

Accountant's Gazette

VOLUME I ISSUE 2 2004

10 September 2004

Snapshots

- Program Details on 2nd-3rd Quarter General Membership Meeting
- Proposed Amendments to Articles and By-Laws of PICPA KSA Scholarship Foundation Inc.
- New Board of Trustees for PICPA KSA Scholarship Foundation Inc.
- Accounting Forum on Job Costing
- Results of Inter Professional Sports Festival 2004

Chapter Schedules Joint 2nd-3rd Quarter General Membership Meeting; Election of 2005 Council Members on the Agenda

The Chapter has scheduled a joint general membership meeting for the 2nd and 3rd quarters on 10 September 2004. The meeting will be held at Dhahran Palace Hotel (*formerly Ramada Hotel*) in Dhahran. Program details are on page 2 of this issue.

Owing to the precarious security situation in the Kingdom, the general membership meeting for the 2nd quarter which was originally slated in June was postponed. Instead a single date was decided upon on which to hold the meeting for both the 2nd and 3rd quarters of the year.

On top of the agenda for the joint meeting is the election of the Council members for calendar year 2005. In a special meeting of the current Council held on 05 August, the incumbent officers were reminded to prepare the nomination of their selected candidate/s for their position for next year, if they decide to look for their replacements. The Chapter Comelec will be called upon to accept nominations and oversee the election during the meeting. (*See related story on page 3*)

Another important item on the agenda is a discussion on the proposed amendments to the articles and by-laws of the PICPA-KSA Scholarship Foundation Inc. (*or PKSFI*). The proposed amendments are subject to ratification by the general membership. Further details can be read in the PKSFI Updates section of this issue.

The general membership meeting will digress to a more lively seminar to be conducted by the invited resource speaker, Mr. Augusto "Junn" Corro, with a topic on effective public speaking skills.

An invitation to grace the occasion as guest of honor is sent to the Hon. Delmer Cruz, the Philippine Labor Attaché to the Eastern Province in the Kingdom.

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Annual PICPA-KSA Family Fun Day to be Held in September

In an effort to bring a change of pace and ease tension among the Chapter members amidst the worries of the times and hectic demand of their office work, the annual Family Fun Day is slated to be held on 24 September 2004, inside the ARAMCO community compound in Dhahran.

The main activity for the day is an acquaintance session among PICPAnS, their families and friends. Light meals will be served to them.

The occasion will feature bingo social for the Chapter's fund-raising purpose. The prizes at stake include household appliances and electronic items.

Each Council member was allotted a set number of tickets to sell to their colleagues, family members and friends. Each ticket will entitle the holder a chance to take part in the scheduled activities and obtain a playing card for the bingo games.

All Chapter members are invited to attend the Family Fun Day to renew their commitment to unity and fellowship at a turning point of the year before the busy holy season starts in the Kingdom.

2nd-3rd Quarter General Membership Meeting : Program Details

5:00 - 6:00	Registration	CMs Pitz Dino / Lito Mullon
6:00 - 6:04	Welcome Address	CM Reine Centeno
6:04 - 6:08	Induction of New Members	CMs Peter San Diego / Urbing Manlquez
6:08 - 6:17	Distribution of Certificates	EVP Jose Rene de Pano
6:17 - 6:20	Financial Report - Chapter	CM Pitz Dino
6:20 - 6:25	Financial Report - PKSFI	PKSFI Pres. Ronnie Dayos
6:25 - 6:27	Introduction of Guest Speaker	CM Rudy Yee
6:27 - 7:57	Workshop on Effective Public Speaking Skills	Mr. Augusto "Junn" Corro
7:57 - 8:12	Open Forum - Workshop Topic	VP James Tan / CM Gus Tutanés
8:12 - 8:14	Award of Appreciation - Guest Speaker	Pres. Rudy Buenavista
8:14 - 8:20	Photo Session	VP Rey Abaigar
8:20 - 8:50	Dinner / Raffle of Door Prizes part 1	CMs Noel Anglacer / Reine Centeno / Lito Mullon
8:50 - 9:05	Presentation of Nominees / Election of 2005 Council Members	Mr. Mandy Verceles
9:05 - 9:20	Presentation of Proposed Amendments to PKSFI Articles & By-Laws	PKSFI Chairman Dado Caritos / PKSFI Pres. Ronnie Dayos
9:20 - 9:35	Open Forum - Proposed Amendments to PKSFI Articles & By-Laws	CMs Gani Antonio / Pitz Dino
9:35 - 9:38	Introduction of Guest of Honor	CM Peter San Diego
9:38 - 9:45	Inspirational Address	Hon. Delmer Cruz - Phil. Labor Attaché to EP KSA
9:45 - 9:47	Award of Appreciation - Guest of Honor	Pres. Rudy Buenavista
9:47 - 10:00	Announcement of Election Results	Mr. Mandy Verceles
10:00 - 10:04	Chapter Report	Pres. Rudy Buenavista
10:04 - 10:08	Raffle of Door Prizes part 2	CMs Gani Antonio / Urbing Manlquez / VP Oscar Cifra
10:08 - 10:10	Closing Remarks	EVP Jose Rene de Pano

EMCEE: CM Rudy Yee

Advisory Issued by OWWA - POLO for Security of OFWs

In the wake of a violent incident on 29 May 2004 resulting in the untimely death of a PICPA member, Mr. Feleciano Dizon III, the Philippine government, through the Overseas Workers' Welfare Authority - Philippine Overseas Labor Office, issued an advisory to Filipino OFWs in the Kingdom to exercise caution in their daily work, travel, and recreation activities to avoid any undue harm against them.

In the Eastern Province, Hon. Delmer Cruz, the Philippine Labor Attaché, reiterated the same warning before a group of community leaders in a gathering in Al Khobar in early June 2004.

