

COMMISSION ON AUDIT CIRCULAR NO. 99-004
August 17, 1999

TO : All Heads of Departments/Agencies/State Universities and Colleges and Other Offices of the National Government; Managing Heads of Government Owned and/or Controlled Corporations Maintaining the General Fund and Special Account in the General Fund; Chief Accountants/Heads of Accounting Units; COA Directors and Auditors; and All Others Concerned.

SUBJECT : Accounting Guidelines for Accounts Payable and Amendments of the Standard Government Chart of Accounts prescribed in Volume II of the Government Accounting and Auditing Manual (GAAM)

1.0 Rationale and Purposes

In the last five years, the aggregate of recorded Payables-Unliquidated Obligations of the National Government increased at an annual average rate of 17 percent. Review of the accounts disclosed that the agencies carry in their books large amounts of payables due to non-compliance with rules and regulations on reversion of payables without valid claims, liquidation of cash advances, and remittance of cash deposits corresponding to the unobligated balance of allotments by regional offices/operating units. The agencies also resort to obligation of allotments to avoid reversion to the Cumulative Results of Operations Unappropriated (CROU) if not utilized within the two-year validity period.

The practice resulted to overstatement of expenditures and payable accounts in the financial statements of the National Government.

This circular is therefore issued to correct/minimize the aforesaid effects of the practice. Specifically, this circular aims:

- 1.1 to classify payables by nature of the accounts;
- 1.2 to expand the accounts obligations incurred, obligations liquidated, payables - unliquidated obligations and continuing appropriations and to change some accounts;
- 1.3 to revise the Journal and Analysis of Obligations (JAO) and prescribe the use of the Report of Accounts Due and Demandable (RADD); and
- 1.4 to reiterate the rules and regulations on cash advances and reversion of accounts payable so as to prevent the undue accumulation of the balances of the subject accounts.

2.0 Coverage

This circular shall apply to all National Government Agencies (NGAs) including State Universities and Colleges, and Government Owned and/or Controlled Corporations (GOCCs) maintaining the General Fund (GF) and the Special Account in the General Fund (SAGF) books of accounts.

3.0 General Guidelines

- 3.1 Section 119 of P.D. No. 1445 which states, "All lawful expenditures and obligations incurred during the year shall be taken up in the accounts of that year" shall be strictly adhered to by all NGAs and GOCCs maintaining the GF and SAGF books of accounts.
- 3.2 In line with the above provision, the following rules and regulations are hereby reiterated:
 - a. All obligations shall be supported by valid claims.
 - b. Payable - Unliquidated Obligations which has been outstanding for two years or more and against which no actual claims, administrative or judicial, has been filed or which is not covered by perfected contracts on record should be reverted to the CROU.
 - c. Cash advance shall be liquidated as soon as the purpose for which it was given has been served. In case of refund of prior years' cash advances, the corresponding payables - unliquidated obligations account shall be reverted and adjusted accordingly.
 - d. All cash advances shall be fully liquidated at the end of the year.
 - e. Balance of funding checks representing unobligated allotments shall be remitted directly to the Bureau of the Treasury (BTr) prior to closing of the books of accounts at year-end.
- 3.3 Obligations for Maintenance and Other Operating Expenses (MOOE) and Capital Outlays (CO) for which goods and services were not delivered or rendered or were only partially delivered/accomplished at year-end shall be accordingly adjusted. The portion of obligation pertaining to undelivered goods and unaccomplished services shall be de-obligated and reclassified to continuing appropriations. On the other hand, goods and services already delivered/rendered but documentation/billings of which have not been received shall be accrued and recorded as payables.
- 3.4 Obligations representing prepayments and deposits, if not applied to expenditures for the year, shall be de-obligated and reclassified to continuing appropriations.
- 3.5 Continuing appropriations for prepaid expenses shall be obligated during the year the expenditures are incurred/recouped. On the other hand, the continuing appropriations for deposit accounts shall be obligated in the year the deposit is applied.
- 3.6 Unobligated balance of allotment for MOOE and CO shall remain valid for another year pursuant to Sec. 62, General Provisions of R.A. No. 8745 (1999 GAA).
- 3.7 Obligations representing due and demandable accounts shall be closed at year-end to Payables - Unliquidated Obligations Due and Demandable.
- 3.8 Obligations subject to submission of liquidation reports such as advances to officers and employees, advances to other agencies and funds entrusted to Non-Government Organizations/People's Organizations (NGOs/POs) shall be closed at year-end to the prescribed payable accounts.
- 3.9 Due and Demandable obligations shall refer to recorded unpaid obligations/liabilities of the agency for which goods and services had already been

delivered and/or rendered and ready for payment.

