

III. FLOWS

A. Economic Transactions

A **transaction** itself is defined as an economic flow that reflects the creation, transformation, exchange, transfer, or extinction of economic value and involves changes in ownership of goods and/ or financial assets, the provision of services, or the provision of labour and capital.

B. Transaction Changes

These are the changes occurred in the position of the financial/ non-financial assets / liabilities net of acquisition and disposal during the accounting period. For example;

1. Net currency received during the reporting period. (Assets)
2. Net of bank deposits placed with financial institutions and withdrawn from them during the reporting period (Assets). Over Draft (OD) is a short-term loan /borrowing (Liability)
3. Net of acquisition and disposal of liability in the shape of borrowings during the reporting period (Liabilities)
4. Net investment in securities other than shares i.e., securities purchased minus securities matured/ claimed during the reporting period (Assets).
5. Net of securities issued and redeemed during the reporting period (Liabilities).
6. Net investment in shares and other equity of corporations i.e., total shares acquired *minus* shares disposed off during the period (Assets).
7. All subsequent changes in the paid-up capital through issuance of shares (Liabilities)
8. Receivable/payable items generated during the reporting period.
9. Life insurance premium paid during the reporting period, total premium paid for the non-life insurance during the period *minus* premium consumed during the reporting period i.e; premium for the subsequent period and outstanding claims that have to be settled with the insurance corporations– Insurance Technical Reserves (Assets).
10. Non-financial asset acquired during the reporting period after adding the cost of ownership transfer if born by the unit *minus* transferring of non-financial asset to another entity by sale or gift after deduction of cost of ownership transfer if born by the unit.

C. Valuation Changes

Holding gains or losses resulting from changes in market prices, exchange rate changes and fair value changes where market is not available that accrue during the accounting period to owners of non-financial/ financial assets and liabilities.

D. Other changes in volume

Changes in non-financial assets and financial assets/ liabilities during an accounting period those are not due to transactions or revaluations. These include changes arising from reclassification of sectors/ instruments, exceptional and catastrophic events, including destruction from disasters or illegal seizure of assets without compensation etc. Examples: -

1. Uncompensated seizures due to non-payment of taxes, fines or similar levies.
2. Reclassification of securities that have been converted into shares.
3. Loan changed as grant etc.,
4. Reclassification of loans as securities other than shares, in accordance with the rule that loans that become negotiable (i.e., marketable).
5. Writing off of loan by the banks due to bankruptcy or other factors etc. Debt forgiveness is transaction, not OCV because both parties agree in this case.
6. Reclassification of sectors by privatization etc.
7. Reclassification of securities that have been converted to shares and other equity, under the conversion options in securities contract.