The Chapter members are enjoined to heed the advisory from OWWA-POLO for their own personal safety and security.

Line-up of Possible Candidates for 2005 Council Bared

In a special Council meeting held on 03 September 2004 at the Chapter's office in Al Khobar, Council President Rudy Buenavista disclosed to the Council members an updated list of possible candidates for the 2005 Council. These candidates have either been fully informed of their nomination or have confirmed their candidacy. The final line-up and formal nomination of candidates will be announced during the 2nd-3rd Quarter General membership meeting on 10 September 2004, preceding the election proper in the same meeting.

An initial list of candidates for 2005 Council is as follows:

Roderick Andres	Arnel Parafina
Pol Blanca	Danilo Ruedas
Sonny Dalapo	Gus Tutanés
Pitz Dino	Ed Timbol
Dante Dino	
Joven Diarios	
Noel Echano	
Emmanuel Garcia	
Urbing Manlquez	
German Prado	

Nominations for 2005 Council members are still open. Members can nominate their candidates before the nomination period closes.

Proxy Voting

Chapter members who cannot attend the forthcoming general assembly and would like to cast their votes for the 2005 Council can log in to the picapro@yahoo.com website, download and print the election proxy form, fill up the form with their chosen candidates, and submit the same either by email or by personal handover to the Comelec.

Queries on proxy voting can be referred to the Comelec c/o Mr. Mandy Verceles or Mr. Tony Almeida.

Shuttle Service

Chapter members who will attend the forthcoming general assembly but are having difficulty on locating the meeting venue or have no means of transportation can avail themselves of the Hotel Ramada's shuttle bus service on the date of the meeting. On 10 September from 4:30 to 5:00 p.m. a hotel bus will park in front of Riyadh Bank branch across Kadiwa Shopping Mart in Al Khobar to provide transportation to members and their invited guests to the general assembly.

Queries on the bus service can be referred to Council President Rudy Buenavista.

The President's Address

By President Rudy Buenavista

This is our second issue of "Accountant's Gazette."

It comes out just in time for our second and third Quarterly General Membership meeting scheduled on the 10th of September 2004 at Dhahran Palace Hotel, Dhahran, Saudi Arabia near Saudi Aramco.

We highly appreciate the efforts of our Publications Committee thru its Chairman EVP Jose Rene de Pano and the other contributors who made this issue possible.

Please read on.

Mr. Rudy M. Buenavista

2004 Council President

Fund-Raising Projects of Council / PKSFI

For the information of interested Chapter members and their acquaintances, the fund-raising projects of the Council as well as the PKSFI scheduled on the same date, on 24 September 2004 during the Family Fun Day inside ARAMCO compound, are intended to augment the funds for the operating expenses in the case of the Council, and the scholarship endowments in the case of the PKSFI.

The upcoming fund-raising activities will involve the selling of tickets to members, friends and family members who would like to participate and have a chance of winning prizes during the event, as follows:

For the Council One ticket entitles the holder to a bingo playing card to be used for the bingo games. Prizes at stake include color TV, microwave ovens, air con, camera, and mobile phones, among others. Each ticket costs SAR 15.00

For the PKSFI One ticket provides the holder one odd chance to win in a separate raffle. Cash prizes will be given as follows: SAR 2,000 first prize, SAR 1,000 second prize and SAR 500 third prize. Each ticket costs SAR 5.00

PKSFI Updates

Proposed Amendments to PKSFI Articles and By-Laws

On 08 July 2004, in the regular monthly meeting of the PICPA KSA Scholarship Foundation Board of Trustees, before a quorum, the set of proposed amendments to the PKSFI Articles and By-Laws were presented. PKSFI President Ronnie Dayos explained the proposed amendments, which were then initially deliberated upon by the trustees for some revisions in textual phrasing and content.

After the revisions to the proposed amendments, it was agreed there would be a test set-up to disseminate the proposals for purpose of electronic voting system via the Chapter's web mail address (picpapro@yahoo.com) where Chapter members can log in and cast their vote in a choice box.

However, the web voting was largely experimental, and the proposed amendments will be formally presented to the Chapter members during the general membership meeting for the 2nd-3rd quarters on 10 September 2004 prior to their ratification of the proposals.

The set of proposed amendments to PKSFI articles and by-laws is listed as follows:

1. Reduce the number of trustees from fifteen (15) to nine (9);
2. In case of dissolution, the assets shall be distributed to PICPA KSA (EP) Chapter instead of the PICPA National Office;
3. Clarified the source of the initial funds; and
4. Delete the assessment of membership dues and the issuance of membership certificates.

Chapter members are requested to attend the forthcoming general meeting and cast their votes on the proposed amendments.

New Board of Trustees for PKSFI; Officers for 2004-2005 Elected

During the Chapter's 1st Quarter General Membership meeting on 19 March 2004 at Philcosa, Al Khobar, the nominees to the 2004-2005 Board of Trustees of PKSFI were duly elected by the majority on hand.

The PKSFI Board of Trustees held their first regular meeting on 08 July 2004 at the Chapter office in Al Khobar, and they consequently elected their set of officers.

The Board of Trustees with their elected positions are as follows:

- | | | |
|-----------------------|-----------------|-------------------|
| • Chairman | Dado Caritos | |
| • President | Ronnie Dayos | |
| • Vice President | Bennie Paulino | |
| • Treasurer | Dante Dino | |
| • Comptroller | Ike Manuel | |
| • Corporate Secretary | Louie Suzara | |
| • Auditor | Eliezer Almeria | |
| • Members | Resty Cabrera | Jose Pitz Dino |
| | Gani Antonio | Nestor Dadulla |
| | Tony Mandrique | Jose Rene de Pano |
| | Sammy Tiongco | Gary Gamboa |

PKSFI Updates

Report from the Board Chairman

Good day to all of you.