- 3.10 All obligations which become due and demandable at month - end shall be reclassified to Obligations Incurred - Due and Demandable (0-82-040).
- 3.11 The RADD (shown in [Annex A](#)) is hereby prescribed to report at month-end all obligations incurred which are due and demandable.
- 3.12 The JAO (shown in [Annex B](#)) shall be revised to include columns for the following:
 - 3.12.1 Obligations Incurred - Due and Demandable (0-82-040)
 - 3.12.2 Obligations Incurred - Advances (0-82-050)
 - 3.12.3 Obligations Incurred - Direct Payments (0-82-060)
 - 3.12.4 Obligations Incurred - Prepayments and Deposits (0-82-070)
- 3.13 The total debit to Appropriations Allotted (0-90-000) shall be equal to Obligations Incurred plus the details shown in No. 3.12.
- 3.14 Section C of the Request for Obligation of Allotment (ROA) shall be revised to include a column for details of account Obligations Incurred and separate columns under Credit for Obligations Incurred and Obligations Incurred - Due and Demandable ([Annex C](#)).

4.0 Procedural Guidelines

The Chief Accountant/Head of Accounting Unit/Officials concerned shall follow the procedural guidelines stated hereunder:

- 4.1 Upon effectivity of this circular, the account Payables-Unliquidated Obligations shall be reviewed as follows:
 - 4.1.1 Review/Analyze subsidiary ledgers for Payables - Unliquidated Obligations (8-81-400, 8-81-410, 8-81-420 and 8-81-430) by year of incurrence, and prepare the List of Payables - Unliquidated Obligations as of September 30, 1999 ([Annex D](#)).
 - 4.1.2 Validate all documents supporting the claims to determine which accounts are to be reverted and to be retained. Indicate in the Remarks column the reasons for the reversion or retention of the payables. In addition, indicate under Reclassification column the account where the retained payables shall be reclassified in accordance with the accounts prescribed in No. 5.0 of this Circular.
 - 4.1.3 Based on Nos. 4.1.1 and 4.1.2 above, revert to the CROU all undocumented payables and those which are more than two years except payables under fiduciary funds and foreign-assisted projects for the duration of the said projects.
 - 4.1.4 Furnish Accountancy Office, COA copy of the journal voucher (JV) taking up the reversion of payables and reclassification of the accounts including [Annex D](#).
 - 4.1.5 Submit to the Auditor within five days the original of the JV with supporting

documents mentioned in No. 4.1.4.

- 4.1.6 Payables - Unliquidated Obligations (8-81-400) shall be reviewed on a monthly basis. A JV shall be prepared for all payables (8-81-400) that have become due and demandable with the following entry:

	<u>Dr.</u>	<u>Cr.</u>
8-81-400		(xx)
8-81-440		xx

- 4.2 Starting in October 1999, the RADD and the revised format of the JAO shall be used, thus:
- 4.2.1 Review all obligations incurred as of September 30, 1999 and identify/segregate all obligations due and demandable.
- 4.2.2 Prepare the RADD based on processed Disbursement Voucher (DV) and record same in the JAO. The RADD shall be the basis of journal entry to reclassify obligations due and demandable in the JAO.
- 4.2.3 Thereafter as necessary, prepare the RADD at month-end and record the journal entries in the JAO as follows:
- a. Total amount due and demandable from current month obligations - record the amount before the caption "Total this Month".
 - b. Total amount due and demandable from previous months obligations - record the amount after the caption "Total to Date Last Month".
- 4.2.4 Separate RADD shall be prepared for obligations due and demandable from current month's obligations incurred referred to in no. 4.2.3 (a), and for obligations due and demandable from previous months obligations incurred referred to in no. 4.2.3 (b).
- 4.2.5 The obligations due and demandable from obligations incurred in previous months shall be posted separately in the General Ledger for accounts Obligations Incurred (0-82-000) and Obligations Incurred - Due and Demandable (0-82-040).
- 4.2.6 Based on the RADD, post in Section C of the ROA the obligations reclassified as due and demandable.
- 4.2.7 Based on the DVs, post also in Section C of the ROA the details of the nature of obligations such as advances to officers and employees or to other agencies or to NGOs/POs. The subsidiary ledger codes are prescribed in No. 5.1.
- 4.3 At year end, prior to closing of the accounts, effect adjustments as follows:
- 4.3.1 De-obligate obligations for goods and services not delivered/rendered or partially delivered/accomplished, and pre-payments and deposits not applied to expenditures.
- 4.3.2 Reclassify accounts de-obligated to continuing appropriations.

- 4.3.3 Remit to BTr balance of funding checks representing unobligated allotments (for Regional Offices and Operating Units receiving funding checks).
- 4.4 Effect closing entries as follows:
 - 4.4.1 Reclassify unobligated balance of allotment for MOOE and CO to continuing appropriations.
 - 4.4.2 Revert unobligated balance of allotment for Personal Services to CROU.
 - 4.4.3 Review the remaining ROAs with balances. Classify obligations as to allotment class and object of expenditures and reconcile with the General Ledger balances of Obligations Incurred accounts.
 - 4.4.4 Close Obligations Incurred - Due and Demandable (0-82-040) to Payables - Unliquidated Obligations - Due and Demandable (8-81-440).
 - 4.4.5 Close all other obligations to the prescribed Payables - Unliquidated Obligations accounts as follows:
 - a. 0-82-000 to 8-81-400
 - b. 0-82-050 to 8-81-450
 - c. 0-82-060 to 8-81-460
- 4.5 Attach to the Preliminary and Final Trial Balances copies of JVs for entries made under Nos. 4.3 and 4.4 and submit the same to the Accountancy Office and Office of the Auditor, both of COA, in accordance with the prescribed due date.
- 4.6 All Auditors are enjoined to see to it that:
 - 4.6.1 Reversion of payables is observed by agencies pursuant to Sec. 98 of P.D. 1445 and this Circular.
 - 4.6.2 All balances of funding checks representing unobligated allotments are remitted to the BTr before closing the books at year-end as required in COA Circular No. 92-388 dated October 30, 1992.
 - 4.6.3 Audit/Examination of advances (advances to officers and employees, advances to other agencies and funds entrusted to NGOs/POs) is periodically conducted.

5.0 Expansion/Changes in Accounts

- 5.1 The Standard Government Chart of Accounts prescribed in Volume II of the GAAM is hereby expanded to include the following general ledger accounts:

<u>Account Code</u>	<u>Account Name</u>
8-81-400	<i>Payables - Unliquidated Obligations -</i>
- 440	<i>Due and Demandable</i>
- 450	<i>Advances</i>
- 460	<i>Direct Payments</i>
- 470	<i>Prepayments and Deposits</i>
0-82-000	<i>Obligations Incurred -</i>

- 040	Due and Demandable
- 050	Advances
- 060	Direct Payments
- 070	Prepayments and Deposits
0-83-000	<i>Obligations Liquidated -</i>
- 040	Due and Demandable
- 050	Advances
- 060	Direct Payments
- 070	Prepayments and Deposits
8-90-070	Appropriations Allotted - Continuing Appropriations - Prepayments and Deposits

The descriptions of the new accounts are enumerated below:

a. *Payables - Unliquidated Obligations - Due and Demandable (8-81-440)*

This account is used to record at the close of the year the amount of unpaid obligations which are due and demandable.

Debit this account for:

Amount paid to settle or liquidate the liabilities.
Reversion of excess certifications.
Adjustment-reduction (in parenthesis).

Credit this account for:

Unliquidated obligations which are due and demandable.
Adjustment-addition.
Adjustment-reduction (in parenthesis).

b. *Payables - Unliquidated Obligations - Advances (8-81-450)*

This account is used to record at the close of the year the amount of unliquidated advances to officers and employees, other agencies and Non-Government Organizations/People's Organizations (NGOs/POs).

