



Republic of the Philippines
OFFICE OF THE SECRETARY
Elliptical Road, Diliman
1100 Quezon City

May 4, 2021

MEMORANDUM ORDER NO. 35
Series of 2021

**SUBJECT : REITERATION OF ACCRUAL ACCOUNTING POLICY AND
RECOGNITION OF ACCOUNTS PAYABLE ON A CASH-BASED
APPROPRIATION ENVIRONMENT AND FOR OTHER PURPOSES**

Whereas, the Duterte Administration would like to limit government under spending and faster implementation of government programs and projects by limiting the incurrence of contractual obligations and disbursing payments, to goods delivered and services rendered and inspected within the fiscal year and payments to these obligations should be settled within the fiscal year of the budget¹. This view was reinforced under Executive Order No. 91² which, provides, *“significant gaps between the actual expenditure outruns and annual appropriations translate to billions of Pesos of delayed and foregone services, which should have been delivered to the general public;”*;

Whereas, as institutionalized by the aforementioned E.O., in an Annual Cash-Based Appropriations (ACBA) environment, payment can only be done within a 15-month period and appropriations, which are yet to be delivered and accepted, will no longer be available on the succeeding year/period covered;

Whereas, COA Circular No. 2015-007 dated October 22, 2015 prescribed the Government Accounting Manual (GAM) for use of All National Government Agencies (NGAs) which prescribed the use of Inspection and Acceptance Report (IAR) as a basis of recording and recognition of Account Payable otherwise known as Due and Demandable Obligations (AP/DDO)³;

Whereas, financial transactions and operations of any government agency shall be governed by the fundamental principles, among others, is “Generally accepted principles and practices of accounting as well as sound management and fiscal administration shall be observed, provided that they do not contravene existing laws and regulations.⁴”;

¹ DBM Lecture presentation on Annual Cash-Based Appropriations

² Executive Order No. 91, Series of 2019, Re: Adopting the Cash Budgeting System Beginning Fiscal Year 2019, and for Other Purposes

³ Per Appendix 62 of GAM Volume II requires that the third copy of the IAR will be forwarded to Accounting Division/Unit to be used in setting up payables.

⁴ Provided under Section 4 of PD 1445 “The State Auditing Code of the Philippines”



Whereas, there is a need to define the requirements of recording and monitoring of AP/DDO and internal deadlines to facilitate the preparation of needed schedules for reporting, budgeting and other purposes and as prescribed under the COA-DBM Joint Circular No. 1, s. 2021⁵;

Whereas, in view of the foregoing, and by virtue of the powers vested in me by the existing laws, rules and regulations, I hereby enjoin all operating units (OUs) of the Department of Agriculture to follow these guidelines:

I. General Guidelines

1. All Accounting Units are required to maintain a record of unpaid obligations classified as accounts payable or due and demandable obligations⁶ per appropriation year.
2. At a minimum, the Accounting Units, in coordination with the concerned units, should be able to generate the following reports:
 - a. A list of Obligation Request and Status (ORS) or Budget Utilization Requests (BURS) showing the ORS/BURS dates, Number, PAP Code and description, object code, amount of the obligation, the amount equivalent to delivered goods/rendered service, obligations already paid. It is understood that the paid column is only required after the extended payment period allowed by the existing appropriation act or by relevant rules and regulations.
 - b. Summary by Programs/Projects/Activities with the prescribed coding structure⁷. The same data will be used in the preparation and submission of FAR No. 1, FAR No. 1-A, FAR No. 2 and FAR No. 2-A, which served as vital documents in the management of cash and in requesting additional NCAs for a certain period.
 - c. Formats and templates maybe issued by the Undersecretary for Administration and Finance to facilitate the implementation of this Memorandum.

