



Sources and Uses of Funds-

Non-Financial Private Corporate Sector of Pakistan during 2009-10.

Flow of Funds Division

*Statistics & DWH Department
State Bank of Pakistan*

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Introduction

This study measures the contribution of non-financial private corporate sector to the flow of funds in the economy. It also analyzes corporate financial and non financial behavior. The study is based on estimated sectoral balance sheets of non-financial private corporate sector compiled by the Flow of Funds Division.

The study is presented in two parts. First part of the report explains structure of the sources and uses of funds by the corporate sector; second part summarizes the investment-saving gap and channels of financing it.

Objectives

The main objectives of the report are:

- ☐ To build comprehensive statistics to capture trends of corporate activities in the financial & capital markets and to understand the broad structural features of the non-financial private corporate sector.
- ☐ To analyze trends in capital formation and its impact on expansion in general employment.
- ☐ To identify the sources and uses of funds of non-financial private corporate sector.
- ☐ To provide guidance for the policy formulation and policy shift for managing the saving investment gap to achieve growth in overall non-financial private corporate sector.
- ☐ To assess the effects of monetary policy actions with reference to financial & real investment in the sector.
- ☐ To determine the origin & causes of investment-saving gap and how to bridge it.
- ☐ To enhance the base for qualitative and quantitative data information for policy makers, researchers, business community, and other interested users.

Methodology

The data was plucked from annual accounts of joint stock companies listed at KSE and some companies having foreign investment as on June 30, 2010. The relevant data was extracted from balance sheet and notes to the Accounts. And a consolidated sectoral balance sheet for Private corporate sector was prepared. The estimates were raised to overall economy by multiplying a constant multiple factor calculated by total paid up capital registered with SECP as on June 30, 2010 and estimated consolidated sectoral balance sheet for the overall non-financial private corporate sector in Pakistan. The data was replaced with actual data related to all financial and rest of the world sectors.

Assets and Liabilities of Non-financial Private Corporate Sector

The balance sheet of corporate sector generally comprises financial & non-financial assets and liabilities & shareholder's equity. The consolidated Sectoral Balance Sheet for FY 2010 had 61.5 percent non-financial assets and 38.5 percent financial assets. About 33.4 percent of total assets in the corporate sector were financed by shareholder's equity. The remaining Assets were financed by 22.3 percent through current liabilities and 44.4 percent by non-current liabilities.

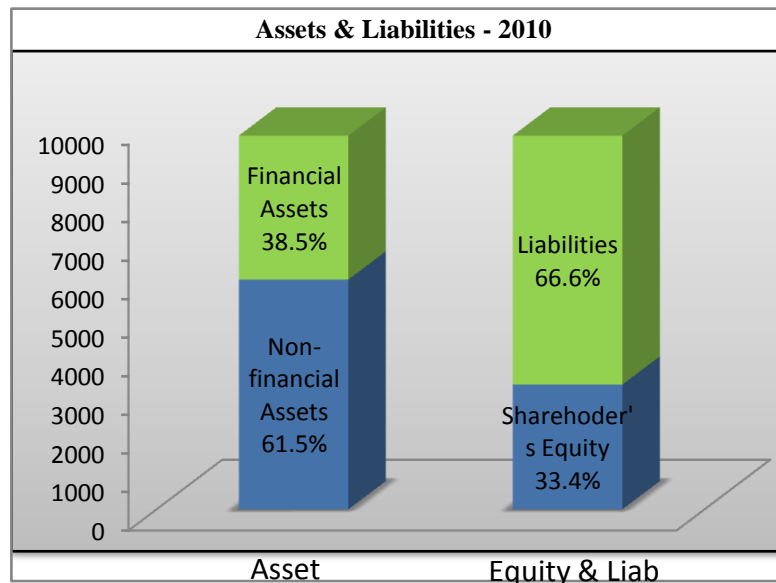


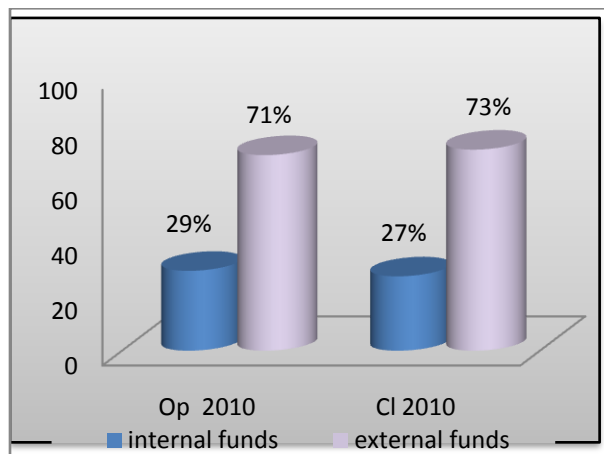
Table-1: Assets and Liabilities of Non-financial Private Corporations

Components of Balance Sheet	Billion Rs			
	Op-bal 2010	Cl-bal 2010	% Share in 10	% Change
Shareholder' Equity	2740	3231	33.4	17.9
Non Current Liab	3597	4298	44.4	19.5
Current Liab	1939	2156	22.3	11.3
Total Liab & Equity	8276	9685	100.0	17.0
Fixed Assets	5179	5953	61.5	15.0
Current Assets	1466	1765	18.2	20.6
Other Current Assets	1631	1967	20.3	20.6
Total Assets	8276	9685	100.0	17.1

Sources of funds

Non-financial private corporations acquired funds from different sources for financing assets formation. There are two major types of funds for financing. Some funds are generated within the sector through savings and others acquired from other sectors of the economy (externally generated funds). At the start of 2010, total internal funds in the form of reserve, surplus and provisions (non-financial saving) of corporate sector were Rs 2417 billion of total funds. An increase of 8.7 percent or Rs 210 billion was noted during the review period and its share in total funds generated by the private corporate sector was **27 percent** in FY10. Among the internal sources, reserves & retain earnings accounted for 38 percent share during 2010. Provisions mainly comprised accumulated depreciation, accounted for 62 percent of total internal sources during 2010. External funds which were acquired from different sources constituted **73 percent** of total financing raised by the corporate sector during the period.

