

IV. DEFINITIONS/ TERMINOLOGIES

A. DESCRIPTION OF MAJOR COMPONENTS OF ASSETS & LIABILITIES

ASSETS

i. CURRENCY (CASH IN HAND)

Notes and coins that are of fixed nominal values and accepted as legal tender in an economy that are issued by the central bank and/or government. This category should also include currency that is no longer legal tender, but that are commonly exchangeable for current legal tender.

Commemorative coins and gold coins, not in circulation are excluded.

NATIONAL CURRENCY (PAKISTANI CURRENCY NOTES AND COINS)

PAKISTANI BANK NOTES

These are promissory notes (or bank notes) issued by the State Bank of Pakistan in various denominations, with the promise to pay the said denomination (face value) in Rupee when called for payment. These are issued with the guarantee of the Government of Pakistan.

PAKISTANI RUPEE COINS

These are the currency coins issued by the government of Pakistan with various denominations of currency units (Rupee). All Pakistani currency coins (including subsidiary coins)

issued by the federal government are to be reported here.

FOREIGN CURRENCY (FOREIGN CURRENCY NOTES AND COINS)

All foreign currency notes and coins are liability of the foreign governments or non-resident issuing authorities / central banks. These are claims of the Pakistan economy upon non-residents (issuing economy).

ii. TRANSFERABLE DEPOSITS

All demand deposits of financial auxiliaries with deposit money institutions (banks) in national or in foreign currency i.e., exchangeable on demand at par without penalty or restriction, freely transferable by cheque or otherwise, commonly used to make payments, are known as transferable deposits. These deposits include special savings accounts with a possibility of direct payments to third parties, savings accounts balances subject to automatic transfer to regular transferable deposits, and money-market fund that have unrestricted third-party transferability privileges.

Deposits denominated in national currency should be recorded at book value (outstanding amount plus accrued interest).

iii. OTHER DEPOSITS

These are claims of financial auxiliaries on deposit accepting institutions generated by placing “other than transferable deposits” in national currency or in foreign currency that are represented by evidence of deposits.

Other deposits include:

- Sight deposits (which permit immediate cash withdrawals but not direct third-party transfers);
- Non-transferable savings deposits and term deposits;
- Financial corporations’ liabilities in the form of shares or similar evidence of deposits that are legally or in practice, redeemable immediately or at relatively short notice;
- Shares of money-market funds that have restrictions on third-party transferability;
- Call money deposits;

iv. INVESTMENT IN SECURITIES

OTHER THAN SHARES

Financial auxiliaries’ investments in financial assets that are normally traded in the financial markets and that give the holders the unconditional right to receive stated fixed sums on a specified dates or the unconditional right to fixed money incomes or contractually determined variable money incomes.

These securities are classified as short-

term and long-term securities other than shares. Examples are; Government treasury bills, Federal government bonds, Federal investment bonds, Pakistan investment bonds, corporate bonds and debentures, negotiable certificates of deposits (not negotiable would be categorized under deposits), commercial paper, TFCs, PTCs, Modaraba certificates, and negotiable securities backed by loans or other assets. Preferred stock or shares that pay a fixed income but do not provide for participation in the distribution of residual value of an incorporated enterprise on dissolution are also included in this category.

GOVERNMENT TREASURY BILLS

These are short-term debt instrument issued by the government treasury to raise funds for the government or to regulate money supply through open market operations of the central bank. Their market transactions are managed by the State Bank of Pakistan on behalf of the treasury.

PAKISTAN INVESTMENT BONDS

These are long term (3, 5, 10, 15 & 20 years’ maturity) debt obligation issued by the government, offering a risk free investment to the bond holders at premium interest rates depending on the maturity of the bond.

FEDERAL INVESTMENT BONDS

This is a long term (3, 5 & 10 years' maturity) debt obligation issued by the government from June 1991, offering a risk free investment to the bond holders at premium interest rates was fixed as 13%, 14% and 15% depending on the maturity of the bond.

