II. CONCEPTUAL FRAMEWORK

Monetary and financial statistics consist of a comprehensive set of stock and flow data on the financial and non-financial assets and liabilities of financial corporations. The organization and presentation of monetary and financial statistics follow a hierarchical approach based on general data frameworks— sectoral balance sheets, surveys and flow of funds statement.

A. SECTORAL BALANCE SHEETS

The purpose of the sectoral balance sheets is to provide a framework for the collection and presentation of data in a format that facilitates the compilation of monetary statistics and flow of funds accounts. The data for a sectoral balance sheet are obtained from the individual institutional units with in a financial corporations sub-sector and are classified into standard components, in accordance with the sectorization, instrument classification, and accounting principles. In addition, sectoral balance sheets are directly useful for analyses requiring sub-sector data that are more highly disaggregated than the asset and liability categories shown in the corresponding financial sub-sector surveys. The structure of the analytical accounts of the other financial corporation's survey is given in Annexure I.

B. SURVEYS OF FINANCIAL CORPORATIONS

These surveys utilize, and rearrange into analytical presentations, the data in the sectoral balance sheets. These surveys comprise:

- Central bank survey (CBS)
- Other depository corporations survey (ODCS)
- Other financial corporations survey (OFCS)

The two higher-level surveys based on the above surveys are: -

- Depository corporations survey - DCS (CBS and ODCS are consolidated to obtain DCS)
- Financial corporations survey – FCS (CBS, ODCS and OFCS are consolidated to obtain FCS)

In this guide we are providing the specimen of OFCS and the higher-level survey FCS

C. FLOW OF FUNDS STATEMENT

Financial statistics consist of a comprehensive set of stock and flow data on the financial assets and liabilities of all sectors of an economy and between these sectors and the rest of the world. The financial statistics are developed within the framework of the SNA93, which provides for comprehensive coverage of production, distribution, and all non-financial and financial stocks and flows for the total economy as well as for each its sectors. The broad components of the 1993 SNA are the:

- Current accounts
- Accumulation accounts
  - Capital account
  - Financial account
  - Other changes in assets account
    - Revaluation account
    - Other changes in volume account

Balance sheets that together provide an integrated system for measuring economic flows and the resulting stocks of non-financial and financial assets and liabilities

- Opening balance
- Changes in stock positions
- Closing balance

Flow of funds data, presented in a matrix form showing the financial transactions among all sub-sectors of an economy, are a particular focus of the financial statistics. Fully articulated flow of funds statements are, in essence, extensions of the financial account into three-dimensional matrices that show the transactions in financial assets and liabilities among sectors / sub-sectors and non-residents. The components of basic and detailed flow of funds account are provided in Annexure-I.

D. SECTORIZATION OF ECONOMY

Institutional units differ with respect to their economic objectives, functions, and behaviour and are grouped into sectors that include units with similar characteristics. The units of the economy are grouped into the following mutually exclusive institutional sectors:

I) RESIDENT UNITS

FINANCIAL CORPORATIONS

The FCs sector consists of all resident corporations, including quasi-corporations that are principally engaged in providing financial services, including insurance and pension fund services, to other institutional units. The subsectors of financial corporation's sector are described below.

1. Central bank (State Bank of Pakistan)
2. Other depository corporations
   a. Deposit money corporations
   b. Other deposits accepting institution including Money Market Mutual Funds
3. Other financial intermediaries; except insurance corporations and pension funds
4. Insurance corporations and pension funds

5. Financial auxiliaries

General Government

1. Central government
    a. Federal government excluding NPIs and public enterprises
    b. Federal government NPIs
2. State and local government (Provincial governments)
    a. Provincial government excluding NPIs and public enterprises
    b. Provincial governments NPIs

Non - Financial Corporations

1. Public non-financial corporations
2. Other non-financial corporations (Private non-financial corporation)
    a. National private non-financial corporations; and
    b. Foreign controlled non-financial corporations.

Public non-financial corporations consist of resident nonfinancial corporations and quasi corporations that are subject to control by the government, another public sector corporation, or some combination of government units and public corporations. The control may be exercised through ownership of majority shares, legal authority to appoint board members, power to make rules and regulations etc. However, in cases where majority share holding rest with government but the management control has been shifted after privatization of the unit, the entity will be classified as Other non-financial corporations. The list of public sector entities is given in Annexure II.

Other non-financial corporations cover all those entities / units / corporations / quasi corporations which are listed / unlisted on any stock exchange and are producing goods and services according to significant market prices except public non-financial corporations.

Non - Profit Institutions Serving Households & NPIs Sector

NPIs are allocated to the financial or NFCs sector when they engage in market production or to the general government sector if they are controlled by government, resident in the same economy, and engaged in nonmarket production. NPIs are nonmarket producers if they provide goods or services to their members, other households, or the community as a whole, either free or at prices (or fees) that are not economically significant. Nonmarket NPIs that are not financed and are not controlled by government units are called NPISHs and constitute a separate institutional sector.