Debit this account for:

Amount of advances liquidated during the year.
Reversion of excess certifications.
Adjustment-reduction (in parenthesis).

Credit this account for:

Liquidated obligations covered by advances
at the end of the year.
Adjustment-addition.
Adjustment-reduction (in parenthesis).

The following subsidiary ledger accounts shall be used:

- 8-81-455 Payables-Unliquidated Obligations - Advances to Officers and Employees
- 8-81-456 Payables-Unliquidated Obligations - Advances to Other Agencies
- 8-81-457 Payables-Unliquidated Obligations - Funds Entrusted to NGOs/POs

c. Payables- Unliquidated Obligations - Direct Payments (8-81-460)

This account is used to record at the close of the year the amount of unpaid obligations under the direct payment scheme.

Debit this account for:

- Direct payments made by lending institutions/donors to creditors.
- Reversions of excess certifications.
- Adjustment-reduction (in parenthesis).

Credit this account for:

- Unliquidated obligations under the direct payment scheme.
- Adjustment-addition.
- Adjustment-reduction (in parenthesis).

d. Payables - Unliquidated Obligations - Prepayments and Deposits (8-81-470)

This account is used to record at the close of the year the amount of unliquidated obligations pertaining to prepayments and deposits.

Debit this account for:

- Application of prepayments and deposit accounts.
- Reversions of excess certifications.
- Adjustment-reduction (in parenthesis).

Credit this account for:

- Unliquidated obligations pertaining to prepayments and deposits.
- Adjustment-addition.
- Adjustment-reduction (in parenthesis).

The following subsidiary ledger accounts shall be used:

- 8-81-471 Payables-Unliquidated Obligations - Prepayments
- 8-81-472 Payables-Unliquidated Obligations - Guaranty Deposits
- 8-81-474 Payables-Unliquidated Obligations - Marginal Deposits
- 8-81-475 Payables-Unliquidated Obligations - Deposits on Containers

- 8-81-477 Payables-Unliquidated Obligations - Stocks and Securities of Service Enterprises
- 8-81-479 Payables-Unliquidated Obligations - Miscellaneous

e. Obligations Incurred - Due and Demandable (0-82-040)

This account is used to reclassify at month-end obligations that are due and demandable.

Debit this account for:

Year-end closing to Obligations Liquidated-Due and Demandable(0-83-040) and/or Payables-Unliquidated Obligations-Due and Demandable (8-81-440).

Adjustment-reduction (in parenthesis).

Credit this account for:

Amount of obligations which are due and demandable at month-end.

Adjustment-reduction (in parenthesis).

f. Obligations Incurred - Advances (0-82-050)

This account is used to record the orders placed, contracts awarded, services rendered or other transactions covered by cash advances which are legally earmarked or established against an allotment during the year.

Debit this account for:

Year-end closing to Obligations Liquidated-Advances (0-83-050) and/or Payables - Unliquidated Obligations - Advances (8-81-450).

Credit this account for:

Obligations covered by Request for Obligation of Allotment for advances granted to officers and employees, other agencies and NGOs/POs.

Adjustment-reduction (in parenthesis).

The following subsidiary ledger accounts shall be used:

- 0-82-055 Obligations Incurred - Advances to Officers and Employees
- 0-82-056 Obligations Incurred - Advances to Other Agencies
- 0-82-057 Obligations Incurred - Fund Entrusted to NGOs/POs

g. Obligations Incurred - Direct Payments (0-82-060)

This account is used to record the orders placed, contracts awarded,

services rendered or other transactions under the direct payment scheme.

Debit this account for:

Year-end closing to Obligations Liquidated-Direct Payments (0-83-060)and/or Payables - Unliquidated Obligations- Direct Payments (8-81-460).

Adjustment-reduction (in parenthesis).

Credit this account for:

Obligations covered by Request for Obligation of Allotments under the Direct Payment Scheme.

Adjustment-reduction (in parenthesis).

h. Obligations Incurred - Prepayments and Deposits (0-82-070)

This account is used to record the prepayments and deposits made for orders placed, contracts awarded, services rendered or other transactions which are legally earmarked or established against an allotment during the current year.