Highlights of FY2003-4 operation follow:

As of May 31, 2004 total assets amounted to PhP2,312, 053 of which PhP2.2Million represents our investment in Treasury Bills.

Total income and expenditures amounted to PhP200,369 and PhP109,871, respectively, resulting in a net cash inflow of PhP90,497. Of the total income, investment in Treasury Bills contributed an interest income of PhP106,812. During FY2003-4, a total of PhP102,248 was spent on tuition fees and allowances.

In the fiscal year ended, proposed amendments to PKSFI's Articles of Incorporation and By-laws were worked-out. The proposed amendments are:

Reduce the number of trustees from 15 to 9

In case of dissolution, the assets shall be distributed to the Chapter instead of the Picpa National office

Clarified the source of the initial funds

Delete the assessment of membership dues and the issuance of membership certificate

These proposed changes will be submitted to our members for ratification before we can file the same to SEC. Voting will be done paperless (electronically). The acrobat version of the detailed proposed amendments are posted in our website. Members are encouraged to visit our website and are enjoined to participate in the voting. Last date to enter your vote is end of July.

Two new scholars were added in our list: Nick A. Tillo from Kauswagan, Cagayan de Oro City, and Mary Joy Gaspar from Calamba City. To-date, PKSFI has sponsored a total of twenty-two (22) scholars. The distribution by region follows:

Region (By School)	Graduates	Students	Drop-out	Total
NCR/Metro Manila	6	2		8
Northern Luzon (Region 1&2)	1	1		2
Central Luzon (Region 3)	2			2
Southern Tagalog /Calabarzon (Region 4)		1		1
Bicol (Region 5)	1	2	1	4
Visaya (Region 6-8)	2			2
Mindanao (Region 9-12)	2	1		3
Total	14	7	1	22

Of the fourteen graduates, seven (7) have passed the CPA Board Examination.

In our July meeting, the following were elected as officers for FY2004-5:

Chairman	Dado Caritos
President	Ronnie Dayos
Vice President	Benny Paulino
Treasurer	Dante Dino
Comptroller	Ike Manuel
Secretary	Louie Suzara
Auditor	Bulls Almeria

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PKSFI Updates

Report from the Board Chairman (*continued...*)

All but the Chairman will compose the Executive Committee which shall be responsible to the Board of Trustees for operational management of the Foundation.

One last thing, the Board in its July meeting has also approved the conversion of investment in treasury bills from regular T-bills to 3-year retail treasury bills, to maximize revenue. Interest or coupon payments will be paid quarterly compared to the regular Treasury Bonds which are paid semi-annually.

Reported by Mr. Dado Caritos, PKSFI Chairman

PKSFI Journal

Minutes of Board Meetings

08 JULY 2004

First Regular Board Meeting

Agenda Points:

1. Investment of funds in Philippine Treasury Bills totaling PHP 2.21 M to be managed as follows:
 - 1a. Preterminate the T-Bill fund of PHP 1.23 M by 16 July 2004 to invest in Philippine Retail Treasury Bonds (RTBs) at rate premium of about 2%. Cost of pre-termination is at PHP 80,125;
 - 1b. Invest the matured T-Bill funds of PHP 900,000 in Philippine RTBs to get the optimal return of 10.75% less 20% tax;
 - 1c. Comparison of returns shows net increment of about PHP 6,652 over a one-year term on the preterminated fund, and an overall rate premium value of P34,000 on entire fund placement of PHP 2.21 M. The additional return for the year will expectedly cover the expenses for one scholarship grant

By majority vote, the proposal to preterminate the T-Bill fund of PHP 1.23 M to be invested in RTBs for 303 days (minimum) and investment of matured funds of PHP 900,000 also in RTBs, was carried. Details can be read from the minutes of the Board meeting.
2. Election of Officers for 2004-05. Details are on page 4 of this issue.
3. Presentation and initial deliberation on the proposed amendments to Articles of Incorporation and By-Laws of PKSFI. Details are on page 4 of this issue.

12 AUGUST 2004

Second Regular Board Meeting

Agenda Points:

1. Investment in Treasury Bills

Correction of error in minutes of July meeting: total amount invested in RTBs corrected from PHP 2,210,000 to P2,100,000
2. Ratification of Amendments to Articles and Bylaws

Electronic voting tally as of 12 Aug 2004: AGREE votes - 35 vs. DISAGREE votes - 1
3. Report on Financial Status

Copies of Statement of Financial Reports as of 31 May 2004 distributed to the Board for information purpose. Financials are reported on page 7 of this issue.

Statement of Financial Position as of 22 July 2004 also reported to the Board, with following highlights:

Cash on Hand	PHP	740.00
Cash in Bank - PNB S/A		48,888.43
Cash in Bank - UBP S/A		48,616.34
4. Raffle tickets to raise funds for Foundation's scholarship program to be printed and distributed
5. Others matters

Request from Ex-Council President Boy Millete for PKSFI to shoulder scholarship of RH Alfonso from 50% to 100% starting first semester SY 2004 - PKSFI Pres. Ronnie Dayos volunteered to shoulder the requested 50% share from his personal funds, thereby addressing the matter outside the PKSFI.

Another request to reimburse Mr. Millete's share of expenses for said scholar for 1st and 2nd years was not approved since it was contrary to PKSFI's established practice and would create an unwarranted precedent.

