

CLASSIFICATION OF ALL GOVERNMENT CORPORATIONS AND OTHER ENTITIES/INSTRUMENTALITIES WITH CORPORATE POWERS AS GOVERNMENT BUSINESS ENTERPRISES (GBES) OR NON-GBES FOR THE PURPOSE OF...

COA Circular No. 2015-003, April 16, 2015

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/fd79336502e5/>

Adopted: 16 April 2015

Date Filed: 28 April 2015

1.0 Rationale

1.1

To align with International Financial Reporting Standards (IFRS), the Philippine Financial Reporting Standards Council (PFRSC) of the Board of Accountancy of the Philippines, issued starting in CY 2005 a series of pronouncements called the Philippine Financial Reporting Standards (PFRS).

1.2

Since then, the Bangko Sentral ng Pilipinas (SSP) prescribed the adoption by all banks and non-bank financial institutions of the PFRS as their financial reporting framework. The Securities and Exchange Commission (SEC) also adopted the PFRS as part of SEC rules to be followed by all SEC registered entities.

1.3

Likewise, to align with the prevailing international standards and provide quality accounting standards to enhance the quality and uniformity of financial reporting by Philippine public sector entities, thus ensuring accountability, transparency and comparability of financial information with other public sector entities around the world, COA issued Resolution No. 2014-003 dated January 24, 2014 prescribing the adoption of the Philippine Public Sector Accounting Standards (PPSAS) by the National Government Agencies (NGAs), Local Government Units (LGUs) and Government Corporations and entities/ instrumentalities which are Non- GBES.

1.4

In the light of the foregoing developments, there is now a need to classify the different Government Corporations and other entities/instrumentalities with corporate powers as either GBES or Non-GBES for the purpose of determining the financial reporting framework applicable thereto.

2.0 Definition of Terms

2.1

Government corporations refer to government-owned or controlled corporations (GOCCs), government financial institutions (GFIs), and government instrumentalities with corporate powers (GICPs)/government corporate entities (GCEs), including their subsidiaries, and water districts. The regional, branch and field offices are

component units of the corporation.

2.2

GOCCs refer to any agency organized as a stock or non-stock corporation, vested with functions relating to public needs whether governmental or proprietary in nature, and owned by the Government of the Republic of the Philippines directly or through its instrumentalities either wholly or, where applicable as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock. The term “GOCC” shall include GICP/GCE and GFI as defined herein.

2.3

GFI refers to financial institutions or corporations in which the government directly or indirectly owns majority of the capital stock and which are either: (a) registered with or directly supervised by the BSP; or (b) collecting or transacting funds or contributions from the public, and places them in financial instruments or assets such as deposits, loans, bonds and equity including, but not limited to, the Government Service Insurance System and the Social Security System.

2.4

GICPs/GCEs refer to instrumentalities or agencies of the government, which are neither corporations nor agencies integrated within the departmental framework, but vested by law with special functions or jurisdiction, endowed with some if not all corporate powers, administering special funds, and enjoying operational autonomy usually through a charter.

2.5

GBEs are government corporations which have all the following characteristics as defined under the pertinent provisions of the International Public Sector Accounting Standards (IPSAS) as adopted under the PPSAS:

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;

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.

2.6

GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge.[1]

In addition, GBEs shall also include banks and non-bank financial institutions under the supervision of the BSP and entities registered with the SEC required to adopt PFRS.

2.7

Non-GBEs refer to entities which do not meet all of the above characteristics.

2.8

Public sector entities refer to national, regional, and local governments, and other governmental entities such as agencies, boards, commissions and enterprises. They are typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which may be given effect through authorizing legislation.

2.9

Small and Medium-sized Entities (SMEs) are corporations that:

a)

Have total assets of between P3 Million and P350 Million or total liabilities of between P3 Million and P250 Million;

b)

Are not required to file financial statements under Rule 68.1 of the Securities and Regulation Code (SRC);

c)

Are not in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market;

d)

Are not holders of secondary licenses issued by a regulatory agency, such as banks, investment houses, finance companies, insurance companies, securities brokers/dealers, mutual funds and pre-need companies; and

e)

Are not public utilities.

