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INFLUENCE OF PHILIPPINE GOVERNMENT ON ACCOUNTING

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The Republic of the Philippines, my home country, was a dependency of the United States from 1901 until July 4th, 1946. Before 1901, the Philippines were under the Spanish crown for nearly 400 years.

The long period of Spanish rule and the shorter, but more intensive tutelage of the Americans have left a deep impression on what is essentially an Oriental people. Nowhere else in Asia can you find a people or a culture so nearly Occidental in its outlook and practices.

This western influence is especially notable in the sciences and professions. Accounting, particularly, shows the American influence. College curricula are based on American standards. Most of our professors and instructors are graduates of American colleges and universities. The CPA examinations are based on A.I.A. examinations with the exception of a few problems peculiar to internal needs.

Accounting records in the Philippines, as in the United States, are greatly affected by the requirements of government. For example, before any set of books can be used, the Bureau of Internal Revenue must approve them. They record the number of pages in a book, how many times such a book has been issued, and affix to each book the bureau stamp of approval. This procedure, of course, precludes the use of loose leaf ledgers and journals.

This effect is only minor. One of the most pervasive influences of the government is in the field of exchange and import control. Because the Philippines is not an industrial nation, it depends in great measure on imports from foreign countries. This is true not only for manufactured items, but for semi-finished goods and raw materials.

Foreign exchange is essential for transactions of this nature and the government has taken measures to conserve this exchange. Many of the requirements of the import control and exchange laws call for special and very detailed reports from the accountant.

For example, a firm that desires to import an item for conversion or further processing, must first make formal application to the Import Control Commission. Applications are made quarterly and must be submitted well in advance of the quarter for which the goods are desired. The application must be accompanied by a very detailed report on like materials previously used and on the expected production for the period covered by the request. Since these reports are checked in detail, not only against other similar reports, but by inspectors sent to the plant to review the company records, absolute accuracy is a necessity.

The usual procedure, under the policy of import restriction in effect when I was in practice in the Philippines, was for the Import Control Commission to pare authorizations to the bone. Unless the report of the accountant is most carefully prepared, the client may find his operations severely hampered.

The accountant's job is not finished when the Commission approves the placing of orders and gives authority to import. An import license is not, per se, a permit to expend foreign exchange. A new set of procedures, requiring new reports, must now be initiated with the Foreign Exchange Commission. Once again, these reports are subject to close scrutiny and to verification by field inspectors.

Other government requirements are quite similar to those in effect here. Our income tax is progressive and is computed in much the same manner as I have found in the United States, although the rates are not as great nor as steeply progressive.

In the past, the Philippine accountant has been spared the great amount of detail involved in dealing with payroll deductions. There have been no withholdings, either for income tax or social security. However, it appears that similar procedures will be evolved in this field also to conform with new government regulations.