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**REVISED IMPLEMENTING GUIDELINES ON THE OPERATION
AND MANAGEMENT OF SCHOOL CANTEENS IN PUBLIC
ELEMENTARY AND SECONDARY SCHOOLS**

To: Undersecretaries
Assistant Secretaries
Bureau Directors
Regional Directors
Directors of Services/Centers and Heads of Units
Schools Division/City Superintendents
Heads, Public Elementary and Secondary Schools

1.0 PURPOSE

These guidelines are hereby issued in order to rationalize the operation and management of school canteens in the public school system and to ensure that:

- 1.1 The school canteen shall help eliminate malnutrition among pupils/students.
- 1.2 The school canteen shall serve as a venue for the development of desirable eating habits of pupils/students.
- 1.3 The school canteen shall serve as a laboratory for Home Economics, retail trade and in the incidental teaching of health and nutrition. It shall provide hands-on training for students on planning, purchasing, handling and storage, preparation, serving and sale of safe and nutritious meals.
- 1.4 The school canteen guidelines shall serve as a mechanism to support the Department's response to the mandate of Article 2 of Republic Act No. 6938 to create an atmosphere that is conducive to the growth and development of cooperatives.

- 1.5 Service should be the main consideration for operating a school canteen. Profit shall only be secondary since the clientele are pupils/students who are dependent only on their meager allowance from their parents.
- 1.6 Reporting and accounting of the proceeds from the operation of a school canteen shall be made by the parties concerned to emphasize transparency and accountability.

2.0 COVERAGE

These guidelines shall apply to school canteens, as hereinafter defined, operating in public elementary and secondary schools of the Department of Education.

3.0 DEFINITION OF TERMS

As herein used, the following terms shall be understood to mean:

- 3.1 **School Canteen** – refers to one of the ancillary services in the school system that sells food items to the pupils/students and serves as a support mechanism in the effort to eliminate malnutrition concerns of the school. It can be used as a laboratory canteen on food planning, preparation, serving, storage and selling. A school canteen can either be school-managed or teachers’ cooperative-managed.
- 3.2 **School-Managed Canteen** – refers to a school canteen that is operated and managed by the school under the general supervision of the school head/principal.
- 3.3 **Teachers’ Cooperative Managed Canteen** – refers to a school canteen that is operated and managed by a duly registered teachers’ cooperative.
- 3.4 **Laboratory Canteen** – refers to the canteen operated and managed by secondary students as part of their H.E. classes. It can make use of the facilities of the school-managed canteen or the teachers’ cooperative-managed canteen in the absence of a separate room that they can use.
- 3.5 **Canteen Teacher** – refers to an H.E. teacher who has been designated to operate, manage and supervise the school-managed canteen. He/She also supervises the students doing practicum activities in the canteen.
- 3.6 **Administrative Expenses** – refers to general expenses of business operation such as salaries, supplies, water and electric bills, insurance, etc.

- 3.7 **Cost of Goods Sold** – is equal to the inventory at the beginning of the year, adding the cost of goods manufactured or purchased during the year, minus the inventory at the end of the year.
- 3.8 **Selling Expense** – refers to expenses of promoting, selling and distributing products which may include such items as advertising, commissions, delivery expenses, travel expenses and entertainment.
- 3.9 **Gross Margin** – refers to the difference between gross sales and cost of goods sold including cost of freight and production directly related to the preparation of food items.

4.0 POLICY STATEMENTS

- 4.1 School canteens shall be of two types: (1) School-Managed Canteen; (2) Teachers' Cooperative-Managed Canteen. Both shall adhere to professional management and sound business practices as well as to safety and security measures.
- 4.2 **Management of School Canteens in Elementary Schools**
- 4.2.1 Elementary Schools in the rural areas with 500 pupils or less and those in urban areas with 1,000 pupils or less shall have only one canteen to be operated and managed by the school under the general supervision of the school head/principal.
- 4.2.2 Where the enrolment size in rural elementary schools is more than five hundred (500) pupils and in urban elementary schools, more than one thousand (1,000) pupils, the existing duly registered teachers' cooperative that complies with the Criteria for Qualification herein set forth, shall manage and operate the school canteen. When there is no duly registered teachers' cooperative that is interested or qualified to operate and manage the canteen, the school shall operate and manage the same.
- 4.3 **Management of School Canteens In Secondary Schools**
- 4.3.1 Regardless of enrolment size, there shall be a laboratory canteen, as herein defined, in all secondary schools. When the student population is less than one thousand five hundred (1,500), the laboratory canteen shall also be the school managed canteen.
- 4.3.2 In addition to the laboratory canteen in secondary schools where the student population is more than one thousand five hundred (1,500), the existing duly registered and interested

teachers' cooperative in the school that complies with the Criteria for Qualification set forth shall be allowed to operate and manage another school canteen.

- 4.3.3 For special schools with an enrolment size of more than five hundred (500) students, the existing duly registered and interested teachers' cooperative in the school that complies with the Criteria for Qualification set forth shall be allowed to operate and manage another school canteen in addition to the laboratory canteen.
- 4.4 Only nutrient-rich foods such as root crops, noodles, rice and corn products in native preparation, fruits and vegetables in season, and fortified food products labeled rich in protein, energy, vitamins and minerals shall be sold in the school canteen. Beverages shall include milk, shakes and juices prepared from fruits and vegetables in season.
- 4.5 The sale of carbonated drinks, sugar-based synthetic or artificially flavored juices, junk foods and any food product that may be detrimental to the child's health and that do not bear the Sangkap Pinoy seal and/or did not pass BFAD approval is prohibited.
- 4.6 Iodized salt shall be used, in controlled quantity, in the preparation of cooked foods to ensure that the iodine requirement of the clientele shall be met and to eliminate iodine deficiency disorders. The use of monosodium glutamate (vetsin) shall be regulated.
- 4.7 A reasonable mark-up price for all merchandise in the canteen shall be allowed, provided that the selling retail price does not exceed the prevailing prices in the locality.
- 4.8 Sub-leasing the whole or part of the school canteen premises or sub-contracting the operation of the school canteen to concessionaires is prohibited.
- 4.9 Vendors shall not be allowed to bring in food items inside the school canteen/premises. Teachers and school personnel are likewise prohibited from selling food items within the school premises, except through the school canteen and unless authorized and covered by a written agreement with the school head/principal and/or the teachers' cooperative.

5.0 PROCEDURAL GUIDELINES

- 5.1 All school canteens are required to secure the following permits/clearances:

- (a) Sanitation Clearance/Permit from the local Health Department
- (b) Health Permit of canteen personnel/staff from the city/municipal health office
- (c) Authority from the school head/principal to Operate and Manage the School Canteen (for teachers' cooperatives only)

Clearances/Permit shall be permanently displayed in a conspicuous place in the school canteen. They shall remain valid for the duration of the school year.

5.2 All canteen personnel/staff are required to wear clean and proper attire (white shirt/polo/blouse, colored pants/skirt, hairnet, apron, appropriate footwear) at all times. They shall also wear their identification cards with photo when inside the premises of the canteen.

5.3 Reportorial Requirements

5.3.1. All entities operating and managing a school canteen, including the laboratory canteen, shall regularly prepare the following reportorial requirements to be submitted to the DepEd and/or CDA, whichever is applicable:

Category of Reports	Types of Reports	Date of Submission
Category A-1		
➤ To be submitted to the Department of Education, specifically to the school head in case of teachers' coop-managed, and division office in case of school-managed canteens	(1) Statement of Financial Condition (2) Statement of Operations (3) Statement of Cash Flows (4) Notes to Interim Financial Statement and Other Disclosures (5) Summary of Cost of Sales	Quarterly submission with deadline dates of May 15, August 15, November 15 and February 15
Category A-2		
➤ To be prepared and maintained at all times and posted on the school's bulletin board and/or in any conspicuous place within the school premises	(1) Bank Reconciliation (2) Schedule of Cost of Sales (3) Schedule of Operating Expenses (4) Schedule of Utilization of School Share Program Received from the Cooperative (5) Schedule of Utilization of Gross Income Generated	Monthly with deadline date of every 10 th of the following month

Category of Reports	Types of Reports	Date of Submission
	from the Canteen Laboratory (6) Statement of Receipts and Disbursements (7) Statement of Reports on Cooperatives' School Program Support (8) Schedule of Capitalization on the Operation of School Canteen	
Category B		
➤ To be submitted on an annual basis to or as required by the Cooperative Development Authority (CDA) (for teachers' cooperatives only), copy furnished the school head/principal	(1) Audited Financial Statements including notes and disclosures (2) Financial Performance Standards (3) Annual Report to CDA (4) List of Directors and Officers (5) Report on Crimes and Losses	➤ May 15 ➤ May 15 ➤ 60 days after end of fiscal year ➤ 30 days after the GA meeting; and 15 days following assumption of office ➤ To be submitted as crime/incident occurs, on the 5 th business day after knowledge of crime or incident

Note: Standards of Financial Reporting System shall be adopted by the cooperative as prescribed by the CDA; and by the organization as prescribed by the profession on accountancy

5.3.2 The school-managed canteen shall prepare its financial statements using the pro-forma copies of the monthly statement of operations and financial statements which are hereto attached as Annexes "B" and "C", respectively. Teachers' cooperatives managing school canteens shall follow the Standard Chart of Accounts for Consumers' Cooperatives and Those with Canteen And/Or Catering Services prescribed by the Cooperative Development Authority, which is hereto attached as Annex "D".

5.3.3 The school head/principal shall also post on the school's bulletin board a statement of receipts and disbursements, indicating the share it received from the teachers' cooperative managed canteen.

5.4 Accounting of Funds

5.4.1 A book of accounts and statement of sales and disbursements shall be maintained for recording daily transactions related to the operations of the canteen. Receipts and other similar documents shall be kept to support sales, purchases and disbursements made. The books of accounts should be kept up-to-date and made available for examination and inspection at any appropriate time by the school level auditing committee or the COA representative based in the division office.

5.4.2 For purposes of transparency and accountability, the school head/principal shall organize a school level auditing committee to be headed by a Mathematics department head/teacher, and Home Economics department head/teacher and the president of the faculty club as members. The committee shall look into the books of accounts at least once a month. The audited statement shall be posted on the school's bulletin board.

5.4.3 Canteen funds shall be audited by the school level auditing committee on a quarterly basis and by the Division COA Resident Auditor or his/her authorized representative twice a year. Audit findings shall be submitted to the Schools Division Superintendent through the school head/principal. Audited financial statements shall be posted on bulletin boards for the information of everybody.

5.5 Incentives received in cash or in kind from private suppliers of food items and beverages shall form part of the gross income of the school canteen and shall be part of the financial statement.

5.6 Adherence to Food Safety

5.6.1 Food safety standards shall be strictly enforced and adhered to at all times by complying with the following:

- (a) Availability of potable drinking water and hand washing facilities;
- (b) Well-maintained, clean, well-ventilated and pest-free environment;
- (c) Availability of food covers and containers for safekeeping;
- (d) Hygienic practices on food preparation, cooking display, serving and storage.

5.7 All canteen personnel, including practicum students, shall undergo training on proper and safe handling of food before they are allowed to work in the canteen.

- 5.8 No portion of the net income derived from canteen operations shall be set aside and in any manner, in favor of the Regional, Division or District Offices.

6.0 SPECIFIC GUIDELINES FOR SCHOOL-MANAGED CANTEENS

- 6.1 The school head/principal shall issue a written designation to a Home Economics teacher who shall be the Canteen Teacher. He/She is tasked to supervise canteen operations for a period not exceeding three (3) hours per day which is equivalent to four (4) EPP teaching periods. The rest of the required number of hours in a day's load shall be spent in actual teaching. In no case shall he/she be totally stripped/deprived of academic teaching load.

The Canteen Teacher shall be assisted by all Home Economics Teachers on rotation basis, the schedule of which shall be prepared by the school head/principal or his/her authorized representative.

