

COMMISSION ON AUDIT CIRCULAR NO. 2000-001
April 4, 2000

TO : Heads and Concerned Officials of the Department of Agrarian Reform (DAR), Bureau of the Treasury (BTr), Land Bank of the Philippines (LBP), Asset Privatization Trust (APT) and Presidential Agrarian Reform Council (PARC) Secretariat; Heads of Financial Services/Controllershship, Budget Officers, Chief Accountants/Heads of Accounting Units of the Agencies Concerned; COA Unit Auditors and All Others Concerned.

SUBJECT : ACCOUNTING GUIDELINES TO IMPLEMENT THE CREDIT MEMO ADVICE (CMA) SYSTEM AS PAYMENT SCHEME FOR THE TRANSFER OF LANDS BY THE ASSET PRIVATIZATION TRUST TO THE DEPARTMENT OF AGRARIAN REFORM PURSUANT TO EXECUTIVE ORDER (EO) No. 407

1.0 PURPOSE AND COVERAGE

For the guidance of the DAR and other agencies concerned, this circular is issued to provide accounting guidelines and journal entries to implement the CMA System as payment scheme for the transfer of lands suitable for agriculture by the APT to the DAR pursuant to E.O. No. 407 and Department of Finance (DOF) and Department of Budget and Management (DBM) Joint Circular No.2-99 series of 1998.

2.0 GENERAL GUIDELINES

- 2.1 All accounts pertaining to lands suitable for agriculture which are for disposition by the APT shall be transferred from the BTr to the DAR books of accounts.
- 2.2 The valuation made by the LBP shall be the basis of amount or value of land to be recorded in the DAR books of accounts under the Agrarian Reform Fund (ARF)-Fund 158.
- 2.3 The Journal Voucher (JV) prepared by DAR to record in its books of accounts the lands transferred from BTr books shall also serve as Credit Memo Advice (CMA) to recognize the accomplishment/performance of APT in the Comprehensive Agrarian Reform Program (CARP) implementation.
- 2.4 Receivables from Agrarian Reform Beneficiaries (ARBs) shall be recorded in the DAR books of accounts based on Farmers' Amortization Schedule (FAS) prepared by LBP.
- 2.5 All collections representing payments by ARBs for lands transferred by the APT shall be remitted to the BTr for credit to the ARF-Fund 158 of DAR.
- 2.6 The Monthly Report of Collections and Remittances by the LBP shall be the basis of recording land amortization collections and remittances to the BTr by the DAR.
- 2.7 The DAR–Bureau of Land Acquisition and Distribution (BLAD) in coordination with PARC Secretariat, shall be responsible for providing the DAR Accounting Division with all documents necessary in recording the transactions in the books of accounts.

3.0 PROCEDURES FOR RECORDING OF LAND TRANSFER AND VALUATION

3.1 The LBP shall:

- a. Submit to DAR-BLAD, the *List of APT Lands Valued For CARP Distribution (Annex A)*, for all APT lands valued in the past eight years, which were distributed/to be distributed to qualified ARBs under the CARP. The list referred to above shall not only contain lands valued which can be compensated but also those which can not be compensated from the Land Owners' (LO) Compensation released for the purpose and deposited to LBP.
- b. Remit to BTr all amounts received as LO compensation for APT lands and accordingly effect the reversion/adjustment in its books of accounts. The remittance shall be supported by a Report of Application/Utilization of Funds to account for any difference in amounts of LO compensation received and remitted back to BTr.
- c. Likewise, effect the adjustment/reversion of all amounts recorded as Bonds Payable to APT, since lands transferred by APT are acquired assets of the National Government.
- d. Henceforth, submit to DAR-BLAD a similar list (Annex A) for subsequent valuation of lands for distribution to ARBs.

3.2 The DAR-BLAD shall:

- a. Upon receipt of the List (Annex A), in coordination with the PARC Secretariat complete the data on the List re: acquisition/book value, date of distribution of lands, number of ARBs, etc. The names of ARBs shall be in the FAS.
- b. Request the BTr, through the PARC Secretariat, for the transfer of the lands for CARP distribution to the DAR books of accounts. The request to the BTr shall be supported by Annex A, Memorandum of Valuation (MOV) and Deed of Transfer (DOT).

