

MINDORO STATE COLLEGE OF AGRICULTURE & TECHNOLOGY



Income Generation Projects Manual

TABLE OF CONTENTS

| CHAPTER | | PAGE |
|---------|--|------|
| I | INTRODUCTION | |
| | Vision | 1 |
| | Mission | 1 |
| | Goal | 2 |
| | Objectives | 2 |
| | Importance of Implementing IGP | 2 |
| | Legal Basis for SUCs to Undertake IGP | 4 |
| | The Need for IGP Manual | 5 |
| II | STARTING AN INCOME-GENERATING PROJECTS | |
| | Categories of Income-Generating Projects | 7 |
| | Factors to Consider in Starting Agribusiness Program | 8 |
| | Steps in Starting Agribusiness Program | 10 |
| | Factors to Consider in Starting IGPs | 11 |
| | Steps in Starting a Project | 13 |
| III | ORGANIZATION AND MANAGEMENT | |
| | Organizational Structure | 15 |
| | Duties and Functions of Management and Personnel | 16 |
| IV | OPERATIONAL GUIDELINES AND PROCEDURES | |
| | Guidelines/Policies on Project Operations | 21 |
| V. | RECORDS AND RECORDING SYSTEM | |
| | Keeping of Records | 32 |
| | Process Flow of Papers | 34 |
| | Control System and Procedures | 36 |
| | Record Forms and Format | 39 |
| VI | FINANCIAL MANAGEMENT | |
| | Financial Management Guidelines | 57 |
| | Sources of Fund | 58 |
| | Financial Statements | 58 |
| | Breakeven Analysis | 64 |

APPENDICES

PAGE

| | | | |
|---|---|-----------------|----|
| A | National Budget Circular No. 331 | - Nov. 27, 1980 | 66 |
| B | National Budget Circular No. 331A | - Dec. 23, 1982 | 70 |
| C | Commission on Audit (COA) Circular No. 84-239 | | 77 |
| D | National Budget Circular Letter No. 92-8 | - Nov. 18, 1992 | 82 |
| E | Part of Republic Act No. 8292 | | 84 |

REFERENCES

85

CHAPTER I

INTRODUCTION

Amidst the declining financial support from the national government and a diminishing real value of budget due to inflation, the academic institutions suffer from inconsistencies and pressures in the carrying out of its role to its clientele.

However, having been geared towards operational efficiency, or the provision of quality education at the least cost possible, the SUC's are cultivating its resources to become globally efficient, relevant, productive and competitive. Therefore, the College should maximize the use of its resources to augment some financial difficulties and irregularities in the realization of its mission.

Evidently, raising the school fees and other charges to increase income does not appear congruent to its goal. Besides, drawing solution from this scenario means complicated process that will include public consultations with the parents, students and other concerns. In this view, the College has to become resourceful to establish a more sustainable alternative to remedy the problem. The establishment and management of income generating projects found should be supportive to the accomplishment of its goal and mission.

Production, which is the fourth function of State Colleges and Universities, now becomes the vital link for the continuous performance of the trilogical functions of academic institution, namely: instruction, research and extension.

Income Generating Projects (IGP's) to become more efficient should be strengthen to ease the burden of financial difficulty the SUC's are now faced with.

MinSCAT PRODUCTION DIVISION's VISION

A vibrant and productive center of development driven by globally competent professionals and employing appropriate technologies crucial in the facilitation of Income Generating Projects (IGP's) that meet to the demand of the clientele and to generate funds for the College.

MISSION

The department exists to promote professional and technological education by intensifying instruction and training and sustaining income generation through the adoption of possible state-of-the-art technologies and through the maximum use of its human and raw material resources.

GOAL

Provide economically sound opportunities for the members and clientele of the College and meet the changing needs and desires of the society.

OBJECTIVES

Strengthen the capabilities of the production division to:

1. strengthen instruction, research and extension functions of the SUCs as IGPs provide facilities and technologies necessary for the hands-on experiences of students, extensionists, entrepreneurs and farmers. The project serve as “silent salesman” of the SUCs and powerful tools in disseminating technologies;
2. generate additional income for the school to enable flexibility in financial management and attain fiscal autonomy;
3. provide venues for faculty and staff members to hone their business acumen and augment their income;
4. provide model projects that students may replicate after graduation;
5. serve as vital contribution of SUCs to countryside development through the quality planting materials and other products accessible to low-income families; and
6. provide the institution the opportunity to maximize the utilization of its human and non-human resources.

Importance of Implementing Income Generating Project

The current programs of the SUC described as more theoretical than practical: unable to provide occupational, entrepreneurial and processing skills for employment due to lack of facilities, equipment and projects. With continuous declining percentage of enrolment most especially in agri-fishery and related courses, young people are not interested anymore in these courses and lukewarm attitude of parents towards the said programs.

The above scenario poses a big challenge to the SUC's with agri-fisheries as their primary and/or key mandate for its establishment. How can these SUC's contribute to

rural development? How can they motivate students and community populace to engage in agri-fisheries because it is a vocation that they want to undertake and feel they can earn a decent income for themselves and their family.

The implementation of income generating projects (IGP's) may be a very important and relevant solution to their problems due to the following:

1. **IGPs improve the credibility of the college especially when idle human and land resources are made productive.** It is not the land size that matters, but whether the students and farmers can be equipped with skills, exposed to technology, and provided with support system to increase their yield even from a small piece of land;
2. **IGPs are models for rural development.** Real projects that are generating income are something that people could feel and see. Dissemination of technology and relevant information about agriculture and fisheries would be easier if the people can see models particularly in terms of the contribution of agriculture to rural development;
3. **IGPs serve as venue for hands-on training of students and other interested individuals, groups, and future entrepreneurs.** Learning inside the classroom is not enough. In order to better develop the students' competence and entrepreneurial capabilities, there is a need to immerse them in the projects;
4. **IGPs provide opportunities for interfacing research, instruction and extension.** Results of research are used to improve production and instruction. Experiences in the agribusiness projects are shared to the faculty, staff, students, entrepreneurs, rural people and other through instruction, extension and training;
5. **IGPs create employment.** Establishment of IGPs need human resources in the culture/care and management of crops, animals, and fishes;
6. **IGPs provide incentives to people who are hardworking, committed, and creative.** Depending on the income of the project and sharing arrangement, project staff can earn additional income;
7. **IGPs help in human resource development** by giving scholarship slots to deserving students and financial support to non-degree trainings of faculty and staff; and,

- 8. IGPs supplement the budget of the school.** The income can be used to employ/hire additional personnel in the project and purchase supplies, materials, and equipment needed for instruction, research and extension, training, and production activities.

Eventually, the SUCs can have impact to rural development through sustained economic growth in areas where they are located. Agricultural productivity and profitability through IGPs will ultimately improve the quality of life of the people.

Legal Basis for SUCs to Undertake IGPs

The authority and right of an SUC to engage in income generating projects to raise additional revenue for its support are not without legal bases. In fact, a number of legal issuances have been cumulatively put in place for this purpose since 1979 and they are the following:

1. LOI No. 872 (June 8, 1979)
 - a. Encouraged agricultural schools, colleges and universities to participate in food production projects; and
 - b. Authorized schools to establish Revolving Fund (RF) from the income of food production program.
2. NBC 331 (November 27, 1980)
 - a. Authorized the establishment of Revolving Fund (RF) for Agricultural Schools;
 - b. Provided guidelines to implement LOI 872 relative to the participation of government schools in the food production program;
 - c. Prescribed rules and procedures concerning the creation of school Revolving Fund (RF) out of the income realized from agricultural projects; and
 - d. Created Fund 161.
3. LOI No. 1026 (May 23, 1980)
 - a. Directed the acceleration of manufacturing operations of national schools.
4. COA Circular No. 84-239 (August 15, 1984)
 - a. Prescribed uniform procedures for proper valuation, recording and reporting of products acquired or produced by government agencies.

5. DBM Circular Letter No. 92-8 (November 18, 1992)
 - a. Provided guidelines on the establishment of Revolving Fund (RF) of SUCs for the operation of auxiliary services; and
 - b. Created Fund 163.
6. DBM Circular Letter No. 94-5 (June 17, 1994)
 - a. Prescribed the guidelines on the use of income and the creation, operation and maintenance of Revolving Fund of various agencies.
7. NCC 75 (March 1, 1995)
 - a. Prescribed the rules and procedures in granting honoraria to government officials and employees involved in special projects.
8. RA No. 8292 (June 1997)
 - a. Provided powers to SUC governing board to allow the school to generate more income through a more effective utilization of their existing resources;
 - b. Authorized the SUC governing board to decide on the use of school income for any reasonable purpose, which in its discretion, may be necessary and urgent for the attainment of the objectives and goals of the University or College.
9. General Appropriations Act FY 2000 (Sec. 4 of the General Provisions)
 - a. Authorized existing Revolving Fund to continue their operations except those which are reflected under “use of income”;
 - b. Considered Revolving Fund as self-perpetuating and self-liquidating.

The Need for IGP Manual

The human and material resources are available in the Colleges. To make them productive is dependent upon the creativity, commitment, and dedication of the leader and members of the organization. This can be manifested in the implementation of the IGPs.

This IGP manual is therefore needed by the three campuses of MinSCAT to have a common guide in the management of IGP. It attempts to provide uniform procedures in starting an entrepreneurial program on income generation, organization and management, operations, records and recording system, and financial management. In addition, how to be effective and efficient in the operation of the IGP could be gleaned from this manual. Moreover, this manual may contribute to easy documentation, monitoring, and evaluation process of the IGPs.

Finally, it can serve as a medium for advocating the relevance, importance and usefulness of the IGPs, and the proper management of the idle human and material resources of the College, thus, institutionalizing income generating projects in the College system.

CHAPTER II

STARTING AN INCOME GENERATING PROJECTS (IGPs)

One of the weaknesses, which results to the failure of Income Generating Projects implemented by a college/university may be, attributed to poor project planning and formulation, in particular the often less-than-systematic way in which ideas or concepts integrated into the overall goals and objectives of the institution. The program and the individual projects comprising it are organized into a scheme whereby a given quantity of resources is efficiently utilized in a specific way to achieve particular results, all within a definite time. Therefore, its execution requires multidisciplinary effort, and the mobilization of different skills and resources, which will directly or indirectly result to new or add benefits to the social, economic and financial benefits of the college/university's various group of clientele.

Just like in any business enterprise, the key to a successful agribusiness project is good program formulation. The hardest part is how to start. This chapter provides some helpful tips and strategies on how to start a college/university Income Generating Project (IGP). It enumerates and discusses the important steps to follow in establishing a project. Sample cases as presented are based and drawn from the experiences of CLSU, USM and other academic institutions.

Categories of Income Generating Projects

For the purpose of this Manual, Income Generating Projects (IGPs) that may be established in SUCs may be grouped into three general categories, namely: food production, manufacturing and services. From the experiences of some SUCs already undertaking some IGPs, the profitability of projects under these categories is encouraging provided they are operated in a business-like manner.

Before discussing the factors to consider in starting an income-generating program, let us look at some sample projects subsumed under each of the three broad categories of IGPs.

I. Food Production Projects

As the label implies, these are food production based or oriented projects operated on a commercial basis. Under this category, the following are the projects that could be subsumed:

- I.1 Crop projects (orchard, field crops, root crops, industrial crops, etc.)
- I.2 Livestock projects (swine, small ruminants, large cattle, etc.)

- 1.3 Poultry projects (egg production, broiler, ducks, etc.)
- 1.4 Fishery projects (tilapia, bangus, hito, etc.)
- 1.5 Bakeshop/ Bakery
- 1.6 Food processing

2. Manufacturing Projects

These are projects, which have something to do with the production, manufacture, processing, repair and maintenance of trade and industrial goods and machines operated in a business-like manner. Under this category are the following projects to be subsumed:

- 2.1 Auto repair and maintenance
- 2.2 Metal craft (welding, soldering, etc.)
- 2.3 Wood craft (furniture-making, etc.)
- 2.4 Electricity and electronics
- 2.5 Food processing/preservation

3. Services Projects

These are projects, which have something to do with the provision of services. Projects that may be subsumed under this category are:

- 3.1 Canteen/catering/cafeteria
- 3.2 Hostel/Dormitory/Guest house
- 3.3 Transportation
- 3.4 Radio and TV repair
- 3.5 Printing facility/binding
- 3.6 Recreation center
- 3.7 Data banking
- 3.8 Information technology
- 3.9 Tutorials
- 3.10 Modules/instructional guide production
- 3.11 Gasoline station
- 3.12 Merchandizing

Factors to Consider in Starting Agribusiness Program

There should be several factors to consider before starting an IGP. It emphasized that all should be present and complementary to each other in order for the program to succeed. As part of the program formulation strategy, there should be assessment to determine the extent of availability of the following factors or prerequisites:

1. strong leadership;
2. committed and qualified project manager; and
3. available physical resources (land, labor, capital)

Strong leadership. This would mean a capable leader (head of the institution) with a vision to provide hands-on training to students; a risk-taker to try new ways in managing the program; aggressive in sourcing out funds; and a charismatic person who can motivate project managers to work religiously in their respective projects.

Strong leadership also applies to the Director for Production and Business Operation (DPBO). As chair of the Board of Management (BOM), his main responsibility is to oversee the effective implementation of policies formulated by the BOM. There should be impartiality and decisiveness demanded.

