxx	xxx
Others <sup>2</sup>	xxx	xxx
<b>Balance at December 31</b>	<b>xxx</b>	<b>xxx</b>

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\*1 - Net revenue deposited with the National Treasury (revenue including constructive receipt of income by Foreign Based Agencies and income remitted by agencies thru TRA)

\*2 - Direct adjustments to Net Assets/Equity which are not revenues or expenses (e.g. transfer of PPE from of the agency to another directly charged to Accumulated Surplus/(Deficit))

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*This statement should be read in conjunction with the accompanying notes.*

(NAME OF THE ENTITY)  
**STATEMENT OF CASH FLOWS**  
 (ALL FUNDS OR NAME OF FUND)  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating Activities</b>		
<b>Cash Inflows</b>		
Receipt of Notice of Cash Allocation	xxx	xxx
Proceeds from sale of goods and services	xxx	xxx
Collection of Income/Revenues	xxx	xxx
Receipt of Assistance and Subsidy from Other NGAs, LGUs and GOCCs	xxx	xxx
Collection of Receivables	xxx	xxx
Receipt of Inter-Agency Fund Transfers	xxx	xxx
Receipt of Intra-Agency Fund Transfers	xxx	xxx
Trust Receipts	xxx	xxx
Other Receipts	xxx	xxx
Adjustments	xxx	xxx
<b>Total Cash Inflows</b>	<u>xxx</u>	<u>xxx</u>
<b>Cash Outflows</b>	<b>xxx</b>	<b>xxx</b>
Replenishment of Negotiated MDS Checks (for BTr)	xxx	xxx
Remittance to National Treasury	xxx	xxx
Payment of Expenses	xxx	xxx
Purchase of Inventories	xxx	xxx
Purchase of Consumable Biological Assets	xxx	xxx
Grant of Cash Advances	xxx	xxx
Prepayments	xxx	xxx
Refund of Deposits	xxx	xxx
Payment of Accounts Payable	xxx	xxx
Remittance of Personnel Benefit Contributions and Mandatory Deductions	xxx	xxx
Grant of Financial Assistance/Subsidy	xxx	xxx
Release of Inter-Agency Fund Transfers	xxx	xxx
Release of Intra-Agency Fund Transfers	xxx	xxx
Other Disbursements	xxx	xxx
Reversal of Unutilized NCA	xxx	xxx
Adjustments	xxx	xxx
<b>Total Cash Outflows</b>	<u>xxx</u>	<u>xxx</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>xxx</u>	<u>xxx</u>
<b>Cash Flows from Investing Activities</b>	<b>xxx</b>	<b>xxx</b>
<b>Cash Inflows</b>	<b>xxx</b>	<b>xxx</b>
Proceeds from Sale of Investment Property	xxx	xxx
Proceeds from Sale/Disposal of Property, Plant and Equipment	xxx	xxx
Sale of Investments	xxx	xxx
Receipt of Cash Dividends	xxx	xxx
Proceeds from Matured/Return of Investments	xxx	xxx
Collection of Long-Term Loans	xxx	xxx
Proceeds from Sale of Other Assets	xxx	xxx
Adjustments	xxx	xxx
<b>Total Cash Inflows</b>	<u>xxx</u>	<u>xxx</u>

(NAME OF THE ENTITY)  
**STATEMENT OF CASH FLOWS**  
 (ALL FUNDS OR NAME OF FUND)  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
<b>Cash Outflows</b>		
Purchase/Construction of Investment Property	xxx	xxx
Purchase/Construction of Property, Plant and Equipment	xxx	xxx
Investments	xxx	xxx
Purchase of Bearer Biological Assets	xxx	xxx
Purchase of Intangible Assets	xxx	xxx
Grant of Loans	xxx	xxx
Adjustments	xxx	xxx
<b>Total Cash Outflows</b>	<u>xxx</u>	<u>xxx</u>
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>xxx</u>	<u>xxx</u>
<b>Cash Flows From Financing Activities</b>		
<b>Cash Inflows</b>		
Proceeds from issuance of bills and bonds	xxx	xxx
Proceeds from Domestic and Foreign Loans	xxx	xxx
Adjustments	xxx	xxx
<b>Total Cash Inflows</b>	<u>xxx</u>	<u>xxx</u>
<b>Cash Outflows</b>		
Payment of Long-Term Liabilities	xxx	xxx
Redemption of Bills/Bonds Issued	xxx	xxx
Payment of Interest Expense (BTR/NG Debt)	xxx	xxx
Adjustments	xxx	xxx
<b>Total Cash Outflows</b>	<u>xxx</u>	<u>xxx</u>
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>xxx</u>	<u>xxx</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<u>xxx</u>	<u>xxx</u>
<b>Effects of Exchange Rate Changes on Cash and Cash Equivalents</b>	<u>xxx</u>	<u>xxx</u>
<b>Cash and Cash Equivalents, January 1</b>	<u>xxx</u>	<u>xxx</u>
<b>Cash and Cash Equivalents, December 31</b>	<u>xxx</u>	<u>xxx</u>

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*This statement should be read in conjunction with the accompanying notes.*

**(NAME OF THE ENTITY)**  
**STATEMENT OF CASH FLOWS**  
**(ALL FUNDS OR NAME OF FUND)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u><b>2015</b></u>	<u><b>2014</b></u>
<b>Cash Flows From Operating Activities</b>		
<b>Cash Inflows</b>		
Receipt of Notice of Cash Allocation	xxx	xxx
Receipt of Notice of Cash Allocation	xxx	xxx
Receipt of Notice of Transfer of Cash Allocation	xxx	xxx
Receipt of NCA for Trust and other receipts	xxx	xxx
Receipt of Working Fund for Foreign-Assisted Projects	xxx	xxx
Collection of Income/Revenues	xxx	xxx
Collection of tax revenue	xxx	xxx
Collection of service and business income	xxx	xxx
Collection of other income	xxx	xxx
Receipt of shares, grants and donations	xxx	xxx
Receipt of prior years' income	xxx	xxx
Receipt of Assistance and Subsidy from Other NGAs, LGUs and GOCCs	xxx	xxx
Subsidy from Other National Government Agencies	xxx	xxx
Assistance from Local Government Units	xxx	xxx
Assistance from Government-Owned or Controlled Corporations	xxx	xxx
Collection of Receivables	xxx	xxx
Collection of loans and receivables	xxx	xxx
Collection of lease receivables	xxx	xxx
Collection of receivable from audit disallowances	xxx	xxx
Collection of other receivables	xxx	xxx
Receipt of Inter-Agency Fund Transfers	xxx	xxx
Receipt of cash for the account of NGAs/LGUs/GOCCs	xxx	xxx
Receipt of funds for the implementation of projects from NGAs/LGUs/GOCCs	xxx	xxx
Receipt of funds for other inter-agency transactions	xxx	xxx
Receipt of Intra-Agency Fund Transfers	xxx	xxx
Receipt of funds from CO/Bureaus/ROs/Ous for implementation of programs/projects	xxx	xxx
Receipt of working fund for foreign-assisted projects	xxx	xxx
Receipt of funds for other intra-agency transactions	xxx	xxx
Trust Receipts	xxx	xxx
Receipt of Disaster Risk Reduction and Management Fund	xxx	xxx
Receipt of bail bonds	xxx	xxx
Receipt of guaranty/security deposits	xxx	xxx
Receipt of customers' deposits	xxx	xxx
Collection of other trust receipts	xxx	xxx
Other Receipts	xxx	xxx
Advance collection of income	xxx	xxx
Receipt of deposits on Letter of Credits	xxx	xxx
Receipt of refund of guaranty deposits	xxx	xxx
Receipt of payment for liquidated damages	xxx	xxx
Unused Petty Cash Fund	xxx	xxx
Other deferred credits	xxx	xxx
Refund of overpayment of Personnel Services	xxx	xxx
Refund of overpayment of Maintenance and Other Operating Expenses	xxx	xxx
Receipt of refund of cash advances	xxx	xxx
Proceeds from terminated treasury bills	xxx	xxx
Collection from trust receipts from entities other than NGAs/LGUs/GOCCs	xxx	xxx
Other miscellaneous receipts	xxx	xxx

Adjustments	xxx	xxx
Restoration of cash for cancelled/lost/stale checks/ADA	xxx	xxx
Restoration of cash for unreleased checks	xxx	xxx
Other adjustments-Inflow	xxx	xxx
<b>Total Cash Inflows</b>	<b>xxx</b>	<b>xxx</b>
<b>Cash Outflows</b>		
Replenishment of Negotiated MDS Checks (for BTr)	xxx	xxx
Remittance to National Treasury	xxx	xxx
Payment of Expenses	xxx	xxx
Payment of personnel services	xxx	xxx
Payment of maintenance and other operating expenses	xxx	xxx
Payment of financial expenses	xxx	xxx
Payment of expenses pertaining to/incurred in the prior years	xxx	xxx
Liquidation of prior year's cash advances	xxx	xxx
Purchase of Inventories	xxx	xxx
Purchase of inventories for sale	xxx	xxx
Purchase of inventories for distribution	xxx	xxx
Purchase of inventory held for consumption	xxx	xxx
Purchase of raw materials inventory	xxx	xxx
Purchase of inventories obligated/incurred in prior years	xxx	xxx
Purchase of Consumable Biological Assets	xxx	xxx
Purchase of livestock held for consumption/sale/distribution	xxx	xxx
Purchase of trees, plants and crops held for consumption/sale/distribution	xxx	xxx
Purchase of aquaculture	xxx	xxx
Purchase of other consumable biological assets	xxx	xxx
Purchase of consumable biological assets obligated in prior years	xxx	xxx
Grant of Cash Advances	xxx	xxx
Advances for operating expenses	xxx	xxx
Advances for payroll	xxx	xxx
Advances for special purpose/time-bound undertakings	xxx	xxx
Advances to officers and employees	xxx	xxx
Advances to officers and employees obligated in prior year	xxx	xxx
Prepayments	xxx	xxx
Advances to Contractors for repair and maintenance of property, plant and equipment (not	xxx	xxx
Prepaid Rent	xxx	xxx
Prepaid Registration	xxx	xxx
Prepaid Interest	xxx	xxx
Prepaid Insurance	xxx	xxx
Other Prepayments	xxx	xxx
Prepayments obligated in prior year	xxx	xxx
Refund of Deposits	xxx	xxx
Payment of deposits on letter of credits	xxx	xxx
Payment of guaranty deposits	xxx	xxx
Payment of other deposits	xxx	xxx
Payment of deposits obligated in prior year	xxx	xxx
Remittance of Personnel Benefit Contributions and Mandatory Deductions	xxx	xxx
Remittance of taxes withheld not covered by TRA	xxx	xxx
Remittance to GSIS/Pag-IBIG/PhilHealth	xxx	xxx
Remittance of personnel benefits contributions	xxx	xxx
Remittance of other payables	xxx	xxx
Grant of Financial Assistance/Subsidy	xxx	xxx
Subsidy to NGAs	xxx	xxx
Grant of financial assistance to NGAs/LGUs/GOCCs	xxx	xxx
Grant of financial assistance to NGOs/POs	xxx	xxx
Payment of Internal Revenue Allotment	xxx	xxx
Grant of other subsidies	xxx	xxx
Grant of subsidies obligated in prior years	xxx	xxx

Release of Inter-Agency Fund Transfers	xxx	xxx
Advances to Procurement Service	xxx	xxx
Advances to other NGAs/GOCCs/LGUs for purchase of goods/services as authorized by law	xxx	xxx
Release of funds to NGAs, GOCCs, LGUs for the implementation of projects	xxx	xxx
Release of other inter-agency fund transfers	xxx	xxx
Release of Intra-Agency Fund Transfers	xxx	xxx
Issuance of Working Fund to foreign service posts and regional consular offices	xxx	xxx
Issuance of NTCA by CO/ROs to ROs/OUTs	xxx	xxx
Issuance of funding checks by HO/CO/ROs to ROs/OUTs	xxx	xxx
Release of other intra-agency fund transfers	xxx	xxx
Other Disbursements	xxx	xxx
Refund of excess income	xxx	xxx
Refund of excess Working Fund/fund transfers/Trust Fund	xxx	xxx
Refund of bail bond	xxx	xxx
Refund of guaranty/security deposits	xxx	xxx
Refund of customers' deposit	xxx	xxx
Refund of cash advances	xxx	xxx
Other disbursements	xxx	xxx
Reversal of Unutilized NCA	xxx	xxx
Adjustments	xxx	xxx
Reversion/Return of unused NCA	xxx	xxx
Adjustment for dishonored checks	xxx	xxx
Adjustment for cash shortage	xxx	xxx
Reversing entry for unreleased checks in previous year	xxx	xxx
Other adjustments - Outflow	xxx	xxx
<b>Total Cash Outflows</b>	<b>xxx</b>	<b>xxx</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>xxx</b>	<b>xxx</b>
<b>Cash Flows from Investing Activities</b>	<b>xxx</b>	<b>xxx</b>
<b>Cash Inflows</b>		
Proceeds from Sale of Investment Property	xxx	xxx
Proceeds from Sale/Disposal of Property, Plant and Equipment	xxx	xxx
Sale of Investments	xxx	xxx
Proceeds from sale of stocks/bonds/marketable securities	xxx	xxx
Sale of investment in joint venture	xxx	xxx
Sale of investment in associates	xxx	xxx
Sale of other investments	xxx	xxx
Receipt of Cash Dividends	xxx	xxx
Proceeds from Matured/Return of Investments	xxx	xxx
Redemption of long term investments	xxx	xxx
Proceeds from matured investments	xxx	xxx
Proceeds from the return on investment in joint venture	xxx	xxx
Proceeds from the return on investment in associates	xxx	xxx
Collection of Long-Term Loans	xxx	xxx
Repayment of long term-loans by GOCC/GFI	xxx	xxx
Collection of long-term loans	xxx	xxx
Proceeds from Sale of Other Assets	xxx	xxx
<b>Total Cash Inflows</b>	<b>xxx</b>	<b>xxx</b>
<b>Cash Outflows</b>		
Purchase/Construction of Investment Property	xxx	xxx
Purchase/Construction of Investment Property	xxx	xxx
Purchase/Construction of Investment Property obligated in prior year	xxx	xxx

Purchase/Construction of Property, Plant and Equipment	xxx	xxx
Purchase of land	xxx	xxx
Payment for land improvements	xxx	xxx
Construction of infrastructure assets	xxx	xxx
Construction of buildings and other structures	xxx	xxx
Purchase of machinery and equipment	xxx	xxx
Purchase of transportation equipment	xxx	xxx
Purchase of furniture, fixtures and books	xxx	xxx
Payments for leased assets improvements	xxx	xxx
Construction in progress	xxx	xxx
Construction/Acquisition of heritage assets	xxx	xxx
Purchase of other property, plant and equipment	xxx	xxx
Payment of right-of-way	xxx	xxx
Advances to contractors	xxx	xxx
Payment of guaranty deposit	xxx	xxx
Payment of retention fee to contractors	xxx	xxx
Payment of other fees charged to the projects	xxx	xxx
Payment of incidental expenses	xxx	xxx
Payment for rehabilitation of property, plant and equipment (capitalized repair)	xxx	xxx
Payment for property, plant and equipment obligated in prior year	xxx	xxx
Investments	xxx	xxx
Investment in stocks/bonds/marketable securities	xxx	xxx
Investment in GOCC/GFI	xxx	xxx
Investment in joint venture	xxx	xxx
Investment in associates	xxx	xxx
Other long-term investments	xxx	xxx
Purchase of Bearer Biological Assets	xxx	xxx
Purchase of breeding stocks	xxx	xxx
Purchase of livestock	xxx	xxx
Purchase of trees, plants and crops	xxx	xxx
Purchase of aquaculture	xxx	xxx
Purchase of other bearer biological assets	xxx	xxx
Purchase of bearer biological assets obligated in prior year	xxx	xxx
Purchase of Intangible Assets	xxx	xxx
Purchase of computer software	xxx	xxx
Purchase of other intangible assets	xxx	xxx
Purchase of intangible assets obligated in prior year	xxx	xxx
Grant of Loans	xxx	xxx
Release of funds for sub-loans	xxx	xxx
Grant of loans	xxx	xxx
<b>Total Cash Outflows</b>	<b>xxx</b>	<b>xxx</b>
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>xxx</b>	<b>xxx</b>
<b>Cash Flows From Financing Activities</b>		
<b>Cash Inflows</b>		
Proceeds from issuance of bills and bonds	xxx	xxx
Proceeds from issuance of bill	xxx	xxx
Proceeds from issuance of bonds	xxx	xxx
Proceeds from Domestic and Foreign Loans	xxx	xxx
Proceeds from issuance of notes payable	xxx	xxx
Proceeds from domestic loans	xxx	xxx
Proceeds from foreign loans	xxx	xxx
<b>Total Cash Inflows</b>	<b>xxx</b>	<b>xxx</b>
<b>Cash Outflows</b>		
Payment of Long-Term Liabilities	xxx	xxx
Payment of notes payable	xxx	xxx
Payment of domestic loans	xxx	xxx
Payment of foreign loans	xxx	xxx



Payment of finance lease payable	xxx	xxx
Payment of other long-term liabilities	xxx	xxx
Redemption of Bills/Bonds Issued	xxx	xxx
Payment for redemption of treasury bills	xxx	xxx
Payment for redemption of bonds	xxx	xxx
Payment of Interest Expense (BTR/NG Debt)	xxx	xxx
<b>Total Cash Outflows</b>	<b>xxx</b>	<b>xxx</b>
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b>xxx</b>	<b>xxx</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>xxx</b>	<b>xxx</b>
<b>Effects of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>xxx</b>	<b>xxx</b>
<b>Cash and Cash Equivalents, January 1</b>	<b>xxx</b>	<b>xxx</b>
<b>Cash and Cash Equivalents, December 31</b>	<b>xxx</b>	<b>xxx</b>

(NAME OF THE ENTITY)  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT**  
 (ALL FUNDS OR NAME OF FUND)  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
 (in thousand pesos)

Particulars		Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
		Original	Final		
Notes					
RECEIPTS					
Tax Revenue	3.13 & 3.15	xxx	xxx	xxx	xxx
Services and Business Income	3.14 & 3.15	xxx	xxx	xxx	xxx
Assistance and Subsidy	3.13 & 3.15	xxx	xxx	xxx	xxx
Shares, Grants and Donations	3.13 & 3.15	xxx	xxx	xxx	xxx
Gains	3.14 & 3.15	xxx	xxx	xxx	xxx
Others	3.15	xxx	xxx	xxx	xxx
Total Receipts		xxx	xxx	xxx	xxx
PAYMENTS					
Personnel Services	3.15	xxx	xxx	xxx	xxx
Maintenance and Other Operating Expenses	3.15	xxx	xxx	xxx	xxx
Capital Outlay	3.15	xxx	xxx	xxx	xxx
Financial Expenses	3.15	xxx	xxx	xxx	xxx
Others	3.15	xxx	xxx	xxx	xxx
Total Payments		xxx	xxx	xxx	xxx
NET RECEIPTS/PAYMENTS		xxx	xxx	xxx	xxx

*This statement should be read in conjunction with the accompanying notes.*

[NAME OF ENTITY]  
[Consolidated] Financial statements for the year ended December 31, 2015

Pro-forma Notes to Financial Statements	Reference
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**A. Header**

Name of Entity	PPSAS 1
Notes to [Consolidated] Financial Statements	
For the year ended December 31, 2015	

**B. Body****1. General Information/Agency Profile**

The [consolidated] financial statements of [Name of Entity] were authorized for issue on [date signed by the Head of Agency/Authorized Representative] as shown in the Statement of Management Responsibility for Financial Statements signed by \_\_\_\_\_, the [Head of Agency/Authorized Representative].

PPSAS 1.63(b)  
PPSAS 14.26

[Name of Entity] is a [type of entity, *e.g.*, Department, Agency, etc.] established on [date of establishment by name of legislation] and operates under the authority of the [name of all relevant laws]. The mandate of [Name of Entity] is to \_\_\_\_\_. These services are grouped into the following key areas: [brief description of functional line items]. The Agency's registered office is located in \_\_\_\_\_.

PPSAS 1.150  
PPSAS ,

**2. Statement of Compliance and Basis of Preparation of Financial Statements**

The [consolidated] financial statements have been prepared in accordance with and comply with the Philippine Public Sector Accounting Standards (PPSAS) issued by the Commission on Audit per COA Resolution No. 2014-003 dated January 24, 2014.

PPSAS 1.129  
PPSAS 2  
PPSAS 6

The [consolidated] financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

**3. Summary of Significant Accounting Policies****3.1 Basis of accounting**

The [consolidated] financial statements are prepared on an accrual basis in accordance with the Philippine Public Sector Accounting Standards (PPSAS).

PPSAS 1, 6

**3.2 Consolidation****a. Consolidated Entities/Controlled Entities****Consolidated entities**

The [consolidated] financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity and all controlled entities.

PPSAS 6

**Controlled entities**

The controlled entities are all those entities (including special purpose

PPSAS 6

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entities) over which the controlling entity has the power to govern the financial and operating policies. The controlled entities are fully consolidated from the date on which control is transferred to the controlling entity. They are de-consolidated from the date that control ceases.

Inter-group transactions, balances and unrealized gains and losses on transactions between members of the group are eliminated in full.

The accounting policies of the controlled entities are consistent with the policies adopted by the controlling entity.

The controlled entities are [names of entities or cross reference to list elsewhere in the notes to the financial statements].

All the entities are fully consolidated except for [name of entities excluded and reason].

**b. Interest in joint venture**

The [Name of Entity] has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a binding arrangement that establishes joint control over the economic activities of the entity. The [Name of Entity] recognizes its interest in the joint venture using the equity method. PPSAS 8

Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost plus post acquisition changes in [Name of Entity]'s share of net assets of the joint venture. The consolidated statement of financial performance reflects the share of the results of operations of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, [Name of Entity] recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in net assets/equity. Surpluses and deficits resulting from transactions between [Name of Entity] and the joint venture are eliminated to the extent of the interest in the joint venture.

The use of the equity method is discontinued from the date on which [Name of Entity] ceases to have joint control over, or have significant influence in, a jointly controlled entity.

**c. Investment in government business enterprises**

[Name of Entity] consolidates business enterprises using the \_\_\_\_\_ method. These business enterprises are [names of enterprises or cross reference to list elsewhere in the notes to the financial statements].

Under the \_\_\_\_\_ method of accounting, (state the policies). Inter-agency transactions and balances are [not] eliminated, except for [state exemption].

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**d. Trusts under administration**

Trusts administered by [Name of Entity] are [not] [consolidated] in the financial statements as they are [not] controlled by [Name of Entity].

**3.3 Financial instruments**

**a. Financial assets**

*Initial recognition and measurement*

Financial assets within the scope of PPSAS 29-Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. The [Name of Entity] determines the classification of its financial assets at initial recognition. PPSAS 29.10  
PPSAS 30.31

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the [Name of Entity] commits to purchase or sell the asset. PPSAS 29.40

The [Name of Entity]'s financial assets include: cash and short-term deposits; trade and other receivables; loans and other receivables; quoted and unquoted financial instruments; and derivative financial instruments.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification.

*Financial assets at fair value through surplus or deficit*

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus and deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. PPSAS 29.10  
PPSAS 29.47  
PPSAS 29.64(a)

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with changes in fair value recognized in surplus or deficit.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized PPSAS 29.10  
PPSAS 29.48(a)

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cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.	PPSAS 29.65
<b><i>Held-to-maturity</i></b>	
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the [Name of Entity] has the positive intention and ability to hold it to maturity.	PPSAS 29.10 PPSAS 29.48(b)
After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.	PPSAS 29.63(a)
<b><i>Derecognition</i></b>	
The [Name of Entity] derecognizes a financial asset or, where applicable, a part of a financial asset or part of a [Name of Entity] of similar financial assets when:	PPSAS 29.19 PPSAS 29.20-22
<ul style="list-style-type: none"> <li>• The rights to receive cash flows from the asset have expired or is waived</li> <li>• The [Name of Entity] has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) the [Name of Entity] has transferred substantially all the risks and rewards of the asset; or (b) the [Name of Entity] has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.</li> </ul>	
<b><i>Impairment of financial assets</i></b>	
The [Name of Entity] assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.	PPSAS 29.67-68 PPSAS 30.AG5(f)
Evidence of impairment may include the following indicators:	
<ul style="list-style-type: none"> <li>• The debtors or a group of debtors are experiencing significant financial difficulty</li> </ul>	

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- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

***Financial assets carried at amortized cost***

For financial assets carried at amortized cost, the [Name of Entity] first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the [Name of Entity] determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

PPSAS  
29.72-73

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

PPSAS  
29.AG117  
PPSAS 30.20  
PPSAS 29.73  
PPSAS  
29.AG126  
PPSAS  
30.AG5(d)(i)  
and (ii)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the [Name of Entity]. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

**b. Financial liabilities**

***Initial recognition and measurement***

Financial liabilities within the scope of PPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

PPSAS 29.10

All financial liabilities are recognized initially at fair value and, in the case of

PPSAS 29.45

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loans and borrowings, plus directly attributable transaction costs.	PPSAS 29.49
The [Name of the Entity]'s financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts.	
<b><i>Subsequent measurement</i></b>	
The measurement of financial liabilities depends on their classification.	
<b><i>Financial liabilities at fair value through surplus or deficit</i></b>	
Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit.	PPSAS 29.10 PPSAS 29.49(a)
Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.	
This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PPSAS 29.	
Gains or losses on liabilities held for trading are recognized in surplus or deficit.	PPSAS 29.64(a)
<b><i>Loans and borrowing</i></b>	
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.	PPSAS 29.65
Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.	
<b><i>Derecognition</i></b>	
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.	PPSAS 29.41
When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.	PPSAS 29.43



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<b>c. Offsetting of financial instruments</b>	
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.	PPSAS 28.47
<b>d. Fair value of financial instruments</b>	
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.	PPSAS 29.51 PPSAS 29.10
<b>e. Derivative financial instruments</b>	
<i>Initial recognition and subsequent measurement</i>	
The [Name of Entity] uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.	PPSAS 29.45 PPSAS 30.25
Any gains or losses arising from changes in the fair value of derivatives are taken directly to surplus or deficit. The [Name of Entity] does not apply hedge accounting.	PPSAS 29.106 (a) (b) PPSAS 29.99 (a) (b)
<b>3.4 Cash and cash equivalents</b>	
Cash and cash equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.	PPSAS 2.8 PPSAS 2.9 PPSAS 2.56
<b>3.5 Inventories</b>	
Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.	PPSAS 12.15 PPSAS 12.17(a)
Costs incurred in bringing each product to its present location and condition are accounted for, as follows:	PPSAS 12.16 PPSAS 12.18
<ul style="list-style-type: none"> <li>Raw materials: purchase cost using the weighted average cost method</li> </ul>	

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- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

PPSAS 12.35

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

PPSAS 12.20

PPSAS 12.21

PPSAS 12.9

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the [Name of the Entity].

### 3.6 Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

PPSAS 16.26

PPSAS  
16.86(a)

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over its estimated useful life of [number] years.

PPSAS 16.27

PPSAS 16.39

PPSAS 16.42

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

PPSAS 16.77

PPSAS 16.80

PPSAS 16.66

PPSAS 16.71

Transfers are made to or from investment property only when there is a change in use.

PPSAS 16.74

PPSAS 16.39

The [Name of the entity] uses the cost model for the measurement of investment property after initial recognition.

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PPSAS 16

### 3.7 Property, Plant and Equipment

#### *Recognition*

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

PPSAS 17.13

The characteristics of PPE are as follows:

PPSAS 17.14

- tangible items;

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- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

***Measurement at Recognition***

An item recognized as property, plant, and equipment is measured at cost. PPSAS 17.26

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition. PPSAS 17.27

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction its cost is its fair value as at recognition date. PPSAS 17.37

Cost includes the following: PPSAS 17.30

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- expenditure that is directly attributable to the acquisition of the items; and
- initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

***Measurement After Recognition***

After recognition, all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. PPSAS 17.43  
PAG2 of  
PPSAS 17

When significant parts of property, plant and equipment are required to be replaced at intervals, the [Name of the entity] recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. PPSAS 17.24  
PPSAS 17.25

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All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.	PPSAS 17.23
<b><i>Depreciation</i></b>	
Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.	PPSAS 17.59
The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.	PPSAS 17.64
<b><i>Initial Recognition of Depreciation</i></b>	
Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.	PAG3 of PPSAS 17
For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.	
<b><i>Depreciation Method</i></b>	
The straight line method of depreciation is adopted unless another method is more appropriate for agency operation.	PAG4 of PPSAS 17
<b><i>Estimated Useful Life</i></b>	
The [name of the entity] uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA.	PAG5 of PPSAS 17
The [name of the entity] uses a residual value equivalent to at least five percent (5%) of the cost of the PPE.	PAG6 of PPSAS 17
<b><i>Impairment</i></b>	
An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable service amount.	
<b><i>Derecognition</i></b>	
The [name of the entity] derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.	PPSAS 17.82 PPSAS 17.83 PPSAS 17.86

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### 3.8 Leases

*[Name of the Entity] as a lessee*

#### ***Finance Lease***

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the [Name of the Entity]. PPSAS 13.13

Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The [Name of the Entity] also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. PPSAS 13.28

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. PPSAS 13.34

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the [Name of the Entity] will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. PPSAS 13.36  
PPSAS 13.37

#### ***Operating lease***

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the [Name of the Entity]. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term. PPSAS 13.42

*[Name of the Entity] as a lessor*

#### ***Finance Lease***

The [Name of the Entity] recognizes lease payments receivable under a finance lease as assets in the statements of financial position. The assets are presented as receivable at an amount equal to the net investment in the lease. PPSAS 13.48

The finance revenue are recognized based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease. PPSAS 13.51

#### ***Operating Lease***

Leases in which the [Name of the Entity] does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. PPSAS 13.13

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Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.	PPSAS 13.65
Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.	PPSAS 13.63
The depreciation policy for PPE are applied to similar assets leased by the entity.	PPSAS 13.66

### 3.9 Intangible Assets

#### *Recognition and Measurement*

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably. PPSAS 31.26

Intangible assets acquired separately are initially recognized at cost. PPSAS 31.31

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in PPSAS 5, Borrowing Costs PPSAS 31.39

#### *Subsequent Expenditure on an Acquired In-process Research and Development Project*

Subsequent expenditure on an in-process research or development project acquired separately and recognized as an intangible asset is: PPSAS 31.41

- Recognized as an expense when incurred if it is research expenditure;
- Recognized as an expense when incurred if it is development expenditure that does not satisfy the criteria for recognition as an intangible asset; and
- Added to the carrying amount of the acquired in-process research or development project if it is development expenditure that satisfies the recognition criteria for intangible assets.

#### *Intangible Assets Acquired through Non-Exchange Transactions*

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date these were acquired. PPSAS 31.42-43

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<b><i>Internally Generated Intangible Assets</i></b>	
Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.	PPSAS 31.49 PPSAS 31.55
<b><i>Recognition of an Expense</i></b>	
Expenditure on an intangible item were recognized as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an intangible asset.	
<b><i>Subsequent Measurement</i></b>	
The useful life of the intangible assets is assessed as either finite or indefinite.	PPSAS 31.87
Intangible assets with a finite life is amortized over its useful life:	PPSAS 31.96 PPSAS 26.22
The straight line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.	PAG3 of PPSAS 31 PPSAS 31.117
An intangible asset with indefinite useful lives was not be amortized.	PPSAS 31.106
Intangible assets with an indefinite useful life or an intangible asset not yet available for use were assessed for impairment whenever there is an indication that the asset may be impaired.	PPSAS 31.107
The amortization period and the amortization method, for an intangible asset with a finite useful life, were reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset were considered to modify the amortization period or method, as appropriate, and were treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.	PPSAS 31.103 PPSAS 31.108
Gains or losses arising from derecognition of an intangible asset were measured as the difference between the net disposal proceeds and the carrying amount of the asset and were recognized in the surplus or deficit when the asset is derecognized.	PPSAS 31.112
<b><i>Research and development costs</i></b>	
The [Name of the Entity] expenses research costs as incurred. Development costs on an individual project were recognized as intangible assets when the [Name of the Entity] can demonstrate:	PPSAS 31.52 PPSAS 31.55

- The technical feasibility of completing the asset so that the asset will be

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available for use or sale

- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition, intangible assets were carried at cost less any accumulated amortization and accumulated impairment losses. PAG2 of  
PPSAS 31  
PPSAS 31.73

Amortization of the asset begins when development is complete and the asset is available for use. PPSAS 26.23  
PPSAS 26.73

It is amortized over the period of expected future benefit. PPSAS  
31.121

During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

### 3.10 Provisions

Provisions were recognized when the [Name of the Entity] has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. PPSAS 19.22

Where the [Name of the Entity] expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. PPSAS 19.63

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement. PPSAS 19.64

Provisions were reviewed at each reporting date, and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions were reversed. PPSAS 19.69

#### *Contingent liabilities*

The [Name of the Entity] does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. PPSAS 19.35  
PPSAS 19.36  
PPSAS  
19.100



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***Contingent assets***

The [Name of the Entity] does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the [Name of the Entity] in the notes to the financial statements. PPSAS 19.39

Contingent assets were assessed continually to ensure that developments were appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**3.11 Changes in accounting policies and estimates**

The [Name of the Entity] recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impractical. PPSAS 3.27  
PPSAS 3.30

The [Name of the Entity] recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit. PPSAS 3.41

The [Name of the Entity] correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by: PPSAS 3.47

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

**3.12 Foreign currency transactions**

Transactions in foreign currencies were initially recognized by applying the spot exchange rate between the function currency and the foreign currency at the transaction. PPSAS 4.24

At each reporting date:

- Foreign currency monetary items were translated using the closing rate; PPSAS 4.27
- Nonmonetary items that were measured in terms of historical cost in a foreign currency were translated using the exchange rate at the date of the transaction; and
- Nonmonetary items that were measured at fair value in a foreign currency were translated using the exchange rates at the date when the fair value was determined. PPSAS 4.32

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Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, were recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

### 3.13 Revenue from non-exchange transactions

#### *Recognition and Measurement of Assets from Non-Exchange Transactions*

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset were recognized as an asset if the following criteria were met:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- The fair value of the asset can be measured reliably.

PPSAS 23.42

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

#### *Recognition Revenue from Non-Exchange Transactions*

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

PPSAS 23.44

As [Name of entity] satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.

PPSAS 23.45

#### *Measurement of Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

PPSAS  
23.48-49

#### *Measurement of Liabilities on Initial Recognition from Non-Exchange Transactions*

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

PPSAS 23.57

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***Taxes***

Taxes and the related fines and penalties were recognized when collected or when these were measurable and legally collectible. The related refunds, including those that were measurable and legally collectible, were deducted from the recognized tax revenue. PAG2 of  
PPSAS 23

***Fees and fines not related to taxes***

The [Name of Entity] recognizes revenues from fees and fines, except those related to taxes, when earned and the asset recognition criteria were met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount. PPSAS 23.89

Other non-exchange revenues were recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

***Gifts and Donations***

The [Name of Entity] recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. PPSAS 23.95

Goods in-kind were recognized as assets when the goods were received, or there is a binding arrangement to receive the goods. If goods in-kind were received without conditions attached, revenue is recognized immediately. If conditions were attached, a liability is recognized, which is reduced and revenue recognized as the conditions were satisfied. PPSAS 23.96

On initial recognition, gifts and donations including goods in-kind were measured at their fair value as at the date of acquisition, which were ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value were ascertained by reference to quoted prices in an active and liquid market. PPSAS 23.97

***Transfers***

The [Name of Entity] recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind. PPSAS 23.96

***Services in-Kind***

Services in-kind were not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses. PPSAS 23.98  
PAG3 of  
PPSAS 23

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***Transfers from other government entities***

Revenues from non-exchange transactions with other government entities and the related assets were measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the [Name of Entity] and can be measured reliably.

