

Board of Accountancy, and Professional Regulation Commission shall apply.

Accounting rules and regulations pertaining to cash operations, collections, remittances and disbursements, including public borrowings, are issued by the Commission on Audit (COA), jointly or with the concurrence of the DOF and DBM.

GOVERNMENT BUSINESS

ENTERPRISE (GBE)

CHARACTERISTICS:

- 1. An entity with the power to contract in its own name;**
- 2. Has been assigned the financial and operational authority to carry on a business;**
- 3. Sells goods and services, in the normal course of business, to other entities at a profit or full cost recovery;**
- 4. Not reliant on continuing government funding to be a going concern (other than purchase of outputs at arm's length); and**

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Code Structures (UACS), the consistency of accounts classification and coding standards with the Government Finance Statistics (GFS) shall be the responsibility of Department of Finance - BTr.

National Government Agencies

Departments, bureaus, offices and other instrumentalities of the National Government, including the Congress, the Judiciary, the Constitutional bodies, state colleges and universities, and other self-contained institutions and hospitals are required by law to have accounting units/divisions/departments, which are to be of the same level with other units/divisions/departments in the agency and under the direct supervision of the Head of the Agency. Accounting personnel shall (1.) maintain and keep current the accounts of the agency; (2.) provide advice on the financial condition and status of the appropriations and allotments of the agency as its Head may require, and (3.) to develop and conduct procedures designed

This registry shall be maintained by the Budget Division/Unit of the entity for the following fund clusters: 1.) Regular Agency Fund; and, 2.) Foreign Assisted Project fund.

- c. Registry of Revenue and Other Receipts**
– **Special Account Locally Funded/Domestic Grants Fund and Special Account Foreign Assisted/Foreign Grants Fund (RROR-SADFGF).**

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; and, 2.) Special Account - Foreign Assisted/Foreign Grants Fund.

- d. Registry of Revenue and Other Receipts**
– **Internally Generated Funds (Off-Budgetary Funds - Retained Income Funds)/Business Related Funds (RROR-IGR/BEL).**

This registry shall be maintained by the Budget Division/Unit of the entity for the

This registry shall be maintained by the Budget Division/Unit by Appropriation Act, fund cluster, by Major Final Output (MFO) or Program/Activity/Project (PAP) for personnel services.

h. Registry of Allotments, Obligations and Disbursements – Maintenance and Other Operating Expenses (RAOD-MOOE).

This registry shall be maintained by the Budget Division/Unit by Appropriation Act, fund cluster, by Major Final Output (MFO) or Program/Activity/Project (PAP) for maintenance and other operating expenses.

i. Registry of Allotments, Obligations and Disbursements – Financial Expenses (RAOD-FE).

This registry shall be maintained by the Budget Division/Unit by Appropriation Act, fund cluster, by Major Final Output (MFO) or Program/Activity/Project (PAP) for financial expenses.

p. Registry of Allotments and Notice of Transfer of Allocation (RANTA)

This registry shall be maintained by the Accounting Division/Unit to determine the amount of allotments not covered by NTA and to monitor available NTA.

7. What are the basic accounting and budget reporting principles under GAM?

Answer: The following are the basic accounting and budget reporting principles as provided by GAM:

- a. Generally accepted government accounting principles in accordance with the PPSAS and pertinent laws, rules and regulations. COA Resolution No. 2014-003 dated January 24, 2014 prescribed the adoption of twenty five (25) Philippine Public Sector Accounting Standards (PPSASs) effective January 1, 2014. These PPSASs were based on International Public Sector Accounting Standards (IPSASs) which were published in the 2012 Handbook of International Public**

6. Evaluation of a manager's performance for cost centers is based on his ability to meet budgeted goals for controllable costs.

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The receipt of Notice of Cash Allocation is recorded in the Regular Agency books representing the agency's subsidy from the national government.

8. A

The DBM, DOF-BTr, and COA are collectively responsible for the **UACS. Specifically, validation and assignment of new codes for funding sources, organization, sub-object codes for expenditure items shall be the responsibility of **DBM**; consistency of account classification and coding structure with the Revised Chart of Accounts shall be the responsibility of **COA**; consistency of account classification and coding standards with the Government Finance Statistics shall be the responsibility of **DOF-BTr**; and validation and assignment of new Program, Activity, Project Codes shall be decided jointly by the proponent agency and DBM.**

9. D

See explanation in No. 8.