Committed and qualified project-in-charge (PIC). The real backbone of an IGP is the PIC. They can make or unmake a project. The heavy responsibility of running the individual projects comprising the program rests on their shoulders. Desirable qualifications demanded from the PIC are extreme honesty, dedication, and commitment. The selection of PIC starts with the solicitation of letters of intent and submission of credentials from prospective PIC. There are verification and consultation made by and with the members of the Board of Management and the applicants' immediate supervisors after the evaluation of the candidate's credentials. Presented in Chapter IV are the detailed operational guidelines on personnel management.

Availability of physical resources. While the workforce resource constitutes the backbone of the IGPs, the foundation of a successful agribusiness activity consists of the land, buildings and financial resources. In most situations, however, only the land and old buildings are available in the college/university. In order to generate the needed financial requirement to run the operation, the resourcefulness and creativity of the college/university head is very important.

Funds can be sourced out both from internal and external sources. From within the institution, the utilization of savings can be explored. Money could also be made available through budget realignment and prioritization of needs. These strategies may require official approval by the Department of Budget and Management, however, with proper justifications and persistent representations, this is not too difficult to secure. For external fund sources, among the possible strategies are joint venture, contract growing, allocations from politicians, and donations or grants from government and non-government organizations.

Largely, quality and quantity of resources available in the college/university determine the kind of projects to be established.

Steps in Starting Agribusiness Program

IGPs should start in an orderly and systematic manner. This is to make sure that the different components and aspects are adequately addressed and evaluated. The following steps are hereby recommended:

1. **Formulate the vision, mission, goals and thrust or concerns of the program.** Identify and emphasize the core values of the people who will manage it. The purpose of this activity is to agree on a consensus on what to do, and how to achieve this.
2. **Prepare an inventory of the physical resources available in the college/university by conducting a land survey and listing down existing facilities.** Based on this survey, a land use plan could be prepared. In addition, the current use and potential utilization of the facilities must be done.
3. **Survey the needs of students, faculty and staff members, and the residents of the immediate surroundings as the potential market outlets.** This provides an idea what products or services are required or demanded in the area and in what quantities.
4. **Determine the enterprises in the area producing the needed commodities.** This step identifies the suppliers and potential competitors of the proposed projects.
5. **Design an appropriate organizational structure.** The structure should be composed of the College/University President, a Board of Management (for policy formulation), Project-In-Charge (for policy implementation and project operation) and the labor force. The number of layers in the structure depends on the magnitude of the force. If there are only few projects, the organizational structure should be flat; that is, the DPBO directly supervises the Division Managers/Project-In-Charge. This will facilitate timely and immediate decision-making and responsive project operation.
6. **Select the personnel for the various positions shown in the organizational chart.** The President of the institution being the Administrator of the program designates the IGP personnel upon recommendation of the DPBO. Working together, they will identify the areas for presentation to the Board of Management.
7. **Prepare a farm plan and budget for all selected projects.** This activity is the responsibility of the PIC who is the direct implementers of the plan.

This plan is further evaluated and validated by the Division Managers and finally approved by the BOM Chairman/DPBO.

8. Identify sources of funds. As indicated earlier, the possible sources are from the college/university's budget and from outside donors.

The Head of the College should emphasize that fund sourcing is a continuing activity. However, it may be more practical for colleges/universities with potential viable projects prepared and identified to look for funds from interested donors.

9. Formulate the implementing guidelines and policies. This is the work of the BOM, and approved by the Administrative Council or the policymaking body of the college and by the Board of Trustees, the highest policy-making body of the college.

The guidelines must stipulate the functions of all personnel involved (BOM, DPBO, DM, PIC and staff); the policies on incentives, equivalent teaching load, and operations (project implementation; marketing; pooling of farm machinery; harvesting, threshing and storage); and the use of project for instruction and research. The guidelines on monitoring and evaluation of projects in the general policies were infused and part of the functions of the DPBO/Chairman of the BOM.

Factors to Consider in Starting Income Generating Projects

There are several factors, which to consider in putting-up a project. Careful evaluation and assessment of these factors in order to enhance the probability of success of the projects is done. These factors include the following:

1. suitable area
2. quality stocks or seeds
3. qualified project manager
4. availability of manpower
5. availability of capital
6. administrative support
7. market assurance

Suitable area. This factor is very important for land –based project such as rice production, orchard other plantation crops and fish production. For rice crop, area should have the required physical and chemical characteristics. For animal projects, the area should be far from houses, has good drainage and near water and power supply. For fish production, site requirements include suitable soil (with adequate clay content for construction durability and water holding capacity), and reliable source of good quality water.

Quality stocks or seeds. The initial stock should come from well-established or accredited hatcheries, and rice seeds from trusted and certified growers. This factor is very important because the yield is dependent upon the quality of stocks or seeds

used in the production process. In order not to be over-dependent from external sources for the supply of seeds especially that of rice, it is recommended that a seed production project solely dedicated to this purpose be operated by the institution. If this is not possible due to some constraints or limitations, obtained rice seeds classified as foundation, registered or certified from PhilRice and from IRRI.

In case of quality seed stock, for fish (tilapia), BFAR, CLSU or its accredited hatcheries were recommend as sources. If capable, maintaining a hatchery to produce the needed fingerlings for fish production operation is highly recommended in order to maintain cropping and harvesting flexibility.

Qualified project-in-charge. For projects involving animal and fish production, the PM should be equipped with the necessary technical expertise required of the position. He must possess utmost dedication to his job, working even before and after office hours. Honesty is a prime virtue, which should be incumbent upon the PM because he handles saleable commodities (rice, eggs, fish, broilers, etc), inputs, and funds. He should effectively manage laborers and students working in the project.

Availability of labor. This factor is very important for projects such as animal and fish production whose operation requires full-time manpower services, preferably even on a 24-hour work basis. This is so because there are activities, which require full time attention and fixed time schedules such as feeding, health monitoring, and operation of certain facilities and equipment. The ideal arrangement is for a laborer to live-in at or near the project site to render services whenever necessary. In crop production projects, the need for labor reaches its peak during planting and harvesting periods. It is therefore essential that manpower should be readily available during these times. For CLSU, one laborer could handle 3,000 layers, or one worker could maintain 5 hectares of rice farm. It is strongly recommended utilizing student labor whenever possible as practiced in some colleges/universities.

Availability of capital. One of the basic and common problems encountered in starting a project is the unavailability or lack of funds especially for its initial operation. Moreover, the availability of funds during critical times in the project's operation is also very important. If funding is a constraint, it is advisable to start a project on a small scale, gradually expanding as income is generated. For the time availability of funds for operation, the Project-In-Charge should be allowed to draw or maintain a cash advance to cover emergency purchases. Meanwhile, fund sourcing should continuously pursue from potential sources as previously mentioned.

Administrative support. This is required in order to ensure a smooth flow of transactions and facilitate ease in operation. Administrative support pertains to the aggressiveness of the college/university head in providing motivation and policy direction

in the projects' operation, as well as in the assistance and cooperation of the support offices responsible for accounting, procurement, cashiering, budgeting and auditing. Although the primary accountability rests on the PM, proper coordination with the support personnel insures the attainment of production targets. In order to establish a close relationship between the project staff and administration support personnel, the latter be invited to attend evaluation and planning workshop of the agribusiness program. This will enable them to provide not only constructive suggestions and criticisms but also to develop good rapport between and among those directly and indirectly involved in project operation.

Market assurance. For a production project to be viable, a market outlet of its products be assured. For college/university projects, there are captive buyers among students, faculty and staff members. Guarantee market assurance with the establishment of marketing tie-ups with wholesalers or retailers' groups. Market perishable products such as eggs and vegetables in the shortest possible time especially if no storage facilities are available. For colleges/universities with large student population, marketing may not be a problem. However, when students are on vacation, projects may resort to selling on salary deduction to faculty and staff members. The problem with this strategy lies on the slow turnover of cash, hence, the problem of incurring adequate funds for buying inputs and paying for operational expenditures arise. It is therefore important that the scale of a project is determined considering the size of the market.

Steps in Starting a Project

Just like in establishing an agribusiness program, there are steps to follow in putting up a project. These steps may vary depending on the project, but the major activities are as follows:

1. Survey of resources present in the college university. Preparation of a land use plan may indicate the possible site of the project. This function could be undertaken by the Project Manager and the BOM;
2. Selection of a Project-In-Charge with the required technical expertise, honesty, and commitment. The PM shall conduct a market survey to determine the scale of the project;
3. Formulation of farm plan and budget, including records format and recording system;
4. Selection of project laborers. The qualifications are technical expertise, honesty and dedication to work. The PM selects and recommends the personnel to the College/University President for approval;

5. Sourcing of funds. This activity is important if the project needs support from outside the college/university. Aside from the farm plan and budget, a project proposal or feasibility study may be prepared; and,
6. Implementation of the plan. Specific activities are as follows:
 - a. purchase of stocks, inputs, and materials;
 - b. monitoring and supervision of the daily activities of the laborers;
 - c. report preparation, either monthly, semi-annual or after each production cycle;
 - d. semi-annual and annual evaluation of project performance, including analysis of profitability. A financial statement is prepared by the accounting office, through the concurrence and assistance of DM, PIC and the production office.

CHAPTER III

ORGANIZATION AND MANAGEMENT

This chapter presents the organizational chart and the duties and functions of the personnel involved in the operation and management of IGP's, from the administrators to the project-in-charge and laborers.

Organizational Structure

The structure shows the layers of management. The top management is composed of the College President as IGP Administrator, the BOM chaired by a Chairman, which is the Director for Production and Business Operations of the College. The middle management is comprised of the division managers, while the Project In-Charge and the laborers represent the lower level. The Division Manager is assisted by the staff, analysts and consultants.

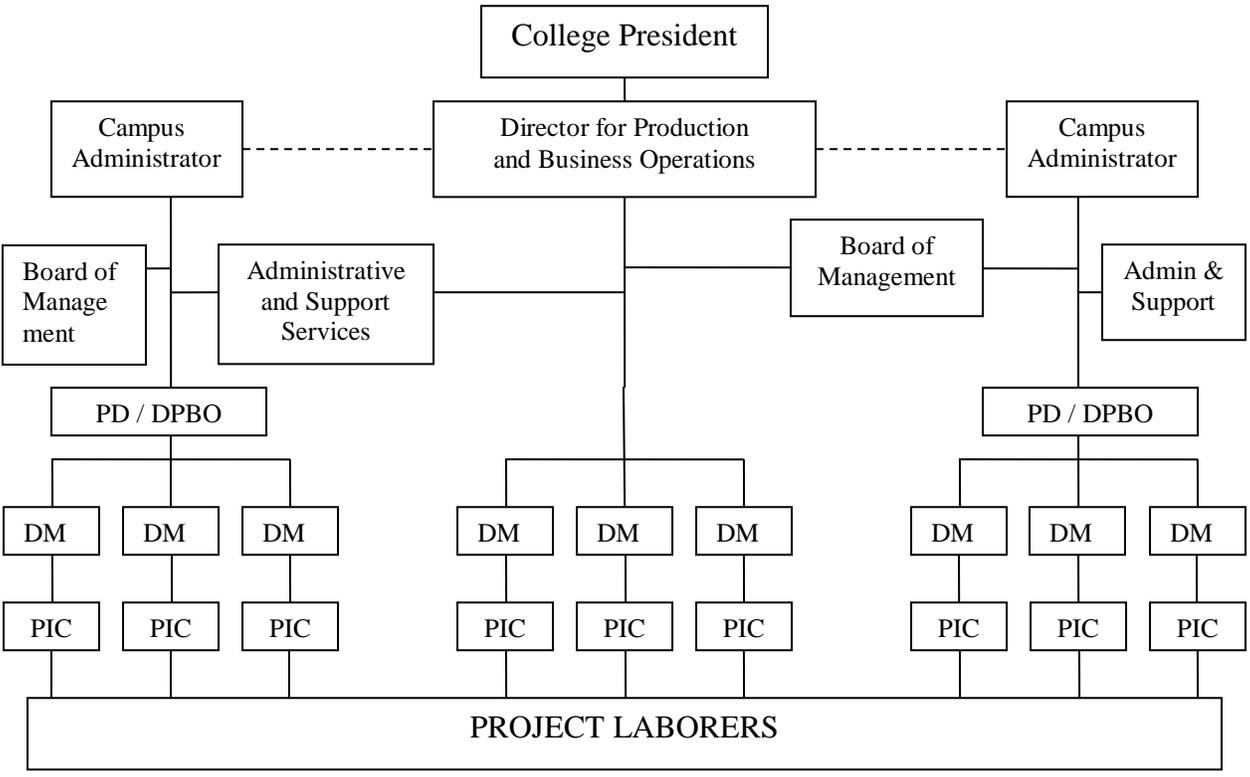


Fig.1. Organization and Management Structure of the IGPs

Duties and Functions of Management and Personnel

College President/Administrator

1. To provide the vision and overall direction of the program;
2. To oversee the overall implementation of policies as approved by the BOR/BOT;

Director for Production and Business Operations (DPBO)

1. To presides over all PBO meetings of personnel on operations and management or any relevant income-generating project (IGP) activity;
2. To assumes direct responsibility on the overall PBO operations/administration and the implementation of policies, programs and guidelines;
3. To formulate income/resource generation policies and rationalize PBO programs of all IGP projects in accordance with the direction set by the College Administration and the advice of the BOM;
4. To initiate/coordinates IGP planning, and organizes manpower, resources and activities of all projects for efficiency in income generation and production;
5. To determine available resources (land, labor and capital) for efficient use of the IGP;
6. To recommends to the College President the appointments/designations of Division Managers, Project-In-Charge (PIC) and other lower level personnel including the dismissal/termination of the same for cause after due process;
7. To establish and recommend for approval by higher authorities a reward system to maintain/boost the morale of IGP personnel; and
8. To perform other functions related to the achievement of the goals and objectives of the DPBO as well as those delegated by the College President.

