



PPSAS

The Philippine Public Sector Accounting Standards

I. Adoption of Accounting Standards for Public Sector

- Authority for the Adoption**

COA Resolution No. 2014-003 dated January 24, 2014 entitled "Adoption of the Philippine Public Sector Accounting Standards" upon the mandate of the COA to exercise exclusive authority to promulgate accounting rules and regulations under Section 2(2), Article IX-D of the 1987 Constitution and under Section 25(4), Chapter 2 of the State Audit Code (P.D. 1445).

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- Rationale for the Adoption

. To harmonize the accounting standards under COA Circular 86-263 dated October 16, 1986 and other issuances of the COA, to the extent possible, with the current public sector accounting standards;

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. To align accounting standards in the public sector (PPSAS) with the prevailing international standards (IPSAS), provide quality accounting standards thereby enhancing the quality and uniformity in financial reporting by Philippine public sector entities, and ensuring accountability, transparency and comparability of financial information with other public sector entities around the world.

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- Manner of Adoption

The Public Sector Accounting Standards Board (PSAcSB) under the Office of the COA Chairman created under COA Resolution 2008-012 dated October 10, 2008 to assist the COA in formulating and implementing public sector accounting standards, recommended the adoption of the International Public Sector Accounting Standards (IPSAS) to be referred to as the Philippine Public Sector Accounting Standards (PPSAS).

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- Applicability and Effectivity of the PPSAS

The PPSAS shall apply to all National Government Agencies (NGAs), Local Government Units (LGUs) and Government-Owned and/or Controlled Corporations (GOCCs) **NOT** considered as Government Business Enterprises (GBEs). Accounting Standards for GBEs are those in the Philippine Financial Reporting Standards (PFRS) and relevant standards issued by the Financial Reporting Standards Council, Board of Accountancy and Professional Regulations Commission.

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For NGAs and GOCCs **NOT** considered as GBEs, the PPSAS took effect in CY 2014 while for LGUs, in CY 2015. This means that accounts and financial reporting of NGAs and GOCCs **NOT** considered GBEs are PPSAs compliant effective CY 2014 while those for LGUs, in CY 2015.

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What is a Government Business Entity (GBE)

A GBE is an entity that has **ALL** the following characteristics:

- a. is an entity with the power to contract in its own name;
- b. has been assigned the financial and operational authority to carry on a business;
- c. sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;

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- d. is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and
- e. is controlled by a public sector entity.

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- COA CIRCULAR 2015-003 dated April 16, 2015 provides for the classification of all government corporation and other entities/instrumentalities with corporate powers as Government Business Enterprises (GBEs) or Non-GBEs for the purpose of determining the applicable Financial Reporting Framework (PPSAS or PFRS) in the preparation of their Financial Statements and Prescribing Guidelines therefor.

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II. How are the Philippine Public Sector Accounting Standards (PPSAS) developed:

In either of the following manner, the PPSAS were developed:

a. by adopting the International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board (IPSASB). The accounting treatment and original text of the IPSASs and the approved amendments thereof unless there is a significant accounting issue that warrants departure are adopted and maintained by the Public Sector Accounting Standards Board (PSAB) ; or

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b. by developing a specific accounting standard of PPSAS to deal with a specific accounting issue that is either not comprehensively dealt with in an existing IPSAS or for which an IPSAS has not been developed by the IPSASB.

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III. Even if the IPSAS were translated almost in its entirety into PPSAS, the following points were considered by the PSASB in developing the PPSAS which should guide the users of the PPSAS:

a. Application of the IPSAS. Before the IPSAS were adopted, they were evaluated and assessed to determine their suitability and applicability under the Philippine setting.

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b. Exposure of PPSAS to stakeholders. There was a period of time when the draft of the PPSAS was exposed by the PSASB to all interested parties including COA officials and auditors, agency finance personnel, oversight agencies, professional organizations, academe and other stakeholders for comment and these comments were eventually considered where appropriate.

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c. Conflict between IPSAS and Philippine laws. If there is an accounting principle or a significant element of a disclosure requirement contained in IPSAS which is in conflict with Philippine laws, rules and regulations, the conflict is considered a fundamental issue and has to be resolved to the end that the accounting principle or disclosure maybe changed to conform with the laws, rules and regulations.

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d. Deviation of IPSAS from Philippine regulatory or legislative environment. A Philippine Application Guidance (PAG) shall be issued to the standards in the IPSAS when they deviate from Philippine regulatory or legislative environment. As it is now, PPSAS standards were covered with Philippine Application Guidance (PAG).

