



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF BUDGET AND MANAGEMENT  
GENERAL SOLANO ST., SAN MIGUEL, MANILA

**CIRCULAR LETTER**

No. 2016 - 7  
July 20, 2016

**TO : All Heads of Departments/Agencies/State Universities and Colleges and Other Offices of the National Government, Constitutional Offices and Government-Owned or Controlled Corporations**

**SUBJECT : Advisory for All National Government Agencies (NGAs) to Comply with Commission on Audit (COA) Circular No. 2015-007 [Prescribing the Adoption of FY 2016 Government Accounting Manual (GAM)] for Budgetary Documents and Transactions**

1.0 COA Circular No. 2015-007 dated October 22, 2015 Chapter 2 (General Provisions, Basic Standards and Policies) prescribed the use of the **FY 2016 GAM for National Government Agencies (NGAs) (Volume III)** for all NGAs including SUCs. Observance of the FY 2016 GAM's provisions, including the adoption of the higher capitalization threshold of P15,000, is required considering that any non-compliance with the Philippine Public Sector Accounting Standards (PPSAS) cannot be rectified either by disclosure of accounting policies used or by notes or explanatory materials.

2.0 In particular, the following Chapters/Sections of the FY 2016 GAM are to be observed:

2.1 Chapter 8 **Inventories:**

Section 10. Semi-expendable Property. Tangible items below the capitalization threshold of P15,000 shall be accounted as semi-expendable property. The following policies shall apply:

2.1.1 Semi-expendable property which were recognized as Property, Plant and Equipment (PPE) shall be reclassified to the affected accounts.

2.1.2 These tangible items shall be recognized as expenses upon issue to the end-user.

2.2 Chapter 10 **Property, Plant and Equipment:**

Section 3. Criteria for Recognition. The cost of an item of PPE shall be recognized as assets **if and only if:**

2.2.1 it is probable that the future economic benefits or service potential associated with the item will flow to the entity;

2.2.2 the cost or fair value of the item can be measured reliably;

2.2.3 beneficial ownership and control clearly rest with the government;

2.2.4 the asset is used to achieve government objectives; and

2.2.5 it meets the capitalization threshold of P15,000.

**Section 4. Applying the Capitalization Threshold of P15,000.** The capitalization threshold of P15,000 represents the minimum cost of an individual asset recognized as PPE on the Statement of Financial Position.

Items with individual values below the threshold but which work together in the form of a group of network asset whose total value exceeds the threshold shall be recognized as part of the primary PPE, e.g., computer network, PABX system, sewerage system.

Expenditures incurred on purchasing, developing and operating hardware, like web servers, staging servers, production servers and internet connections of a website is accounted for as PPE if the total value of the primary asset (communications network) and these items is within the threshold of P15,000 and above.

3.0 In this connection, the following guidelines are hereby issued:

3.1 All NGAs are advised to observe the COA-prescribed ~~adjusted~~ capitalization threshold for all fixed assets, raised to P15,000 from the previous P10,000 cut-off.

3.1.1 All budget release documents (including those items released through the General Appropriations Act (GAA) as the Release Document or GAARD) received by the NGA shall be reviewed to identify and come up with a list of programs/activities/projects (P/A/Ps) affected by the adoption of the higher capitalization benchmark, i.e., those costing P10,000 up to less than P15,000 initially classified as capital outlays (CO) based on the lower benchmark, to ensure compliance with the COA's higher threshold.

3.1.2 The adjustments contemplated involve mere reclassification among allotment classes within the same P/A/P and cannot be considered as realignment. Hence, no additional Special Allotment Release Order (SARO) shall be required for the purpose.

3.1.3 The agency shall adjust its Books of Accounts and Registries, to effect the reclassification of the affected items, i.e., those still classified as CO but which are now to be considered as Maintenance and Other Operating Expenses (MOOE), per the higher capitalization threshold.

3.1.4 All NGAs shall submit to DBM and COA the list of all items reclassified pursuant to the FY 2016 GAM's P15,000 threshold, for purposes of ensuring data consistency among the agency records, the DBM's and the COA's electronic data systems.

3.2 Clarification relative to the accounts reclassification shall be referred to COA for resolution.

4.0 This Circular shall take effect immediately.

  
**BENJAMIN E. DIOKNO**  
Secretary