⁵ COA-DBM Joint Circular No. 1, Series of 2021 dated March 8, 2021 "Guidelines Implementing Executive Order (E.O.) No. 87 Directing That all Accounts Payable which remain Outstanding for two Years or more in the Books of National Government Agencies be reverted to the Accumulated Surplus or Deficit of the General Fund of the National Government"

⁶ Par. 4.6 of COA-DBM Joint Circular No. 2013-1 dated March 15, 2013, as amended, defines Accounts Payable as "obligations of government agencies, whether current year or prior years, for which services had been rendered, goods have been delivered or projects have been completed and accepted"

⁷ COA-DBM-DOF Joint Circular No. 2013-1 dated August 6, 2013 adopts the Unified Accounts Code Structure



3. It will be the responsibility of the end-users to ensure the timely submission and completeness of the documents to their respective accounting units for purposes of recording, budgeting and for other purposes subject to internal deadlines.
4. All obligations that are not included in the lists will be classified as Not Yet Due and Demandable Obligations (NYDDE) will be subject to lapsing of the appropriations, subject to existing budgeting rules and regulations.

II. Documentary Requirements in the Recording and Monitoring of AP/DDO

1. The following matrix defines the minimum supporting documents in the recognition of Accounts Payable/Due and Demandable Obligations for each type of transactions.
2. It is understood that these documents should be duly filled-out and signed by appropriate employee or official.

Transaction/ Document	Goods	Infrastructure	Services	Personnel Services
IAR ⁸	√	x	x	X
Cert. of Acceptance	X	x	√	X
Delivery Receipt	√	x	x	X
Billing/Invoice ⁹	√	√	√	X
Contract ¹⁰	√	√	√	X
ORS/BURS ¹¹	√	√	√	√
Inspection Report ¹²	X	√	x	X
PAR/ICS ¹³	√	√	x	X

⁸ IAR or Inspection and Acceptance Report may not be applicable on certain instances, in lieu of this document; a Certificate of Acceptance may suffice.

⁹ An invoice is required on goods while billing is required for services. Either document may be good for Infrastructure.

¹⁰ Contract includes Work Order, Purchase Order and Memorandum of Agreement including its integral parts and amendments. This document generally provides the obligations of the contracting parties.

¹¹ Certified true copies of Contracts and ORS/BURS would suffice.

¹² Inspection Report also covers Statement of Work Accomplished (SWA) or like document duly validated and signed by the appropriate committee members or employee or officers, whichever is applicable.


¹³ PAR or Property Acknowledgement Receipt is used for Property, Plant and Equipment while ICS or Inventory Custodian Slip is used for Semi-Expendable Property, Plant and Equipment.

III. Timelines

1. Consistent with the existing rules and regulations on the request of additional NCAs, information collected under this guideline will be utilized by DA Accounting Units in their monitoring and evaluation processes to initiate requests of additional NCAs for a given period.
2. For purposes of estimating the required additional NCAs and to give ample time in the preparation and consolidation of reports, all end-users are enjoined to submit all their claims due for payment with the aforementioned supporting documents and must be submitted to their concerned Accounting Units on or before the following dates depending on the date of delivery of the procured goods and services:

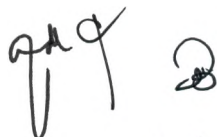
Particulars	Deadline of Submission to Accounting Units
Goods and services <i>delivered, inspected</i> and <i>accepted</i> for the months of the January, February and March	Seven (7) days after the receipt of the Billing/Invoice but not later than five (5) working days after the end of the 1 st quarter
Goods and services <i>delivered, inspected</i> and <i>accepted</i> for the months of the April, May and June	Seven (7) days after the receipt of the Billing/Invoice but not later than five (5) working days after the end of the 2 nd quarter
Goods and services <i>delivered, inspected</i> and <i>accepted</i> for the months of the July, August and September	Seven (7) days after the receipt of the Billing/Invoice but not later than five (5) working days after the end of the 3 rd quarter
Goods and services <i>delivered, inspected</i> and <i>accepted</i> for the months of the October, November and December, <i>including</i> goods and services unaccounted for in the previous period.	Not later than ten (10) working days after the end of the fiscal year

This order shall take effect immediately.


WILLIAM D. DAR, Ph. D.
Secretary

DEPARTMENT OF AGRICULTURE

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