3.0 Guidelines and Procedures

3.1

All Government Corporations which fall under the definition of GBEs in paragraph 2.5 hereof, and classified as GBEs (Annex A) shall apply the PFRS pursuant to: (a) paragraph 10 of Preface to IPSAS and the pertinent provisions of applicable IPSAS as adopted in PPSAS 1; (b) BSP Circular 494 series of 2005; and (c) SRC Rules 68 and 68.1, its amendments, and other issuances of the SEC. GOCCs categorized as SMEs in paragraph 2.9 may adopt the PFRS for SMEs pursuant to SEC Notice dated December 11, 2009.

3.2

All other Government Corporations which do not fall under the classification of GBEs as defined in paragraphs 2.5 and 2.6 hereof and classified as Non-GBEs (Annex B) shall apply the PPSAS pursuant to COA Resolution No. 2014-003.

3.3

All GBEs and Non-GBEs in their first-time adoption of PFRS and PPSAS, respectively, shall cause the conversion of their financial statements in accordance with the applicable financial reporting framework herein prescribed. Specific guidelines on the conversion and reconciliation of converted accounts in the financial reporting framework shall be prepared by the Government Accountancy Sector (GAS) in consultation with the Corporate Government Sector (CGS) and the concerned government entities.

3.4

The Revised Chart of Accounts (RCA) prescribed under COA Circular No. 2014-003 dated April 15, 2014 shall be updated by the GAS to include (a) the accounts prescribed by the BSP Financial Reporting Package (FRP) and the pertinent accounts of other GBEs; and (b) pertinent accounts of Non-GBEs. For agencies implementing the electronic-New Government Accounting System (e-NGAS), procedures on the conversion of e-NGAS database to the RCA for NGAS shall be covered by separate guidelines. The Chart of accounts of GOCCs and LGUs and its conversion to the New Chart of Accounts shall, likewise, be covered by separate guidelines.

3.5

The Chief Accountants/Heads of Accounting Units and Budget Officers/Heads of Budget Units of GBEs/Non-GBEs and other concerned offices of all entities covered by this Circular shall be responsible for the proper conversion of the financial statements and reconciliation of the accounts upon their entities' first-time adoption of the PFRS/PPSAS, as applicable, and the separate submission of the copy of the Journal Entry Voucher (JEV) and the Financial Statements and Reports to the COA Auditor and the GAS.

3.6

All Heads of Government Corporations shall oversee the proper conversion of the financial statements of their respective agencies.

4.0 Saving Clause

Cases not covered in this Circular shall be referred to the GAS, for resolution.

5.0 Repealing Clause

All issuances inconsistent herewith are deemed repealed or amended accordingly.

6.0 Transitory Provision

Pending the updating of the Revised Chart of Accounts prescribed by COA to include specific requirements of GBEs and Non-GBEs, the following shall be observed:

a)

New accounts prescribed for the implementation of the PPSAS shall be used in accordance with such standards.

b)

For PFRS-compliant financial statements, GBEs shall use all applicable accounts prescribed under COA Circular No. 2014-003 and those prescribed by their respective regulatory bodies.

c)

Accounts that have not been converted due to issues not settled as of conversion date shall be converted by the

Government Corporations to the most appropriate account in the RCA until a supplemental circular or clarification is issued on this matter.

7.0 Effectivity

This Circular shall take effect fifteen (15) days after publication in a newspaper of general circulation.

(SGD) HEIDI L. MENDOZA

Commissioner

Officer-in-Charge

(SGD) JOSE A. FABIA

Commissioner

[1] Philippine Public Sector Accounting Standards 1, Presentation of Financial Statements, Paragraph 12, Page 84

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.