3.3 The DAR-Accounting Division shall:

- a. Based on the JV received from the BTr supported by Annex A, MOV and DOT, prepare JV to record in its books of accounts the value of the lands distributed or for distribution under the CARP. In recording the land transfer, the following shall be considered:
 - The book value as recorded in BTr books shall be the value of the lands to be recorded in the books of accounts.
 - The difference in book value as recorded in BTr books and the appraised value as determined by the LBP shall be taken up as "Invested Capital-Adjustments (Addition)", 0-94-170 or "Invested Capital-Adjustments (Reduction)", 0-94-270. The appraised value shall be shown under Particulars/Explanation portion of the JV.
 - The subsidiary ledger (SL) to be maintained for lands transferred from APT, shall have separate money columns for book value and land appraisal increase.
- b. In coordination with the PARC Secretariat, furnish APT a copy of the JV taking up in its books the lands transferred by the BTr.

3.4 The BTr shall:

- a. Based on the request of DAR-BLAD supported by Annex A, MOV and DOT, prepare the JV to record the transfer of APT lands suitable for agriculture from the BTr to the DAR books of accounts. The value of the APT lands

recorded in the BTr books shall accordingly be reduced by the corresponding book value of the transferred lands.

- b. Forward a copy of the JV with supporting documents to DAR-BLAD through the PARC Secretariat.
 - c. Record the reversion to ARF-Fund 158/ARF Fund 101 of all remittances/refunds of LBP for LO compensation of APT lands. The difference between the amounts released to LBP and the amounts remitted back to BTr by LBP shall be accounted for accordingly. (Please see related provision under 3.1.b)
- 3.5 The APT shall:
- a. Based on the JV furnished by DAR, prepare its Physical Accomplishment Report (PAR) as provided for in VII.2 of Joint DOF-DBM Memorandum Circular No. 2-99 series of 1998.
 - b. Consider the receipt of the JV as the conclusion of the transfer of the land to DAR and as the alternative memo advice system to recognize its performance in the implementation of the CARP.

4.0 PROCEDURES FOR RECORDING DISTRIBUTION OF LANDS

- 4.1 The DAR-BLAD shall:
- a. Upon distribution of TCTs of lands to ARBs, forward to the DAR-Accounting Division a copy of the List of TCTs distributed to the beneficiaries and a copy of the FAS from LBP.
- 4.2 The DAR-Accounting Division shall:
- a. Based on the List (Annex A) and FAS, prepare a JV to drop from the books of accounts the lands distributed.
 - b. Simultaneous with the dropping from the books of the lands distributed, record the Investment account for the distributed lands based on the FAS.
 - c. Based on the FAS, record the receivable from ARBs by reclassifying the current portion of the Investment account.

5.0 PROCEDURES FOR COLLECTION AND REMITTANCE OF ARB AMORTIZATION

- 5.1 The LBP shall:
- a. Submit to DAR-BLAD, copy furnished the PARC Secretariat, the following:
 - Farmers' Amortization Schedule (FAS) pursuant to Sec. 26 of R.A. No. 6657 and DAR Adm. Order No. 2, s.1998, and
 - Monthly Report of Amortization Collections and Remittances Made to BTr.
 - b. Collect the land amortization payments from ARBs.
 - c. Remit to BTr all land amortization payments from ARBs for the account of ARF-Fund 158 of DAR. The remittance shall be disclosed as representing proceeds from the disposition of lands under the CARP.
- 5.2 The BTr shall:

- a. Record all LBP's remittances of ARBs land amortization payments and credit the amount to the ARF-Fund 158 of DAR.
- b. Revert to the General Fund all ARF-Fund 158 collections once the appropriation required under the law has been fully funded.

5.3 The DAR-Accounting Division shall:

- a. Record the collection of amortization from ARBs and the corresponding remittances to the BTr based on the Monthly Report of Collections and Remittances submitted by LBP.
- b. Prepare the adjusting journal entry to reduce deferred income and take up the appropriate income account upon recording of collections in the books of accounts.
- c. At the end of the year, prepare adjusting journal entry to reclassify the current portion of the Investment account to Receivable account.

6.0 ACCOUNTING ENTRIES

The illustrative accounting entries attached as Annex B shall be used by the agencies concerned.

7.0 REPEALING CLAUSE

The provisions of circulars/issuances which are inconsistent herewith are amended/modified/revoked accordingly.

8.0 EFFECTIVITY

This circular shall take effect immediately.

(Sgd.) CELSO D. GAÑGAN
Chairman

(Sgd.) RAUL C. FLORES
Commissioner

(Sgd.) EMMANUEL M. DALMAN
Commissioner