Debit this account for:

Year-end closing to Obligations Liquidated - Prepayments and Deposits(0-83-070) and/or Payables-Unliquidated Obligations - Prepayments and Deposits (8-81-470).

Adjustment-reduction (in parenthesis).

Credit this account for:

Obligations covered by Request for Obligation of Allotments for which prepayments or deposits are required to be paid.

De-obligation in case prepayment and deposits are not applied to expenditures (in parenthesis).

Adjustment-reduction (in parenthesis).

The following subsidiary ledger accounts shall be used:

0-82-071	Obligations Incurred - Prepayments
0-82-072	Obligations Incurred - Guaranty Deposits
0-82-074	Obligations Incurred - Marginal Deposits
0-82-075	Obligations Incurred - Deposits on Containers
0-82-077	Obligations Incurred - Stocks and Securities of Service Enterprises
0-82-079	Obligations Incurred - Miscellaneous

i. Obligations Liquidated - Due and Demandable (0-83-040)

This account is used to record the payments or liquidations made during the year for accounts which are due and demandable.

Debit this account for:

Payments or liquidations made.

Amount received as refunds for overpayments made during the year (in parenthesis).

Adjustment-reduction (in parenthesis).

Credit this account for:

Year-end closing to Obligations Incurred-Due and Demandable(0-82-040).

Adjustment-reduction (in parenthesis).

j. Obligations Liquidated - Advances (0-83-050)

This account is used to record the liquidations of advances during the year.

Debit this account for:

Liquidations made out of the advances granted.

Adjustment-reduction (in parenthesis).

Credit this account for:

Year-end closing to Obligations Incurred-Advances (0-82-050).

Adjustment-reduction (in parenthesis).

The following subsidiary ledger accounts shall be used:

0-83-055 Obligations Liquidated - Advances to Officers and Employees

0-83-056 Obligations Liquidated - Advances to Other Agencies

0-83-057 Obligations Liquidated - Funds Entrusted to NGOs/POs

k. Obligations Liquidated - Direct Payments (0-83-060)

This account is used to record payments or liquidations made during the year under the direct payment scheme whereby the Non-Cash Availment Authority shall be released by the Department of Budget and Management for the purpose.

Debit this account for:

Payments or liquidations made under the direct payment scheme.

Adjustment-reduction (in parenthesis).

Credit this account for:

Year-end closing to Obligations Incurred-Direct Payments (0-82-060).

Adjustment-reduction (in parenthesis).

l. Obligations Liquidated-Prepayments and Deposits (0-83-070)

This account is used to record application of prepayments and deposits during the year.

Debit this account for:

Application of prepayments and deposit accounts.
Adjustment-reduction (in parenthesis).

Credit this account for:

Year-end closing to Obligations Incurred - Prepayments and Deposits (0-82-070).

Adjustment-reduction (in parenthesis).

The following subsidiary ledger accounts shall be used as follows:

0-83-071 Obligations Liquidated - Prepayments
0-83-072 Obligations Liquidated - Guaranty Deposits
0-83-074 Obligations Liquidated - Marginal Deposits
0-83-075 Obligations Liquidated - Deposits on Containers
0-83-077 Obligations Liquidated - Stocks and Securities of
Service Enterprises
0-83-079 Obligations Liquidated - Miscellaneous

m. Appropriations Allotted - Continuing Appropriations - Prepayments and Deposits (8-90-070)

This account is used to record the unexpended or unobligated balance of allotment pertaining to continuing appropriations-prepayments and deposits.

Debit this account for:

Transfer of the unobligated or unexpended portion of allotment for continuing appropriations - prepayments and deposits to prescribed accounts.

Adjustment-reduction (in parenthesis).

Credit this account for:

Unexpended or unobligated portion of allotments for Maintenance and Other Operating Expenses and Capital Outlay pertaining to

prepayments and deposits.

Amount reverted to CROU (in parenthesis).
Adjustment-reduction (in parenthesis).