PPSAS 23.42

PPSAS 23.44

**3.14 Revenue from Exchange transactions**

***Measurement of Revenue***

Revenue was measured at the fair value of the consideration received or receivable.

PPSAS 9.14

***Rendering of Services***

The [Name of Entity] recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

PPSAS 9.19

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred were recoverable.

PPSAS 9.25

***Sale of Goods***

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the [Name of Entity].

PPSAS 9.28

***Interest income***

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

PPSAS 9.34

***Dividends***

Dividends or similar distributions were recognized when the [Name of Entity]'s right to receive payments is established.

PPSAS 9.34

***Rental income***

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in

PPSAS 9.34

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revenue.

### ***Royalties***

Royalties were recognized as they were earned in accordance with the substance of the relevant agreement. PPSAS 9.34

## **3.15 Budget information**

The annual budget is prepared on a cash basis and is published in the government website. PPSAS 24

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) was prepared since the budget and the financial statements were not prepared on comparable basis. The SCBAA was presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

The annual budget figures included in the financial statements were for the controlling entity [Name of the Entity] and therefore exclude the budget for its [Name of controlled entities excluded]. The budgets of the [Name of controlled entities excluded] were not made publicly available. These budget figures were those approved by the governing body both at the beginning and during the year following a period of consultation with the public.

## **3.16 Impairment of Non-Financial Assets**

### ***Impairment of cash-generating assets***

At each reporting date, the [Name of the Entity] assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the [Name of the Entity] estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that were largely independent of those from other assets or groups of assets. PPSAS 26.22  
PPSAS 26.13

Where the carrying amount of an asset or the cash-generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. PPSAS 26.72

In assessing value in use, the estimated future cash flows were discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions were taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. PPSAS 26.43-45  
PPSAS 26.68

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist PPSAS 26.99

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or may have decreased. If such indication exists, the [Name of the Entity] estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in surplus or deficit.

PPSAS  
26.103

***Impairment of non-cash-generating assets***

The [Name of the Entity] assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the [Name of the Entity] estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use.

PPSAS 21.26  
  
PPSAS 26.14

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. The [Name of the Entity] classifies assets as cash-generating assets when those assets were held with the primary objective generating a commercial return. Therefore, non-cash generating assets would be those assets from which the [Name of the Entity] does not intend (as its primary objective) to realize a commercial return.

PPSAS 26.14

**3.17 Related parties**

The [Name of the Entity] regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the [Name of the Entity], or vice versa.

PPSAS 20.4

Members of key management were regarded as related parties and comprise the members of the Planning and Management Committee of the [Name of the Entity] such as: [position and designation of Planning and Management Committee] of the [Name of the Entity] and its controlled entities.

**3.18 Service concession arrangements**

The [Name of the Entity] analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the [Name of the Entity] recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

PPSAS 32.9  
PPSAS 32.14

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest

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in the asset at the end of the arrangement. Any assets so recognized were measured at their fair value. To the extent that an asset has been recognized, the [Name of the Entity] also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

### 3.19 Borrowing costs

The benchmark treatment is used by the [Name of the Entity] in the recognition of borrowing costs pertaining to loans borrowed by the National Government (NG) which were recorded in the Bureau of the Treasury. PPSAS 5.14-15

Under the benchmark treatment, borrowings costs were recognized as expense in the period in which they were incurred, regardless of how the borrowings were applied.

### 3.20 Employee benefits

The employees of [Name of Entity] are member of the Government Service Insurance System (GSIS) [name of pension plan, if not GSIS], which provides life and retirement insurance coverage.

The [Name of Entity] recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

The [Name of Entity] recognizes expenses for accumulating compensated absences when these were paid (commuted or paid as terminal leave benefits). Unused entitlements that has accumulated at the reporting date were not recognized as expense. Non-accumulating compensated absences, like special leave privileges, were not recognized.

### 3.21 Measurement uncertainty

The preparation of [consolidated] financial statements in conformity with PPSAS, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the [consolidated] financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include [enter significant estimates here, e.g. the useful life of capital assets, estimated employee benefits, rates for amortization, impairment of assets, liability for contaminated sites, etc.].

Estimates were based on the best information available at the time of preparation of the [consolidated] financial statements and were reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these [consolidated] financial statements. Actual results could differ from these estimates.

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#### 4. Changes in Accounting Policies

[Name of Entity] adopted the following new accounting policies:

##### 4.1 [Header]

On [month day, year], [Name of Entity] adopted the PPSASs No. \_\_\_\_ to \_\_\_\_ [which replaced the existing standard]. The new standard includes the requirement for [recognition, measurement, presentation and disclosure of...] and is effective for years beginning on or after [month day, year]. This accounting change had [no] significant impact on [Name of Entity]'s [consolidated] financial statements.

#### 5. Prior Period Adjustments

The [Name of Entity] has determined that [description of error].

As a result, [describe change, including peso amount, for each financial statement line item affected in current and prior year, and cumulative effect on opening accumulated surplus/(deficit) in current and prior year, and cumulative effect on surplus/deficit in prior year].

#### 6. Cash and Cash Equivalents

Accounts	As of December 31, 2015 (in thousand pesos)
Cash on Hand	xxx
Cash in Bank-Local Currency	xxx
Cash in Bank-Foreign Currency	xxx
Cash Equivalents	xxx
<b>Total Cash and Cash Equivalents</b>	<b>xxx</b>

Restricted cash is [description, e.g. endowment funds].

Cash equivalents are [description of the cash equivalents]

#### 7. Investments

##### 7.1. Investments

##### 7.1.1 Reconciliation of the Current Investments

CURRENT INVESTMENTS As of December 31, 2014 (in thousand pesos)				
Particulars	Financial Assets at Fair Value through Surplus or Deficit	Financial Assets Held to Maturity	Available for Sale Financial Assets	TOTAL
<b>Beginning Balance as of January 1, 2015</b>	xxx	xxx	xxx	xxx
Additional investments made	xxx	xxx	xxx	xxx
Fair value increase	xxx	xxx	xxx	xxx



[NAME OF ENTITY]

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CURRENT INVESTMENTS As of December 31, 2014 (in thousand pesos)				
Particulars	Financial Assets at Fair Value through Surplus or Deficit	Financial Assets Held to Maturity	Available for Sale Financial Assets	TOTAL
Amortization of discount on the acquisition of investment	-	-	-	-
Reclassification from a different class of investment	xxx	xxx	xxx	xxx
Less: <i>Fair value decrease</i>	(xxx)	(xxx)	(xxx)	(xxx)
<i>Amortization of premium on acquisition</i>	-	-	-	-
<i>Allowance for Impairment Loss</i>	-	-	-	-
<i>Investments sold/collected</i>	(xxx)	(xxx)	(xxx)	(xxx)
<i>Reclassification from a different class of investment</i>	(xxx)	(xxx)	(xxx)	(xxx)
<b>Balance as of December 31, 2015</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

[Description of the composition of each group of financial assets and other relevant information]

### 7.1.2 Reconciliation of the Non-Current Investments

NON-CURRENT INVESTMENTS As of December 31, 2015 (in thousand pesos)					
Particulars	Financial Assets Held to Maturity	Financial Assets – Others	Investments in GOCCs	Investments in Joint Venture	TOTAL
<b>Beginning Balance as of January 1, 2015</b>	xxx	xxx	xxx	xxx	xxx
Additional investments made	xxx	xxx	xxx	xxx	xxx
Fair value increase	xxx	xxx	xxx	xxx	xxx
Amortization of discount on the acquisition of investment	-	-	-	-	-
Reclassification from a different class of investment	xxx	xxx	xxx	xxx	xxx
Less: <i>Fair value decrease</i>	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
<i>Amortization of premium on acquisition</i>	-	-	-	-	-
<i>Allowance for Impairment Loss</i>	-	-	-	-	-
<i>Investments sold/collected</i>	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
<i>Reclassification from a different class of investment</i>	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
<b>Balance as of December 31, 2015</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

## [NAME OF ENTITY]

[Consolidated] Financial statements for the year ended December 31, 2015

[Description of the composition of each group of financial assets and other relevant information]

**7.1.3 Total Investments**

Particulars	As of December 31, 2015 (in thousand pesos)
Total Current Investments	xxx
Total Non-Current Investments	xxx
<b>Total Investments</b>	<b>xxx</b>

**7.1.4 Investments in Government Business Enterprises**

[Name of Entity] owns [%] of [name of business enterprise]

**7.1.5 Investments in Joint Venture**

[Name of the government partner] to which [Name of Entity] owns and operates the [activities undertaken by the partnership] for [name of the organization/recipients/ entities, etc.] [Name of Entity] provides contributions to fund its operations. [Name of the entity to which the entity is a partner]'s financial results are proportionately consolidated with those of [Name of Entity] based upon [Name of Entity]'s share of its total contributions of [#% (20X1: #%)].

[Description of the entity's share of any contingencies and contractual obligations of government partnerships and those contingencies that exist when [Name of Entity] is contingently liable for the liabilities of other parties in the entity's statement of position].

The amounts included in these consolidated financial statements are as follows:

[Consolidated] Statement of Financial Position

Particulars	As of December 31, 2015 (in thousand pesos)
Financial assets	xxx
Liabilities	xxx
<b>Net Liabilities</b>	<b>(xxx)</b>
Non-financial assets	xxx
<b>Accumulated surplus (deficit)</b>	<b>xxx</b>

[Consolidated] Statement of Operations

Particulars	For CY 2015
Revenue	xxx
Expenses	(xxx)
<b>Surplus (deficit) for the year</b>	<b>xxx</b>
Accumulated surplus (deficit) – beginning of year	xxx
<b>Accumulated surplus (deficit) , December 31, 2015</b>	<b>xxx</b>

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## 8. Receivables

### 8.1 Loans and Receivables

Accounts	2015 (in thousand pesos)		
	Current	Non-Current	Total
Accounts Receivable	xxx	xxx	xxx
<i>Allowance for Impairment-Accounts Receivable</i>	(xxx)	(xxx)	(xxx)
<i>Net Value- Accounts Receivable</i>	xxx	xxx	xxx
Notes Receivable	xxx	xxx	xxx
<i>Allowance for Impairment-Notes Receivable</i>	(xxx)	(xxx)	(xxx)
<i>Net Value- Notes Receivable</i>	xxx	xxx	xxx
Loans Receivable-Government-Owned or Controlled Corporations	xxx	xxx	xxx
<i>Allowance for Impairment-Loans Receivable-GOCCs</i>	(xxx)	(xxx)	(xxx)
<i>Net Value- Loans Receivable-GOCCs</i>	xxx	xxx	xxx
Loans Receivable-Local Government Units	xxx	xxx	xxx
<i>Allowance for Impairment-Loans Receivable-Local Government Units</i>	(xxx)	(xxx)	(xxx)
<i>Net Value-Loans Receivable-LGUs</i>	xxx	xxx	xxx
Interests Receivable	xxx	xxx	xxx
<i>Allowance for Impairment-Interests Receivable</i>	(xxx)	(xxx)	(xxx)
<i>Net Value-Interests Receivable</i>	xxx	xxx	xxx
Dividends Receivable	xxx	xxx	xxx
Loans Receivable-Others	xxx	xxx	xxx
<i>Allowance for Impairment-Loans Receivable-Others</i>	(xxx)	(xxx)	(xxx)
<i>Net Value-Loans Receivable-Others</i>	xxx	xxx	xxx
<b>TOTALS</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

[Describe security held for each class of loans/receivables]

[For loans denominated in foreign currencies, also disclose the currency, amount, and peso equivalent].

### 8.2 Aging/ Analysis of Receivables

*As at December 31, 2015*

Accounts	Total	Not past due	Past due		
			< 30 days	30-60 days	> 60 days
Accounts Receivable	xxx	xxx	xxx	xxx	xxx
Notes Receivable	xxx	xxx	xxx	xxx	xxx
Loans Receivable-GOCCs	xxx	xxx	xxx	xxx	xxx
Loans Receivable-LGUs	xxx	xxx	xxx	xxx	xxx
Interests Receivable	xxx	xxx	xxx	xxx	xxx

[NAME OF ENTITY]  
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Accounts	Total	Not past due	Past due		
			< 30 days	30-60 days	> 60 days
Dividends Receivable	xxx	xxx	xxx	xxx	xxx
Loans Receivable-Others	xxx	xxx	xxx	xxx	xxx
Operating Lease Receivable	xxx	xxx	xxx	xxx	xxx
Finance Lease Receivable	xxx	xxx	xxx	xxx	xxx
Other Receivables	xxx	xxx	xxx	xxx	xxx
<b>Total</b>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>

### 8.3 Lease Receivables

Accounts	2015 (in thousand pesos)		
	Current	Non-Current	Total
Operating Lease Receivable	xxx	xxx	xxx
Allowance for Impairment-Operating Lease Receivable	(xxx)	(xxx)	(xxx)
Net Value-Operating Lease Receivable	xxx	xxx	xxx
Finance Lease Receivable	xxx	xxx	xxx
Allowance for Impairment-Finance Lease Receivable	(xxx)	(xxx)	(xxx)
Net Value-Finance Lease Receivable	xxx	xxx	xxx
<b>TOTALS</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

The total future minimum lease payments of [Name of the Entity] under non-cancellable operating lease contracts with [name of lessors] are as follows:

Particulars	2015 (in thousand pesos)
Operating lease:	
Not later than one year	xxx
Later than one year and not later than five years	xxx
Later than five years	xxx
<b>Sub-total</b>	<b>xxx</b>
Finance lease:	
Not later than one year	xxx
Later than one year and not later than five years	xxx
Later than five years	xxx
<b>Sub-total</b>	<b>xxx</b>
<b>TOTALS</b>	<b>xxx</b>

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#### 8.4 Inter-Agency Receivables

Accounts	2015 (in thousand pesos)		
	Current	Non-Current	Total
Due from National Government Agencies	xxx	xxx	xxx
Due from Government-Owned or Controlled Corporations	xxx	xxx	xxx
Due from Local Government Units	xxx	xxx	xxx
Due from Joint Venture	xxx	xxx	xxx
<b>TOTALS</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

#### 9. Inventories

Accounts	2015 (in thousand pesos)			
	Inventories carried at the lower of cost and net realizable value	Inventories carried at fair value less cost to sell	Inventory write-down recognized during the year	Reversal of Inventory write-down recognized during the year
<b>Inventory Held for Sale</b>				
Carrying Amount, January 1, 2015	xxx	xxx	xxx	xxx
Additions/Acquisitions during the year	xxx	xxx	xxx	xxx
Expensed during the year except write-down	(xxx)	(xxx)	(xxx)	(xxx)
Write-down during the year	(xxx)	(xxx)	(xxx)	(xxx)
Reversal of Write-down during the year	xxx	xxx	xxx	xxx
<b>Carrying Amount, December 31, 2015</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Inventory Held for Distribution</b>				
Carrying Amount, January 1, 2015	xxx	xxx	xxx	xxx
Additions/Acquisitions during the year	xxx	xxx	xxx	xxx
Expensed during the year except write-down	(xxx)	(xxx)	(xxx)	(xxx)
Write-down during the year	(xxx)	(xxx)	(xxx)	(xxx)
Reversal of Write-down during the year	xxx	xxx	xxx	xxx
<b>Carrying Amount, December 31, 2015</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Inventory Held for Manufacturing</b>				
Carrying Amount, January 1, 2015	xxx	xxx	xxx	xxx
Additions/Acquisitions during the year	xxx	xxx	xxx	xxx
Expensed during the year except write-down	(xxx)	(xxx)	(xxx)	(xxx)
Write-down during the year	(xxx)	(xxx)	(xxx)	(xxx)

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Accounts	2015 (in thousand pesos)			
	Inventories carried at the lower of cost and net realizable value	Inventories carried at fair value less cost to sell	Inventory write-down recognized during the year	Reversal of Inventory write-down recognized during the year
Reversal of Write-down during the year	xxx	xxx	xxx	xxx
<b>Carrying Amount, December 31, 2015</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
Inventory Held for Consumption	xxx	xxx	xxx	xxx
Carrying Amount, January 1, 2015	xxx	xxx	xxx	xxx
Additions/Acquisitions during the year	xxx	xxx	xxx	xxx
Expensed during the year except write-down	(xxx)	(xxx)	(xxx)	(xxx)
Write-down during the year	(xxx)	(xxx)	(xxx)	(xxx)
Reversal of Write-down during the year	xxx	xxx	xxx	xxx
<b>Carrying Amount, December 31, 2015</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>TOTAL CARRYING AMOUNT, DECEMBER 31, 2015</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

[Name of Entity] [description of significant balances of inventories and other relevant information].

#### 10. Investment Property

Particulars	2015 (in thousand pesos)		
	Investment Property-Land	Investment Property-Buildings	Total
<b>Carrying Amount, January 1, 2015</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
Additions/Acquisitions	xxx	xxx	xxx
Transfers from inventories/owner-occupied property	xxx	xxx	xxx
Other Changes	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
Disposals	(xxx)	(xxx)	(xxx)
Depreciation (As per Statement of Financial Performance)	(xxx)	(xxx)	(xxx)
Impairment Loss (As per Statement of Financial Performance)	(xxx)	(xxx)	(xxx)
Transfers to inventories/owner-occupied property	(xxx)	(xxx)	(xxx)
Other Changes	(xxx)	(xxx)	(xxx)
<b>Carrying Amount, December 31, 2015 (As per Statement of Financial Position)</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

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Particulars	2015 (in thousand pesos)		
	Investment Property- Land	Investment Property- Buildings	Total
<b>Gross Cost (Balance per Statement of Financial Position)</b>	xxx	xxx	xxx
Less : Accumulated Depreciation	(xxx)	(xxx)	(xxx)
Accumulated Impairment Loss	(xxx)	(xxx)	(xxx)
<b>Carrying Amount, December 31, 2015 (As per Statement of Financial Position)</b>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>

The [Name of the Entity] uses the following criteria to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations (inventory):

- [State the criteria]

The rental revenue and direct operating expenses amounted to [state the amounts].

## 11. Property, Plant and Equipment

	Land	Land Improvements	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	TOTAL
<b>Carrying Amount, January 1, 2015</b>	xxx	xxx	xxx	xxx	xxx	xxx
Additions/Acquisitions	xxx	xxx	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<i>Disposals</i>	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
<i>Depreciation (As per Statement of Financial Performance)</i>	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
<i>Impairment Loss (As per Statement of Financial Performance)</i>	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
<b>Carrying Amount, December 31, 2015 (As per Statement of Financial Position)</b>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>

<b>Gross Cost (Asset Account Balance per Statement of Financial Position)</b>	xxx	xxx	xxx	xxx	xxx	xxx
Less : Accumulated Depreciation	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Allowance for Impairment	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
<b>Carrying Amount, December 31, 2015 (As per Statement of Financial Position)</b>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>

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[Disclosure of carrying amount of temporarily idle PPE, fully depreciated PPE still in use and PPE retired from active use and held for disposal, and the fair value of PPE when this is materially different from the carrying amount]

## 12. Biological Assets

### 12.1 Reconciliation of the amount of Breeding Stocks

Name of Entity Reconciliation of the Carrying Amount of Breeding Stocks As of December 31, 2015		
Carrying Amount as of January 1, 2015		30,000.00
Increases due to purchases		5,200.00
Gain arising from changes in fair value less costs to sell attributable to physical changes	Table 1	28,850.00
Gain arising from changes in fair value less costs to sell attributable to price changes	Table 2	3,200.00
Decreases due to sales		(5,700.00)
Carrying amount at December 31, 2015		61,550.00

*Table 1: Due to Physical Change*

<u>Date Recognized</u>	<u>Qty.</u>	<u>CAFV</u>	<u>PAFV</u>	<u>Difference</u>	<u>Amount</u>
July 1, 2015	10	2,000		2,000	20,000.00
	5	5,100	5,000	100	500.00
Dec. 31, 2015	3	2,150		2,150	6,450.00
	2	5,400	5,200	200	400.00
	5	5,700	5,400	300	1,500.00
					<u>28,850.00</u>

*Table 2: Due to Price Change*

<u>Date Recognized</u>	<u>Qty.</u>	<u>CFV *<sup>1</sup></u>	<u>PFV *<sup>2</sup></u>	<u>Difference</u>	<u>Amount</u>
July 1, 2015	5	5100	5000	100	500.00
Dec. 31, 2015	10	2150	2000	150	1,500.00
	2	5200	5100	100	200.00
	5	5400	5200	200	1,000.00
					<u>3,200.00</u>
<sup>1</sup> CFV-Current Fair Value-FV of the Breeding Stocks of the same age when the breeding stocks were recognized					
<sup>2</sup> PFV-Previous Fair Value-FV of the breeding stocks on the previous recognition date (July 1, 2015)					

Note: the above format may be used for other biological assets.



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### 13. Intangible Assets

Particulars	2015 (in thousand pesos)		
	Computer Software	Other Intangible Assets	Total
<b>Carrying Amount, January 1, 2015</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
Additions-Internally Developed	xxx	xxx	xxx
Additions-Purchased/Acquired thru exchange on non-exchange transaction	xxx	xxx	xxx
Impairment Loss Reversed (As per Statement of Financial Performance)	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
Disposals	(xxx)	(xxx)	(xxx)
Amortization recognized (As per Statement of Financial Performance)	(xxx)	(xxx)	(xxx)
Impairment Loss (As per Statement of Financial Performance)	(xxx)	(xxx)	(xxx)
Other Changes	(xxx)	(xxx)	(xxx)
<b>Carrying Amount, December 31, 2015 (As per Statement of Financial Position)</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>
<b>Gross Cost (Balance per Statement of Financial Position)</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
Less : Accumulated Amortization (including accumulated impairment loss)	(xxx)	(xxx)	(xxx)
<b>Carrying Amount, December 31, 2015 (As per Statement of Financial Position)</b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>	<b><u>xxx</u></b>

Intangible asset amounting to [amount] were assessed to have an indefinite useful life based on the [state the reasons or the factors supporting the assessment]

[State the description, the carrying amount and remaining amortization period of any individual intangible asset that is material to the entity's financial statements]

[For intangible assets acquired through a non-exchange transaction and initially recognized at fair value, state: a) the fair value initially recognized for these assets; b) their carrying amount; and c) measured after recognition.]

### 14. Other Assets

#### 14.1 Current and Non-Current Other Assets

Particulars	2014 (in thousand pesos)		
	Current	Non-Current	Total
Advances	xxx	xxx	xxx
Prepayments	xxx	xxx	xxx
Deposits	xxx	xxx	xxx
Other Assets	xxx	xxx	xxx
<b>TOTALS</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

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## 14.2 Contingent Assets

The [Name of Entity] has the following contingent assets where the estimated or known assets are, or exceed [amounts]. Collection of these assets is dependent on the [describe nature of future event that will confirm existence of asset]. Contingent assets are not recorded in the [consolidated] financial statements.

## 15. Financial Liabilities

### 15.1 Payables

Particulars	2015		2014	
	Current	Non-Current	Current	Non-Current
<b>Payables</b>	xxx	xxx	xxx	xxx
Accounts Payable	xxx	xxx	xxx	xxx
Notes Payable	xxx	xxx	xxx	xxx
Service Concession Arrangements Payable	xxx	xxx	xxx	xxx
Finance Lease Payable	xxx	xxx	xxx	xxx
Other Payables	xxx	xxx	xxx	xxx
<b>Total Payables</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

### 15.2 Finance Lease Payable

Particulars	2015	2014
<b>Undiscounted Minimum Lease Payments</b>		
Not later than one year	xxx	xxx
Later than one year and not later than five years	xxx	xxx
Later than five years	xxx	xxx
<b>Total Undiscounted Minimum Lease Payments</b>	<b>xxx</b>	<b>xxx</b>

Particulars	2015	2014
<b>Present Value of Minimum Lease Payments</b>	xxx	xxx
Not later than one year	xxx	xxx
Later than one year and not later than five years	xxx	xxx
Later than five years		
<b>Total Undiscounted Minimum Lease Payments</b>	<b>xxx</b>	<b>xxx</b>

Finance leases are mainly [description of lease transaction].

The fair value of finance lease liabilities is [state the fair value].

### 15.3 Bills/Bonds/Loans Payable

Particulars	2015	2014	2015	2014
	Current	Non-Current	Current	Non-Current
Treasury Bills Payable	xxx	xxx	xxx	xxx
Bonds Payable-Domestic				
<i>Discount on Bonds Payable-Domestic</i>	(xxx)	(xxx)	(xxx)	(xxx)

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Particulars	2015	2014	2015	2014
	Current	Non-Current	Current	Non-Current
<i>Premium on Bonds Payable-Domestic</i>	xxx	xxx	xxx	xxx
Net Value	xxx	xxx	xxx	xxx
Bonds Payable-Foreign				
<i>Discount on Bonds Payable-Foreign</i>	(xxx)	(xxx)	(xxx)	(xxx)
<i>Premium on Bonds Payable-Foreign</i>	xxx	xxx	xxx	xxx
Net Value	xxx	xxx	xxx	xxx
<b>Total Bills/Bonds/Loans Payable</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

The Treasury Bills Payable, Bonds Payable and Loans payable are measured at amortized cost. The fair value of Treasury Bills Payable, Bonds Payable and Loans payable are [amount], [amount] and [amount], respectively. The valuation reported at fair value is also based on [e.g. observable market prices].

#### 16. Inter-Agency Payables

Particulars	2015		2014	
	Current	Non-Current	Current	Non-Current
Due to BIR	xxx	xxx	xxx	xxx
Due to GSIS	xxx	xxx	xxx	xxx
Due to Pag-IBIG	xxx	xxx	xxx	xxx
Due to PhilHealth	xxx	xxx	xxx	xxx
Due to NGAs	xxx	xxx	xxx	xxx
Due to GOCCs	xxx	xxx	xxx	xxx
Due to LGUs	xxx	xxx	xxx	xxx
Due to Joint Venture	xxx	xxx	xxx	xxx
<b>Total Inter-Agency Payables</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

#### 17. Trust Liabilities

Particulars	2015		2014	
	Current	Non-Current	Current	Non-Current
Trust Liabilities	xxx	xxx	xxx	xxx
Trust Liabilities-Disaster Risk Reduction and Management Fund	xxx	xxx	xxx	xxx
Bail Bonds Payable	xxx	xxx	xxx	xxx
Guaranty/Security Deposits Payable	xxx	xxx	xxx	xxx
Customers' Deposits Payable	xxx	xxx	xxx	xxx
<b>Total Trust Liabilities</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

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**18. Deferred Credits/Unearned Income**

Particulars	2015		2014	
	Current	Non-Current	Current	Non-Current
Deferred Finance Lease Revenue	xxx	xxx	xxx	xxx
Other Deferred Credits	xxx	xxx	xxx	xxx
Unearned Revenue-Investment Property	xxx	xxx	xxx	xxx
Other Unearned Revenue	xxx	xxx	xxx	xxx
<b>Total Deferred Credits/Unearned Income</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

**19. Provisions**

Particulars	2015		2014	
	Current	Non-Current	Current	Non-Current
Pension Benefits Payable	xxx	xxx	xxx	xxx
Leave Benefits Payable	xxx	xxx	xxx	xxx
Retirement Gratuity Payable	xxx	xxx	xxx	xxx
Other Provisions	xxx	xxx	xxx	xxx
<b>Total Provisions</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

**20. Other Payables**

The [Name of Entity] has payables to agencies not classified as financial liabilities pertaining to [description, amounts (current and non-current)].

**21. Tax Revenue**

Particulars	2015	2014
<b>Tax Revenue-Individual and Corporation</b>	<b>xxx</b>	<b>xxx</b>
Income Tax	xxx	xxx
Professional Tax	xxx	xxx
Travel Tax	xxx	xxx
Immigration Tax	xxx	xxx
<b>Tax Revenue-Property</b>	<b>xxx</b>	<b>xxx</b>
Estate Tax	xxx	xxx
Donors Tax	xxx	xxx
Capital Gains Tax	xxx	xxx
<b>Tax Revenue-Goods and Services</b>	<b>xxx</b>	<b>xxx</b>
Import Duties	xxx	xxx
Excise Tax	xxx	xxx
Business Tax	xxx	xxx
Tax on Sand, Gravel and Other Quarry Products	xxx	xxx
Tax on Delivery Vans and Trucks	xxx	xxx
<b>Tax Revenue-Others</b>	<b>xxx</b>	<b>xxx</b>
Documentary Stamp Tax	xxx	xxx
Motor Vehicles Users' Charge	xxx	xxx
<b>TOTAL TAX REVENUE</b>	<b>xxx</b>	<b>xxx</b>

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**22. Service and Business Income**

Particulars	2015	2014
<b>Service Income</b>	<b>xxx</b>	<b>xxx</b>
Permit Fees	xxx	xxx
Registration Fees	xxx	xxx
Registration Plates, Tags and Stickers Fees	xxx	xxx
Clearance and Certification Fees	xxx	xxx
Franchising Fees	xxx	xxx
Licensing Fees	xxx	xxx
Supervision and Regulation Enforcement Fees	xxx	xxx
Spectrum Usage Fees	xxx	xxx
Legal Fees	xxx	xxx
Inspection Fees	xxx	xxx
Verification and Authentication Fees	xxx	xxx
Passport and Visa Fees	xxx	xxx
Processing Fees	xxx	xxx
Fines and Penalties-Service Income	xxx	xxx
Other Service Income	xxx	xxx
<b>Business Income</b>	<b>xxx</b>	<b>xxx</b>
School Fees	xxx	xxx
Affiliation Fees	xxx	xxx
Examination Fees	xxx	xxx
Seminar/Training Fees	xxx	xxx
Rent/Lease Income	xxx	xxx
Communication Network Fees	xxx	xxx
Transportation System Fees	xxx	xxx
Road Network Fees	xxx	xxx
Waterworks System Fees	xxx	xxx
Power Supply System Fees	xxx	xxx
Seaport System Fees	xxx	xxx
Landing and Parking Fees	xxx	xxx
Income from Hostels/Dormitories and Other Like Facilities	xxx	xxx
Slaughterhouse Operation	xxx	xxx
Income from Printing and Publication	xxx	xxx
Sales Revenue	xxx	xxx
Less: Sales Discounts	xxx	xxx
Net Sales	xxx	xxx
Hospital Fees	xxx	xxx
Guarantee Income	xxx	xxx
Fidelity Insurance Income	xxx	xxx
Dividend Income	xxx	xxx
Interest Income	xxx	xxx
Share in the Profit of Joint Venture	xxx	xxx
Fines and Penalties-Business Income	xxx	xxx
<b>Total Service and Business Income</b>	<b>xxx</b>	<b>xxx</b>

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### 23. Shares, Grants and Donations

Particulars	2015	2014
Share from National Wealth	xxx	xxx
Share from PAGCOR/PCSO	xxx	xxx
Share from Earnings of GOCCs	xxx	xxx
Income from Grants and Donations in Cash	xxx	xxx
Income from Grants and Donations in Kind	xxx	xxx
<b>Total Shares, Grants and Donations</b>	<b>xxx</b>	<b>xxx</b>

### 24. Personnel Services

#### 24.1 Salaries and Wages

Particulars	2015	2014
Salaries and Wages-Regular	xxx	xxx
Salaries and Wages-Casual/Contractual	xxx	xxx
<b>Total Salaries and Wages</b>	<b>xxx</b>	<b>xxx</b>

#### 24.2 Other Compensation

Particulars	2015	2014
Personal Economic Relief Allowance (PERA)	xxx	xxx
Representation Allowance (RA)	xxx	xxx
Transportation Allowance (TA)	xxx	xxx
Clothing/Uniform Allowance	xxx	xxx
Subsistence Allowance	xxx	xxx
Laundry Allowance	xxx	xxx
Quarters Allowance	xxx	xxx
Productivity Incentive Allowance	xxx	xxx
Overseas Allowance	xxx	xxx
Honoraria	xxx	xxx
Hazard Pay	xxx	xxx
Longevity Pay	xxx	xxx
Overtime and Night Pay	xxx	xxx
Year End Bonus	xxx	xxx
Cash Gift	xxx	xxx
Other Bonuses and Allowances	xxx	xxx
<b>Total Other Compensation</b>	<b>xxx</b>	<b>xxx</b>

#### 24.3 Employees Future Benefits

The [Name of Entity] and its employees contribute to the [e.g., GSIS] in accordance with the [name of the applicable Act/s]. The [Name of the entity responsible, e.g. GSIS] administers the plan, including payment of pension benefits to employees to whom the act applies. [Name of the benefit plan] is a defined contribution plan [name of other plans]. The contribution to the defined contribution plan amounted to [amount of retirement premiums paid, etc.]