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e. Numbering of standards in the PPSAS. The PPSAS is assigned the same number with the IPSAS equivalent to maintain the link, e.g. IPSAS 1 and PPSAS 1 both deal with Presentation of Financial Statements. In the event that a PPSAS is developed and there is no IPSAS equivalent, the standard will be assigned a number in a series of PPSAS starting with 101. When the IPSASB subsequently issues the equivalent standard as an IPSAS, the 100 series PPSAS will be withdrawn and reissued as a PPSAS with the IPSAS number. Standards in the PPSAS have equal authority regardless of the numbering used.

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f. Disclosure requirements in the PPSAS. Disclosure requirements may be amended when the amendments are regarded as being significant for improving fair presentation.

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**OVERVIEW/
CONCEPTUAL FRAMEWORK**

**on the Philippine Public Sector
Accounting Standards (PPSAS)**



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PPSAS **The Philippine Public Sector
Accounting Standards**

LEGAL BASES

- 1987 Article IX D – Philippine Constitution
- Section 25 (4) of P.D. 1445
- COA Resolution No. 2014-003
dated January 24, 2014
- COA Resolution No. 2015-009
dated March 9, 2015

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Creation of the Public Sector Accounting Standards Board (PSAcSB)

- COA Resolution No. 2008-012 dated Oct. 10, 2008
- COA Office Order No. 2010-118 dated Feb. 19, 2010
- COA Office Order No. 2013-622 dated Oct. 01, 2013

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Functions of the PSAcSB

- Assist the COA Commission Proper in formulating and implementing accounting standards for the public sector.
- Establish and maintain linkages with international bodies, professional organizations and academe on accounting related fields on financial management.

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S Bases of PPSAS

- Pronouncements issued by IPSASB (IPSASs), IASB, PICPA, International Organization of Supreme Audit Institutions and others.
- Relevant factors, including best accounting practices, and
- Capacity of Agencies to comply with PPSAS.

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S OBJECTIVE

- To set out the recognition, measurement, presentation and disclosure requirements for financial reporting in the Philippine Government.

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SCOPE

- PPSASs set out requirements dealing with transactions and other events in general purpose financial reports.
- PPSASs are designed to apply to the general purpose financial reports of all public sector entities other than Government Business Enterprises (GBEs)
- Applies to all NGAs, LGUs and GOCCs not classified as GBEs

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METHODOLOGY

- I. Evaluation of IPSAS**
 - Studied and evaluated each IPSAS to determine applicability
- II. Development of PPSAS**
 - Provided the PAG for IPSAS provisions which were not adopted
 - Exposed drafts to stakeholders
 - Addressed fundamental issues
 - Conducted Focus Group Discussions

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S **METHODOLOGY**

III. Preparation/Update of Government Accounting Manual

- Studied, enhanced and modified the provision of Government Accounting Manual, as PPSASs are being developed.

IV. Revision of the Chart of Accounts

- Revised the Chart of accounts to conform with the PPSAS

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PPSA **The Philippine Public Sector Accounting Standards**

S **CONTENT** PPSAS consists of

<p>International Public Sector Accounting Standards (IPSASs)</p> <p>(Accrual Based IPSASs per 2012 Handbook) developed by IPSASB and published by the International Federation of Accountants (IFAC), and</p>	<p>Philippine Application Guidance (PAG)</p> <ul style="list-style-type: none"> • Provide supplementary guidance of IPSASs to suit the Philippine public sector situation. • States the reason for not adopting some paragraphs of the IPSASs.
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Approach to Implementation

28 out of 32 IPSAS shall be implemented

Phased Implementation

- Phase 1 (25 PPSAS for implementation in 2014)
- Phase 2 (3 PPSAS for implementation in 2015)

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Phase 1 – For implementation in 2015

PPSAS 1	Presentation of Financial Statements
PPSAS 2	Cash Flow Statements
PPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors
PPSAS 4	The Effects of Changes in FOREX rates
PPSAS 5	Borrowing Costs
PPSAS 6	Consolidated and Separate Financial Statements

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PPSA		The Philippine Public Sector Accounting Standards	
Phase 1 – For implementation in 2015			
PPSAS 8	Interest in Joint Venture		
PPSAS 9	Revenue from Exchange Transactions		
PPSAS 12	Inventories		
PPSAS 13	Leases		
PPSAS 14	Events after the Reporting Date		
PPSAS 16	Investment Property		

