



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

Circular No. 572
Series of 2007

Subject: Guidelines in Accounting for Government Grants with Nil or Low Interest Rates

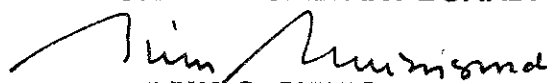
The Monetary Board in its Resolution No. 659 dated 7 June 2007 approved the following guidelines in accounting for government grants with nil or low interest rates for purposes of preparing both the audited financial statements and the prudential reports:

"Government grants extended in the form of loans bearing nil or low interest rates shall be measured upon initial recognition at its fair value (i.e. the present value of the future cash flows of the financial instrument discounted using the market interest rate). The difference between the fair value and the net proceeds of the loan shall be recorded under "*Unearned Income-Others*", which shall be amortized over the term of the loan using the effective interest method.

The provisions of this Circular shall be applied retroactively to all outstanding government grants received. Financial institutions that adopted an accounting treatment other than the foregoing shall consider the adjustment as a change in accounting policy, which shall be accounted for in accordance with PAS 8.

This Circular shall take effect fifteen (15) calendar days after its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


DIWA C. GUINIGUNDO
Officer-In-Charge

21 June 2007

PANANALAPING MATATAG, BANSANG PANATAG