Financial Report (Summary): PKSFI

From official financial reports

PICPA KSA Scholarship Foundation Inc.
STATEMENT OF FINANCIAL POSITION
 As of 31 May 2004

ASSETS	LIABILITIES & FUND BALANCE
Current Assets	Liabilities
Cash on Hand (SAR 1,057) 15,685	Unearned Interest Income 81,561
Cash in Bank -	
PNB Savings Account 19,120	Fund Balance
Treasury Bills (note 2) 2,210,000	Restricted Funds 1,800,000
Advances to PICPA Nat'l 68,718	Unrestricted Funds 431,962
Office (note 3)	Fund Balance 2,231,962
	<hr/>
TOTAL ASSETS 2,313,523	TOTAL LIABILITY & FUND 2,313,523

Note 1: Amounts in Philippine Pesos.

Note 2: Fund placements in Philippine Treasury Bills.

Note 3: Difference between remittances+interest and scholarship fund disbursements

PICPA KSA Scholarship Foundation Inc.
STATEMENT OF SOURCES and USES OF FUNDS
 For the Period Ended 31 May 2004

Unrestricted Fund Balance, 01 June 2003	339,994
Sources of Funds:	
Scholarship Grants 11,124	
Fund-Raising Projects 7,257	
Donation and Other Fees 76,544	
Interest Income 106,914	
Currency Translation 0	
	<hr/>
	201,839
Uses of Funds:	
Tuition Fees and Allowances (note 2) 102,248	
Administrative and General Expenses -	
Professional Fees-Audit (SAR 200) 2,865	
Miscellaneous Expenses 4,218	
Bank Charges 540	
	<hr/>
	(109,871)
Net Cash In / (Out)	<hr/> 91,968
Unrestricted Fund Balance, 31 May 2004	<hr/> 431,962

Note 1: Amounts in Philippine Pesos.

Note 2: Tuition fees and allowances for five scholars currently being maintained.

Note 3: Details can be verified from official financial reports with PKSFI Board of Trustees.

Council Journal

Minutes of Council Meetings

14 MARCH 2004

Third Regular Council Meeting

Agenda Points:

Inventory of Chapter's Fixed Assets - updated list included the computer set (CPU / monitor / printer / peripherals), camera, and micro cassette recorder

Group Life Insurance - quotation for group life policy submitted by Philamlife; other quotations being awaited for evaluation

Accounts with Philcosa - outstanding balance of about SAR 1,900 reportedly settled by Ex-Pres. Boy Millete on behalf of the Chapter

Fund-Raising Project - raffle tickets distributed to Council members for prompt disposal. Tickets entitled holders to take part in raffle of prizes during 1st Quarter General Membership meeting

Inter-Professional Sports Tournament - PICPA coordinators for each sport event designated; teams and players formed to represent PICPA in the sports tournament

Chapter Website - website design being developed by PICPA's Sammy Tiongco; under process

1st Quarter General Membership meeting - set on 19 March 2004 to be held at Philcosa auditorium, Al Khobar

11 APRIL 2004

Fourth Regular Council Meeting

Agenda Points:

Inter-Professional Sports Tournament - team and player preparations / practices being conducted before start of sports tournament in mid-April

Correspondence from PICPA National Office - required reports from the Chapter included the following:

1. List of Members in Good Standing / Sustaining Life Members / Honorary Life Members / Reinstated Members
2. Schedule of Unremitted Collections
3. Remittance of Membership Dues for 2003 and January 2004
4. List of Council Members / Officers for 2004
5. Annual Plans for 2004
6. Chapter Activity Reports at December 2003 and January 2004
7. Financial Reports at 31 December 2003

09 MAY 2004

Fifth Regular Council Meeting

Agenda Points:

Associate Membership - proposal made for acceptance of associate members as special case; associates can participate in Chapter activities and meetings but as observers, have no voting power, and not eligible to run as Council members or officers. By the Council's unanimous vote, associates are allowed to join the Chapter subject to certain conditions

2nd Quarter General Membership meeting - originally set to be held on 11 June 2004; preparations were to commence

Inter-Professional Sports Tournament - playing schedules disseminated; PICPA coordinators to assist teams and players on their playing dates

Continued on next page.../

Minutes of Council Meetings (*continued...*)

13 JUNE 2004

Sixth Regular Council Meeting

Cancelled - quorum not attained

11 JULY 2004

Seventh Regular Council Meeting

Agenda Points:

Inter-Professional Sports Tournament - after conclusion of the games, expenses were cleared and remaining costs of SAR 3,000 divided among participating organizations. PICPA's share was shouldered by Pres. Rudy Buenavista. Results of the games will be reported in next issue

Associate Membership - associate members can be endorsed by a Chapter member, subject to certain requirements. Chapter members encouraged to refer associates to Chapter

General Membership Meeting - joint meeting for 2nd and 3rd quarters to be held on 10 September 2004. Due to intervening events in the Kingdom, 2nd quarter general meeting did not push through. Scheduled topic is on public speaking and personality development, to be tackled in a workshop by invited resource speaker

Fund-Raising Project - no definite plans discussed, but bingo social in ARAMCO was likely option

Reinstated Member - one member reinstated in person of Mr. Arnel Parafina

PKSFI Grant - educational grants extended to dependents of two PICPAs (Mr. Benny Paulino / German Prado) for academic excellence in school. Cash awards were given as token of recognition

13 JULY 2004

Second Special Council Meeting

Agenda Points:

General Membership Meeting - details finalized for joint 2nd-3rd quarter meeting. Election of Council members for 2005 on the agenda, plus presentation and ratification of proposed amendments to PKSFI articles and by-laws. Council members reminded to nominate candidates for their positions if they decide to seek for their replacements.