OTHER FEDERAL GOVERNMENT BONDS / SECURITIES

This category would include the bonds / securities issued by the federal government not covered anywhere else.

PROVINCIAL GOVERNMENT SECURITIES / BONDS / PERMANENT LOANS

This category includes any type of provincial governments' debt obligations/ bonds and negotiable certificates etc.

LOCAL GOVERNMENT SECURITIES / BONDS

All type of certificates issued by the local/ city governments, which are evidence of debt on which the issuer promises to pay the holder a specified amount of interest for a specified length of time, and to repay the loan on its maturity.

COMMERCIAL PAPERS

Unsecured promissory notes of relatively low risk and short maturity of 3 to 6 months, issued by highly rated large corporations who usually maintain backup credit lines with their banks to ensure payment at maturity; like notes, bills, and acceptances

NEGOTIABLE CODS

A deposit instrument; a receipt issued by a bank as an evidence of a deposit specifying the amount, the period of the deposit, and the rate of the interest.

There are several types of deposit certificates issued in domestic or foreign currency; since certificate of deposits are negotiable instruments, these are freely traded in secondary money market. The CODs that are not negotiable would be treated as other deposits.

NEGOTIABLE LOANS

Loans that have become negotiable de facto (securitization of mortgage loans, claims on credit card holders and other loans) are known as negotiable loans

DEBENTURES

Long-term securities that give the holders the unconditional right to one or both of: (a) a fixed or contractually determined variable money income in the form of coupon payments, i.e. payment of interest is not dependent on earnings of the debtors, (b) a stated fixed sum as a repayment of principal on a specified date or dates when the security is redeemed.

WAPDA BONDS

Certificates issued by WAPDA promising to pay the holder a specified amount of interest for a specified length

of time, and to repay the loan on its maturity.

PARTICIPATION TERM CERTIFICATES

A certificate or note evidencing ownership by the holder, but without voting rights of a stated percentage of a "package" or "pool" of mortgages which pays interest at a stated rate. The term finance certificates are redeemable in quarterly / half yearly instalments.

INVESTMENT IN FOREIGN SECURITIES

Investments in bonds/ financial assets issued by the non-residents that are normally traded in the financial markets and that give the holders the unconditional right to receive stated fixed sums on a specified dates or the unconditional right to fixed money incomes or contractually determined variable money incomes.

v. LOANS EXTENDED

Financial asset resulting from the delivery of cash or other assets by an financial auxiliary to its employees, agents etc in return for an obligation to repay on a specified date or dates, or on demand, usually with mark-up or interest.

The value of a domestic currency loan should be the amount of the creditor's outstanding claim (equal to the debtor's obligation), which comprises the outstanding principal amount plus any

accrued interest (i.e., interest earned but not yet due for payment). Such valuation is herein referred to as the book value of a loan.

The loan valuation is not adjusted for expected losses. The value of a loan portfolio should be adjusted downward only when (1) loans are actually written off as un-collectible or (2) when the outstanding amount of the loan has been reduced through formal debt reorganization.

Loans are categorized as short-term and long-term loans.

vi. SHARES AND OTHER EQUITY (ASSETS)

All instruments and records acknowledging claims to the residual value of companies / corporations, after the claims of all creditors have been met are categorized as shares and other equity. Stock or share most commonly refers to a share of ownership in a company that entitles the owner of that share to literally a share in the ownership of the company, including the right to a fraction of the assets of the company, a fraction of the decision-making power, and potentially a fraction of the profits, which the company may issue as dividends. Preferred stocks or shares are included in this category. Mutual funds and NIT units are also to be included under this category, for the

reason that they give rise to the equity of issuing institution. Financial auxiliaries' investment in shares and other equity as assets are to be reported separately as quoted and non-quoted.

QUOTED SHARES - ORDINARY

Shares are usually traded on a stock exchange, where people and organisations may buy and sell shares in a wide range of companies. A given company will usually only trade its shares in one market, and it is said to be quoted, or listed, on that stock exchange. However, some large, multinational corporations are listed on more than one exchange. They are referred to as inter-listed shares.

