

THE REVISED ACCOUNTANCY LAW

PRESIDENTIAL DECREE NO. 692, May 05, 1975

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I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby decree and order the following as part of the law of the land:

SECTION 1. Short Title. - This Decree shall be known and cited as "The Revised Accountancy Law".

ARTICLE I - Objectives and Definitions

SEC. 2. Objectives. - This Decree provides for and shall govern:

- (a) The standardization and regulation of accounting education;
- (b) The examination for registration of certified public accountants; and
- (c) The supervision, control, and regulation of the practice of accountancy in the Philippines.

SEC. 3. Practice of Accountancy, Defined. -Practice of accountancy shall constitute in a person, be it in his individual capacity, or as a partner or staff member in an accounting or auditing firm, holding out himself as one skilled in the knowledge, science, and practice of accounting, and as qualified to render professional services as a certified public accountant; or offering or rendering, or both, to more than one client on a fee basis or otherwise, services such as the audit or verification of financial transactions and accounting records; the preparation, signing, or certification for clients of reports of audit, balance sheets, and other financial, accounting and related schedules, exhibits, statements, or reports which are to be used for publication or for credit purposes, or to be filed with a court or government agency, or to be used for any other purpose; the installation and revision of accounting systems, the preparation of income tax returns when related to accounting procedures; or when he represents clients before government agencies on tax matters related to accounting or renders professional assistance in matters relating to accounting procedures and the recording and presentation of financial facts or data.

A Certified Public Accountant shall be considered in the practice of his profession, if the nature and character of his employment whether as an officer or employee in a private enterprise or educational institution involves decision-making requiring professional knowledge in the science of accounting or when he represents his private employer before any government agency on tax matters related to accounting, and such employment or position requires that the holder thereof must be a Certified Public Accountant; or if he holds or is appointed to a position in the accounting occupational group in the government or in government-owned or controlled corporations, including those performing proprietary functions, where a civil service eligibility as a Certified Public Accountant is a prerequisite.

ARTICLE II - THE BOARD OF ACCOUNTANCY

SEC. 4. The Board of Accountancy and its composition. - The Board of Accountancy shall be composed of a chairman and six (6) members to be appointed by the President of the Philippines upon recommendation of the Professional Regulation Commission.

The Board shall elect a vice-chairman from among its members for a term of one year. The Chairman shall preside in all meetings of the Board and in the event of a vacancy in the office of the Chairman, the vice-chairman shall assume such duties and responsibilities until the end of the term or until such time as a Chairman is appointed.

SEC. 5. Functions of the Board of Accountancy. -The Board of Accountancy shall have the following functions:

- To determine and prescribe minimum requirements leading to the admission of candidates to the certified public accountant's examinations;
- To determine and prepare the contents of licensure examinations; score and rate the examination papers and submit the results thereof to the Commission within two hundred forty (240) days after the last examination day unless otherwise directed by the Commission;
- To look from time to time into the conditions affecting the practice of the accountancy profession and whenever necessary, adopt such measures as may be deemed proper for the enhancement and the maintenance of high professional, ethical and technical standards;
- To investigate violations of the Accountancy Law and the rules and regulations promulgated thereunder and for this purpose to issue summons, subpoena and subpoena duces tecum to violators or witnesses thereof and compel their attendance to such investigations or hearings;
- To promulgate decisions on such administrative cases subject to review by the Commission;
- After due process, to suspend, revoke, or reissue certificates of registration for causes provided for by law or by the rules and regulations promulgated therefor;
- To perform such other functions and duties as may be deemed necessary to effectively implement policies with respect to the regulation and practice of the profession.

SEC. 6. Qualification of Board Members. - No person shall be appointed a member of the Board of Accountancy unless he:

- a)
is a citizen of the Philippines;
- b)
is of good moral character;
- c)
is a duly registered Certified Public Accountant in the Philippines;
- d)
has been in the practice of accountancy for at least ten years, and

e)

is not directly or indirectly connected with any school, college, or university granting degrees that may qualify graduates with such degrees for admission to the Certified Public Accountant examinations, or with Certified Public Accountant's Review School or Institute, nor shall have any pecuniary interest in such school, college, university or Certified Public Accountant's Review School or Institute.

