

# **GOVERNMENT ACCOUNTING MANUAL for NATIONAL GOVERNMENT AGENCIES (Salient Features)**

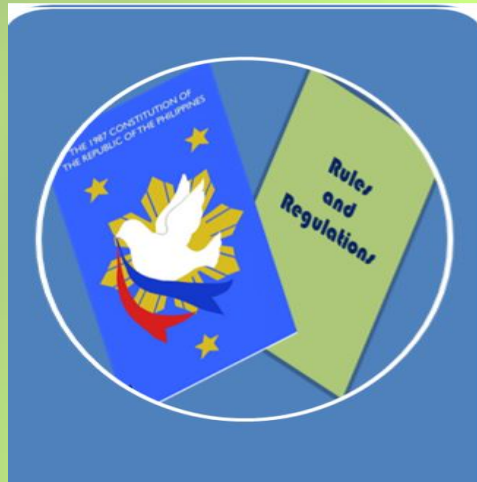
**The Philippine Association for Government Budget Administration (PAGBA), Inc.  
2<sup>nd</sup> Quarterly Seminar and Meeting  
07 July 2016, Pryce Plaza Hotel, Cagayan de Oro City**

**By:  
LUZVI PANGAN CHATTO  
Director IV  
Accounting Systems Development and Other Services Office  
Government Accountancy Sector  
Commission on Audit**



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

## Salient Features



Accounting  
and other  
PFM-related  
rules and  
regulations



UACS



PPSAS



RCA

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# Presentation Outline

- **Legal Basis**
- **GAM for NGAs**
  - Objective
  - Summary of Contents
  - Changes Adopted
  - Salient features on select areas:
    - Revenue
    - Disbursements
    - Inventories
    - Property, Plant and Equipment
- **Implementation strategy/plan**

# Legal Basis

Article 1X-D, Section 2 par. (2),  
1987 Philippine Constitution

**Mandates COA to promulgate accounting  
rules and regulations**

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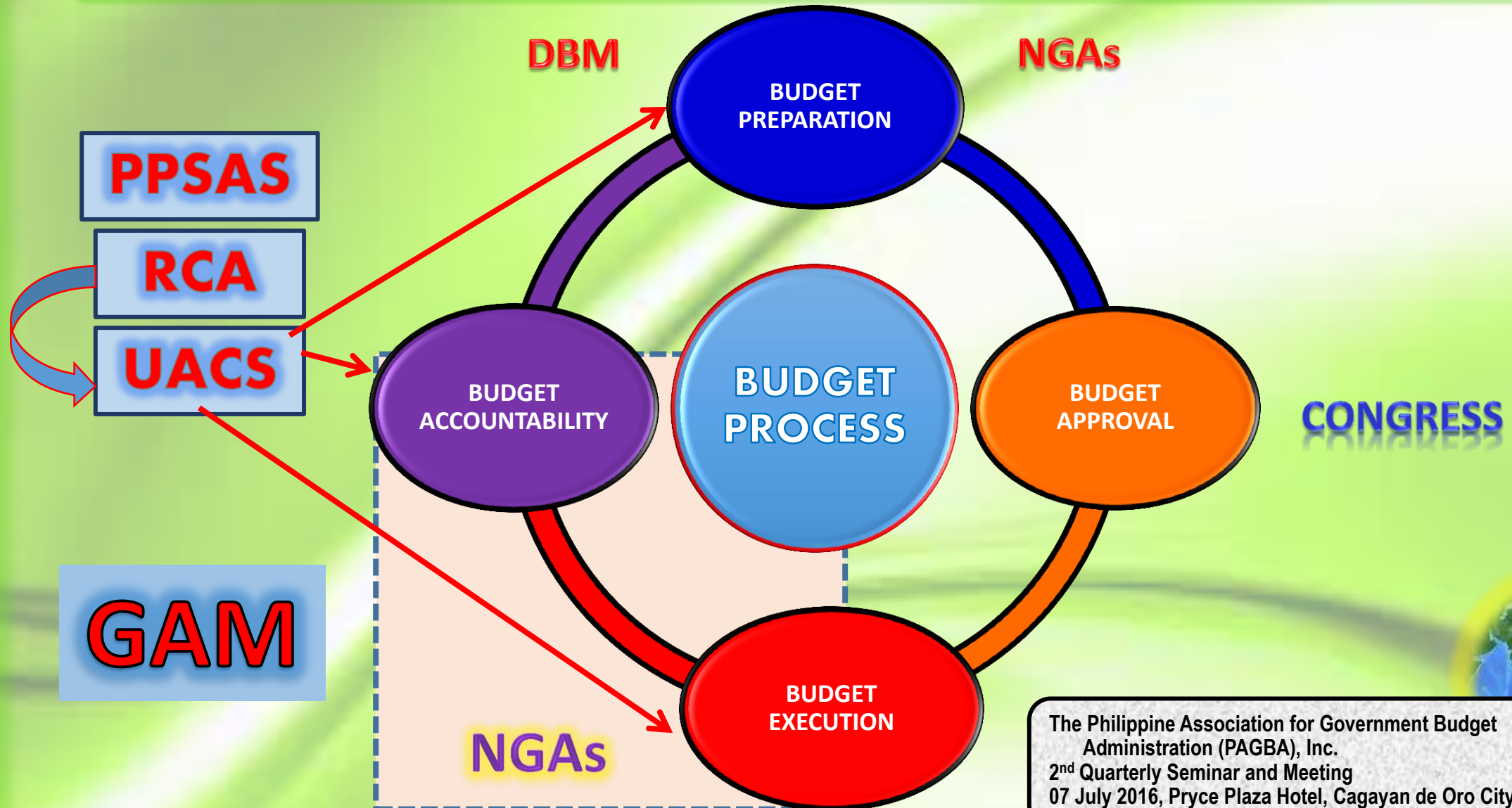


# GAM for NGAs : a PFM Reform

- An activity of the Accounting and Auditing Reforms Project under the PFM Reform Roadmap
- Prepared by a committee supervised by COA's Philippine Public Sector Accounting Standards Board
- Exposed to various stakeholders for comment/recommendation
- Funded by a KfW Technical Assistance Fund
- Approved by COA Commission Proper, through COA Circular No. 2015-007 dated October 22, 2015
- Used effective January 1, 2016
- Capacity Building activities/Training conducted:
  - From October to December 2015 – initiated by COA (free)
  - From January 2016 to present – initiated by departments/agencies (customized training)