- 6.2 In addition to the Canteen Teacher and other HE teachers, the school head/principal shall contract the services of additional qualified full-time canteen personnel, subject to availability of funds.
- 6.3 Indigent pupils/students who wish to work in the canteen shall be duly and reasonably compensated. Their employment shall only be done upon written consent of their parents. They shall only be allowed to work in the canteen outside their regular class schedule.
- 6.4 The Canteen Teacher shall be responsible in the preparation and submission of reports, and the books of accounts and statement of sales and disbursements required and enumerated in Procedural Guidelines 5.3.1 and 5.4.1, respectively.
- 6.5 The net income derived from the operation of the canteen shall be utilized for, but not limited to the following:

Supplementary feeding program for undernourished pupils/students	35%
School clinic fund	5%
Faculty and student development fund	15%
H.E. instructional fund	10%
School operations fund	25%
Revolving capital	10%
TOTAL	100%

- 6.6 Earnings and cash received from canteen operations shall be deposited daily in the nearest government depository bank. In the absence of such government depository bank, deposits shall be made at any nearest

reputable commercial bank. In no case shall the deposits be made in the personal account of any school official. A school-managed canteen shall have a bank account "in trust for" the name of the school, whereby the school head/principal and the Canteen Teacher shall be the joint signatories.

- 6.7 Based on the expected income of the school canteen, the school head/principal shall prepare an Annual Budget to be submitted to and approved by the Schools Division Superintendent or his/her representative at the start of every school year.
- 6.8 Disbursement of canteen funds shall be in accordance with the approved budget and existing accounting and auditing rules and regulations.
- 6.9 Teachers and canteen personnel shall be required to secure clearance from money and property accountabilities in relation to their involvement in the operation and management of the school canteen before they are allowed to retire and/or resign from government service, or transfer to other posts for purposes of re-assignment or promotion to a higher position.

7.0 SPECIFIC GUIDELINES FOR TEACHERS' COOPERATIVE-MANAGED CANTEENS

- 7.1 A teachers' cooperative shall be authorized to operate and manage a school canteen if it satisfies the following requirements:
 - (a) It is duly registered with the Cooperative Development Authority (CDA) with membership composing of incumbent teaching and non-teaching staff of the school at the time of its registration with the aforesaid agency.
 - (b) One of its primary purposes as reflected in its Articles of Cooperation and Constitution and By-Laws is the operation and management of a school canteen.
 - (c) It has been in existence for at least two (2) years at the time that it signified interest to manage the school canteen.
 - (d) It has the necessary equipment/utensils, facilities, furniture and other supplies such as forms and stationery that will be used in canteen operations.
 - (e) It will ensure the complete and continuous training for canteen personnel/staff on handling of food and food safety.

- (f) It is able to secure and present a certification from the CDA, or the federation where it is affiliated to, of its ability to hire qualified full-time manager and staff who are not holding civil service positions.
- (g) Its membership is composed of more than fifty percent (50%) of the teachers and non-teaching personnel of the school: Provided, that members who have retired, resigned or have been dismissed or otherwise removed from the service, shall not be included in the determination of compliance with the required membership.

Withdrawal of membership from the cooperative shall be made in accordance with the Cooperative Code of the Philippines, rules and regulations, guidelines and issuances of the cooperative.

The withdrawal of membership by members of the cooperative shall be made individually and in writing. Mass withdrawal of membership shall be presumed to have been made under duress or undue pressure.

The number of members who have withdrawn membership from the cooperative in violation of or not in accordance with existing laws, regulations and issuances of the CDA and those whose withdrawal of membership was made under duress or undue pressure shall not be considered in the determination of compliance

7.2 Documents required to be submitted

At least thirty (30) days prior to the start of canteen operations, the cooperative shall submit the following documents to the division office, through the school head/principal, for evaluation:

- (a) Copy of its registration with the CDA;
- (b) Copy of its Amended Articles of Cooperation and Constitution and By-Laws stating among others, its purpose in engaging in canteen and/or catering services;
- (c) Certificate of good standing issued by the CDA;
- (d) Resolution by the General Membership/Assembly signifying willingness, intention and readiness to operate and manage the school canteen, including the canteen development plan;
- (e) Copy of the approved memorandum of agreement between the cooperative and the school head/principal;
- (f) List of full-time management officers and their respective designations and salaries;
- (g) Bio-data sheets, statement of assets and liabilities, income tax returns, and statement of income and expenses of directors/officers;
- (h) Chart of organization (includes names of officers, functions and responsibilities, and the designations of positions);

- (i) Copy of the bonds of accountable officers/employees; and
- (j) Certification by the chairman of the board authorizing the canteen manager to coordinate with the H.E. canteen teacher on the schedule of practicum activities in the teachers' cooperative-managed canteen.

7.3 Within thirty (30) days upon receipt of the required documents, the schools head/principal shall issue to the applicant teachers' cooperative the "Authority to Operate and Manage the School Canteen" if the documents submitted are complete. The teachers' cooperative shall display at its business office a sign with the following words: AUTHORIZED BY DepED TO MANAGE AND OPERATE THE SCHOOL CANTEEN. If the documents are found inadequate, the same shall be returned within seventy two (72) hours.

7.4 Memorandum of Agreement

7.4.1 As a rule, a memorandum of agreement shall be entered into by and between the school head/principal and the chairperson of the teachers' cooperative as a required document to be submitted to the Schools Division Superintendent. The MOA shall have a term of three (3) years and may be renewed every three (3) years thereafter.

7.4.2 Upon the termination of the MOA and when the teachers' cooperative ceases to operate the school canteen, the cooperative shall retain ownership of all properties it acquired for the operation thereof, except those properties or improvements which cannot be removed from the premises of the canteen without causing substantial damage thereto. Any arrangements pertaining to other facilities/equipment in the school canteen shall be subject to the individual MOA between the cooperative and the school head/principal.

7.5 Approval of Memorandum of Agreement (MOA)

7.5.1 The school head/principal and chairperson of the teachers' cooperative shall have thirty (30) days upon receipt thereof within which to sign and approve the Memorandum of Agreement.

7.5.2 In view of this, upon receipt of the proposed MOA by the school head/principal, he/she shall within ten (10) days make a written reply to the chairperson of the teachers' cooperative indicating therein his/her comment, objection, counter-proposal on the terms and conditions stipulated in the MOA. Thereafter, within the aforesaid period of thirty (30) days, the school head/principal

and the chairperson of the teachers' cooperative shall meet and mutually agree on the terms and conditions of the MOA.

7.5.3 Failure on the part of the school head/principal to notify the teachers' cooperative concerned of his/her comments, objections, and counter-proposal within the aforesaid period of ten (10) days, shall be construed to mean that he/she has fully agreed with the terms and conditions stipulated therein. Hence, there will be no reason for the school head/principal not to approve and sign the MOA.

7.5.4 After the lapse of the thirty (30) day period and no MOA has been executed by the parties concerned due to refusal of the school head/principal to sign it without valid reason, the party aggrieved by such refusal may bring the matter by way of an appeal to the Division/City Superintendent concerned, who in turn shall act on it within a period of fifteen (15) days from receipt thereof. The decision or resolution of the Division/City Superintendent shall be appealable to the Regional Director within fifteen (15) days from receipt thereof.

7.6 Renewal of Existing Memorandum of Agreement (MOA)

7.6.1 The school head/principal and chairperson of the teachers' cooperative shall have thirty (30) days upon receipt of the proposal to renew the existing MOA, execute a new Memorandum of Agreement covering the operation and management of the school canteen by the teachers' cooperative for another term.

7.6.2 In order not to interrupt the operation of the school canteen managed by the teachers' cooperative, a written notice to renew and to continue the operation and management of the school canteen shall be submitted to the school head/principal at least thirty (30) days before the expiration of the original and/or existing MOA together with the draft new MOA. Upon receipt thereof, the school head/principal, within ten (10) days, shall make a written reply to the chairperson of the teachers' cooperative indicating therein his/her comment, objections and/or counter-proposal on the terms and conditions stipulated in the draft new MOA. Thereafter, within the aforesaid period of thirty (30) days, the school head/principal and the chairperson of the teachers' cooperative shall meet and mutually agree on the terms and conditions of the new MOA and amendments, if there are any.

7.6.3 Failure on the part of the school head/principal to notify the teachers' cooperative concerned of his/her comment, objection

and/or counter-proposal within the aforesaid period of ten (10) days, shall be construed to mean that he/she has fully agreed with the terms and conditions stipulated therein.

- 7.6.4 After the lapse of the thirty (30) day period and no renewal of the MOA has been made by the parties concerned due to refusal of the school head/principal to sign it without valid reason, the party aggrieved by such refusal may bring the matter by way of an appeal to the Division/City Superintendent concerned, who in turn shall act on it within a period of fifteen (15) days from receipt thereof. The decision or resolution of the Division/City Superintendent shall be appealable to the Regional Director within fifteen (15) days from receipt thereof.
- 7.7 A copy of the pro-forma Memorandum of Agreement is hereto attached as Annex "A" for reference.
- 7.8 Use of Canteen Facilities
- 7.8.1 The teachers' cooperative may be allowed to use the existing canteen facilities rent-free for its operations. However, the cost of repair, maintenance and expansion of the said facilities shall be borne by the teachers' cooperative. Separate water and light meters shall be installed in the canteen and bills covering water and electricity consumed in the aforesaid school canteen shall be borne by them. The teachers' cooperative shall be given a grace period of three months from the start of its canteen operations to effect the installation of separate water and light meters.
- 7.8.2 The teachers' cooperative may allocate a small space within its school canteen premises, which shall not be more than one-eighth (1/8) of the floor area and must be enclosed, where consumer goods/items may be sold to its members or where the cooperative may undertake other business ventures. Such consumers' store and other business ventures of the teachers' cooperative within the canteen or school premises are not covered under these guidelines; instead, these shall be covered by a separate agreement between the school head/principal and the chairperson of the teachers' cooperative.
- 7.8.3 The school shall be free from damages and any liability that may arise from the teachers' cooperative's operation of the school canteen and use of its facilities.
- 7.9 The teachers' cooperative shall not allow any of its officers and members to use his/her/their official time in attending to and supervising the activities, operations and management of the school canteen.

7.10 Sharing of Proceeds

The sharing of the gross margin derived from the teachers' cooperative-managed canteen shall be as follows:

- (a) Eighty percent (80%) for the teachers' cooperative and twenty percent (20%) for the school. However, the school head/principal and teachers' cooperative may agree on other percentage of sharing depending on the peculiar situation of the school: Provided that the share of the school shall not be less than twenty percent (20%). Remittance of the school share shall be due every fifth day of the month.
- (b) The school head/principal or his/her duly authorized representative shall receive the school share from the teachers' cooperative and issue the corresponding acknowledgment receipt duly signed by the school head/principal or his/her duly authorized representative. Any authorized disbursement made chargeable against such share shall be recorded, accounted for and supported by receipts.
- (c) The share of the school shall be utilized as follows:

Supplementary feeding program for undernourished pupils/students	35%
School clinic fund	5%
Faculty and student development fund	15%
H.E. instructional fund	10%
School operations fund	35%
TOTAL	100%

7.11 All resolutions, decisions and actions taken by the Board of Directors of the teachers' cooperative relative to finances, privileges and benefits accruing to the membership of the Board shall be reported to the General Assembly during its annual meeting for confirmation.

7.12 Designation of Coordinator

7.12.1 The teachers' cooperative shall assign its canteen manager to coordinate with the H.E. Department on the schedule of practicum activities in the teachers' cooperative-managed canteen. Food items produced by the H.E. classes during their practicum may be sold in the canteen and any proceeds generated from it shall form part of the revolving fund created for this purpose.

8.0 SPECIFIC GUIDELINES FOR LABORATORY CANTEENS

- 8.1 Every secondary school, regardless of its enrollment size, shall have a laboratory canteen where students shall be trained on food planning, preparation, retail trade, selling and safety as part of their H.E. classes. It shall be supervised by the designated H.E. canteen teacher.
- 8.2 The designated H.E. canteen teacher shall prepare the schedule of service of the practicum students. Such schedule shall be approved by the H.E. Department Head or the school head/principal.
- 8.3 The designated H.E. canteen teacher shall ensure the full participation of the pupils/students in the planning, purchasing, handling, storage, preparation, serving and sale of safe and nutritious foods/meals.
- 8.4 The schedule of the practicum students shall be posted on a bulletin board within the school canteen premises. No pupil/student shall serve in the canteen beyond his/her practicum schedule.
- 8.5 Income derived from the laboratory canteen shall be utilized as follows:

Supplementary feeding program for undernourished pupils/students	40%
Student development fund (laboratory subsidy, skills training, contests)	30%
H.E. development fund	30%
TOTAL	100%

9.0 GROUNDS FOR TERMINATION OF OPERATION OF THE SCHOOL CANTEEN

- 9.1 Any deviation from the guidelines particularly the operational practices that prove detrimental and prejudicial to the welfare of the pupils/students, teachers and the school in general that may be committed by the school or the teachers' cooperative shall be a ground for termination of the operation of the school canteen. Any violation of the terms stipulated in the MOA shall be sufficient ground for the termination of the MOA and the suspension of the privilege of the teachers' cooperative to manage and operate the school canteen.
- 9.2 For purposes of these guidelines, the following acts are considered detrimental and prejudicial to the students and pupils
- (a) Failure and/or neglect to submit financial report – The failure to submit the monthly financial report within thirty (30) days after the end of each regular monthly operation or failure to submit the

audited annual financial report within sixty (60) days after the end of each fiscal year.