NON-QUOTED SHARES - ORDINARY

The shares those are not traded on a stock exchange are defined as non-quoted shares.

PREFERRED STOCKS / SHARES

Preferred stocks are shares of a corporation, which represent ownership in a corporation with the distinction that if company earnings are sufficient, and dividends are to be paid, dividends must be first paid to these holders of stock. Preferred shares have priority over common shares in the distribution of dividends and assets.

MUTUAL FUNDS

These are pooling together the savings of large number of investors for attractive

yield and appreciation in value. A mutual fund is a diversified portfolio of investment, managed by fund manager, who has necessary expertise of investment. Investment is made in types of securities (equity or debt) according to the investment policies laid down in the prospectus/offering document.

There are two types of mutual funds, which are:

- Open-end mutual funds
- Closed-end mutual funds

OPEN-ENDED MUTUAL FUND

Open-end mutual funds are those where subscription and redemption of shares are allowed on continues basis. In Pakistan there exists only four open ended mutual funds; National Investment (Unit) Trust (NIT) in the public sector and Pakistan Stock Market Fund (PSM), Pakistan Income Fund (PIF) and Unit Trust of Pakistan (UTP) in private sector.

CLOSED-END MUTUAL FUND

Closed-end mutual funds are those where the shares are initially offered to the public and are then traded in the secondary market. These include:

- Growth funds
- Balanced funds
- Income funds

INVESTMENT IN SHARES OUTSIDE

PAKISTAN

An investment of financial auxiliaries in the companies outside Pakistan, which

makes the investor a part-owner of that company whose shares it has bought. Financial auxiliaries are rewarded with annual dividends if the non-resident company makes sufficient profits; and capital growth in the value of their shares if the company attracts other interested investors. These assets of financial auxiliaries should be reported under non-residents category.

vii. INSURANCE TECHNICAL

RESERVES

These are current claims of policyholders and beneficiaries rather than net equity of insurance corporations. Generally these are classified as under:-

- Prepayments of premiums, and
- Reserves against outstanding claims with insurance companies

PRE PAID INSURANCE PREMIUM

These are prepayments of premium paid by financial auxiliaries (including automobile, health, term life, accident/injury, income maintenance, and other forms of non-life insurance). At the end of the accounting period when the balance sheet is drawn up, parts of the insurance premium payable during the accounting period are intended to cover risks in the subsequent period. These prepayments of premiums are assets of the

policyholders and form part of the insurance technical reserves. Total premium paid for the subsequent period less premium consumed during the reporting period would be reported.

OUTSTANDING INSURANCE CLAIMS

These are the amounts that financial auxiliaries expect to receive in respect of claims that are not yet settled or claims that may be disputed with insurance companies.

viii. OTHERS ACCOUNTS RECEIVABLE

Financial assets consisting of dividends receivable, settlement accounts, items in the process of collection, accrued income, head office / inter-branch adjustment, expenditure account, suspense items and miscellaneous asset items.

DIVIDENDS RECEIVABLE

Dividends receivable on corporate shares arise from the recording of dividends when the dividends are declared, rather than when the dividends are paid.

SETTLEMENT ACCOUNTS

Settlement accounts should be used to account for differences in the time of recording of (1) purchases or sale of financial assets, on the trade dates when change of ownership occurs and (2) the subsequent payments for the financial assets on the settlement dates.

ITEMS IN THE PROCESS OF COLLECTION

Items in process of collection include cheques or other types of transferable items.

MISCELLANEOUS ASSET ITEMS

These include claims, damages, accruals for miscellaneous fees, fines, forfeitures, penalties, other prepaid expenses, receivable from brokers, receivable from government under VHS (voluntary golden hand shake) scheme, stationary and stamps on hand etc, etc.

SUSPENSE ACCOUNT

It is a temporary holding account for errors and omissions i.e., claims for which proper classification has not yet been determined, claims for which verifications, notifications, instructions, or other documentations are required for completing the transactions, and claims that are under litigation or otherwise in dispute.