Chapter's COMELEC, headed by Mr. Mandy Verceles, will be called upon to accept nominations and oversee election proceedings during the general membership meeting

Invited Guest of Honor - letter of invitation to be sent to Hon. Delmer Cruz, Phil. Labor Attaché to KSA Eastern Province to attend and deliver an address at the coming General Membership meeting. Response from OWWA-POLO being awaited

Fund-Raising Project - bingo social in ARAMCO community compound scheduled for 24 September with theme of Annual PICPA KSA Family Fun Day. Raffle tickets distributed to Council members to sell to their fellow CPAs, families and friends. Tickets will entitle holders entrance to ARAMCO and playing cards for the bingo games.

Prospective sponsors have been listed down from whom to solicit prizes for the bingo games

For security reasons, ticket buyers shall provide details of their iqama numbers, vehicle license plate number, and sponsor name to ARAMCO Security to obtain clearance to enter ARAMCO compound for the bingo games

Financial Report (Summary): Chapter

From report by Jose Pitz Dino

PICPA KSA Eastern Province Chapter BALANCE SHEET As of 05 August 2004

ASSETS		LIABILITIES & FUND BALANCE	
Current Assets		Liabilities	
Cash	2,331	Dues Payable-PICPA National Office	1,373
A/R-CPA Review	1,085		
Other Receivables-Members	678		
Total Current Assets	4,094		
Fixed Assets		Fund Balance	
Office Furniture & Equipment		Restricted Fund (note 2)	4,918
Gross Value	28,303	Unrestricted Fund	(1,392)
Accumulated Depreciation	(27,498)		
Net Value	805		3,526
TOTAL ASSETS	4,899	TOTAL LIABILITY & FUND	4,899

Note 1: Amounts in Saudi Riyals.

Note 2: Fund restricted for Presidential Scholarship Grants.

PICPA KSA Eastern Province Chapter STATEMENT OF CASH RECEIPTS and DISBURSEMENTS For the Interim Period Ended 05 August 2004

Cash Balance, 01 January	0
Cash Receipts:	
Membership Fees	5,535
CPE / Seminars	925
Fund-Raising Projects	6,820
Sports Activities / Outings	3,010
Office Rental Fees	2,025
Membership Meetings	1,080
Others	200
	19,595
Cash Disbursements:	
Remittance to PICPA National Office	2,190
CPE / Seminars	925
Fund-Raising Projects	3,300
Sports Activities / Outings	6,666
Office Rent and Utilities	2,216
Membership Meetings	1,947
Others	20
	(17,264)
Net Cash In / (Out)	2,331
Cash Balance, 05 August	2,331

Note 1: Amounts in Saudi Riyals.

Accounting Forum

Job Costing: Alternative Accrual Accounting

(by Jose Rene de Pano)

Introduction

In the construction business, project costing for interim periods may not necessarily require determination of percentage of completion to take up prime costs (e.g. cost of materials, labor, overhead and equipment usage). It is more convenient for business to apply the percentage of completion method (PCM) of accounting to correspond to a normal full accounting cycle, usually one fiscal period. Otherwise, for certain projects (or job orders) the PCM could be applied for purpose of regular billing to clients on timely manner or otherwise during the closing period.

In cases where several projects or jobs are running simultaneously, it may make more sense for the contractor to take up the prime costs as well as the estimated liability to contractors and suppliers using some form of standard costing based on the normal expectation of cost incurrence during the interim period, with a view to properly match the income and expense for such period.

However, the non-reversal of accrued prime costs, and the estimated liabilities, would have the following effects: (a) accumulated credit balances and overstatement of liabilities, and (b) possible double take-up prime costs and therefore overstatement of costs and understatement of project earnings. The proper accounting procedure provides that any accrual for income and expenses should be immediately reversed at the start of the next interim period. The procedure does not really ensure specifically that the error of non-reversal is fully pre-empted.

An alternative procedure is a Job Costing method which uses accrual accounts without the need for reversal at the next interim period or upon receipt or payment of contractor or vendor billing. The Job Costing method uses provisional Job Order Cost accounts and estimated liabilities for the Job Order costs instead of the direct charging or credit to regular prime cost accounts.

Applications

Job Costing is the process of identifying cost lots to job orders and providing for their monthly accruals based on available information by which to determine the job order costs properly chargeable against income for each month.

The use of Applied Job Order Cost accounts serves two purposes: (a) to eliminate the need for reversal of entries upon the use of accrual accounts for the contract costs, and (b) to prevent distortion of prime costs when accruals are not subsequently reversed by error.

Furthermore, the Job Costing method is much simpler to apply than the usual accounting provision for Jobs-in-Progress and Finished Jobs accounts. The reason is that the use of Jobs-in-Progress and Finished Jobs accounts requires the involved task of constant and detailed monitoring of cost components in order to update balances for Jobs-in-Progress, and the subsequent closing of latter account into Finished Jobs upon project completion. The Finished Jobs account, in turn, will have to be closed to Cost of Contracts upon acceptance of works and payment of project billings by client, or otherwise in the closing period. In this way the normal accounting for projects will involve capitalization of works value, and then eventual costing for income reporting.

The Job Costing method, on the other hand, will not have to capitalize the cost components but will only require charging of applied Job Order (JO) costs to cost valuation accounts, reversal of JO costs against estimated liability accounts to the amount equal to the net account movement of regular liability accounts during the month, and then closing the remaining debit balances of cost valuation accounts to corresponding JO Cost Variances in the closing period.

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Job Costing (continued...)

The JO Cost Variances will account for excess of applied JO costs and will adjust actual prime costs to the amount of the provision for accruals. The net account movement of the regular liability accounts (e.g. A/P – Vendors or A/P - Contractors) will not require anymore the reversal of accrual accounts as well as of estimated liability accounts since the difference between estimated and actual liabilities shall have been taken up by the JO Cost Variances at month-end. Upon billing by vendors or contractors, therefore, the entry will be debit to actual cost accounts and credit to regular liability accounts.