- (b) Sub-leasing the whole or part of the school canteen premises – All entities operating school canteens shall not sub-lease to any third party the whole or part of the school canteen premises. Neither shall private concessionaires be allowed to be involved in the operations of the school canteen.
- (c) Selling of cigarettes and/or intoxicating beverages to students and/or condoning the use thereof within the school canteen premises.
- (d) Failure to secure the necessary permits including annual health and sanitation permits as above-mentioned and to have them posted in the mentioned places.
- (e) Failure to report and account for donations and incentives received from private suppliers of food items and beverages.
- (f) Use or disbursement of canteen funds contrary to the provisions of these rules and guidelines which includes devoting and re-aligning said funds to any other endeavor not included in these guidelines.
- (g) Compelling the pupils/students to buy or consume all food items from the canteen and prohibiting them to bring their own “baon” or food to school; in the same manner, compelling the teachers to dispose of all the food items in the canteen tray under the supervised recess (for elementary schools).
- (h) Compelling a pupil/student to perform canteen related tasks that are detrimental to his/her welfare
- (i) Failure to deposit the proceeds of the canteen in the account that is “in trust for” the school. Similarly, depositing the proceeds of the canteen in the name of a person not mentioned in these guidelines or into private or personal accounts, including those in the name of the school head/principal or teacher-in-charge.
- (j) Failure to present upon request of the proper authorities, such as the school head/principal, the school level auditing committee, and the Commission on Audit, the financial documents pertaining to the operations of the school canteen.
- (k) The use of the canteen premises for any other endeavor not included or sanctioned by these guidelines including, but not limited to, the use of the canteen as warehouse or stockroom of prohibited items and/or food and beverage expressly prohibited in these guidelines

including all other merchandise which are not for the use of the school canteen and which do not belong to the school.

- (l) All other violations of the terms and conditions of the Memorandum of Agreement or any of the provision of these guidelines which are analogous to the foregoing.

10.0 MONITORING AND ENFORCEMENT

10.1 Monitoring teams in the regional and division offices shall be created to ensure adherence to standards on quality, handling, and serving of food, and canteen equipment/facilities in the school canteens and that food safety standards and hygienic practices are strictly observed and implemented. It shall also monitor adherence to the guidelines on the operation of school canteens which shall be integrated in its monitoring of health and nutrition program and projects at the division level. The monitoring team shall be composed of the following:

- Regional Office
 - Medical Officer V / Dentist III
 - ES II (Science and Health / Nutrition / HE / THE)
 - Nutritionist-Dietitian
- Division Office
 - Medical Officer IV / Dentist II
 - ES I (Science and Health / Nutrition / HE / THE)
 - Nurse-In-Charge
 - Nutrition Coordinators

10.2 Grievance Mechanism

- (a) Complaints from parents or concerned individuals of the community pertaining to canteen management and operations, i.e. pricing, quality of foods, etc., shall be filed and settled with the division grievance committee in the case of school-managed canteens; and with the school grievance committee in the case of complaints against a teachers' cooperative-managed canteen. The provisions of the grievance procedure under the DepED Rules of Procedures shall govern the conduct of the proceedings without prejudice to the application of other pertinent rules that may be applied suppletorily.
- (b) Any grievance arising from any form of dissatisfaction relative to the operations of the canteen which does not constitute an administrative disciplinary action shall be submitted to the

appropriate grievance committee and which shall be decided by the latter within five (5) days from the termination of the grievance proceedings. A copy of such decision and report of the findings of the grievance committee shall be furnished the parties and the school head/principal.

- (c) In the case of dispute involving a teachers' cooperative-managed canteen, any party dissatisfied with the findings of the decision of the School Grievance Committee may elevate the same to the Division Grievance Committee, whose decision shall be appealable to the Regional Grievance Committee within fifteen (15) days from notice thereof.

10.3 Sanctions

- (a) Any violation of the foregoing guidelines in the case of the teachers' cooperative-managed canteen shall warrant the termination of the operations of the canteen after due notice to the parties concerned which shall proceed after a summary hearing on the matter and after due process.
- (b) For other violations not mentioned in the preceding section, which are considered simple violations, a warning shall be issued by the school head/principal for the first infraction and a repeat of such violations shall warrant an investigation and shall thereafter, in the interest of the students and the pupils and the welfare of the school, be a ground to terminate the Memorandum of Agreement entered into between the parties pertaining to the operations of the school canteen.
- (c) In the case of school-managed canteens, any violation of these guidelines shall warrant appropriate administrative sanctions against the school head/principal and other canteen teachers who are directly or indirectly involved in the operations of the school canteen and who are classified as canteen designated teachers as defined under these guidelines.
- (d) In the same manner, such violations of the school head/principal including the canteen-designated teachers shall be dealt with administratively after due notice and hearing.
- (e) In all the foregoing, such persons accountable for violations of these guidelines shall, aside from the administrative sanctions, also be liable both criminally and civilly, when such violations warrant.

11.0 EXCLUSIVITY OF JURISDICTION

- 11.1 The School Grievance Committee or the Division Grievance Committee, as the case may be, shall have exclusive original jurisdiction over all complaints and/or grievances arising from or relative to the operations of the school canteens. Any complaint and/or grievance brought directly to the office of the Schools Division/City Superintendent, the office of the Regional Director, or the Office of the Secretary shall be dismissed and referred to the appropriate School or Division Grievance Committee.

12.0 VENUE OF ACTION

- 12.1 In cases of actions arising from conflicts relative to the operations of the school canteen brought before and cognizable by judicial bodies in case of civil actions, the contracting parties to the Memorandum of Agreement shall be encouraged to agree to the venue of the action to be placed in the appropriate courts of the city or municipality where the school sits.

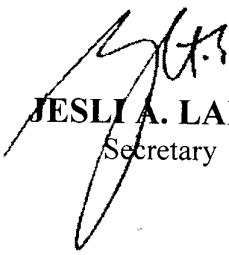
13.0 REPEALING CLAUSE

- 13.1 All existing guidelines, memoranda, orders and other issuances of similar nature which are inconsistent with this Order are hereby deemed repealed and superseded.

14.0 TRANSITORY PROVISIONS

- 14.1 The Department maintains the policy that there is no valid contract of lease of a school canteen to a private concessionaire as declared in DepED Order No. 95, s. 1998 which took effect on November 10, 1998. Pursuant to said policy, all contracts of lease of school canteens to private concessionaires executed or renewed after November 10, 1998 are hereby deemed terminated for being contrary to law and public policy. Violations of this policy shall be dealt with administratively.
- 14.2 Except those entered into in violation of DepED Orders, circulars and other issuances, pre-existing Memorandum of Agreement on the operation of school canteens with teachers' cooperatives that may be disqualified under the current guidelines shall remain effective subject to the compliance by the cooperative with the Criteria for Qualification herein set forth within six (6) months from the effectivity of this Order. Otherwise, the same shall be deemed terminated.

- 14.3 A teachers' cooperative with a valid pre-existing Memorandum of Agreement shall not be removed or otherwise displaced from the space where it is currently operating the school canteen.
- 14.4 Pre-existing MOAs which provide for a term exceeding three (3) years are hereby amended accordingly subject to renewal by the contracting parties to another term of not more than three (3) years.
- 15.0 These guidelines shall take effect immediately. Wide dissemination of this Department Order to all concerned is desired.


JESLI A. LAPUS
 Secretary

Encls.:
As stated

Reference:
DepED Orders: Nos. 95, s. 1998 and 72, s. 1999

Allotment: 1—(D.O. 50-97)

To be indicated in the Perpetual Index
under the following subjects:

- CHANGE
- COOPERATIVES
- POLICY
- RULES AND REGULATIONS
- SCHOOLS

Inclosure No. 1 to DepED Order No. 8, s. 2007

ANNEX "A"

PROFORMA MOA FOR THE MANAGEMENT AND OPERATION OF SCHOOL CANTEENS BY TEACHERS' COOPERATIVES

MEMORANDUM OF AGREEMENT

KNOW BY ALL MEN BY THESE PRESENTS:

This Memorandum of Agreement is entered into by and between:

(Name of Teachers' Cooperative)

a teachers' cooperative duly organized and registered under Philippine laws with CDA Registration No. _____ and with office address at

(Office Address of the Teachers' Cooperative)

and represented in this act by its duly authorized President/Chairperson,

hereinafter referred to as the "COOPERATIVE;"

and

the DEPARTMENT OF EDUCATION, a government entity under Philippine laws, with office address at Meralco Avenue, Pasig City, and represented in this act by its duly authorized representative,

(Name of School Principal)

Principal of

(Name of School and Address)

and

(Name of City/Division Schools Superintendent)

Superintendent of the Division of

and hereinafter referred to as "DepED."

WITNESSETH: That –

WHEREAS, R.A. No. 6938, otherwise known as the Cooperative Code of the Philippines provides under Article 2 thereof that it is the declared policy of the state to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice;

WHEREAS, in response to this mandate, the DepED strongly supports the organization of cooperatives among teachers and non-teaching personnel of DepED to train them to be entrepreneurs and to enable them to improve their financial standing;

WHEREAS, in line with this, DECS Order No. 55, s. 1996 as amended by DECS Order No. 95, s. 1998 and DECS Order No. 72, s. 1999, mandated the turn over of school canteens to teachers' cooperatives;

WHEREAS, DepED Order No. 8, s. 2007 provides for the revised implementing guidelines for the management and operation of school canteens in public elementary and secondary schools, including those that are managed and operated by the COOPERATIVE;

WHEREAS, the COOPERATIVE meets the criteria provided for under said DepED Order No. 8, s. 2007 for the management and operation of the canteen of

(Name of School)

NOW THEREFORE, premises considered, the parties hereby agree on the following terms and conditions of this Memorandum of Agreement:

1. Responsibilities of DepED

The DepED shall allow the COOPERATIVE to manage and operate a canteen in an available suitable area within the school premises rent free upon signing of this MOA.

The DepED shall not allow the operation of another canteen and other forms of food vending activities by any party, except for the school-managed canteen, or laboratory canteen in the case of secondary schools, within the school premises nor allow access thereto to street vendors and other unsupervised and unregulated food sources.

The DepED shall designate a Home Economics teacher who shall ensure the continued use of the school canteen as a laboratory for the students/pupils. He/She shall prepare the schedule of the pupils/students who will undergo practicum activities in the school canteen, and he/she shall ensure that such schedule is strictly followed. He/She shall also ensure the full participation of the students/pupils in the planning, purchasing, handling

and storage, preparation, serving and sale of safe and nutritious meals as part of their laboratory classes.

The DepED, through the Regional Directors and Schools Division Superintendents, shall create monitoring teams in the regional and division offices which shall conduct periodic inspection on the quality, handling and serving of food, canteen equipment/facilities, and sanitation. The monitoring team shall ensure that food safety standards and hygienic practices are strictly observed and implemented.

The DepED, through the school principal or his/her duly authorized representative, shall receive its share amounting to ____% of the gross margin derived by the COOPERATIVE from canteen operations and shall issue the corresponding acknowledgment receipt accordingly. Such share of the school must be utilized in accordance with the pertinent provisions of DepED Order No. 8, s. 2007. The statement of receipts and disbursements shall be conspicuously posted on the school's bulletin board for public access.

The school principal, in behalf of DepED, shall provide proper support for the viable operations of the school canteen by implementing rules and regulations that would promote order, discipline, and cleanliness in the school premises, particularly in the vicinity of the canteen.

The DepED shall observe due process in the event of pre-terminating this MOA and returning the operations of the school canteen to the school administrator.

2. Responsibilities of the COOPERATIVE

The COOPERATIVE shall hire a full time manager and canteen staff to manage and operate the school canteen and shall see to it that none of its officers and members shall use their official time in attending to the activities of the school canteen.

The COOPERATIVE shall be responsible for the quality and handling of food served, canteen sanitation, the proper use of facilities, and in making available its canteen facilities for laboratory purposes of the students/pupils as required by the designated home economics teacher.

The COOPERATIVE shall designate a teacher-board member who shall coordinate with the school's designated home economics teacher on the schedule of practicum activities in the cooperative-managed canteen.

The COOPERATIVE shall see to it that the hired canteen personnel/staff involved in the preparation and serving of food and beverages shall undergo training and continuous education on the proper handling of food. They shall secure certificate(s) of good health from the local/provincial/city/municipal health office and shall observe personal hygiene. They shall also be required to wear clean and proper attire when inside the school canteen premises. The certificates of good health with the ID photo of the hired helpers shall be conspicuously posted within the canteen premises and must be renewed every year.

The COOPERATIVE shall provide cheap, sanitary and nutritious food such as fresh milk, fresh fruits, fruit drinks, boiled root crops, high calorie indigenous recipes and the like and shall use iodized salt in food preparation. The daily cooked food menu indicating the nutritional requirements must be posted on a bulletin board within the canteen premises.

The COOPERATIVE shall not sub-lease the whole or part of the school canteen premises or to sub-contract the operation of said school canteen to third parties.

The COOPERATIVE shall be responsible for repairs of the school canteen premises and facilities due to normal wear and tear.

The COOPERATIVE shall install separate water and electric meters for the school canteen and shall be responsible for the payment of bills for the use of said utilities.

Upon termination of this MOA and when the COOPERATIVE ceases to operate the school canteen, the COOPERATIVE shall retain ownership of all properties acquired by it for the operation thereof, except those properties or improvements which cannot be removed from the premises of the canteen without causing substantial damage thereto.

The COOPERATIVE shall prepare monthly statement of operations and schedules prescribed in DepED Order No. 8, s. 2007 which shall be posted on the school's bulletin board for public access. At the end of the school year, it shall also post on the school's bulletin board its audited annual financial statement.

The COOPERATIVE shall hold the DepED free and harmless from any and all liabilities and damages that may arise from its operation and management of the school canteen.

3. Term of the MOA

The term of this MOA is for a period of three (3) years starting on the date of this MOA. This MOA may be renewed under the same terms and conditions for another _____ years, upon notice in writing given by the COOPERATIVE thirty (30) days prior to its expiration. Failure of the COOPERATIVE to give said notice shall be construed as lack of interest on the part of the COOPERATIVE to continue managing and operating the school canteen.

4. Sharing of the Gross Margin Derived from the Operation of the School Canteen

The sharing of gross margin derived from the operation of the school canteen shall be on a _____ basis, _____ percent (____ %) for the COOPERATIVE and _____ percent (____ %) as the share of the school which shall be computed and remitted *daily/weekly/monthly* by the COOPERATIVE to the school. The share of the school shall be utilized in accordance with the pertinent provision of DepED Order No. 8, s. 2007.

The COOPERATIVE shall maintain proper books of accounts on the operation of the school canteen which shall be open for inspection and audit by the duly authorized representative of the school principal in the determination of the gross margin and the corresponding _____ percent (____ %) share of the school. The same books of accounts shall be made available for inspection at any time by the monitoring team of the division office and regional office.

5. Amendments

This MOA, or any part thereof, may be amended on the basis of a review of the terms and conditions after a period of _____ (____) year/month. Any amendments/additions/modifications or supplement to this MOA must be made in writing and signed by all parties concerned.

6. Pre-Termination of the MOA

This MOA may be pre-terminated by DepED if the COOPERATIVE is found guilty of operational practices that are detrimental or prejudicial to the welfare of the pupils/students, teachers and the school in general, or if it violates the operational management guidelines provided under DepED Order No. 8, s. 2007.

The school principal shall submit in writing the specific reasons for pre-terminating this MOA, with supporting documents, to the Division Superintendent, which shall in turn conduct its proper investigation and make the necessary action and decision which shall be appealable to the Regional Director within fifteen (15) days after receipt thereof.

IN WITNESS WHEREOF, the parties have affixed their signatures this ____ day of _____ at _____.

(COOPERATIVE)

by:

(President/Chairperson)

DEPARTMENT OF EDUCATION

by:

(School Principal)

and

(Schools Division Superintendent)

Signed in the Presence of:

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
) s.s.

BEFORE ME, a Notary Public for and in _____, this day of _____, 20____, personally appeared the following affiants:

	Name	Community Tax Receipt	Date/Place Issued
1			
2			
3			

known to me and to me known to be the persons who executed the foregoing Memorandum of Agreement consisting of _____ (____) pages including this page where the acknowledgment is written which are signed by the parties and their witnesses in every page. They acknowledged before me that this is their own voluntary act and deed.

WITNESS MY HAND AND SEAL.

NOTARY PUBLIC

Doc. No. _____ ;
Page No. _____ ;
Book No. _____ ;
Series of 20_____.

PRO-FORMA ANNUAL STATEMENT OF OPERATIONS
 (For School-Managed Canteen Operations)

(Name of School)
 (Address of School)

STATEMENT OF OPERATIONS
 For the Period Ending December 31, _____

	Current Year	Previous Year
REVENUES		
<u>Net Sales</u>		
Sales (Gross)	xxx	xxx
Sales Returns and Allowances	(xxx)	(xxx)
Sales Discounts	(xxx)	(xxx)
	xxx	xxx
<u>Cost of Sales</u>		
Purchases	xxx	xxx
Purchase Returns and Allowances	(xxx)	(xxx)
Purchase Discounts	(xxx)	(xxx)
Freight In	xxx	xxx
Inventory	xxx	xxx
GROSS PROFIT	xxx	xxx
Add: Other Operating Income	xxx	xxx
GROSS INCOME FROM OPERATIONS	xxx	xxx
EXPENSES		
SELLING COSTS		
Salaries and Wages	xxx	xxx
Employees' Benefits	xxx	xxx
SSS/ECC/Philhealth/Pag-Ibig Contributions	xxx	xxx
Officers' Honorarium and Allowances	xxx	xxx
Office Supplies	xxx	xxx
Store Supplies	xxx	xxx
Storage/Warehousing Expense	xxx	xxx
Power, Light and Water	xxx	xxx
Travel and Transportation	xxx	xxx
Insurance	xxx	xxx
Royalties	xxx	xxx
Repairs and Maintenance	xxx	xxx
Rental	xxx	xxx
Taxes and Licenses	xxx	xxx
Communication Expense	xxx	xxx
Representation Expense	xxx	xxx

PRO-FORMA ANNUAL STATEMENT OF OPERATIONS
(For School-Managed Canteen Operations)

(Name of School)
 (Address of School)

STATEMENT OF OPERATIONS
 For the Period Ending December 31, _____

	Current Year	Previous Year
Advertising and Promotion	xxx	xxx
Spoilage and Breakage	xxx	xxx
Provision for Probable Losses and Accounts Receivables	xxx	xxx
Commission Expense		
Delivery Expenses	xxx	xxx
Gas, Oil and Lubricants	xxx	xxx
Depreciation and Amortization	xxx	xxx
Total Selling Costs	xxx	xxx
ADMINISTRATIVE COSTS		
Salaries and Wages	xxx	xxx
Employees' Benefits	xxx	xxx
SSS/ECC/Philhealth/Pag-Ibig Contributions	xxx	xxx
Officers' Honorarium and Allowances	xxx	xxx
Office Supplies	xxx	xxx
Store Supplies	xxx	xxx
Storage/Warehousing Expense	xxx	xxx
Power, Light and Water	xxx	xxx
Travel and Transportation	xxx	xxx
Depreciation and Amortization	xxx	xxx
Insurance	xxx	xxx
Repairs and Maintenance	xxx	xxx
Rental	xxx	xxx
Taxes and Licenses	xxx	xxx
Professional Fees	xxx	xxx
Communication Expense	xxx	xxx
Representation Expense	xxx	xxx
Periodicals, Magazines and Subscription	xxx	xxx
Gas, Oil and Lubricants	xxx	xxx
Miscellaneous Expense	xxx	xxx
Provision for Probable Losses and Accounts Receivables	xxx	xxx
Total Administrative Costs	xxx	xxx
TOTAL EXPENSES	(xxx)	(xxx)
NET INCOME DERIVED FROM OPERATIONS	xxx	xxx

PRO-FORMA ANNUAL STATEMENT OF OPERATIONS
(For School-Managed Canteen Operations)

(Name of School)
 (Address of School)

STATEMENT OF OPERATIONS
 For the Period Ending December 31, _____

	Current Year	Previous Year
UTILIZATION OF NET INCOME		
Supplementary Feeding Program for Undernourished Pupils/Students (35%)	xxx	xxx
School Clinic Fund (5%)	xxx	xxx
Faculty and Student Development Fund (15%)	xxx	xxx
H.E. Instructional Fund (10%)	xxx	xxx
Schools Operations Fund (25%)	xxx	xxx
Revolving Capital (10%)	xxx	xxx
TOTAL UTILIZATION OF NET INCOME (100%)	xxx	xxx

Prepared by:

Certified Correct:

PRO-FORMA ANNUAL STATEMENT OF FINANCIAL CONDITION
 (For School-Managed Canteen Operations)

(Name of School)
 (Address of School)

STATEMENT OF FINANCIAL CONDITION
 December 31, _____

	Current Year	Previous Year
ASSETS		
Cash and cash equivalents	xxx	xxx
Accounts receivables	xxx	xxx
Inventory	xxx	xxx
Investments	xxx	xxx
Property, plant and equipment at cost	xxx	xxx
Less: Accumulated depreciation	(xxx)	(xxx)
TOTAL ASSETS	xxx	xxx
LIABILITIES		
Trade Payable	xxx	xxx
Interest Payable	xxx	xxx
Income Taxes Payable	xxx	xxx
Other Payables	xxx	xxx
TOTAL LIABILITIES	xxx	xxx
EQUITY		
School Revolving Capital	xxx	xxx
Add: Net Income Derived from Operation of Canteen	xxx	xxx
TOTAL EQUITY	xxx	xxx
TOTAL LIABILITIES AND EQUITY	xxx	xxx

Prepared by:

Certified Correct:

PRO-FORMA STATEMENT OF RECEIPTS, DISBURSEMENTS AND UTILIZATION OF INCOME
(To be prepared by the Laboratory Canteen Laboratory)

(Name of School)
 (Address of School)

STATEMENT OF RECEIPTS, DISBURSEMENTS AND UTILIZATION OF INCOME
(CANTEEN LABORATORY)

For the Period _____

	Current Month	Previous Month
Net Sales		
Sales (Gross)	xxx	xxx
Sales Returns and Allowances	(xxx)	(xxx)
Sales Discounts	(xxx)	(xxx)
	xxx	xxx
Cost of Sales		
Purchases	xxx	xxx
Purchase Returns and Allowances	(xxx)	(xxx)
Purchase Discounts	(xxx)	(xxx)
Freight In	xxx	xxx
Inventory	xxx	xxx
GROSS PROFIT	xxx	xxx
EXPENSES		
Selling Costs	xxx	xxx
Administrative Costs	xxx	xxx
	(xxx)	(xxx)
NET INCOME FROM OPERATIONS	xxx	xxx
UTILIZATION OF NET INCOME		
Supplementary Feeding Program (40%)	xxx	xxx
Student Development Fund (laboratory, subsidy, skills training, contests) (30%)	xxx	xxx
H.E. Development Fund (30%)	xxx	xxx
TOTAL UTILIZATION OF NET INCOME (100%)	xxx	xxx

Prepared by:

Certified Correct:

Republic of the Philippines
OFFICE OF THE PRESIDENT
COOPERATIVE DEVELOPMENT AUTHORITY

MEMORANDUM CIRCULAR NO. 2005-10

Series of 2005

TO : ALL CDA DEPARTMENT AND REGIONAL DIRECTORS,
REGISTERED / CONFIRMED CONSUMERS COOPERATIVES
AND THOSE WITH CANTEEN AND/OR CATERING SERVICES

SUBJECT : STANDARD CHART OF ACCOUNTS FOR CONSUMERS
COOPERATIVES AND THOSE WITH CANTEEN AND/OR
CATERING SERVICES

Pursuant to Section 3 of Republic Act No. 6939, an Act creating the Cooperative Development Authority defining its Powers, Functions and Responsibilities, the Authority hereby issues this Memorandum Circular prescribing the use of Standard Chart of Accounts for Consumers Cooperatives and those with Canteen and/or Catering Operations.

I. Scope

This Circular shall be applied in accounting and reporting of all consumers cooperatives and those with canteen and/or catering operations, duly registered/confirmed by the Cooperative Development Authority pursuant to Republic Act No. 6938, otherwise known as the Cooperative Code of the Philippines.

II. Definition of Terms**1. Consumer Cooperative**

A consumer cooperative is primarily engaged in the procurement and distribution of commodities to members and non-members. Commodities may include consumable and non-consumable items. Consumer operations also include canteen and catering services.

2. Consumers Cooperative in Schools with Canteen/Catering Services

Refers to ancillary services in the school that sells cooked food items to the pupils/students and serves as a support mechanism to the effort to eliminate malnutrition among the learners.

3. Accounting

Accounting is the art of recording, classifying, summarizing, in a significant manner and in terms of money, transactions and events which are in part at least of a financial character and interpreting the results thereof.

Accounting is a service activity. Its function is to provide quantitative information, primarily financial in nature, about economic entities intended to be useful in making economic decisions.

4. Bookkeeping

It is the systematic and chronological recording of all financial transactions that take place in the cooperative. The importance of bookkeeping are as follows: to have a record of whatever changes there are in the financial condition of the consumer cooperative; to protect funds; to serve as the guide in the formulation of policies and activities for the coming year; to serve as source of information necessary for the Board to properly set the policies of the cooperative; to serve as basis of reports to members; for management to enable them to run the affairs of the cooperative and for the submission of the financial statements as mandated by the government.

5. Books of Accounts

Set of books where financial transactions are recorded, classified and summarized. These are classified into books of original entry and final entry. The books of original entry are the books where entries from source documents are first recorded. These are cash receipts book, cash disbursements book, general journal and special journals such as sales book and purchase book. The books of final entry called general ledger and subsidiary ledger are the books where entries in the books of original entry are posted to the corresponding accounts. It is also called a "reference book" of the accounting system where transactions are classified and summarized. This is the source of data for the trial balance and eventually the financial statements.

6. Financial Statements

Financial statements are the means by which the information accumulated and processed in financial accounting is periodically communicated to those who use it. They are designed to serve the needs of a variety of users, particularly owners and creditors. Through the financial accounting process, the myriad and complex effects of the economic activities of a cooperative are accumulated, analyzed, quantified, classified, recorded, summarized and reported as information of three basic types: (a) financial condition, which related to a point in time; (b) financial operations; and (c) cash flow, which both relate to a period in time. Notes to Financial Statements, which may explain headings, captions or amounts or present information that cannot be expressed in terms of money and those descriptions of accounting policies are integral parts of the statements.

- A. Statement of Financial Condition (Balance Sheet) presents three major categories: (a) assets; (b) liabilities; and (c) equity, the difference between the total assets and total liabilities. The statement of financial condition at any date presents the financial status of the cooperative at a particular point in time in conformity with generally accepted accounting principles.
- B. Statement of Operation (Statement of Net Surplus) presents the revenues, expenses, gains, losses and net surplus / (net loss) recognized during the period. It presents the results of the cooperative's service-directed activities during the period in conformity with generally accepted accounting principles. The information presented in the statement of operation is usually considered the most important information provided by financial accounting because the net surplus is a paramount concern of those interested in the economic activities of the cooperative.
- C. Cash Flows Statement is a formal statement summarizing all operating, investing and financing activities of a cooperative. In simple language, the statement of cash flows provide information about cash receipts and cash payments of a cooperative during a period.

III. Objective and Purposes

The basic purpose of prescribing the standard chart of accounts is to provide guidelines in the use of account and account titles in the preparation of financial statements for the use of consumers cooperatives and those with canteen and/or catering operations. Specifically the standard chart of accounts shall:

- a) ensure uniformity and common understanding of accounts;
- b) guide in the installation of accounting and internal control systems;
- c) facilitate the conduct of audit;
- d) enhance transparency, define responsibility, and identify accountability
- e) serve as guide in setting standards and discipline in measuring the financial safety and soundness; and
- f) facilitate the analysis and evaluation of financial management performance, monitoring, supervision and business linkages.

IV. Standard Chart of Accounts for Consumers' Cooperatives and those with Canteen and/or Catering Operations

ACCOUNT TITLE	DEFINITION
STATEMENT OF FINANCIAL CONDITION	
ASSETS	
CURRENT ASSETS	<i>Economic Resources of Cooperatives that are recognized and measured in conformity with generally accepted accounting principles. It includes assets that are convertible to cash or cash equivalents within 12 month period.</i>
Cash on Hand	Money (bills and coins), checks (except postdated checks), postal money order (PMO), and demand drafts still in the possession of the cooperative's custodian. These are cash items awaiting deposits.
Cash in Bank	Money deposited in the bank and federations under the name of the cooperative, i.e. savings, current, time deposits, and combo-account which are unrestricted and readily available when needed. A subsidiary ledger shall be maintained for each account.
Petty Cash Fund	Amount of money set aside for small expenditures, maintained under an imprest system. The total amount of expenditures properly supported by documents plus the remaining cash balance shall be equal to the amount of the fund. It is a cash fund, withdrawn from the general cash account and made available for small purchases of supplies, taxi fares or staff meals, etc.
Revolving Fund	The amount set aside to cover disbursements for recurring transactions. This may include emergency purchases, deposit withdrawals, etc. involving reasonable amount set by BOD. Transactions covered by this fund is subject to immediate liquidation in accordance with their policy.

Change Fund	Reasonable amount of money set aside by BOD to change bigger amount of bills to smaller denominations.
Short Term Investment	Investments in marketable securities, government bonds, and other mutual funds that are readily convertible into cash when the need arises.
Advances to Officers and Employees	Duly approved cash advances for official business to officers and employees subject to immediate liquidation and/or refund.
Accounts Receivable Trade – Current	The amount due from member and/or non-member patrons resulting from sale of merchandise/goods and/or catering/canteen services which are expected to be collected in the regular course of business or over a definite period of time. Aging of receivables should be prepared.
Accounts Receivable Trade – Past Due	Total collectibles due from members and/or non-member patrons which remain unpaid beyond the terms set by the BOD. The receivable shall remain in this account until fully paid or until arrangements are formalized for its renewal/extension/restructuring or collection/foreclosure.
Accounts Receivable Trade – Restructured	Collectibles from member and non-member patrons whose accounts were restructured upon full payment or settlement of interests due and/or penalties.
Accounts Receivable Trade – In Litigation	Total collectibles from past due accounts under legal action. The receivables shall remain in this account during the pendency of the legal proceedings and until fully settled.
Allowance for Probable Losses on Accounts Receivable Trade	Allowance set aside in the books of the cooperative to provide for possible losses due to uncollectible accounts. This account may also be referred to as Allowance for Doubtful Accounts. This is a contra account to Accounts Receivable Trade.
Installment Receivables – Current	Amount due from members and non-member patrons for sale of merchandise/goods on a deferred payment or installment plan. Aging of installment receivables should also be prepared.
Installment Receivables – Past Due	Total collectibles due from installment receivables which remain unpaid beyond the terms set by the cooperative.

Installment Receivables – Restructured	Collectibles due from installment receivables that were restructured upon full payment or settlement of interests due and/or penalties.
Installment Receivables – In Litigation	Total collectibles from past due installment receivables under legal action. The receivables shall remain in this account during the pendency of the legal proceedings and until fully settled.
Allowance for Probable Losses on Installment Receivables	Allowance set aside in the books of the cooperative to provide for possible losses due to uncollectible installment accounts. This account may also be referred to as Allowance for Doubtful Accounts. This is a contra account to Installment Receivables.
Receivable from Accountable Officers And Employees	Total collectibles from officers and employees arising from shortages and other losses due to neglect, fraud, misrepresentation and unliquidated cash advances. These are subject to immediate settlement/sanction.
Other Receivables	Transactions/adjustments not classified under any of the receivable accounts mentioned. These also represent: <ul style="list-style-type: none"> • the amounts currently owed to the cooperative by persons other than the members for services rendered • advances to members on account of their expense not previously covered by deposits such as insurance premiums on properties pledged to the cooperatives, taxes and other government imposts, inspection fees, wire charges and other expenses
Input Tax	Value-added tax due from or paid by a VAT registered/registrable cooperative on the importation or local purchases of merchandise/goods or service including lease or use of property
Deposit to Suppliers	The amount paid in advance to suppliers.
Inventories	Cost or other appropriate value of merchandise and other goods on hand/in process which are intended for sale. A subsidiary ledger shall be maintained for each group of inventory.

Repossessed Inventories	Cost or other appropriate value of merchandise sold but regained as a result of the default of the payments due from members/customers, including cost of reconditioning.
Assets Held for Sale	The amount of non-current assets and/or assets of a discontinued operation that the cooperative had held for sale and for which buyers have been identified.
Unused Office/Store/ Kitchen/Canteen/ Catering Supplies	Unused Office/Store/Kitchen/Canteen/Catering Supplies on hand at the end of the accounting period.
Prepaid Expenses	Payments made in advance in exchange for a future benefit usually within one year (e.g. insurance, interest, advertising, rentals, etc.)
LONG TERM INVESTMENT	<i>Investments which the cooperative intends to hold for more than a year</i>
Investment in Cooperatives	Equity investments of the cooperative in coop bank/federation/union only. There should be a disclosure if there is a decline in market value of all investments.
Government Securities/Bonds	Investments in securities and bonds issued by the government and its instrumentalities.
Long Term Investment – Others	All other investments not included in the above.
PROPERTY AND EQUIPMENT	<i>Include all tangible assets with an estimated useful life beyond one year are used in the conduct of the business, and not intended for sale in the ordinary course of business.</i>
Land	<p>The acquisition cost of the land used for its main operation plus all incidental costs such as title, taxes, surveying fees, legal fees, restoration cost, etc. All these are reflected in a single cost (fair market value or appraised value if donated). Taxes paid by the cooperatives as a contribution to the cost of public improvements (special assessment) are treated as part of the cost of the land.</p> <p>In case of erosion of land, the cost or value of property will be reduced and directly charged to Depletion Expense.</p>

Land Improvements	The cost of depreciable improvements after land acquisition (i.e. pavement, fencing, water system, drainage system, sidewalks and others that are subject to depreciation over their useful lives).
Accum. Depreciation and Impairment – Land Improvements	Total amount of depreciation/impairment cost on land improvement that are set up periodically and charged against the current operations.
Building	Acquisition/Construction cost of the building on the land owned/controlled by the cooperative and used for its main operation. Major repairs or improvements that will prolong the life of the building are considered additional cost.
Accum. Depreciation and Impairment – Building	Total amount of depreciation/impairment cost on building that are set up periodically and charged against the current operations.
Furniture, Fixtures & Office Equipment	The cost or appraised value or other appropriate value of movable (furniture), immovable (fixture), properties and office equipment used in the cooperative's ordinary course of business such as but not limited to desks, chairs, cabinets, computers including incidental expenses incurred in acquiring them, up to the time that they are received and ready for use.
Accum. Depreciation and Impairment – FF & OE	Total amount of depreciation/impairment cost on Furniture, Fixture and Office Equipment that are set up periodically and charged against the current operations.
Kitchen, Canteen and Catering Equipment/ Utensils	Cost of equipment, cutleries and other tools used in food preparation and serving including incidental expenses incurred in acquiring them up to the time they are received and ready for use.
Accum. Depreciation - Kitchen, Canteen and Catering Equipment/Utensils	Sum of depreciation on Kitchen, Canteen and Catering Equipment/Utensils that are set up periodically against current operations.
Transportation/ Delivery Equipment	Cost of motor vehicles owned by the cooperatives such as motorcycles, pick-ups, vans and other vehicles used in the operation/transporting goods and services.