Board of Management (BOM)

The BOM shall compose of 5-7 members who is designated by the College President representing various disciplines such as administration, fiscal/financial management, agricultural management, agricultural engineering, crops and livestock

production, research and extension. The BOM is headed by a Chairman who is the DPBO.

Duties and Functions of the BOM.

The general duties and functions of the BOM are:

1. To formulate policies and programs approved by appropriate authorities of bodies of the College;
2. To formulate plans, projects, and guidelines/regulations with respect to the proper management and operations of all IGPs
3. To govern, manage, operate and supervise all IGPs of the college to complement and interface instruction, research and extension programs;

Specifically, the BOM performs the following functions:

1. To determine investment priorities in income generating projects and to develop/promote such projects according to acceptable investment criteria;
2. To make the projects available as part of the facilities for instruction, research, extension and training consistent with the policies and programs of the college;
3. To set performance objectives and standards in the management of the IGPs;
4. To formulate rules and procedures that will govern routine activities as guide to decision-making concerning funds, property, and resources in accordance with auditing and accounting procedures;
5. To recommend to the Administrator the appointment, designation of lower level personnel, and dismissal of the same from IGP for cause after due process;
6. To prepare and recommend for approval and implementation an incentive scheme commensurate to the performance of IGP personnel and support staff;
7. To perform other functions related to the attainment of the IGP objectives as well as those delegated by higher college authorities, which deemed important for the advancement of the college programs.

Board Chairman

1. To preside in all meetings of the board;
2. To ensure that the BOM performs its primary task of formulating policies, rules and regulations; and
3. To represent the BOM in all meetings inside and outside of the college.

Board Secretary

1. To take and keep records of all proceedings/minutes of the BOM;
2. To assist in the preparation of the reports and communication of the BOM;
3. To perform other related duties as delegated by the Chair and/or higher authorities.

Director for Production and Business Operations (DPBO)

The DPBO is the chief operating officer. He is responsible to overall activities of the project. His/her specific duties and responsibilities are:

1. To assume direct responsibility to overall farm operations/administration, implementation of policies, programs and guidelines to achieve targets with efficiency;
2. To promote sense of responsibility, commitment, accountability, harmonious camaraderie, cooperation and to establish linkages for the smooth functioning of all projects;
3. To prepare and submit semi-annual and annual reports to the DPBO regarding the operations of the IGPs;
4. To initiate/coordinate farm planning, and organized manpower resources and activities of all IGPs for efficiency in production;
5. To delegate/assign duties, responsibilities, authority and powers to colleagues and subordinates as may be allowed by existing issuances;

6. To conduct meetings with IGP personnel on operations, projects or any subject relevant to the IGP; and
7. To perform other duties delegated by higher authority.

Division Managers

1. Assume direct responsibility for the overall supervision and administration of all project components under his/her domain to achieve established targets with optimum efficiency.
2. Implement specific policies, programs, procedures and serve as the linkage between top-level management and lower managerial personnel.
3. Draw comprehensive project plan and budget of the different projects under his domain and prepare income/resource generation performance reports that maybe needed by the DPBO and other top-level management.
4. Conduct periodic check and review of records and information of the projects within his jurisdiction.
5. Attend BOM meetings and other top-level management meetings as maybe required.
6. Submit regular/progress reports to the DPBO.
7. To perform such other functions as required by the DPBO or the President.

Project-In-Charge (PIC)

The Project-In-Charge is the direct implementor of the IGP policies. He is designated by the DPBO upon recommendation of the PD/OPS. Their specific duties are:

1. To exercise direct supervision of the project;
2. To implement project proposal/business plan;
3. To supervise project laborer/staff;
4. To prepare and submit regular/periodic reports to the BOM;

5. To prepare requisition forms for supplies and materials needed;
6. To record transactions and activities concerning the project; and
7. To perform other related duties as may be required by higher authorities.

Project Analysts

1. To assist the DM in the preparation of project plan and budget;
2. To assist in the preparation, evaluation, and analysis of feasibility studies and/or prospective investments;
3. To evaluate the financial statement of projects and conduct business productivity analysis and submit the same to the BOM; and.
4. Perform other duties related to the above and those assigned by the BOM.

Marketing Analyst

1. To collect and collate market information (prices, supply, demand, competitors, etc.) on products and submit the same to the DPBO and BOM;
2. Act as liaison between DPBO and input dealers and product outlets;
3. Recommend to the BOM/DPBO the most appropriate market outlet of the products;
4. To recommend to the BOM/DPBO policies on how to improve marketing efficiency ; and
5. To perform other functions as requested by the DPBO and/or BOM.

CHAPTER IV

OPERATIONAL GUIDELINES AND PROCEDURES

The operation of any entrepreneurial income- generating program requires setting up of appropriate mechanisms to implement effectively the policy guidelines, complimented by detailed procedures. These entrepreneurial agribusiness programs help substantiate not only Commission on Higher Education (CHED) but also more so for all colleges/universities concern for quality and excellence, relevance and responsiveness, access and quality, efficiency and effectiveness.

Guidelines/Policies on Project Operations

I. Personnel Management

1. Division Manager/Project-In-Charge shall be subject to screening by the BOM to determine their qualifications/expertise in the project where they have applied.
 - a. A DM must be a faculty member with permanent appointment while PIC may be a faculty or non academic staff with contractual or permanent appointment;
 - b. With sufficient experience in managing a project in line with his specialization;
 - c. He/she must show honesty, sincerity, industry, commitment and willingness to work even beyond official time;
 - d. Interested faculty and staff members should submit a Letter of Intent (LOI) to the DPBO who shall present it to the BOM for consideration.
2. The services of the following may be tapped by the BOM:
 - a. Project Analysts (Part time)
 - b. Marketing Analyst (Part time)
 - c. Project Engineers (Part time)
 - d. Project Veterinarian (Part Time)
 - e. Project Crop Protection Specialists (On Call)
 - f. Soil Science Specialist (On Call)
 - g. Weed Science Specialist (On Call)

3. The number of laborers on Special Order (SO) status and other hired personnel working in the IGPs shall be determined by the BOM.

4. Hiring of IGP Personnel

- a. Hiring of office personnel such as clerks, managers, janitors, utility workers, illustrators, security guards, etc. shall be the responsibility of DPBO.
- b. Project/Field personnel (laborers) shall be selected by the PM and submitted to the DPBO and the VP for Administration and Finance (VPAF) who shall recommend the same to the President for approval.
- c. There shall be one (1) buyer for all Income/Resource Generation Projects.
- d. Contractual labor shall also be offered to interested students with the existing hiring rate in the College/University. Student assistants can also be tapped to provide labor to all income generation projects.
- e. The Director for Production and Business Operations shall automatically be the Chairman of the Bidding Committee of Purchases of Inputs and Sales of product of the IGP and shall be involved in the financial management in coordination with the Accountant and Supply Officer of the College.
- f. No PIC shall be assigned to more than one project.
- g. The PIC shall not engage in similar projects in and outside the College, which are private in nature.
- h. The PIC shall maintain laborers and/or utilize student labor that is paid with the existing rate in the College subject to the approval of the DPBO.
- i. Procurement of inputs, supplies and materials and equipment shall be the function of the College Supply Officer or a designated buyer for IGP program. Purchases shall be in accordance with government accounting and auditing rules.
- j. Issuance of inputs in accordance with the approved project plan and budget shall be done after properly accomplishing the Purchase Request form.
- k. Record keeping shall be required of all PIC using the prescribed forms.

- l. A consolidated project report/statement of operation must be submitted to the DM, DPBO and VPAF. For crops, the report is submitted at the end of the cropping period. Reports of all other projects are submitted on monthly basis.
- m. Time of marketing and the choice of outlets shall be pre-determined in the plan.
- n. Custom hiring of machinery and equipment shall be allowed only if these are not available in the College/University. The Director in this regard must approve a request copy furnished the College/University President.
- o. If a project incurs net losses not due to force majeure or other justifiable reasons, the PIC shall be directly answerable by requiring that such losses from the current income be covered first before the overall project ROI for the production year is computed as a basis for giving the incentives to project personnel.
- p. In case of critical project activity where there is labor shortage, pooling of manpower shall be done with the approval of the DPBO. Hiring of contractual labor is also allowed under this situation.
- q. All income generating projects personnel shall be issued an appointment/designation. An academic faculty participating in any income generation activities shall receive a corresponding minimum ETL/CHW based on the following:

| Designation | Max. ETL |
|--|-----------------|
| a. Director for Production and Business Operations | 15 |
| b. Member, BOM | 4 |
| c. Division Manager | 4 |
| d. Project-In-Charge | 6 |
| e. Project Analyst | 3 |
| f. Consultants/Specialists | 3 |
| g. Assistant Project Manager | 3 |

Note: The ETL received by IGP personnel shall not be included in the computation of overload pay, but considered in the estimates of the workload.

III. Product Disposal

1. All products of IGP ready for sale are advertised in bulletin board of all units in the school. Faculty, staff, and students are given the priority to buy the products at discounted prices. Outside buyers are also allowed to purchase products of the IGPs but at commercial rates.
2. A pricing committee composed of the DM, DPBO, VPAF, Supply Officer, faculty and student representatives shall be formed to decide on policies and issues of pricing.

IV. Guidelines on the Marketing of IGP

1. The produce of various projects shall be sold preferably through the college market or store.
2. All college products shall be sold to faculty/staff members and students at discounted price.
3. The marketing analyst shall collect data for appreciation of the various projects. Research funds may be allocated by the IGP Program to support student researches along this line.
4. The marketing analyst shall conduct periodic consultations, sessions with the BOM Chairman, Program Managers and Business IGP Management should react to the Managers regarding the market situation.
5. The pricing of the products shall either be:
 - a. cost of production plus mark-up (e.g. 20-25% mark-up)
 - b. market price less 10%
6. A pricing committee composed of the Project Manager, Program Director/DPBO, Business Manager, Market Analyst and ICU representative maybe formed to decide on policies and issues of pricing.

V. Guidelines on the Use of IGPs for Instruction

I. Rationale

Production and related project are establish and maintain to support

curricular offerings of the College especially the Agricultural courses. Specifically, some projects such as crops, poultry, swine, livestock, and fishery are maintained where the student undertake the actual operation of the projects, (being courses related) and share with the net profit. The IGPs shall be operated in a business-like manner to which theories taught in classrooms shall be demonstrated in practice. Similarly, the project shall be a venue for in-campus internship program. To meet the objectives of agricultural curricula, the courses and the projects, the project shall be a joint undertaking of the Agricultural Courses Faculty, Technical Course Faculty/Adviser with the students as Team approach to Project Management.

2. General Guidelines

- a. Department Heads concerned shall inform in advance the IGP Management as to the number of the student who will undertake actual project operations and when they would actually start the fielding the students.
- b. The projects assigned to the students shall be managed and operated by a Team composed of the composed of the Project Managers, Faculty Advisers teaching the course and the students.
- c. Student shall share with the profit as per approved guidelines/resolutions. Sixty percent (60%) goes to the students, five percent (5%) to the department, ten percent(10%)to the faculty in-charge and twenty five percent (25%) shall be the share of the college.
- d. The IGP management shall advance the production inputs as student loan, to be liquidated at the end of the production period and after the products are sold.
- e. The student shall prepare a statement of Field Practice report, based on their Farm Records, at the of the production period.
- f. The Projects Mangers and the Faculty teaching the course shall prepare guidelines that are more detailed for the students to follow in the project operations/implementation.

3. Specific Guidelines

- a. The students as a group shall prepare a farm plan and budget and a corresponding loan application under the guidance of the faculty teaching the course.

- b. The IGP management shall have the right to review and approve the farm plan and budget, together with the loan application.
- c. The project manager shall prepare the **RIVs** of necessary inputs based on the approved farm plan and budget.
- d. The project manger shall issue to the students the required inputs, as needed. All inputs shall first be deposited in the IGP Bodega.
- e. The student shall maintain the adequate farm records.
- f. The students must perform most of the farm activities except in case where their academic load restrains them.
- g. At the end of the production period, the student under the supervision of the project manager dispose, sell, and market the products.
- h. Upon product disposal, a financial report is prepared reflecting the cost of production (including land rental/irrigation fee, machinery fees), revenue, net profit and the students' shares based on approved implementing guidelines.
- i. Costs of inputs advanced by IGP as student loan shall be liquidated.
- j. The faculty manger likewise prepares a statement of prepares of operation for the project as a whole at the end of the semester.
- k. Arrangement for Field Practice students shall be at the discretion of the Project Manger.
- l. Project area/farm production facilities not actually used by students during the period when the above-mentioned course are not offered shall be managed by IGP personnel and operate the same without impairment to the curriculum's objectives.