SEC. 7. Tenure of Office and Compensation of Members. - The Chairman and members of the Board of Accountancy shall hold office for three years: Provided, That the first and second, third and fourth, and fifth and sixth members and the chairman appointed under this law shall serve for one, two and three years, respectively; Provided, further that the incumbent members of the Board of Accountancy shall serve for their unexpired terms of office or until their successors shall have been appointed and qualified. Vacancies shall be filled by appointments for the unexpired terms only. No person who has served two successive complete terms shall be eligible for reappointment until after the lapse of one year. Appointment to fill an unexpired term is not to be considered as a complete term.

Each member shall receive as compensation a fee not exceeding fifteen pesos for each candidate examined and a per diem not less than ten pesos for each day of attendance in administrative investigations and ocular inspections lasting not less than one hour at a time: Provided, That the total compensation of the chairman or members shall be at such rates as may be provided for in the general appropriation decree for participating in all examinations given during the fiscal year.

SEC. 8. Suspension or Removal of a Member of the Board. - The Professional Regulation Commission shall recommend to the President of the Philippines the removal from the Board of any member whose certificate to practice has been revoked or suspended, and may, after hearing, recommend to the President the removal of any member of the Board for neglect of duty or incompetence or other just cause.

SEC. 9. The Certified Public Accountant Examination. - The Board of Accountancy shall determine and prepare the contents of examinations to qualify Certified Public Accountants, The Board of Accountancy, in coordination with the Professional Regulation Commission, shall conduct the examinations at least once in each calendar year in the Cities of Manila and Cebu: Provided, however, that if conditions warrant, the Board may, upon previous approval of the Professional Regulation Commission, conduct the examinations in other places.

SEC. 10. Admission Requirements for Examinations. -No person shall be admitted to the examination unless he is:

a)

a citizen of the Philippines;

b)

at least twenty-one years of age: Provided, however, that an applicant below twenty-one years of age may be allowed to take the examinations and in case he passes the examinations shall not be issued the certificate until he reaches the required age;

c)

of good moral character;

d)

a holder of the degree of Bachelor of Science in Commerce or its equivalent from any institution of learning recognized by the government in accordance with the provisions of this Decree; and

e)

In case of a candidate who has failed two complete certified public accountant's examinations, he shall have complied with the requirements for examinations as provided under Section 13 of this Decree.

SEC. 11. Scope of Examination. - The examinations shall be in writing and shall cover the following subjects with the corresponding weight in units unless otherwise modified by the Board upon approval of the Professional Regulation Commission.

Subject

Weight in
Units

Minimum
Hours

Theory of Accounts

2

3

Business Law and Taxation

2

3

Management Services

2

3

Auditing Theory

2

3

Auditing Problems

2

3

Practical Accounting Problems

2

3

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TOTAL

14

21

The contents and coverage of these subjects shall be in accordance with the outline or syllabus prepared and issued by the Board of Accountancy containing the following:

Theory of Accounts - Accounting terminology, accounting principles and procedures, classification of accounts, valuation of assets and liabilities, income determination, developments in the science of accountancy, etc.

Business Law and Taxation - One-Half on the subject of business law covering obligation and contracts, partnerships and corporations, negotiable instruments and other phases of the legal framework of business, and the other half on taxation dealing on income tax, business taxes, transfer taxes, and other taxes affecting accounting practice.

Management Services - Principles and procedures, methods and techniques involved in management consulting services that may be rendered by Certified Public Accountants in areas such as managerial accounting, planning and control operations, design and appraisal of accounting systems, and financial-management related services.

Auditing Theory - Auditing concepts, auditing standards, internal control, auditing procedures and techniques, and the short-form audit report.

Auditing Problems - Problems on the application of auditing standards, techniques and procedures, preparation of working papers, completion of the audit, and preparation of audit report.

Practical Accounting I - Problems concerning financial statements and accounting for assets, liabilities and stockholder's equity.

Practical Accounting II - Problems pertaining to partnership, joint ventures, fire insurance on the insured's books, consignments, installment sales, agencies and branches, business combinations, cost accounting, financial

analysis, and government accounting.

SEC. 12. Examination Rating. - A candidate for the examination obtaining a general weighted average of seventy-five percent and above shall be entitled to registration as certified public accountant and as such shall receive a certificate of registration from the Board of Accountancy, Provided, That in no case should the rating on any subject be less than sixty-five percent. In the event a candidate obtains the rating of seventy-five percent and above in at least four (4) subjects having a combined weight of eight (8) units as provided for in this Act, he shall receive a conditional credit for the subjects passed: Provided, However, That such candidates shall take an examination in the remaining subjects within two years from the preceding examination; Provided, further, That if the candidate fails to obtain at least a general weighted average of seventy-five percent and a rating of at least sixty-five percent in each of the subjects re-examined, he shall be considered as failed in the entire examination.