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#### 24.4 Personnel Benefit Contributions

Particulars	2015	2014
Retirement and Life Insurance Premiums	xxx	xxx
PhilHealth Contributions	xxx	xxx
Employees Compensation Insurance Premiums	xxx	xxx
Provident/Welfare Fund Contributions	xxx	xxx
<b>Total Personnel Benefit Contributions</b>	<b>xxx</b>	<b>xxx</b>

#### 24.5 Other Personnel Benefits

Particulars	2015	2014
Pension Benefits	xxx	xxx
Retirement Gratuity	xxx	xxx
Terminal Leave Benefits	xxx	xxx
Other Personnel Benefits	xxx	xxx
<b>Total Other Personnel Benefits</b>	<b>xxx</b>	<b>xxx</b>

### 25. Maintenance and Other Operating Expenses

#### 25.1 Traveling Expenses

Particulars	2015	2014
Traveling Expenses-Local	xxx	xxx
Traveling Expenses-Foreign	xxx	xxx
<b>Total Traveling Expenses</b>	<b>xxx</b>	<b>xxx</b>

#### 25.2 Training and Scholarship Expenses

Particulars	2015	2014
Training Expenses	xxx	xxx
Scholarship Grants/Expenses	xxx	xxx
<b>Total Training and Scholarship Expenses</b>	<b>xxx</b>	<b>xxx</b>

#### 25.3 Supplies and Materials Expenses

Particulars	2015	2014
Office Supplies Expenses	xxx	xxx
Accountable Forms Expenses	xxx	xxx
Non-Accountable Forms Expenses	xxx	xxx
Animal/Zoological Supplies Expenses	xxx	xxx
Food Supplies Expenses	xxx	xxx
Welfare Goods Expenses	xxx	xxx
Drugs and Medicines Expenses	xxx	xxx
Medical, Dental and Laboratory Supplies Expenses	xxx	xxx
Fuel, Oil and Lubricants Expenses	xxx	xxx
Agricultural and Marine Supplies Expenses	xxx	xxx
Textbooks and Instructional Materials Expenses	xxx	xxx
Military, Police and Traffic Supplies Expenses	xxx	xxx

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Particulars	2015	2014
Chemical and Filtering Supplies Expenses	xxx	xxx
Other Supplies and Materials Expenses	xxx	xxx
<b>Total Supplies and Materials Expenses</b>	<b>xxx</b>	<b>xxx</b>

#### 25.4 Utility Expenses

Particulars	2015	2014
Water Expenses	xxx	xxx
Electricity Expenses	xxx	xxx
<b>Total Utility Expenses</b>	<b>xxx</b>	<b>xxx</b>

#### 25.5 Communication Expenses

Particulars	2015	2014
Postage and Courier Services	xxx	xxx
Telephone Expenses	xxx	xxx
Internet Subscription Expenses	xxx	xxx
Cable, Satellite, Telegraph and Radio Expenses	xxx	xxx
<b>Total Communication Expenses</b>	<b>xxx</b>	<b>xxx</b>

#### 25.6 Awards/Rewards and Prizes

Particulars	2015	2014
Awards/Rewards Expenses	xxx	xxx
Prizes	xxx	xxx
<b>Total Awards/Rewards and Prizes</b>	<b>xxx</b>	<b>xxx</b>

#### 25.7 Survey, Research, Exploration and Development Expenses

Particulars	2015	2014
Survey Expenses	xxx	xxx
Research, Exploration and Development Expenses	xxx	xxx
<b>Total Survey, Research, Exploration and Development Expenses</b>	<b>xxx</b>	<b>xxx</b>

#### 25.8 Demolition/Relocation and Desilting/Dredging Expenses

Particulars	2015	2014
Demolition and Relocation Expenses	xxx	xxx
Desilting and Dredging Expenses	xxx	xxx
<b>Total Demolition/Relocation and Desilting/Dredging Expenses</b>	<b>xxx</b>	<b>xxx</b>

#### 25.9 Generation, Transmission and Distribution Expenses

Particulars	2015	2014
Generation, Transmission and Distribution Expenses	xxx	xxx
<b>Total Generation, Transmission and Distribution Expenses</b>	<b>xxx</b>	<b>xxx</b>



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**25.10 Confidential, Intelligence and Extraordinary Expenses**

Particulars	2015	2014
Confidential Expenses	xxx	xxx
Intelligence Expenses	xxx	xxx
Extraordinary and Miscellaneous Expenses	xxx	xxx
<b>Total Confidential, Intelligence and Extraordinary Expenses</b>	<b>xxx</b>	<b>xxx</b>

**25.11 Professional Services**

Particulars	2015	2014
Legal Services	xxx	xxx
Auditing Services	xxx	xxx
Consultancy Services	xxx	xxx
Other Professional Services	xxx	xxx
<b>Total Professional Services</b>	<b>xxx</b>	<b>xxx</b>

**25.12 Repairs and Maintenance**

Particulars	2015	2014
Repairs and Maintenance-Investment Property	xxx	xxx
Repairs and Maintenance-Land Improvements	xxx	xxx
Repairs and Maintenance-Infrastructure Assets	xxx	xxx
Repairs and Maintenance-Buildings and Other Structures	xxx	xxx
Repairs and Maintenance-Machinery and Equipment	xxx	xxx
Repairs and Maintenance-Transportation Equipment	xxx	xxx
Repairs and Maintenance-Furniture and Fixtures	xxx	xxx
Repairs and Maintenance-Leased Assets	xxx	xxx
Repairs and Maintenance-Leased Assets Improvements	xxx	xxx
Restoration and Maintenance-Heritage Assets	xxx	xxx
Repairs and Maintenance-Other Property, Plant and Equipment	xxx	xxx
<b>Total Repairs and Maintenance Expenses</b>	<b>xxx</b>	<b>xxx</b>

**25.13 Taxes, Insurance Premiums and Other Fees**

Particulars	2015	2014
Taxes, Duties and Licenses	xxx	xxx
Fidelity Bond Premiums	xxx	xxx
Insurance Expenses	xxx	xxx
<b>Total Taxes, Insurance Premiums and Other Fees</b>	<b>xxx</b>	<b>xxx</b>

**25.14 Labor and Wages**

Particulars	2015	2014
Labor and Wages	xxx	xxx

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**25.15 Other Maintenance and Operating Expenses**

Particulars	2015	2014
Advertising Expenses	xxx	xxx
Printing and Publication Expenses	xxx	xxx
Representation Expenses	xxx	xxx
Transportation and Delivery Expenses	xxx	xxx
Rent/Lease Expenses	xxx	xxx
Membership Dues and Contributions to Organizations	xxx	xxx
Subscription Expenses	xxx	xxx
Donations	xxx	xxx
Litigation/Acquired Assets Expenses	xxx	xxx
Other Maintenance and Operating Expenses	xxx	xxx
<b>Total Other Maintenance and Operating Expenses</b>	<b>xxx</b>	<b>xxx</b>

**26. Financial Expenses**

Particulars	2015	2014
Management Supervision/Trusteeship Fees	xxx	xxx
Interest Expenses	xxx	xxx
Guarantee Fees	xxx	xxx
Bank Charges	xxx	xxx
Commitment Fees	xxx	xxx
Other Financial Charges	xxx	xxx
<b>Total Financial Expenses</b>	<b>xxx</b>	<b>xxx</b>

**27. Non-Cash Expenses**

**27.1. Depreciation**

Particulars	2015	2014
Depreciation-Investment Property	xxx	xxx
Depreciation-Land Improvements	xxx	xxx
Depreciation-Infrastructure Assets	xxx	xxx
Depreciation-Buildings and Other Structures	xxx	xxx
Depreciation-Machinery and Equipment	xxx	xxx
Depreciation-Transportation Equipment	xxx	xxx
Depreciation-Furniture, Fixtures and Books	xxx	xxx
Depreciation-Leased Assets	xxx	xxx
Depreciation-Leased Assets Improvements	xxx	xxx
Depreciation-Heritage Assets	xxx	xxx
Depreciation-Service Concession Assets	xxx	xxx
Depreciation-Other Property, Plant and Equipment	xxx	xxx
<b>Total Depreciation</b>	<b>xxx</b>	<b>xxx</b>

**27.2. Amortization**

Particulars	2015	2014
Amortization – Intangible Assets	xxx	xxx

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### 27.3. Impairment Loss

Particulars	2015	2014
Impairment Loss-Financial Assets Held to Maturity	xxx	xxx
Impairment Loss-Loans and Receivables	xxx	xxx
Impairment Loss-Lease Receivables	xxx	xxx
Impairment Loss-Investments in GOCCs	xxx	xxx
Impairment Loss-Investments in Joint Venture	xxx	xxx
Impairment Loss-Other Receivables	xxx	xxx
Impairment Loss-Inventories	xxx	xxx
Impairment Loss-Investment Property	xxx	xxx
Impairment Loss-Property, Plant and Equipment	xxx	xxx
Impairment Loss-Biological Assets	xxx	xxx
Impairment Loss-Intangible Assets	xxx	xxx
Impairment Loss-Investments in Associates	xxx	xxx
Impairment Loss-Other Assets		
<b>Total Impairment Loss</b>	<b>xxx</b>	<b>xxx</b>

### 27.4. Losses

Particulars	2015	2014
Loss on Sale of Biological Assets	xxx	xxx
Loss on Sale of Agricultural Produce	xxx	xxx
Loss on Initial Recognition of Biological Assets	xxx	xxx
<b>Total Losses</b>	<b>xxx</b>	<b>xxx</b>

## 28. Net Financial Assistance/Subsidy

### Financial Assistance/Subsidy from NGAs, LGUs, GOCCs

Particulars	2015	2014
Subsidy from National Government	xxx	xxx
Subsidy from other NGAs	xxx	xxx
Assistance from Local Government Units	xxx	xxx
Assistance from Government-Owned or Controlled Corporations	xxx	xxx
<b>Total Financial Assistance/Subsidy from NGAs, LGUs, GOCCs</b>	<b>xxx</b>	<b>xxx</b>

### Less: Financial Assistance/Subsidy to NGAs, LGUs, GOCCs, NGOs/POs

Particulars	2015	2014
Financial Assistance to NGAs	xxx	xxx
Subsidy to NGAs (for BTr only)	xxx	xxx
Financial Assistance to Local Government Units	xxx	xxx
Budgetary Support to GOCCs	xxx	xxx
Financial Assistance to NGOs/POs	xxx	xxx
Subsidies-Others	xxx	xxx
<b>Total Financial Assistance/Subsidy to NGAs, LGUs, GOCCs</b>	<b>xxx</b>	<b>xxx</b>
<b>Net Financial Assistance/Subsidy</b>	<b>xxx</b>	<b>xxx</b>

[NAME OF ENTITY]  
[Consolidated] Financial statements for the year ended December 31, 2015

**29. Non-Operating Income, Gain or Losses**

**29.1. Non-Operating Income/Gain**

Particulars	2015	2014
Sale of Garnished/Confiscated/Abandoned/Seized Goods and Properties	xxx	xxx
Gain on Foreign Exchange (FOREX)	xxx	xxx
Gain on Sale of Investments	xxx	xxx
Gain on Sale of Investment Property	xxx	xxx
Gain on Sale of Property, Plant and Equipment	xxx	xxx
Gain on Sale of Intangible Assets	xxx	xxx
Other Gains	xxx	xxx
<b>Total Non-Operating Income/Gain</b>	<b>xxx</b>	<b>xxx</b>

**29.2. Non-Operating Losses**

Particulars	2015	2014
Loss on Foreign Exchange (FOREX)	xxx	xxx
Loss on Sale of Investments	xxx	xxx
Loss on Sale of Investment Property	xxx	xxx
Loss on Sale of Property, Plant and Equipment	xxx	xxx
Loss on Sale of Intangible Assets	xxx	xxx
Loss on Sale of Assets	xxx	xxx
Loss of Assets	xxx	xxx
Loss on Guaranty	xxx	xxx
Other Losses	xxx	xxx
<b>Total Non-Operating Losses</b>	<b>xxx</b>	<b>xxx</b>

**30. Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit)**

Particulars	2015	2014
<b>Surplus/Deficit for the year</b>	<b>xxx</b>	<b>xxx</b>
<b>Non-cash movements</b>	<b>xxx</b>	<b>xxx</b>
Depreciation	xxx	xxx
Amortization	xxx	xxx
Increase in Impairment Losses	xxx	xxx
Increase in Payables	xxx	xxx
Increase in borrowings	xxx	xxx
Gain/losses on sale of property, plant and equipment	(xxx)	(xxx)
Gain/losses on sale of investments	(xxx)	(xxx)
Increase in other current assets	(xxx)	(xxx)
Increase in investments due to revaluation	(xxx)	(xxx)
Increase in receivables	(xxx)	(xxx)
<b>Net Cash Flows from Operating Activities</b>	<b>xxx</b>	<b>xxx</b>

[NAME OF ENTITY]  
[Consolidated] Financial statements for the year ended December 31, 2015

### 31. Related party transactions

These financial statements include the financial statements of the Department/Agency and the controlled entity listed in the following table:

Name	Equity Interest	
	2015	2014
	xxx	xxx
	xxx	xxx
	xxx	xxx
	xxx	xxx
	xxx	xxx

#### 31.1 Key Management's interest:

#### 31.2 Terms and Conditions of transactions with related parties

#### 31.3 Key Management Personnel

The key management personnel of the [Name of the Entity] are the [Head of the Entity/Agency], the members of the governing body, and the members of the senior management group. The governing body consists of members appointed by [Head of the Entity/Other Appointing Authority]. The senior management group consists of the [agency's chief executive officer, the chief financial officer and the head of departments].

#### 31.4 Key Management Personnel Compensation

The aggregate remuneration of members of the governing body and the number of members determined on a fulltime equivalent basis receiving remuneration within this category, are:

Particulars	Aggregate Remuneration
Salaries and Wages	xxx
Other Compensation	xxx
Personnel Benefit Contributions	xxx
Other Personnel Benefits	xxx
<b>Total Other Personnel Benefits</b>	<b>xxx</b>

The Secretary of the Department which has supervision over the [Name of the Agency/Entity] is not remunerated by Agency/Entity.

#### 31.5 Remuneration and Compensation Provided to Close Family Members of Key Management Personnel

During the reporting period, total remuneration and compensation of [amount] was provided by the Agency to employees who are close family members of key management personnel.

[NAME OF ENTITY]  
[Consolidated] Financial statements for the year ended December 31, 2015

**32. Service concession arrangement**

During the current reporting period, the [name of the entity/agency] entered into a service concession arrangement with a [name of the private company] to provide [description/benefits/other relevant information about the concession arrangement].

	<b>2015</b>	<b>2014</b>
Fair value of service concession assets recognized	xxx	xxx
Accumulated depreciation to-date	xxx	xxx
<b>Net carrying amount</b>	<b>xxx</b>	<b>xxx</b>
<b>Service concession liability-beginning</b>	<b>xxx</b>	<b>xxx</b>
Service concession revenue recognized	xxx	xxx
<b>Service concession liability-closing</b>	<b>xxx</b>	<b>xxx</b>

**NOTE TO USERS:**

*Although efforts were exerted to provide this basic model, this cannot be expected to address every type of transactions or disclosure requirements and it is not comprehensive enough in all respects to meet the needs of every user. Further, this model is not intended to cover all aspects of standards with regard to disclosures. Applying the PPSASs requires professional judgment.*

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**Agency/Entity Letterhead****STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The management of \_\_\_\_\_ (Name of Department/Agency/Entity) is responsible for all information and representations contained in the accompanying Statement of Financial Position as at \_\_\_\_\_ and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with the Philippine Public Sector Accounting Standards and generally accepted state accounting principles, and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

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Chief, Financial and Management Office/  
Comptroller

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Date Signed

---

Head of Agency/  
Authorized Representative

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Date Signed

**ILLUSTRATIVE ENTRIES**  
**REGULAR AGENCY FUND**

Transactions		AGENCY (except BIR, BOC and BTr) BOOKS			
		Account Title	Account Code	Debit	Credit
				Amount in Pesos	
Assumptions:					
Beginning Balances					
Cash-Collecting Officer		Cash-Collecting Officers	10101010	10,000	
<i>Permit Fees</i>	10,000	Accounts Receivable	10301010	25,000	
Accounts Receivable		Office Equipment	10605020	80,000	
<i>Rent/Lease Income</i>	25,000	Buildings	10604010	500,000	
Office Equipment	80,000	Due to BIR	20201010		4,250
Building	500,000	Due to GSIS	20201020		1,275
<b>Total Assets</b>	<b>615,000</b>	Due to Pag-IBIG	20201030		850
		Due to PhilHealth	20201040		43
Due to BIR (PS)	4,250	Accounts Payable	20101010		20,000
Due to GSIS	1,275	Accumulated Surplus/(Deficit)	30101010		588,583
Due to PagIBIG	850				
Due to PhilHealth	43			<b>615,000</b>	<b>615,000</b>
Accounts Payable	20,000				
<b>Total Liabilities</b>	<b>26,418</b>				
Accumulated Surplus/(Deficit)	<b>588,583</b>				
<b>Net Assets/Equity</b>	<b>588,583</b>				

**Notes:**

- 1- Not yet due and demandable obligations for undelivered office supplies 200
- 2- AP pertains to unpaid training expenses

**A. REVENUE**

1) Billing of revenue/income				
Rent/Lease Income 30,000	Accounts Receivable	10301010	300,000	
Waterworks System Fees 50,000	Rent/Lease Income	40202050		30,000
Power Supply System Fees 100,000	Waterworks System Fees	40202090		50,000
Seaport System Fees 45,000	Power Supply System Fees	40202100		100,000
Landing and Parking Fees 75,000	Seaport System Fees	40202110		45,000
total <u>300,000</u>	Landing and Parking Fees	40202120		75,000
	<i>To recognize billing of income</i>			
2) Collections and Remittances				
<b>a. Prior year's Billed Revenue/Income</b>				
a.1 collection				
Permit Fees 10,000	Cash-Collecting Officers	10101010	10,000	
	Accounts Receivable	10301010		10,000
	<i>To recognize collection of prior year's billed income</i>			
a.2 remittance	Cash-Treasury/Agency Deposit, Regular	10104010	10,000	
	Cash-Collecting Officers	10101010		10,000
	<i>To recognize remittance of income to BTr</i>			
<b>b. CY Billed Revenue/Income</b>				
a.1 collection	Cash-Collecting Officers	10101010	180,000	
Rent/Lease Income 25,000	Accounts Receivable	10301010		180,000
Waterworks System Fees 50,000	<i>To recognize collection of billed income</i>			
Power Supply System Fees 75,000				
Seaport System Fees 40,000				
Landing and Parking Fees 10,000				
total <u>200,000</u>				
a.2 remittance	Cash-Treasury/Agency Deposit, Regular	10104010	162,000	
	Cash-Collecting Officers	10101010		162,000
	<i>To recognize remittance of income to BTr</i>			
<b>c. Unbilled Tax Revenue</b>				
c.1 collection thru Agency Collecting Officer	Cash-Collecting Officers	10101010	270,000	
Travel Tax 20,000	Travel Tax	40101030		20,000
Immigration Tax 250,000	Immigration Tax	40101040		250,000
total <u>270,000</u>	<i>To recognize collection of unbilled income</i>			
c.1 remittance	Cash-Treasury/Agency Deposit, Regular	10104010	270,000	
	Cash-Collecting Officers	10101010		270,000
	<i>To recognize remittance of income to BTr</i>			



Transactions		AGENCY (except BIR, BOC and BTr) BOOKS			
		Account Title	Account Code	Debit	Credit
				Amount in Pesos	
c.2 direct deposit thru Authorized Agent Banks		Cash-Treasury/Agency Deposit, Regular	10104010	275,000	
Travel Tax	75,000	Travel Tax	40101030		75,000
Immigration Tax	200,000	Immigration Tax	40101040		200,000
	<u>275,000</u>	<i>To recognize collection/remittance of income to BTr through AGDBs/GSBs</i>			
<b>d. Unbilled Service Income</b>					
d.1 collection		Cash-Collecting Officers	10101010	750,000	
Permit Fees	200,000	Permit Fees	40201010		200,000
Registration Fees	75,000	Registration Fees	40201020		75,000
Registration Plates, Tags and Sticker Fees	125,000	Registration Plates, Tags and Sticker Fees	40201030		125,000
Clearance and Certification Fees	30,000	Clearance and Certification Fees	40201040		30,000
Franchising Fees	100,000	Franchising Fees	40201050		100,000
Licensing Fees	50,000	Licensing Fees	40201060		50,000
Supervision and Regulation Enforcement Fees	60,000	Supervision and Regulation Enforcement Fees	40201070		60,000
Spectrum Usage Fees	20,000	Spectrum Usage Fees	40201080		20,000
Legal Fees	25,000	Legal Fees	40201090		25,000
Inspection Fees	5,000	Inspection Fees	40201100		5,000
Verification and Authentication Fees	20,000	Verification and Authentication Fees	40201110		20,000
Passport and Visa Fees	10,000	Passport and Visa Fees	40201120		10,000
Processing Fees	25,000	Processing Fees	40201130		25,000
Fines and Penalties Service Income	3,000	Fines and Penalties Service Income	40201140		3,000
Other Service Income	2,000	Other Service Income	40201990		2,000
	<u>750,000</u>	<i>To recognize collection of unbilled income</i>			
d.2 remittance		Cash-Treasury/Agency Deposit, Regular	10104010	600,000	
		Cash-Collecting Officers	10101010		600,000
		<i>To recognize remittance to the BTr</i>			
<b>e. Unbilled Business Income without authority to use</b>					
e.1 collection		Cash-Collecting Officers	10101010	3,000	
Affiliation Fees	400	Affiliation Fees	40202020		400
Examination Fees	500	Examination Fees	40202030		500
Seminar/Training Fees	1,000	Seminar/Training Fees	40202040		1,000
Guarantee Income	400	Guarantee Income	40202180		400
Fines and Penalties- Business Income	200	Fines and Penalties- Business Income	40202230		200
Other Business Income	500	Other Business Income	40202990		500
total	<u>3,000</u>	<i>To recognize collection of unbilled income</i>			
e.2 remittance		Cash-Treasury/Agency Deposit, Regular	10104010	3,000	
		Cash-Collecting Officers	10101010		3,000
		<i>To recognize remittance to the BTr</i>			
<b>APPROPRIATIONS, ALLOTMENTS AND OBLIGATIONS</b>					
3) Receipt of GAA		<i>Posting to the appropriate RAPAL</i>			
PS	650,000				
MOOE	750,000				
CO	1,000,000				
Total	<u>2,400,000</u>				
4) Receipt of allotment from the DBM		<i>Posting to the appropriate RAPAL and RAOD</i>			
PS	640,000				
MOOE	725,000				
CO	950,000				
Total	<u>2,315,000</u>				
5) Incurrence of obligation		<i>Posting of ORS to the appropriate RAOD</i>			
PS	600,000				
MOOE	69,000				
Capital Outlays	940,000				
	<u>1,609,000</u>				
6) Receipt of Notice of Cash of Allocation from DBM (net of tax)		Cash-Modified Disbursement System (MDS), Regular	10104040	1,200,000	
a) for current year's appropriation	<u>1,200,000</u>	Subsidy from National Government	40301010		1,200,000
		<i>To recognize receipt of NCA from the DBM</i>			

Transactions	AGENCY (except BIR, BOC and BTr) BOOKS			
	Account Title	Account Code	Debit	Credit
			Amount in Pesos	
b) for prior year's accounts payable and not yet due and demandable obligations	Cash-Modified Disbursement System (MDS), Regular	10104040	26,618	
	Subsidy from National Government	40301010		26,618
	<i>To recognize receipt of NCA from the DBM</i>			
26,618				
7) Delivery of Office Equipment and Office Supplies for agency use (Assumption: Beginning of the year)				
a. Prior Year's obligation				
a.1 receipt of delivery	Office Supplies Inventory	10404010	200	
Office Supplies Inventory	Accounts Payable	20101010		200
200	<i>To recognize delivery of Office Equipment and Supplies based on the Delivery Receipt (DR) and Inspection and Acceptance Report (IAR)</i>			
a.2. posting of payable to the Section C of ORS	<i>Posting to the payable column of Section C of the Obligation Request and Status (ORS)</i>			
b. Current year's purchases and delivery				
b.1 receipt of delivery	Office Equipment	10605020	658,000	
Office Equipment	Office Supplies Inventory	10404010	13,800	
Office Supplies Inventory	Accounts Payable	20101010		671,800
Total	<i>To recognize delivery of Office Equipment and Supplies based on the Delivery Receipt (DR) and Inspection and Acceptance Report (IAR)</i>			
658,000				
13,800				
671,800				
b.2. posting of payable to the Section C of ORS	<i>Posting to the payable column of Section C of the Obligation Request and Status (ORS)</i>			
8) Payment of Personnel Benefits				
a. Set up of payable to Officers and Employees upon approval of payroll	Salaries and Wages Regular	50101010	510,000	
	Personnel Economic Relief Allowance (PERA)	50102010	55,000	
	Due to BIR	20201010		51,000
Salaries and Wages	Due to GSIS	20202020		15,300
PERA	Due to PagIBIG	20202030		10,200
Gross Compensation	Due to PhilHealth	20202040		510
Withholding Tax	Due to Officers and Employees	20101020		487,990
GSIS	<i>To recognize liabilities to officers and employees upon approval of payroll</i>			
PAG-IBIG				
PhilHealth				
Total Deductions				
Net				
510,000				
55,000				
565,000				
51,000				
15,300				
10,200				
510				
77,010				
487,990				
b. posting of payable to the Section C of ORS	<i>Posting to the payable column of Section C of the Obligation Request and Status (ORS)</i>			
c. Grant of Cash Advance for payroll	Advances for Payroll	19901010	487,990	
	Cash-Modified Disbursement System (MDS), Regular	10104040		487,990
	<i>To recognize grant of cash advance for payroll</i>			
487,990				
d. posting of disbursement to the RAOD	<i>Posting to the payments column of Section C of the Obligation Request and Status (ORS)</i>			
	<i>Posting to the disbursements column of the RAOD based on the report of disbursements</i>			
487,990				
10) Liquidation of Payroll Fund	Due to Officers and Employees	20101020	487,990	
	Advances for Payroll	19901010		487,990
	<i>To recognize liquidation of Payroll Fund based on the Report of Disbursements and supporting documents submitted by the cashier</i>			
487,990				

Transactions	AGENCY (except BIR, BOC and BTr) BOOKS			
	Account	Account	Debit	Credit
	Title	Code	Amount in Pesos	
11) Payments of MOOE and accounts payable	Traveling Expenses -Local	50201010	4,416	
a. payment of expenses	Training Expenses	50200010	11,040	
Traveling-Local (reimbursement)	Water Expenses	50204010	1,656	
Training	Electricity Expenses	50204020	8,280	
Water	Telephone Expenses	50205020	1,656	
Electricity	Janitorial Services	50212020	1,104	
Telephone	Security Services	50212030	2,760	
Janitorial	Rent/Lease Expenses	50299050	22,080	
Security	Due to BIR	20201010		2,158
Rent	Cash-Modified Disbursement System (MDS), Regular	10104040		50,834
	<i>To recognize issuance of MDS checks based on the Report of Checks Issued (RCI)</i>			
			52,992	
Less: Withholding taxes*			2,158	
Net			50,834	
* Withholding taxes:				
<b>Training</b>	<b>283</b>			
10% withholding tax (income)	110			
1% withholding tax on income	99			
5% withholding of final tax (VAT)	74			
<b>Water</b>	<b>33</b>			
<b>Electricity</b>	<b>414</b>			
<b>Telephone</b>	<b>83</b>			
<b>Janitorial</b>	<b>69</b>			
2% withholding tax on income	20			
5% withholding of final tax (VAT)	49			
<b>Security</b>	<b>173</b>			
2% withholding tax on income	49			
5% withholding of final tax (VAT)	123			
<b>Rent</b>	<b>1,104</b>			
Total Withholding taxes	2,158			
b. payment of accounts payable				
b.1 current year's accounts payable	Accounts Payable	20101010	537,440	
Purchase of :	Due to BIR	20201010		28,791
Office Equipment	Cash-Modified Disbursement System (MDS), Regular	10104040		508,649
Office Supplies Inventory	<i>To recognize payment of accounts payable</i>			
Total				
Less: Withholding tax			28,791	
1% withholding tax on income			4,799	
5% withholding of final tax (VAT)			23,993	
Net			508,649	
Breakdown of Wtax				
Office Equipment			28,200	
Office Supplies Inventory			591	
			28,791	
b.2 prior year's accounts payable	Accounts Payable	20101010	20,000	
<u>MOOE</u>	Due to BIR	20201010		1,250
Total	Cash-Modified Disbursement System (MDS), Regular	10104040		18,750
Less: Withholding tax	<i>To recognize payment of accounts payable</i>			
2% withholding tax on income			357	
5% withholding of final tax (VAT)			893	
Net			18,750	
b.3 prior year's obligation	Accounts Payable	20101010	200	
<u>MOOE</u>	Due to BIR	20201010		11
Total	Cash-Modified Disbursement System (MDS), Regular	10104040		189
Less: Withholding tax	<i>To recognize payment of accounts payable</i>			
1% withholding tax on income			2	
5% withholding of final tax (VAT)			9	
Net			189	
c. grant of cash advance for traveling expenses	Advances to Officers and Employees	19901040	2,000	
	Cash-Modified Disbursement System (MDS), Regular	10104040		2,000
	<i>To recognize grant of cash advance for travel</i>			
d. posting of disbursements to the registry	<i>Posting to the payments column of Section C of the Obligation Request and Status (ORS)</i>			
CY			561,482	
PY			18,939	
	<i>Posting to the disbursements column of the RAOD based on the report of disbursements</i>			
			580,422	

Transactions		AGENCY (except BIR, BOC and BTr) BOOKS			
		Account	Account	Debit	Credit
		Title	Code	Amount in Pesos	
e. liquidation of cash advance for traveling expenses -foreign	<u>1,900</u>	Traveling Expenses-Foreign	50201020	1,900	
		Advances to Officers and Employees	19901040		1,900
		<i>To recognize liquidation of cash advance for travel</i>			
f. receipt and deposit of refund of excess cash advance for traveling expenses	<u>100</u>	Cash-Collecting Officers	10101010	100	
		Advances to Officers and Employees	19901040		100
		<i>To recognize refund of excess cash advance for travel</i>			
		Cash-Treasury/Agency Deposit, Regular	10104010	100	
		Cash-Collecting Officers	10101010		100
		<i>To recognize remittance of the refund of excess cash advance for travel</i>			
e. posting of adjustment in disbursement to the registry	<u>100</u>	<i>Posting of adjustments to the appropriate ORS and RAOD</i>			
12) Remittance of taxes thru TRA					
a. Constructive receipt of NCA for TRA consisting of:		Cash-Tax Remittance Advice	10104070	87,460	
PS	55,250	Subsidy from National Government	40301010		87,460
MOOE	4,010	<i>To recognize constructive receipt of NCA for withholding taxes</i>			
CO	28,200				
Total	<u>87,460</u>				
Breakdown per type of tax:					
Income Tax	60,685				
Business Tax	26,775				
Total	<u>87,460</u>				
b. Remittance of taxes thru TRA		Due to BIR	20201010	87,460	
		Cash-Tax Remittance Advice	10104070		87,460
Income Tax	60,685	<i>To recognize remittance of withholding taxes thru TRA</i>			
Business Tax	26,775				
Total	<u>87,460</u>				
c. posting of disbursement to the registry	<u>87,460</u>	<i>Posting to the payments column of Section C of the Obligation Request and Status (ORS)</i>			
		<i>Posting to the disbursements column of the RAOD based on the report of disbursements</i>			
13) Remittance of the following:					
GSIS	15,300	Due to GSIS	20202020	15,300	
PAG-IBIG	10,200	Due to PaglBIG	20202030	10,200	
PhilHealth	510	Due to PhilHealth	20202040	510	
	<u>26,010</u>	Cash-Modified Disbursement System (MDS), Regular	10104040		26,010
		<i>To recognize remittance to GSIS, Pag-IBIG and PhilHealth</i>			
14) Issuance of supplies and materials to end users		Office Supplies Expenses	50203010	12,420	
		Office Supplies Inventory	10404010		12,420
		<i>To take up issuance of supplies and materials based on the Monthly Report of Supplies and Materials Issued and supporting documents submitted by the property officer</i>			
15) Adjustment for unused NCA		Subsidy from National Government	40301010	132,196	
NCA Received	1,226,618	Cash-Modified Disbursement System (MDS), Regular	10104040		132,196
Payments	<u>1,094,422</u>	<i>To recognize reversion of unused NCA</i>			
	<u>132,196</u>				
16) Depreciation of Office Equipment (estimated life of 5 years)		Depreciation-Machinery and Equipment	50501050	140,220	
yearly depreciation	<u>140,220</u>	Accumulated Depreciation-Office Equipment	10605021		140,220
		<i>To recognize depreciation of office equipment</i>			
17) Depreciation of building with an estimated life of 25 years		Depreciation-Buildings and Other Structures	50501040	19,000	
yearly depreciation	<u>19,000</u>	Accumulated Depreciation-Buildings	10604010		19,000
		<i>To recognize depreciation of office equipment</i>			
18) Allowance for impairment of accounts receivable		Impairment Loss - Loans and Receivables	50503020	120	
		Allowance for Impairment - Accounts Receivable	10301011		120

Transactions	AGENCY (except BIR, BOC and BTr) BOOKS		
	Account	Account	Debit
	Title	Code	Credit
Amount in Pesos			

To recognize impairment of receivables

## PRE CLOSING TRIAL BALANCE

AGENCY BOOKS			
		Debit	Credit
Cash-Collecting Officer	10101010	178,000	
Cash-Treasury/Agency Deposit, Regular	10104010	1,320,100	
Accounts Receivable	10301010	135,000	
Allowance for Impairment - Accounts Receivable	10301011		120
Buildings	10604010	500,000	
Accumulated Depreciation-Buildings	10604010		19,000
Office Equipment	10605020	738,000	
Accumulated Depreciation-Office Equipment	10605021		140,220
Office Supplies Inventory	10404010	1,580	
Accounts Payable	20101010		134,360
Due to GSIS	20202020		1,275
Due to PagIBIG	20202030		850
Due to PhilHealth	20202040		43
Travel Tax	40101030		95,000
Immigration Tax	40101040		450,000
Permit Fees	40201010		200,000
Registration Fees	40201020		75,000
Registration Plates, Tags and Sticker Fees	40201030		125,000
Clearance and Certification Fees	40201040		30,000
Franchising Fees	40201050		100,000
Licensing Fees	40201060		50,000
Supervision and Regulation Enforcement Fees	40201070		60,000
Spectrum Usage Fees	40201080		20,000
Legal Fees	40201090		25,000
Inspection Fees	40201100		5,000
Verification and Authentication Fees	40201110		20,000
Passport and Visa Fees	40201120		10,000
Processing Fees	40201130		25,000
Fines and Penalties Service Income	40201140		3,000
Other Service Income	40201990		2,000
Affiliation Fees	40202020		400
Examination Fees	40202030		500
Seminar/Training Fees	40202040		1,000
Rent/Lease Income	40202050		30,000
Waterworks System Fees	40202090		50,000
Power Supply System Fees	40202100		100,000
Seaport System Fees	40202110		45,000
Landing and Parking Fees	40202120		75,000
Guarantee Income	40202180		400
Fines and Penalties- Business Income	40202230		200
Other Business Income	40202990		500
Subsidy from National Government	40301010		1,181,882
Salaries and Wages Regular	50101010	510,000	
Personnel Economic Relief Allowance (PERA)	50102010	55,000	
Traveling Expenses -Local	50201010	4,416	
Traveling Expenses -Foreign	50201020	1,900	
Training Expenses	50200010	11,040	
Office Supplies Expenses	50203010	12,420	
Water Expenses	50204010	1,656	
Electricity Expenses	50204020	8,280	
Telephone Expenses	50205020	1,656	
Janitorial Services	50212020	1,104	
Security Services	50212030	2,760	
Rent/Lease Expenses	50299050	22,080	
Depreciation-Buildings and Other Structures	50501040	19,000	
Depreciation-Machinery and Equipment	50501050	140,220	
Impairment Loss - Loans and Receivables	50503020	120	
Accumulated Surplus/(Deficit)	30101010		588,583
Total		3,664,332	3,664,332