VI. Guidelines on the Use of IGPs for Research

Research is a basic and vital function of any college/university. Hence, the management of income generating projects shall in no way constrain the conduct of research but rather support, complement and supplement research so that it can be conducted effectively and efficiently without considerably affecting projects' operations and production.

The two categories of research are that of the Faculty and the Students' (thesis) researches.

The foregoing provisions shall serve as guidelines for the conduct of such researches.

1. On Research Proposals

- a. Proponents of approved research proposals/thesis outlines that will utilize any portion/segment of the projects shall provide a copy to BOM Chairman with corresponding communication requesting for allocation of the needed space, area/facilities of the project.
- b. The BOM Chairman or his authorized representative in consultation with the proponent/researcher, project-in-charge, and faculty adviser shall allocate the needed space, area/facilities of the project under consideration.

2. On Funding/Financing

- a. Student researchers seeking IGP support shall submit a proposal duly endorsed by the adviser for consideration and action of the IGP Management.
- b. Utilization of any IGP facilities (work animal, machinery, etc.) shall be made available for the conduct of research. Rentals shall be paid at prevailing rates.
- c. Student researcher(s) using project supplies and inputs upon proper arrangement with the project-in-charge and adviser shall reimburse the cost upon disposal/sale of the produce incidental to the research undertaking.

3. On Reporting

- a. The researchers shall keep records of supplies/inputs utilization under the supervision of the adviser and/or project-in-charge.
- b. Upon the completion of the research, a financial statement of operation shall be made duly approved by the project-in-charge/adviser copy furnished the IGP Office.
- c. Research manuscript shall copy furnished the IGP office.

4. Disposal/Sale of Research Production

- a. Net profit from the sale of output incidental to the student research shall be shared by both the Research Unit (25%) and the IGP Office (75%) accruing to Fund 161.
- b. Output of produce of student research shall be disposed/marketed and sold by the student, Project-In-Charge and adviser based on IGP guidelines.
- c. Out of the sales, the rentals cost of supplies, inputs, stocks advanced by the IGP Management through the Project-In-Charge shall be reimbursed/paid to the account of the Project under consideration.

V. Guidelines on Allocation of Net Profit of IGPs

I. Rationale

Among the objective of restructuring and redirecting the Income Generating Projects (IGPs) via the IGPs is equalization, to the extent possible of giving opportunities to staff and faculty alike who can contribute to the college productivity/ entrepreneurial capabilities. The management and labor force shall consciously plan implement cost-saving and efficiency-improving measures in the project to improve its performance particularly if they have direct bearing on the amount of benefits that can be derived from the project.

What is envisioned then is to share benefits to all faculty and staff, support personnel/offices directly or indirectly contributing to the productivity and/or efficiency of all IGPs. To effect this scheme, all beneficiaries of the net income of these projects shall only share certain percentages as stipulated in the provisions of this scheme.

2. Coverage

All projects under Income Generating Projects (IGPs) shall be included in this profit allocation scheme.

3. Guidelines

Incentives shall only be given if the Return on Investment (ROI) is fifteen percent (15%) or higher during a production year (12 months) for all projects under the IGPs and at least 10% ROI for the whole program.

4. The Allocation of net profit shall be as follows:

- a. Twenty-five percent (25%) shall be allotted as school share. This can be used by the Institution to augment its resources to support its program in instruction, research, extension, and other worthwhile activities in the institution.
- b. Twenty percent (20%) shall be for capital build-up. This amount is intended as a source of additional project capital in case there is a need to expand its operation.
- c. Twenty percent (20%) as incentives for Project-In-Charge and project workers. If possible, ten percent (10%) shall go to the PIC and the project workers shall share the remaining ten percent (10%) equally.
- d. Five percent (5%) as share to the DPBO.
- e. Seven percent (7%) shall be shared. The remaining members of the Board of Management (BOM) excluding the DPBO shall share seven percent (7%) equally.
- f. Fifteen percent (15%) as incentive to the facilitative committee. The sharing of this incentive shall be proportionate to the committee members' involvement as approved by the BOM.
- g. Eight percent (8%) shall go to the Head of the Institution and other support staff, the sharing of which shall be determined by the SUC President.
- h. The giving of incentives, except for the Project-In-Charge and workers, is based on the consolidated net income as shown in the following illustrative examples:

Assumption 1: All projects are profiting

Assumption 2: One project is losing while others are profiting

Illustrative Examples:

Assumption 1. All projects are profiting

| Particulars | Proj. 1 | Proj. 2 | Proj. 3 | Proj. 4 | Total |
|--------------------------------|----------|-----------|----------|----------|-----------|
| Net Profit | 5,000.00 | 10,000.00 | 8,000.00 | 2,000.00 | 25,000.00 |
| Share of PIC and workers (20%) | 1,000.00 | 2,000.00 | 1,600.00 | 400.00 | 5,000.00 |
| Balance (80%) | 4,000.00 | 8,000.00 | 6,400.00 | 1,600.00 | 20,000.00 |

School Share - - - 25% of 25,000 = 6,250.00
 Capital build-up – 20% of 25,000 = 5,000.00
 DPBO - - - - - 5% of 25,000 = 1,250.00
 Board of Management 7% of 25,000 = 1,750.00
 Facilitative Staff 15% of 25,000 = 3,750.00
 Head of Agency and
 Support Staff - 8% of 25,000 = 2,000.00
20,000.00

Assumption 2. One project is losing while others are profiting

| Particulars | Proj. 1 | Proj. 2 | Proj. 3 | Proj. 4 | Total |
|--------------------------------|----------|-----------|----------|---------|-----------|
| Net Profit | 5,000.00 | 10,000.00 | 8,000.00 | (2,000) | 23,000.00 |
| Share of PIC and workers (20%) | 1,000.00 | 2,000.00 | 1,600.00 | - - | 4,600.00 |
| Balance (80%) | 4,000.00 | 8,000.00 | 6,400.00 | (2,000) | 18,400.00 |

School Share - - - $25/80 \times 18,400 = 5,750.00$
 Capital build-up – $20/80 \times 18,400 = 4,600.00$
 DPBO - - - - - $5/80 \times 18,400 = 1,150.00$
 Board of Management $7/80 \times 18,400 = 1,610.00$
 Facilitative Staff $15/80 \times 18,400 = 3,450.00$
 Head of Agency and
 Support Staff - 8% of 23,000 = 1,840.00
18,400.00

5. **Year-end bonus and cash gift** as mandated by the national government shall be given to all qualified IGP personnel subject to availability of fund. Funding of these benefits shall come from the **IGP employees benefit fund** the amount of which shall be determined by the IGP BOM to be recommended to the College President.
6. The incentive and/or distribution of the incentives to all units of the production system maybe revised anytime it is deemed necessary subject to the approval of the President upon recommendation of the Board Management. Incentives shall only be given if the ROI is 10% higher.

CHAPTER V

RECORDS AND RECORDING SYSTEM

Records are necessary in monitoring and evaluating project's performance, and serve as basis in making decisions, formulating policies and calculating incentives.

In proper management, three persons/offices should keep same as set of records- project manager, chairman of the BOM, and accounting office. Monthly reconciliation of income and expense records are encourage to minimize problems of wrong entries at the end of the production cycle.

Keeping of Records

The following specific records are kept by members of the BOM as follows:

Chairman/DPBS/DM

1. Journal of analysis of obligation (JAO). This is reconciled with the accounting office annually
2. Status reports of projects
3. Semi-annual and annual reports
4. Copy of labor contract and lease contract
5. Copy of RIV, PO, Abstract of Canvas, ROA, Vouchers
6. Copy of appointment of SO and casual employees
7. Financial analysis report of the project analysts and accounting office
8. Cash advance ledger of the BOM chairman
9. Designation of Project Manager

PIC/DM

1. Farm Plan and Budget
2. Warehouse receipt of weight ship (for crop projects)
3. Delivery receipts of product brought to market outlets
4. Sales invoice
5. Status of report project
6. Semi-annual and annual reports
7. Income statement prepared by project manager, accounting manager, Accounting office and project analysts
8. Financial analysis report of the project analysts

Accountant

1. Journal and analysis of obligation (JAO)
2. General ledger
3. Subsidiary ledger
4. Checks paid
5. Trial balance
6. Income statement of each project

Other record and reports are also kept at various offices as follows:

Cashier's office

1. Cash book
2. Bank book
3. Report of check issued and cash disbursements
4. Monthly accountability report
5. Daily collection report
6. Report daily deposits

Business Manager's office

1. Sales invoice
2. Collection list (for purchases by salary deduction)
3. Statement of accounts (tolling fee, rentals, electricity and water)
4. Subsidiary ledger by project

Procurement Office

1. Bidding forms
2. Advertisement for bidding
3. Invitation to bid
4. Abstract of bids
5. Purchase orders

Property Office

1. Inventory of stored inputs
2. List of equipment/machineries

Farm Machinery Office

1. Charges on land preparation and hauling of produce
2. List of machineries

Personnel Office

1. Appointment of casual employees
2. Vacation and sick leave of casual employees
3. Copies of labor contract

Process Flow of Papers

This section of the manual shows the various activities of IGP operations and the responsible office in the preparation and the approval of the papers.

| Activity | Responsible office/Signatory |
|--|---|
| I. Procurement and Delivery System | |
| a. Preparation of farm plan and budget | PIC/DM |
| b. Consolidation of inputs requirement (Procurement program) | DM/DPBO Procurement section |
| c. Certification of fund availability | Accounting section |
| d. Procurement inputs | Procurement section (IGP buyer), or Bids And Awards Committee (if through bidding) |
| e. Delivery/Acceptance of inputs | Property section, BOM rep., Project Manager, Internal Control Unit (ICU) Officer and Supplier |
| 2. Issuance of supplies | |
| a. Preparation of RIV | PIC |
| b. Approval of RIV | PD/DPBO |
| c. Issuance of supplies | Property Custodian |
| d. Receiving officer | PIC |

- | | |
|---|----------------------------------|
| 3. Salaries and Wages | |
| a. Preparation of payroll | IGP Office |
| b. Certification and daily time record | DM/PIC |
| c. Recommending approval | DPBO |
| d. Certification of Fund availability | Accountant |
| e. Recommending Approval | DPBO |
| f. Certification of fund availability | Accountant |
| g. Approval | College President |
| | |
| 4. Payment of Contractual Services | |
| a. Certification of job completed | PIC |
| b. Acceptance | DM |
| c. Request for inspection | DM |
| d. Inspection | DPBO/ICU Office |
| e. Preparation of voucher | IGP Office |
| | |
| 5. Product Disposal | |
| | |
| For large Animals | |
| a. Request to dispose animal | PIC |
| - Certification on the health of the animals to be disposed | College Veterinarian |
| - Recommending approval | DM/DPBO |
| - Approval | College President President |
| b. Request for Inspection | PIC |
| c. Inspection/Verification of sales | Auditor or his Representative |
| d. Payment at the cashier's office | Buyer |
| e. Recording of sale invoice | PIC/DM |
| f. Issuance of official receipt | Cashier |

For Poultry/Fishery/Crop Products

Outlet: College/University Marketing Center

- | | |
|--|--------------------------|
| a. Securing and accomplishment of delivery center | PIC |
| b. Delivery of products to the center | PIC |
| c. Remittance of sales to cashier's office | Marketing Center's Staff |
| d. Weekly report of sale (copy furnished the Project Manager and IGP Director) | Marketing Center's Staff |

Outlet: At project site

- | | |
|---|---------|
| a. Securing of sales invoice from the Cashier's Office | PIC |
| b. Collection of payment and issuance of sales invoice | PIC |
| c. Remittance of sales to the cashier's office | PIC |
| d. Issuance of Official receipt | Cashier |
| e. Weekly report of sales (copy furnished IGP Director) | PIC |

Control System and Procedures

Control mechanisms have to be instituted to ensure success of IGPs.

For **Crop Projects**, the guidelines are as follows:

- I. Project-In-Charge prepares farm plan and budget for the cropping season. No inputs will be purchased without an approved farm plan and budget.

2. Inputs needed for the day are withdrawn by the Project-In-Charge through a request for issuance of supplies (RIS), upon signing the warehouse logbook. The inputs withdrawn are based on the farm plan and budget.
3. The Project-In-Charge monitors input application in the field, then returns empty fertilizers sacks and bottles to the warehouse.
4. Threshing is allowed only at daytime with the presence of a DM/DPBO or his representative. Threshing at night and holidays may be allowed with the approval of the DM/DPBO.
5. Hauling of the products from the field to the warehouse should be escorted by a security guard.
6. The number of bags threshed palay should tally with the volume received by the warehouseman
7. The ICU officer conduct inventory of stocks preferably every quarter.
8. Gate pass is issued for palay and inputs taken out from the college premises.
9. Purchase of inputs (fertilizers, pesticides) and selling of palay are done through canvass or bidding. Inputs shall be purchased before the start of production operation.
10. Marketing of the produce (vegetable, mangoes) is done at the college marketing center, or at project site with the corresponding sales invoice.

For **Poultry and Livestock Projects**, the control guidelines are as follows:

1. Project-In-Charge prepare farm plan and budget for each production cycle.
2. Monthly reporting of inventory of stocks.
3. Monthly reconciliation of data on income and expense by the project-In-Charge with the accounting office.
4. Presence of auditor's representative when selling large animals.
5. Marketing of produce at the project site is permitted but with corresponding sales invoice.
6. Daily remittance of collections to the cashier's office.
7. Preparation of monthly statement of sales and expenses.