Percent Share in Sources of Funds



Percent Growth in Sources of Funds

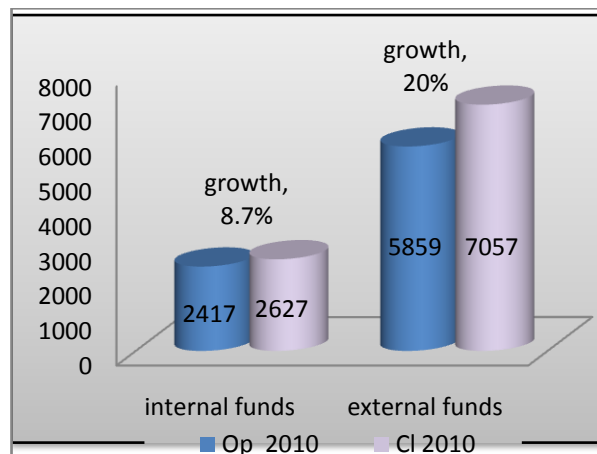
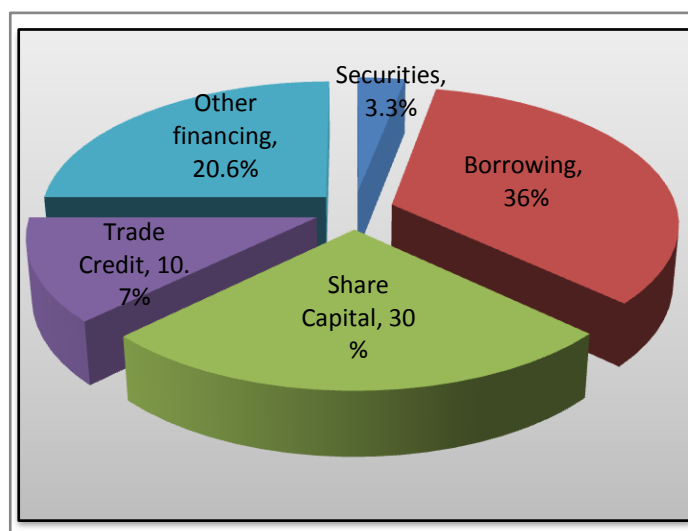


Table-2: Sources of Funds of Private Corporate Sector

Billion Rs				
Source of Funds	Op-bal 2010	Cl-bal 2010	%Share in 10	%Change
Internal Funds (Saving)	2417	2627	27.1	8.7
Reserves & Surplus	1025	1004	10.4	-2.0
Provisions	1392	1623	16.8	16.6
External Funds	5859	7057	72.9	20.4
Borrowing	2452	2538	26.2	3.5
Share Capital	1751	2086	21.5	19.1
Securities other than Shares	227	230	2.4	1.3
Trade Credit	633	753	7.8	19.0
Other Financing	796	1450	15.0	82.2
Total Funds	8276	9684	100.0	17.0

Funds from External Sources

The non-financial private corporate sector relied more on external sources of funds. The data revealed that the external sources of funds constituted up to **73 percent** of the total sources. Borrowing was the major source of acquiring funds; it constituted **36 percent** of total external funds raised by the non-financial private sector during 2010. Share capital was the second major source of funds and it constituted **30 percent** of total external funds, while share of trade credit was **10.7**



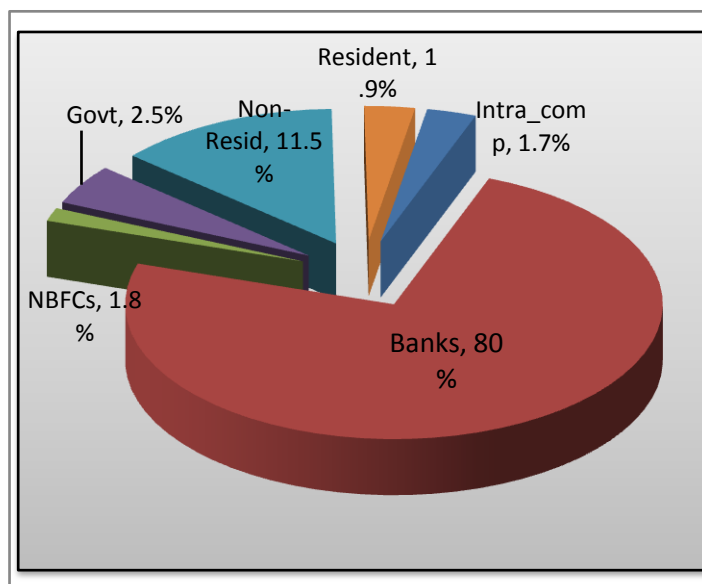
percent. The securities other than shares issued by corporate sector had very low contribution of **3.3 percent** in total external financing and had the lowest 1.3 percent growth. Total external funds increased by Rs. 1198 billion or **20.4 percent** from Rs 5859 billion to Rs 7057 billion in 2010. Share capital increased by **19.1 percent** from Rs. 1751 billion to Rs 2086 billion during 2010. Trade Credit also increased by **19.0 percent** from Rs 633 billion to Rs 753 billion during this period. The sources of external funds in 2010 are given in table-3.