Transactions	AGENCY (except BIR, BOC and BTr) BOOKS			
	Account	Account	Debit	Credit
	Title	Code	Amount in Pesos	
19) Closing entries for:				
a. Income Accounts	Travel Tax	40101030	95,000	
	Immigration Tax	40101040	450,000	
	Permit Fees	40201010	200,000	
	Registration Fees	40201020	75,000	
	Registration Plates, Tags and Sticker Fees	40201030	125,000	
	Clearance and Certification Fees	40201040	30,000	
	Franchising Fees	40201050	100,000	
	Licensing Fees	40201060	50,000	
	Supervision and Regulation Enforcement Fees	40201070	60,000	
	Spectrum Usage Fees	40201080	20,000	
	Legal Fees	40201090	25,000	
	Inspection Fees	40201100	5,000	
	Verification and Authentication Fees	40201110	20,000	
	Passport and Visa Fees	40201120	10,000	
	Processing Fees	40201130	25,000	
	Fines and Penalties Service Income	40201140	3,000	
	Other Service Income	40201990	2,000	
	Affiliation Fees	40202020	400	
	Examination Fees	40202030	500	
	Seminar/Training Fees	40202040	1,000	
	Rent/Lease Income	40202050	30,000	
	Waterworks System Fees	40202090	50,000	
	Power Supply System Fees	40202100	100,000	
	Seaport System Fees	40202110	45,000	
	Landing and Parking Fees	40202120	75,000	
	Guarantee Income	40202180	400	
	Fines and Penalties- Business Income	40202230	200	
	Other Business Income	40202990	500	
	Revenue and Expense Summary	30301010		1,598,000
	<i>To recognize closing of income accounts</i>			
b. Expense Accounts	Revenue and Expense Summary	30301010	791,652	
	Salaries and Wages Regular	50101010		510,000
	Personnel Economic Relief Allowance (PERA)	50102010		55,000
	Traveling Expenses -Local	50201010		4,416
	Traveling Expenses -Foreign	50201020		1,900
	Training Expenses	50200010		11,040
	Office Supplies Expenses	50203010		12,420
	Water Expenses	50204010		1,656
	Electricity Expenses	50204020		8,280
	Telephone Expenses	50205020		1,656
	Janitorial Services	50212020		1,104
	Security Services	50212030		2,760
	Rent/Lease Expenses	50299050		22,080
	Depreciation-Buildings and Other Structures	50501040		19,000
	Depreciation-Machinery and Equipment	50501050		140,220
	Impairment Loss - Loans and Receivables	50503020		120
	<i>To recognize closing of expense accounts</i>			
c. Subsidy from NG and Subsidy to NGAs	Subsidy from National Government	40301010	1,181,882	
	Revenue and Expense Summary	30301010		1,181,882
	<i>To recognize closing of subsidy account</i>			
d. Revenue and Expense Summary	Revenue and Expense Summary	30301010	1,988,230	
	Accumulated Surplus/(Deficit)	30101010		1,988,230
	<i>To recognize closing of revenue and expense summary account</i>			
e. Cash Deposit Account	Accumulated Surplus/(Deficit)	30101010	1,320,100	
	Cash-Treasury/Agency Deposit, Regular	10104010		1,320,100
	<i>To recognize closing of cash deposit account</i>			

Transactions	AGENCY (except BIR, BOC and BTr) BOOKS			
	Account Title	Account Code	Debit	Credit
			Amount in Pesos	
POST CLOSING TRIAL BALANCE	AGENCY (except BIR and BOC)			
			Debit	Credit
	Cash-Collecting Officer	10101010	178,000	
	Accounts Receivable	10301010	135,000	
	Allowance for Impairment - Accounts Receivable	10301011		120
	Buildings	10604010	500,000	
	Accumulated Depreciation-Buildings	10604010		19,000
	Office Equipment	10605020	738,000	
	Accumulated Depreciation-Office Equipment	10605021		140,220
	Office Supplies Inventory	10404010	1,580	
	Accounts Payable	20101010		134,360
	Due to BIR	20201010		-
	Due to GSIS	20202020		1,275
	Due to Pag-IBIG	20202030		850
	Due to PhilHealth	20202040		43
	Accumulated Surplus/(Deficit)	30101010		1,256,713
	Total		1,552,580	1,552,580

## ILLUSTRATIVE ENTRIES

### REGULAR AGENCY FUND

Transactions	BUREAU OF CUSTOMS BOOKS			
	Account Title	Account Code	Debit	Credit
			Amount in Pesos	
<b>Assumptions:</b>				
<b>Beginning Balances</b>	<b>Beginning Balances</b>			
Office Equipment	20,000	Office Equipment	10605020	20,000
Building	200,000	Building	10604010	200,000
<b>Total Assets</b>	<b>220,000</b>	Due to BIR	20201010	542
		Due to GSIS	20202020	163
Due to BIR (PS)	542	Due to Pag-IBIG	20202030	108
Due to GSIS	163	Due to PhilHealth	20202040	5
Due to PagIBIG	108	Accounts Payable	20101010	5,000
Due to PhilHealth	5	Accumulated Surplus/(Deficit)	30101010	214,182
Accounts Payable	5,000		<b>220,000</b>	<b>220,000</b>
<b>Total Liabilities</b>	<b>5,818</b>			
Accumulated Surplus/(Deficit)	<b>214,182</b>			
<b>Net Assets/Equity</b>	<b>214,182</b>			
<b>Notes:</b>				
1- Not yet due and demandable obligations for undelivered office supplies	20			
2- AP pertains to unpaid training expenses				
<b>A. REVENUE</b>				
1) Collections and Remittances				
<b>A. Unbilled Tax Revenue</b>				
a.1 collection thru Agency Collecting Officer		Cash-Collecting Officers	10101010	360,000
Import Duties	350,000	Import Duties	40103010	350,000
Fines and Penalties Taxes on		Fines and Penalties Taxes on		
Goods and Services	10,000	Goods and Services	40105030	10,000
total	<u>360,000</u>	<i>To recognize collection of unbilled income</i>		
a.2 remittance		Cash-Treasury/Agency Deposit, Regular	10104010	288,000
		Cash-Collecting Officers	10101010	288,000
		<i>To recognize remittance of income to BTr</i>		
a.3 direct deposit thru Authorized Agent Banks		Cash-Treasury/Agency Deposit, Regular	10104010	257,000
Import Duties	250,000	Import Duties	40103010	250,000
Fines and Penalties Taxes on Go	7,000	Fines and Penalties Taxes on Goods and Service	40105030	7,000
	<u>257,000</u>	<i>To recognize collection/remittance of income to BTr through AGDBs/GSBs</i>		
<b>APPROPRIATIONS, ALLOTMENTS AND OBLIGATIONS</b>				
2) Receipt of GAA <i>Posting to the appropriate RAPAL</i>				
PS	100,000			
MOOE	50,000			
CO	100,000			
Total	<u>250,000</u>			
3) Receipt of allotment from the DBM <i>Posting to the appropriate RAPAL and RAOD</i>				
PS	90,000			
MOOE	45,000			
CO	90,000			
Total	<u>225,000</u>			
4) Incurrence of obligation <i>Posting of ORS to the appropriate RAOD</i>				
PS	70,000			
MOOE	43,000			
Capital Outlays	85,000			
	<u>198,000</u>			
5) Receipt of Notice of Cash of Allocation from DBM (net of tax)				
a) for current year's appropriation	160,000	Cash-Modified Disbursement System(MDS), Regular	10104040	160,000
		Subsidy from National Government	40301010	160,000
		<i>To recognize receipt of NCA from the DBM</i>		



Transactions	BUREAU OF CUSTOMS BOOKS			
	Account Title	Account Code	Debit	Credit
			Amount in Pesos	
b) for prior year's accounts payable and not yet due and demandable obligations	Cash-Modified Disbursement System(MDS), Regular	10104040	5,848	
	Subsidy from National Government	40301010		5,848
	<i>To recognize receipt of NCA from the DBM</i>			
6) Delivery of Office Equipment and Office Supplies for agency use (Assumption: Beginning of the year)				
a. Prior Year's obligation				
a.1 receipt of delivery	Office Supplies Inventory	10404010	20	
Office Supplies Inventory	Accounts Payable	20101010		20
	<i>To recognize delivery of Office Equipment and Supplies based on the Delivery Receipt (DR) and Inspection and Acceptance Report (IAR)</i>			
a.2. posting of payable to the Section C of ORS	<i>Posting to the payable column of Section C of the Obligation Request and Status (ORS)</i>			
b. Current year's purchases and delivery				
b.1 receipt of delivery	Office Equipment	10605020	59,500	
Office Equipment	Office Supplies Inventory	10404010	8,600	
Office Supplies Inventory	Accounts Payable	20101010		68,100
Total	<i>To recognize delivery of Office Equipment and Supplies based on the Delivery Receipt (DR) and Inspection and Acceptance Report (IAR)</i>			
b.2. posting of payable to the Section C of ORS	<i>Posting to the payable column of Section C of the Obligation Request and Status (ORS)</i>			
7) Payment of Personnel Benefits				
a. Set up of payable to Officers and Employees upon approval of payroll	Salaries and Wages Regular	50101010	65,000	
	Personnel Economic Relief Allowance (PERA)	50102010	4,000	
	Due to BIR	20201010		6,500
PERA	Due to PagIBIG	20202030		1,300
Gross Compensation	Due to PhilHealth	20202040		65
Withholding Tax	Due to Officers and Employees	20101020		59,185
GSIS	<i>To recognize liabilities to officers and employees upon approval of payroll</i>			
PAG-IBIG				
PhilHealth				
Total Deductions				
Net				
b. posting of payable to the Section C of ORS	<i>Posting to the payable column of Section C of the Obligation Request and Status (ORS)</i>			
c. Grant of Cash Advance for payroll	Advances for Payroll	19901010	59,185	
	Cash-Modified Disbursement System(MDS), Regular	10104040		59,185
	<i>To recognize grant of cash advance for payroll</i>			
d. posting of disbursement to the RAOD	<i>Posting to the payments column of Section C of the Obligation Request and Status (ORS)</i> <i>Posting to the disbursements column of the RAOD based on the report of disbursements</i>			
8) Liquidation of Payroll Fund	Due to Officers and Employees	20101020	59,185	
	Advances for Payroll	19901010		59,185
	<i>To recognize liquidation of Payroll Fund based on the Report of Disbursements and supporting documents submitted by the cashier</i>			

Transactions	BUREAU OF CUSTOMS BOOKS			
	Account Title	Account Code	Debit	Credit
			Amount in Pesos	
9) Payments of MOOE and accounts payable				
a. payment of expenses				
Traveling-Local (reimbursement)	2,752	Traveling Expenses-Local	50201010	2,752
Training	6,880	Training Expenses	50200010	6,880
Water	1,032	Water Expenses	50204010	1,032
Electricity	5,160	Electricity Expenses	50204020	5,160
Telephone	1,032	Telephone Expenses	50205020	1,032
Janitorial	688	Janitorial Services	50212020	688
Security	1,720	Security Services	50212030	1,720
Rent	13,760	Rent/Lease Expenses	50299050	13,760
	33,024	Due to BIR	20201010	1,283
Less: Withholding taxes*	1,283	Cash-Modified Disbursement System(MDS),		
Net	31,741	Regular	10104040	31,741
		<i>To recognize issuance of MDS checks based on the Report of Checks Issued (RCI)</i>		
* Withholding taxes:				
<b>Training</b>	<b>114</b>			
10% withholding tax (income)	7			
1% withholding tax on income	61			
5% withholding of final tax (VAT)	46			
<b>Water</b>	<b>21</b>			
<b>Electricity</b>	<b>258</b>			
<b>Telephone</b>	<b>52</b>			
<b>Janitorial</b>	<b>43</b>			
2% withholding tax on income	12			
5% withholding of final tax (VAT)	31			
<b>Security</b>	<b>108</b>			
2% withholding tax on income	31			
5% withholding of final tax (VAT)	77			
<b>Rent</b>	<b>688</b>			
Total Withholding taxes	1,283			
b. payment of accounts payable				
b.1 current year's accounts payable		Accounts Payable	20101010	54,480
		Due to BIR	20201010	2,919
Purchase of :		Cash-Modified Disbursement System(MDS),		
Office Equipment	47,600	Regular	10104040	51,561
Office Supplies Inventory	6,880	<i>To recognize payment of accounts payable</i>		
Total	54,480			
Less: Withholding tax	2,919			
1% withholding tax on income	486			
5% withholding of final tax (VAT)	2,432			
Net	51,561			
Breakdown of Wtax				
Office Equipment	2,550			
Office Supplies Inventory	369			
	2,919			
b.2 prior year's accounts payable		Accounts Payable	20101010	5,000
<u>MOOE</u>		Due to BIR	20201010	313
Total	5,000	Cash-Modified Disbursement System(MDS),		
Less: Withholding tax	313	Regular	10104040	4,688
2% withholding tax on income	89	<i>To recognize payment of accounts payable</i>		
5% withholding of final tax (VAT)	223			
Net	4,688			
b.3 prior year's obligation		Accounts Payable	20101010	20
<u>MOOE</u>		Due to BIR	20201010	1
Total	20	Cash-Modified Disbursement System(MDS),		
Less: Withholding tax	1	Regular	10104040	19
1% withholding tax on income	0	<i>To recognize payment of accounts payable</i>		
5% withholding of final tax (VAT)	1			
Net	19			
c. grant of cash advance for traveling expenses	1,000	Advances to Officers and Employees	19901040	1,000
		Cash-Modified Disbursement System(MDS),		
		Regular	10104040	1,000
		<i>To recognize grant of cash advance for travel</i>		

Transactions		BUREAU OF CUSTOMS BOOKS			
		Account Title	Account Code	Debit	Credit
				Amount in Pesos	
d. posting of disbursements to the registry		Posting to the payments column of Section C of the Obligation Request and Status (ORS)			
CY	84,302	Posting to the disbursements column of the			
PY	4,716	RAOD based on the report of disbursements			
	<u>89,018</u>				
e.liquidation of cash advance for traveling expenses-foreign	<u>950</u>	Traveling Expenses-Foreign	50201020	950	
		Advances to Officers and Employees	19901040		950
		To recognize liquidation of cash advance for travel			
f. receipt and deposit of refund of excess cash advance for traveling expenses	<u>50</u>	Cash-Collecting Officers	10101010	50	
		Advances to Officers and Employees	19901040		50
		To recognize refund of excess cash advance for travel			
		Cash-Treasury/Agency Deposit, Regular	10104010	50	
		Cash-Collecting Officers	10101010		50
		To recognize remittance of the refund of excess cash advance for travel			
e. posting of adjustment in disbursement to the registry	<u>50</u>	Posting of adjustments to the appropriate ORS and RAOD			
10) Remittance of Taxes thru TRA					
a. Constructive receipt of NCA for TRA consisting of:		Cash-Tax Remittance Advice	10104070	11,557	
PS	7,042	Subsidy from National Government	40301010		11,557
MOOE	1,966	To recognize constructive receipt of NCA for withholding taxes			
CO	2,550				
Total	<u>11,557</u>				
Breakdown per type of tax:					
Income Tax	7,729				
Business Tax	3,829				
Total	<u>11,557</u>				
b. Remittance of taxes thru TRA		Due to BIR	20201010	11,557	
		Cash-Tax Remittance Advice	10104070		11,557
		To recognize remittance of withholding taxes thru TRA			
Income Tax	7,729				
Business Tax	3,829				
Total	<u>11,557</u>				
d. posting of disbursement to the registry	<u>11,557</u>	Posting to the payments column of Section C of the Obligation Request and Status (ORS)			
		Posting to the disbursements column of the RAOD based on the report of disbursements			
11) Remittance of the following:					
GSIS	1,950	Due to GSIS	20202020	1,950	
PAG-IBIG	1,300	Due to PagIBIG	20202030	1,300	
PhilHealth	65	Due to PhilHealth	20202040	65	
	<u>3,315</u>	Cash-Modified Disbursement System(MDS), Regular	10104040		3,315
		To recognize remittance to GSIS, Pag-IBIG and PhilHealth			
12) Issuance of Supplies and Materials to end-users		Office Supplies Expenses	50203010	7,740	
		Office Supplies Inventory	10404010		7,740
		To take up issuance of supplies and materials based on the Monthly Report of Supplies and Materials Issued and supporting documents submitted by the property officer			
13) Adjustment for Unused NCA		Subsidy from National Government	40301010	14,329	
NCA Received	165,838	Cash-Modified Disbursement System(MDS), Regular	10104040		14,329
Payments	151,509	To recognize reversion of unused NCA			
	<u>14,329</u>				
14) Depreciation of Office Equipment(estimated life-5 years)		Depreciation-Machinery and Equipment	50501050	15,105	
Yearly Depreciation	<u>15,105</u>	Accumulated Depreciation-Office Equipment	10605021		15,105
		To recognize depreciation of office equipment			

Annex

Transactions	BUREAU OF CUSTOMS BOOKS			
	Account Title	Account Code	Debit	Credit
			Amount in Pesos	
15) Depreciation of Building with an estimated life of 25 years	Depreciation-Buildings and Other Structures	50501040	7,600	
Yearly Depreciation	Accumulated Depreciation-Buildings	10604010		7,600
	To recognize depreciation of office equipment			
PRECLOSING TRIAL BALANCE	BUREAU OF CUSTOMS BOOKS			
			Debit	Credit
	Cash-Collecting Officer	10101010	72,000	
	Cash-Treasury/Agency Deposit, Regular	10104010	545,050	
	Building	10604010	200,000	
	Accumulated Depreciation-Buildings	10604010		7,600
	Office Equipment	10605020	79,500	
	Accumulated Depreciation-Office Equipment	10605021		15,105
	Office Supplies Inventory	10404010	880	
	Accounts Payable	20101010		13,620
	Due to GSIS	20202020		163
	Due to PagIBIG	20202030		108
	Due to PhilHealth	20202040		5
	Import Duties	40103010		600,000
	Fines and Penalties Taxes on Goods and Services	40105030		17,000
	Subsidy from National Government	40301010		163,066
	Salaries and Wages Regular	50101010	65,000	
	Personnel Economic Relief Allowance (PERA)	50102010	4,000	
	Traveling Expenses -Local	50201010	2,752	
	Traveling Expenses -Foreign	50201020	950	
	Training Expenses	50200010	6,880	
	Office Supplies Expenses	50203010	7,740	
	Water Expenses	50204010	1,032	
	Electricity Expenses	50204020	5,160	
	Telephone Expenses	50205020	1,032	
	Janitorial Services	50212020	688	
	Security Services	50212030	1,720	
	Rent/Lease Expenses	50299050	13,760	
	Depreciation-Buildings and Other Structures	50501040	7,600	
	Depreciation-Machinery and Equipment	50501050	15,105	
	Accumulated Surplus/(Deficit)	30101010		214,182
			1,030,849	1,030,849
15) Closing entries for:				
a. Income Accounts	Import Duties	40103010	600,000	
	Fines and Penalties Taxes on Goods and Services	40105030	17,000	
	Revenue and Expense Summary	30301010		617,000
	To recognize closing of income accounts			
b. Expense Accounts	Revenue and Expense Summary	30301010	133,419	
	Salaries and Wages Regular	50101010		65,000
	Personnel Economic Relief Allowance (PERA)	50102010		4,000
	Traveling Expenses -Local	50201010		2,752
	Traveling Expenses -Foreign	50201020		950
	Training Expenses	50200010		6,880
	Office Supplies Expenses	50203010		7,740
	Water Expenses	50204010		1,032
	Electricity Expenses	50204020		5,160
	Telephone Expenses	50205020		1,032
	Janitorial Services	50212020		688
	Security Services	50212030		1,720
	Rent/Lease Expenses	50299050		13,760
	Depreciation-Buildings and Other Structures	50501040		7,600
	Depreciation-Machinery and Equipment	50501050		15,105
	To recognize closing of expense accounts			
c. Subsidy from NG	Subsidy from National Government	40301010	163,066	
	Revenue and Expense Summary	30301010		163,066
	To recognize closing of subsidy account			
d. Revenue and Expense Summary	Revenue and Expense Summary	30301010	646,647	
	Accumulated Surplus/(Deficit)	30101010		646,647
	To recognize closing of revenue and expense summary account			

Transactions	BUREAU OF CUSTOMS BOOKS			
	Account Title	Account Code	Debit	Credit
			Amount in Pesos	
e. Cash Deposit Account	Accumulated Surplus/(Deficit)	30101010	545,050	
	Cash-Treasury/Agency Deposit, Regular	10104010		545,050
	<i>To recognize closing of cash deposit account</i>			

## POSTCLOSING TRIAL BALANCE

BUREAU OF CUSTOMS BOOKS				
			Debit	Credit
Cash-Collecting Officer	10101010		72,000	
Buildings	10604010		200,000	
Accumulated Depreciation-Buildings	10604010			7,600
Office Equipment	10605020		79,500	
Accumulated Depreciation-Office Equipment	10605021			15,105
Office Supplies Inventory	10404010		880	
Accounts Payable	20101010			13,620
Due to GSIS	20202020			163
Due to Pag-IBIG	20202030			108
Due to PhilHealth	20202040			5
Accumulated Surplus/(Deficit)	30101010			315,779
Total			352,380	352,380

**ILLUSTRATIVE ENTRIES**  
**REGULAR AGENCY FUND**

Transactions		BUREAU OF INTERNAL REVENUE BOOKS			
		Account Title	Account Code	Debit	Credit
				Amount in Pesos	
Assumptions:					
Beginning Balances					
Office Equipment	30,000	Office Equipment	10605020	30,000	
Building	400,000	Building	10604010	400,000	
Total Assets	430,000	Due to BIR	20201010		708
		Due to GSIS	20202020		213
Due to BIR (PS)	708	Due to Pag-IBIG	20202030		142
Due to GSIS	213	Due to PhilHealth	20202040		7
Due to PagIBIG	142	Accounts Payable	20101010		10,000
Due to PhilHealth	7	Accumulated Surplus/(Deficit)	30101010		418,930
Accounts Payable	10,000				
Total Liabilities	11,070			430,000	430,000
Accumulated Surplus/(Deficit)	418,930				
Net Assets/Equity	418,930				

**Notes:**

- 1- Not yet due and demandable obligations  
for undelivered office supplies
- 2- AP pertains to unpaid training expenses

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**A. REVENUE**

## 1) Collections and Remittances

**a. Unbilled Tax Revenue**

## a.1 collection thru Agency Collecting Officer

Cash-Collecting Officers	10101010	1,940,000	
Income Tax	40101010		1,500,000
Professional Tax	40101020		100,000
Estate Tax	40102010		5,000
Donors Tax	40102020		4,000
Capital Gains Tax	40102030		5,000
Excise Tax	40103020		10,000
Business Tax	40103030		300,000
Tax on Sand, Gravel and Other			
Quarry Products	40103040		3,000
Tax on Delivery Vans and Trucks	40103050		5,000
Documentary Stamp Tax	40104010		1,000
Other Taxes	40104990		1,500
Fines and Penalties Taxes on			
Individual and Corporation	40105010		500
Fines and Penalties Other Taxes			
total	40105040		5,000

*To recognize collection of unbilled income*

## a.2 remittance

Cash-Treasury/Agency Deposit, Regular	10104010	1,746,000	
Cash-Collecting Officers	10101010		1,746,000

*To recognize remittance of income to BTr*

## a.3 direct deposit thru Authorized Agent Banks

Cash-Treasury/Agency Deposit, Regular	10104010	968,000	
Income Tax	40101010		700,000
Professional Tax	40101020		100,000
Travel Tax	40102010		10,000
Immigration Tax	40102020		8,000
Estate Tax	40102030		10,000
Donors Tax	40103020		75,000
Capital Gains Tax	40103030		50,000
Import Duties	40103040		5,000
Excise Tax	40103050		2,000
Business Tax	40104010		3,000
Tax on Sand, Gravel and Other Quarry	40104990		1,500
Tax on Delivery Vans and Trucks			
Documentary Stamp Tax	40105010		500
Other Taxes			
Fines and Penalties-Taxes on			
Individual and Corporation	40105040		3,000
Fines and Penalties Other Taxes			
total			968,000

*To recognize collection/remittance of income to BTr through AGDBs/GSBs*

Transactions	BUREAU OF INTERNAL REVENUE BOOKS			
	Account Title	Account Code	Debit	Credit
			Amount in Pesos	
APPROPRIATIONS, ALLOTMENTS AND OBLIGATIONS				
2) Receipt of GAA	Posting to the appropriate RAPAL			
PS	150,000			
MOOE	100,000			
CO	200,000			
Total	<u>450,000</u>			
3) Receipt of allotment from the DBM	Posting to the appropriate RAPAL and RAOD			
PS	130,000			
MOOE	95,000			
CO	190,000			
Total	<u>415,000</u>			
4) Incurrence of obligation	Posting of ORS to the appropriate RAOD			
PS	100,000			
MOOE	91,000			
Capital Outlays	185,000			
	<u>376,000</u>			
5) Receipt of Notice of Cash of Allocation from DBM (net of tax)	Cash-Modified Disbursement System			
a) for current year's appropriation	(MDS), Regular	10104040	300,000	
	Subsidy from National Government	40301010		300,000
	To recognize receipt of NCA from the DBM			
b) for prior year's accounts payable and not yet due and demandable obligations	Cash-Modified Disbursement System			
	(MDS), Regular	10104040	11,090	
	Subsidy from National Government	40301010		11,090
	To recognize receipt of NCA from the DBM			
6) Delivery of Office Equipment and Office Supplies for agency use (Assumption: Beginning of the year)				
a. Prior Year's obligation				
a.1 receipt of delivery	Office Supplies Inventory	10404010	20	
Office Supplies Inventory	Accounts Payable	20101010		20
	To recognize delivery of Office Equipment and Supplies based on the Delivery Receipt (DR) and Inspection and Acceptance Report (IAR)			
a.2. posting of payable to the Section C of ORS	Posting to the payable column of Section C of the Obligation Request and Status (ORS)			
b. Current year's purchases and delivery				
b.1 receipt of delivery	Office Equipment	10605020	129,500	
Office Equipment	Office Supplies Inventory	10404010	18,200	
Office Supplies Inventory	Accounts Payable	20101010		147,700
Total	<u>147,700</u>			
	To recognize delivery of Office Equipment and Supplies based on the Delivery Receipt (DR) and Inspection and Acceptance Report (IAR)			
b.2. posting of payable to the Section C of ORS	Posting to the payable column of Section C of the Obligation Request and Status (ORS)			

Transactions		BUREAU OF INTERNAL REVENUE BOOKS			
		Account	Account	Debit	Credit
		Title	Code	Amount in Pesos	
7) Payment of Personnel Benefits					
a. Set up of payable to Officers and Employees upon approval of payroll		Salaries and Wages Regular	50101010	85,000	
Salaries and Wages	85,000	Personnel Economic Relief Allowance (PERA)	50102010	5,000	
PERA	5,000	Due to BIR	20201010		8,500
Gross Compensation	90,000	Due to GSIS	20202020		2,550
Withholding Tax	8,500	Due to PagIBIG	20202030		1,700
GSIS	2,550	Due to PhilHealth	20202040		85
PAG-IBIG	1,700	Due to Officers and Employees	20101020		77,165
PhilHealth	85	<i>To recognize liabilities to officers and employees upon approval of payroll</i>			
Total Deductions	12,835				
Net	77,165				
b. posting of payable to the Section C of ORS		<i>Posting to the payable column of Section C of the Obligation Request and Status (ORS)</i>			
c. Grant of Cash Advance for payroll	77,165	Advances for Payroll	19901010	77,165	
		Cash-Modified Disbursement System (MDS), Regular	10104040		77,165
		<i>To recognize grant of cash advance for payroll</i>			
d. posting of disbursement to the RAOD	77,165	<i>Posting to the payments column of Section C of the Obligation Request and Status (ORS)</i>			
		<i>Posting to the disbursements column of the RAOD based on the report of disbursements</i>			
8) Liquidation of Payroll Fund	77,165	Due to Officers and Employees	20101020	77,165	
		Advances for Payroll	19901010		77,165
		<i>To recognize liquidation of Payroll Fund based on the Report of Disbursements and supporting documents submitted by the cashier</i>			
9) Payments of MOOE and accounts payable					
a. payment of expenses		Traveling Expenses -Local	50201010	5,824	
Traveling-Local (reimbursement)	5,824	Training Expenses	50200010	14,560	
Training	14,560	Water Expenses	50204010	2,184	
Water	2,184	Electricity Expenses	50204020	10,920	
Electricity	10,920	Telephone Expenses	50205020	2,184	
Telephone	2,184	Janitorial Services	50212020	1,456	
Janitorial	1,456	Security Services	50212030	3,640	
Security	3,640	Rent/Lease Expenses	50299050	29,120	
Rent	29,120	Due to BIR	20201010		2,715
	69,888	Cash-Modified Disbursement System (MDS), Regular	10104040		67,173
Less: Withholding taxes*	2,715	<i>To recognize issuance of MDS checks based on the Report of Checks Issued (RCI)</i>			
Net	67,173				
* Withholding taxes:					
<b>Training</b>	<b>242</b>				
10% withholding tax (income)	15				
1% withholding tax on income	130				
5% withholding of final tax (VAT)	98				
<b>Water</b>	<b>44</b>				
<b>Electricity</b>	<b>546</b>				
<b>Telephone</b>	<b>109</b>				
<b>Janitorial</b>	<b>91</b>				
2% withholding tax on income	26				
5% withholding of final tax (VAT)	65				
<b>Security</b>	<b>228</b>				
2% withholding tax on income	65				
5% withholding of final tax (VAT)	163				
<b>Rent</b>	<b>1,456</b>				
Total Withholding taxes	2,715				



Transactions	BUREAU OF INTERNAL REVENUE BOOKS			
	Account Title	Account Code	Debit	Credit
			Amount in Pesos	
b. payment of accounts payable				
b.1 current year's accounts payable	Accounts Payable	20101010	118,160	
Purchase of :	Due to BIR	20201010		6,330
Office Equipment	Cash-Modified Disbursement System			
Office Supplies Inventory	(MDS), Regular	10104040		111,830
Total	<i>To recognize payment of accounts payable</i>			
Less: Withholding tax				
1% withholding tax on income				
5% withholding of final tax (VAT)				
Net				
Breakdown of Wtax				
Office Equipment				
Office Supplies Inventory				
b.2 prior year's accounts payable	Accounts Payable	20101010	10,000	
MOOE	Due to BIR	20201010		625
Total	Cash-Modified Disbursement System			
Less: Withholding tax	(MDS), Regular	10104040		9,375
2% withholding tax on income	<i>To recognize payment of accounts payable</i>			
5% withholding of final tax (VAT)				
Net				
b.3 prior year's obligation	Accounts Payable	20101010	20	
MOOE	Due to BIR	20201010		1
Total	Cash-Modified Disbursement System			
Less: Withholding tax	(MDS), Regular	10104040		19
1% withholding tax on income	<i>To recognize payment of accounts payable</i>			
5% withholding of final tax (VAT)				
Net				
c. grant of cash advance for traveling expenses	Advances to Officers and Employees	19901040	1,500	
	Cash-Modified Disbursement System			
	(MDS), Regular	10104040		1,500
	<i>To recognize grant of cash advance for travel</i>			
d. posting of disbursements to the registry	<i>Posting to the payments column of Section C of the Obligation Request and Status (ORS)</i>			
CY				
PY	<i>Posting to the disbursements column of the RAOD based on the report of disbursements</i>			
e. liquidation of cash advance for traveling expenses -foreign	Traveling Expenses -Foreign	50201020	1,425	
	Advances to Officers and Employees	19901040		1,425
	<i>To recognize liquidation of cash advance for travel</i>			
f. receipt and deposit of refund of excess cash advance for traveling expenses	Cash-Collecting Officers	10101010	75	
	Advances to Officers and Employees	19901040		75
	<i>To recognize refund of excess cash advance for travel</i>			
	Cash-Treasury/Agency Deposit, Regular	10104010	75	
	Cash-Collecting Officers	10101010		75
	<i>To recognize remittance of the refund of excess cash advance for travel</i>			
e. posting of adjustment in disbursement to the registry	<i>Posting of adjustments to the appropriate ORS and RAOD</i>			
10) Remittance of Taxes thru TRA				
a. Constructive receipt of NCA for TRA consisting of:	Cash-Tax Remittance Advice	10104070	18,880	
PS	Subsidy from National Government	40301010		18,880
MOOE	<i>To recognize constructive receipt of NCA for withholding taxes</i>			
CO				
Total				
Breakdown per type of tax:				
Income Tax				
Business Tax				
Total				

Transactions	BUREAU OF INTERNAL REVENUE BOOKS			
	Account Title	Account Code	Debit	Credit
			Amount in Pesos	
b. Remittance of taxes thru TRA	Due to BIR	20201010	18,880	
	Cash-Tax Remittance Advice	10104070		18,880
	<i>To recognize remittance of withholding</i>			
Income Tax				
Business Tax				
Total				
c. Responding entry of BIR for the following taxes:	Cash-Tax Remittance Advice	10104070	117,897	
c.1 Remitted by Agencies (other than BIR/BOC)	Income Tax	40101010		79,092
Income Tax	Business Tax	40103030		38,805
Business Tax	<i>To recognize responding entry in BIR books for remittance</i>			
Total	<i>of withholding taxes thru TRA</i>			
c.2 Remitted by BOC				
Income Tax				
Business Tax				
Total				
c.3 Remitted by BIR				
Income Tax				
Business Tax				
Total				
GRAND TOTAL				
Income Tax				
Business Tax				
d. posting of disbursement to the registry	<i>Posting to the payments column of Section C of the Obligation Request and Status (ORS)</i>			
	<i>Posting to the disbursements column of the RAOD based on the report of disbursements</i>			
11) Remittance of the following:				
GSIS	Due to GSIS	20202020	2,550	
PAG-IBIG	Due to PagIBIG	20202030	1,700	
PhilHealth	Due to PhilHealth	20202040	85	
	Cash-Modified Disbursement System (MDS), Regular	10104040		4,335
	<i>To recognize remittance to GSIS, Pag-IBIG and PhilHealth</i>			
12) Issuance of Supplies and Materials to end-users	Office Supplies Expenses	50203010	11,830	
	Office Supplies Inventory	10404010		11,830
	<i>To take up issuance of supplies and materials based on the Monthly Report of Supplies and Materials Issued and supporting documents submitted by the property officer</i>			
13) Adjustment for Unused NCA	Subsidy from National Government	40301010	39,693	
NCA Received	Cash-Modified Disbursement System (MDS), Regular	10104040		39,693
Payments	<i>To recognize reversion of unused NCA</i>			
14) Depreciation of Office Equipment (estimated life-5 years)	Depreciation-Machinery and Equipment	50501050	30,305	
Yearly Depreciation	Accumulated Depreciation-Office Equipment	10605021		30,305
	<i>To recognize depreciation of office equipment</i>			
15) Depreciation of Building with an estimated life of 25 years	Depreciation-Buildings and Other Structures	50501040	15,200	
Yearly Depreciation	Accumulated Depreciation-Buildings	10604010		15,200
	<i>To recognize depreciation of office equipment</i>			
PRECLOSING TRIAL BALANCE	BUREAU OF INTERNAL REVENUE BOOKS			
			Debit	Credit
	Cash-Collecting Officer	10101010	194,000	
	Cash-Treasury/Agency Deposit, Regular	10104010	2,714,075	
	Cash-Tax Remittance Advice	10104070	117,897	
	Office Supplies Inventory	10404010	6,390	
	Buildings	10604010	400,000	
	Accumulated Depreciation-Buildings	10604010		15,200
	Office Equipment	10605020	159,500	
	Accumulated Depreciation-Office Equipment	10605021		30,305
	Accounts Payable	20101010		29,540
	Due to GSIS	20202020		213
	Due to PagIBIG	20202030		142
	Due to PhilHealth	20202040		7

Transactions	BUREAU OF INTERNAL REVENUE BOOKS			
	Account	Account	Debit	Credit
	Title	Code	Amount in Pesos	
	Income Tax	40101010		2,279,092
	Professional Tax	40101020		200,000
	Estate Tax	40102010		15,000
	Donors Tax	40102020		12,000
	Capital Gains Tax	40102030		15,000
	Excise Tax	40103020		85,000
	Business Tax	40103030		388,805
	Tax on Sand, Gravel and Other Quarry Products	40103040		8,000
	Tax on Delivery Vans and Trucks	40103050		7,000
	Documentary Stamp Tax	40104010		4,000
	Other Taxes	40104990		3,000
	Corporation	40105010		1,000
	Fines and Penalties Other Taxes	40105040		8,000
	Subsidy from National Government	40301010		290,276
	Salaries and Wages Regular	50101010	85,000	
	Personnel Economic Relief Allowance (PERA)	50102010	5,000	
	Traveling Expenses -Local	50201010	5,824	
	Traveling Expenses -Foreign	50201020	1,425	
	Training Expenses	50200010	14,560	
	Office Supplies Expenses	50203010	11,830	
	Water Expenses	50204010	2,184	
	Electricity Expenses	50204020	10,920	
	Telephone Expenses	50205020	2,184	
	Janitorial Services	50212020	1,456	
	Security Services	50212030	3,640	
	Rent/Lease Expenses	50299050	29,120	
	Depreciation-Buildings and Other Structures	50501040	15,200	
	Depreciation-Machinery and Equipment	50501050	30,305	
	Accumulated Surplus/(Deficit)	30101010		418,930
	Total		3,810,510	3,810,510