Accum. Depreciation and Impairment – Delivery & Trans. Equipment	Total amount of depreciation/impairment cost on Delivery & Transportation Equipment that are set up periodically and charged against the current operations.
Linens and Uniforms	The cost of linens and the uniforms used by employees and staff including costs of tablecloth, curtains and similar items.
Accum. Depreciation - Linens and Uniforms	Sum of depreciation on linens and uniforms that are set up periodically against current operations.
Leasehold Rights & Improvements	The cost of depreciable improvements on leased land or premises (i.e. renovations of office building, repainting, pavement, fencing, etc.) including cost of rights which are subject to amortization.
INTANGIBLE ASSETS	<i>Non-physical assets from which benefits are obtained by the cooperative.</i>
Franchise	The right for the exclusive use or distribution of products or services acquired from a franchiser.
Copyright	The right for the exclusive use or distribution of products or services acquired from an author or artists.
OTHER ASSETS	<i>Assets which do not fit into any of the preceding classifications.</i>
Organizational Cost	Expenses incurred prior to the actual operations of the cooperatives such as promoting and organizing. This can be amortized for a period not exceeding five (5) years. Among others, these costs are: <ul style="list-style-type: none"> a. Legal fees in connection with the organization; b. Registration fees; c. Cost of printing share capital certificates and transfer of books, seal of the cooperative, etc; and d. Other cost of services rendered in the formation of the coop.
Computerization Cost	The cost of acquisition or development of computer programs and other software. This can be amortized over a period not exceeding three (3) years. (Subsidiary Ledger for development cost and for computer softwares shall be maintained.)

Other Funds and Deposits	<p>The fund set aside for funding of reserves (statutory and other reserves) established by the coop. This may be in the form of time deposit or other securities which are readily convertible to cash when needed.</p> <p>Holdout deposits on guarantee fund given by the cooperative to the funding institutions in compliance with the requirements of certain agreements. The cooperative has the option to create the sub-accounts.</p>
Due from HO/Branch/Subsidiary	The amount used to record receivables from Head Office/Branches/Subsidiary.
Assets Held for Disposal	The amount of non-current assets and/or assets arising from a discontinued operation that the cooperative had held for sale and for which no buyers have been identified.
Assets Acquired in Settlement of Accounts	Real and personal properties acquired by the cooperative through judicial or extrajudicial settlement of accounts.
Deposit on Returnable Containers	The amount paid as deposits on containers subject to refund upon return of the container.
Other Land	Cost of land owned by the cooperative which is not used for its main operations.
Other Building	Cost of building owned by the cooperative which is not used for its main operations.
Accumulated Depreciation – Other Building	Sum of depreciation on other building that are set up periodically against current operations.
Construction in Progress	The cost or appraised value of assets owned by the cooperatives such as building and others, that are still under construction.
Accumulated Depreciation and Impairment – Construction in Progress	Total amount of depreciation/impairment cost on Assets under Construction that are set up periodically and charged against the current operations.

Miscellaneous Assets	Assets not falling any of the above categories.
LIABILITIES	<i>Economic Obligations of a cooperative that are recognized and measured in conformity with generally accepted accounting principles.</i>
CURRENT LIABILITIES	<i>Obligations that are reasonably expected to be settled through the use of existing current assets or the creation of other current liabilities and the same statement of conditions within the normal operating cycle of the cooperative which is usually one year.</i>
Savings Deposit	Deposits made by members that can be withdrawn anytime at the option of the depositors.
Time Deposits	Deposits made by members in the cooperative over a specified period of time and withdrawable at a predetermined date.
Accounts Payable – Trade	Amount of obligations/indebtedness to suppliers for purchase of goods intended for sale.
Accounts Payable – Others	Amount of obligations/indebtedness to suppliers for purchase of goods not intended for sale (e.g. supplies, periodicals and etc.)
SSS/ECC/Philhealth/Pag-Ibig Premium Contributions Payable	Amounts withheld by the cooperative from the compensation income of its employees representing their premium contributions to SSS, Philhealth and Pag-Ibig agencies. As an employer, the cooperative has its corresponding share of contributions and this should be set up every payroll period.
SSS/Pag-Ibig Loans Payable	Amounts withheld by the cooperative from the compensation income of its employees representing their payment of loans to SSS and Pag-Ibig agencies.
Withholding Tax Payable	All taxes withheld as prescribed by law including but not limited to the unremitted withholding tax deducted from the employees' salaries representing part of their possible income tax liability to the Bureau of Internal Revenue.

Accrued Expenses	Expenses that have been incurred but not yet paid as of date of statement of financial condition but payable within the next accounting period. This account represents the amount due to creditors/employees for services rendered/received and other expenses already incurred but not yet paid.
Interest on Share Capital Payable	Liability of the cooperative to its members for interest on share capital, which can be determined only at the end of every accounting period.
Patronage Refund Payable	Liability of the cooperative to its members for patronage refund, which can be determined only at the end of every accounting period.
Due to CETF (Apex)	An amount set aside for the education and training fund of an apex organization, which is 50% of the amount allocated by the cooperative in accordance with the provision of the cooperative's by-laws and the cooperative code. The apex organization may be either a federation or union of which the cooperative is a member.
Loans Payable – Current	The indebtedness of the cooperative to financial institutions, federations, unions, or individuals payable within the accounting/fiscal period and the current portion of the Long Term Loans Payable.
Taxes, Fees and Other Charges Payable	Expenses incurred for taxes, fees and other charges which remained unpaid as of the balance sheet date.
Output Tax	Value Added Tax on the sale of taxable merchandise/goods and services by any VAT registered/registrable cooperative.
Deposit from Customers	Amount received as deposits by customers for containers, food or other services.
Deferred Gross Margin	The unrealized portion of the sales price of goods sold on installment basis, net of related costs. This is a contra account to installment receivables.
School Program Support Fund Payable	An amount allocated by the cooperatives as support mechanism to school program, which remains unpaid. (applicable to school-based cooperatives for canteen activity only)

Other Payables	Other liabilities that cannot be classified under any of the preceding current liability accounts.
LONG TERM LIABILITIES	<i>Liabilities payable beyond one year</i>
Loans Payable – Long Term	The indebtedness of the cooperative to financial institutions, federations, unions, or individuals payable beyond one year.
Revolving Capital Payable	The deferred payment of interest on share capital and patronage refund, within a maximum period of 5 years, which should be agreed upon in the General Assembly.
Retirement Fund Payable	Accumulated retirement benefit costs charged against the income of the cooperative over the expected remaining working lives of participating qualified employees.
OTHER LIABILITIES	<i>The totality of all other liabilities that cannot be classified after any of the preceding liability accounts.</i>
Deposit for Share Capital Subscription	Amount paid by the members for future subscription of additional share capital when the authorized capital has been fully subscribed and paid pending amendment of the Cooperative Articles of Cooperation and By-Laws.
Project Subsidy Fund	Unused portion of the donation/grant for training, salaries and wages, etc.
Mutual Benefit Fund Payable	Funds for special purposes such as member's welfare and benefits, i.e. loan protection, hospitalization, death and, etc./, including KBGF/CGF not taken from net surplus.
Due to HO/Branch/ Subsidiary	Used to record amount payable to Head Office, Branch, Subsidiary.
EQUITY	<i>Excess of a cooperative's assets over its liabilities</i>
MEMBERS' EQUITY	<i>Interest of members in the cooperative</i>
Subscribed Share Capital – Common	The amount of share capital subscribed by regular members payable over a certain period of time.
Subscription Receivable - Common	The total unpaid subscribed share capital of regular members.

Paid-Up Share Capital - Common	Subscribed share capital paid by regular members to the cooperative that is not withdrawn during the term of his/her membership in the cooperative
Treasury Shares Capital – Common	Common shares bought back by the cooperative. This account should only be used in the event that there are no members who are willing to buy the shares of outgoing members.
Subscribed Share Capital - Preferred	The amount of preferred share capital subscribed by member (regular and associate) payable over a certain period of time.
Subscriptions Receivable – Preferred	The total unpaid subscribed preferred share capital of regular and associate members.
Paid-Up Share Capital – Preferred	Preferred share capital subscribed and paid by the members (regular and associate).
Treasury Shares Capital – Preferred	Preferred shares bought back by the cooperative. This account should only be used in the event that there are members who are willing to buy the shares of outgoing members.
Undivided Net Surplus	The accumulated net surplus of the cooperative that will be allocated and distributed at the end of each accounting period in accordance with Articles 86 and 87 of RA 6938, (to be used only on Interim Financial Statements).
DONATIONS/GRANTS	<i>Amounts received by the cooperative as awards, subsidies, grants, aids, and others. This shall not be available for distribution as interest on share capital and patronage refund.</i>
STATUTORY FUNDS	<i>Mandatory funds established/set up in accordance with Articles 86 and 87 of the Cooperative Code.</i>
Reserve Fund	Amounts set aside annually for the stability of the cooperative (equivalent to at least 10% of net surplus). A corresponding fund should be set up either in the form of time deposits with local banks or government securities. Only the amount in excess of the share capital may be used for the expansion and authorized investment of the cooperative as provided in its by-laws.
Coop. Education & Training Fund	The amount retained by the cooperative out of the mandatory allocation as stipulated in the cooperative's by-laws.

Optional Fund	Fund set aside from the net surplus (should not exceed 10%) for future use such as land and building, community developments, and others.
STATEMENT OF OPERATIONS	
REVENUE ITEMS	<i>Gross increases in assets or gross decreases in liabilities recognized and measured in conformity with generally accepted accounting principles that result from those types of earning activities of a cooperative that can change owner's equity.</i>
NET SALES	<i>Total sales reduced by sales returns, allowances and discounts.</i>
Sales	Invoice price of all merchandise/goods sold or services rendered whether paid or on account (segregate sales from members and non-members).
Installment Sales	Sales to members and non-members or merchandise/goods on a deferred payment plan or installment plan.
Sales Returns & Allowances	Deductions from the invoice price due to damage, defects or errors in the kind or quality of product delivered to customers.
Sales Discounts	Deductions allowed to customers for settlement/prompt payment of their accounts.
COST OF SALES	<i>Cost/value of commodity sold.</i>
Purchases	Cost of merchandise/goods bought whether paid or on account.
Purchase Returns & Allowances	Deductions from cost due to damage, defects or errors in the kind or quality of merchandise/goods bought & received.
Purchase Discounts	Reductions in the cost of product bought due to the early payment.
Freight In	Cost of transporting merchandise/goods from the place of purchase to storage area. Should form part of the Cost of Goods Available for Sale.
Direct Materials	Cost of materials for the production of food for sale for catering and canteen operations.

Direct Labor	Pertains to salaries and wages, employees benefits, SSS, Philhealth, ECC, Pag-Ibig contributions and Retirement Benefit Expenses paid to those directly involved in cooked food preparations such as cooks and kitchen helpers.
Processing Overhead	Cost of indirect materials, indirect labor and other overhead expenses such as but not limited to fuel, power, light and water for the production of food for sale for catering and canteen operations. Include normal spoilage and breakage.
OTHER INCOME	<i>Income received by the cooperatives other than its main operation.</i>
Income/Interest from Investment	Income earned by the cooperatives from bank deposits and investments made in financial institutions/government/business organizations and federations. This shall include interest income derived from the deposit of statutory funds in the bank until utilized.
Membership Fee	Amount collected from the applicants upon approval of their membership in the cooperative.
Commission Income	An amount received by the cooperative from supplier as incentives.
Realized Gross Margin	Income earned by the cooperative from the installment sales.
Miscellaneous Income	All other income earned by the cooperative for which no specific account has been set up.
Fines, Penalties, Surcharges	Fees imposed and collected by coop for delayed payments of accounts.
EXPENSES	<i>Gross decreases in assets or gross increases in liabilities recognized and measured in conformity with generally accepted accounting principles that result from those types of earning directed activities of a cooperative than can change member's equity.</i>
A. FINANCING COST	<i>Expenses related to borrowings of funds used for operations.</i>
Interest Expense on Borrowings	Interest incurred on borrowings.