Sample Illustration

A. G/L Accounts

Applied JO Costs / Cost Valuation Accounts

G/L 545	Applied JO Cost – Direct Materials
G/L 555	Applied JO Cost – Direct Labor
G/L 565	Applied JO Cost – Equipment Lease
G/L 575	Applied JO Cost – Subcontracts
G/L 579	Applied JO Cost – Overhead

JO Cost Variances / Provisional Cost of Contracts

G/L 581	JO Cost Variance – Direct Materials
G/L 582	JO Cost Variance – Direct Labor
G/L 583	JO Cost Variance – Equipment Lease
G/L 584	JO Cost Variance – Subcontracts
G/L 585	JO Cost Variance – Overhead

Estimated Liability Accounts

G/L 271	Est. Liability for JO Costs – Direct Materials
G/L 272	Est. Liability for JO Costs – Direct Labor
G/L 273	Est. Liability for JO Costs – Equipment Lease
G/L 274	Est. Liability for JO Costs – Subcontracts
G/L 275	Est. Liability for JO Costs – Overhead

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Job Costing (continued...)

B. Basis of Applied Job Order Costs

For Subcontracts	Contract prices for JO divided by number of months' project duration
For Direct Materials	BOQs divided into profit margin rate
For Equipment Lease	Lease amount divided by number of months' project duration
For Direct Labor	Based on actual payroll or labor man hours
For Overhead	Based on some reasonable rates of application

C. Analysis of Net Account Movement

The net account movement of an account during a given period, say one month, is the amount determined based on the beginning and ending balances, as well as the movements of items as indicated in the ledger entries of the account.

This is shown as follows:

Net Account Movement of G/L 210 (A/P – Vendor)

Ending balance of account	xxxx.xx
Add: Total payments on 210 (debit items)	xxxx.xx
Less: Beginning balance of account	(xxxx.xx)

Total amount of take-up of 210 (credit items)	xxxx.xx
	=====

D. Basis of Net Account Movement Analysis

It can be shown that the period sought to be the basis for analyzing an account's net movement is arbitrarily determined according to what particular purpose the analysis is made. If the purpose of the analysis is to find the monthly net account movement of the account, then the analysis should cover only the movement of items in the account ledger during the month.

However, regardless of what particular period should be the basis for the account analysis, the cumulative balances of debit and credit items in the account ledger should equal the total movements of these items during the intervals comprising the entire particular period.

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Job Costing (continued...)

For example, the cumulative balance of payments made on account 210 (debit items) in a quarter-period should equal the total amount of such payments for the three months comprising that quarter.

Consider the following calculation:

	Month 1	Month 2	Month 3	Total
G/L 210				
Balance – ending	120	100	110	110
Payments	90	90	80	260
Balance – beginning	100	120	100	100
	----	----	----	----
Take-up	110	70	90	270
	====	====	====	====

When analyzed monthly, the total amount of take-up of G/L 210 for the three months is 270, which is equal to the amount of take-up of the account in the same quarter-period.

E. Pro Forma Accounting

Application of JO Costs

Upon monthly provision (JV)

Dr. 545	xxx.xx
Cr. 271	xxx.xx

To provide for DM cost for the month

Upon receipt of vendor invoice (JV)

Dr. 540	xxx.xx
Cr. 210	xxx.xx

To take up vendor invoice

Upon payment of vendor invoice (CV)

Dr. 210	xxx.xx
Cr. Cash	xxx.xx

To take up payment on vendor invoice

continued on next page.../

Job Costing (continued...)

Upon reversal of applied JO cost against est. liability for the amount equal to net account movement of 210 at month-end (JV)

Dr. 271	xxx.xx	
Cr. 545		xxx.xx

To reverse applied DM cost vs. est. liability for the month

To close remaining balance of applied JO cost to JO cost variance at month-end (JV)

Dr. 581	xxx.xx	
Cr. 545		xxx.xx

To close applied DM cost against income for the month

F. Comparison of Applied JO Costs and Net Account Movements of G/L 210 / 212

CASE 1

Net account movement of G/L 210	5,000	
Ending debit balance of G/L 545	10,000	
To reverse 545 against 271 for the NAM of 210		
Dr. 271	5,000	
Cr. 545		5,000
To take up JO cost variance for DM		
Dr. 581	5,000	
Cr. 545		5,000

Note: 581 is equal to excess of 545 over NAM of 210 at month-end

CASE 2

Net account movement of G/L 210	10,000	
Ending debit balance of G/L 545	10,000	
To reverse 545 against 271 for the NAM of 210		
Dr. 271	10,000	
Cr. 545		10,000

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Job Costing (continued...)

To take up JO cost variance for DM

No entry

Note: 545 is fully taken up by NAM of 210 at month-end

CASE 3

Net account movement of G/L 210	20,000
Ending debit balance of G/L 545	10,000
To adjust the excess credit to 545	
Dr. 545	10,000
Cr. 215	10,000
To reverse 545 against 271 for the NAM of 210	
Dr. 271	20,000
Cr. 545	20,000

To take up JO cost variance for DM

No entry

Note: No JO cost variance

CASE 4

Net account movement of G/L 210	5,000
Ending credit balance of G/L 545	(5,000)
To adjust the excess credit to 545	
Dr. 545	10,000
Cr. 215	10,000
To reverse 545 against 271 for the NAM of 210	
Dr. 271	5,000
Cr. 545	5,000

To take up JO cost variance for DM

No entry

Note: No JO cost variance

continued on next page.../

Job Costing (continued...)