## 15) Closing entries for:

## a. Income Accounts

Income Tax	40101010	2,279,092	
Professional Tax	40101020	200,000	
Estate Tax	40102010	15,000	
Donors Tax	40102020	12,000	
Capital Gains Tax	40102030	15,000	
Excise Tax	40103020	85,000	
Business Tax	40103030	388,805	
Tax on Sand, Gravel and Other Quarry Products	40103040	8,000	
Tax on Delivery Vans and Trucks	40103050	7,000	
Documentary Stamp Tax	40104010	4,000	
Other Taxes	40104990	3,000	
Fines and Penalties Taxes on Individual and Corporation	40105010	1,000	
Fines and Penalties Other Taxes	40105040	8,000	
Revenue and Expense Summary	30301010		3,025,897
<i>To recognize closing of income accounts</i>			

## b. Expense Accounts

Revenue and Expense Summary	30301010	218,648	
Salaries and Wages Regular	50101010		85,000
Personnel Economic Relief Allowance (PERA)	50102010		5,000
Office Supplies Expenses	50203010		11,830
Traveling Expenses -Local	50201010		5,824
Traveling Expenses -Foreign	50201020		1,425
Training Expenses	50200010		14,560
Water Expenses	50204010		2,184
Electricity Expenses	50204020		10,920
Telephone Expenses	50205020		2,184
Janitorial Services	50212020		1,456
Security Services	50212030		3,640
Rent/Lease Expenses	50299050		29,120
Depreciation-Buildings and Other Structures	50501040		15,200
Depreciation-Machinery and Equipment	50501050		30,305
<i>To recognize closing of expense accounts</i>			

## c. Subsidy from NG

Subsidy from National Government	40301010	290,276	
Revenue and Expense Summary	30301010		290,276
<i>To recognize closing of subsidy account</i>			

## d. Revenue and Expense Summary

Revenue and Expense Summary	30301010	3,097,526	
Accumulated Surplus/(Deficit)	30101010		3,097,526
<i>To recognize closing of revenue and expense summary account</i>			

Transactions	BUREAU OF INTERNAL REVENUE BOOKS			
	Account	Account	Debit	Credit
	Title	Code	Amount in Pesos	
e. Cash Deposit Account	Accumulated Surplus/(Deficit)	30101010	2,714,075	
	Cash-Treasury/Agency Deposit, Regular	10104010		2,714,075
	<i>To recognize closing of cash deposit account</i>			
f. Cash -TRA Account	Accumulated Surplus/(Deficit)	30101010	117,897	
	Cash-Tax Remittance Advice	10104070		117,897
	<i>To recognize closing of Cash-TRA account</i>			

## POSTCLOSING TRIAL BALANCE

Bureau of Internal Revenue				
			Debit	Credit
Cash-Collecting Officer	10101010		194,000	
Buildings	10604010		400,000	
Accumulated Depreciation-Buildings	10604010			15,200
Office Equipment	10605020		159,500	
Accumulated Depreciation-Office Equipment	10605021			30,305
Office Supplies Inventory	10404010		6,390	
Accounts Payable	20101010			29,540
Due to GSIS	20202020			213
Due to Pag-IBIG	20202030			142
Due to PhilHealth	20202040			7
Accumulated Surplus/(Deficit)	30101010			684,484
Total			759,890	759,890

**ILLUSTRATIVE ENTRIES**  
**REGULAR AGENCY FUND**

Transactions		BUREAU OF THE TREASURY BOOKS			
		Account Title	Account Code	Debit	Credit
				Amount in Pesos	
Assumptions:		Assumptions:			
Beginning Balances		Beginning Balances			
Cash in Bank, SA-BSP	1,500,000	Cash in Bank, LC-BSP	10102010	1,500,000	
Total Assets	1,500,000	Accumulated Surplus/(Deficit)	30101010		1,500,000
				1,500,000	1,500,000
Accumulated Surplus/(Deficit)	1,500,000				
Net Assets/Equity	1,500,000				
A. REVENUE					
1) Remittances					
a. Prior year's Billed Revenue/Income					
a.1 responding entry for remittance of collection from:		Cash in Bank, LC-BSP	10102010	10,000	
Agencies (except BIR and BOC)	10,000	Cash-Treasury/Agency Deposit, Regular	10104010		10,000
		To recognize receipt of remittance of income from agencies			
b. CY Billed Revenue/Income					
b. 1 responding entry for remittance of billed revenue from:		Cash in Bank, LC-BSP	10102010	162,000	
Agencies (except BIR and BOC)	162,000	Cash-Treasury/Agency Deposit, Regular	10104010		162,000
		To recognize receipt of remittance of income from agencies			
c. Unbilled Tax Revenue					
c. 1 responding entry for remittance of unbilled tax revenue from:		Cash in Bank-BSP or	10102010		
Agencies (except BIR and BOC)	270,000	Cash in Bank-Local			
BIR	1,746,000	Currency, Savings Account	10102030	2,304,000	
BOC	288,000	Cash-Treasury/Agency Deposit, Regular	10104010		2,304,000
total	2,304,000	To recognize receipt of remittance of income from agencies			
c.2 responding entry for direct deposit thru Authorized Agent Banks		Cash in Bank-BSP or	10102010		
Agencies (except BIR and BOC)	275,000	Cash in Bank-Local Currency, Savings Account	10102030	1,500,000	
BIR	968,000	Cash-Treasury/Agency Deposit, Regular	10104010		1,500,000
BOC	257,000	To recognize receipt of remittance of income from agencies			
total	1,500,000				
d. Unbilled Service Income					
d.1 responding entry for remittance of unbilled service income from:		Cash in Bank-BSP or	10102010		
Agencies (except BIR and BOC)	600,000	Cash in Bank-Local			
		Currency, Savings Account	10102030	600,000	
		Cash-Treasury/Agency Deposit, Regular	10104010		600,000
		To recognize receipt of remittance of income from agencies			
e. Unbilled Business Income without authority to use					
e.1 responding entry for remittance of business income without authority to use from:		Cash in Bank-BSP or	10102010		
Agencies (except BIR and BOC)	3,000	Cash in Bank Local Currency, Savings Account	10102030	3,000	
		Cash Treasury/Agency Deposit, Regular	10104010		3,000
		To recognize receipt of remittance of income from agencies			
2) Responding entry for Cash Advances for Payroll charged to MDS account:					
Agencies (except BIR and BOC)	487,990	Subsidy to NGAs	50214010	624,340	
BIR	77,165	Cash in Bank Local Currency, Current Account	10102020	624,340	624,340
BOC	59,185	Cash in Bank Local Currency, Savings Account	10102030		624,340
total	624,340	To recognize MDS checks negotiated			
3) Responding entry for Payments of MOOE and accounts payable					
a. current year's MOOE		Subsidy to NGAs	50214010	150,382	
Agencies (except BIR and BOC)	487,990	Cash in Bank Local Currency, Current Account	10102020	150,382	150,382
BIR	77,165	Cash in Bank Local Currency, Savings Account	10102030		150,382
BOC	59,185				
total	624,340	To recognize MDS checks negotiated			

Transactions		BUREAU OF THE TREASURY BOOKS			
		Account Title	Account Code	Debit	Credit
				Amount in Pesos	
b. payment of accounts payable					
Agencies (except BIR and BOC)	508,649	Subsidy to NGAs	50214010	672,040	
BIR	111,830	Cash in Bank Local Currency,			
BOC	51,561	Current Account	10102020	672,040	672,040
total	<u>672,040</u>	Cash in Bank Local Currency,			
		Savings Account	10102030		672,040
		<i>To recognize MDS checks negotiated</i>			
c. prior year's accounts payable					
Agencies (except BIR and BOC)	18,750	Subsidy to NGAs	50214010	32,813	
BIR	9,375	Cash in Bank Local Currency,			
BOC	4,688	Current Account	10102020	32,813	32,813
total	<u>32,813</u>	Cash in Bank Local Currency,			
		Savings Account	10102030		32,813
		<i>To recognize MDS checks negotiated</i>			
b.3 prior year's obligation					
Agencies (except BIR and BOC)	189	Subsidy to NGAs	50214010	227	
BIR	19	Cash in Bank Local Currency,			
BOC	19	Current Account	10102020	227	227
total	<u>227</u>	Cash in Bank Local Currency,			
		Savings Account	10102030		227
		<i>To recognize MDS checks negotiated</i>			
c. grant of cash advance for traveling expenses					
Agencies (except BIR and BOC)	2,000	Subsidy to NGAs	50214010	4,500	
BIR	1,500	Cash in Bank Local Currency,			
BOC	1,000	Current Account	10102020	4,500	4,500
total	<u>4,500</u>	Cash in Bank Local Currency,			
		Savings Account	10102030		4,500
		<i>To recognize MDS checks negotiated</i>			
4) Responding entry for remittance of Taxes thru TRA					
c. Responding entries: BIR/BTr					
Agencies (except BIR and BOC)	87,460	Subsidy to NGAs	50214010	117,898	
BIR	18,880	Cash-Tax Remittance Advice	10104070		117,898
BOC	11,557	<i>To recognize responding entry in BTr books</i>			
total	<u>117,897</u>	for remittance by agencies of withholding taxes			
		<i>thru TRA</i>			

## PRECLOSING TRIAL BALANCE

BTr BOOKS			
Account Title	Account Code	Debit	Credit
Cash in Bank Local Currency,			
Savings Account	10102030	5,444,660	
Cash-Treasury/Agency Deposit, Regular	10104010		4,569,000
Cash-Tax Remittance Advice	10104070		117,897
Subsidy to NGAs	50214010	742,237	
Accumulated Surplus/(Deficit)	30101010		1,500,000
Total		<u>6,186,897</u>	<u>6,186,897</u>

## 15) Closing entries for:

c. Subsidy from NG and Subsidy to NGAs				
	Revenue and Expense Summary	30301010	1,564,660	
	Subsidy to NGAs	50214010		1,564,660
	<i>To recognize closing of subsidy account</i>			
d. Revenue and Expense Summary				
	Accumulated Surplus/(Deficit)	30101010	1,564,660	
	Revenue and Expense Summary	30301010		1,564,660
	<i>To recognize closing of revenue and expense summary account</i>			
e. Cash Deposit Account				
	Cash Treasury/Agency Deposit, Regular	10104010	4,569,000	
	Accumulated Surplus/(Deficit)	30101010		4,569,000
	<i>To recognize closing of cash deposit account</i>			
f. Cash -TRA Account				
	Cash-Tax Remittance Advice	10104070	117,898	
	Accumulated Surplus/(Deficit)	30101010		117,898
	<i>To recognize closing of Cash-TRA account</i>			

Transactions	BUREAU OF THE TREASURY BOOKS			
	Account Title	Account Code	Debit	Credit
			Amount in Pesos	
POSTCLOSING TRIAL BALANCE	BTr BOOKS			
	Account Title	Account Code	Debit	Credit
	Cash in Bank-BSP or			
	Cash in Bank Local Currency,			
	Savings Account	10102030	5,444,660	
	Accumulated Surplus/(Deficit)	30101010		5,444,660
			5,444,660	5,444,660

Total

## ILLUSTRATIVE ENTRIES

### FOREIGN ASSISTED PROJECTS FUND

#### Case 1: Cash Availment of Loan Proceeds by NGAs (Through Special Account (SA)/Imprest Account (IMA) Procedure)

Particulars	National Government Agency				Bureau of the Treasury			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
1. Receipt of appropriation (General Appropriations Act)	<u>60,000,000</u>	Posting to the appropriate RAPAL						
2. Receipt of loan proceeds								
a. Receipt of Credit Advice from BSP	<u>25,000,000</u>				Cash in Bank-Foreign Currency,			
					Bangko Sentral ng Pilipinas	10103010	25,000,000	
					Loans Payable-Foreign	20102050		25,000,000
OR					To recognize receipt of loan proceeds based on credit advice from BSP			
b. Receipt of Credit Advice from LBP					Cash in Bank-Foreign Currency,			
Loan	25,000,000				Savings Account	10103030	25,000,000	
Bank Charges	2,500				Bank Charges	50301040	2,500	
Total Loan	<u>25,002,500</u>				Loans Payable-Foreign	20102050		25,002,500
					To recognize receipt of loan proceeds based on credit advice from LBP			
3. Receipt of allotment from the DBM	<u>25,000,000</u>	Posting to the appropriate RAPAL and RAOD						



Particulars	National Government Agency				Bureau of the Treasury			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
4. Transfer of cash to agency account	25,000,000				Subsidy to NGAs	50214010	25,000,000	
					Cash in Bank-Foreign Currency, Bangko Sentral ng Pilipinas	10103010		25,000,000
					To recognize receipt of loan proceeds based on credit advice from BSP			
					OR			
					Subsidy to NGAs	50214010	25,000,000	
					Cash in Bank-Foreign Currency, Savings Account	10103030		25,000,000
					To recognize receipt of loan proceeds based on credit advice from LBP			
5. Receipt of NCA and establishment of working fund	Cash in Bank-Foreign Currency, Savings Account or	10103030	25,000,000					
	Cash in Bank-Foreign Currency, Current Account	10103020						
	Bank Charges	50301040	2,500					
	Subsidy from National Government	40301010		25,002,500				
	To recognize NCA received for the establishment of working fund							
6. Incurrence of obligation Construction in Progress- Infrastructure Assets	25,000,000	Posting of ORS to the appropriate RAOD						
7. Receipt of surety bond from contractor as performance bond	No entry (notation in the creditor's subsidiary ledger and CIPLC)							
8. Payment to Contractors and remittance to BIR	Advances to Contractors	19902010	9,000,000					
a. Advance Payment	Cash in Bank-Foreign Currency,							
Total Contract	60,000,000	Current Account	10103020	9,000,000				
	To recognize payment of 15% contractor of contract amount as advances to							

Particulars	National Government Agency				Bureau of the Treasury			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
b. Receipt of Progress Billings and payment to the contractor	Construction in Progress-Infrastructure Assets	10699020	20,000,000					
Total Progress Bill 20,000,000	Advances to Contractors	19902010		3,000,000				
Less:	Accounts Payable	20101010		17,000,000				
Advances 3,000,000	<i>To recognize payable to the contractor</i>							
10% retention (warranty) 2,500,000	<i>based the progress billings</i>							
Withholding tax								
Tax Basis 17,857,143	Accounts Payable	20101010	17,000,000					
VAT(5% 892,857	Guaranty/Security Deposits							
EWT(2' 357,143 1,250,000	Payable	20401040		2,500,000				
Net Amount to be paid 13,250,000	Due to BIR	20201010		1,250,000				
	Cash in Bank-Foreign Currency, Current Account	10103020		13,250,000				
	<i>To recognize payment to contractor</i>							
c. Remittance to BIR	Due to BIR	20201010	1,250,000					
	Cash in Bank-Foreign Currency, Current Account	10103020		1,250,000				
	<i>To recognize remittance of BIR withholding tax</i>							
9. Receipt of replenishment of working fund								
a. Receipt of Credit Advice from BSP					Cash in Bank-Foreign Currency, Bangko Sentral ng Pilipinas	10103010	25,000,000	
Receipt 25,000,000					Loans Payable-Foreign	20102050		25,000,000
Payment 23,500,000					<i>To recognize receipt of loan proceeds based on credit advice from BSP</i>			
Cash Balance 1,500,000								
OR								
b. Receipt of Credit Advice from LBP					Cash in Bank-Foreign Currency, Savings Account	10103030	23,500,000	
					Bank Charges	50301040	2,350	
					Loans Payable-Foreign	20102050		23,502,350
					<i>To recognize receipt of loan proceeds based on credit advice from LBP</i>			

Particulars	National Government Agency				Bureau of the Treasury			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
10. Receipt of allotment from the DBM	<i>Posting to the appropriate RAPAL and RAOD</i>							
11. Transfer of cash to agency account					Subsidy to NGAs	50214010	23,500,000	
					Cash in Bank-Foreign Currency, Bangko Sentral ng Pilipinas	10103010		23,500,000
					OR			
					Subsidy to NGAs	50214010	23,500,000	
					Cash in Bank-Foreign Currency, Savings Account	10103030		23,500,000
12. Receipt of replenishment of working fund	Cash in Bank-Foreign Currency, Savings Account or	10103030	23,500,000					
	Cash in Bank-Foreign Currency, Current Account	10103020						
	Bank Charges	50301040	2,350					
	Subsidy from National Government	40301010		23,502,350				
	<i>To recognize receipt of the replenishment of working fund</i>							
13. Payment to Contractors and remittance to BIR								
a. Receipt of Progress Billings and payment to the contractor	Construction in Progress- Infrastructure Assets	10699020	20,000,000					
Total Progress Bill	Advances to Contractors	19902010		3,000,000				
Less:	Accounts Payable	20101010		17,000,000				
Advances	<i>To recognize payable to the contractor</i>							
10% retention (warranty)	<i>based the progress billings</i>							
Withholding tax								
Tax Basis	Accounts Payable	20101010	17,000,000					
VAT(5%)	Guaranty/Security Deposits							
EWT(2%)	Payable	20401040		2,000,000				
Net Amount to be paid	Due to BIR	20201010		1,250,000				
	Cash in Bank-Foreign Currency, Current Account	10103020		13,750,000				
	<i>To recognize payment to contractor</i>							
c. Remittance to BIR	Due to BIR	20201010	1,250,000					
	Cash in Bank-Foreign Currency, Current Account	10103020		1,250,000				
	<i>To recognize remittance of BIR withholding tax</i>							

Particulars	National Government Agency				Bureau of the Treasury			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
14. Receipt of replenishment of working fund								
a. Receipt of Credit Advice from BSP					Cash in Bank-Foreign Currency, Bangko Sentral ng Pilipinas	10103010	11,500,000	
					Loans Payable-Foreign	20102050		11,500,000
					<i>To recognize receipt of loan proceeds based on credit advice from BSP</i>			
OR								
b. Receipt of Credit Advice from LBP					Cash in Bank-Foreign Currency, Savings Account	10103030	11,500,000	
					Bank Charges	50301040	1,150	
					Loans Payable-Foreign	20102050		11,501,150
					<i>To recognize receipt of loan proceeds based on credit advice from LBP</i>			
15. Receipt of allotment from the DBM								
					<i>Posting to the appropriate RAPAL and RAOD</i>			
16. Transfer of cash to agency account					Subsidy to NGAs	50214010	11,500,000	
					Cash in Bank-Foreign Currency, Bangko Sentral ng Pilipinas	10103010		11,500,000
					OR			
					Subsidy to NGAs	50214010	11,500,000	
					Cash in Bank-Foreign Currency, Savings Account	10103030		11,500,000
17. Receipt of replenishment of working fund								
Balance of CIB-FCCA	22,750,000				Cash in Bank-Foreign Currency, Savings Account or	10103030	11,500,000	
					Cash in Bank-Foreign Currency, Current Account	10103020		
					Bank Charges	50301040	1,150	
					Subsidy from National Government	40301010		11,501,150
					<i>To recognize receipt of the replenishment of working fund</i>			

Particulars		National Government Agency				Bureau of the Treasury			
		Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
18. Payment to Contractors and remittance to BIR									
a. Receipt of Progress Billings and payment to the contractor		Construction in Progress- Infrastructure Assets		10699020	20,000,000				
Total Progress Bill	20,000,000	Advances to Contractors		19902010		3,000,000			
Less:		Accounts Payable		20101010		17,000,000			
Advances	3,000,000	To recognize payable to the contractor							
10% retention (warranty)	2,000,000	based the progress billings							
Withholding tax									
Tax Basis	17,857,143	Accounts Payable		20101010	17,000,000				
VAT(5%	892,857	Guaranty/Security Deposits							
EWT(2%	357,143	Payable		20401040		2,000,000			
Net Amount to be paid	13,750,000	Due to BIR		20201010		1,250,000			
		Cash in Bank-Foreign Currency, Current Account		10103020		13,750,000			
		To recognize payment to contractor							
c. Remittance to BIR		Due to BIR		20201010	1,250,000				
		Cash in Bank-Foreign Currency, Current Account		10103020		1,250,000			
		To recognize remittance of BIR withholding tax							
d. Return of the retention (warranty deposit)		Guaranty/Security Deposits Payable		20401040	6,500,000				
		Cash in Bank-Foreign Currency, Current Account		10103020		6,500,000			
		<b>Balances of Accounts</b>							
		Construction in Progress- Infrastructure Assets		10699020	60,000,000	Subsidy to NGAs	50214010	60,000,000	
		Bank Charges		50301040	6,000	Bank Charges	50301040	6,000	
		Subsidy from National Government		40301010		60,006,000	Loans Payable-Foreign	20102050	60,006,000
					60,006,000	60,006,000		60,006,000	60,006,000

## ILLUSTRATIVE ENTRIES

### FOREIGN ASSISTED PROJECTS FUND

#### Case 2: Cash Availment of Loan Proceeds by NGAs (Thru Reimbursement Procedure)

Particulars	National Government Agency				Bureau of the Treasury			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
1. Receipt of appropriation (General Appropriations Act)	<i>Posting to the appropriate RAPAL</i>							
	<u>60,000,000</u>							
2. Receipt of allotment from the DBM	<i>Posting to the appropriate RAPAL and RAOD</i>							
	<u>60,000,000</u>							
3. Receipt of NCA	<u>20,000,000</u>	Cash-Modified Disbursement System						
		(MDS), Regular	10104040	20,000,000				
		Subsidy from National Government	40301010				20,000,000	
		<i>To recognize NCA received</i>						
4. Obligation	<i>Posting of ORS to the appropriate RAOD</i>							
Construction in Progress-Infrastructure Assets	<u>60,000,000</u>							
5. Receipt of surety bond from contractor as performance bond	<i>No entry (notation in the creditor's subsidiary ledger and CIPLC)</i>							
6. Payment to Contractors and remittance to BIR		Advances to Contractors	19902010	9,000,000	Subsidy to NGAs	50214010	9,000,000	
a. Advance Payment		Cash-Modified Disbursement System			Cash in Bank-Foreign Currency,			
Total Contract	<u>60,000,000</u>	(MDS), Regular	10104040		Bangko Sentral ng Pilipinas	10103010		9,000,000
		<i>To recognize payment of 15% contractor of contract amount as advances to</i>			<i>To recognize negotiated MDS checks</i>			

Particulars	National Government Agency				Bureau of the Treasury			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
b. Receipt of Progress Billings and payment to the contractor	Construction in Progress- Infrastructure Assets	10699020	20,000,000					
Total Progress Bill	Advances to Contractors	19902010		3,000,000				
Less:	Accounts Payable	20101010		17,000,000				
Advances	<i>To recognize payable to the contractor</i>							
10% retention (warranty)	<i>based the progress billings</i>							
Withholding tax								
Tax Basis	Accounts Payable	20101010	17,000,000		Subsidy to NGAs	50214010	13,750,000	
VAT(5%)	Guaranty/Security Deposits				Cash in Bank-Foreign Currency,			
EWT(2%)	Payable	20401040		2,000,000	Bangko Sentral ng Pilipinas	10103010		13,750,000
Net Amount to be paid	Due to BIR	20201010		1,250,000	<i>To recognize negotiated MDS checks</i>			
	Cash-Modified Disbursement System (MDS), Regular	10104040		13,750,000				
	<i>To recognize payment to contractor</i>							
c. Remittance to BIR thru TRA	Due to BIR	20201010	1,250,000		Subsidy to NGAs	50214010	1,250,000	
	Cash-Tax Remittance Advice	10104070		1,250,000	Cash-Tax Remittance Advice	10104070		1,250,000
	<i>To recognize remittance of BIR withholding tax through TRA</i>				<i>To recognize responding entry for tax remittance thru TRA</i>			
d. Constructive receipt of NCA for TRA	Cash-Tax Remittance Advice	10104070	1,250,000					
	Subsidy from National Government	40301010		1,250,000				
	<i>To recognize constructive receipt of NCA for TRA issued</i>							
7. Receipt of reimbursement								
a. Receipt of Credit Advice from BSP re: loan proceeds					Cash in Bank-Foreign Currency, Bangko Sentral ng Pilipinas	10103010	22,750,000	
					Loans Payable-Foreign	20102050		22,750,000
or					<i>To recognize receipt of loan proceeds</i>			
b. Receipt of Credit Advice from LBP					Cash in Bank-Foreign Currency, Savings Account	10103030	22,750,000	
					Bank Charges	50301040	2,275	
					Loans Payable-Foreign	20102050		22,752,275
					<i>To recognize receipt of loan proceeds</i>			
8. Receipt of NCA	20,000,000	Cash-Modified Disbursement System (MDS), Regular	10104040	20,000,000				
		Subsidy from National Government	40301010	20,000,000				
		<i>To recognize NCA received</i>						

Particulars	National Government Agency				Bureau of the Treasury			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
9. Obligation								
Construction in Progress- Infrastructure Assets								
	20,000,000							
10. Payment to Contractors and remittance to BIR								
a. Receipt of Progress Billings and payment to the contractor	Construction in Progress- Infrastructure Assets	10699020	20,000,000					
Total Progress Bill	Advances to Contractors	19902010		3,000,000				
Less:	Accounts Payable	20101010		17,000,000				
Advances	To recognize payable to the contractor							
10% retention (warranty)	based the progress billings							
Withholding tax								
Tax Basis	Accounts Payable	20101010	17,000,000		Subsidy to NGAs	50214010	13,750,000	
VAT(5%)	Guaranty/Security Deposits				Cash in Bank-Foreign Currency,			
EWT(2%)	Payable	20401040		2,000,000	Bangko Sentral ng Pilipinas	10103010		13,750,000
Net Amount to be paid	Due to BIR	20201010		1,250,000	To recognize negotiated MDS checks			
	Cash-Modified Disbursement System							
	(MDS), Regular	10104040		13,750,000				
	To recognize payment to contractor							
c. Remittance to BIR thru TRA	Due to BIR	20201010	1,250,000		Subsidy to NGAs	50214010	1,250,000	
	Cash-Tax Remittance Advice	10104070		1,250,000	Cash-Tax Remittance Advice	10104070		1,250,000
	To recognize remittance of BIR withholding tax through TRA				To recognize responding entry for tax remittance thru TRA			
d. Constructive receipt of NCA for TRA	Cash-Tax Remittance Advice	10104070	1,250,000					
	Subsidy from National Government	40301010		1,250,000				
	To recognize constructive receipt of NCA for TRA issued							
11. Receipt of reimbursement								
a. Receipt of Credit Advice from BSP re: loan proceeds					Cash in Bank-Foreign Currency, Bangko Sentral ng Pilipinas	10103010	13,750,000	
					Loans Payable-Foreign	20102050		13,750,000
					To recognize receipt of loan proceeds			
or								
b. Receipt of Credit Advice from LBP					Cash in Bank-Foreign Currency, Savings Account	10103030	13,750,000	
					Bank Charges	50301040	1,375	
					Loans Payable-Foreign	20102050		13,751,375
					To recognize receipt of loan proceeds			



Particulars	National Government Agency				Bureau of the Treasury			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
12. Receipt of NCA	20,000,000	Cash-Modified Disbursement System						
		(MDS), Regular	10104040	20,000,000				
		Subsidy from National Government	40301010	20,000,000				
		<i>To recognize NCA received</i>						
13. Obligation								
Construction in Progress- Infrastructure Assets	20,000,000	<i>Posting of ORS to the appropriate RAOD</i>						
14. Payment to Contractors and remittance to BIR								
a. Receipt of Progress Billings and payment to the contractor		Construction in Progress- Infrastructure Assets	10699020	20,000,000				
Total Progress Bill	20,000,000	Advances to Contractors	19902010	3,000,000				
Less:		Accounts Payable	20101010	17,000,000				
Advances	3,000,000	<i>To recognize payable to the contractor</i>						
10% retention (warranty)	2,000,000	<i>based the progress billings</i>						
Withholding tax								
Tax Basis	17,857,143	Accounts Payable	20101010	17,000,000	Subsidy to NGAs	50214010	13,750,000	
VAT(5%)	892,857	Guaranty/Security Deposits			Cash in Bank-Foreign Currency,			
EWT(2%)	357,143	Payable	20401040	2,000,000	Bangko Sentral ng Pilipinas	10103010		13,750,000
Net Amount to be paid	13,750,000	Due to BIR	20201010	1,250,000	<i>To recognize negotiated MDS checks</i>			
		Cash-Modified Disbursement System						
		(MDS), Regular	10104040	13,750,000				
		<i>To recognize payment to contractor</i>						
c. Remittance to BIR thru TRA		Due to BIR	20201010	1,250,000	Subsidy to NGAs	50214010	1,250,000	
		Cash-Tax Remittance Advice	10104070	1,250,000	Cash-Tax Remittance Advice	10104070		1,250,000
		<i>To recognize remittance of BIR</i>			<i>To recognize responding enty for</i>			
		<i>withholding tax through TRA</i>			<i>tax remittance thru TRA</i>			
d. Constructive receipt of NCA for TRA		Cash-Tax Remittance Advice	10104070	1,250,000				
		Subsidy from National Government	40301010	1,250,000				
		<i>To recognize constructive receipt</i>						
		<i>of NCA for TRA issued</i>						
e. Refund of retention (warranty deposits)		Guaranty/Security Deposits			Subsidy to NGAs	50214010	6,000,000	
		Payable	20401040	6,000,000	Cash in Bank-Foreign Currency,			
		Cash-Modified Disbursement System			Bangko Sentral ng Pilipinas	10103010		6,000,000
		(MDS), Regular	10104040	6,000,000	<i>To recognize negotiated MDS checks</i>			

Particulars	National Government Agency				Bureau of the Treasury			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
f. reversion of unused NCA	Subsidy from National Government	40301010	3,750,000					
	Cash-Modified Disbursement System (MDS), Regular	10104040		3,750,000				
11. Receipt of reimbursement								
a. Receipt of Credit Advice from BSP re: loan proceeds					Cash in Bank-Foreign Currency, Bangko Sentral ng Pilipinas	10103010	19,750,000	
					Loans Payable-Foreign	20102050		19,750,000
or					<i>To recognize receipt of loan proceeds</i>			
b. Receipt of Credit Advice from LBP					Cash in Bank-Foreign Currency, Savings Account	10103030	19,750,000	
					Bank Charges	50301040	1,975	
					Loans Payable-Foreign	20102050		19,751,975
					<i>To recognize receipt of loan proceeds</i>			
<b>Balances:</b>					<b>Balances:</b>			
Construction in Progress-Infrastructure Assets	10699020	60,000,000			Cash in Bank-Foreign Currency, Savings Account	10103030	6,000,000	
Subsidy from National Government	40301010		60,000,000		Cash-Tax Remittance Advice	10104070		3,750,000
					Subsidy to NGAs	50214010	54,000,000	
					Bank Charges	50301040	5,625	56,255,625
							60,005,625	60,005,625
							-	-

## ILLUSTRATIVE ENTRIES

### FOREIGN ASSISTED PROJECTS FUND

#### Case 3: Non-Cash Availment of Loan Proceeds by NGAs (Thru direct Payment)

Particulars	National Government Agency				Bureau of the Treasury			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
1. Receipt of allotment from the DBM	<i>Posting to the appropriate RAPAL and RAOD</i>							
2. Obligation	<i>Posting of ORS to the appropriate RAOD</i>							
3. Receipt of the following:	11000							
Technical & Scientific Equipment	440,000	Technical and Scientific Equipment	10605140	440,000				
(10000USD @ 44:1)		Consultancy Services	50211030	44,000				
Consultancy Services	44,000	Accounts Payable	20101010					484,000
(1000USD @ 44:1)	<u>484,000</u>	<i>To recognize receipt of bill from the foreign lending institution for equipment and other expenses.</i>						
4. Receipt of Withdrawal authorization, advice of payment or any proof of disbursement from the lending institution					Subsidy to NGAs	50214010	484,000	
					Other Financial Charges	50301990	484	
					Loans Payable-Foreign	20102050		484,484
					<i>To recognize receipt of creditor's bill</i>			
5. Receipt of NCAA from DBM		Accounts Payable	20101010	484,000				
<b>Current Exchange Rate P 45:1 USD</b>		Loss on Foreign Exchange (FOREX)	50504010	11,000				
Technical & Scientific Equipment	450,000	Subsidy from National Government	40301010					495,000
(10000USD @ 45:1)		<i>To recognize receipt of NCAA for payment of accounts payable</i>						
Consultancy Services	45,000							
(1000USD @ 45:1)								
Total	<u>495,000</u>							
Acquisition Cost	<u>484,000</u>							
Loss on Forex	<u>11,000</u>							
		OR						
<b>Current Exchange Rate P 45:1 USD</b>		Accounts Payable	20101010	484,000				
Technical & Scientific Equipment	430,000	Gain on Foreign Exchange (FOREX)	40501010				11,000	
(10000USD @ 43:1)		Subsidy from National Government	40301010					473,000
Consultancy Services	43,000	<i>To recognize receipt of NCAA for payment of accounts payable</i>						
(1000USD @ 43:1)								
Total	<u>473,000</u>							
Acquisition Cost	<u>484,000</u>							
Gain on Forex	<u>11,000</u>							

**ILLUSTRATIVE ENTRIES**  
**FOREIGN ASSISTED PROJECTS FUND**

**Case 4: Debt Servicing of Loans by the National Government**

Particulars	Bureau of the Treasury			
	Account Title	Account Code	Debit	Credit
Repayment of Principal, Interest and Other Charges	Loans Payable-Foreign	20102050	xxx	
	Interest Expense	50301020	xxx	
	Other Financial Charges	50301990	xxx	
	Cash in Bank-Foreign Currency, Savings Account or	10103030		xxx
	Bangko Sentral ng Pilipinas	10103010		xxx
Receipt of loan proceeds with Capitalized Interest and Commitment Charge	Cash in Bank-Foreign Currency, Savings Account	10103030	xxx	
	Interest Expense	50301020	xxx	
	Commitment Fees	50301050	xxx	
	Loans Payable-Foreign	20102050		xxx
Receipt of loan proceeds with Capitalized Cable Cost	Cash in Bank-Foreign Currency, Savings Account	10103030	xxx	
	Bank Charges	50301040	xxx	
	Loans Payable-Foreign	20102050		xxx
Capitalized Front-end Fee	Other Financial Charges	50301990	xxx	
	Loans Payable-Foreign	20102050		xxx