Interest Expense on Deposits	Interest incurred on savings and time deposits of both regular and associate members.
Other Financing Charges	Service charges, bank charges related to borrowings, filing fees and other fees for borrowings incurred by the cooperative.
B. SELLING COSTS	<i>Expenses related to distribution and selling of goods and services.</i>
Salaries & Wages	Amount incurred for services rendered by employees including overtime pay.
Incentives and Allowances	Amount incurred for serviced rendered by sales, part-time and on-call employees.
Employees Benefits	Benefits given to employees other than salaries and wages such as 13 th month pay, bonus, allowances, termination or separation pay and others.
SSS, Philhealth, ECC, Pag-Ibig Premium Contribution	The cooperative's share in the employees' premium contribution to SSS, ECC, Philhealth and Pag-Ibig
Retirement Benefit Expense	The cost of providing retirement benefits to employees for their services rendered. The cost of retirement benefits is recognized as an expense in the periods during which the services are rendered.
Office/Store/Canteen/ Kitchen and Catering Supplies Expenses	Expenses incurred for stationery and various supplies used in office/store/canteen/kitchen and catering for selling/trading operations.
Freight Out/Delivery Expenses	Amount incurred for the delivery of goods/services including traveling expenses of sales personnel from the place of production/store to buyer including lubricants.
Spoilage, Breakage and Losses	Expenses incurred for unavoidable decay, breakage, expiration or losses of goods beyond the normal condition.
Storage/Warehousing Expenses	Expenses incurred for temporary housing of merchandise/goods.

Power, Light and Water	Cost of electricity, water and/or gasoline/diesel, oil and lubricants used for generators which are incurred in business operations.
Travel and Transportation	Amount incurred for fares, gasoline and fuel for service vehicles borrowed or rented by the cooperative, toll fees, board and lodging, per diem and meal allowance of employees while on official travel.
Commission Expenses	Amount paid to sales personnel and others as incentives.
Insurance	Expenses incurred to insure the assets/properties/employees of the cooperative and the bonds of accountable officers and employees.
Repairs and Maintenance	Expenses incurred in the repair and maintenance of each facility and equipment except major repairs that do not prolong the life of the asset but increase capacity and safety measures.
Rentals	Amount incurred for the lease or rental of the building/ office space, the utilized portion of the rent paid in advance.
Taxes, Fees and Charges	Expenses incurred for taxes, licenses, and fees including registration fees, certification fees, amendments fees, due to government entities, both national and local.
Communication	Amount incurred for courier (letters), telephone, cellphone, e-mail, fax, internet, messengerial, and all other means of communication.
Representation	Expenses incurred related to accommodating visitors and guests on official business.
Advertising & Promotion	Expenses incurred for advertising and promotion of cooperatives' products.
Breakage & Losses on Kitchen Utensils	Expenses incurred for lost or breakage of kitchen/utensils after deducting accumulated depreciation.
Gas, Oil & Lubricants	Amounts incurred for gasoline, fuel and lubricants for service vehicles, delivery vans and others.
Miscellaneous Expenses	All other expenses incurred by the cooperative not classified under any of the specified expenses account.

Depreciation/ Amortization	Amount provided for wear and tear of property and equipment and amortization of intangible assets.
Royalties	The amount provided to authors for the right to the reproduction of books and related items that is made available for sale.
Amortization of Leasehold Rights and Improvement	Amount provided for amortization of leasehold rights and improvements.
C. ADMINISTRATIVE COSTS	<i>Expenses incurred related to general administration and management of the cooperative/enterprise.</i>
Salaries & Wages	Amount incurred for services rendered by employees including overtime pay.
Employees Benefits	Benefits given to employees other than salaries and wages such as 13 th month pay, bonus, allowances, termination or separation pay, etc.
SSS, Philhealth, ECC, Pag-Ibig Premium Contributions	The cooperative's share in the employees' premium contributions to SSS, ECC, Philhealth and Pag-Ibig
Retirement Benefit Expenses	The cost of providing retirement benefits to employees for their services rendered. The cost of retirement benefits is recognized as an expense in the periods during which the services are rendered.
Officers' Honorarium and Allowances	Amount incurred for services rendered by directors, committee members and officers.
Trainings/Seminars	An amount incurred for officers, directors and employees for attending trainings and seminars/conducting seminars including expenses related thereto after exhausting the CETF local.
School Program Support	This is an amount allocated by the cooperatives as support mechanism to school program such as school food supplementation of identified under-nourished cases and administration contingency fund, outreach program and school development, etc. (applicable to school-based cooperatives for canteen activity only)

Office Supplies	Expenses incurred for stationery and various supplies used for operation.
Power, Light & Water	Cost of electricity, water, power generating unit, gasoline, diesel, oil and lubricants incurred in business operations.
Travel & Transportation	Amount incurred for fares, gasoline and fuel for service vehicles borrowed or rented by the cooperative, toll fees, board and lodging, per diem and meal allowance of officers, employees and members while on official travel.
Insurance	Expenses incurred to insure the assets/properties of the cooperative and the bonds of accountable officers and employees.
Repairs & Maintenance	Expenses incurred in the repair and maintenance of each facility and equipment except major repairs that prolong the life of the asset.
Rentals	Expenses incurred for building/office spaces or facilities leased by the cooperative.
Taxes, Fees and Charges	Expenses incurred for taxes and fees including reg. fees, cert. fees, amendment fees due to government entities, both national and local.
Professional Fees	Fees and related expenses incurred for professional services rendered by lawyers, accountants, engineers and others.
Communication	Amount incurred for courier (letters), telephone, cellphones, e-mail, fax, internet, messengerial, and all other means of communication.
Representation	Expenses incurred related to accommodating visitors and guests on official business.
Meetings and Conferences	Expenses incurred for meetings and conferences of directors, committee members and staff.
Periodicals, Magazines & Subscription	Amount incurred for subscription or purchase of periodicals, magazines and others.

General Support Services	Expenses incurred for employing the services of security, janitors and messengers and other workers on contractual or on call basis.
Gas, Oil & Lubricants	Amounts incurred for gasoline, fuel and lubricants for service vehicles.
Miscellaneous Expense	All other expenses incurred by the cooperative not classified under any of the specified expense account.
Bank Charges	Bank fees and other charges excluding cost of checkbooks.
Litigation Expenses	Expenses incurred in legal cases. This expense starts upon filing of the case.
Depreciation/Amortization	Amount provided for wear and tear of property and equipment and amortization of intangible assets.
Depletion	Cost of reduction in value of land caused by natural calamity charged to current operation.
Provision for Probable Losses on Accounts/Installment Receivables	Allocation for estimated losses arising from probable uncollectible account/installment receivable.
Amortization of Leasehold Rights and Improvement	Amount provided for amortization of leasehold rights and improvements.
Collection Expense	Amounts paid including commissions, incentives in effecting the collection of accounts.
D. DEMOCRATIC GOVERNANCE COST	<i>Expenses incurred in providing for additional member's benefit and social services.</i>
General Assembly Expenses	Expenses incurred in the conduct of general assembly, either regular or special.
Members Benefit Expenses	All expenses incurred for the benefit of the members.
Affiliation Fee	Amount incurred to cover membership or registration fees and annual dues to a federation or union and other networks.

Social & Community Service Expense	Expenses incurred by the cooperatives in its social community involvement and provision of CGF and KBGF after exhausting the optional fund or if it is not so provided.
Training/Seminars/Conferences Expenses	Amount incurred for officers, directors, members and employees for attending trainings and seminars including all expenses related thereto after exhausting the CETF (local).
Provision for Members' Future Benefits	All expenses incurred for future benefit of members, such as pensions of members, etc. not taken from Net Surplus.
E. OTHER ITEMS – SUBSIDY / GAIN (LOSSES)	<i>Special transactions arising from the operations of the cooperatives.</i>
Project Subsidy	An amount deducted from Project subsidy fund to subsidize project expenses. This shall appear in the statement of operation as a contra account to subsidized project expenses.
Donation and Grant Subsidy	An amount deducted from Donation and Grant to subsidize depreciation funded by donation and grant.
Optional Fund Subsidy	An amount deducted from Optional Fund to subsidize depreciation funded by Optional Fund and or community development expense.
Subsidized Expenses	Portion of the Project Subsidy Fund expended for training, salaries and wages and other expenses subsidized by donations and grants and optional fund.
Gain or Loss on Sale of Property & Equipment	Gain or loss derived from the sale of acquired assets/properties and equipment.
Gains or Loss in Investment	Income earned or loss incurred from the disposal or permanent decline of value of investment.
Gains or Loss on Sale of Repossessed Item	Income earned or loss incurred from the sale of repossessed items.
Gains or Losses from Foreign Exchange Valuation	Gains or Losses arising from retirement or conversion of foreign currency exchange rate fluctuation per actual transaction.

Prior Years' Adjustment	Adjustments on transactions affecting income and expenses incurred in the previous year(s) which are taken up on the current year.
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V. Pro-forma Financial Reports with supporting schedules

Statement of Financial Condition (Annex "1")
Statement of Operation (Annex "2")
Statement of Cash Flows (Annex "3")

VI. Sanctions

Consumers' cooperatives and those with canteen and/or catering operations which fail to comply with this Circular shall be subject to the following sanctions:

First non-compliance, the Authority shall issue warning to the concerned cooperatives;

Second non-compliance, certificate of good standing shall not be issued by the Authority;

Third non-compliance, the certificate of registration of the cooperative shall be cancelled after compliance with due process of law.

VII. Transitory Provision

All consumers cooperatives and those with canteen and/or catering operations shall within one (1) year from the effectivity of this Circular make necessary adjustments on their existing systems in order to comply with the Standard Chart of Accounts. Provided however, that the aforesaid sanctions under Item VI shall not be imposed during the transition period.

VIII. Repeals

All circulars, regulations, issuances or parts thereof, inconsistent with any of the provisions of this Circular are hereby repealed or modified accordingly.

IX. Separability Clause

Should any part of this Circular be declared invalid or unconstitutional, the rest of the provisions not affected thereby shall continue in full force and effect.

X. Effectivity

This Circular shall be published in two (2) newspapers of general circulation or official gazette and shall take effect fifteen (15) days after its publication.

October 20, 2005

(SGD.) **LECIRA V. JUAREZ**
Chairman

PRO-FORMA FINANCIAL REPORTS

(A) STATEMENT OF FINANCIAL CONDITION

Name of Cooperative
 Address of Cooperative
 Registration/Confirmation No.
 Statement of Financial Condition
 As of _____

Account Title	Current Year	Prior Year	Increase / (Decrease)
ASSETS			
<i>Current Assets</i>			
Cash on Hand			
Cash in Bank			
Petty Cash Fund			
Revolving Fund			
Change Fund			
Short Term Investment			
Advances to Officers & Employees			
Accounts Receivables Trade - Current			
Accounts Receivables Trade - Past Due			
Accounts Receivables Trade - In Litigation			
Accounts Receivables Trade - Restructured			
Less: Allowance for Probable Losses on Accounts Receivables			
<i>Net Account Receivables Trade</i>			
Installment Receivables - Current			
Installment Receivables - Past Due			
Installment Receivables - Restructured			
Installment Receivables - In Litigation			
Less: Allowance for Probable Losses On Installment Receivables			
<i>Net Installment Receivables</i>			
Receivables from Accountable Officers and Employees			
Other Receivables			
Input Tax			
Deposit to Suppliers			

Account Title	Current Year	Prior Year	Increase / (Decrease)
Inventories			
Repossessed Inventories			
Assets Held for Sale			
Unused Office/Store/Kitchen/Canteen/ Catering Supplies			
Prepaid Expenses			
Total Current Assets			
<i>Long-Term Investments</i>			
Investment in Cooperatives			
Government Securities/Bonds			
Long Term Investment - Others			
<i>Total Long-Term Investments</i>			
Property & Equipment			
Land			
Land Improvements			
Less: Accumulated Depreciation & Impairment - Land Improvements			
<i>Net</i>			
Building			
Less: Accumulated Depreciation & Impairment - Building			
<i>Net</i>			
Furniture, Fixtures & Office Equipment			
Less: Accumulated Depreciation & Impairment - Furniture and Fixtures			
<i>Net</i>			
Kitchen/Canteen/Catering Equipment and Utensils			
Less: Accumulated Depreciation & Impairment – KCCEU			
<i>Net</i>			
Transportation/Delivery Equipment			
Less: Accumulated Depreciation & Impairment - T/DE			
<i>Net</i>			
Linens and Uniforms			
Less: Accumulated Depreciation - Linens and Uniforms			
<i>Net</i>			
Leasehold Rights & Improvements (net)			
<i>Total Property & Equipment</i>			