SEC. 13. Failing candidates to take refresher course. - Any candidate who fails in two complete Certified Public Accountant board examinations shall be disqualified from taking another set of examinations unless he submits evidence to the satisfaction of the Board of Accountancy that he has re-enrolled in and completed at least twenty-four units of subjects given in Certified Public Accountant examinations.

For purposes of this Law, the examinations in which the candidate was conditioned together with the removal examination on the subject in which he failed shall be counted as one complete examination.

SEC. 14. Certificate of Registration. - A certificate of registration as Certified Public Accountant shall be issued by the Board of Accountancy to those who have satisfactorily passed the examination prescribed herein or otherwise complied with the requirements of the Board.

All certificates of registration shall show the full name of the registrant, shall have a serial number, and shall be signed by all the members of the Board and the Chairman of the Professional Regulation Commission and attested by the official seal of the Board.

A certificate of registration shall not be issued to any candidate who has been convicted by a court of competent jurisdiction of any criminal offense involving moral turpitude, or has been found guilty of immoral or dishonorable conduct after due investigation by the Board of Accountancy, or has been declared to be of unsound mind.

SEC. 15. Fees. - All applications must be filed with the Professional Regulation Commission and shall be subject to the payment of fees prescribed by the Professional Regulation Commission.

SEC. 16. Rules and Regulations of the Board of Accountancy. - Subject to the approval of the Professional Regulation Commission, the Board of Accountancy shall promulgate rules and regulations and set professional standards for the practice of accountancy. Such rules shall include a code of professional ethics and security measures to protect the secrecy and integrity of the examinations.

III - Administrative Proceedings, Penal and Other Provisions

SEC. 17. Grounds for proceedings against a Certified Public Accountant. - Any of the following shall be sufficient ground for proceeding against a Certified Public Accountant:

(a)

Conviction by a court of competent jurisdiction of any criminal offense involving moral turpitude;

(b)

Immoral or dishonorable conduct;

(c)

Insanity;

(d)

Fraud in the acquisition of the certificate of registration;

(e)

Gross negligence or incompetence in the practice of his profession;

(f)

Addiction to alcoholic beverages or to any habit-forming drugs rendering him incompetent to practice his profession;

(g)

False or extravagant or unethical advertisement wherein other things than his name, profession, limitation of practice, office and home address are mentioned;

(h)

Issuing an accountant's certificate covering the examination of the client's accounts without observing the necessary auditing standards;

(i)

Aiding or acting as a dummy of an unqualified or unregistered person to practice accountancy;

(j)

Violation of any provision of this Decree and the rules and regulations promulgated thereunder;

(k)

Conduct discreditable to the accounting profession.

SEC. 18. Administrative Investigation. - Within five days after the filing of written charges under oath, respondent Certified Public Accountant shall be furnished a copy thereof requiring him to answer the same.

The administrative investigation shall be conducted by the Board of Accountancy or any of its members as may be designated by the Chairman, or may be conducted by a legal or hearing officer of the Professional Regulation Commission: Provided, However, that the decision shall be promulgated by a majority of the members of the Board.

The rules and regulations promulgated by the Professional Regulation Commission pursuant to its rule making power shall govern the procedure and conduct of administrative investigation before the Board.

SEC. 19. Rights of Respondents. - The respondent Certified Public Accountant shall be entitled to be represented by counsel, to have a speedy and public hearing, and to confront and to cross-examine witnesses against him.

SEC. 20. Appeal from Judgement. - The decision of the Board of Accountancy shall become final thirty (30) days after receipt by the respondent of a copy of the decision, unless during the same period, he has appealed to the Professional Regulation Commission, whose decision shall be final.

SEC. 21. Reinstatement. - After two years, the Board of Accountancy may order the reinstatement of certified public accountant whose certificate of registration has been revoked, if the respondent, during this period, has acted in an exemplary manner and has not committed any illegal, immoral or dishonorable act.