For **Fishery projects**, the guidelines are as follows:

1. Project-In-Charge prepares a farm plan and budget for each production cycle.
2. Presence of security guard during harvesting.
3. Monthly reporting of sales and expenses.
4. Daily remittance of collection to the cashier's office.

At the **college level**, the monitoring and evaluation system are done following these guidelines:

1. Submission of report by the Project Manager and Project Director.

| Type of report | Frequency | Prepared by | Submitted to |
|-----------------------|------------------|--------------------|-----------------------------|
| Project status | Monthly | PIC | DM,DPBO, Accounting |
| Income Statement | Monthly | PIC | DM,DPBO |
| End of prod. Cycle | | PIC | DM,DPBO Project Analysts |
| Semi-annual report | twice a year | DM, DPBO | President, Auditor |
| Annual Report | Once a year | DM, DPBO | President, Auditor |

2. Regular visitation of the Program Director to different projects /offices
3. Conduct of performance evaluation after each production cycle (done outside college).
4. Conduct of project analysis by selecting faculty members to be presented during the performance review.
5. Conduct of regular (monthly) meeting of the project-in-charge by the DPBO and the President.

6. Spot checking of the resident auditor, the College President and/or Director/BOM Chairman.

Record Forms and Formats

The record forms presented are classified by type of project. The importance and use of each record are also indicated. The manual presents only the basic records needed for project operation. Other records may be formulated based on the particular requirement of a project.

A. For all types of projects

1. **Farm Plan and Budget** - It shows the overall activities, dates and corresponding amount of money required for one production cycle. This is the basis for the purchases of inputs and the timeliness of the activities. This record is needed for monitoring the progress of the project (IGP Form 1)
2. **Daily Transaction Record** - serves as logbook of daily transaction in the project and as basis in the presentation of sales and expenses records (IGP Form 2).
3. **Remittance Slip** - It used when a project manager remit his collection for the day. The total amount is part of the sales of the project (IGP Form 3).
4. **Gate pass of product released** - It shows the name of the buyer; quantify of the product and the official receipt number. This record is needed to monitor products coming out of the campus , and deter the possible incidence of pilferages (IGP Form 4).
5. **Cash Sale Record** - show the amount of cash sales including the name of buyer and items purchased (IGP Form 5).
6. **Accounts Receivables Records** - show the amount of credit sale, name of the buyer and item purchased (IGP Form 6).

B. For the Crop Project

1. **Production Record** - present the gross yield and net yield in wet basis. It can be used to calculate yield per hectare. It is field up at the end of each cropping season (IGP Form 7).

2. **Expense record** - identify the quantity and cost of the inputs and the expense for the contract labor. This record is filled up within the cropping season and should be consistent with the expense items listed in the farm plan and budget. It can be used for all types of projects (IGP Form 8).
3. **Inventory inputs** - indicate the amount and value of inputs left after one production cycle. It is done at the end of the cropping season (IGP Form 9).
4. **Weight slip** - shows the number of bags and weight of the palay. This is given by the warehouseman to the project manager as the produce enters the warehouse, and after drying the palay (IGP Form 10).

C. For Animals/Fishery Projects

1. **Feed Consumption and Weight record** - show the population, mortality and feeds consumed. It allows the computation of feed conversion ratio (IGP Form 11).
2. **Flock Production Record** - presents the population, mortality and feeds consumed. It allows the computation of feed conversion ratio for layers. It also show the depletion of layers, either culled or dead (IGP Form 12).
3. **Egg Production and Disposal Record** - indicate the egg production by size and the amount of egg sold (IGP Form 13)
4. **Health Care and Management** - shows the activities undertaken in a day. It can be used for animal and fishery projects (IGP Form 14).
5. **Feed Consumption Record** - present the amount, type and cost of feeds. This format is appropriate for hog fattening, goats and fish projects (IGP Form 15).
6. **Monthly Inventory Record** - shows the beginning and ending inventory for each class of animals and the value, number added and disposed (IGP Form 16).
7. **Breeding Record** - monitors the date of breeding for each female and male animal, the expected and actual date of birth, and litter size (IGP Form 17).

IGP Form 2

Project _____

DAILY TRANSACTION RECORD

| Date | Activity/Transaction | Amount | | Remarks |
|------|----------------------|--------|--------|---------|
| | | Cash | Credit | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Recorded by:

Project-In-Charge

IGP Form 3

REMITTANCE SLIP

Name of Project _____ Date Remitted: _____
 Covered by Sales Invoice Nos. _____ Code No.: _____
 Fund: _____
 Total Amount: _____

| | Denomination | Number | Amount |
|-------------|--------------|--------|--------|
| Remittances | P1,000 | _____ | _____ |
| | 500 | _____ | _____ |
| | 100 | _____ | _____ |
| Cash..... | 50 | _____ | _____ |
| Check | 20 | _____ | _____ |
| Coins | | _____ | _____ |
| TOTAL | P 10 | _____ | _____ |

Remitted by:

 Project-In-Charge

Remittance acknowledgement by:
 O.R. No.: _____
 Date: _____
 Amount: _____

IGP Form 4

GATES PASS PRODUCT RELEASED

_____ Project

| Name of Recipient | Qty/Unit | Item Product | OR/PR No. | Date |
|-------------------|----------|--------------|-----------|------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

OR – Official Receipt
PR – Purchase Receipt

Released by:

_____ Name

_____ Date

Project

CASH SALES RECORD

| Date | Buyer | Item | Cash SALES Invoice | Amount |
|------|-------|------|--------------------|--------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Prepared and Submitted by:

Project-In-Charge

IGP Form 6

Project

ACCOUNTS RECEIVABLE RECORD

| Date | Buyer | Item | Credit Invoice No. | Amount |
|------|-------|------|--------------------|--------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Prepared and Submitted by:

Project-In-Charge

IGP Form 12

Poultry Project: Layer
FLOCK PROJECT RECORD

Strain _____ Date of Arrival _____
Source _____ Code: LM- 11200 _____

FOR THE MONTH OF: _____ YEAR _____

| Date | Population | Egg Production (pieces) | % Egg Production | Feed (kg) | FRC | Layer Depletion | | Remarks |
|------|------------|-------------------------|------------------|-----------|-----|-----------------|------|---------|
| | | | | | | Culled | Dead | |
| 1 | | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | | | | | | | | |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| . | | | | | | | | |
| . | | | | | | | | |
| 28 | | | | | | | | |
| 29 | | | | | | | | |
| 30 | | | | | | | | |
| 31 | | | | | | | | |

Recorded by:

Project-In-Charge

FRC – Feed Conversion Ratio

$$FRC = \frac{\text{Total Feeds}}{\text{Dozen eggs produced}}$$

$$\% \text{ Egg Production} = \frac{\text{Egg Produced}}{\text{Population}} \times 100$$

Layer purchased in May 11, 2000

IGP Form 13

POULTRY PROJECT: LAYER
EGG PRODUCTION AND DISPOSAL RECORD

MONTH: _____ YEAR: _____

| Date | Production | Disposal | Balance | Value |
|---------|------------|----------|---------|-------|
| July 1 | S | S | S | |
| | M | M | M | |
| | L | L | L | |
| | B/C | B/C | B/C | |
| | Total | Total | Total | P |
| July 2 | S | S | S | |
| | M | M | M | |
| | L | L | L | |
| | B/C | B/C | B/C | |
| | Total | Total | Total | P |
| . | | | | |
| . | | | | |
| . | | | | |
| July 31 | | | | |

S – small L – large
M – medium B/C – Broken/Cracked

Recorded by:

Project-In-Charge

IGP Form 14

 (Animal/Fishery Project)

HEALTH CARE AND MANAGEMENT

Month: _____ Year: _____

| Day | Date | Health Care/Management Activity | Remarks |
|-----|------|---------------------------------|---------|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |
| . | | | |
| . | | | |
| . | | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |
| 31 | | | |

Recorded by:

 Project-In-Charge

IGP Form 15

(Animal Project)
FEED CONSUMPTION RECORD

Date started _____ Number of animal/fish _____ Breed/Species _____
Month: _____ Year: _____

| Day | Daily Feed (kg) | | Kind of Feed | Price/kg | Amount | Cum.amt. | Remarks |
|-----|-----------------|----|--------------|----------|--------|----------|---------|
| | AM | PM | | | | | |
| 1 | | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
| 5 | | | | | | | |
| 6 | | | | | | | |
| 7 | | | | | | | |
| 8 | | | | | | | |
| 9 | | | | | | | |
| 10 | | | | | | | |
| . | | | | | | | |
| . | | | | | | | |
| . | | | | | | | |
| 28 | | | | | | | |
| 29 | | | | | | | |
| 30 | | | | | | | |
| 31 | | | | | | | |

(Note: For swine, small ruminants and fishery project)

Recorded by:

Project-In-Charge

IGP Form 17

 (Animal Project)

Production Cycle: _____

BREEDING RECORD

| Ewe/Sow No. | Date of Breeding | Buck/Boar No. | Expected Date of Lambing/Parutration | Actual Date of Delivery | Litter Size | Remarks |
|-------------|------------------|---------------|--------------------------------------|-------------------------|-------------|---------|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |

(Note: Can be used for swine and other livestock but with different terminologies for the type of animals).

Recorded by:

 Project-In-Charge

CHAPTER VI

FINANCIAL MANAGEMENT

This chapter presents the financial management guidelines, the three financial statements commonly prepared and used to determine the profitability and viability of a project, and some ratios to analyze the results of IGP operations.

Financial Management Guidelines

1. Initial capitalization is taken from General Fund (Fund 101).
2. Income-generated by the projects are deposited under Revolving Fund (Fund 161).
3. Each project has its own account code at the accounting office.
4. Funds for a particular project cannot be used by another project unless allowed by the Project-In-Charge and the Director for Production and Business Operations. The borrowed funds are paid back to the particular project.
5. Cash accounting is being followed in the preparation of income statement.
6. The official income statement is prepared by the accounting office every end of the production cycle as basis for giving incentives. Incentives are given at the end of one production year.
7. Two analyses are being done by the project analysts – financial (cash accounting) and economic (accrued method). The economic analysis is prepared for management's decision making while the financial analysis is used as basis for giving incentives.
8. Technical and financial ratios are calculated such as yield per hectare, cost per dozen eggs, break-even yield, break-even price, return on investment, etc.
9. Net profit are allocated for the incentives (40%) and support to Administration (60%).
10. Disbursement of project funds are controlled by the Director for Production and Business Operations and Accountant. The accountant is a member of the Board of Management.

Sources of Fund

A. Internal Sources

1. Initial budget for IGPs comes from Fund 101 under Maintenance and Other Operating Expenses (stated in NBC Circular No. 331).
2. A project can also borrow from income generated from agricultural operations (Fund 161), manufacturing activities (Fund 162), Auxiliary services (Fund 163), and income from tuition fees , etc. (fund 164).

B. External Sources

1. Loans from financial institutions, such as banks
2. Grants from businessmen and politicians
3. Joint ventures agreements
4. Built-Operate-Transfer arrangements

Financial Statements

The end product of the financial accounting process is a set of reports which are called financial statements. The three financial statements which have to be prepared by the Project-In-Charge and Accountant every end of the period for submission to the Director for Production and Business Operations are the following: (a) income statement; (b) cash flow statement and (c) balance sheet. However, in the present government accounting system, only the income statement is being prepared among the three financial statements.

A. Income Statement

The income statement shows the results of operation of a project for a certain period of time, usually a month (for fast moving projects, i.e. with daily sales, such as: poultry, fishpond and swine), or a production cycle (for projects like rice). It shows whether a net income is earned or a net loss is incurred by the project during the period.

An income statement showing the revenues and expenses has the following format:

Name of Project
INCOME STATEMENT

For the period covering _____

| | |
|-------------------------------------|----------------|
| REVENUES | |
| Sales of _____ | P _____ |
| _____ | _____ |
| _____ | _____ |
| TOTAL REVENUES (A) | P _____ |
| Less: OPERATING EXPENSES | |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| TOTAL OPERATING EXPENSES (B) | _____ |
| NET INCOME/LOSS (A-B) | P _____ |

1. **Revenues.** These are the income which accrue to the project. These consist mainly of sales of product or output from the different projects. The different sources of revenues for each type of project are shown in the following table.

| Type of Project | Sources of Revenues |
|--------------------|--|
| 1. Crops (Rice) | Sales of milled rice and palay seeds |
| 2. Broiler/Poultry | Sale of broilers, manure and empty feed bags Sale of eggs, cull, manure and empty feed bags |
| 3. Swine | Sale of weanlings, fattener, culled sow/boar and breeder gilt/boar |
| 4. Goat | Sale of stocks and milk |
| 5. Beef Cattle | Sale of fattened culled cows and yearlings (slaughtered) |
| 6. Tilapia | Sale of tilapia; sale of fingerlings |

2. **Expenses.** These are mainly expenditures for production inputs, labor costs and other items needed for the operation of the project. The different expenses incurred in the operation of the different projects are enumerated in the following table.

| Type of Project | Expenses Incurred |
|--------------------|--|
| 1. Crops | Inputs like seeds, fertilizers, chemicals, hired labor, machinery/fuel & oil, irrigation fees, harvesting and threshing fees. |
| 2. Broiler/Poultry | Stocks, feeds, veterinary supplies and services and labor)For contract growing, only labor services and additional vet. supplies) |
| 3. Swine | Stocks, feeds, veterinary supplies and services, labor |
| 4. Goat | Stocks, concentrate feeds, buck service, veterinary supplies and services |
| 5. Beef Cattle | Stocks, feeds, veterinary supplies and services and labor |
| 6. Tilapia | Fingerlings, chicken manure, inorganic fertilizer, herbicide, fuel/oil, irrigation fee and transport |

3. **Net Income/Loss.** A net income is realized if the total revenues generated during a certain production period is greater than the total expenses incurred in the same period in generating those revenues. However, if the total expenses are greater than the total revenues, a net loss is incurred.