HOUSEHOLDS

1. Employers
2. Own account workers
3. Employees
4. Recipient of property and transfer income

II) REST OF THE WORLD (NON-RESIDENT UNITS)

Financial assets are financial claims (e.g., currency, deposits, and securities) that have demonstrable value. MSFM and the 1993 SNA define financial assets as a subset of economic assets— entities over which ownership rights are enforced, individually or collectively, by institutional units and from which economic benefits can be derived by holding or using the assets over a period of time. Most financial assets are financial claims arising from contractual relationships entered into when one institutional unit provides funds to another. Despite the absence of a corresponding liability, monetary gold and SDRs are also considered to be financial assets. Transactions in non-monetary gold are treated as transactions in non-financial assets.

E. CLASSIFICATION OF ASSETS / LIABILITIES

FINANCIAL ASSETS (ASSETS / LIABILITIES)

- Monetary gold and SDRs (this is the holding of central bank)
- Currency and deposits
- Debt Securities
- Loans
- Equity & Investment Fund Shares
- Insurance, pension and standardized guarantee schemes
- Financial derivatives & employee stock options
- Other accounts receivable / payable

NON-FINANCIAL ASSETS

- Produced assets
    - Tangible fixed assets
    - Intangible fixed assets
    - Inventories
    - Valuables
- Non-produced assets
    - Tangible produced assets
    - Intangible produced assets

F. RESIDENCY CRITERIA

Residence is particularly important attribute of an institutional unit in the macro statistical systems including the monetary and financial statistics because the identification of transactions between residents and non-residents underpins the system for compiling country statistics. The concept of residence is based on transactor's centre of economic interest. An institutional unit has a centre of economic interest and is a resident unit of a country when from some location, dwelling, place of production, or other premises within the economic territory of country, the unit engages and intends to continue engaging, either indefinitely or over a finite period usually a year, in economic activities and transactions on a significant scale. The one-year period is suggested only as a guideline and not as an inflexible rule.

G THE PRINCIPLE OF ACCRUAL ACCOUNTING

Accrual accounting records flows and changes in the corresponding stocks at the time economic value is created, transformed, exchanged, transferred, or extinguished. Accrual recording is used in macroeconomic statistics as a general principle. This means that flows and stocks are recorded when a change of economic ownership takes place. The effects of economic events are thus recorded in the period in which they occur, irrespective of whether payment was made. In principle, the two parties to a transaction should record it at the same time. However, in practice adjustments may be needed so that the same transaction date is applied to the data for both parties.

For some financial instruments, the debtor does not make any payments to the creditor until the financial instrument matures, at which time a single payment discharges the debtor's liability; the payment covers the amount of funds originally provided by the creditor and the interest accumulated over the entire life of the financial instrument. The interest accruing in each period prior to maturity should be recorded as a financial transaction representing a further acquisition of the financial asset by the creditor and an equal incurrence of a liability by the debtor.

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 labor and capital.

B. TRANSACTION CHANGES

These are the changes occurred in the position of the financial/ non-financial assets / liabilities and net acquisition/ 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)
3. Net of loans disbursed and repaid by the insurance company during the reporting period (Assets)
4. Net of acquisition and disposal of liability in the shape of borrowings during the reporting period (Liabilities)
5. Net investment in securities other than shares i.e., securities purchased minus securities matured/ claimed during the reporting period (Assets).
6. Net of securities issued and redeemed during the reporting period (Liabilities).
7. Net investment in shares and other equity of corporations i.e., total shares acquired *minus* shares disposed off during the period (Assets).
8. All subsequent changes in the paid-up capital through issuance of shares (Liabilities)
9. Receivable/payable items generated during the reporting period
10. Total premium paid for the subsequent period *minus* premium consumed during the reporting period and outstanding claims that have to be settled with the insurance corporations– Insurance Technical Reserves (Assets).
11. Non-financial asset acquired during the reporting period after adding the cost of ownership transfer if born by the insurance company *minus transferring* of non-financial asset to another entity by sale or gift after deduction of cost of ownership transfer if born by the insurance company.

C. VALUATION CHANGES

Holding gains or loses resulting from changes in market prices, exchange rate changes and fair value where market is not available that accrue during the accounting period to owners of non-financial/ financial assets and liabilities e.g., in case of securities in foreign currency, the difference due to prevailing exchange rate and exchange rate at the time of opening balance.

D. OTHER CHANGES IN VOLUME

Changes in non-financial and financial assets and 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. Writing off of loan by the banks due to bankruptcy or other factors etc;
5. Reclassification of loans as securities other than shares, in accordance with the rule that loans that become negotiable (i.e., marketable).
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.