**ILLUSTRATIVE ENTRIES**  
**SPECIAL ACCOUNTS - LOCALLY FUNDED / DOMESTIC GRANTS FUND**

Transactions	AGENCY BOOKS				BTr BOOKS			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
<b>ASSUMPTION: COLLECTION OF PROCESSING FEES AUTHORIZED AS SPECIAL ACCOUNT</b>								
1) Collections of processing fees of P650,000	Cash-Collecting Officers Processing Fees <i>To take up collection of processing fees</i>	10101010 40201130	650,000	650,000				
2) Remittance of collections to the Bureau of the Treasury - P600,000	Cash-Treasury/Agency Deposit, Special Account Cash-Collecting Officers <i>To recognize remittance of collections to the BTr</i>	10104020 10101010	650,000 650,000		Cash in Bank-Local Currency, Savings Account Cash-Treasury/Agency Deposit, Special Account <i>To recognize remittance of collections by the agency</i>	10102030 10104020	650,000 650,000	
3) Receipt of of SARO or Approved Special Budget MOOE 200,000 Capital Outlays 400,000 <u>600,000</u>	No entry							
4) Incurrence of obligation MOOE 200,000 Capital Outlays 400,000 <u>600,000</u>	<i>Posting of ORS in the appropriate RAOD</i>							
5) Receipt of Notice of Cash Allocation from the DBM amounting to P600,000	Cash-Modified Disbursement System (MDS), Special Account Cash-Treasury/Agency Deposit, Special Account <i>To take up receipt of NCA for Special Account</i>	10104050 10104020	575,000 575,000					
6) Receipt of delivered Office Equipment a.1 receipt of delivery	Office Equipment Accounts Payable <i>To recognize delivery of Office Equipment</i>	10605020 20101010	400,000	400,000				
a.2. posting of payable to the Section C of ORS	<i>Posting to the payable column of Section C of the Obligation Request and Status (ORS)</i>							

Transactions		AGENCY BOOKS				BTr BOOKS			
		Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
7) Payments of expenses		Travelling Expenses-Local	50201010	30,000					
Travelling Expenses-Local	30,000	Training and Scholarship Expenses	50202020	100,000					
Training and Scholarship Expenses	100,000	Transportation and Delivery Expenses	50209040	20,000					
Transportation and Delivery Expenses	<u>20,000</u>	Due to BIR	20201010		6,357				
Total	<u>150,000</u>	Cash-Modified Disbursement							
Less: Withholding tax on:		System (MDS), Special Account	10104050		143,643				
Training	<u>6,357</u>	<i>To recognize issuance of MDS checks</i>							
10% withholding tax (income)	1,000								
1% withholding tax on income	893	<i>Posting to the payable column of Section C</i>							
5% withholding of final tax (VAT)	<u>4,464</u>	<i>of the Obligation Request and Status (ORS)</i>							
Net Amount Paid	<u>143,643</u>								
8) Payment of accounts payable		Accounts Payable	20101010	400,000					
Total	<u>400,000</u>	Due to BIR	20201010		21,429				
Less: Withholding tax	<u>21,429</u>	Cash-Modified Disbursement							
1% withholding tax on income	3,571	System (MDS), Special Account	10104050		378,571				
5% withholding of final tax (VAT)	<u>17,857</u>	<i>To recognize payment of accounts payable</i>							
Net Amount Paid	<u>378,571</u>								
		<i>Posting to the payments column of Section C</i>							
		<i>of the Obligation Request and Status (ORS)</i>							
		<i>Posting to the disbursements column of the</i>							
		<i>RAOD based on the report of disbursements</i>							
9) Responding entry of the Bureau of the Treasury for negotiated checks						Cash-Treasury/Agency Deposit, Special Account	10104020	550,000	
						Cash in Bank-Local			
						Currency, Savings Account	10102030		550,000
						<i>To recognize negotiated MDS checks</i>			
10) Remittance of Taxes thru TRA									
a. Constructive receipt of NCA		Cash-Tax Remittance Advice	10104070	27,786					
		Cash-Treasury/Agency Deposit, Special Account	10104020		27,786				
		<i>To recognize constructive receipt of NCA</i>							
b. Remittance of taxes thru TRA		Due to BIR	20201010	27,786		Cash-Treasury/Agency Deposit, Special Account	10104020	27,786	
		Cash-Tax Remittance Advice	10104070		27,786	Cash-Tax Remittance Advice	10104070		27,786
		<i>To recognize constructive remittance taxes through TRA</i>				<i>To recognize constructive remittance taxes through TRA</i>			

Transactions	AGENCY BOOKS			
	Account Title	Account Code	Debit	Credit
11) Adjustment for Unused/lapsed NCA	Cash-Treasury/Agency Deposit, Special Account	10104020	52,786	
	Cash-Modified Disbursement System (MDS), Special Account	10104050		52,786
	<i>To close lapsed/unused NCA</i>			

BTr BOOKS			
Account Title	Account Code	Debit	Credit

## PRE-CLOSING TRIAL BALANCE

AGENCY BOOKS			
Cash-Treasury/Agency Deposit, Special Account	10104020	100,000	
Office Equipment	10605020	400,000	
Travelling Expenses-Local	50201010	30,000	
Training and Scholarship Expenses	50202020	100,000	
Transportation and Delivery Expenses	50209040	20,000	
Processing Fees	40201130		650,000
Total		650,000	650,000

BTr BOOKS			
Cash in Bank-Local Currency, Savings Account	10102030	100,000	
Cash-Tax Remittance Advice	10104070		27,786
Cash-Treasury/Agency Deposit, Special Account	10104020		72,214
Total		100,000	100,000

## 12) Closing Entries for:

## a. Income accounts

Processing Fees	40201130	650,000	
Revenue and Expense Summary	30301010		650,000
<i>To close income accounts to Revenue and Expense Summary Account</i>			

## b. Expense accounts

Revenue and Expense Summary	30301010	150,000	
Travelling Expenses-Local	50201010		30,000
Training and Scholarship Expenses	50202020		100,000
Transportation and Delivery Expenses	50209040		20,000
<i>To close expense accounts to Revenue and Expense Summary Account</i>			

## c. Revenue and Expense Summary

Revenue and Expense Summary	30301010	500,000	
Accumulated Surplus/(Deficit)	30101010		500,000
<i>To close Revenue and Expense Summary Account to Accumulated Surplus/(Deficit)</i>			

## f. Cash -TRA Account

Cash-Tax Remittance Advice	10104070	27,786	
Cash-Treasury/Agency Deposit, Special Account	10104020		27,786
<i>To close Cash-Tax Remittance Advice to Cash-Treasury/Agency Deposit, Special Account</i>			

Transactions	AGENCY BOOKS			
	Account Title	Account Code	Debit	Credit
POST-CLOSING TRIAL BALANCE	AGENCY BOOKS			
			Debit	Credit
	Cash-Treasury/Agency Deposit, Special Account	10104020	100,000	
	Office Equipment	10605020	400,000	
	Accumulated Surplus/(Deficit)	30101010		500,000
	Total		500,000	500,000

BTr BOOKS			
Account Title	Account Code	Debit	Credit
BTr BOOKS			
		Debit	Credit
Cash in Bank-Local			
Currency, Savings Account	10102030	100,000	
Cash-Treasury/Agency Deposit, Special Account	10104020		100,000
Total		100,000	100,000



**ILLUSTRATIVE ENTRIES**  
**SPECIAL ACCOUNTS - FOREIGN ASSISTED / FOREIGN GRANTS FUND**

Transactions	AGENCY BOOKS				BTr BOOKS			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
1) Receipt of grants and donation from foreign entities/institutions deposited to the Bureau of the Treasury - P600,000					Cash in Bank - Foreign Currency, Savings Account	10103030	600,000	
					Income from Grants and Donations in Cash	40402010		600,000
					<i>To recognize receipt of grants and donation from various donors through AGDBs/GSBs</i>			
2) Receipt of Approved Special Budget			No entry					
MOOE	200,000							
Capital Outlays	400,000							
	<u>600,000</u>							
3) Receipt of SARO from the DBM	<u>600,000</u>			Posting in the appropriate RAOD				
4) Incurrence of obligation				Posting of ORS in the appropriate RAOD				
MOOE	200,000							
Capital Outlays	400,000							
	<u>600,000</u>							
5) Receipt of Notice of Cash Allocation from the DBM amounting to P600,000				Cash - Modified Disbursement System (MDS), Special Account	10104050	600,000		
				Subsidy from National Government	40301010		600,000	
				<i>To take up receipt of NCA for Special Account.</i>				
6) Receipt of delivered Office Equipment				Office Equipment	10605020	400,000		
				Accounts Payable	20101010		400,000	
				<i>To recognize delivery of Office Equipment.</i>				
7) Payments of expenses and accounts payable				Travelling Expenses - Local	50201010	30,000		
				Training and Scholarship Expenses	50202020	100,000		
				Transportation and Delivery Expenses	50209040	20,000		
				Cash - Modified Disbursement System (MDS), Special Account	10104050		150,000	
				<i>To recognize issuance of MDS checks.</i>				

Transactions	AGENCY BOOKS				BTr BOOKS			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
	Accounts Payable	20101010	400,000					
	Cash - Modified Disbursement System (MDS), Special Account	10104050		400,000				
	<i>To recognize payment of accounts payable.</i>							
8) Responding entry of the Bureau of the Treasury for negotiated checks					Cash in Bank - Local			
					Currency, Savings Account	10102030	550,000	
					Cash in Bank - Foreign			
					Currency, Savings Account	10103030		550,000
					Subsidy to NGAs	50214010	550,000	
					Cash in Bank - Local			
					Currency, Savings Account	10102030		550,000
					<i>To recognize negotiated MDS checks.</i>			
9) Adjustment for Unused/lapsed NCA	Subsidy from National Government	40301010	50,000					
	Cash - Modified Disbursement System (MDS), Special Account	10104050		50,000				
	<i>To close lapsed/unused NCA.</i>							
<b>PRE-CLOSING TRIAL BALANCE</b>	<b>AGENCY BOOKS</b>				<b>BTr BOOKS</b>			
	Office Equipment	10605020	400,000		Cash in Bank - Foreign			
	Subsidy from National Government	40301010		550,000	Currency, Savings Account	10103030	50,000	
	Travelling Expenses - Local	50201010	30,000		Income from Grants and Donations			
	Training and Scholarship Expenses	50202020	100,000		in Cash	40402010		600,000
	Transportation and Delivery Expenses	50209040	20,000		Subsidy to NGAs	50214010	550,000	
	Total		<u>550,000</u>	<u>550,000</u>	Total		<u>600,000</u>	<u>600,000</u>
9) Closing Entries for:								
a. Income accounts					Income from Grants and Donations			
					in Cash	40402010	600,000	
					Revenue and Expense Summary	30301010		600,000
					<i>To close income accounts to Revenue and Expense Summary Account.</i>			
b. Expense accounts	Revenue and Expense Summary	30301010	150,000					
	Travelling Expenses - Local	50201010		30,000				
	Training and Scholarship Expenses	50202020		150,000				
	Transportation and Delivery Expenses	50209040		20,000				
	<i>To close expense accounts to Revenue and Expense Summary Account.</i>							

Transactions	AGENCY BOOKS				BTr BOOKS			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
c. Subsidy Accounts	Subsidy from National Government	40301010	550,000		Revenue and Expense Summary	30301010	550,000	
	Revenue and Expense Summary	30301010		550,000	Subsidy to NGAs	50214010		550,000
	<i>To close subsidy account</i>							
d. Revenue and Expense Summary	Revenue and Expense Summary	30301010	400,000		Revenue and Expense Summary	30301010	50,000	
	Accumulated Surplus/(Deficit)	30101010		400,000	Accumulated Surplus/(Deficit)	30101010		50,000
	<i>To close Revenue and Expense Summary</i>				<i>To close Revenue and Expense Summary</i>			
	<i>Account to Accumulated Surplus/(Deficit)</i>				<i>Account to Accumulated Surplus/(Deficit)</i>			
POST-CLOSING TRIAL BALANCE	AGENCY BOOKS				BTr BOOKS			
			Debit	Credit			Debit	Credit
	Office Equipment	10605020	400,000		Cash in Bank - Foreign			
	Accumulated Surplus/(Deficit)	30101010		400,000	Currency, Savings Account	10103030	50,000	
					Accumulated Surplus/(Deficit)	30101010		50,000
	Total		<u>400,000</u>	<u>400,000</u>	Total		<u>50,000</u>	<u>50000</u>

## ILLUSTRATIVE ENTRIES

### RETAINED INCOME FUND

Transactions	AGENCY BOOKS			
	Account Title	Account Code	Debit	Credit

**ASSUMPTION: COLLECTION OF PROCESSING FEES AUTHORIZED AS SPECIAL ACCOUNT**

- Collections of following:

Cash-Collecting Officers	10101010	550,000		
Permit Fees	300,000	40201010		300,000
Registration Fees	150,000	40201020		150,000
Clearance and Certification Fees	100,000	40201040		100,000
	<u>550,000</u>			

*To take up collection of processing fees.*
- Deposit of collections to the Authorized Government Depository Bank

Cash in Bank-Local Currency, Current Account	10102020	522,500		
Cash-Collecting Officers	10101010		522,500	

*To record remittance of collections to the BTr*
- Receipt of Approved Special Budget for the Retained Income

MOOE	200,000			
Capital Outlays	300,000			
	<u>500,000</u>			

Post in the RBUD
- Incurrence of obligation

MOOE	200,000			
Capital Outlays	275,000			
	<u>475,000</u>			

Posting of BURS in the appropriate RBUD
- Receipt of delivered Office Equipment (April 1)

Office Equipment	10605020	270,000		
Accounts Payable	20101010			270,000

*To record delivery of Office Equipment.*
- Payments of expenses

Training and Scholarship Expenses	170,000	50202020	170,000	
Transportation and Delivery Expenses	20,000	50209040	20,000	
Total	<u>190,000</u>	20201010		10,807
Less; Withholding tax on:		Cash in Bank-Local Currency, Current Account	10102020	179,193
Training	10,807			
10% withholding tax (income)	1,700			
1% withholding tax on income	1,518			
5% withholding of final tax (VAT)	<u>7,589</u>			
Net Amount Paid	<u>179,193</u>			

*To record issuance of check.*
- Payment of accounts payable

Accounts Payable	20101010	270,000		
Due to BIR	20201010		14,464	
Cash in Bank-Local Currency, Current Account	10102020		255,536	

*To record payment of accounts payable.*
- Remittance of Taxes thru TRA

Due to BIR	20201010	25,271		
Cash in Bank-Local Currency, Current Account	10102020		25,271	
- Recording of depreciation (9 months)  
Assume that Estimated Life is 5 years  
Depreciation for 9 months =  
(270-000 - (270,000x 5%) / 5 x 9/12)

Depreciation-Machinery and Equipment	50501050	38,475		
Accumulated Depreciation-Office Equipment	10605021			38,475

Transactions	AGENCY BOOKS			
	Account Title	Account Code	Debit	Credit
PRE-CLOSING TRIAL BALANCE	AGENCY BOOKS			
	Cash-Collecting Officers	10101010	27,500	
	Cash in Bank-Local Currency, Current Account	10102020	62,500	
	Office Equipment	10605020	270,000	
	Accumulated Depreciation-Office Equipment	10605021		38,475
	Permit Fees	40201010		300,000
	Registration Fees	40201020		150,000
	Clearance and Certification Fees	40201040		100,000
	Training and Scholarship Expenses	50202020	170,000	
	Transportation and Delivery Expenses	50209040	20,000	
	Depreciation-Machinery and Equipment	50501050	38,475	
	Total		588,475	588,475
12) Closing Entries for:				
a. Income accounts	Permit Fees	40201010	300,000	
	Registration Fees	40201020	150,000	
	Clearance and Certification Fees	40201040	100,000	
	Revenue and Expense Summary	30301010		550,000
	<i>To close income accounts to Revenue and Expense Summary Account.</i>			
b. Expense accounts	Revenue and Expense Summary	30301010	228,475	
	Training and Scholarship Expenses	50202020		170,000
	Transportation and Delivery Expenses	50209040		20,000
	Depreciation-Machinery and Equipment	50501050		38,475
	<i>To close expense accounts to Revenue and Expense Summary Account.</i>			
c. Revenue and Expense Summary	Revenue and Expense Summary	30301010	321,525	
	Accumulated Surplus/(Deficit)	30101010		321,525
	<i>To close Revenue and Expense Summary Account to Accumulated Surplus/(Deficit)</i>			
POST-CLOSING TRIAL BALANCE	AGENCY BOOKS			
			Debit	Credit
	Cash-Collecting Officers	10101010	27,500	
	Cash in Bank-Local Currency, Current Account	10102020	62,500	
	Office Equipment	10605020	270,000	
	Accumulated Depreciation-Office Equipment	10605021		38,475
	Accumulated Surplus/(Deficit)	30101010		321,525
	Total		360,000	360,000

**ILLUSTRATIVE ENTRIES****TRUST RECEIPTS-INTER-AGENCY TRANSFERRED FUNDS  
REMITTED TO THE NATIONAL TREASURY**

Transactions		SOURCE AGENCY (Agency A) REGULAR AGENCY FUND BOOKS					IMPLEMENTING AGENCY (Agency B) TRUST FUND BOOKS			
		Account Title	Account Code	Debit	Credit		Account Title	Account Code	Debit	Credit
ASSUMPTION: RESEARCH AND DEVELOPMENT WITH PPE COMPONENT										
Per MOA, PPE will be donated to the IA after the project completion (beyond one year project)										
APPROPRIATIONS, ALLOTMENTS AND OBLIGATIONS										
1)	Receipt of GAARD	Posting to the appropriate RAPAL								
	MOOE	200,000								
	CO	300,000								
	Total	500,000								
3)	Incurrence of obligation	Posting of ORS to the appropriate RAOD								
	MOOE	200,000								
	CO	300,000								
	Total	500,000								
4)	Request of Notice of Cash Allocation (NCA) for trust from the DBM	No entry					No entry			
5)	Receipt of NCA for Trust	Cash Modified Disbursement System				No entry				
	MOOE	200,000	(MDS), Regular	10104040	450,000					
	CO	250,000	Subsidy from National Government	40301010		450,000				
	Total	450,000	To recognize receipt of NCA from the DBM.							
6)	Transfer of funds to IA-National Government Agency	450,000	Due from National Government Agencies	10303010	450,000		Cash-Collecting Officers	10101010	450,000	
			Cash-Modified Disbursement System				Due to NGAs	20201050	450,000	
			(MDS), Regular	10104040		450,000	To recognize receipt of funds from SA			
			To recognize transfer of funds to IA trust receipts.							
7)	Remittance of collections to the Bureau of the Treasury	400,000	Cash-Treasury/Agency Deposit, Trust	10104030	450,000		Cash-Treasury/Agency Deposit, Trust	10104030	450,000	
			Cash-Collecting Officers	10101010		450,000	Cash-Collecting Officers	10101010	450,000	
			To recognize remittance of collections to the BTr							
8)	Request of Notice of Cash Allocation (NCA) for trust from the DBM	No entry					No entry			
9)	Receipt of NCA for Trust	400,000					Cash-Modified Disbursement System (MDS), Trust	10104060	450,000	
							Cash-Treasury/Agency Deposit, Trust	10104030	450,000	
			To recoanize receipt of NCA for trust							

Transactions	SOURCE AGENCY (Agency A) REGULAR AGENCY FUND BOOKS				IMPLEMENTING AGENCY (Agency B) TRUST FUND BOOKS			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
10) Receipt of delivered technical and scientific equipment	250,000				Technical and Scientific Equipment	10605140	250,000	
					Accounts Payable	20101010		250,000
					<i>To recognize receipt of equipment</i>			
11) Receipt of supplies and materials	75,000				Office Supplies Inventory	10404010	75,000	
					Accounts Payable	20101010		75,000
					<i>To recognize receipt of supplies and materials</i>			
12) Payment of accounts payable/replenishment by BTr					Accounts Payable	20101010	325,000	
AP for equipment	250,000				Due to BIR	20201010		17,411
AP for supplies and materials	75,000				Cash-Modified Disbursement			
	325,000				System (MDS), Trust	10104060		307,589
					<i>To recognize issuance of MDS checks.</i>			
Less: Withholding Tax								
1% withholding tax on income	2,902							
5% withholding of final tax (VA)	14,509							
Total Taxes	17,411							
Net Amount paid	307,589							
13) Issuance of supplies and materials to project end-users	67,500				Office Supplies Expenses	50203010	67,500	
					Office Supplies Inventory	10404010		67,500
					<i>To take up issuance of supplies and materials</i>			
14) Payment of research expenses	100,000				Research, Exploration and Development Expenses	50207020	100,000	
					Cash-Modified Disbursement			
					System (MDS), Trust	10104060		100,000
					<i>To recognize issuance of MDS checks</i>			
15) Remittance of withholding tax thru TRA								
a. Constructive receipt of NCA					Cash-Tax Remittance Advice	10104070	17,411	
					Cash-Treasury/Agency Deposit, Trust	10104030		17,411
					<i>To recognize constructive receipt of NCA for remittance of withholding tax thru TRA</i>			
b. Remittance of taxes thru TRA					Due to BIR	20201010	17,411	
					Cash-Tax Remittance Advice	10104070		17,411
					<i>To recognize remittance of withholding tax thru TRA</i>			
16) Recording of depreciation					Depreciation-Machinery and Equipment	50501050	23,750	
Assume: estimated life of equipment = 10 years;					Accumulated Depreciation-Technical and			23,750
residual value = 5%; and acquisition date = Jan. 5					Scientific Equipment	10605141		
$[(250,000 - (250,000 \times .05)) \div 10 = 23,750]$					<i>To recognize depreciation for the year.</i>			

Transactions	SOURCE AGENCY (Agency A) REGULAR AGENCY FUND BOOKS				IMPLEMENTING AGENCY (Agency B) TRUST FUND BOOKS			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit

## 17) Liquidation of IATF

Depreciation-Machinery and Equipn	23,750	Research, Exploration and Development Expenses	50207020	191,250	
Office Supplies Expenses	67,500	Due from National Government Agencies	10303010		191,250
Research, Exploration and Development Expenses including supplies	100,000	<i>To recognize liquidation of expenses chargeable to IATF</i>			
Total	<u>191,250</u>				

## ADJUSTING ENTRIES

## 18) Lapsing of NCA

Cash-Treasury/Agency Deposit, Trust	10104030	42,411	
Cash-Modified Disbursement System (MDS), Trust	10104060		42,411
<i>To recognize adjustment for the lapsed NCA.</i>			

## 19) Adjustment for expenses chargeable to liability (Due to NGA)

Due to NGAs	20201050	191,250	
Office Supplies Expenses	50203010		67,500
Research, Exploration and Development Expenses	50207020		100,000
Depreciation-Machinery and Equipment	50501050		23,750
<i>To recognize charging of expenses to the Due to NGA account</i>			

## PRE CLOSING TRIAL BALANCES

SOURCE AGENCY BOOKS			
		Debit	Credit
Due from National Government Agencies	10303010	258,750	
Subsidy from National Government	40301010		450,000
Research, Exploration and Development Expenses	50207020	191,250	
Total		<u>450,000</u>	<u>450,000</u>

AGENCY BOOKS			
		Debit	Credit
Cash-Treasury/Agency Deposit, Trust	10104030	25,000	
Office Supplies Inventory	10404010	7,500	
Technical and Scientific Equipment	10605140	250,000	
Accumulated Depreciation-Technical and Scientific Equipment	10605141		23,750
Due to NGAs	20201050		258,750
Total		<u>282,500</u>	<u>282,500</u>

## CLOSING ENTRIES

## 20) Closing of revenue

Subsidy from National Government	40301010	450,000	
Revenue and Expense Summary	30301010		450,000
<i>To recognize closing of revenue to Revenue and Expense Summary account</i>			

## 21) Closing of expenses

Revenue and Expense Summary	30301010	191,250	
Research, Exploration and Development Expenses	50207020		191,250
<i>To recognize closing of expenses to Revenue and Expense Summary account</i>			



Transactions	SOURCE AGENCY (Agency A) REGULAR AGENCY FUND BOOKS				IMPLEMENTING AGENCY (Agency B) TRUST FUND BOOKS			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
22) Closing of Revenue and Expense Summary account	Revenue and Expense Summary	30301010	258,750					
	Accumulated Surplus/(Deficit)	30101010		258,750				
	<i>To recognize closing of Revenue and Expense Summary account</i>							

## POST CLOSING TRIAL BALANCES

SOURCE AGENCY BOOKS				AGENCY BOOKS			
Due from National Government Agencies	10303010	258,750		Cash-Treasury/Agency Deposit, Trust	10104030	25,000	
Accumulated Surplus/(Deficit)	30101010		258,750	Office Supplies Inventory	10404010	7,500	
				Technical and Scientific Equipment	10605140	250,000	
				Accumulated Depreciation-Technical and Scientific Equipment	10605141		23,750
				Due to NGAs	20201050		258,750
Total		<u>258,750</u>	<u>258,750</u>	Total		<u>282,500</u>	<u>282,500</u>

YEAR 2 TRANSACTIONS

23) Request of Notice of Cash Allocation (NCA) for trust from the DBM	<i>No entry</i>			<i>No entry</i>			
24) Receipt of NCA for Trust	<u>400,000</u>			Cash-Modified Disbursement System (MDS), Trust	10104060	25,000	
				Cash-Treasury/Agency Deposit, Trust	10104030		25,000
				<i>To recognize receipt of NCA for trust</i>			
25) Issuance of supplies and materials to project end-users	7,500			Office Supplies Expenses	50203010	7,500	
				Office Supplies Inventory	10404010		7,500
				<i>To take up issuance of supplies and materials</i>			
26) Payment of research expenses	25,000			Research, Exploration and Development Expenses	50207020	25,000	
				Cash-Modified Disbursement System (MDS), Trust	10104060		25,000
				<i>To recognize issuance of MDS checks</i>			
27) Recording of depreciation (6 months) Assume: estimated life of equipment = 10 years; residual value = 5%; and acquisition date = Jan. 5 ((250,000-(250,000 x .05)) ÷ 10 ÷ 2= 23,750)				Depreciation-Machinery and Equipment	50501050	11,875	
				Accumulated Depreciation-Technical and Scientific Equipment	10605141		11,875
				<i>To recognize depreciation for six months</i>			

Transactions	SOURCE AGENCY (Agency A) REGULAR AGENCY FUND BOOKS				IMPLEMENTING AGENCY (Agency B) TRUST FUND BOOKS			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
28) Final Liquidation of IATF								
Depreciation-Machinery and Equipn	11,875	Research, Exploration and Development Expenses	50207020	44,375				
Office Supplies Expenses	7,500	Due from National Government Agencies	10303010	44,375				
Research, Exploration and Development Expenses	<u>25,000</u>	<i>To recognize liquidation of expenses chargeable to IATF</i>						
	<u>44,375</u>							
29) Adjustment for expenses chargeable to liability (Due to NGA)					Due to NGAs	20201050	44,375	
					Office Supplies Expenses	50203010		7,500
					Research, Exploration and Development Expenses	50207020		25,000
					Depreciation-Machinery and Equipment	50501050		11,875
					<i>To recognize charging of expenses to the Due to NGA account</i>			
30) Transfer of PPE to IA		Donations	50299080	214,375	Due to NGAs	20201050	214,375	
		Due from National Government Agencies	10303010	214,375	Income from Grants and Donations in Kind	40402020		214,375
Cost	250,000	<i>To recognize the transfer of PPE to IA</i>			<i>To recognize the transfer of PPE from Source Agency</i>			
Less: Acc. Depn	<u>35,625</u>							
CA of Equipment	<u>214,375</u>							
<i>Note: In case the PPE should be turned over to SA, the accounting entry shall be as follows:</i>								
Transfer of PPE to IA		Technical and Scientific Equipment	10605140	214,375	Due to NGAs	20201050	214,375	
		Due from National Government Agencies	10303010	214,375	Technical and Scientific Equipment	10605140		214,375
Cost	250,000	<i>To recognize the transfer of PPE to IA</i>			<i>To recognize the transfer of PPE from Source Agency</i>			
Less: Acc. Depn	<u>35,625</u>							
CA of Equipment	<u>214,375</u>							

**ILLUSTRATIVE ENTRIES****TRUST RECEIPTS - INTER-AGENCY TRANSFERRED FUNDS****REMITTED TO THE NATIONAL TREASURY**

Transactions	BTr BOOKS				BIR BOOKS			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit

**ASSUMPTION: RESEARCH AND DEVELOPMENT WITH PPE COMPONENT**

Per MOA, PPE will be donated to the IA after the project completion (beyond one year project)

		Assumption:						
		Beg. Balance						
		Cash in Bank Local Currency,						
		Savings Account	10102030	500,000				
		Accumulated Surplus/(Deficit)	30101010		500,000			
1)	Receipt of NCA for Trust							
	MOOE	200,000						
	CO	250,000						
	Total	<u>450,000</u>						
2)	Transfer of funds to IA-National Government Agency	<u>450,000</u>						
		<u>BTR - Regular Agency Fund</u>						
		Subsidy to NGAs	50214010	450,000				
		Cash in Bank Local Currency,						
		Current Account	10102020	450,000	450,000			
		Cash in Bank Local Currency,						
		Savings Account	10102030		450,000			
		<i>To recognize replenishment of MDS accounts of Agency A</i>						
3)	Remittance of collections to the Bureau of the Treasury	<u>400,000</u>						
		<u>BTR - Trust Fund</u>						
		Cash in Bank - Local						
		Currency, Savings Account	10102030	450,000				
		Cash - Treasury/Agency Deposit,						
		Trust	10104030		450,000			
		<i>To recognize deposit of trust receipts collection of Agency B.</i>						

Transactions	BTr BOOKS				BIR BOOKS			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
<u>BTR - Trust Fund</u>								
4) Payment of accounts payable	Cash - Modified Disbursement System (MDS), Trust	10104060	307,589					
AP for equipment 250,000	Cash in Bank Local Currency, Current Account	10102020	307,589	307,589				
AP for supplies and materials 75,000	Cash in Bank - Local Currency, Savings Account	10102030		307,589				
325,000	<i>To recognize negotiated MDS checks.</i>							
Less: Withholding Tax								
1% withholding tax on income 2,902								
5% withholding of final tax (VA) 14,509								
Total Taxes 17,411								
Net Amount paid 307,589								
<u>BTR - Trust Fund</u>								
5) Payment of research expenses 100,000	Cash - Modified Disbursement System (MDS), Trust	10104060	100,000					
	Cash in Bank Local Currency, Current Account	10102020	100,000	100,000				
	Cash in Bank - Local Currency, Savings Account	10102030		100,000				
	<i>To recognize negotiated MDS checks.</i>							
<u>BTR - Trust Fund</u>								
6) Remittance of withholding tax thru TRA	Cash - Treasury/Agency Deposit, Trust	10104030	17,411		<u>BIR Regular Agency Fund</u>			
a. Constructive receipt of NCA	Cash - Tax Remittance Advice	10104070		17,411	Cash - Tax Remittance Advice	10104070	17,411	
b. Remittance of taxes thru TRA	<i>To recognize responding entry for remittance of withholding tax thru TRA</i>				Income Tax or Business Tax	40101010		
						40103030		17,411
					<i>To recognize revenue for income thru TRA</i>			
ADJUSTING ENTRIES								
<u>BTR - Trust Fund</u>								
7) Charging of MDS disbursements against the Treasury Deposit	Cash - Treasury/Agency Deposit, Trust	10104030	407,589					
	Cash - Modified Disbursement System (MDS), Trust	10104060		407,589				
	<i>To recognize charging of MDS disbursements against treasury deposit.</i>							

Transactions	BTr BOOKS				BIR BOOKS			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
PRE CLOSING TRIAL BALANCES	BTr BOOKS				BIR BOOKS			
			Debit	Credit			Debit	Credit
	<b><u>BTR - Regular Agency Fund</u></b>				<b><u>BIR - Regular Agency Fund</u></b>			
	Cash in Bank - Local				Cash - Tax Remittance Advice	10104070	17,411	
	Currency, Savings Account	10102030	50,000		Income Tax or	40101010		
	Subsidy to NGAs	50214010	450,000		Business Tax	40103030		17,411
	Accumulated Surplus/(Deficit)	30101010		500,000				
	Total		500,000	500,000	Total		17,411	17,411
	<b><u>BTR - Trust Fund</u></b>							
	Cash in Bank - Local							
	Currency, Savings Account	10102030	42,411					
	Cash - Tax Remittance Advice	10104070		17,411				
	Cash - Treasury/Agency Deposit, Trust	10104030		25,000				
	Total		42,411	42,411				
CLOSING ENTRIES								
8) Closing of revenue					Income Tax or	40101010		
					Business Tax	40103030	17,411	
					Revenue and Expense Summary	30301010		17,411
					<i>To recognize closing to revenue to Revenue and Expense Summary account</i>			
9) Closing of expenses	Revenue and Expense Summary	30301010	450,000					
	Subsidy to NGAs	50214010		450,000				
	<i>To recognize closing of expenses to Revenue and Expense Summary account</i>							
10) Closing of Revenue and Expense Summary account	Accumulated Surplus/(Deficit)	30101010	450,000		Revenue and Expense Summary	30301010	17,411	
	Revenue and Expense Summary	30301010		450,000	Accumulated Surplus/(Deficit)	30101010		17,411
	<i>To recognize closing of Revenue and Expense Summary account</i>				<i>To recognize closing of Revenue and Expense Summary account</i>			
11) Closing of Cash TRA					Accumulated Surplus/(Deficit)	30101010	17,411	
					Cash - Tax Remittance Advice	10104070		17,411
					<i>To recognize closing of Cash-TRA</i>			

Transactions	BTr BOOKS				BIR BOOKS			
	Account Title	Account Code	Debit	Credit	Account Title	Account Code	Debit	Credit
POST CLOSING TRIAL BALANCES	BTr BOOKS				BIR BOOKS			

Cash in Bank - Local								
Currency, Savings Account	10102030		50,000		none			
Accumulated Surplus/(Deficit)	30101010			50,000				
Total			50,000	50,000	Total		0	0

**YEAR 2 TRANSACTIONS**

12) Payment of research expenses	25,000	<u>BTR - Trust Fund</u>						
		Cash - Modified Disbursement System (MDS), Trust	10104060	25,000				
		Cash in Bank Local Currency, Current Account	10102020	25,000	25,000			
		Cash in Bank - Local Currency, Savings Account	10102030		25,000			
		<i>To recognize negotiated MDS checks.</i>						

**ILLUSTRATIVE ENTRIES****TRUST RECEIPTS DEPOSITED WITH AGDB**

Transactions	AGENCY BOOKS			
	Account Title	Account Code	Debit	Credit

**ASSUMPTION: COLLECTION OF PROCESSING FEES AUTHORIZED AS SPECIAL ACCOUNT**

1) Collections of following:		Cash - Collecting Officers	10101010	500,000	
Donations for calamity victims	500,000	Trust Liabilities - Disaster Risk Reduction and Management Fund	20401020		500,000
	<u>500,000</u>				
		<i>To take up collection of donations for calamity victims</i>			
2) Deposit of collections to the Authorized Government Depository Bank	<u>500,000</u>	Cash in Bank - Local Currency, Current Account	10102020	500,000	
		Cash - Collecting Officers	10101010		500,000
		<i>To record remittance of collections to the BTr</i>			
3) Purchase of the following:					
Welfare Goods	290,000	Welfare Goods for Distribution	10402020	290,000	
Disaster Response and Rescue Equipment (April 5, 20X5)	<u>200,000</u>	Disaster Response and Rescue Equipment	50209040	200,000	
Total	<u>490,000</u>	Due to BIR	20201010		26,250
Less: Withholding tax	<u>26,250</u>	Cash in Bank - Local Currency, Current Account	10102020		463,750
1% withholding tax on income	4,375				
5% withholding of final tax (VAT)	<u>21,875</u>				
Net Amount Paid	<u>463,750</u>	<i>To record issuance of check.</i>			
4) Remittance of Taxes thru TRA		Due to BIR	20201010	26,250	
		Cash in Bank - Local Currency, Current Account	10102020		26,250
5) Distribution of welfare goods	<u>275,500</u>	Welfare Goods Expenses	50203060	275,500	
		Welfare Goods for Distribution	10402020		275,500
6) Recording of depreciation (9 months)		Depreciation - Machinery and Equipment	50501050	28,500	
Assume that Estimated Life is 5 years		Accumulated Depreciation - Disaster Response and Equipment	10605091		28,500
Depreciation for 9 months = (200-000 - (20000,000x 5%) / 5 x 9/12)	<u>28,500</u>				
7) Adjustment for expenses chargeable to liability (Due to NGA)		Trust Liabilities - Disaster Risk Reduction and Management Fund	20401020	304,000	
		Welfare Goods Expenses	50203060		275,500
		Depreciation - Machinery and Equipment	50501050		28,500