Table-3: Sources of External Funds

Sources of External Funds:	Billion Rs			
	Op-bal 2010	Cl-bal 2010	%Share in 10	%Change
Borrowing	2452	2538	36.0	3.5
Share Capital	1751	2086	29.6	19.1
Securities other than Shares	227	230	3.3	1.3
Trade Credit	633	753	10.7	19.0
Other Financing	796	1450	20.6	82.2
Total External Funds	5859	7057	100.0	20.4

Sector- wise Borrowing of Non-financial Private Corporate Sector

Corporate sector mostly raised its funds by borrowing from different sectors during 2010. The data reveals increasing trend in the borrowing of non-financial private corporate sector during the review period. The borrowing of non-financial private corporate sector increased by 3.5 percent from Rs 2452 billion to Rs 2539 billion during the review period. The sectors of economy from where the private corporate sector raised its funds included non-financial corporations, Banks, NBFCs, Government; non-resident and resident sector. The figure shows that the



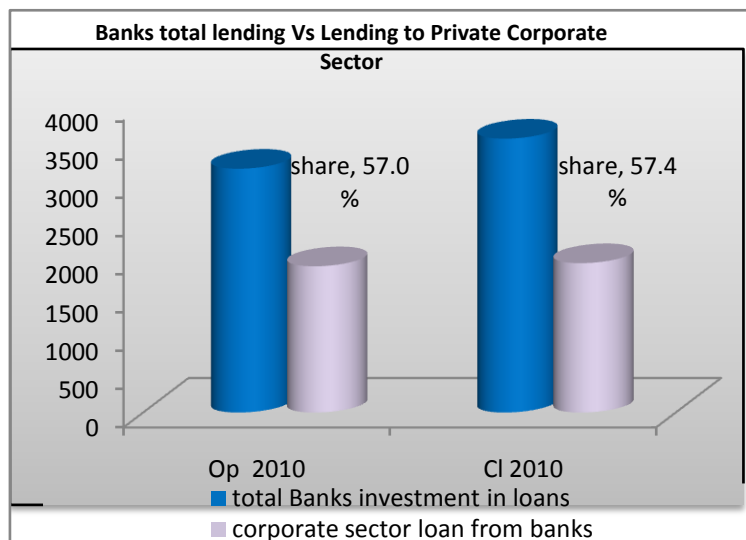
largest source of borrowing was commercial banks. The share of borrowing from banking sector was **80.6 percent** of total borrowing. The second largest source of borrowing was non-resident sector, and its share was **11.5 percent** of total borrowing and it increased by **5.2 percent** from Rs 278 billion to Rs. 292 billion, while the sector borrowed 7.9 % from other remaining sectors.

Table-4: Channels of Borrowing of Non-financial Private Corporate Sector

Billion Rs				
Sectors of Economy	Op-bal 2010	Cl-bal 2010	%Share in 10	% Change
Intra Company Loan	20	43	1.6	115
Banks	2033	2143	81.3	5.4
NBFCs	63	45	1.7	-28.6
Government	91	64	2.4	-29.7
Non-Residents	278	292	11.1	5.0
Other Resident Sector	54	49	1.9	-9.3
Total Borrowing	2539	2636	100.0	3.8

Borrowing from Banks

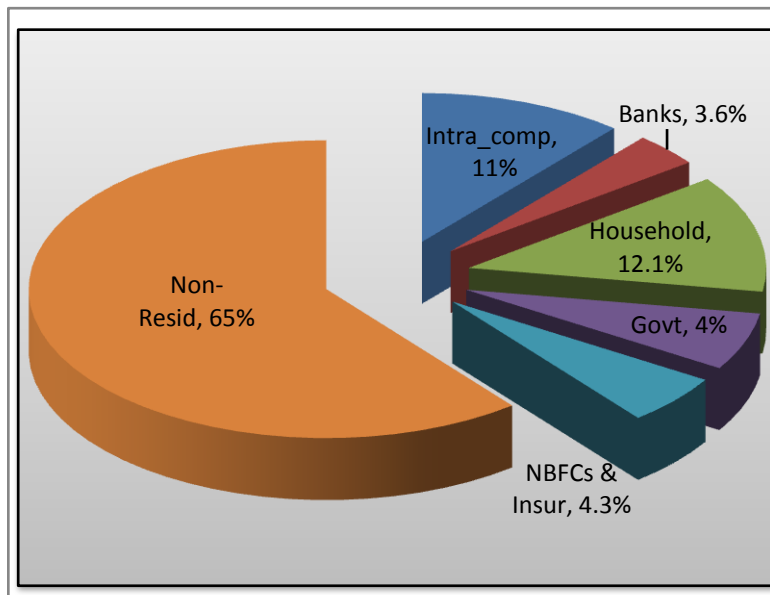
The non-financial private corporate sector was the largest borrower of the banking sector, and acquired 81.3 percent of its total borrowing from banking sector as on FY 2010, which is equal to 57 percent of total lending by banking sector as on FY 2010. Borrowing of non-financial private corporate sector from banking sector increased by 5.1 percent from Rs 2033 billion as on FY 2009 to Rs 2143 billion as on FY 2010. The figure shows the structure of total banks' investment in loans vs corporate private sector loans from banking sector.