B. Cash Flow Statement

Aside from determining the profitability of a project by preparing the income statement and computing its net income during the period, the adequacy and timeliness of the project's cash flows to attain its profit objective should also be considered and determined through the cash flow statement. Only then can we say that the project is financially feasible.

The cash flow statement highlights the amount of cash generated (cash inflow) by the project's operations as well as cash expenditures (cash outflow) incurred during a certain production period.

Name of Project
CASH FLOW STATEMENT
 For the period covering _____

| CASH INFLOWS | | P |
|--------------------------------|--|-------|
| _____ | | _____ |
| _____ | | _____ |
| _____ | | _____ |
| TOTAL CASH INFLOWS | | _____ |
| Less: CASH OUTFLOWS | | |
| _____ | | _____ |
| _____ | | _____ |
| _____ | | _____ |
| _____ | | _____ |
| TOTAL CASH OUTFLOWS | | _____ |
| Equals: NET CASH FLOW | | _____ |
| Add: CASH BALANCE, BEGINNING | | _____ |
| Equals: CASH BALANCE, ENDING P | | _____ |

1. Cash Inflows

The sales revenues generated by the project from the sale of its products in the form of cash are considered the cash inflows during the production period. All cash sales are remitted to the Cashier's Office.

2. Cash Outflows

All the expenses incurred during the period wherein cash flowed out of the project are considered the cash outflows. These consist of cash payments made for the purchase of the different farm inputs like fertilizers, seeds, veterinary supplies, etc. and cash payments for the hired labor.

3. Net Cash Inflows

It is the difference between cash inflows and cash outflows.

C. Balance Sheet

A balance sheet shows the financial status of a project as of a specific date. It is usually prepared at the end of any given production period. It shows the different assets owned by the project, whether it be its own equity or loaned from financial institutions.

The total value of assets should be equal to the sum of total liabilities and the total project's equity. Included in the total project's equity are the retained earnings realized by the project in its previous operations.

1. Assets

An asset is anything that a project owns like cash, receivables, inventory of stocks, feeds and supplies, tools, equipment and building.

2. Liabilities

A liability is a financial obligation or a debt owed by a project from financial institutions. Usually, a project resorts to borrowing if it has no available cash to purchase the things/supplies it needs.

3. Project's Equity

The project's equity refers to all things owned and acquired by the project out of its retained earnings during the period. Retained earnings refer to the net income/profit that has accumulated during the previous periods of project operation.

Name of Project
BALANCE SHEETS
As of _____

| ASSETS | Amount (P) | LIABILITIES | Amount (P) |
|---------------|-------------------|--|-------------------|
| | | | |
| | | | |
| | | Add: PROJECT'S EQUITY | |
| | | | |
| | | | |
| Total Assets | | Total Liabilities and Project's Equity | |

Profitability Analysis

To evaluate/analyze the project's profitability/ viability, some ratios can be considered. These are as follows:

$$\text{A. Return on Working Capital} = \frac{\text{Net Income}}{\text{Operating Expenses}}$$

It is the ratio of net income over project's working capital (equivalent to the total operating expenses incurred in generating the total revenues of the project) during the production period.

B. Net Income = Total Revenues – Total Operating Expenses

The profitability of a project, regardless of its size, can be determined by considering its net income on a per unit basis, as indicated below:

| Type of Project | Profitability Index (P) |
|-----------------------|-----------------------------|
| Crops | Net income per hectare |
| Poultry and Livestock | Net income per bird |
| | per sow |
| | per cattle |
| | per goat |
| Other projects | Net income per sack of feed |
| | per kg of meat proc. |
| | per kg of tilapia |

C. Net Profit Margin = $\frac{\text{Net Income}}{\text{Total Revenues}}$

This ratio tells us how much net profit margin the project will realize for every peso sale.

D. Return on Investment (ROI) = $\frac{\text{Net Income}}{\text{Total Asset or Capital Investment}}$

This ratio shows the amount of net earnings per peso invested in the project. It is a more realistic estimate of the project's earning power during the production period since all resources/assets are considered in the profitability analysis.

It can be noted that incentives are only given to the college/university/project personnel if the project's ROI is 15% or higher.

E. Return on Equity (ROE) = $\frac{\text{Net Income}}{\text{Total Project's Equity}}$

This ratio shows the earning rate of the project's equity. The project is profitable if ROE is greater than the opportunity cost of capital.

F. Return to Labor = $\frac{\text{Total Rev.} - \text{All Costs Other Than Labor}}{\text{Total Labor Cost}}$

This ratio shows net earnings realized per peso labor cost incurred in the project.

G. Labor Sales Ratio = $\frac{\text{Labor Cost}}{\text{Sales}}$

This ratio shows how much is spent on labor per peso sales revenue generated by the project.

H. Labor-Sales Generation Efficiency = $\frac{\text{Sales}}{\text{Labor Cost}}$

This ratio shows the amount of sales revenues generated per peso labor cost incurred in the project.

I. Labor-Income Generation Efficiency = $\frac{\text{Net Income}}{\text{Labor Cost}}$

This ratio shows the amount of net income realized per peso labor cost incurred in the project.

Breakeven Analysis

The minimum level of production and sales volume that must be maintained by the project to at least breakeven should be known by the Project-In-Charge. The cost structure of the project can also be considered in setting the selling price and the desired profit in a given production period. *To breakeven* means that the project will neither earn a net income/profit nor incur a loss in its operation.

Following is the breakeven model that can be used in determining the desired selling price and production/sales volume that would help achieve the project's objectives.

A. Breakeven Price (BEP) = $\frac{\text{Total Operating Expenses}}{\text{Total Quantity Produced}}$

This will give us the minimum selling price that we can offer to at least breakeven. It means that a net income/profit will be realized if we sell our product above this price, while a net loss will be incurred, if sold below this price.

B. Breakeven Volume (BEV) = $\frac{\text{Total Operating Expenses}}{\text{Proposed Selling Price}}$

This will help us determine the minimum production level that should be produced and sold by the project to at least breakeven. It means that production above this level will help the project realize a net income. However, if production is below this level, a net loss will be incurred.

If the project would like to attain its target net income/profit in a given production period, the following formulas will help guide the Project Manager.

C. BEP to Attain Target Net Income

$$= \frac{\text{Total Operating Expenses} + \text{Target Net Income}}{\text{Total Quantity Produced}}$$

This will guide us on the product price that we can offer to attain our target net income in a given production period.

D. BEV to Attain Target Net Income

$$= \frac{\text{Total Operating Expenses} + \text{Target Net Income}}{\text{Proposed Selling Price}}$$

This will guide us on how much to produce and sell to attain our target net income in a given production period.

APPENDIX A**NATIONAL BUDGET CIRCULAR NO. 331
November 27, 1980**

To: The Minister/Regional Director, Ministry of Education and Culture, Heads, Budget Officers, Chief Accountant/Bookkeepers of State Universities and Colleges, National Agriculture/Fishery and Other Schools Concerned and all other Concerned.

Subject: **REVOLVING FUND FOR SCHOOL AGRICULTURAL OPERATIONS**

1.0 Purposes

- 1.1 To implement LOI No. 872 on the participation of government schools in food production program;
- 1.2 To prescribe rules and procedures concerning the creation of a school revolving fund out of income realized from agricultural projects embraced under the food production program.

2.0 Coverage

- 2.1 All state universities and colleges with agricultural development possibilities;
- 2.2 All national agricultural/fishery schools; and
- 2.3 Other national schools with food production activities.

3.0 Implementing Details**3.1 Food Production Plan**

- 3.1.1 A food production plan shall be prepared by interested schools, including a general description of the project, its location, the land development plan (if necessary), development costs, expected output, timetable and other pertinent details. The same should be accompanied by a work and financial plan and submitted to the Ministry of the Budget thru the regional director and the Office of the Minister, Ministry of Education and Culture.
- 3.1.2 Particular emphasis shall be given to protein sources and legumes, cassava, seguidilla, mongo, soya bean and where suitable fruit trees, fish, cattle, hogs, poultry, goats, and other food sources.

3.2 Income

- 3.2.1 The food production effort shall be considered as a propriety activity of participating schools which shall be authorized to sell their products at commercial rates.

- 3.2.2 Income of state universities and colleges shall accrue to a revolving fund to be accounted for in a separate set of books of account under a special account in the general fund using fund code 161. Income of national agricultural/fishery schools shall accrue to a revolving fund to be accounted in the general fund books (101).
- 3.2.3 Income representing the share of teachers and students in the propriety activity under an existing incentive scheme may be paid directly from the revolving fund, subject to accounting and auditing rules and regulations.
- 3.2.4 Proceeds from the sale of commodities/fruits from the "Alay Tanim" Program shall also form part of the income of the school.
- 3.2.5 Any interest income earned on revolving fund shall accrue to the same fund.

3.3 Expenditures.

No disbursement from the fund may be used to pay for honoraria, overtime pay, or other additional compensation to schools superintendents, district superintendents, district supervisors, or other officials/employees except as may be approved under **P.D. No. 985**.

- 3.3.1 All expenses incurred in the food production program shall be charged to this fund by drawing directly against the account.
- 3.3.2 Expenses to be charged to the fund shall include cost of labor and supervision, honoraria, fertilizer, seeds, farm implements, and other costs directly associated with the program.
- 3.3.3 Net profits may be used to improve school facilities, acquire equipment, augment maintenance and other operating expenses, purchase library books, and other non-recurring expenses of the school, subject however to the requirements of LOI No. 29 limiting the purchase of motor vehicles, textbooks and supplementary/reference books, and the like.

3.4 Procedures

- 3.4.1 Schools concerned shall be authorized to open a bank account in the name of the school at any duly authorized government bank to be maintained as a separate current or savings account where all such collections accruing to the school and pertaining to the food production program shall be deposited. Withdrawals may be made to cover expenses incurred in connection with the program by two (2) signatories, i.e.,
 - a. the school head, cashier, or other duly authorized personnel; and
 - b. the school auditor or his duly authorized representative.

- 3.4.2 The account may be opened upon receipt of notice of approval of the food production plan by the Minister of Budget.
- 3.4.3 State universities and colleges shall account for the revolving fund as special account in the general fund using fund code 161. A separate trial balance shall be prepared in accordance with existing accounting rules and regulations.
- 3.4.4 National agricultural/fishery schools shall account for the revolving fund in their general fund books (101) by using sub-responsibility code e.g. 8-70-302, 8-70-502, 8-71-102, etc. to segregate/identify properly the accounts pertaining to the operation of the revolving fund. Also corollary entries for equipment and other assets including related liability and invested surplus accounts shall be further identified with sub-codes, e.g., 8-78 (084), 9-94-110 (084), 8-86-950 (084), etc.
- 3.4.5 The accountable officer shall maintain a separate cash book for each type of activity. He shall reconcile his cash balance(s) with the corresponding trust liability account(s) such as 84-111, 84-112, 84-113 and 84-114 at least once a month.

4.0 Initial Development Cost

- 4.1 Initial development costs shall be charged against allotment (general fund) of the school concerned in the case of national agricultural/fishery and other national schools.
- 4.2 Initial development cost shall be charged against the allotment under the special account in the general fund of a state university or college.
- 4.3 The amount involved shall be specified in the food production plan referred to under Item No. 3.1.1 hereof and shall be disbursed only with specific approval of the work and financial plan.

5.0 Accounting Procedures.

To illustrate the accounting entries to record transactions of the revolving fund, the following hypothetical data are provided:

| | Agriculture | Fishery | Hog/Cattle Raising | Livestock |
|---|--------------------|----------------|-------------------------------|------------------|
| Seeding/piglets, calves/chicks/fry | Php.5000 | 5000 | 5000 | 5000 |
| Supplies & materials for maintenance such as fertilizers, insecticides, feeds, medicines etc. | 10000 | 10000 | 10000 | 10000 |
| Direct inputs | 10000 | 10000 | 7000 | 8000 |
| Farm implements and other equipment such as hand tools, work animals, tractors etc. | 20000 | 20000 | 8000 | 12000 |
| Initial working capital | 45000 | 45000 | 30000 | 35000 |
| Proceeds from sale | 55000 | 50000 | 35000 | 40000 |
| Net Profit | 10000 | 5000 | 5000 | 5000 |

Based on the above assumptions, the establishment of the initial working capital (IWC) and the operation of the revolving fund shall be done as follows:

5.1 State Universities and Colleges

5.1.1 Setting up of initial working capital

APPENDIX B**NATIONAL BUDGET CIRCULAR NO. 331 - A
December 23, 1982**

To: The Minister/Regional Director of the ministry of Education and Culture; Heads, Budget Officers, Chief Accountants/Bookkeepers of the Ministry/Regional Office of the Ministry of Education and Culture, State Universities, Colleges and National Agricultural/Fishery/Vocational Schools and Other Schools Concerned; COA Unit Auditors and All Other Concerned.

Subject: **REVOLVING FUNDS FOR SCHOOL AGRICULTURAL AND MANUFACTURING OPERATIONS**

1.0 Purposes

- 1.1 To restate with amendments the rules and procedures prescribed for the operation of a school Revolving Fund for agricultural projects covered by the food production program pursuant to LOI 872 as implemented by NBC No. 331 dated November 27, 1980.
- 1.2 To prescribe rules, regulations and procedures concerning the establishment and operation of the Revolving Fund for manufacturing operations of state universities/colleges/schools to implement LOI 1026.

2.0 Coverage

- 2.1 All state universities and colleges with agricultural and/or manufacturing development possibilities;
- 2.2 All national agricultural/fishery/vocational schools; and
- 2.3 Other national schools with food production/manufacturing activities.

3.0 Definition of Terms

- 3.1 Food Production Plan – is a plan of the food production projects/activities to be undertaken by a state university/college/school stating the general description of the project activity, its location the land development plan, development costs, expected output, time – table, management and marketing aspects, financial estimates (e.g., projected income/cash flow statement) and other pertinent details.
- 3.2 Manufacturing Operation Plan - is a plan of the manufacturing operations to be undertaken by a state university/college/school in the production of school desk, furniture, handicrafts, bamboo crafts and the like. It contains among others, a description of articles to be manufactured, estimated costs of production, unit cost and other pertinent details.

- 3.3 Initial Development Costs – refers to the initial working capital to cover all costs/expenditures necessary to carry out the food production projects/activities as approved in the Work and Financial Plan.
- 3.4 Receipts – refer to all classes of cash received resulting from agricultural and/or manufacturing operations.
- 3.5 Income –covers collections from the sale of produce from agricultural activities and the “Alay Tanim” Program, manufactured articles, interest on bank deposits and such others collections resulting from exhaustive food production and manufacturing efforts.
- 3.6 Net Profit/Net Income – refers to the gain or the excess of selling price of agricultural products and/or manufactured articles over their costs.
- 3.7 Direct Labor – refers to the cost of work or services rendered during the actual phase of production. It includes the honorarium of teachers, students and other persons who take active participation in the production activities. These participants whose efforts are input in the production process are said to be directly involved.
- 3.8 Indirect Labor – refers to the cost of work or services of school official/personnel and other persons who take part in the operation of the agricultural/manufacturing program, yet whose efforts do not directly apply to the actual phase of production, e.g., school head, accountant, etc. These persons are said to be indirectly involved.
- 3.9 Management Staff – refers to school officials/personnel who are involved with specific duties and responsibilities in the management and control of funds for agricultural/manufacturing operations. It is composed of the head of the school, budget officer, chief accountant, cashier, property officer and the unit auditor.

4.0 Implementing Guidelines

4.1 Food Production Plan/Manufacturing Operation Plan

- 4.1.1 Any school interested to undertake agricultural and/or manufacturing operations shall prepare the Food Production Plan (FPP) and/or Manufacturing Operation Plan (MOP) in accordance with the sample given in Annexes A and B. Said plans shall be submitted together with the Work and Financial Plan (WFP) by state universities and colleges to the Regional Office, Office of Budget and Management (OBM) for evaluation, recommendation and subsequent transmittal to the Minister for approval. In case of national agricultural/fishery/ vocational schools,

- 4.1.2 the FPP and/or the MOP together with the WPP shall be submitted thru Regional Office, Ministry of Education and Culture (MEC) to the Regional Office, OBM for evaluation and approval, copy of said FPP and/or MOP furnished the Minister, MEC. However, national agricultural/fishery/vocational schools covered by Regions, II, III, IV and NCR shall submit the FPP/MOP and WFP thru Regional Office, MEC to the National Accounting Office, Office of Budget and Management for evaluation, recommendation and subsequent transmittal to the Minister for approval, copy furnished the OBM Regional Office and the Minister, MEC.
- 4.1.3 In the food production program, particular emphasis shall be given to protein sources, legumes, cassava, seguidillas, mango, soya beans and where suitable, fruit trees, fish, cattle, hogs, poultry and other food sources.

4.2 Initial Development Cost/Working Capital

- 4.2.1 The Initial development costs for agricultural operations shall be charged against the regular operating and maintenance fund (Fund 101) of national agricultural/fishery and other national schools, and against the Special Account under the General Fund (Fund 151) in the case of state Universities and colleges.
- 4.2.2 The expenditures for the first year of the manufacturing operations shall be borne by the regular operating and maintenance fund (Fund 101) of national vocational schools, and by the Special Account under the General Fund (Fund 151) in the case of state universities and colleges. Cash advances from costumers may likewise be utilized as initial working capital.

4.3 Income

- 4.3.1 The food production/manufacturing activities shall be operated in a business manner where products/manufactured articles shall be sold at commercial rates, and in no case shall it be less than the cost of materials, labor, estimated cost for the depreciation of equipment and other overhead costs.
- 4.3.2 Receipts/Income of state universities, colleges and national agricultural/fishery schools realized from the food production activities and sale of manufactured articles shall be deposited in an authorized depository bank under a separate bank account and shall be recorded as income of the Revolving Fund. These shall be accounted for under a separate account the CO - General Fund using different fund codes, i.e., Fund Code 161 for receipts/income realized from food production and Fund Code 162 for those generated from sale of manufactured goods.

- 4.3.3 Proceeds from the sale of commodities/fruit from the "Alay Tanim" Program shall also from part of the income of the Revolving Fund for agricultural operations.
- 4.3.4 Any interest income earned on bank deposits of the Revolving Funds as well as net income from the agricultural/manufacturing operations shall accrue to their respective revolving funds which may be used to support the regular academic/vocational program of the school.

4.4 Expenditures

- 4.4.1 All expenses incurred in the food production/manufacturing operations shall be paid directly from its bank account which shall include the cost of direct/indirect labor, supervision, honoraria for teachers/personnel involved in the food production efforts, fertilizer, seeds, farm, implements and other costs directly/indirectly associated with the program.
- 4.4.2 Teachers and students directly involved in the food production program/manufacturing activities shall be given honoraria/wages at the rate of P5.00/P1.50 an hour, respectively, based on services actually rendered not exceeding 40 hours a month. The management staff shall likewise be given the same rate of honoraria as the teachers for the same number of hours of actual service. The allowable honoraria/ wages shall be paid from the Revolving Fund and shall form part of the cost of sales.
- 4.4.3 Honoraria shall be granted only to the school officials and employees who are on assignment to duly authorized and/or accredited agricultural and manufacturing operations.

4.5 Books to be Maintained

State universities, colleges and national schools which operate a Revolving Fund for their agricultural and/or manufacturing operations shall maintain a separate set of books of accounts for each of these operations. All financial transactions pertaining to these operations shall be recorded thereon, and accounted as Revolving Account in the General Fund under Fund Codes 161 and 162, respectively.

5.0 Procedural Guidelines

- 5.1 Upon receipt of the notice of approval of the Food Production Plan and/or the Manufacturing Operation Plan by the Minister of the Budget, the school concerned shall open a bank account in the name of the school, one for agricultural operations and another for manufacturing operations with any authorized government depositor bank, to maintained as a separate current or savings account where all collections pertaining to said operations shall be deposited.

- 5.2 Withdrawal to cover agricultural and/or manufacturing expenses shall be made on two (2) signatures:
- 5.2.1 The school head or, other duly authorized representative and
 - 5.2.2 The school auditor or his duly representative
- 5.3 State universities/colleges/schools shall account for the Revolving Funds for agricultural and manufacturing operations as Revolving Accounts in the General Fund using Fund Codes 161 and 162, respectively. Trial Balance for each fund shall be prepared in accordance with existing rules and regulations
- 5.4 The Accountable officer shall maintain a separate cash book for each type of agricultural and/or manufacturing activity. He shall reconcile his cash balance(s) with the corresponding trust liability accounts(s), i.e., 8-84-111 (agriculture), 8-84-112 (fishery), 8-84-113 (hog/cattle raising), 8-84-114 (livestock) and 8-84-121 (manufacturing) at least once a month.
- 5.5 At the end of each semester/calendar year or a the need arises, state universities and colleges and national agricultural/fishery/vocational schools may avail of the interest income from bank deposits and the net profit from agricultural/manufacturing operations to increase working capital, to improve school facilities, acquire equipment, augment maintenance and other operating expenses, purchase of library books and other non-recurring expenses of the school, subject to the requisites of LOI No. 29 limiting the purchase of motor vehicles, textbooks and supplementary/reference books, and the like. The availment of said interest, income and net profit shall not be subject to special budget. However, the Report of Availment of Net Profit/Interest Income, Annex I supported by Income and Operation Statement, Annex B shall be submitted to the National Accounting Office of Budget and Management. In case there is no availment of interest income/net profit during the year, only the Income and Operation Statement shall be submitted at year-end.
- 5.6 Of the total net profit realized for every whole year of operation of the food production program/manufacturing activities, 70% may be made available for the purpose(s) mentioned in Item 5.5; 15% may be used to cover contingencies, i.e., depletion of working capital due to natural causes such as typhoons, floods, etc.; and 15% may be made available for incentive allowance of the management staff, teachers and other school personnel involved in the food production activities and shall be equally distributed; provided, that the share of every authorized employee may not in the aggregate, exceed fifty percentum of this annual salary. Where the replenishment of working capital will not be adequately covered by the 15% earmarked for contingencies, the amount required may be taken and given priority from the 70% made available for purpose(s) stated in Item 5.5.
- 5.7 Proper control of allocated net profit mentioned in Item 5.6 shall be maintained in order to establish the correct balances for its availment.

- 5.8 The Commission on Audit and The Ministry of Education and Culture shall adopt such measures as may be necessary to prevent the use of school facilities for private undertakings.

6.0 Accounting/Inventory Control Procedures

- 6.1 The accounting entries to record transactions of the Revolving Funds for agricultural and manufacturing operations are shown in Annex C. Likewise, entries to take up the transfer of accounts for on-going food production activities mentioned in Item 7.2 are shown in Annex C.
- 6.2 To maintain proper control offsprings of breeding stocks, e.g. cattle, hogs and livestock, the following shall be strictly observed:
- 6.2.1 The birth of offsprings shall be reported within five (5) days from the date of birth. The report shall be prepared by the Property Officer duly attested by the person having immediate charge and submitted to the Head of the School, copy furnished the Chief Accountant. Said report shall contain among others, kind/type of offsprings, quantity, description, e.g., color, etc. (where applicable) and birth date.
- 6.2.2 The offsprings shall be taken up in the books at a nominal value of P1 for each head, based on the report prepared by the Property Officer mentioned in Item 6.2.1 herein.
- 6.2.3 When the offspring are ready for sale, those that shall not be retained for breeding purposes shall be transferred to inventories for resale and their value shall be booked up based on the actual cost of rearing. In cases where the actual cost of raising the offsprings is not easily identifiable, the inventory value shall be determined by a valuation committee. The value that shall be set by the committee shall not be lower than 75% of the prevailing market price. The decision/action of the committee shall be in writing and serve as the basis for booking up the inventory value.
- 6.2.4 A valuation committee shall be created in the respective schools composed of the Property Officer, Accountant, Budget Officer, COA Unit Auditor and an official as may be designated by the school head and shall perform the function mentioned in Item 6.2.3

7.0 On-Going Food Production Activities

- 7.1 State universities and colleges, national agricultural/fishery and other schools with on-going food production activities which shall request for authority to maintain a Revolving Fund shall comply likewise, with the requirements specified under Item 4.1.1 for proper control and monitoring of said activities. In addition, a Profit and Loss Statement and Balance Sheet shall be prepared showing the latest results of operation/financial condition of on-going food production activities.

7.2 The net current assets shown in the balance sheet form part of the initial working capital of the Revolving Fund. However, the component of net current assets representing cash which were already deposited with the Bureau of the Treasury shall be excluded if credited to income account, and a separate bank account shall be set up for those which were not deposited yet, and subsequent collections.

7.3 Pending approval of the Food Production Plan, state universities/colleges/schools concerned shall maintain a separate current/savings account with their authorized government depository bank for collections from on-going food production activities. Any balance previously deposited with the Bureau of the Treasury which were credited to trust liability account may be withdrawn for deposit with the authorized depository bank upon approval by the committee operated under Sec. 51 of PD No. 1177.

8.0 Reporting Requirements

8.1 State universities and colleges, national agricultural/fishery/vocational and other schools concerned shall submit to the National Accounting Office, Office of Budget and Management, copy furnished the OBM Regional/District Offices the following reports not later than the date indicated:

8.1.1 Agricultural Operations

| Reporting Requirements | Date of Submission |
|---|---|
| a. Monthly Report of Income | - 10 days after the period covered |
| b. Quarterly Report of Expenditures | - 15 days after the period covered |
| c. Honoraria/Wage Schedule | - 15 days after the quarter covered |
| d. Income and Operation Statement | - Year-end or as the agency availed of the net profit |
| e. Report of Availment of Net Profit/Interest Income | - As the agency availed of the net profit |
| f. Trial Balance | - 10 days after the end of month covered |
| g. Bank Statement (for period covered by report required under Items 8.1.1 a and b) | - (In support of Items 8.1.1 a and b) |

APPENDIX C**COMMISSION ON AUDIT CIRCULAR NO. 84-239**

To: The Ministers, Heads of Bureaus and Offices, Regional Directors of National Government Agencies, Provincial Governors, City and Municipal Mayors and Managing Head of Government Owned or Controlled Corporations including Subsidiaries, Heads of State Colleges and Universities, National Agricultural/Fishery/Vocational and other Schools, Chief Accountants, COA Auditors, and all other concerned.