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# The Budget Cycle



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# Objective of the GAM

## Provides updates on the following:

- Government Accounting Policies, Guidelines, Standards and Procedures
- Coding Structure and Accounts
- Accounting Books, Registries, Records, Forms, Reports and Financial Statements
- Illustrative Accounting Journal Entries

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# Contents of the GAM

Volume I	Volume II	Volume III
<p><b>22 Chapters, 19 Annexes, Acronyms</b></p>	<p><b>92 Appendices</b></p>	<p><b>3 Chapters</b></p>
<p>✓ <b>Accounting Standards and Policies</b></p>	<p>✓ <b>Books, Registries, Records, Forms and Reports</b></p> <ul style="list-style-type: none"> <li>▪ Accounting</li> <li>▪ Budget</li> <li>▪ Treasury</li> <li>▪ Property/Supply Management</li> </ul>	<p>✓ <b>List of Accounts</b></p> <p>✓ <b>Codes and Descriptions of Accounts</b></p>
<p>✓ <b>Guidelines and Procedures</b></p> <ul style="list-style-type: none"> <li>▪ Accounting</li> <li>▪ Budget</li> <li>▪ Treasury</li> <li>▪ Property/Supply Management</li> </ul>	<p>✓ <b>Instructions: How to Accomplish the forms, records, etc.</b></p> <p>✓ <b>When/Where to Submit</b></p>	
<p>✓ <b>Illustrative Accounting Entries</b></p>		
<p>✓ <b>Sample Formats of the FSs</b></p>		

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# Chapters in Volume 1, GAM for NGAs

[Chapter 1](#) - Introduction

[Chapter 2](#) - General Provisions, Basic Standards and Policies

[Chapter 3](#) - Budget Monitoring and Reporting

[Chapter 4](#) - Responsibility Accounting

[Chapter 5](#) - Revenue and Other Receipts

[Chapter 6](#) - Disbursements

[Chapter 7](#) - Financial Instruments

[Chapter 8](#) - Inventories

[Chapter 9](#) - Investment Property

[Chapter 10](#) - Property, Plant and Equipment

[Chapter 11](#) - Agriculture

[Chapter 12](#) - Intangible Assets

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# Chapters in Volume 1, GAM for NGAs

[Chapter 13](#) - Leases

[Chapter 14](#) - Service Concession Arrangements: Grantor

[Chapter 15](#) - Interest in Joint Venture

[Chapter 16](#) - The Effects of Changes in Foreign Exchange Rates

[Chapter 17](#) - Borrowing Costs

[Chapter 18](#) - Provisions, Contingent Liabilities and Contingent Assets

[Chapter 19](#) - Financial Reporting

[Chapter 20](#) - Consolidated and Separate Financial Statements

[Chapter 21](#) - Bank Reconciliation

[Chapter 22](#) - Illustrative Accounting Entries

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# Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
1. New Standards	State Accounting Standards	<b>PPSAS 1</b> -Presentation of Financial Statements
		<b>PPSAS 2</b> -Cash Flow Statements
		<b>PPSAS 3</b> -Accounting Policies, Changes in Accounting Estimates and Errors
		<b>PPSAS 4</b> -The Effects of Changes in Foreign Exchange Rates
		<b>PPSAS 5</b> -Borrowing Costs
		<b>PPSAS 6</b> -Consolidated and Separate Financial Statements
		<b>PPSAS 8</b> -Interests in Joint Ventures
		<b>PPSAS 9</b> -Revenue from Exchange Transactions
		<b>PPSAS 12</b> -Inventories
		<b>PPSAS 13</b> -Leases

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# Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
1. New Standards	State Accounting Standards	PPSAS 14-Events after the Reporting Date
		PPSAS 16-Investment Property
		PPSAS 17-Property, Plant and Equipment
		PPSAS 19-Provisions, Contingent Liabilities and Contingent Assets
		PPSAS 20-Related Party Disclosures
		PPSAS 21-Impairment of Non-Cash Generating Assets
		PPSAS 23-Revenue from Non-Exchange Transactions (Taxes and Transfers)
PPSAS 24-Presentation of Budget Information in Financial Statements		

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# Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
1. New Standards	State Accounting Standards	<b>PPSAS 26</b> -Impairment of Cash-Generating Assets
		<b>PPSAS 27</b> -Agriculture
		<b>PPSAS 28, 29 and 30</b> -Financial Instruments (Presentation, Recognition and Measurement, and Disclosures, respectively)
		<b>PPSAS 31</b> -Intangible Assets
		<b>PPSAS 32</b> -Service Concession Arrangements: Grantor

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# Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
2. Components of FS	Four	Six
3. FS Title	<ol style="list-style-type: none"> <li>1. Balance Sheet</li> <li>2. Statement of Income and Expenses</li> <li>3. Statement of Government Equity</li> <li>4. Cash Flow Statement</li> </ol>	<ol style="list-style-type: none"> <li>1. Statement of Financial Position</li> <li>2. Statement of Financial Performance</li> <li>3. Statement of Changes in Net Assets/Equity</li> <li>4. Statement of Cash Flow</li> </ol>
		<p><b><u>Additional FSs</u></b></p> <ol style="list-style-type: none"> <li>5. Statement of Comparison of Budget and Actual Amounts</li> <li>6. Notes to Financial Statements</li> </ol>

# Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
4. Chart of Accounts	COA Circular 2004-008, September 20, 2004	COA Circular 2013-002, January 30, 2013 COA Circular 2014-003, April 15, 2014 COA Circular 2015-007, October 22, 2015
5. Unified Accounts Code Structure (UACS)	None	UACS Compliant
6. Books Maintained	Regular Agency Book and National Government Book	By Fund Cluster

# Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
7. Fund Maintenance	One Fund Concept	Fund Clustering <ul style="list-style-type: none"> <li><b>01</b> - Regular Agency Fund</li> <li><b>02</b> - Foreign-Assisted Projects Fund</li> <li><b>03</b> - Special Accounts-Locally Funded/Domestic Grants Fund</li> <li><b>04</b> - Special Account-Foreign Assisted/Foreign Grants Fund</li> <li><b>05</b> - Internally Generated Funds/Retained Income Fund</li> <li><b>06</b> - Business Related Funds/Revolving Fund</li> <li><b>07</b> - Trust Receipts</li> </ul>



# Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
8. Inventory Costing	Moving Weighted Average	Moving Weighted Average; Specific Identification
9. Estimated Useful Lives of PPE	Prescribed by COA	Ranges – prescribed by COA Specific Useful Life – prescribed by Management
10. PPE Threshold	None	P15,000 and above
11. Residual value	10%	At least 5%

# Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
12. Cash Flow	Direct Method	Direct Method
13. Completed Public Infrastructures	Derecognized; recorded in registry only	Recognized in the books of accounts
14. Statement of Financial Position		
<b>Assets</b>	Without distinction	With Distinction Current and Non-current
<b>Liabilities</b>	Without distinction	With Distinction Current and Non-current

# Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
15. Accounting for Donation		
with conditionality	Income	Liability
without conditionality	Income	Revenue
with restriction	-	Revenue

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# Changes Adopted in the GAM

Particulars	NGAS Manual	GAM
16. Statement of Financial Performance Subsidies, Transfers	Form part of Income	Not part of Revenue from Current Operation
17. Impairment loss	None	Recognized
18. Adjustment affecting Government Equity	Uses Prior Year's Adjustment account	Direct adjustment to Equity
19. Recognition of Income Collection	Without authority to use-BTr With authority to use-NGAs	Recognized by NGAs



# Changes Adopted in the GAM (Budget)

Particulars	NGAS Manual	GAM
1. Maintenance of Registries	Registry of Allotments and Obligations (RAO) RAOPS, RAOMOOE, RAOCO, RAOFE	Registry of Allotments, Obligations and Disbursements (RAOD) (RAODPS, RAODMO, RAODCO, RAODFE)
	RBU	RBUDPS, RBUDMOOE, RBUDCO, RBUDFE
	RAPAL (COA-GAS only)	RAPAL (COA-GAS and agencies)
Registry of Revenue and other Receipts	None	New
2. Statement of Comparison of Budget and Actual Amounts	None	Additional component of FS
3. Monitoring of Obligation/Payment	None	Section C of Obligation Request and Status (ORS)

# Changes Adopted in the GAM (Budget)

Particulars	NGAS Manual	GAM
4. Forms	Obligation Request (ObR)	Obligation Request and Status (ORS)
	None	Notice of Obligation Request and Status Adjustment (NORSA)
	Budget Utilization Request (BUR)	Budget Utilization Request and Status (BURS)
	None	Notice of Budget Utilization Request and Status Adjustment (NBURSA)



# Section C of the Obligation Request and Status (ORS)

C.			STATUS OF OBLIGATION				
Reference			Amount				
Date	Particulars	ORS/JEV/Check/ ADA/TRA No.	Obligation	Payable	Payment	Balance	
			(a)	(b)	(c)	(a-b)	(b-c)
04/10/16	Obligation for the construction of office building	06-101101-2016-04-00	10,000,000.00			10,000,000.00	
04/15/16	Mobilization fee	ADA#20012			1,500,000.00	8,500,000.00	
	1st progress billing			3,000,000		5,500,000.00	3,000,000.00
07/10/16		ADA#20025			2,431,250.00		568,750.00
08/10/16		TRA #30011			156,250.00		412,500.00
08/10/16		TRA # 30012			62,500.00		350,000.00
	2nd progress billing			3,000,000		2,500,000.00	3,350,000.00
		ADA#20029			2,431,250.00		918,750.00
		TRA # 30015			156,250.00		762,500.00
09/10/16		TRA # 30016			62,500.00		700,000.00
10/10/2016	Final billing			2,500,000		-	3,200,000.00
		ADA#20041			2,012,500.00		1,187,500.00
		TRA # 30020			133,928.57		1,053,571.43
		TRA # 30021			53,571.43		1,000,000.00
12/10/2016	Return for retention	ADA#20050			1,000,000.00		0.00

(a) Obligation

(b) Payable

Delivery Receipt/JEV

(c) Payment

RCI/JEV

(a-b) Not yet due

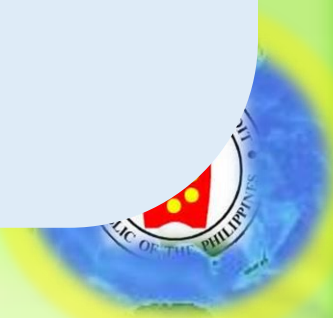
(b-c) due and demandable



# Budget and Financial Accountability Reports (BFARs)

(COA-DBM-DOF Joint Circular No. 2013-1, as amended by  
COA-DBM Joint Circular No. 2014-1 dated July 2, 2014)

- Quarterly Physical Report of Operation (QPRO)-**BAR No. 1**
- Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAODB)-**FAR No. 1**
- Summary of Appropriations, Allotments, Obligations, Disbursements and Balances by Object of Expenditures (SAAODBOE)-**FAR No.1-A**

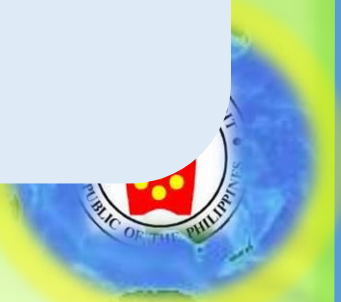




# Budget and Financial Accountability Reports (BFARs)

(COA-DBM-DOF Joint Circular No. 2013-1, as amended by  
COA-DBM Joint Circular No. 2014-1 dated July 2, 2014)

- List of Allotments and Sub-Allotments(LASA)-**FAR No. 1-B**
- Statement of Approved Budget, Utilizations, Disbursements and Balances(SABUDB)-**FAR No. 2** (for Off-Budget Fund)
- Summary of Approved Budget, Utilizations, Disbursements and Balances by Object of Expenditures(SABUDBOE)-**FAR No. 2-A** (for Off-Budget Fund)



# Budget and Financial Accountability Reports (BFARs)

(COA-DBM-DOF Joint Circular No. 2013-1, as amended by  
COA-DBM Joint Circular No. 2014-1 dated July 2, 2014)

- Aging of Due and Demandable Obligations (ADDO)-**FAR No. 3**
- Monthly Report of Disbursements (MRD)-**FAR No. 4**
- Quarterly Report of Revenue and Other Receipts (QRROR)-  
**FAR No. 5**

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***Responsibility Accounting*** - a system that measures the plans (by budgets) and actions (by actual results) of each responsibility center

***Responsibility Center*** - a part, segment, unit or function of a government agency, headed by a manager, who is accountable for a specified set of activities



# Objectives of Responsibility Accounting

- **Charge/Credit all costs and revenues to the correct responsibility center**
- **Provide basis for making decisions for future operations**
- **Facilitate review activities**
- **Monitor performance of each responsibility center**
- **Facilitate evaluation of effectiveness of agency's operations**



# REVENUE SOURCES

## Exchange Transactions

Sale of Goods

Provisions of Services

Use by others of entity assets

## Non-Exchange Transactions

Tax Revenue

Fines and Penalties

Shares, Grants and Donations

Present obligation recognized as a liability is satisfied



# OTHER RECEIPTS

- **Notice of Cash Allocation**
- **Non-cash Availment Authority**
- **Cash Disbursement Ceiling**
- **Tax Remittance Advice**
- **Subsidy/Assistance from other NGAs, LGUs, GCs and Other Funds**
- **Refund of Cash Advances**
- **Performance bond/security deposits**
- **Refund of overpayment of expenses**
- **Collections made on behalf of another entity or non-government/private organizations**
- **Intra-agency and inter-agency transfers**

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# RECOGNITION

## Exchange Transactions

- Future economic benefits or service potential flow to the entity
- Such benefits can be measured reliably

## Non-Exchange Transactions

- When collected
- Measurable and legally collectible



# RECOGNITION

## (Exchange Transactions)

### Sale of Goods

Transfer of significant risks and rewards of ownership of the goods.