**Table-5**

Billion Rs		
Item	Op-bal 2010	Cl-bal 2010
Total Banks Investment in Loans	3,569	3,735
Banks Loan to Private Sector	2033	2143
% Share of Total Banks Loan	57.0	57.4

Share Capital Issued by Non-financial Private Sector

Share capital was the second largest source of acquiring funds by the non-financial private corporations to fulfill their needs for assets formation. The contribution of 'share capital' in total external financing raised by corporate sector was **29.6 percent** during the review period. The data reveals that the issuance of share capital was increased by **19.2 percent** from Rs 1750 billion in the beginning to Rs 2086 billion at the end of 2010. The sectors of economy from where the



corporate sector raised its funds by issuing share capital include Non-financial corporations, Banks, NBFCs & insurance co, Non-resident and Household. The figure shows that non-resident sector increased its investment in corporate sector's capital during the review period. It is important to note that the share of non-resident sector was 65 percent of total equity issued by private corporate sector and it increased by 19 percent from Rs 1138 billion to 1354 billion as on 2009 and 2010 respectively. There is an investment of Rs 230 billion or 11 percent by Intra-companies and Rs 253 or 12 percent by household in share capital of non-financial private corporate sector and also observed positive growth trend of 14.4 percent in these sectors during the review period 2010.

Table-6: Share Capital Issued by Non-financial Private Corporations

Sectors of Economy	Billion Rs			
	Op-bal 2010	Cl-bal 2010	%Share in 10	%Change
Intra-Company	201	230	11.0	14.4
Banks	59	75	3.6	27.1
NBFCs & Insurance	56	90	4.3	60.7
Government	75	84	4.0	12.0
Household	221	253	12.1	14.5
Non-Resident	1,138	1,354	64.9	19.0
Total Share Capital Issued	1750	2086	100.0	19.2

Securities other than Shares Issued by Corporate Sector

The non-financial private corporate sector raised about **3.3 percent** funds through issuance of securities other than shares in the review period. The data reveals that the issuance was increased by **0.9 percent** from Rs 227 billion to Rs 229 billion at the beginning and at the end of 2010 respectively. The sectors included Banks, intra-corporations, NBFCs & insurance and non-resident sector. Financing under **Securities other than shares** from Non-resident was dominant for the entire period with a share of 54 per cent. It was decreased by 0.9 percent from Rs 125 billion in the beginning to Rs 124 billion at the end of 2010, about 30.6 percent financing was obtained from banking sector and it increased by 30 percent from Rs 54 billion to Rs 70 billion in this period. The sector-wise distribution of securities issued by corporate sector is shown in table-7.

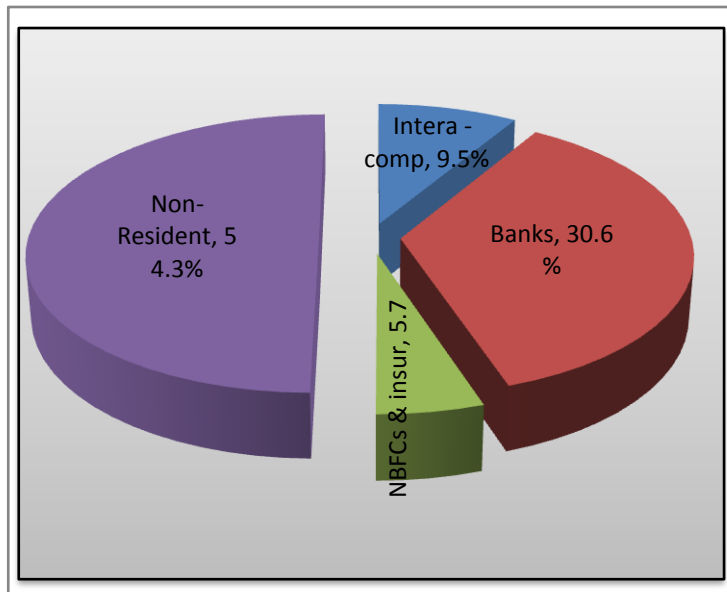
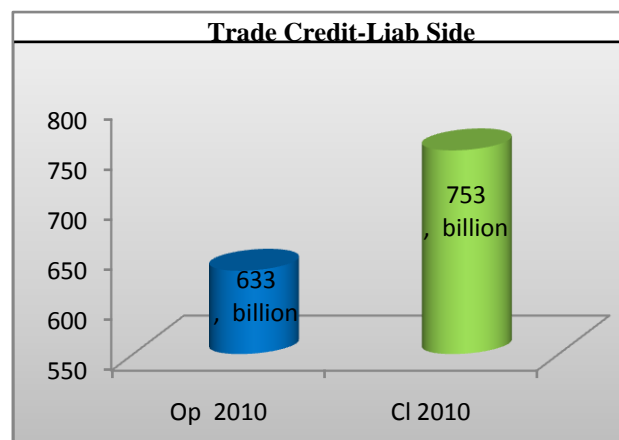


Table-7: Securities other than Shares Issued by Non-financial Private Corporations

Sectors of Economy	Billion Rs			
	Op-bal 2010	Cl-bal 2010	%Share in 10	%Change
Intra-Companies	25	22	9.5	-12.3
Banks	54	70	30.6	29.6
NBFCs & Insurance	22	13	5.7	-41.4
Non-Residents	125	124	54.3	-0.9
Total Securities Issued	226	229	100.0	0.9

Trade Credit - Liability Side

It is the credit made available to a company by another company for buying goods & services to conduct its operations. In other words, trade credit is “buy now”, “pay later”. The share of Trade credit in total external financing raised by non-financial private corporations was **10.7 percent** during the entire year 2010. The figure showed that it had increasing trend. It increased by **19 percent** from Rs 633 billion to Rs 753 billion during 2010.