The following subsidiary ledger accounts shall be used:

8-90-071 Appropriations Allotted - Continuing Appropriations -
Prepayments
8-90-072 Appropriations Allotted - Continuing Appropriations -
Guaranty Deposits
8-90-074 Appropriations Allotted - Continuing Appropriations -
Marginal Deposits
8-90-075 Appropriations Allotted - Continuing Appropriations -
Deposits on Containers
8-90-077 Appropriations Allotted - Continuing Appropriations -
Stocks and Securities of Service Enterprises
8-90-079 Appropriations Allotted - Continuing Appropriations -
Miscellaneous

5.1 The descriptions of some existing accounts are hereby revised as follows:

a. Payables - Unliquidated Obligations (8-81-400)

This account is used to record at the close of the year the amount of unliquidated obligations which are not classified as due and demandable or the purchase of goods and services on account.

Debit this account for:

Reversion of excess certification.
Adjustment - reduction (in parenthesis).

Credit this account for:

Unliquidated obligations of allotted fund not classified as due and demandable or not covered by advances or has not been issued Non-Cash Availment Authority (NCAA).

Purchase of goods and services on account.

Reclassification to Payables, Unliquidated Obligations - Due and Demandable (in parenthesis).

Adjustment - reduction (in parenthesis).

b. Obligations Incurred (0-82-000)

This account is used to record orders placed, contracts awarded, services received or other transactions, which are legally earmarked or established against an allotment during the current year.

Debit this account for:

Year-end closing to Obligations Liquidated (0-83-000) and/or Payables-Unliquidated Obligations (8-81-400).

Adjustment-reduction (in parenthesis).

Credit this account for:

Obligations covered by approved Request for Obligation of Allotment.

Adjustment - additions during the year.

Adjustment - reduction during the year (in parenthesis).

c. Appropriations Allotted (0-90-000)

This account is used to record the amount of authorized appropriations released and expended for projects, activities, and operation and maintenance of government units, entities or funds, both in the books of the operating agencies and the books of cumulative results of operations kept by the Commission on Audit (COA).

Books of Agency

Debit this account for:

Actual expenditures or obligations incurred.
Adjustment-reduction (in parenthesis).

Credit this account for:

Allotments released.
Reversion of unexpended allotments (in parenthesis).

Year-end closing of unexpended allotment to account 8-90-000 (in parenthesis).

Amount of the previous year's continuing appropriations reclassified to current year's appropriations at the start of the year.

Adjustment-reduction (in parenthesis).

The following subsidiary ledger accounts shall be used to identify the allotment class:

0-90-100 Appropriations Allotted - Personal Services
0-90-200 Appropriations Allotted - MOOE
0-90-300 Appropriations Allotted - Capital Outlay

5.3 The following General Ledger accounts are hereby converted to Subsidiary Ledger accounts:

<u>Code</u>	<u>Account Name</u>
0-90-100	Appropriations Allotted - Personal Services
0-90-200	Appropriations Allotted - MOOE

0-90-300	Appropriations Allotted - Capital Outlay
0-82-100	Obligations Incurred - Personal Services
0-82-200	Obligations Incurred - MOOE
0-82-300	Obligations Incurred - Capital Outlay
0-83-100	Obligations Liquidated - Personal Services
0-83-200	Obligations Liquidated - MOOE
0-83-300	Obligations Liquidated - Capital Outlay

5.4 The prescribed accounting entries are shown in [Annex E](#).

6.0 Follow-up of Implementation

The Accountancy Office, COA shall monitor the agency's compliance with the provisions of this Circular. It may send out teams to the departments/agencies to see the progress or extent of implementation and to provide guidance, if warranted.

7.0 Administrative Sanction

Continuous disregard on the provisions of this Circular including the provisions of other issuances pertaining to cash advances, fund transfers and payables shall subject the concerned officials to administrative disciplinary action as provided under existing laws and regulations.

8.0 Saving Clause

Issues arising from the implementation of this Circular shall be referred to the Accountancy Office of this Commission for resolution.

10.0 Effectivity

This Circular shall take effect immediately.

(Sgd.) CELSO D. GAÑGAN
Chairman

(Sgd.) RAUL C. FLORES
Commissioner

(Sgd.) EMMANUEL M. DALMAN
Commissioner