Retains neither managerial involvement nor effective control over the goods sold.

### Provisions of Services

**Straight-line basis** over the specified period of the services.

Stage of completion of the transaction at the reporting date.

### Use by others of entity assets

*Interest* – effective yield on the asset

*Royalties* – as earned

*Dividends* – right to receive payment is established





# RECOGNITION

## (Non-Exchange Transactions)

***The cash basis of accounting shall be applied by all government agencies until a reliable model of measurement is developed.***

Taxation Revenue –  
determined at gross  
amount

Gifts and Donations (other  
than services in kind)

Goods in-kind without  
condition – recognized  
immediately as received

future economic  
benefits or service  
potential flow to the  
entity

Fair value of the  
assets can be  
measured reliably



# Recognition Criteria of Asset through Transfers

An entity shall recognize an asset in respect of transfers when :

1. The transferred resources meet the definition of an asset.

Transfers meet the definition of an asset when the entity controls the resources as a result of past event (the transfer), and expects to receive future economic benefits or service potential from those resources.

2. Transfers satisfy the criteria for recognition as an asset

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.



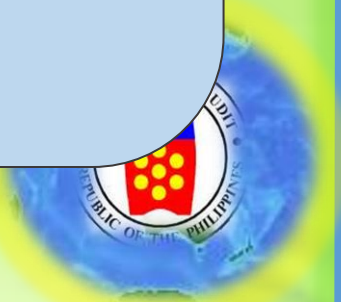
# Basic Requirements for Disbursements and the Required Certifications

- **Necessity and legality of charges to allotments as well as the validity, propriety and legality of supporting documents certified by the Head of the Requesting Unit;**
- **Availability of allotment/budget for obligation/utilization certified by the Budget Officer/Head of Budget Unit;**



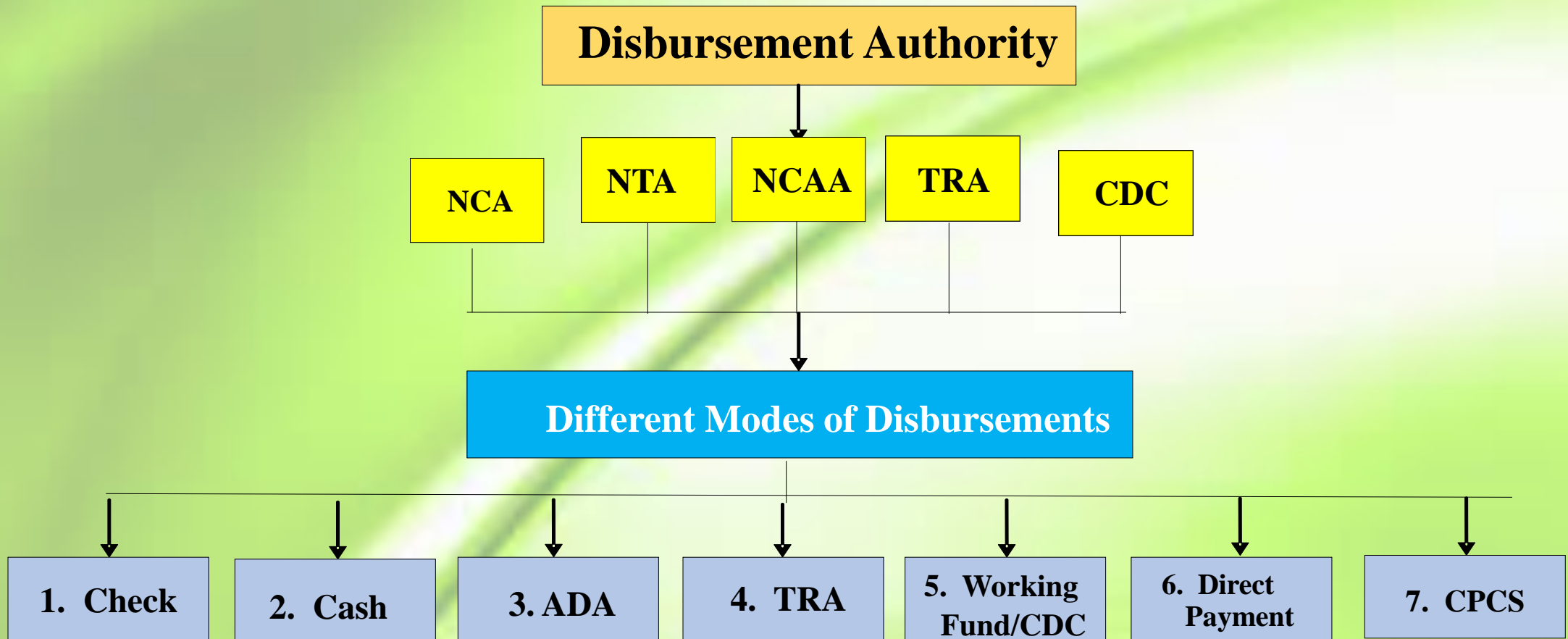
## **Basic Requirements for Disbursements and the Required Certifications**

- **Legality of the transactions and conformity with existing rules and regulations certified by the requesting and approving officials;**
- **Availability of cash and completeness of supporting documents certified by the Chief Accountant;**



# Basic Requirements for Disbursements and the Required Certifications

- **Approval of the disbursement by the Head of Agency or by his duly authorized representative; and**
- **Availability of funds certified by the Chief Accountant.**



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# INVENTORIES

## Classifications of Inventories

**For  
Manufacturing**

**For Sale**

**For  
Distribution**

**For  
Consumption**

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# MEASUREMENT OF INVENTORIES