Uses of Funds

Investment of non-financial private sector generally has two main components: investment in financial assets and non-financial assets, i.e., gross capital formation. Gross capital formation had the largest share of **61.5 percent** in total uses of funds during 2010. While non-financial private corporate sector used **38.5 percent** of its sources for the acquisition of financial assets, including cash & deposit having share of 17.9 percent and it increased by 15.4 percent from Rs 1506 billion to Rs 1738 billion. The share of 'Trade credit' was 7.4 percent in the uses of funds and it increased by 23.9 percent from Rs 576 billion in the beginning to Rs 714 billion at the end of 2010. This sector invested 4.4 percent funds in the acquisition of share capital of different sectors and it was decreased by 25 percent from Rs 341 billion to Rs 426 billion during 2010. The composition of uses of funds of non-financial private corporate sector is shown in table -8

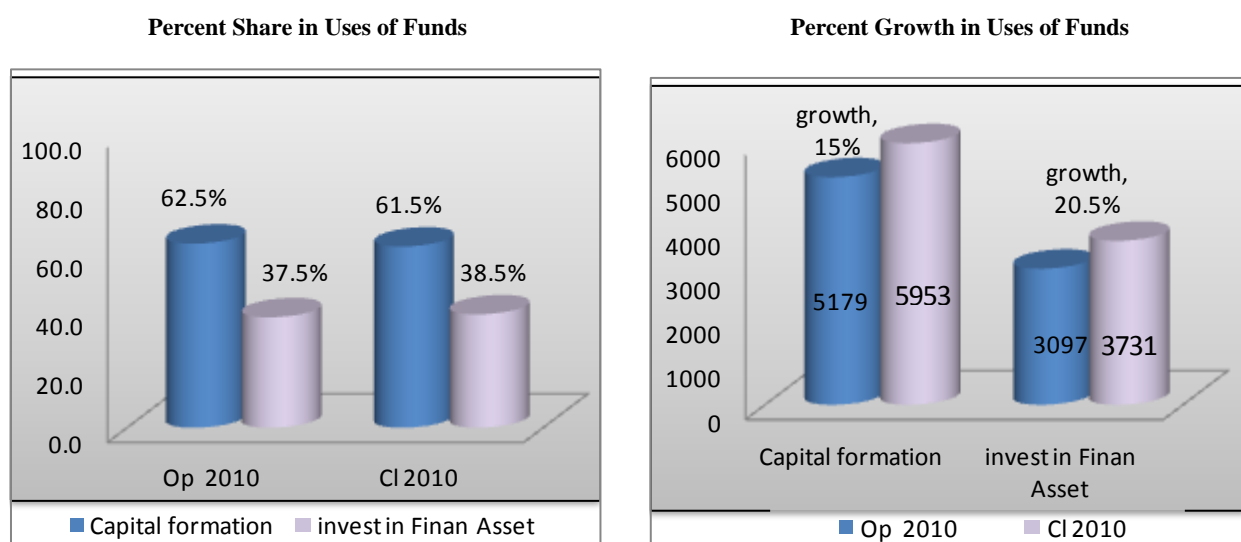


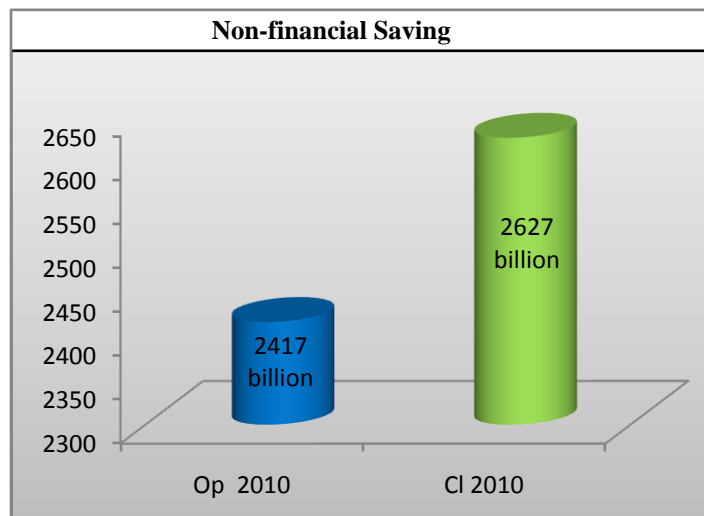
Table-8: Composition of Uses of Funds of Corporate Sector

Use of Funds	Billion Rs			
	Op-bal 2010	Cl-bal 2010	%Share in 10	%Change
Gross Capital Formation	5179	5953	61.5	15.0
Financial Assets	3097	3731	38.5	20.5
Cash & Deposit	1506	1738	17.9	15.4
Securities other than Shares	22	28	0.3	28.6
Loans Extended	25	27	0.3	6.9
Investment in Shares	341	426	4.4	25.0
Trade Credit	576	714	7.4	23.9
Other Receivable	626	798	8.2	27.5
Total Funds	8275	9685	100.0	17.0

