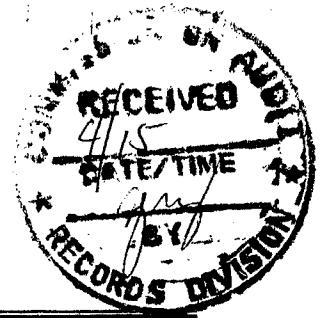




Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City



CIRCULAR

No. : 2005 - 002

Date: APR 14 2005

TO: All Heads of National Government Agencies, Local Government Units and Government Owned and/or Controlled Corporations; Heads of Financial Management Services/Comptrollership Departments, Heads of Accounting Units; Heads of Budget Units; COA Assistant Commissioners, Directors, Auditors; and All Others Concerned

SUBJECT: **ACCOUNTING POLICY ON ITEMS WITH SERVICEABLE LIFE OF MORE THAN ONE YEAR BUT SMALL ENOUGH TO BE CONSIDERED AS PROPERTY, PLANT AND EQUIPMENT**

### 1.0 RATIONALE/OBJECTIVE

Section 2 (2), Article IX-D of the 1987 Philippine Constitution mandates the Commission on Audit to “xxx promulgate accounting and auditing rules and regulations xxx”

In line with this mandate, this Commission hereby sets forth the policy by which government assets may be categorized as Property, Plant and Equipment (PPE) and as Inventories.

### 2.0 POLICY

2.1 The New Government Accounting System (NGAS) adopts the definition of Property, Plant and Equipment under the International Accounting Standards No. 16 which states that:

*“Property, Plant and Equipment are tangible assets that:*

- (a) are held by an enterprise for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and*
- (b) are expected to be used during more than one period.”*

2.2 However, there are tangible assets with serviceable life of more than one year but small enough to be considered as PPE. To address this issue, the Commission hereby prescribes the following policies:

2.2.1 Small tangible items with estimated useful life of more than one year shall be recorded as inventories upon acquisition and as expense upon issuance. The list of these items with corresponding estimated useful life is attached as Annex A, hereof.

2.2.2 Other tangible assets not included in the list per Annex A shall be classified as PPE, subject to depreciation.

2.3 For monitoring, control and accountability, an Inventory Custodian Slip (ICS), attached as Annex B, shall be prepared upon issuance of small tangible items covered by approved Requisition and Issue Slip (RIS).

### **3.0 IMPLEMENTING GUIDELINES AND PROCEDURES**

The Government Accounting and FMIS (GAFMIS), this Commission, shall prepare the necessary guidelines and procedures to implement this policy.

### **4.0 SAVING CLAUSE**

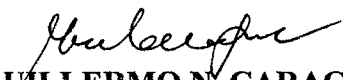
Cases not covered in this Circular shall be referred to GAFMIS, COA for resolution.

### **5.0 REPEALING CLAUSE**

All issuances inconsistent herewith are amended or repealed accordingly.

### **6.0 EFFECTIVITY**

This Circular shall take effect July 1, 2005.

  
**GUILLERMO N. CARAGUE**  
Chairman