**Lower of  
cost and net  
realizable  
value**

Inventories measured

**FV at the  
date of  
acquisition**

Except Non-exchange

**Lower of  
cost and  
current  
replacement  
cost**

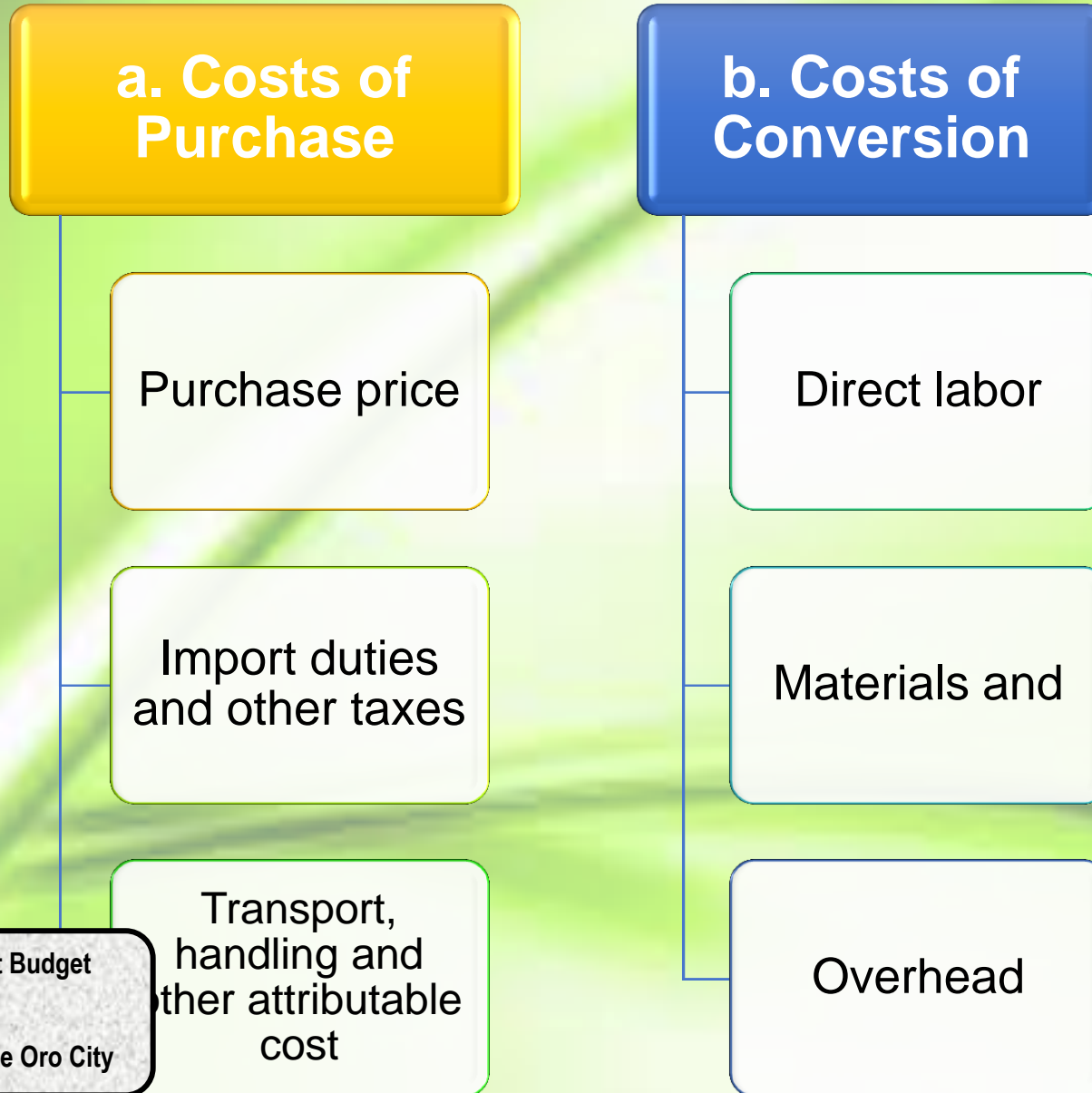
Held for distribution at no  
charge or for a nominal  
charge

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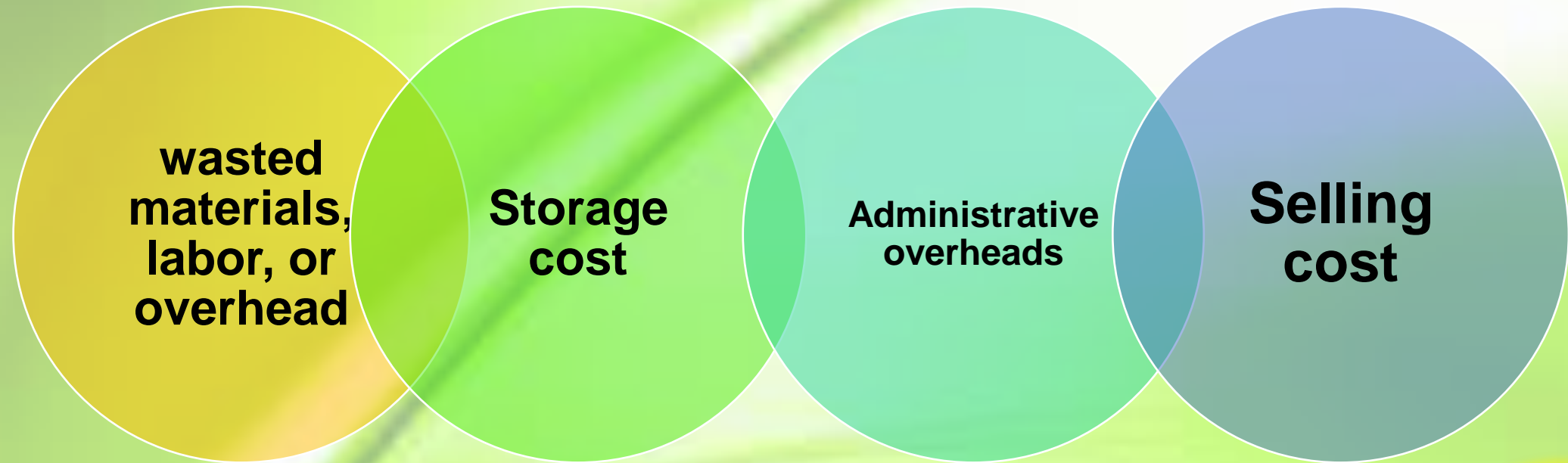
# COST OF INVENTORIES



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# Example of costs excluded from the cost of inventories