Subject: **RULES AND REGULATIONS GOVERNING THE ACCOUNTING OF AGRICULTURAL PRODUCTS**

I. Purpose

This circular is issued to prescribe uniform procedures for the proper valuation, recording, and reporting of soil, animal, and fishery products acquired or produced by government agencies in the national, local, and corporate levels engaged in farming and other agricultural activities and/or animal and fishery production either as their regular function or an additional or special project.

II. Coverage

The rules and regulations herein prescribed shall apply to :

1. Animal and fishery products purchased, raised or acquired free of charge for the purpose of breeding, research, demonstration, instruction, propagation or dispersal, for sale or for work animals, or for institutional use or consumption.
2. Soil products purchased, grown or acquired free of charge for the propagation of seedlings, plants and trees, for research, instructional, and demonstration purposes, for institutional use or consumption or for sale.

III. General Guidelines**1. Funding/Authorization**

- 1.1 Unless otherwise provided by law, agencies engaged in the production of soil, animal and/or fishery products as a special project or income producing activity, shall maintain a revolving fund for the purpose. Transactions shall be maintained/recorded in a separate revolving fund books.
- 1.2 Transactions which form part of the regular function of the agency such as animal and plant dispersal program may be maintained in the general fund books or as trust liability, as may be provided for by law and regulations.

2. Procurement

- 2.1 Purchase of agricultural products and supplies shall be governed by the established procedures on government procurements.

3. Sales/Collection

- 3.1 Sales made at respective project site shall be issued serially numbered provisional receipts/sales invoices.
- 3.2 Cash shall be turned over to the cashier weekly or once the amount reaches P500, together with a copy of the Daily Production and Sales/Disposal Report (DPSDR).
- 3.3 The cashier shall issue an official receipt (General Form 13A) for all collections and/or proceeds of agricultural products turned-over by respective project managers. A report of collection shall be prepared in two copies. The original report is submitted to Accounting for recording in the books of accounts.
- 3.4 Sales on account shall be made only upon proper authority.

4. Accounting

- 4.1 Recording of the transactions shall use the accounts prescribed in the Standard Government Chart of Accounts. The accounts involved and the illustrative journal entries are shown in annexes 1 and 2, respectively.

IV. Specific Guidelines

A. Animal, Poultry and Fishery Products

1. The accounting treatment of animal products which are purchased or acquired free of charge, shall vary according to the purpose of their acquisition, as follows :
 - a. Breeding animals are classified as investment.
 - b. Work animals are classified as fixed assets.
 - c. Those intended for resale are treated as inventories-items for sale.
2. Animal products for immediate sale or disposal such as eggs, dairy, and other small animals shall be taken up as inventory-items for sale.
3. All offsprings of animals to be raised or grown shall be taken up initially as inventories-growing animals, upon birth, with a corresponding credit to deferred income.
4. Offsprings of large animals such as cattle shall be reported in the Report of Animal Birth (Exhibit 1).

5. All other animals and animal products produced shall be reported in the Daily Production and Sales/Disposal Report (DPSR) as shown in Exhibit 2. The project manager shall prepare the DPSR within two days from birth of animals or harvest of farm products. The reports shall be accomplished in five copies to be distributed as follows:

Original - Agency Head
Copy 1 - Accounting
Copy 2 - Property Officer
Copy 3 - Cashier
Copy 4 - File of Project Manager

6. Offsprings of animals and those acquired free of charge shall be recorded at standard costs prevailing in the industry. In the absence of such industry standards, each agency head shall constitute an Appraisal Committee to develop a cost system for each variety or species of animal on the basis of prevailing market prices.
7. Upon reaching marketable or maturity age and once their purpose has been determined, the offsprings of animals shall be transferred to appropriate accounts either as inventories- items for sales, investment or fixed assets.
8. Animals which perished or are issued for institutional use or consumption, shall be supported by a properly approved Requisition and Issue Voucher (RIV) and dropped from the inventory account. In case of loss, a request for relief from accountability shall be made. Loss due to negligence of the accountable officer concerned, shall be chargeable against him and the amount to be refunded shall be based on the prevailing market value determined by an Appraisal Committee created by the agency head concerned.
9. A livestock ledger card (Exhibit 3), to be kept by the property officer shall be maintained for each large animal such as cattle, carabao, horse, etc., recorded as investment or fixed assets.
10. Their respective offsprings shall be recorded in the livestock ledger card of the mother and temporary number is assigned to them. The temporary number shall be prefixed by the mother's number and each offspring shall be consecutively numbered. For example, Cow No. 200 will have her calves numbered 200-1, 200-2 and so forth. The temporary number will be replaced by the brand number which will be its permanent number until its disposal. Upon branding, the offspring will acquire its own property card.
 - 10.1 Small animals such as swine, poultry, and fishery acquired/produced by lot shall be recorded in the livestock ledger card by lot.
 - 10.2 Large animals should be appraised quarterly and/or at the time of disposal. A report on the appraised/standard cost determined shall be submitted by the Appraisal Committee to the agency head, copy furnished the accountant and the property officer. The chief accountant shall prepare a

journal voucher to adjust the inventory/investment/fixed asset account for livestock to its appraised value. The property officer shall likewise up-date the property ledger card based on the appraisal/standard cost report.

- 10.3 A monthly report of inventory (Exhibit 5) shall be prepared for animals and poultry products within 10 days after the end of the month, copy furnished the chief accountant.
- 10.4 In case of death of offsprings, the project manager shall likewise submit a report (Exhibit 4) to the agency head within two days. The report shall also state the value of the animal stating therein, causes/reasons of death and other necessary details. The report shall also be accomplished in five copies to be distributed as above.

B. Soil Products

1. Seeds and seedlings purchased or acquired free of charge shall be taken up in the books as inventory-seedlings.
2. Perennial crops which do not need periodic replanting (such as coconuts, mangoes, etc.) shall be recorded as investments-perennial crops.
3. Annual crops (such as palay, corn, sugar, etc.) which need periodic replanting shall be transferred to inventory - items for sales, upon harvest. Fruit bearing annual crops such as bananas, tomatoes, papaya, etc., shall be transferred to inventory - annual crops upon reaching productive age.
4. Fruits of annual and perennial crops shall be recorded as debit to inventories - items for sale and credited to deferred income at standard cost, upon harvest.
5. Standard cost for soil products may be developed as provided for under No. IV - 1.6.
6. Soil and agricultural products given away or consumed, upon proper authority and supported by an RIV shall be dropped from the books. Those items which deteriorated or were spoiled due to natural causes shall be supported by a report or waste materials which shall be the basis for dropping the inventory account from the books. The report under IV- 1.13 and Exhibit 4 shall also be prepared by the project manager.
7. All soil products harvested shall likewise be reported in the DPSR and monthly report of inventory.
8. For agricultural crops, the project manager shall submit within one month after planting, a report of planted crops (Exhibit 6). The report shall be submitted to the accountant copy furnished the property officer.

V. Repealing Clause

Unless specifically provided for by law, the provisions of existing circulars which are inconsistent herewith are hereby amended and/or modified accordingly.

VI. Effectivity

This circular shall take effect immediately.

APPENDIX D**NATIONAL BUDGET CIRCULAR LETTER NO. 92-8
November 18, 1992**

To: Heads, Budget Officers, Chief Accountants/Bookkeepers of State Universities and Colleges, and all Others Concerned

Subject: **GUIDELINES ON THE REVOLVING FUNDS (RFS) OF STATE UNIVERSITIES AND COLLEGES (SUCS) FOR THE OPERATION OF AUXILIARY SERVICES**

1.0 Purpose

- 1.1 To provide guidelines and procedures to implement. Section 9 of the Special Provisions of SUCs on the operation of Auxiliary Services pursuant to R.A. No. 7180.

2.0 Guidelines

- 2.1 All receipts of SUCs shall be deposited with the Bureau of the Treasury as income of the General Fund except those provided for in this Circular to be treated as RFs and those exempted under other issuances.
- 2.2 Receipts from Auxiliary Services such as canteen operations, dormitory/hostel operations, printing press and infirmary of SUCs shall be constituted into a Revolving Fund.
- 2.3 The initial working capital for a one (1) month period shall be sourced from the regular MOOE allotment under the General Fund and shall be reported to DBM. No additional working capital shall be charged to MOOE unless authorized by DBM.
- 2.4 Income collections from the operation of the Auxiliary Services shall be deposited in an authorized government depository bank and shall accrue to the Revolving Fund.
- 2.5 Withdrawals from the Fund shall be done through the joint signatures of two (2) authorized personnel of SUCs.
- 2.6 All expenses directly related to the operation and maintenance of auxiliary activities shall be charged directly against the Fund.
- 2.7 At year end, SUCs shall retain the initial working capital. However, the net income from the operation of the Fund shall be remitted to the National Treasury to accrue to the General Fund.
- 2.8 Records of all transactions of RF for auxiliary services of SUCs shall be maintained in a separate Books of Accounts under Fund 163.

3.0 Reporting Requirement

The State Universities and Colleges concerned shall submit to DBM and to Congress a quarterly report of the income from this Fund and a quarterly report of expenditure. In case of failure to submit said requirements, no withdrawal in the subsequent quarter shall be allowed except upon certification of DBM that said report was submitted.

In addition, a Year-end Annual Report on the operation of these revolving funds shall be submitted to DBM and Commission on Audit not later than the 20th day of the following month covered by the report including a copy of the remittance advice which evidences that deposit of the net income of RF for auxiliary services with the National Treasury as income of the General Fund.

4.0 Saving Clause

Cases not covered in this Circular, including provisions which require further clarification prior to implementation, shall be referred to the Accounting and Finance Bureau – B, Department of Budget and Management.

5.0 Effectivity

This Circular shall take effect CY 1992.

(Sgd.) SALVADOR M. ENRIQUEZ, JR.
Secretary

APPENDIX E

PART OF REPUBLIC ACT NO. 8292

AN ACT PROVIDING FOR THE UNIFORM COMPOSITION AND POWERS OF THE GOVERNING BOARDS. THE MANNER OF APPOINTMENT AND TERM OF OFFICE OF THE PRESIDENT OF CHARTERED STATE UNIVERSITIES AND COLLEGES, AND FOR OTHER PURPOSES.

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

Section 1. Short Title - This act shall be known as the "Higher Education Modernization Act of 1997".

Section 2. Declaration of Policy - It is the declared policy of the State to establish, maintain, and support a complete, adequate and integrated system of education relevant to the needs of the people and society. Towards this end, the composition of the governing boards of chartered state universities and colleges is hereby modified in order to a) achieved a more coordinated and integrated system of higher education; b) render them more effective in the formulation and implementation of policies on higher education; c) provide for more relevant direction in their governance; and d) ensure the enjoyment of academic freedom as guaranteed by the Constitution.

Section 3. The Governing Boards; Manner of Appointment

Section 4. Powers and duties of Governing Boards - The governing board shall have the following specific powers and duties in addition to its general powers of administration and the exercise of all the powers granted to the board of directors of a corporation under Section 36 of Batas Pambansa Blg. 69, otherwise known as the Corporation Code of the Philippines.

d) Any provision of existing laws, rules and regulations to the contrary notwithstanding, any income generated by the university or college from tuition fees and other charges, as well as from the operation of auxiliary services and land grants, shall be retained by the university or college, and may be disbursed by the Board of Regents/Trustees for instruction, research, extension, or other program/projects of the university or college: *Provided*. That all fiduciary fees shall be disbursed for the specific purposes for which they are collected.

r) to enter into joint ventures with business and industry for the profitable development and management of the economic assets of the college or institution, the proceeds from which to be used for the development and strengthening of the college or university;

s) to develop consortia and other forms of linkages with local government units, institutions and agencies, both public and private, local and foreign, in furtherance of the purposes and objectives of the institution;

t) to privatize, where most advantageous to the institution, management and non-academic services such as health, food building or grounds or property maintenance and similar such other activities.

REFERENCES

- Battad, F., T. Battad, R. Cabanilla, R. Gutierrez, R. Sevilleja, E. Marzan and H. Mescallado. 2000. *Income Generating Projects Manual*. CLSU, Science City of Muñoz and TESDA, Taguig, Metro Manila.
- Cabuhat, W.R. *Manual on Income Generating Projects (IGP)*.
- Income/Resource Generation Manual for State Universities and Colleges*.
- Marzan E.G.,Jr. 2004. *Entrepreneurship and Its Role in the Management of State Colleges and Universities*. Central Luzon State University, Science City of Muñoz, Nueva Ecija, Philippines.
- Unified Manual of Operation for Income Generating Projects for ACAP Member-Institutions*. Association of Colleges of Agriculture in the Philippines, Inc. (ACAP). November 2001.