Saving and Investment of Non-financial Private Corporate Sector

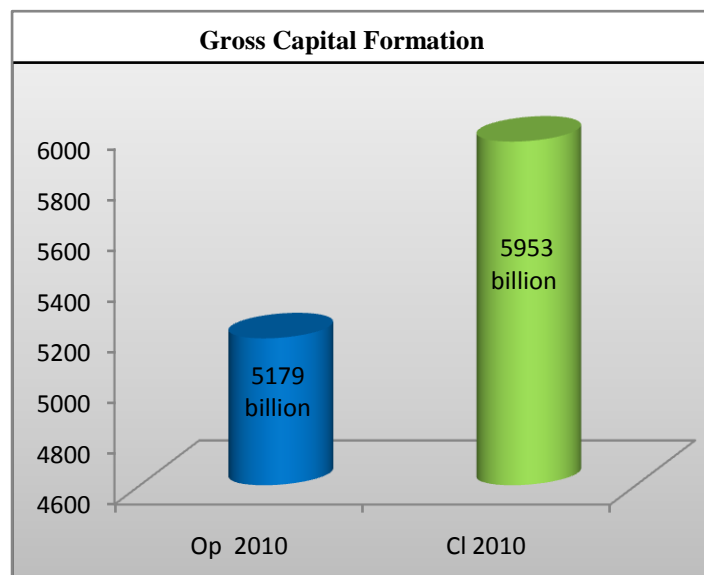
Saving of the Sector

Non-financial-saving of private corporate sector mainly has two components: i) reserve & surplus ii) provisions. Reserve & surplus can be defined as amounts retained in the business and not distributed to owners. It includes retained earnings, current year result, special reserve and general reserve. In most cases, companies retain their earnings in order to invest for future growth and expansion, such as buying new machinery or spending the money on more research and development, while provisions include accumulated depreciation. The data reveals that total ***non-financial-saving*** of private corporate sector was increased by **8.7 percent** from Rs 2417 billion in the beginning to Rs 2627 billion at the end of 2010. The share of *non-financial saving* in total funds generated by corporate private sector was **27.1 percent** during 2010.



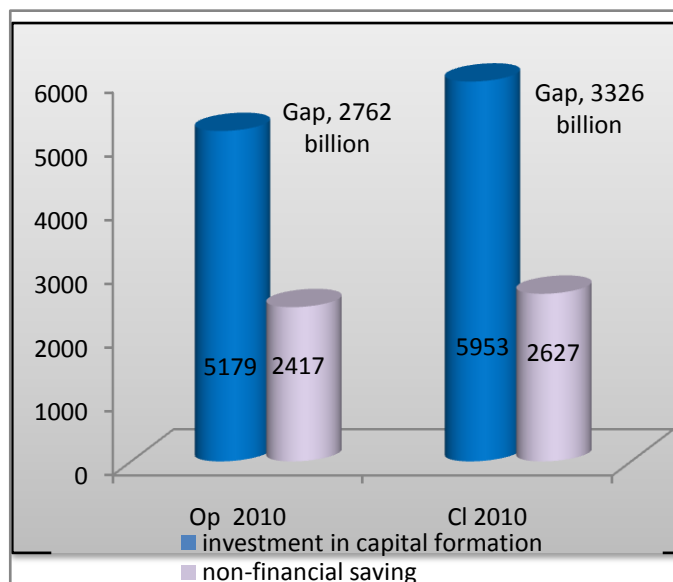
Investment in Gross Capital Formations

Investment in Gross Capital formation constituted **61.5 percent** of total Assets formation during the review period. The data reveals that non-financial private corporate sector mostly invested its funds in fixed capital formations. A larger investment in fixed assets is a good aspect from industrial growth point of view, such as buying new machinery & equipments, improving industrial technology or spending the money on construction of building & structure create more employment. Total Gross Capital formation of corporate sector increased by **15 percent** from Rs 5179 billion to Rs 5953 billion during the review period 2010.



Financing of Investment and Saving Gap

The investment in gross capital formations by the corporate sector was higher than savings, so it had to be financed through *net borrowing mainly* from banking sector, issuance of shares & equity, securities and trade credit, etc. The saving and investment gap of the corporate sector was computed as the difference between corporate **investments** (comprises both capital expenditures and inventories) and **corporate saving** (comprises retained earnings plus reserve plus provisions). The term “financing gap” can also be used instead of “saving gap” interchangeably.



The analysis of financing sources of investment in the corporate sector is difficult because some of the funds come from within that sector’s own saving (internally generated funds). The data reveals that there was non- financial saving of Rs 2627 billion and gross capital formation was Rs 5953 billion. This created a financing gap of Rs 3326 billion, which indicate deficit equal to the borrowing of the sector. It was met by incurring financial liabilities from different resident and non- resident sectors.

The analysis of increase in composite liability on net borrowing can provide useful information because net increase in financial liabilities was a source of funds in addition to the internal funds “saving”, while a net increase in financial assets was a use of funds, in addition to “gross capital formation”.