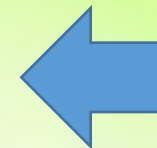
# METHODS OF ACCOUNTING FOR INVENTORIES

## Perpetual inventory

- Continually records all the changes in inventory
- Use of Supplies Ledger Card-by the Accounting Unit
- Use of Stock Card – by the Supply Unit

## Periodic inventory

- All acquisition are recognized by debits to purchases

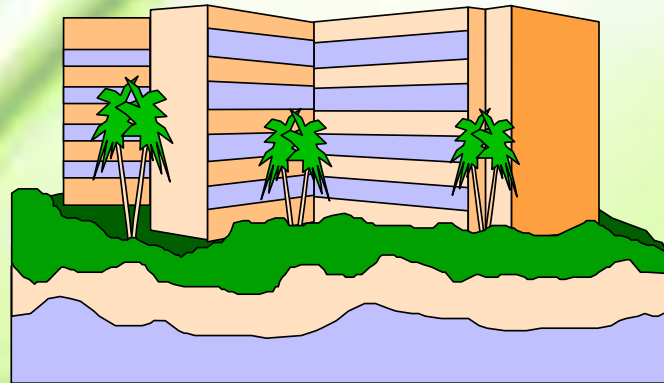


# Property, Plant and Equipment - Definition

## **TANGIBLE ASSETS**

**purchased, constructed,  
developed or otherwise  
acquired**

**expected to be used during  
more than one reporting period**



**held for:**

- 1) use in the production or supply of goods or services**
- 2) rental to others**
- 3) administrative purposes**

**not intended for resale in the  
ordinary course of operations**

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# Criteria for Recognizing PPE

**C  
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A**

**future economic benefits or service potential will flow to the entity**

**cost or fair value can be measured reliably**

**beneficial ownership and control rest with the entity**

**used to achieve government objectives**

**meets the capitalization threshold of P15,000.00**

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# Policies on the Application of the ₱15,000.00 Threshold

**minimum cost of the individual asset**

**individual items below the threshold but work together as one network of asset, the amount exceeds the threshold**

**the ₱15,000 shall not be applied to the aggregate value of PPE acquired in bulk**



# Measurement at Recognition

Cost



Initial Cost

Subsequent Cost

OR

Fair Value



# ELEMENTS OF COST

Purchase price

Initial estimate of dismantling and removing the item and restoring the site



Directly attributable cost

**Examples:** employee benefits, site preparation, delivery and handling cost, installation and assembly cost, testing cost, professional fees.





# Computation of Cost of PPE with Dismantling Cost

## Medical Equipment

**Purchase Price – P1,000,000**

**Freight Cost – P15,000**

**Dismantling Cost – P80,000 at the end of its five-year useful life**



# Computation of Cost

*Date of purchase – Jan. 2, 2014*

**Purchase Price – P1,000,000**

**Freight Cost – 15,000**

**PV of Dismantling Cost –  
(P80,000 x 0.62092\*) 49,674**

**Total Cost P1,064,674**

\* The average borrowing rate at the time of acquisition is 10%



# Accounting Entry

Purchase Price –	P1,000,000
Freight Cost –	15,000
PV of Dismantling Cost – (P80,000 x 0.62092*)	<u>49,674</u>
Total Cost	<u>P1,064,674</u>

	<u>Account Code</u>	<u>Dr.</u>	<u>Cr.</u>
Medical Equipment	10605110	1,064,674	
Cash, MDS, Regular	10104040		1,015,000
Other Provisions	20601990		49,674

***To recognize the purchase of medical equipment.***

# Additional Criteria for Infrastructure Assets

Part of a system or network

Specialized in nature and do not have alternative uses

Immovable

May be subject to constraints on disposal



The Philippine Association for Government Budget  
Administration (PAGBA), Inc.  
2<sup>nd</sup> Quarterly Seminar and Meeting  
07 July 2016, Pryce Plaza Hotel, Cagayan de Oro City



## Heritage Assets

- Their value in cultural, environmental, educational, and historical terms is unlikely to be fully reflected in a financial value based purely on market price
- Legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale
- Irreplaceable and their value may increase over time even if their physical condition deteriorates
- Difficult to estimate their useful life, which in some cases could be several hundred years



# Heritage Assets

- **Measurement – cost or, if acquired thru non-exchange transactions, at fair value**
- **Depreciation shall not be recognized**
- **Subject to impairment**
- **Fair value, if measurable, shall be disclosed**
- **If used as PPE (like historic building used as office), measure as other items of PPE**



# Recording and Monitoring of Heritage Assets

- **Registry of Heritage Assets (RHA)**
  - To record and monitor Heritage Assets not recognized in the books of accounts
  - To be maintained by Accounting Unit
  - By fund cluster and in perpetual manner
- **Registry of Heritage Assets Summary (RHAS)**
  - To summarize cost of specific heritage assets recorded in RHA
  - To be maintained by Accounting Unit
  - By fund cluster and in perpetual manner



# Subsequent Cost

- ❖ **Repairs and Maintenance**
- ❖ **Betterments**
- ❖ **Additions and Rearrangements**





# 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.
- Minor repairs shall be directly charged to expense account “Repairs and Maintenance” of the specific PPE
- 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.

(Sec. 24, Chapter 10, Volume I of GAM for NGAs)

# Spare Parts

- **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**

# Replacement/Resurfacing

- **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.**

# Betterments

- **enhancements to the future economic benefits or service potential of a capital asset, such as:**
  - a. an increase in the previously assessed physical output or service capacity;**
  - b. a reduction in associated operating costs;**
  - c. an extension of the estimated useful life; or**
  - d. an improvement in the quality of output.**

**(Sec. 25, Chapter 10, Volume I of GAM for NGAs)**



# Betterment

- **Capitalize, if it meets the criteria of PPE**
- **If not, expense**
- **If it enhances the future economic benefits or service potential but will not increase estimated useful life, the depreciation period shall remain the same.**
- **If it increases the estimated useful life, its useful life shall be changed. The revised depreciation period shall not exceed the estimated useful life of that capital asset.**
- **If it involves replacement of an identifiable component of a capital asset, derecognize the replace part.**

# Additions

**Additions or modifications which increase the physical size or function of the PPE should be capitalized.**

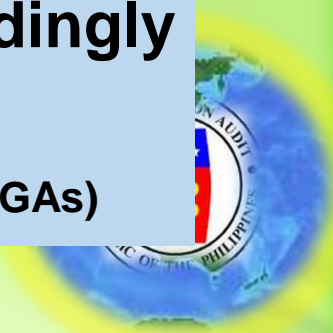
- **entirely new unit and expansion, and**
- **enlargement or extension of the old asset.**
- **The cost of an addition which is a new unit is depreciated over its useful life.**
- **The cost of an expansion shall be depreciated over its useful life or remaining life of the PPE of which it is part, whichever is shorter.**

# Rearrangements

***“moving cost”, “reinstallation cost” or  
“relocation cost”***

- **Cost in moving an asset from one location to another that will benefit future periods but do not represent additions, replacements or improvements.**
- **relocation or reinstallation of an asset which proves to be less efficient in its original location**
- **Capitalized and amortized over the remaining life of the asset for which it pertains.**
- **Undepreciated amount of the original installation cost -expensed and the pertinent accumulated depreciation accordingly derecognized.**

(Sec. 25, Chapter 10, Volume I of GAM for NGAs)



# Construction

## *Contract*

Construction-in- Progress

Transferred to proper  
asset account

## *Administration*

Labor and materials – in  
compliance with RA 9184





# Exchange Transactions

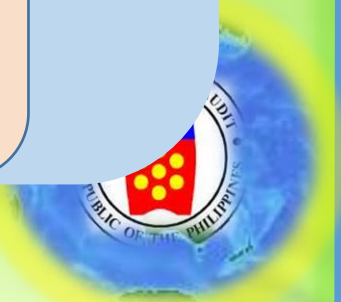
Let's trade this guy  
for a new printer!



Measurement of PPE:

- a. Fair value of the asset received or if not available, the fair value of the asset given up
- b. if the fair value of the asset received or given up cannot be measured reliably, the carrying amount of asset given up

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# Non-exchange Transactions

## ➤ Measured at Fair value at the date of acquisition

### \* Donation without Condition

shall be measured at its fair value at the date of acquisition directly recognized as “Income from Grants and Donations in Kind”

### \* Donation with Condition

a liability account shall be recognized until the conditions or restrictions have been fulfilled

### \* Grants

Assistance in the form of transfer of resources, in cash or in kind from other of government, private sectors or international institutions

### \* Intra-agency transfers

transfer from Central Office to Regional Offices/Staff Bureaus or vice versa

### \* Inter-agency transfers

transfer from one government entity to another government entity

# Measurement after Recognition

## Cost Model

Cost

Less accumulated  
depreciation

Less accumulated  
impairment loss

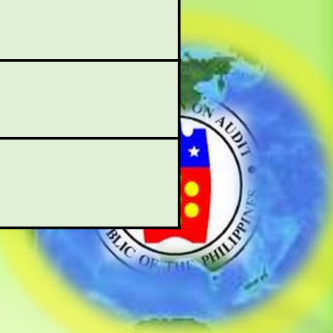


# Policies Applicable to Depreciation of PPE

- ❖ All PPE shall be depreciated except land and not recognized heritage assets
- ❖ Depreciation begins when the asset is available for use, if availability is on or before the 15<sup>th</sup> of the month, record depreciation during the month, if after the 15<sup>th</sup> of the month, depreciation shall be for the succeeding month
- ❖ Adopt straight line method of depreciation
- ❖ Estimation of the useful life of the asset is a matter of judgment based on the experience of the entity

## PPE Shall be Depreciated over the Following Life Spans

Property, Plant and Equipment	Estimated Useful Life
Land Improvements	useful life of the asset to which the improvement was made
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



## PPE Shall be Depreciated over the Following Life Spans

Property, Plant and Equipment	Estimated Useful Life
Watercrafts	10 to 25 years
Furniture, Fixtures and Books	2 to 15 years
Leased Assets, excluding Land	useful life of the leased asset or the lease term, whichever is shorter.
Leased Assets Improvements	useful life of the improvement or the lease term, whichever is shorter.
Service Concession Assets	useful life of the service concession asset or the term of the service concession arrangement, whichever is shorter.
Other Property, Plant and Equipment	2 to 15 years



# Policies applicable to depreciation of PPE

- ❖ Residual value is at least 5% of the cost
- ❖ Estimated useful life and residual value shall be reviewed on a regular basis and revised if a change is clearly demonstrated
- ❖ Depreciation is recorded as a debit to Depreciation Expense and a credit to Accumulated Depreciation
- ❖ Each part of a PPE with a cost that is significant to the total cost shall be recorded and depreciated separately
- ❖ Computation of depreciation shall be cost less residual value over the estimated useful life

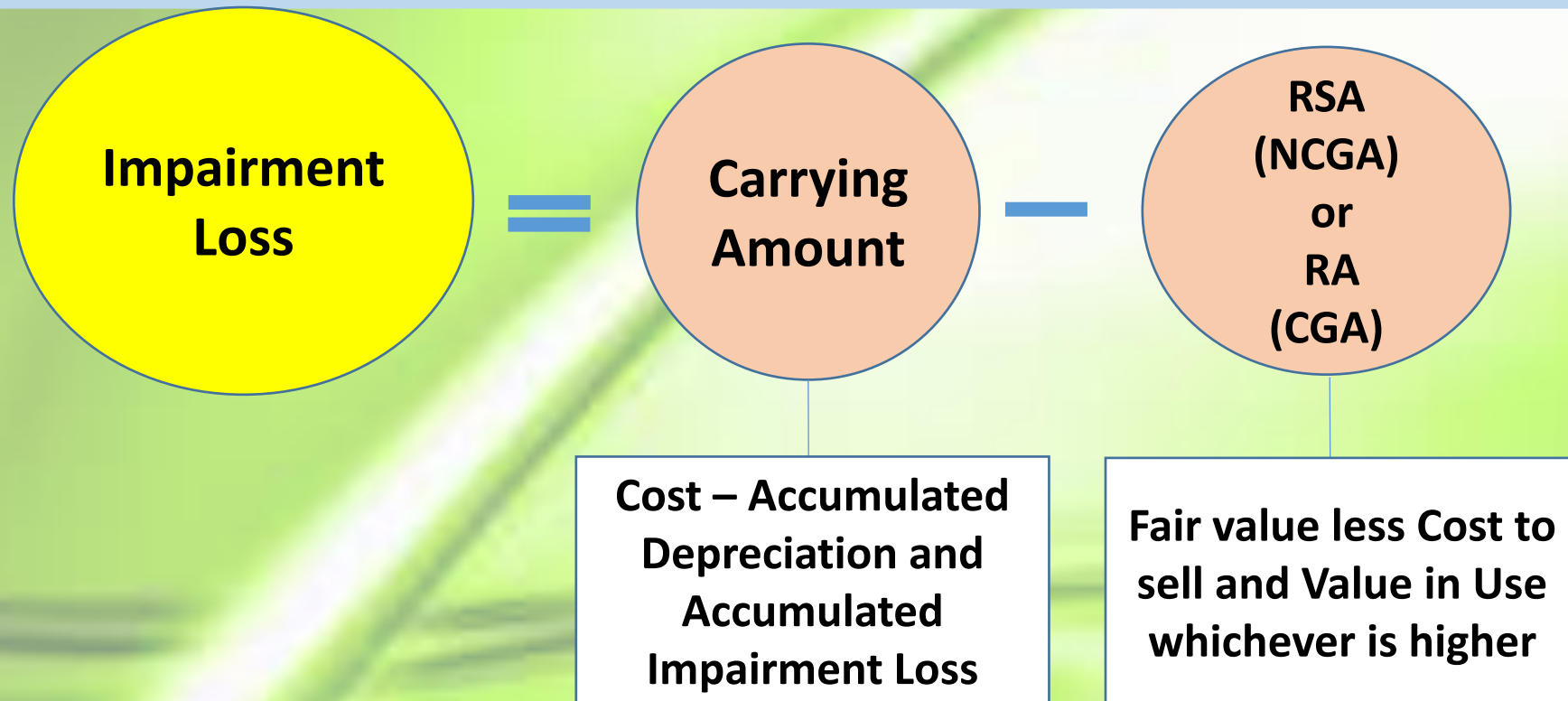
# IMPAIRMENT OF NON-CASH/CASH GENERATING ASSETS

