

AMENDMENT TO PPA FINANCE MEMORANDUM ORDER NUMBER 11-2006 ENTITLED “GUIDELINES IN SETTING UP ALLOWANCE FOR DOUBTFUL ACCOUNTS”

PPA FINANCE MEMORANDUM ORDER NO. 02-2009, April 22, 2009

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/3ed36ec10bdc/>

I. AUTHORITY

- 1.1 Section 6a (iii) Presidential Decree No. 857
- 1.2 Philippine Accounting Standards (PAS) No. 37

2. COVERAGE

This guideline covers the setting up of allowance for doubtful accounts of all unpaid accounts recorded in the PPA Books.

3. MECHANICS

3.1 Rates. The following graduated rates are hereby prescribed to be applied to the balances of the accounts based on age category, to wit:

Age (Days) of Account

Rate of Allowance To be Set Up

Not Yet Due 0%

30 days 5%

31-90 days 10%

91-180 days 20%

181-365 days 40%

Over 365 days 60%

Dormant with Nil Chance 100%

3.2 Computation. Annually, the Allowance for Doubtful Accounts shall be recomputed or updated. The difference between the updated amount and the balance of the Allowance for Doubtful Accounts provided as of the previous years shall be recognized as expense of the current year.

3.3 An account is classified as “dormant account without chance of being collected” if all of the following conditions are present:

3.3.1 Over 365 days old; and

3.3.2 All collection efforts failed duly supported with the following documentary evidences, among others:

3.3.2.1 Collection letter/s or Committee Report/s

3.3.2.1.1 Certification from the Securities and Exchange Commission/Other Regulatory Government Agencies

3.4 All dormant accounts should be immediately requested for write-off in accordance with existing procedural guidelines, for final approval of the following approving officials, pursuant to COA Resolution No. 2009-002.

COA Unit

Amount

3.4.1 Supervising Auditor or Head of Audit Group 1) a. Original jurisdiction for losses in amounts not exceeding P50,000.00

3.4.2 Audit Cluster Director or Regional Director

2) a. Original jurisdiction for losses in amounts exceeding P50,000.00 but not exceeding P100,000.00.

b. Appellate jurisdiction over the decision of the Supervising Auditor or Head of Audit Group

c. Appellate jurisdiction over the decision of the Audit Cluster Director or Regional Director

3.4.3 Commission Proper 3) a. Original jurisdiction for losses in amounts exceeding P1,000,000.00.

b. Appellate jurisdiction over the decision of the Adjudication and Settlement Board

3.5 Accounting Entries

Once approved, the corresponding provisions for doubtful accounts shall be adjusted based on the following accounting entries:

3.5.1 Balance of Allowance for Doubtful Accounts is less than the updated amount.

dr. 0-90-200 Current Operating Expenses - Non Cash Charges (3-13-300 Bad Debts)

cr. 8-80-716 Allowance for Doubtful Accounts

3.5.2 Balance of Allowance for Doubtful Accounts is more than the updated amount.

dr. 8-80-716

Allowance for Doubtful Accounts

cr. 8-98-100

Retained Earnings/PDO PMO Clearing

4. REPEALING CLAUSE

This Memorandum Order revokes PPA Finance Memorandum Order No. 11-2006.

5. EFFECTIVITY

This Order takes effect immediately.

Adopted: 22 Apr. 2009

(SGD.) ATTY. GLORIA J. VICTORIA-BAÑAS

Assistant General Manager

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