The main financial liabilities were loans, trade credit, Securities and share capital, etc, while main financial assets were Currency & deposits, loans, trade credit, Securities and Shares capital. The presence of financial assets complicates the answer to our basic question, as the increase in financial liabilities was used to finance both the **saving gap** and acquisition of **financial assets**, so we may choose to net out the increase in some financial assets from the corresponding increase in financial liabilities to simplify the analysis.

Corporate loans (inclusive of trade credit), issuance of shares and securities were the largest cause of increase in liability of corporate sector. The saving and investment gap was financed about 77 percent by net loans (inclusive trade credit), while remaining **23 percent** of the gap was financed by issuance of net securities, shares capital and net of other payable/receivable accounts during the review period.

Consolidated Balance Sheet of -Non-financial Private Corporations for 2009-10

Financial Assets

Million Rs.

Items	Op_bal	Tra	VC	OCV	Cl_bal
Assets	8,275,091	1,187,719	165,995	55,810	9,684,615
1. Currency and Deposits	1,506,269	203,950	13,663	13,656	1,737,539
1. Currency	7,202	429	0	0	7,631
2. Transferable Deposits	870,510	115,864	11,691	10,409	1,008,475
Deposit money institutions	870,510	115,864	11,691	10,409	1,008,475
3. Other Deposits	628,557	87,658	1,972	3,247	721,434
1. Non-financial corporations	100,243	-1,069	0	0	99,174
2. Financial corporations	528,311	88,713	1,972	3,247	622,243
1. Deposit money institutions	519,081	86,598	1,972	5,224	612,874
2. Other financial institutions	9,230	2,115	0	-1,977	9,368
3. Government	4	14	0	0	17
2. Securities other than shares	21,536	5,967	-1	194	27,696
1. Short-term	2,695	18,918	0	0	21,613
1. Non-financial corporations	375	282	0	0	657
2. Financial Corporations	2,155	-1,227	0	0	927
1. Deposit money institutions (Bankers' acceptance)	0	0	0	0	0
2. Other financial institutions	2,155	-1,227	0	0	927
3. Central Government	165	19,798	0	0	19,963
4. Non-residents	0	66	0	0	66
2. Long-term	18,841	-12,951	0	193	6,083
1. Non-financial corporations	11,664	-11,521	0	0	144
2. Financial Corporations	4,446	-925	0	193	3,714
1. Deposit money institutions (TFCs etc)	2,833	-440	0	193	2,585
2. Other Financial institutions (PTCs/TFCs/Bonds)	1,614	-485	0	0	1,129
3. Central Government	2,730	-505	0	0	2,225
4. Non-residents	0	0	0	0	0
3. Loans extended	25,227	1,733	0	0	26,960
1. Short-term	8,940	2,964	0	0	11,904
1. Non-financial corporations	6,612	1,892	0	0	8,504
2. Households (Employees)	2,328	1,072	0	0	3,400
3. Non-residents	0	0	0	0	0
2. Long-term	16,287	-1,230	0	0	15,056
1. Non-financial corporations	9,552	-2,104	0	0	7,448
2. Households (Employees)	6,652	873	0	0	7,525

3. Non-residents	83		0	0	83
4. Shares and other equity	341,159	52,950	28,305	4,085	426,498
1. Non-financial corporations	121,155	27,456	28,143	1,180	177,935
2. Financial Corporations	56,193	19,138	162	2,905	78,397
1. Deposit money institutions	27,477	6,154	0	3,003	36,635
2. Other Financial institutions	28,716	12,983	162	-98	41,763
3. Non-residents	163,810	6,356	0	0	170,166
5. Insurance Technical Reserve	35,654	9,763	0	0	45,417
6. Other accounts receivable	1,166,701	250,542	0	49,764	1,467,007
1. Trade credit and advances	576,450	138,033	0	0	714,483
2. Others receivable	590,251	112,509	0	49,764	752,524

Non-financial Assets

Items	Op_bal	Transactions		VC	OVC	Cl_bal	Acc. depreciation	Present value
		Acquisition	Disposal					
7. Non-financial assets	5,178,545	934,499	271,684	124,028	-11,889	5,953,499	1,622,686	4,330,813
1. Produced assets	4,924,027	912,582	267,429	88,430	-16,895	5,640,716	1,613,879	4,026,836
1. Tangible fixed assets	4,288,463	801,379	213,440	88,430	-20,402	4,944,430	1,578,649	3,365,781
1. Dwellings (residential buildings)	18,376	292	28	202	662	19,505	7,051	12,454
2. Other buildings and structures	343,304	46,287	4,213	3,689	691	389,758	107,195	282,562
3. Machinery and equipment	3,326,120	541,680	88,073	66,665	-19,493	3,826,899	1,240,584	2,586,315
4. Other tangible fixed assets n.e.s	600,662	213,120	121,126	17,873	-2,262	708,268	223,818	484,449
2. Intangible fixed assets	117,754	11,396	1,003	0	3,535	131,682	35,230	96,451
3. Inventories	517,810	99,808	52,985	0	-28	564,604	0	564,604
2. Non-produced assets	254,519	21,916	4,256	35,598	5,006	312,783	8,806	303,977
1. Tangible non-produced assets	163,076	13,756	1,218	35,598	5,006	216,218	4,038	212,180
2. Intangible non-produced assets	91,442	8,161	3,038	0	0	96,565	4,768	91,797

Financial Liabilities

Million Rs.