SEC. 22. Criminal Offenses. - Any person who shall by himself or in cooperation with another defeat, deceive, or obstruct any person in the matter of his right of examination by the Board of Accountancy, or who shall falsely rate, grade, estimate, or report upon the examination or standing of any person examined by the Board of Accountancy, or shall aid in so doing, or shall make any false representation relative thereto or concerning the person or persons examined or who shall use or furnish any special or secret information for the purpose of improving or injuring the prospects or chances of any person so examined or to be examined or receiving a certificate, shall for each offense be punished with a fine not exceeding five thousand pesos, or by imprisonment for a period not exceeding two years or both.

Any person who shall knowingly make any material false statement in his application for examination, or who shall connive at any false statement made in any certificate which may accompany his application, or who shall make any material false statement in any certificate to accompany the application for examination of any person, or who shall impersonate any other person or permit or aid in any manner other persons to impersonate him in connection with any examination or application for examination, or who shall falsely make or forge any certificate in connection with his application, or who shall commit to attempt to commit any fraud, or violation in any manner the provisions of this Decree or any regulations promulgated under the provisions hereof, or aid in so doing, shall be subject to the same penalty as in the preceding paragraph provided.

Any person who represent himself to the public as having received a certificate as provided in this Decree, or shall assume to practice as Certified Public Accountant or use the abbreviated title "C.P.A." or any similar words or letters to indicate that the person using the same is a Certified Public Accountant, without having received such certified public accountant certificate or having received such certificate, has been thereafter deprived of the use of the same by temporary suspension or revocation shall be punished with a fine in a sum not exceeding five thousand pesos or by imprisonment for a period not exceeding two years, or both, at the discretion of the Court, for each such offense, and each day that such person shall so practice or hold himself out as a certified public accountant shall be deemed a separate offense.

Sec. 23. Foreign Reciprocity. No foreigner shall be admitted to the examinations or be registered as Certified Public Accountant under this Decree unless he proves in the manner provided for by the Professional Regulation Commission that, by specific provisions of law, the country of which he is a citizen, subject, or national, allows

citizens of the Philippines to the practice of accountancy profession after an examination on terms of strict and absolute equality with the citizens, subjects or nationals of said country, including the unconditional recognition of prerequisite degrees issued by institutions of learning duly recognized by the Government of the Republic of the Philippines.

SEC. 24. Ownership of Working Papers, etc. -All working papers, schedules and memoranda made by a certified public accountant and his staff in the course of an examination, including those prepared and submitted by the client, incident to or in the course of an examination, by such certified public accountant, except reports submitted by a certified public accountant to a client shall be and remain the property of such certified public accountant in the absence of a written agreement between the certified public accountant and the client, to the contrary. However, no such working papers, schedules, and memoranda shall be sold, transferred or bequeathed or disposed of in any manner without the consent of the client, his heir, personal representatives or successors to anyone other than one or more surviving partners or new partners of such certified public accountant.

SEC. 25. Limitation on the Practice of Public Accountancy. - Hereafter, all partners of partnership organized for the practice of public accountancy shall be registered certified public accountants in the Philippines. The Commissioner of the Securities and Exchange Commission shall not register any corporation organized for the practice of public accountancy.

SEC. 26. Integration of the Accountancy Profession. - The Professional Regulation Commission shall adopt rules to effect the integration of Certified Public Accountants under such conditions as it shall see fit in order to raise the standards of the profession and enable it to discharge its public responsibilities more effectively.

SEC. 27. Accreditation to Practice Public Accountancy. - Certified Public Accountants and firms or partnerships of certified public accountants, including partners and staff members thereof shall register with the Professional Regulation Commission and the Board of Accountancy, such registration to be renewed annually on or before September 30 of each year following the date of issuance. Subject to the approval of the Professional Regulation Commission, the Board of Accountancy shall promulgate rules and regulations for the implementation of registration requirements, including the fees and the penalties for violation thereof.

SEC. 28. Repealing Clause. - Republic Act No. 5166 is hereby repealed and all laws, executive orders, administrative orders, rules and regulations, or parts thereof inconsistent with the provisions of this Decree are also hereby repealed and modified accordingly.

SEC. 29. Effectivity. - This Decree shall take effect upon promulgation, except as provided in Section 10, paragraph (e) and Section 13 which shall take effect beginning with the Certified Public Accountant examinations to be given in the year 1976

Done in the City of Manila, this 5th day of May in the year of Our Lord, nineteen hundred and seventy-five.

(Sgd.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(Sgd.) ALEJANDRO MELCHOR
Executive Secretary

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