PREPAYMENT OF TAXES

Prepaid taxes for the subsequent periods are classified under this category.

PREPAYMENT OF RENT

Rent prepaid for the subsequent periods is classified under this category.

DEFERRED COST/PRELIMINARY**OPERATING EXPENSES**

This relates to the cost incurred for subsequent periods, which are reflected as ASSETS.

ix. NON-FINANCIAL ASSETS

Entities from which their owners may derive economic benefits by holding them or using them over a period of time are called non-financial assets. Non-financial assets consist of tangible assets, both produced and non-produced, and intangible assets for which no corresponding liabilities are recorded. Produced assets comprise non-financial assets that have come into existence as outputs from production processes.

Produced assets consist of:

- i. Fixed assets—assets that are used repeatedly, or continuously, in production processes for more than one year and that may be tangible (dwellings, other buildings and structures, machinery and equipment, and cultivated assets, such as livestock for breeding and plantations) or intangible (mineral exploration, computer software, and entertainment, literary, or artistic originals),
- ii. Inventories (materials and supplies, work-in-progress, finished goods, and goods for resale), and
- iii. Valuables (assets that are acquired and held primarily as stores of value).

Non-produced non-financial assets

are those that occur in nature and over which ownership may be enforced and transferred. These are both tangible and intangible assets that come into existence other than through processes of production.

Tangible non-produced assets include land, subsoil assets, water resources, etc

Intangible non-produced assets include patents, and purchased goodwill etc.

RESIDENTIAL BUILDING / DWELLINGS ON FREE HOLD LAND

Dwellings on freehold land are buildings on freehold land that are used entirely or primarily as residences, including any associated structures, such as garages, and all permanent fixtures customarily installed in residences; movable structures, such as caravans, used as principal residences of households are included.

OTHER BUILDINGS AND STRUCTURES ON FREEHOLD LAND (CAPITAL WORK IN PROGRESS - CIVIL WORKS)

The other buildings and structures on freehold land category of non-financial, produced, tangible fixed assets consists of non-residential buildings and other structures, such as civil engineering works on freehold land.

RESIDENTIAL BUILDING / DWELLINGS ON LEASE HOLD LAND

Dwellings on leasehold land are buildings on leasehold land that are used entirely or primarily as residences, including any associated structures, such as garages, and all permanent fixtures customarily installed in residences; movable structures, such as caravans, used as principal residences of households are included.

OTHER BUILDING AND STRUCTURES ON LEASEHOLD LAND (CAPITAL WORK IN PROGRESS - CIVIL WORKS)

The other buildings and structures on leasehold land category consist of non-residential buildings and other structures, such as civil engineering works on freehold land.

FURNITURE AND FIXTURE

All type of furniture and fixtures other than those acquired under financial leases for the purpose of business **ELECTRICAL, OFFICE AND COMPUTER EQUIPMENTS**

All office equipments other than those acquired through financial leases used for the business including counting and computing equipments, printers, scanners, photocopiers, fax machines etc.

OTHER MACHINERY AND EQUIPMENT

The other machinery and equipment category of non-financial, produced,

tangible fixed assets other than those acquired through financial leases consists of machinery and equipment assets not classified as “transport equipment” and “office equipment”.

VEHICLES

Vehicles (as assets) other than those acquired through financial leases consist of equipment for moving people and objects, other than any such equipment acquired by households for final consumption.

GOLD (VALUED AT PRICE NOT EXCEEDING CURRENT MARKET PRICE)

Gold, held primarily as a store of value. Gold coins not in active circulations will be reported in this category.

OTHER VALUABLES

Valuables are produced assets that are not used primarily for production or consumption, that are expected to appreciate or at least not to decline in real value, that do not deteriorate over time under normal conditions and that are acquired and held primarily as stores of value. These also include commemorative coins, paintings and sceneries etc.

