

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

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

**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:

<b>Age (Days) of Account</b>	<b>Rate of Allowance To be Set Up</b>
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