1. At each reporting date, assess whether there is an indication that an asset is impaired. I
2. If there is indication of impairment, determine the RSA/RA.
3. Compare the RSA/SA with the CA (net of accumulated depreciation and accumulated impairment losses). If the CA is higher than RSA/SA, the difference is the estimated impairment loss. On the other hand, if the RSA/SA is higher than the CA, no impairment loss shall be recognized.



# Impairment

**Impairment** is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition through depreciation.



# COMPUTATION OF IMPAIRMENT LOSS

**Non-Cash Generating Asset**

**Value in Use = PV of  
NCGA remaining service  
Potential**

**Cash Generating Asset**

**Value in Use = PV  
of CGA future cash flows**

# ILLUSTRATIVE EXAMPLE

IT Equipment	₱350,000.00
Accumulated Depreciation	<u>126,000.00</u>
Carrying Amount (as of 12-31-13)	<u>₱224,000.00</u>
Value in Use	<u>₱180,000.00</u>
Fair Value of IT Equipment Less Cost to Sell	<u>₱200,000.00</u>



# ILLUSTRATIVE EXAMPLE

Carrying Amount	₱224,000.00
Less: Recoverable service amount (Fair Value less cost to sell)	<u>200,000.00</u>
Impairment Loss	<u>₱ 24,000.00</u>



# Impairment - Recognition

- ❖ Impairment loss is recognized in the financial statement as an expense.
- ❖ 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.



# REVERSAL OF IMPAIRMENT LOSS

- ❖ **Assess existence of impairment loss recognized in prior periods**
- ❖ **If impairment no longer exists or has decreased, estimate the RSA / RA of the PPE**
- ❖ **A reversal of an impairment loss of an asset shall be recognized immediately in surplus or deficit**



# Idle, Unserviceable and Fully Depreciated PPE

## Idle

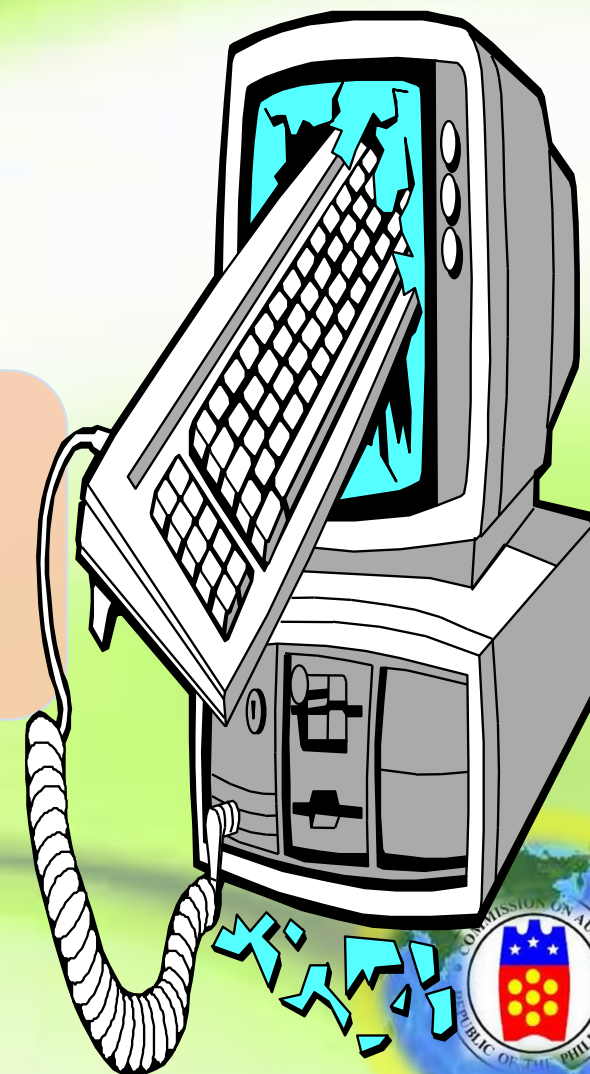
- does not preclude depreciating the PPE
- future benefits are consumed not only through usage but also through obsolescence, and wear and tear

## Unserviceable

- no longer capable of providing future economic benefits or service potential
- reported in the IIRUP
- dropped from the books by debiting Impairment Loss – PPE (net of cost of the PPE less Accumulated Depreciation)

## Fully Depreciated

- carrying amount is equal to zero, or the carrying amount is equal to residual value
- fully depreciated assets remaining in service and the related accumulated depreciation shall not be removed from the accounts.



# GAM Implementation Strategy

- **Prepared courseware for uniformity in capacity building/training**
- **Created and Trained Pool of GAM Trainers**
- **Provision of technical assistance to users**





# GAM Implementation Strategy

- **Capacity Building of users from October to December 2015, and 1<sup>st</sup> seminar of 2016 :**

- **Regular courses:**

- Trained **1,577** COA Officials and auditors/personnel and Accounting, Budget, Treasury and other Finance officials/personnel of NGAs as of December 31, 2015

- **Customized training:**

- Trained Accounting, Budget, Treasury and other Finance officials/personnel of NGAs

# GAM Implementation Strategy

- **Continuous updating of the GAM through issuance of pertinent COA rules and regulations, as necessary**



# THANK YOU

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