FURNITURE AND FIXTURES UNDER FINANCE LEASE

All type of furniture and fixtures those acquired through financial leases for the purpose of business

ELECTRICAL, OFFICE AND COMPUTER EQUIPMENTS UNDER FINANCE LEASE

All office equipments acquired through financial leases for use in the business including counting and computing equipments, printers, scanners, photocopiers, fax machines etc

OTHER MACHINERY AND EQUIPMENT UNDER FINANCE LEASE

The other machinery and equipment category of non-financial, produced, tangible fixed assets acquired through financial lease consists of machinery and equipment assets not classified as “transport equipment” and “office equipment”.

VEHICLES UNDER FINANCE LEASE

Vehicles (as assets) acquired through financial leases consists of equipment for moving people and objects, other than any such equipment acquired by households for final consumption. Transport equipments such as motor vehicles, trailers, ships, aircrafts, motorcycles, bicycles etc.

OTHER TANGIBLE FIXED ASSETS (PRODUCED)

Consists other tangible produced assets not specified elsewhere. Produced assets are non-financial assets that have come into existence as outputs from production processes.

OTHER TANGIBLE NON-PRODUCED ASSETS

Any other tangible non-produced assets not specified elsewhere are covered in this category.

COMPUTER SOFTWARE

Computer software is an asset consisting of computer programs, program descriptions and supporting materials for both systems and applications software; included are purchased software and software developed on own account, if the expenditure is large.

FREE HOLD LAND (AT COST)

UNDERLYING BUILDING AND STRUCTURE

Value of freehold land on which dwellings, non-resident buildings and structures are constructed or into which their foundation are dug, including yards and gardens deemed an integral part of dwellings.

RECREATIONAL FREEHOLD LAND

Recreational freehold land that is used as privately owned amenity land, parklands and pleasure grounds and publicly owned parks and recreational areas.

FREE HOLD LAND- OTHER THAN

UNDERLYING BUILDING AND STRUCTURE

Freehold land other than freehold land underlying buildings and structures consist of land not elsewhere classified, including private gardens and plots not cultivated for subsistence

or commercial purposes, communal grazing land, land surrounding dwellings in excess of those yards and gardens deemed an integral part of farm and non-farm dwellings.

LEASEHOLD LAND UNDERLYING BUILDING AND STRUCTURE

Value of leasehold land on which dwellings, non-resident buildings and structures are constructed or into which their foundation are dug, including yards and gardens deemed an integral part of dwellings.

LEASEHOLD LAND - RECREATIONAL

Recreational leasehold land that is used as privately owned amenity land, parklands and pleasure grounds and publicly owned parks and recreational areas.

LEASEHOLD LAND- OTHER THAN UNDERLYING BUILDING AND STRUCTURE

Leasehold land other than leasehold land underlying buildings and structures consist of land not elsewhere classified, including private gardens and plots not cultivated for subsistence or commercial purposes, communal grazing land, land surrounding dwellings in excess of those yards and gardens deemed an integral part of farm and non-farm dwellings.

PURCHASED GOODWILL

Purchased goodwill is the difference between the value paid for an enterprise as a going concern and the

sum of its assets less the sum of its liabilities, each item of which has been separately identified and valued; the value of goodwill includes anything of long-term benefit to the business that has not been separately identified as an asset

ENTERTAINMENT, LITERARY OR ARTISTIC ORIGINALS (INTANGIBLE FIXED ASSETS)

Entertainment, literary or artistic originals are the original films, sound recordings, manuscripts, tapes, models, etc, on which drama performances, radio and television programming, musical performances, sporting events, literary and artistic output, etc, are recorded or embodied.

OTHER INTANGIBLE FIXED ASSETS (PRODUCED)

Other intangible fixed assets are new information, specialized knowledge, etc, not elsewhere classified, whose use in production is restricted to the units that have established ownership rights over them or to other units licensed by the latter.

OTHER INTANGIBLE NON-PRODUCED ASSETS

Other intangible non-produced assets not elsewhere classified that are constructs of society. They are evidenced by legal or accounting actions, such as the granting of patent

or the conveyance of some economic benefit to a third party.