**PRE-CLOSING TRIAL BALANCE**

AGENCY BOOKS				
Cash in Bank - Local Currency, Current Account	10102020	10,000		
Welfare Goods for Distribution	10402020	14,500		
Disaster Response and Rescue Equipment	50209040	200,000		
Accumulated Depreciation - Disaster Response and Equipment				28,500
Trust Liabilities - Disaster Risk Reduction and Management Fund	20401020			196,000
Total		<u>224,500</u>	<u>224,500</u>	

**ILLUSTRATIVE ENTRIES****TRUST RECEIPTS OTHER THAN INTER-AGENCY TRANSFERRED FUNDS**

Transactions	AGENCY BOOKS				BTr BOOKS			
	Account Title	Account Code	Debit	Credit	Account	Account Code	Debit	Credit
1) Collection of trust receipts	Cash-Collecting Officers	10101010	165,000					
Guaranty Deposits 15,000	Guaranty/Security Deposits Payable	20401040		115,000				
Performance Bond 100,000	Customers' Deposits Payable	20401050		50,000				
Customer's deposits 50,000	<i>To take up collection of</i>							
<u>165,000</u>	<i>trust receipts</i>							
2) Remittance of collections to the Bureau of the Treasury	Cash-Treasury/Agency Deposit, Trust	10104030	165,000		Cash in Bank-Local			
	Cash-Collecting Officers	10101010		165,000	Currency, Savings Account	10102030	165,000	
	<i>To recognize remittance of collections to the BTr</i>				Cash-Treasury/Agency Deposit, Trust	10104030		165,000
					<i>To recognize deposit of trust receipts collection of Agency A</i>			
3) Request of Notice of Cash Allocation (NCA) for trust from the DBM	<i>No entry</i>							
4) Receipt of NCA for Trust	Cash-Modified Disbursement							
Guaranty Deposits 10,000	System (MDS), Trust	10104060	90,000					
Performance Bond 60,000	Cash-Treasury/Agency Deposit, Trust	10104030		90,000				
Customer's deposits 20,000	<i>To recognize receipt of NCA for trust</i>							
<u>90,000</u>								
5) Disbursements /replenishment	Guaranty/Security Deposits Payable	20401040	70,000		Cash-Modified Disbursement			
Guaranty Deposits 10,000	Customers' Deposits Payable	20401050	15,000		System (MDS), Trust	10104060	85,000	
Performance Bond 60,000	Cash-Modified Disbursement				Cash in Bank-Local			
Customer's deposits 15,000	System (MDS), Trust	10104060		85,000	Currency, Savings Account	10102030		85,000
<u>85,000</u>	<i>To recognize issuance of MDS checks</i>				<i>To recognize replenishment of negotiated MDS checks</i>			



Transactions	AGENCY BOOKS				BTr BOOKS			
	Account Title	Account Code	Debit	Credit	Account	Account Code	Debit	Credit

6) Lapsing of NCA	Cash-Treasury/Agency Deposit, Trust	10104030	5,000	
	Cash-Modified Disbursement			
	System (MDS), Trust	10104060		5,000
	<i>To recognize adjustment for the lapsed NCA</i>			

7) Charging of MDS disbursements against the Treasury Deposit	Cash-Treasury/Agency Deposit, Trust	10104030	85,000	
	Cash-Modified Disbursement			
	System (MDS), Trust	10104060		85,000
	<i>To recognize MDS trust disbursements charged to the treasury deposit account</i>			

**TRIAL BALANCES**

AGENCY BOOKS				BTr BOOKS			
		Debit	Credit			Debit	Credit
Cash-Treasury/Agency Deposit, Trust	10104030	80,000		Cash in Bank-Local			
Guaranty/Security Deposits Payable	20401040		45,000	Currency, Savings Account	10102030	80,000	
Customers' Deposits Payable	20401050		35,000	Cash-Treasury/Agency Deposit,			
				Trust	10104030		80,000
Total		<u>80,000</u>	<u>80,000</u>	Total		<u>80,000</u>	<u>80,000</u>

## COMPOSITION OF FUND CLUSTERS

CODES <sup>1</sup>		DESCRIPTION
Fund Cluster	Existing UACS Funding Source	

### **Cluster 01: Regular Agency Fund**

#### ***General Fund – New General Appropriations***

01	101101	Specific Budgets of National Government Agencies
	101111	ARMM-DepEd's GSIS Contribution
01	101252	Special Shares of LGUs in the Proceeds of National Taxes
01	101253	Barangay Officials Death Benefits Fund
01	101254	Local Government Support Fund
01	101255 <sup>2</sup>	Special Shares of LGUs in the Proceeds of Fire Code Fees
01	101276	BSGC-Equity Contribution
01	101277	BSGC-Subsidies
01	101278	BSGC-Loans
01	101279	BSGC-Advances
01	101301	Financial Assistance to MMDA-Subsidies
01	101401	SPF- National Disaster Risk Reduction and Management Fund (Calamity Fund)
01	101402	SPF-Contingent Fund
01	101403	SPF-DepEd-School Building Program/Educational Facilities Fund
01	101404	SPF-E-Government Fund
01	101405	SPF-International Commitments Fund
01	101406	SPF-Miscellaneous Personnel Benefits Fund
01	101407	SPF-Pension and Gratuity Fund
01	101409	SPF-Allocation for Capital Outlays of State Universities and Colleges (SUCs)
01	101410	SPF-Feasibility Studies Fund
01	101411	SPF-Rehabilitation and Reconstruction Program

#### ***General Fund – Continuing Appropriations***

01	102101	Specific Budgets of National Government Agencies
01	102252	ALGU-Special Shares of LGUs in the Proceeds of National Taxes
01	102253	ALGU-Barangay Officials Death Benefits Fund
01	102254	ALGU-Local Government Support Fund
01	102276	BSGC-Equity Contribution
01	102277	BSGC-Subsidies
01	102278	BSGC-Loans
01	102279	BSGC-Advances
01	102401	SPF-National Disaster Risk Reduction and Management Fund (Calamity Fund)
01	102402	SPF-Contingent Fund
01	102403	SPF-DepEd-School Building Program/Educational Facilities Fund
01	102404	SPF-E-Government Fund
01	102405	SPF-International Commitments Fund
01	102406	SPF-Miscellaneous Personnel Benefits Fund
01	102407	SPF – Pension and Gratuity Fund

#### ***General Fund – Supplemental Appropriations***

01	103101	Specific Budgets of National Government Agencies
01	103401	National Disaster Risk Reduction and Management Fund (Calamity Fund)

CODES <sup>1</sup>		DESCRIPTION
Fund Cluster	Existing UACS Funding Source	

***General Fund – Automatic Appropriations***

01	104102	Retirement and Life Insurance Premiums
01	104103	Pension under R.A. No. 2087, as amended by P.D. 1625 and R.A. No. 5059
01	104105	Customs duties and taxes, including tax expenditures
01	104106	Proceeds from sales of non-serviceable, obsolete and unnecessary equipment
01	104108	Tax Refunds
01	104109	Debt Principal Amortization
01	104110	Debt Interest Payments
01	104251	Internal Revenue Allotment
01	104280	BSGC-Net Lending

***General Fund – Unprogrammed Funds***

01	105276	BSGC-Equity Contribution
01	105277	BSGC-Subsidies
01	105278	BSGC-Loans
01	105279	BSGC-Advances
01	105421	General Fund Adjustments
01	105422	Support for Infrastructure Projects and Social Programs
01	105423	AFP Modernization Program
01	105424	Debt Management Program
01	105425	Total Administrative Disability Pension
01	105426	People's Survival Fund
01	105429 <sup>2</sup>	Risk Management Program
01	105430 <sup>2</sup>	Disaster Relief Mitigation Fund
01	105431 <sup>2</sup>	Reconstruction and Rehabilitation Program

**Cluster 02: Foreign Assisted Projects Fund*****General Fund – New General Appropriations***

02	101151	GoP Counterpart Funds
02	101152	Asian Development Bank
02	101153	Australia
02	101154	Austria
02	101155	Belgium
02	101156	Canada
02	101157	China
02	101158	Denmark
02	101159	European Commission
02	101160	France
02	101161	Germany
02	101162	Global Environment Facility
02	101163	International Bank of Reconstruction and Development (IBRD)
02	101164	International Development Fund (IDF)
02	101165	International Fund for Agricultural Development (IFAD)
02	101166	Italy
02	101167	Japan
02	101168	Korea
02	101169	Millennium Challenge Corporation

CODES <sup>1</sup>		DESCRIPTION
Fund Cluster	Existing UACS Funding Source	
02	101170	Netherlands
02	101171	New Zealand
02	101172	Norway
02	101173	Saudi Arabia
02	101174	Spain
02	101175	Switzerland
02	101176	United Kingdom
02	101177	United States
02	101178	United Nations Development Fund for Women (UNIFEM)
02	101179	United Nations Population Fund (UNFPA)
02	101180	OPEC Fund for International Development (OFID)
<b><i>General Fund – Continuing Appropriations</i></b>		
02	102151	GoP Counterpart Funds
02	102152	Asian Development Bank
02	102153	Australia
02	102154	Austria
02	102155	Belgium
02	102156	Canada
02	102157	China
02	102158	Denmark
02	102159	European Commission
02	102160	France
02	102161	Germany
02	102162	Global Environment Facility
02	102163	International Bank of Reconstruction and Development
02	102164	International Development Fund
02	102165	International Fund for Agricultural Development
02	102166	Italy
02	102167	Japan
02	102168	Korea
02	102169	Millennium Challenge Corporation
02	102170	Netherlands
02	102171	New Zealand
02	102172	Norway
02	102173	Saudi Arabia
02	102174	Spain
02	102175	Switzerland
02	102176	United Kingdom
02	102177	United States
02	102178	United Nations Development Fund for Women (UNIFEM)
02	102179	United Nations Population Fund
02	102180	OPEC Fund for International Development
<b><i>General Fund (GF) – Unprogrammed Funds</i></b>		
02	105152	Asian Development Bank
02	105153	Australia
02	105154	Austria
02	105155	Belgium
02	105156	Canada
02	105157	China

CODES <sup>1</sup>		DESCRIPTION
Fund Cluster	Existing UACS Funding Source	
02	105158	Denmark
02	105159	European Commission
02	105160	France
02	105161	Germany
02	105162	Global Environment Facility
02	105163	International Bank for Reconstruction and Development
02	105164	International Development Fund
02	105165	International Fund for Agricultural Development
02	105166	Italy
02	105167	Japan
02	105168	Korea
02	105169	Millennium Challenge Corporation
02	105170	Netherlands
02	105171	New Zealand
02	105172	Norway
02	105173	Saudi Arabia
02	105174	Spain
02	105175	Switzerland
02	105176	United Kingdom
02	105177	United States
02	105178	United Nations Development Fund for Women
02	105179	United Nations Population Fund
02	105180	OPEC Fund for International Development

**Cluster 03: Special Account-Locally Funded/Domestic Grants Fund**

***Automatic Appropriations***

03	104104	Domestic Grant Proceeds
03	104107	Military Camps Sales Proceeds
03	104322	Agrarian Reform Fund – Income and collections from Agrarian Reform operations and proceeds from assets recovered and sales of ill-gotten wealth – R.A. No. 9700
03	104323	DA-Agricultural Competitiveness Enhancement Fund-All duties collected from the importation of agricultural products under the minimum access volume mechanism -R.A. Nos. 8178 /9496
03	104324	DA-Agro-Industry Modernization Credit and Financing Program (AMCFP)
03	104326	DA-Support to the Fertilizer and Pesticide Program
03	104327	DA-Livestock Development Fund – Registration Fees of large cattle – P.D. No. 914
03	104328	Meat Inspection Service Development Trust Fund-Fees, fines and other charges by the NMIS-Section 46, R.A. No. 9296
03	104329	DEPED-Early Childhood Care and Development Council-Share from PAGCOR
03	104330	DEPED-Instructional Materials Development Center Fund – R.A. No. 8047
03	104331	Malampaya Gas Fund-Production shares from Malampaya Gas-to-Power Project per Service Contract No. 38 – P.D. 910
03	104332	Collections from other production shares and miscellaneous income-Fees,

CODES <sup>1</sup>		DESCRIPTION
Fund Cluster	Existing UACS Funding Source	
		revenues and receipts from the exploration, development and exploitation of energy resources-P.D Nos. 87/972/1234/1442/9513
03	104333	Technology Transfer for Energy Management Fund-Interest Income in USAID-assisted Technology Transfer for Energy Management (TTEM)-R.A. No. 7638
03	104334	DENR-Integrated Protected Areas Fund -All income generated from the operation of NIPAS or management of wild flora and fauna-R.A. No. 7586
03	104335	Wildlife Management Fund -Fines, awards, fees, charges, donations, endowments, administrative fees or grants in the form of contribution-R.A. No. 9147
03	104336	DENR-Sale of Confiscated Logs – E.O. 277; LOI 1020; BP 879
03	104337	DENR-Air Quality Management Fund -Fines, awards, fees, donations, endowments, and grants in the form of contribution-R.A. No. 8749
03	104338	DENR-Mines and Geosciences Bureau-10% of all royalties and revenues from development and utilization of the mineral resources (Mineral Reservations-R.A. No. 7942)
03	104339	BOC-Non-Intrusive Container Inspection System Project Fund-Income from Container Security Fee -E.O. Nos. 592/635
03	104340	BOC-Super Green Lane Trust Fund-Service fees for usage of Super Green lane facility-E.O. Nos. 230/563
03	104342	BIR-Special Education Fund-1% share of taxes on local Virginia-type cigarettes-R.A. No. 5447
03	104343	BIR-Bank Penalties Fund-Penalties imposed to banks on delayed remittances-E.O. 937
03	104344	BTR-Fidelity Bond Fund-Public Bonding Law-Sections 313-335 Chapter 15, Revised Administrative Code of 1917
03	104345	Insurance Commission (IC) Fund- 25% share I premium tax collections of the BIR – P.D. No. 612/R.A. No. 8424
03	104346	IC-Pre-Need Fund-Retention and Utilization of Fees, Charges and Other Income from the Regulation of Pre-need Companies-R.A. No. 9829
03	104347	Department of Health (OSEC)-Shares from Franchise tax/VAT- R.A. Nos. 6631/6632/7953/8407
03	104348	DOH OSEC FDA-SAGF – Income from fees fines, royalties and other charges authorized under R.A. No. 9502
03	104349	DOH OSEC – BQIHS SAGF – 50% of Income from Quarantine Services – R.A. No. 9271
03	104350	DILG-Bureau of Fire Protection-Fees and Fines under the Fire Code of the Philippines-R.A. No. 9154
03	104351	Department of Justice (OSEC)-Legal Fees-R.A. No. 9279
03	104352	DOJ-Land Registration Authority-20% of Land Registration Fees of the Register of Deeds of LGUs and LRA-P.D. No. 1529
03	104353	DOJ-Office of the Solicitor General -50% of fees and charges on naturalized aliens under the old Naturalization Law -L.O.I. 278 or R.A. No. 9417
03	104354	DOLEOSEC-Verification Fees of Foreign Post-E.O. 1022
03	104355	DOLE – NCMB-Special Voluntary Arbitration Fund-CBA Registration Fees-R.A. No. 6721
03	104356	Asia Pacific Disaster Response Fund-Tropical Storm Ketsana

CODES <sup>1</sup>		DESCRIPTION
Fund Cluster	Existing UACS Funding Source	
		(Ondoy) Project
03	104357	DND-AFP Modernization Trust Fund-Share from the proceeds of sale, lease or joint development, public-private partnership, sale of the products of Government Arsenal, disposal of repairable equipment, budgetary surplus, donations and interest income-R.A. No. 7227, R.A. No. 7898, R.A. No. 10349
03	104358	DPWH-Special Road Support Fund-80% of Motor Vehicle Users' Charge Tax collections (MVUC)-R.A. No. 8794
03	104359	DPWH-Special Local Road Fund-5% of Motor Vehicle Users' Charge Tax collections-R.A. No. 8794
03	104360	DPWH-Special Road Safety Fund-7. 5% of Motor Vehicle Users' Charge Tax collections-R.A. No. 8794
03	104361	DOT-Tourism Development Fund-Accreditation, training fees, miscellaneous income-R.A. No. 9593
03	104362	DTI-Micro, Small and Medium Enterprise Development Council Fund-90% of the penalties collected by BSP from lending institutions for non-compliance with the provisions of the amended Magna Carta for SMEs -R.A. No. 9501
03	104363	DOTC-Special Vehicle Pollution Control Fund-7.5% of Motor Vehicle Users' Charge Tax collections-R.A. No. 8794
03	104364	DOTC-Seat Belt Use Fund (LTO)-Fines imposed on the implementation of Seat Belt Use-R.A. No. 8750
03	104365	DOTC-MARINA Trust Funds-Tonnage Fees-R.A. No. 9295
03	104366	DOTC-National Civil Aviation Security Committee (NCASC)-Aviation security fees collected from passengers at the airports -E.O. Nos. 277/311
03	104367	NEDA – SRTC-Endowment Fund-Interest Income-E.O. 211
03	104368	CFO SAGF-Donations from Overseas Filipinos, grants from multinational agencies, financial support from the CFOs corporate and government partners, and other income from projects and activities
03	104369	CHED-Higher Education Development Fund-40% share from travel tax, 30% from registration fees of PRC and 1% of gross sales of lotto operations of PCSO-R.A. No. 7722
03	104370	DDB SAGF-25% of gross receipts from breakages of Phil. Racing Club, Inc. and Manila Jockey Club, Inc., 10% of unclaimed/forfeited sweepstakes/lotto prizes from PCSO and P5M per month from PAGCOR-R.A. Nos. 7953, 8407, 1965
03	104371	FDCCP SAGF -Registration fees/charges and amusement taxes-R.A. 9167
03	104372	GAB SAGF-3% of the grass gate receipts from the conduct of professional basketball and other professional games and income from television, radio and motion picture rights-E.O. 120, P.D. No. 871
03	104373	HLURB SAGF-Service/Processing Fees, Fines, Penalties-E.O. Nos. 648/90
03	104374	Share on the annual revenue collection of MTRCB – Sec 20 of P.D. No. 1986
03	104375	NCCA-National Endowment Fund for Culture and Arts-10% of PTA travel tax collections and Interest income-R.A. No. 7356
03	104376	OPAPP-The Asian Foundation-Donation
03	104377	PSC-National Sports Development Fund-Share from taxes on horse races from Manila Jockey Club and PRC Inc. during special holidays-

CODES <sup>1</sup>		DESCRIPTION
Fund Cluster	Existing UACS Funding Source	
		R.A. No. 6847; 3% share of all taxes collected on imported athletic equipment; Proceeds from the sale of stamps depicting sports events
03	104378	PCUP SAGF-Donations from Local Sources
03	104379	CCP SAGF-50% tobacco inspection fee collections of BIR-P.D. No. 1158/R.A. No. 8424
03	104380	NTA-Tobacco Fund-Proceeds of fifty per centum of the tariff or taxes of imported leaf tobacco-R.A. No. 4155
03	104381	PCA SAGF-Fees from copra exporters, oil millers, desiccators and other end-users of coconut products-P.D. No. 1234/P.D. No. 1854
03	104382	Tourism Promotions Board Fund-Proceeds from the investment earnings of the Tourism Promotions Trust, Dividend shares from PAGCOR, Duty Free Philippines Corporation and others-R.A. No. 9593

**Cluster 04: Special Account-Foreign Assisted/Foreign Grants Fund**

***Automatic Appropriations***

04	104152	Asian Development Bank
04	104153	Australia
04	104154	Austria
04	104155	Belgium
04	104156	Canada
04	104157	China
04	104158	Denmark
04	104159	European Commission
04	104160	France
04	104161	Germany
04	104162	Global Environment Facility
04	104163	International Bank for Reconstruction and Development
04	104164	International Development Fund
04	104165	International Fund for Agricultural Development
04	104166	Italy
04	104167	Japan
04	104168	Korea
04	104169	Millennium Challenge Corporation
04	104170	Netherlands
04	104171	New Zealand
04	104172	Norway
04	104173	Saudi Arabia
04	104174	Spain
04	104175	Switzerland
04	104176	United Kingdom
04	104177	United States
04	104178	United Nations Development Fund for Women
04	104179	United Nations Population Fund
04	104180	OPEC Fund for International Development



CODES <sup>1</sup>		DESCRIPTION
Fund Cluster	Existing UACS Funding Source	

**Cluster 05: Internally Generated Funds**

***Off-Budgetary Funds – Retained Income Funds***

05	206441	SUCs Internally Generated Income-Tuition and matriculation fees/other receipts-R.A. 8292
05	206442	Securities and Exchange Commission Retained Income-P100M from license fees from securities brokers/dealers, registration of corporations, Special Purpose Vehicle Act-R.A. Nos. 8799 and 9182
05	206443	Hospital Retained Income applicable to all DOH-retained hospitals-Hospital fees, medical/dental/laboratory fees, rent income from use of hospital equipment/facilities, proceeds from sale of hospital products, devices, donations and other income-DOH-DOF-DBM J.C. 2003-1 Treatment and Rehabilitation Centers
05	206444	Intellectual Property Office Retained Income-Registration fees, grants of patents, registration of trademarks, subscription fees and other income-R.A. No. 8293, as amended by R.A. No. 10372
05	206445	Overseas Workers Welfare Administration (OWWA) Fund
05	206446	Government Arsenal Retained Income-All income generated from hospital operations
05	206447	Veterans Memorial Medical Center Retained Income-Hospital fees, medical, dental and laboratory fees/Retained Income
05	206448	General Headquarters-Proper Retained Income-All income generated from hospital operations
05	206449	AFP Medical Center Retained Income-Hospital Income, medical, dental and laboratory fees and all other income generated from hospital operations
05	206450	AFP-PA Retained Income – All income generated from hospital operations
05	206451	AFP-Philippine Air Force Retained Income-All income generated from hospital operations
05	206452	AFP-PN Retained Income – All income generated from hospital operations
05	206453	PSC-National Sports Development Fund-5% share of the gross income of the PAGCOR and 30% share on charity fund of proceeds of six (6) sweepstakes or lottery draws per annum-R.A. No. 6847
05	206454	TJ – SCPL-Judicial Development Fund-Legal fees, court fees, other income-P.D. No. 1949
05	206455	Judicial Training Center, Philippine Judiciary Academy and Mandatory Continuing Legal Education-Seminar fees and other services income
05	206456	Special Allowance for the Judiciary-Legal fees, new fees-R.A. No. 9227

**Cluster 06: Business Related Funds**

***Off-Budgetary Funds-Revolving Funds***

06	207501	DA-Agricultural Training Institute Revolving Fund-Charges from dormitory operations, printing, publication, rental facilities, other business and grants/donations
06	207502	DA-Bureau of Animal Industry Revolving Fund-Proceeds from sale of animals, meat and other animal byproducts – R.A. No. 7308

CODES <sup>1</sup>		DESCRIPTION
Fund Cluster	Existing UACS Funding Source	
06	207503	DA-Bureau of Animal Industry Revolving Fund – GAA General Provisions Dormitory Operations
06	207504	DA-Plant Quarantine Revolving Fund-Permit/inspection fees and charges on the importation and export of plants for improvement and strengthening of plant quarantine services – P.D. No. 1433
06	207505	DA-National Seed Industry Fund-Fees and charges from clearance certification fees, inspection fees, miscellaneous income for the promotion and development of the seed industry – R.A. No. 9168
06	207506	DA-Plant Variety Protection Fund – Collection of fees for plant variety protection – R.A. No. 9168
06	207507	DA-Bureau of Soils and Water Management Revolving Fund-Rentals from use of buildings/facilities and board and lodging for maintenance of buildings
06	207508	DA-Fertilizer and Pesticide Authority Fund-Rentals for use of Training Centers/Rooms
06	207509	DA-Philippine Carabao Center Revolving Fund-Sale of carabao's meat, milk and other key carabao products and byproducts, and other miscellaneous receipts – R.A. No. 7307
06	207510	DA-Philippine Center for Post-Harvest Development and Mechanization Revolving Fund-Rental of Facilities – R.A. No. 10156
06	207511	DBM-Procurement Service Revolving Fund-Sec 4 of EO 359 and Special Provision No. 1 of R.A. No. 7663
06	207512	DEPED-School Revolving Fund-Income earned from manufacturing and production programs, including auxiliary services of national schools
06	207513	DEPED-RELC Revolving Fund-Registration Fees of Regional Education Learning Centers – B.P. Blg. 6831
06	207514	DEPED-Eco-Tech Center Revolving Fund-Income from seminars, conferences
06	207515	DEPED-Applied Nutrition Center Revolving Fund-Income from Dormitory Operations, Miscellaneous Income
06	207516	DEPED-Boracay National High School Hostel Revolving Fund-Income from Dormitory Operations, Miscellaneous Income
06	207517	DEPED-Baguio Teachers Camp Revolving Fund –Lodging Fees, Rental of Facilities, Interest Income – GAA
06	207518	DEPED-National Educators Academy of the Philippines Revolving Fund-Registration Fees, Use of Buildings, Interest Income (F 161)
06	207519	DEPED-National Science Teaching Instrumentation Center Revolving Fund-Rental of Staff Houses
06	207520	DEPED-National Museum Revolving Fund-Income from Museum Operations – R.A. No. 8492
06	207521	DENR-Environmental Management Bureau Revolving Fund-Fines and penalties related to environmental compliance and other pollution violations – P.D. Nos. 984/1226
06	207522	DOF-Municipal Development Fund Revolving Fund-- P.D. No. 1914
06	207523	DOF-Local Loans Fund – Policy Governing Board (PGB) Resolution
06	207524	DOF-Program Support Fund-- Policy Governing Board Resolution
06	207525	DOF-Assessment Revolving Fund-National government contribution of P50M, assessment fees and other income – P.D. No. 1002
06	207526	DOF-Cooperative Development Loan Fund-- P.D. No. 175 or

CODES <sup>1</sup>		DESCRIPTION
Fund Cluster	Existing UACS Funding Source	
		R.A. No. 6939
06	207527	DOF-Cooperative Marketing Project Fund – E.O. 113
06	207528	DOF-Cooperative Support Fund – E.O. 116/R.A. No. 6939
06	207529	DOF-Cooperative Rehabilitation Development Fund – E.O. 634/R.A. No. 6939
06	207530	DOF-Privatization and Management Office Revolving Fund-Income for conservation and disposition of transferred assets – E.O. 323
06	207531	DOF-Insurance Commission Revolving Fund – Security Fund for Life and Non-Life Accounts
06	207532	DFA-Passport Revolving Fund-Fees collected in excess of the regular fee for processing and issuance of passport requiring special consideration, waiver or issuance beyond regular office hours – R.A. No. 8239
06	207533	DOH-Drugs and Medicines Revolving Funds-Drugs and Medicines – N.B.C. 321
06	207534	DOJ-BuCor Revolving Fund – Sale of agro-industry products, rental income and fines/penalties – R.A. No. 9206
06	207535	DOLE-TESDA Revolving Fund-All income derived from various training-cum production activities – E.O. 939
06	207536	DND-Philippine Veterans Affairs Office-Proper Revolving Fund-Entrance and parking fees, rental of stalls and guesthouse – E.O. 159/197 and DOF-DBM J.C. 2-94; entrance fees and rentals for the use of military shrine installations and facilities, and board and lodging
06	207537	Department of Public Works and Highways-OSEC Revolving Fund-Toll Fees – P.D. No. 1004
06	207538	Information and Communications Technology Office Revolving Fund-Seminar fees from trainees and other fees
06	207539	DSWD-Self-Employment Assistance Revolving and Settlement Fund-Income from loan repayments for micro-enterprise projects/loan – R.A. No. 5416
06	207540	DOT-Intramuros Administration Revolving Fund-Rental of concessionaires, i.e., Casa Manila, Fort Santiago; fees from catering, shooting and reservations – P.D. No. 1616
06	207541	NEDA-Public-Private Partnership Center of the Philippines Revolving Fund-Project Development Facility and Project Development and Monitoring Facility
06	207542	PCOO-National Printing Office Revolving Fund-Sale of government accountable forms, non-accountable forms, official gazette and public documents, special jobs and information materials for production costs – B.P. 40, N.B.C. 332, DOF Circular 5-80, COA Circular 80-140
06	207543	CHED-Student Micro-Project Loan Fund-Philippine-Australia Agritech Project and MOA between the CHED, DepEd-EDPITAF and the Australian Agency for International Development (AusAID)
06	207544	FDCP Revolving Fund – Film Fund
06	207545	National Commission for Culture and Arts Revolving Fund-Proceeds from sale of books, magazines and cultural items – R.A. No. 7356
06	207546	National Historical Commission of the Philippines Revolving Fund-Proceeds from sales of publications, park entrance fees and donations, rendering of technical services, conferences, workshops and similar income – R.A. 10086

CODES <sup>1</sup>		DESCRIPTION
Fund Cluster	Existing UACS Funding Source	
06	207547	CSC-Civil Service Commission Revolving Fund-Fees from examinations, certifications, training courses, seminars and workshops – Sections 62 and 63, Chapter 10, Title I (A), Book V of E.O. No. 292, s. 1987
06	207548	Career Executive Service Board Revolving Fund-Fees from trainings/seminars/conferences and examinations – CSC Resolution Nos. 90-536 and 90-731, dated June 4 and August 7, 1990, respectively
06	207549	Commission on Audit Revolving Fund-Fees from dormitories, trainings and seminars
06	207874 <sup>2</sup>	DND-Veterans Memorial Medical Center Revolving Fund-VMMC Golf Club membership dues and green fees, income from driving range, concessions of the restaurants and golf equipment outlets, and such other business-related operations of the golf course

#### **Cluster 07: Trust Receipts**

##### ***Custodial Fund – Trust Receipts***

07	308601	Inter-Agency Transferred Fund (IATF)
07	308602	Receipts Deposited with the National Treasury other than IATF
07	308603	Receipts Deposited with AGDB

*Note: <sup>1</sup>- As provided in item 6.2 and sub-item 6.2.1 of the COA-DBM-DOF Joint Circular No. 2013-1 dated August 6, 2013, resolution of issues relative to the validation and assignment of new codes for funding source, organization, sub-object codes for expenditure items shall be the responsibility of the DBM.*

*<sup>2</sup>- Not specified in the Unified Accounts Coding System (UACS) Manual published in 2013 under COA, DBM and DOF Joint Circular No. 2013-1 dated August 6, 2013 – New Code Added after issuance of UACS Manual*

#### **A.4.1 Receipts Deposited with the National Treasury other than IATF**

##### **RECEIPTS DEPOSITED WITH THE NATIONAL TREASURY OTHER THAN IATF**

##### **CONGRESS OF THE PHILIPPINES**

###### **Senate-Proper**

Insurance Proceeds/Performance bidders bonds –GAA-General Provisions

##### **DEPARTMENT OF EDUCATION**

###### **Office of the Secretary**

Service Fees (Provident Fund)

###### **National Museums**

Donations from Patrons

###### **Philippine High School for the Arts**

Donations, solicitations for various projects – E.O. 420

<p align="center"><b>RECEIPTS DEPOSITED WITH THE NATIONAL TREASURY OTHER THAN IATF</b></p>
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**STATE UNIVERSITIES AND COLLEGES****University of the Philippines**

Legal Research Fund (FUND 187) – Legal research fees collected from the filing fees imposed in the appellate courts and all other courts, including all administrative or special courts, agencies or tribunals exercising quasi-judicial functions provided to support the UP Law Center pursuant to R.A. No. 3870 as amended by P.D. Nos. 200 and 1856

**Specify SUC**

Grants and donations coming from other government and non-government agencies, e.g.,

**DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES****Mines and Geo-Sciences Bureau**

Income from Seminars/Conferences  
Receipts from donations/grants with term of one (1) year or less

**DEPARTMENT OF FINANCE****Bureau of Customs**

Informer's Reward

**Bureau of Internal Revenue**

Informer's Reward

**Privatization and Management Office**

Liquidation Fund for conservation/disposition of BOL assets

**DEPARTMENT OF INTERIOR AND LOCAL GOVERNMENT****Bureau of Fire Protection**

20% share from firearms license fee collections of PNP – A.O. 257/R.A. 6963/DBM – DILG J.C.1-92

**Bureau of Jail and Management Penology**

10 % share from firearms license fee collections of PNP – A.O. 257/R.A. 6963/DBM – DILG J.C. 1-92

**Local Government Academy**

Income from dormitory operations

**Philippine National Police**

Firearms license fee and other services, income collections – A.O. 257/R.A. 6963/DBM – DILG J.C. 1-92

**DEPARTMENT OF JUSTICE****Office of the Secretary**

Victims Compensation Fund – R.A. 7309

**Bureau of Immigration**

Express Lane Charges- additional fees for rush processing of documents of ACR-I card and Cash Bonds/UP Legal Research Fund – C.A. 613/P.D. 495/R.A. Nos. 3870 and 3157

**Presidential Commission on Good Government**

Cash Dividends/Rentals from sequestered companies

**DEPARTMENT OF LABOR AND EMPLOYMENT****Philippine Overseas Employment Administration**

Refund of processing fee, escrow deposits of licensed recruitments agencies for

<p align="center"><b>RECEIPTS DEPOSITED WITH THE NATIONAL TREASURY OTHER THAN IATF</b></p>
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claims of OFWs arising from recruitment violations

**DEPARTMENT OF NATIONAL DEFENSE**

**AFP-General Headquarters**

All income from operations and exercise of regulatory functions – E.O. 1002/  
DBM-DND J.C. 9-86, United Nations Reimbursement Fund (UNRF)

**AFP-Philippine Army**

All income per E.O. 1002

**AFP-Philippine Air Force**

All income per E.O. 1002/MOSI Fund

**AFP-Philippine Navy**

All income per E.O. 1002

**DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS**

**Office of the Secretary**

Bid Documents

Performance/Bid Security

**DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT**

**Office of the Secretary**

Affiliation Fees

**Inter-Country Adoption Board**

Pre-Adoptive Fees

**National Council on Disability Affairs**

Registration Fees

**DEPARTMENT OF TRADE AND INDUSTRY**

**Office of the Secretary**

Audit fees, ICC stickers and other income

**Construction Manpower Development Foundation**

Seminar/Training Fees, Dormitory and Other Income

**Philippine Trade Training Center**

Rental Fees

**Product Development and Design Center of the Philippines**

Bid Documents, Others

**DEPARTMENT OF TRANSPORTATION AND COMMUNICATION**

**Office of the Secretary**

Fees from Bid Documents

Legal Research Fund

**Land Transportation Franchising and Regulatory Board**

Fees from Bid Documents

**Land Transportation Office**

Fees from Bid Documents

Legal Research Fund

**Philippine Coast Guard**

Fees from Bid Documents

**NATIONAL ECONOMIC DEVELOPMENT AUTHORITY**

**Statistical Research and Training Center**

Training Fees

<p align="center"><b>RECEIPTS DEPOSITED WITH THE NATIONAL TREASURY OTHER THAN IATF</b></p>
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**PRESIDENTIAL COMMUNICATIONS OPERATIONS OFFICE****National Printing Office**