Account Title	Current Year	Prior Year	Increase / (Decrease)
<i>Intangible Assets</i>			
Franchise			
Copyright			
<i>Total Intangible Assets</i>			
<i>Other Assets</i>			
Organizational Cost			
Computerization Cost			
Other Funds and Deposits			
Deposit on Returnable Containers			
Assets Acquired in Settlement of Accounts			
Assets Held for Disposal			
Other Land			
Other Building			
Less: Accumulated Depreciation - Other Building			
<i>Net</i>			
Construction in Progress			
Less: Accumulated Depreciation - Construction in Progress			
<i>Net</i>			
Miscellaneous Assets			
<i>Total Other Assets</i>			
TOTAL ASSETS			
LIABILITIES			
<i>Current Liabilities</i>			
Savings Deposits			
Time Deposits			
Accounts Payable - Trade			
Accounts Payable - Others			
SSS/ECC/Philhealth/Pag-Ibig Premiums Contributions Payable			
SSS/Pag-ibig Loans Payable			
Withholding Tax Payable			
Accrued Expenses			
Interest on Share Capital Payable			
Patronage Refund Payable			
Due to CETF (Apex)			
Loans Payable - Current			
Taxes, Fees and Charges Payable			
Output Tax			
Deposit from Customers			

Account Title	Current Year	Prior Year	Increase / (Decrease)
School Program Support Fund Payable			
Deferred Gross Margin			
Other Payables			
<i>Total Current Liabilities</i>			
Long Term Liabilities			
Loans Payable - Long Term			
Revolving Capital Payable			
Retirement Fund Payable			
<i>Total Long Term Liabilities</i>			
Other Liabilities			
Deposit for Share Capital Subscription			
Project Subsidy Fund			
Mutual Benefit Fund Payable			
<i>Total Other Liabilities</i>			
TOTAL LIABILITIES			
EQUITY			
Members' Equity			
Common Share Capital - Authorized Share Capital - _____ Shares @ P _____ par value			
Subscribed Share Capital - Common			
Less: Subscription Receivable - Common			
Total Paid-up Share Capital - Common			
Less: Treasury Share Capital - Common			
Net Paid-up Capital - Common			
Preferred Share Capital - Authorized Share Capital - _____ Shares @ P _____ par value			
Subscribed Share Capital - Preferred			
Less: Subscription Receivable - Preferred			
Total Paid-up Share Capital - Preferred			
Less: Treasury Shares - Preferred			
Net Paid-up Capital - Preferred			
*Undivided Net Surplus			
<i>Total Members' Equity</i>			
Donations/Grants			
Statutory Funds			
Reserve Fund			

Account Title	Current Year	Prior Year	Increase / (Decrease)
Coop. Education & Training Fund			
Optional Fund			
<i>Total Statutory Funds</i>			
Total Equity			
TOTAL LIABILITIES & EQUITY			

*Used for Interim Financial Reports

Annex "2-a"*(to Statement of Operations)***SCHEDULE OF COST OF SALES**

	Regular Sales	Installment	Catering	Canteen	GRAND TOTAL
Inventory, beginning	xxx	-	-	xxx	xxx
Purchases (net)	xxx	xxx	-	-	xxx
Freight - In	xxx	xxx	-	-	xxx
Total Purchases	xxx	xxx	-	-	xxx
Add: Production Cost					
Direct Materials	-	-	xxx	xxx	-
Direct Labor	-	-	xxx	xxx	xxx
Overhead	-	-	xxx	xxx	xxx
Total Production Cost	-	-	xxx	xxx	xxx
Total Goods Available for Sale	xxx	xxx	xxx	xxx	xxx
Less: Inventory, end	xxx	-	-	-	xxx
COST OF SALES	xxx	xxx	xxx	xxx	xxx

ANNEX "2-b"*(to Statement of Operations)***SCHEDULE OF INSTALLMENT RECEIVABLES WITH DEFERRED GROSS MARGIN**

As of December 31, _____

Invoice Date	Invoice No.	Name of Buyer	Total Sales Invoice Amount	Cost + Margin	Gross Profit Rate	Total Cash Collected	Balance	Deferred Gross Margin **
1/2/05	001	Juana dela Cruz	11,000.00	110%	10%	8,800.00	2,200.00	200.00
6/14/05	002	Juan dela Cruz	15,000.00	110%	10%	6,000.00	9,000.00	818.18
		Total						1,018.18

Formula to compute Deferred Gross Margin

$$\text{** Deferred Gross Margin} = \frac{\text{Balance}}{\text{Cost} + \text{Margin}} \times \text{Gross Profit Rate}$$

Example:

$$\begin{aligned} \text{Deferred Gross Margin} &= \frac{2200}{110\%} \times 10\% \\ &= 200 \end{aligned}$$

ANNEX "2-c"*(to Statement of Operations)***SCHEDULE OF OPERATING EXPENSES:**

	ACCOUNTS	Regular Sales	Installment	Catering	Canteen	GRAND TOTAL
A. FINANCING COSTS						
	Interest Expense on Borrowings					XXX
	Interest Expense on Deposit					XXX
	Other Financing Charges					XXX
	TOTAL					
B. SELLING COSTS						
	Salaries and Wages	XXX	XXX	XXX	XXX	XXX
	Incentives and Allowances	XXX	XXX	XXX	XXX	XXX
	Employees Benefits	XXX	XXX	XXX	XXX	XXX
	SSS, Philhealth, ECC, Pag-Ibig Contribution	XXX	XXX	XXX	XXX	XXX
	Retirement Benefit Expense	XXX	XXX	XXX	XXX	XXX
	Office/Store/Canteen/Kitchen and Catering Supplies	XXX	XXX	XXX	XXX	XXX
	Power, Light and Water	XXX	XXX	XXX	XXX	XXX
	Travel and Transportation	XXX	XXX	XXX	XXX	XXX
	Insurance	XXX	XXX	XXX	XXX	XXX
	Repairs and Maintenance	XXX	XXX	XXX	XXX	XXX
	Rentals	XXX	XXX	XXX	XXX	XXX
	Taxes, Fees and Charges	XXX	XXX	XXX	XXX	XXX
	Communications	XXX	XXX	XXX	XXX	XXX
	Representation	XXX	XXX	XXX	XXX	XXX
	Gas, Oil and Lubricants	XXX	XXX	XXX	XXX	XXX
	Freight Out/Delivery Expenses	XXX	XXX	XXX	XXX	XXX
	Spoilage, Breakage and Losses	XXX	XXX	XXX	XXX	XXX
	Storage/Warehousing Expenses	XXX	XXX	XXX	XXX	XXX
	Commission Expenses	XXX	XXX	XXX	XXX	XXX
	Advertising and Promotion	XXX	XXX	XXX	XXX	XXX
	Breakage & Losses on Kitchen Utensils	XXX	XXX	XXX	XXX	XXX
	Miscellaneous Expense	XXX	XXX	XXX	XXX	XXX
	Depreciation/Amortization	XXX	XXX	XXX	XXX	XXX
	Royalties	XXX	XXX	XXX	XXX	XXX
	Amortization of Leasehold Rights and Improvement	XXX	XXX	XXX	XXX	XXX
	TOTAL	XXX	XXX	XXX	XXX	XXX
C. ADMINISTRATIVE COST						
	Salaries and Wages	XXX	XXX	XXX	XXX	XXX
	Employees Benefits	XXX	XXX	XXX	XXX	XXX
	SSS, Philhealth, ECC Pag-Ibig Contribution	XXX	XXX	XXX	XXX	XXX
	Retirement Benefit Expense	XXX	XXX	XXX	XXX	XXX
	Officers' Honorarium and Allowances	XXX	XXX	XXX	XXX	XXX
	Trainings/Seminars	XXX	XXX	XXX	XXX	XXX
	School Program Support	XXX	XXX	XXX	XXX	XXX
	Office/Store/Canteen/Kitchen and Catering Supplies	XXX	XXX	XXX	XXX	XXX
	Power, Light and Water	XXX	XXX	XXX	XXX	XXX
	Travel and Transportation	XXX	XXX	XXX	XXX	XXX

SCHEDULE OF OPERATING EXPENSES:

ACCOUNTS	Regular Sales	Installment	Catering	Canteen	GRAND TOTAL
Insurance	xxx	xxx	xxx	xxx	xxx
Repairs and Maintenance	xxx	xxx	xxx	xxx	xxx
Rentals	xxx	xxx	xxx	xxx	xxx
Taxes, Fees and Charges	xxx	xxx	xxx	xxx	xxx
Professional Fees	xxx	xxx	xxx	xxx	xxx
Communications	xxx	xxx	xxx	xxx	xxx
Representation	xxx	xxx	xxx	xxx	xxx
Meeting and Conferences	xxx	xxx	xxx	xxx	xxx
Bank Charges	xxx	xxx	xxx	xxx	xxx
Collection Expense	xxx	xxx	xxx	xxx	xxx
Periodicals, Magazines and Subscription	xxx	xxx	xxx	xxx	xxx
General Support Services	xxx	xxx	xxx	xxx	xxx
Gas, Oil and Lubricants	xxx	xxx	xxx	xxx	xxx
Litigation Expense	xxx	xxx	xxx	xxx	xxx
Miscellaneous Expense	xxx	xxx	xxx	xxx	xxx
Depreciation/Amortization	xxx	xxx	xxx	xxx	xxx
Depletion	xxx	xxx	xxx	xxx	xxx
Provision of Probable Losses on Accounts/ Installment Receivables	xxx	xxx	xxx	xxx	
Amortization of Leasehold Rights and Improvement	xxx	xxx	xxx	xxx	xxx
TOTAL	xxx	xxx	xxx	xxx	xxx
D. DEMOCRATIC/GOVERNANCE COSTS					xxx
General Assembly Expenses					xxx
Members' Benefit Expense					xxx
Affiliation Fee					xxx
Social and Community Service Expenses					xxx
Trainings/Seminars/Conferences Expense					xxx
Provision for Members' Future Benefits					xxx
TOTAL					xxx

(C) CASH FLOW STATEMENT

1

NAME OF COOPERATIVE
ADDRESS OF THE COOPERATIVE
REGISTRATION/CONFIRMATION NO.
CASH FLOWS STATEMENT
For the year ended December _____

Cash Flow from Operating Activities:		
Cash provided by operation:		
Net surplus for Allocation		xxx
Depreciation/Amortization	xxx	
Provision for Probable Losses on Accounts/Installment Receivables	xxx	
Changes in Assets and Liabilities	xxx	
(Increase)/Decrease in:		
Advances to Officers & Employees	xxx	
Accounts Receivable Trade	(xxx)	
Installment Receivable	xxx	
Receivable from accountable officers & employees	xxx	
Other Receivables	xxx	
Input tax	xxx	
Deposits to suppliers	xxx	
inventories	xxx	
Repossessed Inventories	xxx	
Assets held for sale	xxx	
Unused office/store/kitchen/canteen/catering supplies	(xxx)	
Prepaid expenses	(xxx)	
Intangible assets	xxx	
Other assets	xxx	
Increase/(Decrease) in:		
Accounts payable	(xxx)	
SSS/ECC/Philhealth/Pag-Ibig Premium Contribution payable	xxx	
SSS/Pag-Ibig Loans Payable	xxx	
Withholding Tax Payable	xxx	
Accrued Expenses	xxx	
Due to CETF (Apex)	xxx	
Taxes, fees and charges payable	xxx	
Output tax	xxx	
Deposits from customers	xxx	
Deferred Gross Margin	xxx	
School Program Support Fund payable	xxx	
Other payables	xxx	xxx
Net cash from operating activities		xxx
Cash Flow from Investing Activities:		
(Increase)/Decrease in:		
Property & Equipment	xxx	
Investment	xxx	
Net cash from investing activities		xxx
Cash Flow from Financing Activities:		
(Increase)/Decrease in:		
Savings deposit	xxx	
Time deposit	xxx	
Paid-up Share Capital	xxx	
Donations/Grants	xxx	
Statutory funds	xxx	
Long term liabilities	xxx	
Other liabilities	xxx	
Interest on share capital & patronage refund	xxx	xxx
Net cash from financing activities		xxx
Net increase/(decrease) in cash		xxx
Cash balance, beginning		xxx
Cash Balance, end		xxx

(The above statement is presented using Indirect Method Approach.)