

COMMISSION ON AUDIT CIRCULAR NO. 98-001
February 3, 1998

- TO** : All Heads of Departments, Agencies, Bureaus and Offices of the National Government Agencies, including State Universities, Colleges and Self-governing Boards, Government-Owned and/or Controlled Corporations and Local Government Units, COA Directors and Auditors; Chief Accountants/Heads of Accounting Units, and All Others Concerned.
- SUBJECT:** Prescribing a Uniform Capitalization Benchmark for Items Categorized as Fixed Assets Under COA Circular Nos. 94-012, 97-003 and 97-005 dated September 13, 1994, May 22, 1997 and July 1, 1997, respectively, and Clarifying Certain Provisions Thereof.

1.0 PURPOSE

The Commission on Audit has issued three circulars setting the capitalization benchmark for items classified as Fixed Assets. In COA Circular Nos. 97-003 and 97-005, Information Technology (IT) Equipment and Furniture, Fixtures, Equipment Work Animals and Books, respectively, which cost ₱10,000 and above shall be capitalized and classified as Fixed Assets while in COA Circular No. 94-012, library books shall be categorized as Fixed Assets if the cost is more than ₱10,000. Likewise, certain provisions of the aforementioned circulars need to be classified and amended/revise.

In this regard and to preclude confusion in the recording and classification of accounts, it is deemed proper to: (1) prescribe a uniform capitalization benchmark for all fixed assets, and (2) clarify, amend and revise pertinent provisions of the aforementioned circulars.

2.0 CAPITALIZATION BENCHMARK FOR LIBRARY BOOKS AND MATERIALS

The paragraphs captioned as "Purchases and Acquisitions" and "Accountability" of COA Circular No. 94-012 are hereby modified to conform with the capitalization benchmark prescribed in COA Circular Nos. 97-003 and 97-005 to read as follows:

Purchases and Acquisitions

Purchases of library books and materials costing ₱10,000 and above per copy/set irrespective of economic or serviceable life shall be charged against allotment for Capital Outlay (Object Code 4-36-000), while purchases costing less than ₱10,000 per copy/set shall be charged against allotment class Maintenance and Other Operating Expenses (Object Code 3-27-000)

Accountability

Library books and materials costing ₱10,000 and above per copy/set shall be treated as any other equipment while those costing less than ₱10,000 shall be considered as semi-expendable property and shall be supported with a memorandum receipt for control purposes.

3.0 AMENDMENT TO COA CIRCULAR NO. 97-005 DATED JULY 1, 1997

Item 4.2 of the Circular shall not include expense account code 4-36-000, thus, shall read as follows:

The following accounts shall be used to record items classified as semi-expendable property:

<u>Account Code</u>	<u>Account Title</u>
8-72-600	Inventories, Semi-expendable Supplies, Containers and Property
8-86-600	Deferred Credits, Semi-expendable Supplies, Containers and Property
3-07-000	Supplies and Materials

4.0 AMENDMENT TO COA CIRCULAR NO. 97-003 DATED MAY 22, 1997

Item 4.2.1 of the Circular shall be deleted. Purchases of IT Resources out of Trust Receipts shall be recorded under account Inventories-Miscellaneous (8-72-900) with contra-account Miscellaneous Liabilities and Deferred Credits-Miscellaneous (8-86-900). Sub-codes 8-72-926 and 8-86-926 shall be provided for IT Inventories and presented as short extensions in the Trial Balance.

5.0 ADDITIONAL SUB-ACCOUNTS FOR SUPPLIES AND MATERIALS (3-07-000)

Sub-accounts shall be used to further classify Supplies and Materials (3-07-000) and the following sub-accounts are hereby prescribed:

<u>Account Code</u>	<u>Account Title</u>
3-07-600	Semi-expendable Supplies and Materials
3-07-650	Semi-expendable IT Supplies, Software, Accessories, Peripherals and Property
3-07-700	Supplies and Materials
3-07-750	IT Supplies and Materials

6.0 REPEALING CLAUSE

All circulars and memoranda inconsistent herewith are hereby amended/modified accordingly.

7.0 EFFECTIVITY

This circular shall take effect immediately.

(Sgd.) CELSO D. GAÑGAN
Chairman

(Sgd.) SOFRONIO B. URSAL
Commissioner

(Sgd.) RAUL C. FLORES
Commissioner