

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

CLASSIFICATION OF ALL GOVERNMENT CORPORATIONS 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 IN THE PREPARATION OF THEIR FINANCIAL STATEMENTS AND PRESCRIBING GUIDELINES THEREFORE

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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 GFIs refer 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: