

Sources and Uses of Funds-

Non-Financial Private Corporate Sector of Pakistan-FY11



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 sheet 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 finance 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, 2011. The relevant data was extracted from balance sheets 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, 2011 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 of financial & non-financial assets and liabilities & shareholder's equity. The consolidated Sectoral Balance Sheet for FY 2011 had 59.1 percent non-financial assets and 40.9 percent financial assets. About 37.3 percent of total assets in the corporate sector were financed by shareholder's equity. The remaining Assets were financed by 38.1 percent through non-current liabilities and 24.5 percent by current liabilities.

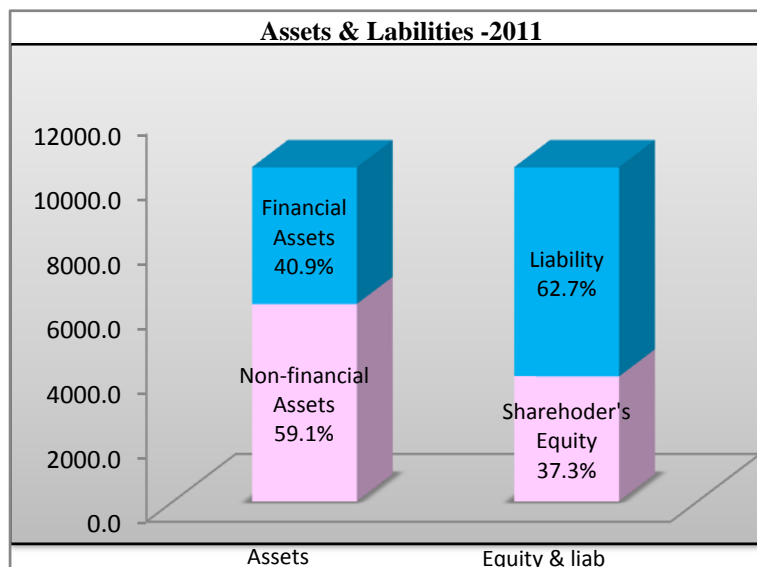


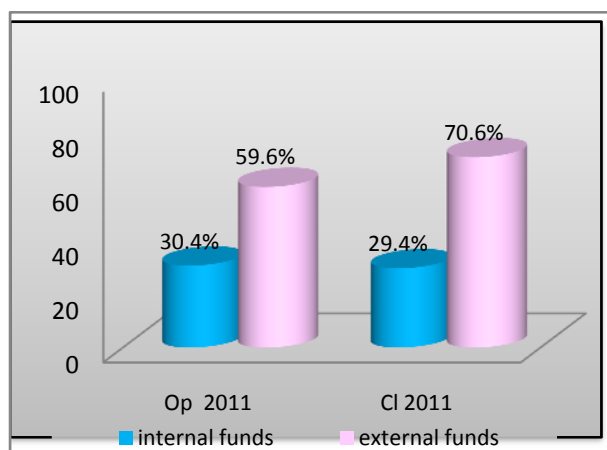
Table-1: Assets and Liabilities of Non-financial Private Corporations

Billion Rs				
Components of Balance Sheet	Op-bal 2011	Cl-bal 2011	% Share in 11	% Change
Shareholder' Equity	3440.3	3868.1	37.3	12.4
Current Liab	2212.7	2541.7	24.5	14.9
Non-Current Liab	3618.7	3949.8	38.1	9.2
Total Liab & Equity	9271.6	10359.7	100.0	11.7
Non-financial Assets	5367.6	6117.4	59.1	14.0
Financial Assets	3904.1	4242.3	40.9	8.7
Total Assets	9271.6	10359.7	100.0	11.7

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 are acquired from other sectors of the economy (externally generated funds). At the start of 2011, total internal funds in the form of reserve, surplus and provisions (non-financial saving) of corporate sector were Rs 2819.3 billion of total funds. An increase of 8.0 percent or Rs 226 billion was noted during the review period and its share in total funds generated by the private corporate sector was **29.4 percent** in FY11. Among the internal sources, reserves & retain earnings accounted for 42.5 percent share during 2011. Provisions mainly comprised accumulated depreciation, accounted for 57.5 percent of total internal sources during 2011. External funds which were acquired from different sources constituted **70.6 percent** of total financing raised by the corporate sector during the period 2011.

Percent Share in Sources of Funds



Percent Growth in Sources of Funds

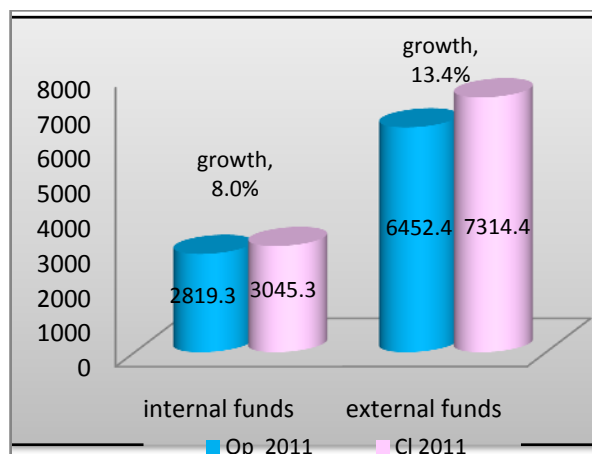
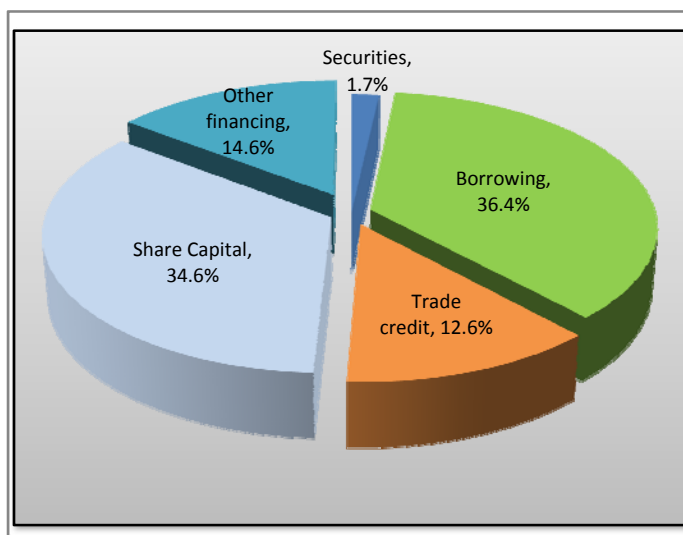


Table-2: Sources of Funds of Private Corporate Sector

Billion Rs				
Source of Funds	Op-bal 2011	Cl-bal 2011	%Share in 11	%Change
Internal Funds (Saving)	2819.3	3045.3	29.4	8.0
Reserves & Surplus	1287.2	1295.3	12.5	0.6
Provisions	1532.1	1750.0	16.9	14.2
External Funds	6452.4	7314.4	70.6	13.4
Borrowing	2427.4	2661.6	25.7	9.6
Share Capital	2170.7	2534.4	24.5	16.8
Securities other than Shares	120.3	125.6	1.2	4.4
Trade Credit	798.8	922.5	8.9	15.5
Other Financing	935.2	1070.2	10.3	14.4
Total Funds	8276	9684	100.0	11.7

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 **70.6 percent** of the total sources. Borrowing was the major source of acquiring funds; it constituted **36.4 percent** of total external funds raised by the non-financial private sector during 2011. Share capital was the second major source of funds and it constituted **34.6 percent** of total external funds, while share of trade credit was **12.6**



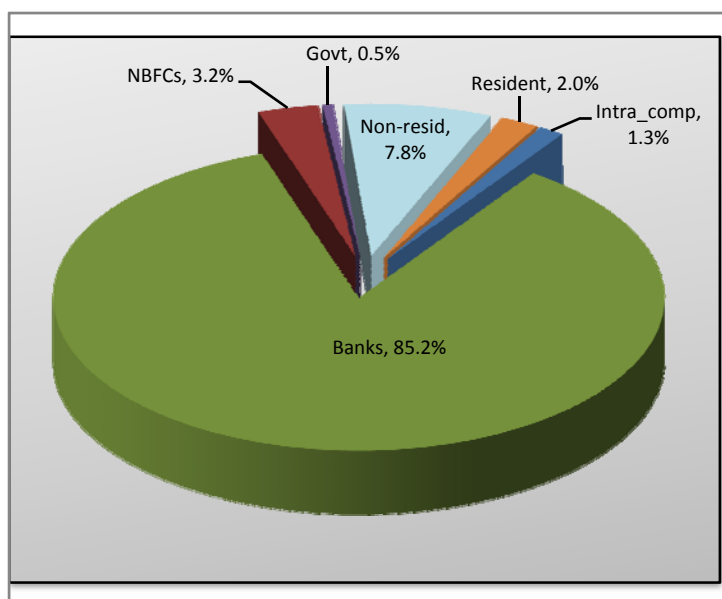
percent. The securities other than shares issued by corporate sector had very low contribution of **1.7 percent** in total external financing and had the lowest 4.4 percent growth. Total external funds increased by Rs. 862 billion or **13.4 percent** from Rs 6452.4 billion to Rs 7314.4 billion in 2011. Share capital increased by **16.8 percent** from Rs. 2170.7 billion to Rs 2534.4 billion during 2011. Trade Credit also increased by **15.5 percent** from Rs 798.8 billion to Rs 922.5 billion during this period. The sources of external funds in 2011 are given in table-3.

Table-3: Sources of External Funds

Sources of External Funds:	Billion Rs			
	Op-bal 2011	Cl-bal 2011	%Share in 11	%Change
Borrowing	2427.4	2661.6	36.4	9.6
Share Capital	2170.7	2534.4	34.6	16.8
Securities other than Shares	120.3	125.6	1.7	4.4
Trade Credit	798.8	922.5	12.6	15.5
Other Financing	935.2	1070.2	14.6	14.4
Total External Funds	6452.4	7314.4	100.0	13.4

Sector- wise Borrowing of Non-financial Private Corporate Sector

Corporate sector mostly raised its funds by borrowing from different sectors during 2011. 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 9.6 percent from Rs 2427.4 billion to Rs 2661.6 billion during the review period. The sectors of economy from where the private corporate sector raised its funds included Banks, NBFCs, Government, non-financial corporations, non-resident and resident sector. The figure shows that the largest source of borrowing was



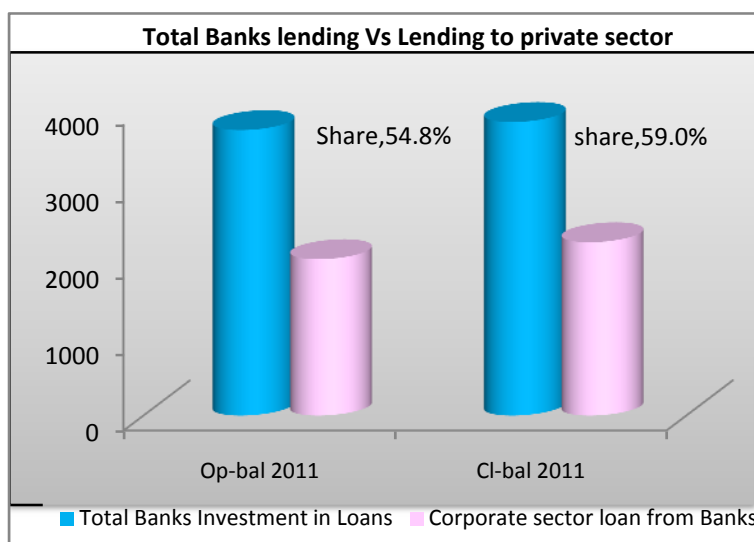
commercial banks. The share of borrowing from banking sector was 85.2 percent of total borrowing. The second largest source of borrowing was non-resident sector, and its share was 7.8 percent of total borrowing and it increased by 3.0 percent from Rs 201 billion to Rs. 207 billion, while the corporate private sector borrowed 7.0 percent from other remaining sectors of economy.

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

Billion Rs				
Sectors of Economy	Op-bal 2011	Cl-bal 2011	%Share in 11	% Change
Intra Company Loan	34.2	35.5	1.3	4.0
Banks	2045.9	2267.6	85.2	10.8
NBFCs	84.2	84.4	3.2	0.3
Government	15.1	13.9	0.5	-8.2
Non-Residents	201.0	207.0	7.8	3.0
Other Resident Sector	47.1	53.2	2.0	12.9
Total Borrowing	2427.4	2661.6	100.0	9.6

Borrowing from Banks

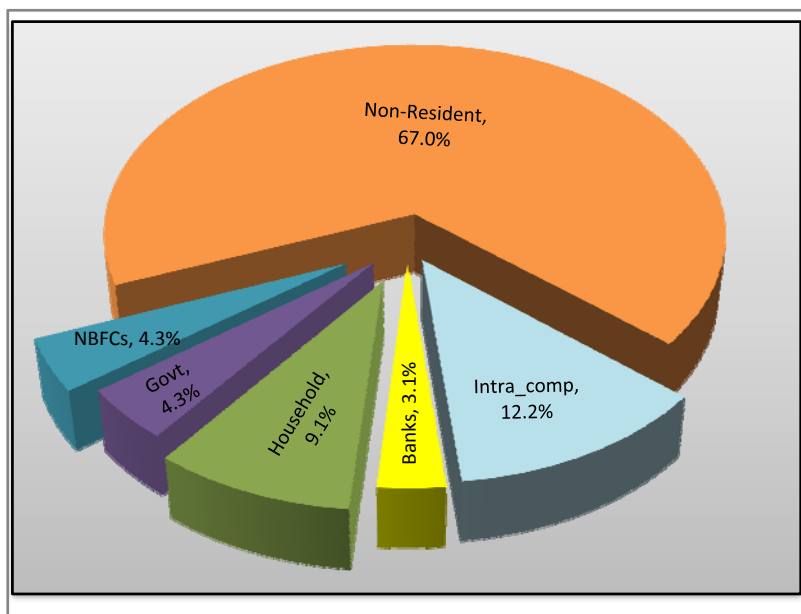
The non financial private corporate sector was the largest borrower of the banking sector, and acquired 85.2 percent of its total borrowing from banking sector during FY 2011, which is equal to 59.0 percent of total lending by banking sector in 2011. Borrowing of non-financial private corporate sector from banking sector increased by 10.8 percent from Rs 2045.9 billion to Rs 2267.6 billion during 2011. 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 2011	Cl-bal 2011
Total Banks Investment in Loans	3734.6	3840.3
Banks Loan to Private Sector	2045.9	2267.6
% Share of Total Banks Loan	54.8	59.0

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 **34.6 percent** during the review period. The data reveals that the issuance of share capital was increased by **16.8 percent** from Rs 2170.7 billion in the beginning to Rs 2534.4 billion at the end of



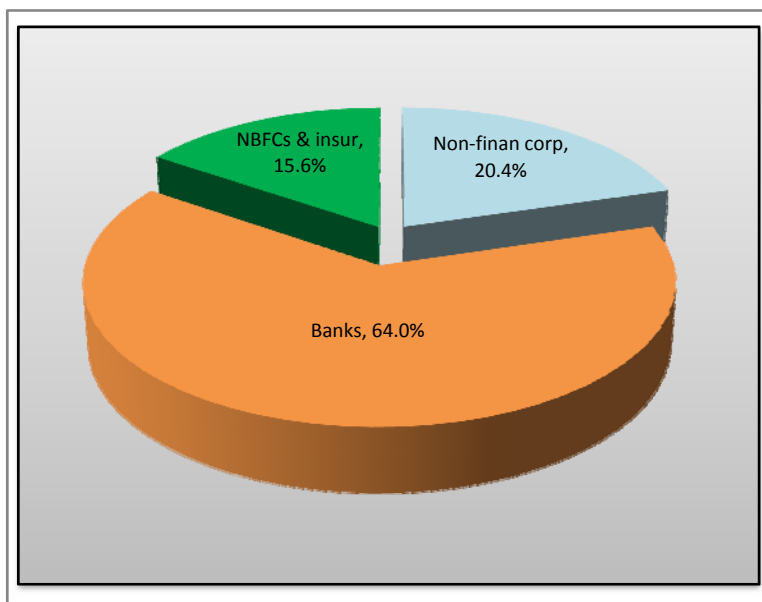
2011. The sectors of economy from where the corporate sector raised its funds by issuing share capital include Non-financial corporations, Banks, NBFCs & insurance co, Non-resident and Household. The figure shows that non-resident sector increased its investment in corporate sector's capital during the review period. It is important to note that the share of non-resident sector was 67.0 percent of total equity (Shares & other Equity) issued by private corporate sector and it increased by 21.5 percent from Rs 1398.5 billion to 1698.8 billion in 2011. There is an investment of Rs 308.7 billion or 12.2 percent by Intra-companies and Rs 230 or 9.1 percent by household in share capital of non financial private corporate sector and also observed positive growth trend of 7.0 percent & 12.2 percent respectively in these sectors during the review period 2011.

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

Sectors of Economy	Billion Rs			
	Op-bal 2011	Cl-bal 2011	%Share in 11	%Change
Intra-Company	288.5	308.7	12.2	7.0
Banks	74.7	77.6	3.1	3.9
NBFCs & Insurance	96.3	108.7	4.3	12.8
Government	107.3	110.1	4.3	2.6
Household	205.4	230.5	9.1	12.2
Non-Resident	1398.5	1698.8	67.0	21.5
Total Share Capital Issued	2170.7	2534.4	100.0	16.8

Securities other than Shares Issued by Corporate Sector

The non-financial private corporate sector raised about **1.7 percent** funds through issuance of securities other than shares in the review period 2011. The data reveals that the issuance was increased by **4.4 percent** from Rs 120.3 billion to Rs 125.6 billion at the beginning and at the end of 2011 respectively. The sectors included Banks, intra-corporations, NBFCs & insurance and non-resident sector. Financing under **Securities other than shares** from Banks was dominant for the entire period with a share of 64.0 per



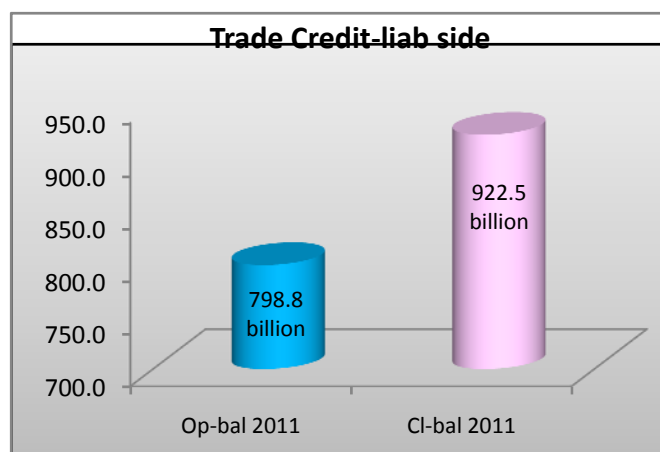
cent. It was decreased by 14.2 percent from Rs 70.4 billion in the beginning to Rs 80.4 billion at the end of 2011, about 20.4 percent financing was obtained from intra companies and it decreased by 6.7 percent from Rs 27.5 billion to Rs 25.7 billion during this period. The sector-wise distribution of 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 2011	Cl-bal 2011	%Share in 11	%Change
Intra-Companies	27.5	25.7	20.4	-6.7
Banks	70.4	80.4	64.0	14.2
NBFCs & Insurance	22.4	19.5	15.6	-12.8
Total Securities Issued	120.3	125.6	100.0	4.4

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 **12.6 percent** during the entire year 2011. The figure showed that it had increasing trend. It increased by **15.5 percent** from Rs 798.8 billion to Rs 922.5 billion during 2011.



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 59.1 percent in total uses of funds during 2011. While non financial private corporate sector used 40.9 percent of its sources for the acquisition of financial assets, including cash & deposit having share of 19.0 percent and it increased by 18.2 percent from Rs 1668.5 billion to Rs 1972.5 billion. The share of 'Trade credit' was 8.7 percent in the uses of funds and it increased by 18.9 percent from Rs 760.6 billion in the beginning to Rs 904.6 billion at the end of 2011. This sector invested 3.8 percent funds in the acquisition of share capital of different sectors and it was decreased by 0.6 percent from Rs 387.7 billion to Rs 390.1 billion during 2011. The composition of uses of funds of non financial private corporate sector is shown in table -8

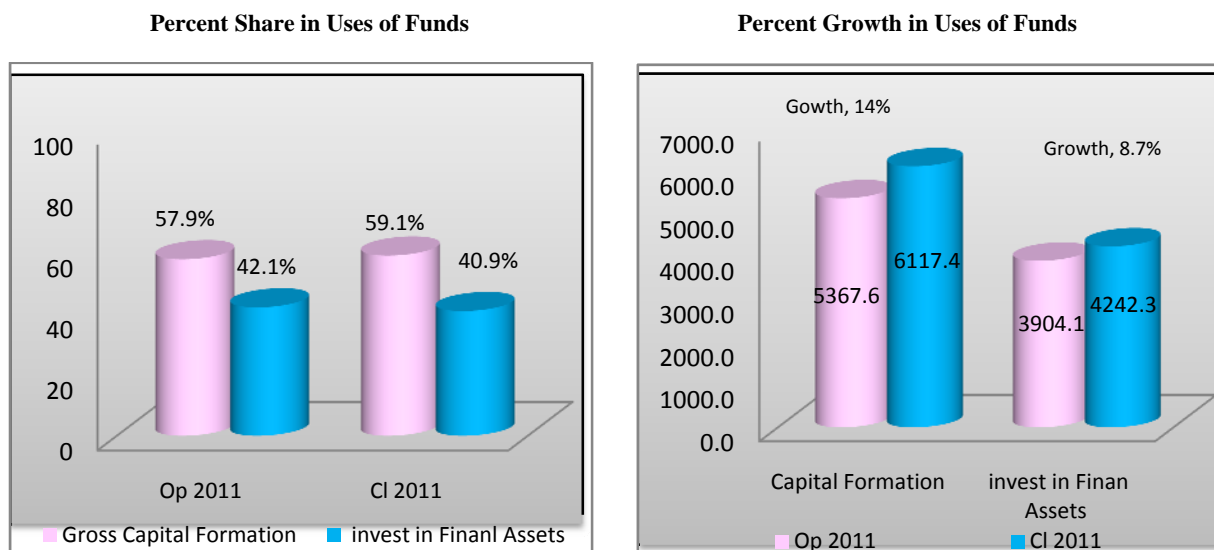


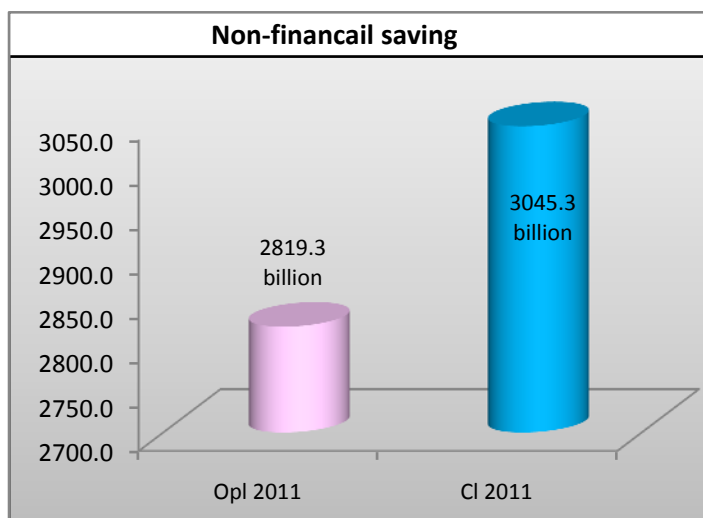
Table-8: Composition of Uses of Funds of Corporate Sector

Billion Rs				
Use of Funds	Op-bal 2011	Cl-bal 2011	%Share in 11	%Change
Gross Capital Formation	5367.6	6117.4	59.1	14.0
Financial Assets	3904.1	4242.3	40.9	8.7
Cash & Deposit	1668.5	1972.5	19.0	18.2
Securities other than Shares	17.6	45.2	0.4	156.2
Loans Extended	35.1	43.2	0.4	23.3
Investment in Shares	387.7	390.1	3.8	0.6
Trade Credit	760.6	904.6	8.7	18.9
Other Receivable	1034.6	886.6	8.6	-14.3
Total Funds	9271.6	10359.7	100.0	11.7

Saving and Investment of Non-financial Private Corporate Sector

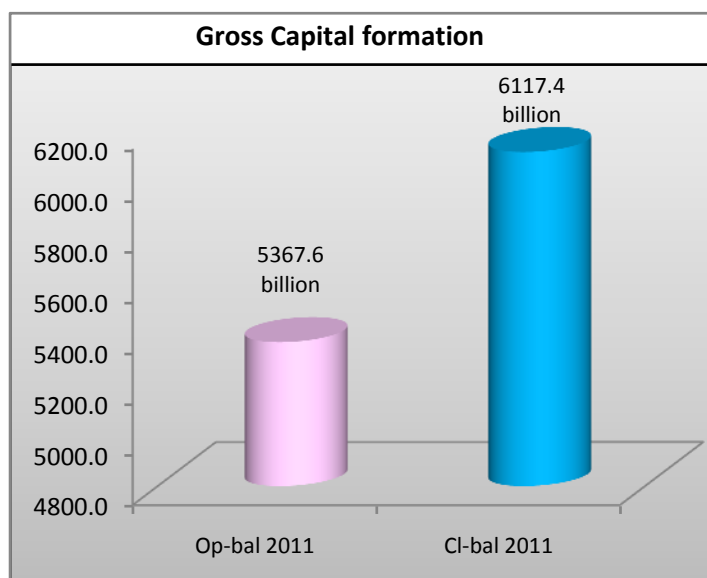
Saving of the Sector

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 **8.0 percent** from Rs 2819.3 billion in the beginning to Rs 3045.3 billion at the end of 2011. The share of *non-financial saving* in total funds generated by corporate private sector was **29.4 percent** during 2011.



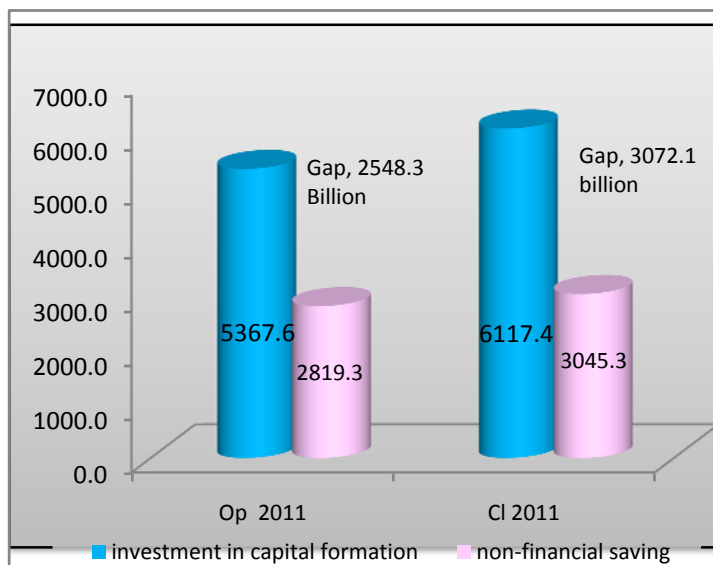
Investment in Gross Capital Formations

Investment in Gross Capital formation constituted **59.1 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 **14 percent** from Rs 5367.6 billion to Rs 6117.4 billion during the review period 2011.



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 3045.3 billion and gross capital formation was Rs 6117.4 billion. This created a financing gap of Rs 3072.1 billion, which indicate deficit equal to the net increase in financial liabilities 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 **85.8 percent** by net loans (inclusive trade credit), while remaining **14.2 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 2010-11

Financial Assets

Million Rs.					
Items	Op_bal	Tra	VC	OCV	Cl_bal
Assets	9,271,642	954,794	52,360	80,861	10,359,657
1. Currency and Deposits	1,668,529	232,597	4,703	66,652	1,972,481
1. Currency	5,299	1,457	0	0	6,756
2. Transferable Deposits	1,008,475	195,837	685	39,230	1,244,227
1. Deposit money institutions	1,008,475	195,837	685	39,230	1,244,227
2. Nonresidents	0	0	0	0	0
2. Other Deposits	654,755	35,303	4,018	27,422	721,498
1. Non-financial corporations	27,785	3,204	0	0	30,989
2. Financial corporations	626,970	32,099	4,018	27,422	690,509
1. Deposit money institutions	612,874	31,994	4,018	26,168	675,054
2. Other Financial institutions	14,095	105	0	1,254	15,455
3. Nonresidents	0	0	0	0	0
2. Securities other than shares	17,623	27,451	19	58	45,152
1. Short-term	11,744	28,550	0	0	40,294
1. Non-financial corporations	0	0	0	0	0
2. Financial Corporations	927	120	0	0	1,047
1. Deposit money institutions (Bankers' acceptance etc)	0	0	0	0	0
2. Other Financial institutions	927	120	0	0	1,047
3. Central Government	10,817	28,430	0	0	39,247
4. Non-residents' short-term securities	0	0	0	0	0
2. Long-term	5,879	-1,098	19	58	4,858
1. Non-financial corporations	284	-14	0	0	270
2. Financial Corporations	3,714	-223	0	58	3,550
1. Deposit money institutions (TFCs etc)	2,585	116	0	58	2,760
2. Other Financial institutions	1,129	-339	0	0	790
3. Central Government	1,881	-862	19	0	1,038
4. Non-residents' long-term securities	0	0	0	0	0
3. Loans extended	35,072	8,176	0	0	43,248
1. Short-term	7,251	2,085	0	0	9,336

1. Non-financial corporations	5,300	1,785	0	0	7,085
2. Households (Employees)	1,951	300	0	0	2,251
3. Non-residents	0	0	0	0	0
2. Long-term	27,821	6,090	0	0	33,912
1. Non-financial corporations	20,040	4,929	0	0	24,968
2. Households (Employees)	7,782	1,162	0	0	8,943
3. Non-residents	0		0	0	0
4. Shares and other equity	387,717	27,411	5,226	-30,250	390,105
1. Non-financial corporations	238,534	7,178	5,226	38	250,976
2. Financial Corporations	78,465	15,868	0	-344	93,989
1. Deposit money institutions	36,635	4,076	0	-363	40,348
2. Other deposit accepting institutions	41,830	11,792	0	19	53,641
3. Non-residents	70,718	4,365	0	-29,943	45,140
5. Insurance Technical Reserve	45,417	9,422	0	0	54,839
6. Other accounts receivable	1,749,710	-121,741	0	108,462	1,736,431
1. Trade credit and advances	760,550	144,095	0	0	904,646
2. Others	989,159	-265,836	0	108,462	831,785

Non-financial Assets

Items	Opening balance at cost	Transactions		Valuation changes	Other changes in volume	Closing balance at cost	Acc. depreciation	Present value
		Acquisition	Disposal					
7. Non-financial assets	5,367,573	1,055,201	283,724	42,412	-64,062	6,117,401	1,750,039	4,367,362
1. Produced assets	5,115,927	1,028,427	260,107	22,399	-66,697	5,839,949	1,741,093	4,098,856
1. Tangible fixed assets	4,456,497	772,297	228,889	22,399	-66,417	4,955,887	1,715,736	3,240,151
i. Dwellings (residential buildings)	16,018	370	157	68	441	16741	6228	10513
ii. Other buildings and structures	367,155	45,849	5,873	1,353	172	408,656	120,842	287,814
iii. Machinery and equipment	3,541,511	527,166	150,793	20,979	-66,431	3,872,432	1,461,882	2,410,550
iv. Other tangible fixed assets n.e.s	531,813	198,912	72,066	0	-600	658058	126785	531273
2. Intangible fixed assets	73,866	7,570	2,746	0	-280	78,411	25,356	53,054
3. Inventories	585,564	248,561	28,473	0	0	805,652	0	805,652
4. Valuables	0	0	0	0	0	0	0	0
2. Non-produced assets	251,647	26,774	23,617	20,012	2,635	277,452	8,946	268,505
1. Tangible non-produced assets	195,843	25,067	21,616	20,012	2,635	221,942	4,998	216,944
2. Intangible non-produced assets	55,803	1,707	2,001	0	0	55,510	3,948	51,562

Financial Liabilities

Million

Items	Op_bal	Tra	VC	OCV	Cl_bal
Liabilities	9,271,642	954,795	52,359	80,861	10,359,657
1. Restricted/ compulsory deposits	134,212	8,111	0	11,890	154,213
1. Non-financial corporations	30,089	7,940	0	137	38,166
2. Central government	0	0	0	0	0
4. Household	104,123	171	0	11,753	116,047
5. Non-residents	0	0	0	0	0
2. Securities other than shares (Bonds/ debentures etc)	120,298	11,079	-2,867	-2,897	125,613
1. Short-term	20,265	5,623	40	-705	25,223
1. Non-financial corporations	5,805	-489	0	0	5,316
2. Financial Corporations	14,460	6,112	40	-705	19,907
1. Deposit money institutions	12,463	7,054	40	-433	19,124
2. Other deposit accepting institutions	1,998	-942	0	-272	783
3. Household	0	0	0	0	0
4. Non-residents	0	0	0	0	0
2. Long-term	100,033	5,456	-2,908	-2,191	100,390
1. Non-financial corporations	21,699	-1,354	0	0	20,345
2. Financial Corporations	78,333	6,810	-2,908	-2,191	80,045
1. Deposit money institutions	57,917	9,133	-2,823	-2,944	61,284
2. Other deposit accepting institutions	20,416	-2,323	-85	753	18,761
3. Household	0	0	0	0	0
4. Non-residents	0	0	0	0	0
3. Loans (borrowings)	2,427,365	193,726	252	40,249	2,661,592
1. Short-term	1,393,663	127,114	252	72,953	1,593,982
1. Non-financial corporations	7,709	1,894	0	0	9,603
2. Financial Corporations	1,370,551	124,519	252	72,878	1,568,200
1. Central Bank	0	0	0	0	0
2. Deposit money institutions	1,355,879	125,541	252	74,138	1,555,809
3. Other deposit accepting institutions	14,672	-1,021	0	-1,260	12,391
3. Central Government	0	0	0	0	0
4. Non-residents	10,582	0	0	75	10,657
5. Other resident sector	4,821	701	0	0	5,522
2. Long-term	1,033,702	66,612	0	-32,704	1,067,610
1. Non-financial corporations	26,446	-532	0	0	25,914
2. Financial Corporations	759,480	13,267	0	11,054	783,802

1. Central Bank	0	0	0	0	0
2. Deposit money institutions	689,999	10,423	0	11,336	711,758
3. Other deposit accepting institutions	69,481	2,844	0	-282	72,043
3. Central Government	15,130	-1,239	0	0	13,892
4. Non-residents	190,381	49,728	0	-43,758	196,351
5. Other resident sector	42,264	5,387	0	0	47,651
4. Other accounts payable	3,149,507	134,363	0	266,234	3,550,105
1-Trade Credit & advances	798,754	123,740	0	0	922,494
2- Accumulated depreciation	1,532,148	0	0	217,891	1,750,039
3-Other Account payable	818,605	10,623	0	48,344	877,571
5. Shares and other equity	3,440,260	607,516	54,975	-234,616	3,868,134
1 share Capital	2,170,735	208,913	-1,082	155,840	2,534,407
1. Non-financial corporations	288,464	20,192	30	27	308,713
2. Financial Corporations	171,018	15,776	-1,112	620	186,303
1. Deposit money institutions	74,671	3,899	-1,137	181	77,614
2. Other deposit accepting institutions	96,348	11,877	25	439	108,689
3. Central Government	101,821	2,771	0	0	104,593
4. Provincial Governments	5,493	7	0	0	5,500
5. Household	205,439	25,096	0	0	230,534
6. Non-residents	1,398,500	145,070	0	155,193	1,698,764
2. Retained earnings	146,864	311,935	0	-390,456	68,344
3. General and special reserves	1,140,294	86,667	0	0	1,226,961
4. Valuation adjustments	-17,634	0	56,057	0	38,423

This consolidated sectoral balance sheet is based on analyzed balance sheets of companies listed at KSE as on 30th June, 2011 and raised with respect to total 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.