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PPSA		The Philippine Public Sector Accounting Standards	
Phase 1 – For implementation in 2015			
PPSAS 17	Property, Plant and Equipment		
PPSAS 19	Provisions, Contingent Liabilities and Assets		
PPSAS 20	Related Party Disclosure		
PPSAS 21	Impairment of Non-Cash Generating Assets		
PPSAS 23	Revenue from Non- Exchange Transactions (Taxes and Transfers)		
PPSAS 24	Presentation of / Budget Information in Financial Statements		

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Phase 1 – For implementation in 2015

PPSAS 26	Impairment of Cash Generating Assets
PPSAS 27	Agriculture
PPSAS 28	Financial Instruments: Presentation
PPSAS 29	Financial Instruments: Recognition and Measurement
PPSAS 30	Financial Instruments: Disclosure
PPSAS 31	Intangible Assets
PPSAS 32	Service Concession Arrangements: Grantor

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Phase 2 – For implementation later

PPSAS 18	Segment Reporting
PPSAS 22	Disclosure of Information about the General Government Sector
PPSAS 25	Employee Benefits

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**Adoption of the Philippine Public Sector Accounting Standards (PPSAS)
COA Resolution No. 2014-003 dated January 24, 2014**

COA Resolution No. 2008-012

dated October 10, 2008

- created the Public Sector Accounting Standard Board (**PSAcSB**) to assist the Commission in formulating and implementing public sector accounting standards
- the PSAcSB recommended the adoption of the International Public Sector Accounting Standards (**IPSAS**) to be referred to the Philippine Public Sector Accounting Standards (**PPSAS**)

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**Adoption of the Philippine Public Sector Accounting Standards (PPSAS)
COA Resolution No. 2014-003 dated January 24, 2014**

There are 25 PPSAS adopted :

VOLUME 1	
PPSAS 1	Presentation of financial statements
PPSAS 2	Cash Flow Statements
PPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors
PPSAS 4	The Effects of changes in Foreign Exchange Rates
PPSAS 5	Borrowing Costs
PPSAS 6	Consolidated and Separate Financial Statements
PPSAS 8	Interest in Joint Ventures
PPSAS 9	Revenue from exchange transactions
PPSAS 12	Inventories
PPSAS 13	Leases

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**Adoption of the Philippine Public Sector Accounting Standards (PPSAS)
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There are 25 PPSAS adopted :

VOLUME 2	
PPSAS 14	Event after Reporting Date
PPSAS 16	Investment Property
PPSAS 17	Property, Plant and Equipment
PPSAS 19	Provisions, Contingent Liabilities and Contingent assets
PPSAS 20	Related Party Disclosures
PPSAS 21	Impairment of Non-Cash Generating Assets
PPSAS 23	Revenue from Non-exchange Transactions {Taxes and Transfers}
PPSAS 24	Presentation of Budget Information in Financial Statements
PPSAS 26	Impairment of Cash Generating Assets
PPSAS 27	Agriculture

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**Adoption of the Philippine Public Sector Accounting Standards (PPSAS)
COA Resolution No. 2014-003 dated January 24, 2014**

There are 25 PPSAS adopted :

VOLUME 3	
PPSAS 28	Financial Instruments: Presentation
PPSAS 29	Financial Instruments: Recognition and Measurements
PPSAS 30	Financial Instruments: Disclosures
PPSAS 31	Intangible Assets
PPSAS 32	Service Concession Arrangements: Grantor

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IPSAS

International Public Sector Accounting Standards

- **International Public Sector Accounting Standards (IPSAS)** are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements. These standards are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

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IPSAS

International Public Sector Accounting Standards

- **IPSAS** are accounting standards for application by national governments, regional (e.g., state, provincial, territorial) governments, local (e.g., city, town) governments and related governmental entities (e.g., agencies, boards and commissions). IPSAS standards are widely used by intergovernmental organizations. IPSAS do not apply to government business enterprises.

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IPSAS International Public Sector Accounting Standards

Features of IPSAS

- There are **32 standards** on the accrual basis of accounting and one standard on the cash basis of accounting (source: IPSAS Handbook published March 2011).
- When the accrual basis of accounting underlies the preparation of the financial statements, the financial statements will include:
 - the statement of financial position (IPSAS 1),
 - the statement of financial performance (IPSAS 1),
 - the cash flow statement (IPSAS 2),
 - the statement of changes in net assets/equity (IPSAS 1),
 - the note to the financial statements, or annex (IPSAS 1).
- When the cash basis of accounting underlies the preparation of the financial statements, the primary financial statement is
 - the *statement of cash receipts and payments*.

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THANK YOU



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