G. Financial Statement Presentation

INCOME STATEMENT

Gross Revenues		XXXX.XX
Cost of Contracts		
Direct Materials	XXXX.XX	
Direct Labor	XXXX.XX	
Subcontracts	XXXX.XX	
Equipment Lease	XXXX.XX	
Overhead	XXXX.XX	

	XXXX.XX	XXXX.XX

Add: Job Order Cost Variances		
Direct Materials	XXXX.XX	
Direct Labor	XXXX.XX	
Subcontracts	XXXX.XX	
Equipment Lease	XXXX.XX	
Overhead	XXXX.XX	

	XXXX.XX	XXXX.XX

Total Cost of Contracts		XXXX.XX

Gross Margin on Contracts		XXXX.XX
		=====

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Job Costing (continued...)

BALANCE SHEET

Current Liabilities		XXXX.XX
Estimated Liabilities for JO Costs		
Direct Materials	XXXX.XX	
Direct Labor	XXXX.XX	
Subcontracts	XXXX.XX	
Equipment Lease	XXXX.XX	
Overhead	XXXX.XX	

Total Estimated Liabilities	XXXX.XX	XXXX.XX

Long-Term Liabilities		XXXX.XX

Total Liabilities		XXXX.XX
		=====

Advantages of Job Costing Method

- Job Costing method sidesteps the complicated accounting for contract costs where works values are first capitalized into Jobs-in-Progress and Finished Jobs as provisional contract costs, and then later on closed against Cost of Contracts for income reporting. It merely provides for separate applied Job Order costs and estimated liabilities without the need for in-period accruals and reversals, but would be appropriately charged off based on net account movements of A/P – Vendors or Contractors, and the balance to be closed directly against Job Order cost variances;
- Job Costing method minimizes cases of possible overbooked or accumulated credit balances of actual A/P – vendors or contractors, which would tend to overstate the liabilities and create mismatching of payables against payments where several projects or jobs are being carried in a particular account;
- No need to reverse estimated liability accounts and to close them to actual liability accounts upon receipt of billing. Take-up of net account movement of the actual payable accounts, reversal of estimated payables against applied JO costs, and closing of net debit balances of applied JO costs to JO cost variances will ensure automatic provision for accrual of JO costs at month-end;

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Job Costing (*continued...*)

- Actual prime costs will not be unduly overstated by erroneous overbooking upon accrual of JO costs at month-end. The applied JO costs will serve as cost valuation accounts and facilitate in-period cost accruals and adjustment of costs at month-end by closing against JO cost variances. In fact, the actual job costs will only be taken up upon receipt of billings from vendors / contractors, and the applied costs will then be reversed against estimated liability accounts to the extent of the net account movement of actual liabilities at month-end;
- The JO cost variances are actually provisional income statement accounts which can be applied against the remaining balances of estimated liability accounts during the closing period. This way, the costs are not in fact overstated because at the closing period the real costs taken up will only be the actual job costs. Going by the accounting steps for Job Costing method, any remaining unapplied JO cost variances shall have to be closed against unapplied estimated liability accounts, which should only be by the same amount at closing period and will thus zero out for either account. Therefore job costing will still be exact and precise, and readily verifiable from the records, in accordance with the accounting principle of objective valuation;
- In-period monthly closing to JO cost variances will likewise provide automatic adjustment to actual job costs. The JO cost variances will be reported as separate cost group which will refer to the excess of the applied JO costs over the actual job costs. The costs reported during the fiscal period will be the actual costs plus any provision for applied costs accrued at month-end;
- Job Costing method can be adapted in any form of project variance cost accounting, and where standard job costs exist, the method lends itself to a comprehensive cost budgeting, monitoring and variance analysis for a project.

(Editor's Note: This section is prepared as a forum for PICPA members to share their insights, opinions and comments on the accounting issues relating to events around the world. The issues may touch on business events, technical matters on accounting, audit, finance or information technology, or on the latest news having a great bearing on the accounting profession.)

Chapter members and readers are requested to participate actively in the Accounting Forum, and they have a chance to discover new knowledge, insights, or even skills in their field of work. The Accounting Forum aims to make accounting a living profession.)

Sports

Summer 2004 Inter-Professional Sports Festival Held

The Summer 2004 Inter-Professional Sports Festival in Eastern Province was held from 16 April to 14 May 2004 in different venues, participated in by the EP chapters of four major professional societies in the Kingdom. These societies are the PICPA, PSME, PICE and IIEE.

The sports competitions held during the tournament included basketball, billiards, bowling, chess, darts, lawn tennis and table tennis. PICPA fielded players in all sports.

When the tournament was completed, the PSME emerged as the overall champion with leading total of 37.0 earned scores from the rankings in each of the sports. IIEE was second with 32.0 points, PICPA placed third with 31.0 points, and PICE was at the tail end with 26.0 points.

Based on individual rankings in the sports, PSME won 3 of 7 sports events (basketball, lawn tennis, table tennis), PICPA got 2 championships (billiards, bowling), IIEE had one (darts) and PICE one also (chess). PICPA players took runner-up honors in chess and lawn tennis, and were relegated to the last position in basketball, darts and table tennis.