ACCUMULATED DEPRECIATION ON NON-FINANCIAL ASSETS

Accumulated depreciation on non-financial assets means total reduction in value of non-financial assets at the end of the accounting period resulting from physical deterioration, normal obsolescence or normal accidental damage etc.

ACCUMULATED AMORTIZATION ON OTHER INTANGIBLE FIXED ASSETS

Accumulated reduction/ normal obsolescence in the value of other intangible fixed assets

II. LIABILITIES AND OWNERS EQUITY

i. DEPOSITS

Generally, financial auxiliaries do not accept transferable deposits. All claims on the financial auxiliaries other than transferable deposits in national currencies that are represented by evidence of deposits and restricted in nature like, employees provident fund accounts, staff pension funds, employees' security deposit, staff guarantees fund and similar types of deposits related to, security deposits, margin deposits and sundry deposits etc.

EMPLOYEES PROVIDENT FUND ACCOUNT

These are compulsory savings deposits of employees arising from an official requirement that a share of a worker's earnings be placed in a deposit account that can be accessed only after a specified period or from which withdrawals may be made only for specified purposes.

STAFF PENSIONS FUNDS

Liability of the financial auxiliaries in the form of staff pensions funds whether contributed by the employee or the company itself.

EMPLOYEE'S SECURITY DEPOSITS/

STAFF GUARANTEE FUND

Securities / guarantees if held from the employees or on behalf of employees against employment, or for any other

benefit, are liabilities of the financial auxiliaries.

ii. SECURITIES OTHER THAN SHARES (LIABILITIES)

Securities other than shares are negotiable instruments serving as evidence that units have obligations to settle by means of providing cash, a financial instrument, or some other item of economic value. These may be commercial papers, TFCs, debentures; participation terms certificates, modaraba certificates, negotiable CODs, negotiable loans and other securities. Preferred stock or shares that pay a fixed income but do not provide for participation in the distribution of residual value of an incorporated enterprise on dissolution are included in this category.

iii. LOANS (BORROWINGS)

Financial liabilities of financial auxiliaries are created when creditors (financial institutions) directly lend funds to them. This includes financial leases, subordinated loans, and other loans from financial and non-financial corporations etc. Borrowings are further classified by short-term and long-term. The creditor's outstanding claims at any time should equal to the debtor's obligation, which comprises

the outstanding principal amount plus any accrued interest.

FINANCIAL LEASES AND SIMILAR ARRANGEMENTS

Goods acquired for disposal from a bank/NBFI that purchases these goods and receives rentals to cover all or virtually all costs including interests over the period of contract.

The entire risks and rewards of ownership are de facto transferred to from the legal owner of the goods (lesser bank/NBFI) to the user of the goods (lessee financial auxiliary) of an asset. Title may or may not eventually be transferred. This de facto change in ownership is financed by a financial claim, which is the asset of the lesser bank/NBFI and liability of the lessee. At the time of ownership change the market value of the asset is recorded as liabilities of the lessee. For subsequent periods principal payments will be subtracted for determining the outstanding liability.

BORROWINGS FROM SUBSIDIARY COMPANIES

Borrowings other than subordinated loans from companies that are owned/controlled by the financial auxiliaries

BORROWINGS FROM MANAGED MODARABAS

Any type of borrowing from managed modarabas i.e., the companies solely

engaged in the floatation and management of Modaraba, having paid-up capital of not less two and half million rupees.

BORROWINGS FROM ASSOCIATED UNDERTAKINGS

All types of borrowings from associated undertakings are to be covered here.

BORROWINGS FROM DIRECTORS

Loans and borrowings from the directors of the financial auxiliaries

BORROWINGS FROM CHIEF EXECUTIVE

Borrowings from chief executives of the financial auxiliaries

SUBORDINATED LOANS FROM SUBSIDIARY COMPANIES

Funds raised by the financial auxiliaries from subsidiary companies, managed modarabas, associated undertakings, director or chief executives with the provision that all other liability holders have priority in the event of failure of the institution. Such debts are created by a subordination agreement under which a creditor acknowledges that his claim is secondary to the claim of other creditors, such as depositors.