Items	Op_bal	Tra	VC	OCV	Cl_bal
Liabilities	8,275,092	1,187,814	165,995	55,810	9,684,711
1. Restricted/ compulsory deposits	107,142	-1,244	0	10,146	116,044
1. Non-financial corporations	23,283	-1,125	0	94	22,252
2. Government	10	-2	0	0	8
3. Household	83,849	-117	0	10,052	93,784
2. Securities other than shares (Bonds/ debentures etc)	226,875	8,078	-2,137	-3,155	229,660
1. Short-term	12,303	1,444	890	139	14,776
1. Non-financial corporations	837	-360	0	0	477
2. Financial Corporations	11,467	1,804	890	139	14,299
1. Deposit money institutions	10,150	2,868	-6	-550	12,463
2. Other financial institutions	1,317	-1,064	896	689	1,837
3. Household	0	0	0	0	0
4. Non-residents	0	0	0	0	0
2. Long-term	214,572	6,634	-3,027	-3,294	214,884
1. Non-financial corporations	24,027	-2,700	0	0	21,327
2. Financial Corporations	65,087	10,406	-3,027	-3,294	69,172
1. Deposit money institutions	44,082	19,692	-2,642	-3,215	57,917
2. Other financial institutions	21,005	-9,286	-385	-79	11,254
3. Household	0	0	0	0	0
4. Non-residents	125,458	-1,073	0	0	124,385
3. Loans (borrowings)	2,451,641	114,213	1,778	-29,046	2,538,586
1. Short-term	1,291,805	105,781	1,778	-10,746	1,388,618
1. Non-financial corporations	5,981	18,142	0	0	24,122
2. Financial Corporations	1,284,991	87,617	1,778	-10,746	1,363,640
1. Deposit money institutions	1,277,957	86,856	1,778	-10,712	1,355,879
2. Other financial institutions	7,034	761	0	-34	7,761
3. Government	0	0	0	0	0
4. Non-residents	0	0	0	0	0
5. Other resident sector	834	22	0	0	856
2. Long-term	1,159,835	8,432	0	-18,300	1,149,967
1. Non-financial corporations	13,678	4,920	0	0	18,597
2. Financial Corporations	724,416	21,236	0	-18,300	727,352
1. Deposit money institutions	668,738	28,616	0	-7,355	689,999
2. Other financial institutions	55,678	-7,380	0	-10,945	37,353
3. Government	90,605	-26,770	0	0	63,835
4. Non-residents	277,974	14,362	0	0	292,336
5. Other resident sector	53,162	-5,316	0	0	47,847

4. Other accounts payable	2,749,008	408,533	0	411,751	3,569,293
1-Trade Credit & advances	633,093	119,552	0	0	752,645
2. Accumulated depreciation	1,391,904	0	0	230,782	1,622,685
3. Other accounts payable	724,011	288,981	0	180,970	1,193,962
5. Shares and other equity	2,740,425	658,235	166,354	-333,886	3,231,129
1.Share Capital	1,750,638	337,432	-8,479	7,319	2,086,910
1. Non-financial corporations	201,494	28,702	-15	0	230,181
2. Financial Corporations	115,180	50,758	-8,463	7,319	164,794
1. Deposit money institutions	58,891	18,268	-10,032	7,544	74,671
2. Other Financial institutions	56,289	32,491	1,569	-225	90,124
3. Government	74,736	9,535	0	0	84,271
4. Household	221,456	31,670	0	0	253,126
5. Non-residents	1,137,771	216,767	0	0	1,354,538
2. Retained earnings	132,012	244,575	0	-329,521	47,066
3. General and special reserves	892,714	76,228	0	-11,886	957,056
4. Valuation adjustments	-34,938	0	174,833	202	140,097

This consolidated sectoral balance sheet is based on analysed balance sheets of companies listed at KSE as on 30th June,2010 and raised with respect to toatal paid-up capital registered with SECP, then data was replaced with actual data related to all financial and rest of the world sectors.

Annexure: Glossary/ Terminology Used

Assets

Assets refer to items controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. These may consist of the following items,

1. Currency and Deposits
2. Securities other than shares
3. Loans extended
4. Shares and other equity
5. Other accounts receivable
6. Non-financial assets

Non-Financial Assets

Entities that give its owners 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

Produced assets are non-financial assets acquired as outputs from production processes. These are as under:

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.

iii. Valuables

Assets acquired and held primarily as stores of value.

Non-produced Assets

These are both tangible and intangible assets acquired through other than processes of Production. Tangible non-produced assets include land, subsoil assets, water resources, etc. Intangible non-produced assets include patents, leases, and purchased goodwill.

Liabilities

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. These may consist of the following items,

1. Restricted/ compulsory deposits
2. Securities other than shares
3. Loans (borrowings)
4. Other accounts payable
5. Shares and other equity

Total Shareholders' Equity

Shareholders' Equity refers to the shareholders' residual interest in the assets of the entity after deducting all its liabilities. Shareholders' equity comprises mainly share capital, retained earnings/accumulated losses and other reserves. Shareholders' equity is recorded at nominal or book value.

Share Capital

Share capital refers to the amount contributed by shareholders through the issue of shares. There are several types of shares, including common stock, preferred stock, treasury stock, and dual class shares. Preferred shares have priority over common shares in the distribution of dividends and assets.

Retained Earnings

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

General and Special Reserves

General and special reserves are capital redemption reserves, 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.

Internal Sources

Funds generated from within the sector as reserves & surplus, provisions, etc.

External Sources

Funds generated from out of the sector, e.g., borrowing, deposits, issuance of securities, shares, trade credit and other.