10. B

See explanation in No. 8.

per SARO/NCA vis-à-vis the UACS Manual, the codes per UACS Manual shall be adopted by the agency concern.

Answers to Multiple Choice (Chapter 2)

1. A

Funding Source Code is an eight-digit code to reflect the Fund Cluster Source, Financing Source, Authorization, and Fund Category. The first two digits are for Fund Cluster which was included as prefix due to enhancement by Joint Circular No. 2014-1 dated November 7, 2014. The next digit is for Financing Source. The next two digits are for Authorization. And the last three digits are for the Fund Category

2.D

Location code is a nine-digit code composed of Region, Province, City/Municipality, and Barangay.

3. D

Organization Codes is a twelve-digit code to reflect the Department, Agency and Sub-Agency or Operating Unit/Revenue Collecting Unit.

No. 2013-1 dated August 6, 2013, the Department of Budget and Management (DBM), Commission on Audit (COA), Department of Finance (DOF), and Bureau of Treasury (BTr) jointly developed the Unified Accounts Code Structure (UACS).

8. B

Province is a political corporate unit of government which consists of a cluster of municipalities, or municipalities and component cities. It serves as a dynamic mechanism for developmental processes and effective governance of local government units within its territorial jurisdiction.

9. B

This is the definition of General Fund provided by GAM.

10. D

This is the definition of New General Appropriations provided by GAM.

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Answer: Per COA Circular No. 2013-002 dated January 30, 2013, Revised Chart of Accounts, the expense accounts are classified into:

1. Personnel

Services:

- a. Salaries and wages**
- b. Other Compensation**
- c. Personnel Benefit Contributions**
- d. Other Personnel Benefits**

2. Maintenance and Other Operating Expenses:

- a. Traveling Expenses**
- b. Training and Scholarship Expenses**
- c. Supplies and Materials Expenses**
- d. Utility Expenses**
- e. Communication Expenses**
- f. Awards/Rewards and Prizes**
- g. Survey, Research, Exploration and Development Expenses**
- h. Demolition/Relocation and Desilting/Dredging Expenses**
- i. Generation, Transmission and Distribution Expenses**

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Cash-Collecting Officer, Petty Cash, etc. This is composed of two segments: the first two digits from the left is the general ledger code, and the last digit is reserved for contra accounts, like: Allowance for Impairment, Accumulated Depreciation, etc.

- 5. General Ledger Contra-Accounts –**
Contra-accounts are shown as reduction from the related accounts, and this includes, among others, Allowance for Impairment, Accumulated Depreciation, etc. as shown in the preceding item (General Ledger Accounts).

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and Gratuity Fund) are also covered by SAROs.

c) General Allotment Release Order (GARO)

This 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.

8. Enumerate and explain the disbursement authorities prescribed by GAI.

Answer: Disbursement Authority – the following documents authorize the entity to pay obligations and payables:

a. Notice of Cash Allocation (NCA)

Budget and Management and the Commission on Audit, the Notice of Cash Allocation (NCA) released to the government agency is reduced by the amount of the estimated taxes expected to be remitted by the agency through the Tax Remittance Advice. Estimated taxes are computed based on the following percentages: Personnel Services – 8%; Maintenance and Other Operating Expenses – 5%; and Capital Outlay – 5%. The Notice of Cash Allocation received by the government agency from the Department of Budget and Management is net of the applicable percentage of Tax Remittance Advice based on the Notice of Cash Allocations received.

10. What are the documents/reports, which are required by the DBM to be submitted on a regular basis? Explain briefly.

Answer: National Budget Circular No. 507 provides that the Department of Budget and Management requires agencies to submit, on a regular basis, a) Budget Execution Documents (**BEDs**) and b) Budget Accountability Reports (**BARs**). **Budget**

Suggested Answers to Problems: (Chapter 4)

1.

Released Allotments	Released NCA	Unfunded Allotments
150,000	120,000	30,000
120,000	90,000	30,000
230,000	200,000	30,000
14,000	12,000	2,000
Special Purpose Fund		
150,000	125,000	25,000
Total 664,000	547,000	117,000

2.