BORROWING FROM SBP

Funds raised under any arrangement from SBP will be reported by the financial auxiliaries under this head

iv. OTHER ACCOUNTS PAYABLE

These accounts consist of provision for loan losses, provision for other losses, adjustment for head office / branch, dividends payable, settlement accounts, suspense accounts, deferred tax liabilities, accrued wages, rent, social contributions, accrued taxes, mark-up/ return/ interest payable, mark-up on NPL & investment, income account, miscellaneous liability items.

PROVISION FOR LOSSES

Setting aside a part of financial auxiliaries' income to cover anticipated losses.

BRANCH ADJUSTMENT ACCOUNT

All adjustments made with head offices or branches and are payable.

UN-REMITTED HEAD OFFICE EXPENSES

Expenses made by head office on your behalf, which have not yet been remitted.

SETTLEMENT ACCOUNTS

A settlement account is any account you wish to have funds settled into at the end of the transaction. Settlement accounts within other accounts payable should show financial auxiliaries' obligations for payments on future settlement dates for assets that were purchased on trade dates.

MISCELLANEOUS LIABILITY ITEMS

Includes suspense accounts, provision for expected costs, deferred tax liabilities, accrued wages, accrued

rent, and accrued taxes, credit balances in the cash credit, certificates, margin on guarantees, and other liabilities items not specified elsewhere.

SUSPENSE ACCOUNTS

An account that is used to store short-term funds or securities until a permanent decision is made about their allocation.

PROVISION FOR EXPECTED COSTS

Various types or expected costs such as those arising from the expectation of an unfavourable judgement in a lawsuit or plans for restructuring an enterprise's operations or managements etc.

DEFERRED TAX LIABILITIES

Deferred tax liabilities arise from timing difference between recognized tax liabilities in financial auxiliaries' account and tax liabilities reported to the tax authorities; the tax amount due in one period but deferred for payment in another period.

ACCRUED WAGES

Wages and salaries, which have not been paid and are outstanding at the end of the accounting period

ACCRUED RENT

In finance, rent is a fixed income / expenditure per period from property, land or any real estate. It is also a contractual amount paid for the use of

machinery or equipment such as transport vehicles.

SUNDRY DEPOSITS

Various type of deposits for which claimant is not available, e.g., dormant accounts of non-operative accounts etc.

ADVANCE RECEIPTS

Amounts received in advance for any contract but the contract has not yet fully materialized.

CURRENT TAXATION (PROVISIONS LESS PAYMENTS) ACCRUED TAX

Taxes chargeable to an accounting period but not yet paid.

SOCIAL CONTRIBUTIONS

These are the actual or imputed payments to social insurance schemes to make provisions for social insurance benefits to be paid or to the employees' benevolent funds.

v. SHARES & OTHER EQUITY

Shares and other equity comprise all instruments and records acknowledging, after the claims of all creditors have been met, claims on the residual value.

PAID-UP CAPITAL

The term, Paid-up capital (share capital) or Shares would be used synonymously for the money raised through sale of stocks. It includes financial auxiliaries' shares fully paid in cash, issued as bonus shares and shares issued for consideration other

than cash. Preferred stocks or shares, which also provide for participation in the distribution of the residual value on dissolution of an incorporated enterprise (preferred in distribution over ordinary shareholders), are included.

PAID-UP CAPITAL UNQUOTED/NOT-LISTED

These are unquoted shares of the financial auxiliaries', which are not traded on stock exchanges or other organized financial markets.

OTHER EQUITY

The portion or part of equity that is not paid-up capital (shares) will be treated as other equity. This item would include financial auxiliaries' retained earnings, current year result, general & special reserves and revaluation adjustments.

RETAINED EARNINGS

The category of retained earnings shows all earnings (after-tax profit) from the overall operations of the financial auxiliaries less any amount allocated to general and special reserves, which is established as a capital cushion to cover operational and financial risks.

