



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

ACCOUNTING CIRCULAR

No : 2006-001

Date : November 9, 2006

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

SUBJECT : NGAS Accounting Policies

RATIONALE/OBJECTIVE

In line with the Commission's constitutional mandate to promulgate accounting rules and regulations, this Commission approved the Philippine Government Accounting Standards (PGAS) under COA Resolution No. 2006-006 dated January 31, 2006.

This circular aims to prescribe policies to clarify the recording of certain transactions under the cash accounts and the use of appropriate accounts under the New Government Accounting System (NGAS) to ensure their proper presentation in the financial statements of government agencies.

Specifically, these are on:

- Cash advance for payroll
- Cash advance for special purpose
- Fund transfers to field offices
- Fund transfers to overseas offices

Cash Advance for Payroll

Cash advances granted to disbursing officers for the salaries and wages of officers and employees and other personnel benefits shall be classified as "Payroll Fund" to distinguish it from other cash advances given to disbursing officers. It shall be liquidated within five (5) days after the pay period.

Cash Advance for Special Purpose

Cash advance granted for travel and other special time - bound undertaking shall be accounted for as "Advances to Officers and Employees" to establish the accountability of the recipient. This shall be liquidated or settled immediately after the travel or completion of the undertaking for which it was granted.

Fund Transfers to Field Offices

Fund transfers among agencies covering budgetary releases for Current Operating Expenses (Personal services, Maintenance and Other Operating Expenses including financial expenses) shall be accounted for as "Subsidy Expenses" by the releasing agency and "Subsidy Income" by the receiving agency. This covers the fund transfers from the Head/Central/Home Offices to Regional/Branch Offices/Staff Bureaus; and from Regional Office to District/Operating or Other Lower Field Units.

Overseas Fund Transfers

The Head Offices of the Department of Foreign Affairs (DFA), Department of Labor and Employment (DOLE), Department of Trade and Industry (DTI) and similar head offices with counterpart offices abroad shall record the fund transfers as "Subsidy Expenses" and the embassies, missions and attachés shall record the receipt as "Subsidy Income".

The Philippine Head Offices shall record the release of subsidy in Philippine currency while the receiving units in foreign countries shall record the receipt and all financial transactions in the currency of the country where the agency/office is located.

SAVING CLAUSE

The necessary adjusting and/or correcting journal entries shall be effected for the changes in the accounts covered by this Circular. Any query/issues related thereto may be referred to Government Accountancy and Financial Management Information System for resolution.

EFFECTIVITY

This Circular shall take effect immediately.

(Sgd.) **GUILLERMO N. CARAGUE**
Chairman