Released Allotments	Obligations Incurred	Unobligated Allotments
150,000	100,000	50,000
120,000	80,000	40,000
230,000	180,000	50,000
14,000	10,000	4,000
Special Purpose Fund		

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; and **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.

2. Identify the basic requirements and certifications for disbursement of public funds.

Answer: The following are the basic requirements and certifications for disbursements of government: **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**; **d)** Availability of cash certified by the **Chief Accountant**; **e)** **Legality** of the transactions and conformity with existing rules

**Finance Officer of FSPs/Foreign Attachés shall
prepare and submit RCDIsb together with the
SDs to the Central**

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

On the other hand, 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. 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.

6. Identify the sources of revenue of NGAs under exchange and non-exchange transactions.

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).”

8. How is Cash Shortage/Overage of Disbursing Officer accounted for by NGAs?

Answer: 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.**

9. Define and provide the accounting treatment for Cancelled Checks.

Answer: Checks may be cancelled when they become a) stale, b) voided or c) spoiled. **The depository bank considers a check stale, if it has been outstanding for over six months from**

Answer: The responsibility for the preparation of the FSs rests with 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 for individual entity/department FSs; and for department/entity FSs as a single entity, the responsibility for the preparation of the FSs rests with the head of the entity/department COF jointly with the head of the finance unit.

3. Define what a Statement of Management Responsibility is.

Answer: *A The Statement of Management Responsibility for Financial Statements 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.*

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reliability, the overriding consideration is how best to satisfy the decision-making needs of users. (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**

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.

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10. What are the limitations for the retrospective restatement of prior period errors?

Answer: 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**

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 *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.

Answer to Multiple Choices (Chapter 7)

- | | |
|-------|-------|
| 1. C | 13. D |
| 2. C | 14. A |
| 3. B | 15. D |
| 4. C | 16. D |
| 5. D | 17. C |
| 6. B | 18. B |
| 7. C | 19. A |
| 8. B | 20. B |
| 9. C | |
| 10. D | |
| 11. A | |
| 12. C | |

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5. Explain briefly the reconciliation procedure as provided by the GAM.

Answer: The Chief Accountant/Designated Staff shall reconcile the monthly bank statement together with the paid checks, debit memorandum, like bank service charge, and credit memorandum, like interest earned, from Government Servicing Banks. In other words, in reconciling the bank account, it is customary to reconcile the balance per books and balance per bank to their adjusted cash balances.

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 in the Statement of Financial Position.

6. Enumerate the reconciling items for Cash – MDS accounts.

Cash – Modified Disbursement System Accounts

3. **B – Bank statement**
4. **B – Cancelled checks**
5. **D – Credit memorandum**
6. **A – Debit memorandum**
7. **D – All of the above**
8. **E – A, B, and C**
9. **E – Chief Accountant or Designated Staff**
10. **B – Chief Accountant**

Chapter 9 – Accounting for Local Government Units

Questions & Answers

1. **Enumerate and explain the three separate books that shall be maintained by local government units as required under sections 308 to 310 of the local Government Code.**

Answer: The three separate books that shall be maintained by local government units under Section 308 – 310 of the local government code are:

a. **General Fund**

This consists of monies and resources not accruing to any other fund and shall be available for payment of expenditures,

trust fund shall only be used for the specific purpose for which it was intended.

- 2. Enumerate the special accounts in the general fund of local government unit that shall be supported by subsidiary ledgers.**

Answer: Special accounts maintained in the General Fund that shall be supported by subsidiary ledgers are the following:

- a. Public utilities and other economic enterprises;**
- b. Loans, interests, bonds issued, and other contributions for specific purposes;**
- c. Development projects funded from the Share in the Internal Revenue Collections; and**
- d. Other special accounts, which may be created by law or ordinance.**

- 3. Identify and discuss the two different kinds of books of accounts to be used by the local government unit.**

Answer: The accounting unit of the Local Government Units shall maintain the following books of accounts:

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4. What are the two parts of the local government budget?

Answer: The local government budget primarily consists of two parts, namely:

- 1. The estimates of income *certified collectible by the treasurer*; and**
- 2. The total appropriations covering the current operating expenditures and the capital outlays.**

5. Enumerate the three main sources of income of local government units.

Answer: The main sources of income of local government units are as follows:

- 1. Tax revenues, fees and charges.**
- 2. Share from Internal Revenue Collections.**
- 3. Share from National Wealth.**

The sources of income are further classified into *general income accounts* and *specific income accounts*.

6. Enumerate and explain the methods of accounting for income.

and recorded in the books by the accountant using a Journal Entry Voucher. In case of surety bond, this is recognized by an acknowledgment receipt to be issued by the authorized official.

8. Enumerate the reasons behind the adoption of special accounts of local government units.

Answer: Accounting procedures for the operations of the special accounts are adopted for the following purposes:

1. To determine whether the income generated by the public utilities or economic enterprises are sufficient to meet their respective operating costs.

2. To provide adequate information as to the assets, liabilities and equity of each special account.

9. What are the sub-codes for the special accounts?

Answer: The following shall be the sub-codes for the special accounts:

their original identity during the period of use, whose serviceable life is more than one year and which add to the assets of the government. Examples are furniture, fixtures, transport equipment, etc. Non-expendable supplies or property are capital outlays of LGU.

c. Non-Personnel Services

These articles include, but not limited to repairing, cleaning, redecorating, and furnishing of necessary repair parts or other supplies as part of the services performed. Examples are contractual services like trucking, hauling, janitorial, security and related services. Non-Personnel services are charged to maintenance and operating expenses of LGU.

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8. What are the registries that shall be maintained for barangay disbursements?

Answer: The following registries shall be maintained for barangay disbursements:

- 1. Check Disbursements Register**
- 2. Petty Cash Fund Register**
- 3. Cash Disbursements Register**
- 4. Cash on Hand and in Bank Register**

9. What are the two modes of disbursement applicable to barangays? Explain briefly.

Answer: Modes of disbursements may be classified into two, namely:

1.) By check - Commercial checks for disbursements is covered by deposit with AGDB. The check shall be signed by the Barangay Treasurer and countersigned Punong Barangay.

2.) By cash (through Barangay Treasurer/Accountable Officer)

Cash advance was given to Barangay Treasurer/Accountable Officer and shall be used solely for payment of salaries,

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honoraria, and other allowance due the barangay officials and employees.

Disbursements made by petty cash custodian out of his petty cash fund. **The petty cash fund shall be maintained using the imprest system.**

10.Explain briefly the accounting for supplies and materials.

Answer: Requisition, procurement, issuance, physical inventory and loss of supplies and materials are governed by existing government rules and regulation. Except in emergency cases, all procurement shall be covered by Approved Procurement Program as required in RA 9184. Procurement of supplies shall be charged directly to Maintenance and Other Operating Expenses and shall be recorded using the appropriate expense accounts. Supplies, inspected by Inspection Committee, shall be accepted by Barangay Treasurer, who will act as the Property Officer of the barangay. The **cost** of supplies and materials acquired through purchase shall be based on the **invoice cost**.

Issuance of supplies and materials shall be covered by an approved Requisition and Issue Slip. The recipient of small items with more than one year life shall be responsible for its upkeep during the estimated life of the item and shall be issued an Inventory Custodian Slip.

11. Enumerate the reports that shall be prepared for property, plant and equipment of barangays.

Answer: The following reports shall be prepared for Property, Plant and Equipment (PPE) of barangays:

- 1. Inventory and Inspection Report of Unserviceable Property**
- 2. Report on the Physical Count of Property**
- 3. Inspection and Acceptance Report**

12. What are the two types of trial balance?

Answer: The two types of Trial Balance are:

- 1. Pre-Closing Trial Balance**

It is prepared after all the adjusting entries have been recorded in the General Journal

balance of appropriations for Capital Outlay, 20% Development Fund, and Sangguniang Kabataan Fund shall be valid until fully spent or until the planned activity is completed. Balances at year-end of other appropriations shall revert to unappropriated status.

8. A

The Barangay Treasurer shall be responsible in handling collections of income and other receipts of the Barangay and the deposit of the same with Authorized Government Depository Bank (AGDB), such as: Development Bank of the Philippines, Land Bank of the Philippines, and Veterans Bank of the Philippines. However, agencies may seek authority from Monetary Board of the Banko Sentral ng Pilipinas to designate other depository banks.

9. A

Credit memo received from the bank for direct remittance made by Local Government Units (LGU) to the Department of Budget and Management for the Barangay share in real property tax or the internal revenue allotment, respectively, shall be recorded direct to the