CURRENT YEAR RESULT (UNAPPROPRIATED PROFIT/LOSS)

This constitutes accumulated revenues less expenses for the current year if

such profit or loss has not been included in retained earnings. Accumulated revenues during the year minus expenditures minus taxes minus retained earnings minus general and special reserves minus dividend payable are the current year result.

GENERAL AND SPECIAL RESERVES

General and special reserves are capital redemption reserve, profit prior to incorporation, share premium, statutory reserves and appropriations of retained earnings. General and Special reserves should be valued as the nominal amount of earnings that have been retained.

VALUATION ADJUSTMENT

Valuation adjustment represents the net counterpart of all changes (Surplus / deficit on revaluation) in the values of assets and liabilities on the balance sheets except for valuation changes recorded in the profit and loss accounts.

B. SECTORAL DEFINITIONS

i. DEPOSIT MONEY INSTITUTIONS

These consist of resident depository corporations and quasi corporations, which have any liabilities in the form of deposits payable on demand, transferable by cheques or otherwise useable for making payments. Scheduled banks, specialized banks and

Punjab provincial cooperative banks in Pakistan fall under this category.

ii. FOREIGN CONTROLLED CORPORATIONS

Foreign controlled non-financial corporations are resident non-financial corporations controlled by non-residents. It is difficult to determine the degree of effective control in a corporation that has majority ownership shares; the general rule is that owners should exercise majority control in the form of greater than 50% the voting shares.

iii. PUBLIC ENTERPRISES

Resident corporations controlled by the government. Control may be exercised through ownership of more than half the voting shares, legislation, decree, or regulations that establish specific corporate policy or allow the government to appoint the directors.

iv. OTHER DEPOSIT ACCEPTING INSTITUTIONS

These consist of resident depository corporations and quasi corporations, which have any liabilities in the form of deposits that may not be readily transferable or in the form financial instruments such as short-term certificates of deposits, which are close substitutes for deposits.

v. OTHER FINANCIAL INTERMEDIARIES

Corporations engaged in financial intermediation, which raise funds on financial markets, but not in the form of deposits, and use them to acquire other kind of financial assets. These include discount houses, venture capital companies, mutual funds, housing finance companies and cooperative banks except Punjab provincial cooperative bank etc.

vi. FINANCIAL AUXILIARIES

This sub-sector of the financial sector includes financial institutions that engage in activities closely related to financial intermediation but do not act as intermediaries. The examples are financial auxiliaries, public exchanges and securities markets brokers and agents, financial guarantees corporations, loan brokers, floatation corporations, insurance brokers etc. and also corporations which arrange hedging instruments such as swaps, options, and futures or other instruments which are continually being developed as a result of wide-ranging financial innovation.

vii. NPIs (MARKET)

NPIs engaged in market production are classified as entities, which charge fees

determined by their costs of production and which are sufficiently high to have a significant influence on the demand of their services, but any surpluses must be retained within these entities as their status as “NPI”.

viii. NPIs (NON-MARKET)

Non-market producers that provide most of their output free or at prices that are not economically significant (i.e., at prices that do not significantly influence amounts supplied or amounts purchased). NPIs engaged mainly in non-market production fall into two main groups:

- i. The NPIs that are mainly controlled and financed by the government
- ii. Those NPIs providing non-market goods and services to households and financed mainly by transfers from non-government sources – households, corporations, or non-residents etc. These are commonly termed as NPISHs, a separate sector of the economy.

ix. EMPLOYERS

The employers' are self-employed persons with paid employees.

x. OWN ACCOUNT WORKERS

The employers' are self-employed persons without paid employees.

xi. EMPLOYEES

These are persons, which receive income from their employers.

**xii. RECIPIENT OF PROPERTY AND
TRANSFER INCOMES**

These are persons, which receive income from property or transfers as the largest source.

xiii. ACCUMULATED DEPRECIATION:

Accumulated depreciation is that has taken place on a particular asset up to the present time.