The results of the summer sports tournament are as follows:

Y2004 INTER PROFESSIONAL SPORTS FESTIVAL 16 April - 14 May 2004

Overall Scores

Events	Champion		1ST Runner-up		2ND Runner-up		3RD Runner-up	
	Team	Points	Team	Points	Team	Points	Team	Points
Basketball	PSME	9.0	IIEE	7.0	PICE	5.0	PICPA	3.0
Billiards	PICPA	7.0	PSME	5.0	IIEE	3.0	PICE	2.0
Bowling	PICPA	7.0	IIEE	5.0	PSME	3.0	PICE	2.0
Chess	PICE	7.0	PICPA	5.0	PSME	3.0	IIEE	2.0
Darts	IIEE	7.0	PICE	5.0	PSME	3.0	PICPA	2.0
Lawn Tennis	PSME	7.0	PICPA	5.0	IIEE	3.0	PICE	2.0
Table Tennis	PSME	7.0	IIEE	5.0	PICE	3.0	PICPA	2.0

Overall Standings

Events	Earned Points			
	PSME	IIEE	PICPA	PICE
Basketball	9.0	7.0	3.0	5.0
Billiards	5.0	3.0	7.0	2.0
Bowling	3.0	5.0	7.0	2.0
Chess	3.0	2.0	5.0	7.0
Darts	3.0	7.0	2.0	5.0
Lawn Tennis	7.0	3.0	5.0	2.0
Table Tennis	7.0	5.0	2.0	3.0
Total	37.0	32.0	31.0	26.0

Overall Champion	:	PSME
1st Runner Up	:	IIEE
2nd Runner-up	:	PICPA
3rd Runner-up	:	PICE

2004 Inter-Professional Sports Festival (continued)

Y2004 Inter Professional Sports Festival

April 16 - May 14, 2004

Individual Awards

Event	Award	Awardees	Team
Basketball	Most Valuable Player	Ewardo P. Canete	PSME
	Mythical Five		
	Best Point Guard	Bong Torcino	IIEE
	Best Off Guard	Michael H. Lastimosa	PSME
	Best Center	Edwardo P. Canete	PSME
	Best Power Forward	Batucan	IIEE
	Best Small Forward	Danilo B. Saladaga	PSME
	Best Coach	Murry F. Demdam	PSME
Billiard	Best Singles	Noel Escala	IIEE
	Best Doubles	Gani Antonio	PICPA
		Nap Apolto	PICPA
Bowling	High Game	Nap Apolto	PICPA
	High Series	Danny Sabang	PSME
Chess	Best Boards		
	Board 1	Ed Canete	PICPA
	Board 2	Ferdinand Vilyusa	PICE
	Board 3	Willy Amado	PICE
	Board 4	Benedicto Tumala	PSME
	Board 5	Mursad Panduga	PICE
	Board 6	Lito Mullon	PICPA
	Board 7	Dante Dino	PICPA
Darts	None		
Lawn Tennis	Best Singles	Wisdom Repollo	PSME
	Best Doubles	Alex Navarro	PICPA
		Danilo Rabago	PICPA
Table Tennis	Best Singles	Jojie Apolinario	PSME
	Best Doubles	Jimmy King	PSME
		Armando Montero	PSME

The Lighter Side (Part I)

Before Computers Existed

An application was for employment
A program was a TV show
A cursor used profanity
A keyboard was for a piano!
Memory was something that you lost with age
A CD was a bank account!
And if you had a broken disk
It would hurt when you found out!
Compress was something you did to garbage
Not something you did to a file
And if you unzipped anything in public
You'd be in jail for a while!
Log on was adding wood to a fire
Hard drive was a long trip on the road
A mouse pad was where a mouse lived
And a backup happened to your commode!
Cut - you did with a pocket knife
Paste you did with glue
A web was a spider's home
And a virus was the flu!
I guess I'd stick to my pad and paper
And the memory in my head
I hear nobody's been killed in a computer crash
But when it happens they wish they were dead!

Ever Wonder...

- If you take an Oriental person and spin him around several times, does he become "disoriented"?
- If infants enjoy their infancy, do adults enjoy their "adultery"?
- When cheese gets its picture taken, what does it say?
- Why is the person who invests all your money called a "broker"?
- If "I am" is the shortest English sentence, is "I do" then the longest sentence?
- Do Lipton Tea employees take coffee breaks?
- If Fedex and UPS were to merge, would they call it Fed UP?
- When someone asks you "a penny for your thoughts," and you put your two cents in, what happens to the other penny?
- If olive oil comes from olives, where does baby oil come from?
- If we are here in this life to help others, then what exactly are the others here for?

The Lighter Side (Part 2)

Top 10 Signs You Have Lived Too Long in Saudi Arabia

10. You think Pepsi begins with a "B."
9. You have more carpets in your flat than floor space.
8. You actually enjoy watching Channel 2.
7. You greet your wife in Arabic.
6. You understand that "no problem" means you have to follow up.
5. You think being liberated means getting to sit in the family section.
4. You think everyone's first name is "Ali."
3. You think desert storm is a war.
2. You think the most exciting part of a weekend is going to a supermarket.
1. You have never seen so many Indians in your life.

The Three Hunters

Three men are traveling in the Amazon: a Canadian, an American, and a Mexican. They get captured by a fierce tribe of Amazons.

The tribe leader tells them they will be whipped for entering their territory. The tribe chief says to the Canadian, "What do you want on your back for your whipping?"

The Canadian responds, "I will take oil."

So they put oil on his back, and a large Amazon whips him ten times.

When he is finished the Canadian has huge welts on his back and he can hardly move.

The Amazons haul the Canadian away, and say to the Mexican, "What do you want on your back?"

"I will take nothing, I will take my punishment like a real man!," says the Mexican, and he boldly stands there and takes his ten lashings without a single flinch.

Finally, it's the Yank's turn and the tribal chief asks: "What will you take on your back?"

And he responds - "I'll take the Mexican."

The Two Frogs

Two men were fishing in the lake all day and one rose to look at his watch. He said to his friend: "Hey buddy, let's go home. Time sure flies when you're having fun."

Two frogs were on the side of the lake having a good time eating up flies they caught with their tongues. One frog says to the other: "Hey buddy, let's just stay here. Time sure is fun when you're having flies!"

The Publisher's Page

Acknowledgment

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