Trust receipts for conduct of public bidding for specialized accountable forms per M.O. No. 38

**OTHER EXECUTIVE OFFICES****Commission on Higher Education**

BSP-Educational Guarantee Fund-For Payment of Claims by Financing Institutions of defaulting Study-Now-Pay Later Program grantees

**National Anti-Poverty Commission**

People's Development Trust Fund

**National Archives of the Philippines**

Income from Seminar Fees

**National Commission on Indigenous Peoples**

Fees and charges from the conduct of field based investigations and issuance of "Free, Prior, Informed Consent" certificates – Permanent Committee Res. dated January 28, 2005

**Pasig River Rehabilitation Commission**

Performance bidders bond and others

**Philippine Racing Commission**

Share from breakages from Phil. Racing Club/Manila Jockey Club, Inc. per E.O. 88 and 89

**THE JUDICIARY****Supreme Court of the Philippines and Lower Courts**

Fiduciary Fund – Rule 141 of the Rules of Court

**Court of Appeals**

Bail Bonds/Legal Research/Trust receipts – E.O. 292

**OTHERS****A.4.2 Receipts Deposited with AGDB**

<p align="center"><b>RECEIPTS DEPOSITED WITH AGDB</b></p>
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**DEPARTMENT OF AGRICULTURE****Bureau of Agricultural Statistics**

ASEAN Food Security Information System

**DEPARTMENT OF EDUCATION****National Book Development Board**

National Book Development Trust Fund

Contributions from PAGCOR and PCSO – R.A. 9521 and Grant from NCCA

**National Council for Children's Television**

National Endowment Fund for Children's Television

Contribution from PAGCOR and PCSO – R.A. 8370

**DEPARTMENT OF ENERGY****Office of the Secretary**

DOE-DPWH multi-purpose buildings, Energy Regulation 1-94 (E.R. 1-94) Fund, Gasoline Station Training and Loan Fund, Oil Stabilization Funds – MOA dated Oct.28, 2009, R.A. Nos. 7638/8479, P.D. 1956 Escrow Account for Collection



<b>RECEIPTS DEPOSITED WITH AGDB</b>
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Cooperative System Loss Red

**DEPARTMENT OF TOURISM**

**Office of the Secretary**

Share from Net Profits of the Duty Free Philippines – E.O. 46/R.A. 9593

**DEPARTMENT OF TRADE AND INDUSTRY**

**Construction Manpower Development Foundation**

Escrow Account for Civil Case

Seminar/Training Fees

**Philippine Trade Training Center**

Seminar/Training Fees

**DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS**

**Office of the Secretary**

Escrow Account for Rental Fees for MRT 3-BLT

**Land Transportation Office**

Escrow Account for BOO Contract (IT Fee)

Trust Account (Fees from Bid Documents, Electricity for IT)

**OTHER EXECUTIVE OFFICES**

**Presidential Management Staff**

OP-President's Social Fund

**FINANCIAL ASSISTANCE TO METROPOLITAN MANILA DEVELOPMENT  
AUTHORITY**

**Metropolitan Manila Development Authority**

Fees, fines and charges for various services rendered – R.A. 7924



**ACRONYM****FULL TEXT**

AABs	-	Authorized Agent Banks
AB	-	Approved Budget
ACIC	-	Advice of Checks Issued and Cancelled
ADA	-	Authority to Debit Account
ADADJ	-	Advice to Debit Account Disbursement Journal
ADADRec	-	Advice to Debit Account Disbursement Record
ADDO	-	Aging of Due and Demandable Obligation
AFR	-	Annual Financial Report
AGDB	-	Authorized Government Depository Bank
AJE	-	Adjusting Journal Entries
AMCFP	-	Agro-Industry Modernization Credit and Financing Program
APR	-	Agency Procurement Request
ATM	-	Automated Teller Machine
AusAID	-	Australian Agency for International Development
BAPC	-	Biological Assets Property Card
BAR	-	Budget Accomplishment Report
BESF	-	Budget of Expenditures and Sources of Finances
BIR	-	Bureau of Internal Revenue
BLT	-	Bureau of Land Transportation
BLT	-	Build-lease-and-transfer
BMB	-	Budget and Management Bureau
BOC	-	Bureau of Custom
BOT	-	Build Operate and Transfer
BRS	-	Bank Reconciliation Statement
BS	-	Balance Sheet
BSP	-	Bangko Sentral ng Pilipinas
BT	-	Build Transfer
BTO	-	Build-transfer-and-operate
BURS	-	Budget Utilization Request and Status
CAC	-	Certificate of Acceptance
CAF	-	Certificate of Availability of Funds
CAO	-	Contract-add-and-operate
CCU	-	COA Credit Union
CDC	-	Cash Disbursement Ceiling
CDREc	-	Cash Disbursements Record
CDREg	-	Cash Disbursements Register
CkADADRec	-	Checks and ADA Disbursements Record
CDT	-	Custom, Duties and Taxes
CFV	-	Current Fair Value
CHED	-	Commission on Higher Education
CM	-	Credit Memoranda
CO	-	Capital Outlay
COA	-	Commission On Audit

**ACRONYM****FULL TEXT**

CRDC	- Consolidated Report of Daily Collections
CRREc	- Cash Receipts Record
CRREg	- Cash Receipts Register
CY	- Current Year
DA	- Department of Agriculture
DBM	- Department of Budget and Management
DepEd	- Department of Education
DFA	- Department of Foreign Affairs
DILG	- Department of Interior and Local Government
DM	- Debit Memoranda
DND	- Department of National Defense
DO	- Division Office
DOF	- Department of Finance
DOLE	- Department of Labor and Employment
DOT	- Develop-operate-and-transfer
DOT	- Department of Tourism
DPWH	- Department of Public Works and Highways
DR	- Delivery Receipt
DRC	- Depreciated Replacement Cost
DS	- Deposit Slip
DSA	- Daily Subsistence Allowance
DTR	- Daily Time Record
DV	- Disbursement Vouchers
EO	- Executive Order
eOR	- Electronic Official Receipt
ERABA	- Estimated Revenue per Approved Budget of the Agency
ExMDPS	- Expanded Modified Direct Payment Scheme
FAR	- Financial Accountability Report
FBGAS	- Foreign-based Government Agencies
FCR	- For Comprehensive Release
FE	- Financial Expense
FLR	- For Late Release
FMS	- Financial Management Services
FOs	- Field Offices
FP	- Financial Plan
FS	- Financial Statement
FSC	- Funding Source Code
FSP	- Foreign Service Post
FV	- Fair Value
FY	- Fiscal Year
GAA	- General Appropriation Act
GARO	- General Allotment Release Order
GAS	- Government Accounting Sector

<b><u>ACRONYM</u></b>	<b><u>FULL TEXT</u></b>
GF	- General Fund
GJ	- General Journal
GOCCs	- Government Owned and/or Controlled Corporations
GP	- General Payroll
GPFS	- General Purpose Financial Statement
GSB	- Government Servicing Bank
GSIS	- Government Service Insurance System
HDMF	- Home Development Mutual Fund
IA	- Implementing Agency
IAR	- Inspection and Acceptance Report
IATF	- Inter-Agency Transferred Fund
IBRD	- International Bank of Reconstruction and Development
IC	- Insurance Commission
IDF	- International Development Fund
IFAD	- International Fund for Agricultural Development
IP	- Index of Payment
IPLC	- Investment Property Ledger Card
IPSAS	- International Public Sector Accounting Standard
IRA	- Internal Revenue Allotment
IoT	- Itinerary of Travel
JEV	- Journal Entry Voucher
KRA	- Key Budget Area
LASA	- List of Allotments and Sub-Allotments
LCCA	- Local Currency Current Account
LDAAP-ADA	- List of Due and Demandable Accounts Payable-Advice to Debit Accounts
LDDAP	- List of Due and Demandable Accounts Payable
LGUs	- Local Government Units
LR	- Liquidation Report
LRF	- Legal Research Fee
MBS	- monthly Bank Statement
MDS	- Modified Disbursement System
MDS-GSB	- MDS - Government Servicing Banks
MFO	- Major Final Output
MOA	- Memorandum of Agreement
MOOE	- Maintenance and Other Operating Expenses
MRD	- Monthly Report of Disbursements
MVUC	- Motor Vehicle Users' Charge
NBURSA	- Notice of Budget Utilization Request and Status Adjustment
NCA	- Notice of Cash Allocation
NCAA	- Non-Cash Availment Authority
NG	- National Government
NGAS	- New Government Accounting System
NGAs	- National Government Agencies

**ACRONYM****FULL TEXT**

NORSA	- Notice of Obligation Request and Adjustment
NPV	- Net Present Value
NT	- National Treasury
NTA	- Notice of Transfer of Allocation
ObR	- Obligation Request
OFID	- OPEC Fund for International Development
OP	- Order of Payment
OR	- Official Receipt
ORS	- Obligation Request and Status
OU	- Operating Unit
OWWA	- Overseas Workers Welfare Administration
PAG	- Philippine Application Guidance
PAGCOR	- Philippine Amusement and Gaming Corporation
PAP	- Program Activity Project
PAR	- Property Acknowledgement Receipt
PIB	- Performance-Informed Budget
PC	- Property Card
PCF	- Petty Cash Fund
PCFRec	- Petty Cash Fund Record
PCSO	- Philippine Charity Sweepstakes Office
PCV	- Petty Cash Voucher
PD	- Presidential Decree
PFV	- Previous Fair Value
PHIC	- Philippine Health Insurance Corporation
PO	- Purchase Order
PPE	- Property, Plant and Equipment
PPELC	- Property, Plant and Equipment Ledger Card
PPSAS	- Philippine Public Sector Accounting Standard
PR	- Purchase Request
PS	- Personnel Services
PV	- Present Value
PY	- Prior Year
QPRO	- Quarterly Physical Report of Operation
QRBA	- Quarterly Report of Biological Assets
QRROR	- Quarterly Report of Revenue and Other Receipt
RA	- Regular Agency
RADAI	- Report of Authority to Debit Account Issued
RANCA	- Registry of Allotments and Notice of Cash Allocation
RANTA	- Registry of Allotment and Notice of Transfer of Allocation
RAOD	- Registry of Allotments, Obligation and Disbursements
RAPAL	- Registry of Appropriation and Allotments
RBUD	- Registry of Budget, Utilization and Disbursements

**ACRONYM****FULL TEXT**

RBUD-CO	- Registry of Budget, Utilization and Disbursements-Capital Outlay
RBUD-FE	- Registry of Budget, Utilization and Disbursement-Financial Expenses
RBUD-MOOE	- Registry of Budget, Utilization and Disbursements-Maintenance and
RBUD-PS	- Registry of Budget, Utilization and Disbursements-Personnel Services
RCA	- Revised Chart of Accounts
RCD	- Report of Collection and Deposits
RCI	- Report of Checks Issued
RD	- Report of Disbursement
RDO	- Revenue District Office
RER	- Reimbursement Expense Receipt
RO	- Regional Office
ROAD- CO	- Registry of Allotments, Obligation and Disbursements-Capital Outlay
ROAD- FE	- Registry of Allotments, Obligation and Disbursements-Financial Expenses
ROAD-MOOE	- Registry of Allotments, Obligation and Disbursements-Maintenance and
ROAD-PS	- Registry of Allotments, Obligation and Disbursements-Personnel Services
ROT	- Rehabilitate-operate-and-transfer
RPPCV	- Report on Paid Petty Cash Vouchers
RROR	- Registry of Revenue and Other Receipts
RSMI	- Report of Supplies and Materials Issued
SA	- Supplemental Appropriation
SAAODB	- Statement of Appropriation, Allotments, Obligation, Disbursements and Balances
SAAODBOE	- Summary of Appropriation, Allotments, Obligation, Disbursements and Balances
SABUDB	- Statement of Approved Budget, Utilization, Disbursements and Balances
SABUDBOE	- Summary of Appropriation, Allotments, Obligation, Disbursements and Balances
SARO	- Special Allotment Release Order
SCBAA	- Statement of Comparison of Budget and Actual Amounts
SCBAE	- Statement of Comparison of Budget and Actual Expenditures
SCF	- Statement of Cash Flow
SCNA/E	- Statement of Changes in Net-Assets/Equity
SD	- Supporting Documents
SDO	- Special Disbursing Officer
SFPer	- Statement of Financial Performance
SL	- Subsidiary Ledger
SLIIE	- Summary of LDDAP-ADAs Issued and Invalidated ADA Entries
SPU	- Supply and Property Unit
SSs	- Supporting Schedules
STW	- Summary of Taxes Withheld
SUC	- State Universities and Colleges
TB	- Trial Balance

**ACRONYM****FULL TEXT**

TEF	- Tax Expenditure Fund
TESDA	- Technical Education and Skills Development Authority
TF	- Trust Fund
TIN	- Tax Identification Number
TRA	- Tax Remittance Advice
TSA	- Treasury Single Account
UACS	- Unified Accounts Coding System
UNDP	- United Nations Development Programme
UNFPA	- United Nations Population Fund
UNIFEM	- United Nations Development Fund for Women
UP	- University of the Philippines
VAT	- Value Added Tax



**KFW**

**GOVERNMENT ACCOUNTING MANUAL  
(GAM)  
For National Government Agencies**

**Volume II**

**Accounting Books, Registries, Records, Forms and Reports**

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1	General Journal	1	This journal shall be maintained in the Accounting Division/Unit by fund cluster. Only transactions not recorded in the Special Journals shall be recorded in this journal.
2	Cash Receipts Journal	3	This special journal is used to record the RCD/CRReg submitted by the collecting officer/s to the Accounting Division/Unit. It shall be maintained in the Accounting Division/Unit by fund cluster.
3	Cash Disbursements Journal	5	This special journal is used by the Accounting Division/Unit to record the disbursements made by the Disbursing Officer. It shall be maintained by fund cluster.
4	Check Disbursements Journal	7	This special journal is used to record the disbursements through checks made by the Disbursing Officer in the Accounting Division/Unit. It shall be maintained by fund cluster.
5	General Ledgers	9	This ledger summarizes all transactions recorded in the GJ and special journal (e.g. CRJ, CDJ, CkDJ, etc.) maintained in the Accounting Division/Unit. The ledger sheet is arranged in the same order or sequence of the accounts appearing in the RCA. Postings to this ledger shall come directly from the General and Special Journals.
6	Subsidiary Ledgers	11	This ledger shows detail for each control account in the GL which is maintained per account and fund cluster by the Accounting Division/Unit.
7	Registry of Revenue and Other Receipts – Summary	13	This Summary shall be kept by the Budget Division/Unit for each fund cluster maintained by the entity.



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7-A	Registry of Revenue and Other Receipts – Regular Agency and Foreign Assisted Projects Fund	15	This registry shall be maintained by the Budget Division/Unit of the entity for the following fund clusters: 1. Regular Agency Fund 2. Foreign Assisted Projects Fund
7-B	Registry of Revenue and Other Receipts – Special Account Locally Funded/Domestic Grants Fund and Special Account Foreign Assisted/Foreign Grants Fund	17	This registry shall be maintained by the Budget Division/Unit of the entity for the following fund clusters: 1. Special Account-Locally Funded/Domestic Grants Fund 2. Special Account-Foreign Assisted/Foreign Grants Fund
7-C	Registry of Revenue and Other Receipts – Internally Generated Funds (Off-Budgetary Funds – Retained Income Funds)/ Business Related Funds	19	This registry shall be maintained by the Budget Division/Unit of the entity for the following fund clusters: 1. Internally Generated Funds (Off-Budgetary – Retained Income Funds) 2. Business Related Funds
7-D	Registry of Revenue and Other Receipts – Trust Receipts/Inter-Agency Transferred Funds	21	This registry shall be maintained by the Budget Division/Unit of the entity for the Trust Receipts/Inter-Agency Transferred Funds.
8	Registry of Appropriations and Allotments	23-24	This Registry shall be maintained by fund cluster by the Budget Division/Unit of each government entity to ensure that allotment releases are within the authorized appropriation. Separate registry shall be maintained for prior year's appropriations.
9-A	Registry of Allotments, Obligations and Disbursements – Personnel Services	26	This registry shall be maintained by the Budget Division/Unit by Appropriations Act, fund cluster, by Major Final Output (MFO) or Program/Activity/Project (PAP) for personnel services.
9-B	Registry of Allotments, Obligations and Disbursements – Maintenance and Other Operating Expenses	28	This registry shall be maintained by the Budget Division/Unit by Appropriations Act, fund cluster, by Major Final Output (MFO) or Program/Activity/Project (PAP) for maintenance and other operating expenses.
9-C	Registry of Allotments, Obligations and Disbursements – Financial Expenses	30	This registry shall be maintained by the Budget Division/Unit by Appropriations Act, fund cluster, by Major Final Output (MFO) or Program/Activity/Project (PAP) for financial expenses.
9-D	Registry of Allotments, Obligations and Disbursements – Capital Outlays	32	This registry shall be maintained by the Budget Division/Unit by Appropriations Act, fund cluster, by Major Final Output

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			(MFO) or Program/Activity/Project (PAP) for capital outlays.
10-A	Registry of Budget, Utilization and Disbursements – Personnel Services	34	This registry shall be maintained by the Budget Division/Unit of each entity by fund cluster, by MFO or PAP for Personnel Services.
10-B	Registry of Budget, Utilization and Disbursements – Maintenance and Other Operating Expenses	36	This Registry shall be maintained by the Budget Unit of each entity by fund cluster, by MFO or PAP for maintenance and other operating expenses.
10-C	Registry of Budget, Utilization and Disbursements –Financial Expenses	38	This Registry shall be maintained by the Budget Unit of each entity by fund cluster, by MFO or PAP for financial expenses.
10-D	Registry of Budget, Utilization and Disbursements –Capital Outlays	40	This Registry shall be maintained by the Budget Unit of each entity by fund cluster, by MFO or PAP for capital outlays.
11	Obligation Request and Status	42	This form shall be used by the Requesting/ Originating Offices in the utilization of their approved budget allocations per GAARD and other budget laws/authority. It shall be maintained by fund cluster.
12	Notice of Obligation Request and Status Adjustment	44	This form shall be used by the Accounting Division/Unit to adjust excess/under obligation. The Accounting Staff-in-Charge shall put a check mark in every respective item where the adjustments are attributable to.
13	Report of Advice to Debit Account Issued	46	This report shall be used by the Disbursing Officer to report daily or as often as necessary his/her disbursements made through ADA. It shall include cancelled ADA and be maintained by fund cluster. One (1) report shall be prepared for each bank account which shall be the basis for the preparation of JEV.
14	Budget Utilization Request and Status	48	This form shall be used by the Requesting/ Originating Offices in the utilization of their approved budget allocations for off budgetary and custodial funds such as SAGF, Internally generated funds, Business related funds and Trust funds.
15	Notice of Budget Utilization Request and Status Adjustment	50	This form shall be used by the Accounting Unit to adjust excess/under utilization. The Accounting Staff-in-Charge shall put a check mark in every respective item where the adjustments are attributable to.
16	Quarterly Physical Report of Operation – BAR No.1	52	The QPRO shall reflect the agency's/OU's actual physical accomplishments as of a given quarter, in terms of the performance measures indicated in its Physical Plan (BED No. 2). This report shall be prepared capturing all fund sources. This shall be submitted to DBM and COA not later than the

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			30th day following the end of the quarter.
17	Statement of Appropriations, Allotments, Obligations, Disbursements and Balances – FAR No.1	54-55	Prepared by all agencies' Central Offices/Regional Offices/Operating units in reporting the appropriations, the allotments received the obligations, the disbursements made and balances for the reporting period.
18	Summary of Appropriations, Allotments, Obligations, Disbursements and Balances by Object of Expenditures – FAR No.1-A	58-59	Prepared by all agencies' Central Offices/Regional Offices/Operating units in reporting the appropriations, the allotments received, the obligations, the disbursements made and balances by object of expenditures for the reporting period.
19	List of Allotments and Sub-Allotments – FAR No. 1-B	62	The list of Allotments and Sub-Allotments shall be prepared to support the quarterly SAAODB per FAR No. 1.
20	Statement of Approved Budget, Utilizations, Disbursements and Balances – FAR No. 2	64	The agency SABUDB for Off-Budget Funds shall be:  1. Prepared by all agencies' Central Offices/ROs/OU with authority to use their revenue in reporting the budgeted income received, the utilizations made, disbursements and balances for the reporting period.
21	Summary of Approved Budget, Utilizations, Disbursements and Balances by Object of Expenditures – FAR No. 2-A	67-68	The agency SABUDBOE for Off-Budget Funds shall be:  1. Prepared by all agencies' Central Offices/ROs/OU with authority to use their revenue in reporting budgeted income received, the utilizations made, disbursements and balances for the reporting period.
22	Aging of Due and Demandable Obligations – FAR No. 3	71	The ADDO shall be:  1. Prepared by agencies central offices/regional offices/operating units. Adopt the UACS Code per COA-DBM-DOF Joint Circular No. 2013-1 dated 6 August 2013.  2. Certified correct by the Budget Officer (data on Obligation Request number and amount) and Chief Accountant (data on the aging of Due and Demandable Obligations) and approved by the Head of Department/Agency/Authorized Representative as recommended by the Director of FMS  3. Due for submission to COA and DBM within 30 days

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			after the end of the year.
23	Monthly Report of Disbursements – FAR No. 4	73	<p>The MRD shall be:</p> <ol style="list-style-type: none"> <li>1. Prepared indicating all authorized disbursements of the agency/OU by type and by allotment class, showing the totals by disbursement authority issued.</li> <li>2. Certified Correct by the Chief Accountant/Head of Accounting Unit and approved by Head of Agency/Authorized Representative.</li> <li>3. Submitted to the DBM and COA - GAS.  <p>In submitting their reports to DBM, agencies and OUs under the coverage of DBM Central Office shall submit their reports directly to the Budget and Management Bureau (BMB) concerned. In the case however of DepEd, DOH, DPWH, TESDA, SUCs, CHED, their ROs and lowest OUs shall submit their reports directly to the DBM RO concerned. It is understood that the lowest operating unit shall likewise submit the reports to their next higher level unit for consolidation and transmittal to their Central Office. The CO of these departments/agencies shall submit the consolidated department/agency report to the DBM - BMB concerned.</p> </li> <li>4. Due for submission to DBM and COA on or before the 30th day of the following month covered by the report.</li> </ol>
24	Quarterly Report of Revenue and Other Receipts – FAR No. 5	75	This QRROR shall reflect the agency's/OUs actual revenue and other receipts collections from all sources remitted with the BTr and deposited in other AGDB, for the budget year, broken down by quarter. This shall be submitted to COA,DBM and BTr within 30 days after the end of each quarter.
25	Notice of Dishonored Checks	77	
26	Report of Collection and Deposit	78	The Collecting Officer/Cashier shall prepare this report to record his/her collections and deposits to an AGDB as of specific date and shall be maintained by fund cluster.
27	Cash Receipts Register	81	The CRReg shall be used by field offices without complete set of books to record the cash collections and deposits in the books of their mother unit (central/regional/division office)
28	Order of Payment	84	The Accounting Division/Unit shall prepare this form based on

<b><u>Appendix No.</u></b>	<b><u>Title</u></b>	<b><u>Page No.</u></b>	<b><u>Details</u></b>
			a Bill and it shall be prepared for each payor
29	Cash Receipts Record	86	Each Collecting Officer/Accountable Officer shall maintain this record to monitor his/her accountability. All transactions for the day shall be recorded immediately and a balance (Undeposited Collection) shall be extracted.
30	Registry of Allotments and Notice of Cash Allocation	88	The RANCA shall be maintained by the Accounting Division/Unit to determine the amount of allotments not covered by NCA and to monitor available NCA.
31	Registry of Allotment and Notice of Transfer of Allocation	90	The RANTA shall be maintained by the Accounting Division/Unit to determine the amount of allotments not covered by NTA and to monitor available NTA.
32	Disbursement Vouchers	92	The DV is a form used to pay an obligation to employees/individuals/agencies/creditors for goods purchased or services rendered. It shall be prepared by the Requesting Office/Unit. The Accounting Division/Unit shall stamp on the face of this form the date of receipt from the requesting unit.
33	Payroll	94	The Payroll is a form used by an agency/entity to pay salaries, wages, PERA, and other monetary benefits to its officers/employees for a specific period of time or on a given date.
34	Check and Advices to Debit Account Disbursements Record	96	The CkADADRec shall be maintained by each Disbursing/Accountable Officer, by fund cluster, to record/monitor all checks drawn (MDS or Commercial) and ADAs issued by him/her during the day. Whether released or unreleased, checks/ADAs shall be recorded immediately and the NCA/Bank balance shall be extracted
35	Report of Checks Issued	98	This report shall be used by the Disbursing Officer to report daily or as often as necessary his/her disbursements made through checks. It shall include cancelled checks and be maintained by fund cluster. One (1) report shall be prepared for each bank account which shall be the basis for the preparation of JEV.
36	Journal Entry Voucher	100	This form shall be used to record all transactions of the NGAs, whether cash receipts, cash disbursements or non-cash transactions. Accounting journal entries shall be reflected therein and it shall serve as the basis for recording in the books of accounts.

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37	Cash in Bank Register	102	The CBReg shall be used by field offices without complete set of books to record the deposits and payments/checks in the books of their mother unit (central/regional/division office).
38	Index of Payments	104	The IP is used by the Accounting Division/Unit to record/monitor payments made to each creditor/payee. It shall be maintained by fund cluster.
39	Advice of Checks Issued and Cancelled	106-107	The ACIC is a report prepared and submitted at least daily by an agency/entity to the GSB to enable the payees to encash/negotiate the issued checks. The advice shall be promptly submitted to the GSB
40	Cash Disbursements Record	110	This record shall be maintained by each Disbursing/Accountable Officer to monitor the cash advance balance. All transactions for the day shall be recorded immediately. It shall be maintained by fund cluster.
41	Report of Cash Disbursements	112	This report shall be prepared by the Disbursing Officer to liquidate his/her cash advances for payment of salaries, wages, honoraria, allowances, and other personnel benefits, current operating expenses, and special purpose/time-bound undertakings. It shall be maintained by fund cluster.
42	List of Due and Demandable Accounts Payable –Authority to Debit Accounts	114	The LDDAP-ADA is an accountable form used as an authorization issued by the NGA/OU to the MDS-GSB instructing the bank to debit a specified amount from its available NCA to pay the creditors/payees listed in the upper portion of the LDDAP-ADA.
43	Cash Disbursements Register	117	The CDReg shall be used by field offices without complete set of books to record, monitor and report transactions involving the cash advances/payments charged thereto, and liquidating thereof by disbursing accountable officer.
44	Liquidation Report	119	The LR shall be used to liquidate cash advances for travel and related expenses by the employees/officers concerned of the agency/entity. It shall be supported by the required supporting documents. This shall be prepared by fund cluster.
45	Itinerary of Travel	121	This form shall be used by the official/employee of the agency/entity making the travel to show the detailed itinerary of travel before and after the travel and shall be attached to all claims for traveling expenses (cash advance for travel and actual expenses). This shall be prepared by fund cluster.

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46	Reimbursement Expense Receipt	123	The RER is used to support the expenses which cannot be conveniently issued official receipts/invoice. It shall be submitted to the Accounting Division/Unit together with the LR and other supporting documents. It shall be prepared by fund cluster
47	Certificate of Travel Completed	125	The CTC is a form used by officers/employees concerned to confirm that he/she has completed the travel or otherwise, based on the approved itinerary. It is one of the supporting documents to liquidate cash advances for travel. It shall be prepared by fund cluster.
48	Petty Cash Vouchers	127	
49	Report on Paid Petty Cash Vouchers	129	The RPPCV shall be prepared by the PCFC to replenish his/her PCF. All liquidated PCVs shall be attached together with all the supporting documents.
50	Petty Cash Fund Record	131	Each PCFC shall maintain this PCFR to record his/her cash advance, utilization and replenishment made and to monitor the PCF balance. All transactions for the day shall be recorded immediately.
51	Petty Cash Fund Register	133	The PCFReg shall be maintained by the Petty Cash Fund Custodian (PCFC) of Government Units without complete set of books of accounts to monitor/summarize the Petty Cash Fund (PCF) established/replenished and the disbursements charged thereto.
52	Advice to Debit Account Disbursement Journal	135	This special journal is used by the Accounting Division/Unit to record the disbursements through LDDAP-ADA made by the Disbursing Officer/Cashier. It shall be maintained by fund cluster.
53	Summary of List of Due and Demandable Accounts Payable- Advice to Debit Accounts Issued and Invalidated Advice to Debit Account Entries	137	The SLIAE is used by the Cash/Treasury Unit to summarize the LDDAP-ADA issued and the invalidated ADA entries and shall serve as advance information to the BTr on the cash requirements of the agency pertaining to their AP. It shall be prepared daily and supported with copy of the LDDAP-ADAs.
54	Schedule of Accounts Payable	139	This form shall be used by the Accounting Division/Unit in the preparation of the list of accounts payable. It shall be prepared by fund cluster.
55	Schedule of Accounts Receivable	141	This form shall be used by the Accounting Division/Unit in the preparation of the list of accounts receivable. It shall be

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			prepared by fund cluster.
56	Registry of Accounts Written-Off	143	This Registry is used to record and monitor accounts that were written off by the agency/entity maintained per fund cluster.
57	Supplies Ledger Card	145	The SLC is a form used in the Accounting Division/Unit for each type of supplies to record all receipts and issues made. It shall be maintained by fund cluster.
58	Stock Card	147	The SC is a form used in the Supply and/or Property Division/Unit for each type of supplies to record all receipts and issues made. It shall be maintained by fund cluster.
59	Inventory Custodian Slip	149	The ICS is a form used by the Supply and/or Property Custodian to issue tangible items amounting to less than ₱15,000 to end-user to establish accountability over them.
60	Purchase Request	151	The PR is a form used by the Supply and/or Property Custodian for purchasing goods/supplies/property if the item/s requested is/are not available on stock. It shall be prepared by fund cluster.
61	Purchase Order	153	The PO is a form/document used by the agency/entity, addressed to a supplier, to deliver specific quantities of supplies/goods/property subject to the terms and conditions contained in the PO.
62	Inspection and Acceptance Report	155	The IAR is a report submitted by the Inspection Officer/Committee and the Supply and/or Property Custodian on the inspection and acceptance, respectively, of the purchased supplies/goods/equipment/property.
63	Requisition and Issue Slip	157	The RIS shall be used by the Requisitioning Division/Office to request supplies/goods/ equipment/property carried in stock and by the Supply and/or Property Division/Unit to issue the items requested.
64	Report of Supplies and Materials Issued	159	The RSMI is a form prepared by the Supply and/or Property Division/Unit to report/summarize all issues of inventories (by stock number) during the day.
65	Waste Materials Report	161	The WMR shall be used by the Supply and/or Property Custodian to report all waste materials previously taken up in the books of accounts as assets or in his/her custody so that they may be properly disposed of and derecognized from the books.



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66	Report on the Physical Count of Inventories	163	The RPCI is a form used to report the physical count of inventory items by type such as Office Supplies Inventory; Accountable Forms Inventory; Medical, Dental and Laboratory Supplies Inventory; Food Supplies Inventory, etc. which are owned by the agency/entity. It shall be prepared semi-annually by the Inventory Committee and by fund cluster.
67	Report of Accountability for Accountable Forms	165	The RAAF is used by each Accountable Officer to report the result of the physical count of all accountable forms, with or without face value such as checks, stamps, official receipts, LDDAP-ADA, etc., in his/her custody. It shall be prepared monthly and by fund cluster.
68	Investment Property Ledger Card	167	The IPLC shall be maintained by the Accounting Division/Unit for each class of investment property. The Accounting Staff in charge of maintaining this ledger shall record promptly the acquisition, description, custody, estimated life, depreciation, impairment, disposal, repair history and other information about the property. It shall be prepared by fund cluster.
69	Registry of Heritage Assets	169	This Registry is used to record and monitor heritage assets owned by the agency/entity which are not recognized in the books of accounts. It shall be maintained by the Accounting Division/Unit per fund cluster and kept in a perpetual manner.
69-A	Registry of Heritage Assets – Summary	171	This form shall be used to summarize the cost of specific heritage asset which is recorded in the individual Registries. This summary shall be maintained by the Accounting Division/Unit by fund cluster and kept in a perpetual manner.
70	Property Card	173	The PC shall be maintained in the Supply and/or Property Division/Unit for each class of PPE. The Supply and/or Property Custodian shall record promptly the acquisition (based on the IAR and other supporting documents), issue/transfer/disposal and the description/information about the asset. It shall be maintained by fund cluster.
71	Construction in Progress Ledger Card	175	The CIPLC shall be kept in the Accounting Unit for each project. The Accounting Staff in charge in maintaining the CIPLC shall record promptly the construction costs and other information about the asset constructed. It shall be maintained per fund cluster.
72	Property, Plant and Equipment Ledger Card	177	The PPELC shall be kept in the Accounting Division/Unit for each class of PPE. The Accounting Staff in charge in

<b><u>Appendix No.</u></b>	<b><u>Title</u></b>	<b><u>Page No.</u></b>	<b><u>Details</u></b>
			maintaining the PPELC shall record promptly the acquisition, description, custody, estimated life, depreciation, impairment, issue/transfers/disposal, repair history and other information about the property. It shall be maintained by fund cluster.
73	Property Acknowledgement Receipt	179	The PAR shall be used in the Supply and/or Property Division/Unit to record the issue of PPE to end-user. It shall be maintained by fund cluster. It shall be renewed every three years or every time there is a change in custodianship/user of the property.
74	Report on the Physical Count of Property, Plant and Equipment	181	The RPCPPE is the form used to report on the physical count of PPE by type such as land, land improvements, infrastructure, building and other structures, machinery and equipment, transportation equipment, furniture, fixtures and books, etc. which are owned by the agency. It shall be prepared yearly by fund cluster.
75	Inventory and Inspection Report of Unserviceable Property	183	The IIRUP is a report prepared by the Supply and/or Property Unit as basis to record dropping from the books the unserviceable properties carried in the PPE accounts.
76	Report of Lost, Stolen, Damaged, Destroyed Property	186	This form shall be used by the Accountable Officer to report or notify the auditor of the COA, the Chief Accountant and all others concerned of the lost, stolen, damaged or destroyed property.
77	Property Transfer Report	189	This form shall be used when there are transfers of property from one Accountable Officer/Agency/Fund Cluster to another Accountable Officer/Agency/Fund Cluster.
78	Biological Assets Property Card	191	The BAPC shall be kept by the Biological Asset/s Caretaker or Officer-in-charge for each class or type of biological asset to record promptly the acquisition, description, custody, transfer, disposal and other information about the property.
79	Quarterly Report of Biological Assets	193	The form is used to report the biological asset/s on a quarterly basis by the Biological Asset/s Caretaker or Officer-in-charge for each type of biological asset. It shall be prepared quarterly by fund cluster.
80	Bank Reconciliation Statement – MDS accounts	195	
81	Bank Reconciliation Statement – AGDB accounts	196	