IV. DEFINITIONS/ TERMINOLOGIES

A. Description of Major Components of Assets & Liabilities

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 can be exchanged immediately for current legal tender. Non-financial corporations do not have any liability in the shape of currency because those are not issuing authorities.

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. Separate reporting of Pakistani bank notes is required to know the liability of the central bank.

Pakistani Coins

These are the currency coins issued by the Islamic Republic of Pakistan with various denominations of currency units (Rupee). These also include subsidiary coins (decimal coins) issued by the federal government in sub-denomination of a rupee (paisa 50 / 25). Separate reporting in this case is also required to know the liability of the central government.

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 etc. These are claims of the economy upon non-residents that is why these are required to be reported separately.

ii. Transferable deposits

All demand deposits 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 current deposits, savings deposits and 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.

Transferable deposits that are held in banks in the process of liquidation should be classified as restricted deposits because they cannot immediately be withdrawn or used for direct third-party payments. Deposits denominated in national currency should be recorded at book value (outstanding amount plus accrued interest).

This category would not be reported on the liability side of the non-financial corporations as those are not deposit accepting institutions but on the assets side as transferable deposits with SBP, deposit money institutions, or with non-residents.

iii. Restricted / compulsory deposits

Deposits for which withdrawals are restricted on the basis of legal, regulatory, or commercial requirements are called restricted deposits. Deposits that are placed for maturity period from which withdrawals also can not be made before the maturity should not be included here but be classified as **other deposits**.

Restricted deposits should be on both assets and liabilities side of the corporations. These include compulsory savings deposits like, import deposits, and similar types of deposits related to international trade, security deposits, margin deposits, sundry deposits and deposits in financial corporations that are closed pending liquidation or reorganization etc. Non-financial corporations are non-deposit accepting institutions. However, they may retain some restricted or compulsory deposits that include compulsory savings deposits like employees provident fund accounts, staff pension funds, employees security deposit, staff guarantee fund, import deposits, and similar types of deposits related to international trade, security deposits, margin deposits and sundry deposits (Various type of deposits for which claimant is not available) etc.

iv. Other deposits

These represent all claims other than transferable deposits and restricted deposits in national currency or in foreign currency that are represented by evidence of deposits. These include:

- Sight deposits (which permit immediate cash withdrawals but not direct third-party transfers);
- Non-transferable savings deposits and term deposits;

- Shares or similar evidence of deposits that are legally or in practice, redeemable immediately or at relatively short notice with financial corporations;
- Shares of money-market funds that have restrictions on third-party transferability;
- Call money deposits with financial corporations;
- Margin payments related to options or futures contracts, as are very short-term repurchase agreements

This category includes non-financial corporations' deposits other than transferable and restricted deposits with deposit money institutions, other deposit accepting institutions or with non-residents. National currency and foreign currency equivalent to Pak rupees should be reported separately.

v. Securities other than shares

Companies' investments in financial assets or liability in the shape 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 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, commodity 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, negotiable loans 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 year's 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. Interest on PIBs is paid through bank accounts. Income tax on interest amount is deducted at 10%.

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. Interest payments on FIB are made through interest warrants. Income tax on interest amount is deducted at 20%.

Federal government bonds

This is a long-term debt obligation issued by the government started during nationalization. These were issued for various purposes such as for banks nationalization, petroleum, shipping, vegetable oil, Shahnawaz Bhutto Sugar Mills, Heavy Mechanical Complex, and land reforms etc.

Federal government commodity bonds

These bonds are issued by the government when repayment of commodity financing by the governmental institutions is not materialized at the maturity date. In other words it is negotiation / conversion of commodity operation loans in to bonds.

Other federal government bonds / securities

These loan securities started from 1963 having fixed interest rate and specific maturity with the object that the proceeds of the loan will be devoted to meet the capital expenditure of the government. Subscription of the loan was received for one day only. The interest was paid on half yearly basis. These loans were issued in the forms of certificates and promissory notes. This category would also include the residual bonds / securities issued by the federal government and not covered anywhere else.

Provincial government securities / bonds / permanent loans

Provincial governments loan securities started from 1963 having fixed interest rate and specific maturity with the object that the proceeds of the loan will be devoted to meet the capital expenditure of the government. Subscription of the loan securities was received for one day only. The interest was paid on half yearly basis. These loans were issued in the forms of stock certificates and promissory notes. This category also 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 or obligations 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; notes, bills, and acceptances arising out of commercial, industrial or agricultural transactions of short - term maturity, self liquidating and used as trade financing instruments for non-speculative purposes. Commercial papers are available in a wide range of denominations, can be either discounted or interest bearing, and usually have a limited or nonexistent secondary market.

Bankers' acceptances

A bankers' acceptance involves the acceptance by a financial corporation of a draft or bill of exchange and the unconditional promise to pay a specific amount at a specified date i.e., held for maturity. These are treated as actual financial assets even though no funds may have been exchanged.

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.

vi. Loans extended/ borrowings

Financial asset resulting from the delivery of cash or other assets by a lender to a borrower 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.
Financial liabilities of corporations are created when creditors (financial institutions) directly lend funds to them. They include repurchase arrangements not included in

national broad money definitions (Repo), money at call, export refinance from SBP, borrowing under LMM/LMFR from SBP, borrowings from financial institutions abroad, financial leases, subordinated loans etc. Borrowings are further classified by short-term and long-term

Repurchase agreement borrowings (Repo)

Sale of securities to financial institutions against cash with an arrangement to repurchase the same at a fixed price either on a specified future date (often one or a few days hence, but increasingly further in the future) or with an "open" maturity fall under this category. The agreement is called a REPO when viewed from the perspective of securities seller—i.e., the "cash taker".

Money at call and short notice in Pakistan

These are unsecured borrowing transactions from financial institutions without underlying collateral. These transactions are based entirely on trust and goodwill of the players. These are usually overnight transactions but can extend for a week or even months, if mutually agreed upon between lender and borrower. However, a lender places its money on call and has the right to '**call**' it back even before its maturity.

Overdrawn local account

Overdrawn funds from the accounts with banks/ NBFIs operating in Pakistan are short-term loans.

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 (a lessee corporation) 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, a corporation. At the time of ownership change the market value of the asset is recorded as liabilities of the lessee. For subsequent periods principal payments of the preceding periods 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 reporting corporation.

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 under loans.

Borrowings from directors

Loans and borrowings from the directors of the company are loans from other resident sector covered in the sectoral balance sheets as a short-term or long-term.

Borrowings from chief executive

Borrowings from chief executives of the company are also loans from other resident sector covered in the sectoral balance sheets as a short-term or long-term.

Subordinated loans from subsidiary companies

Funds raised by a corporation from subsidiary companies, managed modarabas, associated undertakings, 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 from SBP under 1) usance bills 2) against promissory notes; 3) Borrowings from SBP against approved securities; 4) under export refinance scheme; 5) under LMM/LMFR; 6) under export oriented projects; 7) any other borrowings from SBP.

vii. Shares and other equity

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. 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. A dual class equity structure has several classes of shares (for example Class A, class B, and class C) each with its own advantages and disadvantages. Treasury stocks are shares that have been bought back from the public. These reacquired shares (called treasury shares) are not included in holdings of shares.

Preferred stocks or shares are also included in this category. Shares and other equity are to be reported separately as quoted and non-quoted. Investment in mutual funds and NIT units are to be included under this category, for the reason that they give rise to the equity of issuing institution.

Reporting investment in shares in the sectoral balance sheet, market value is required to be reported while as a liability; book value of the shares would be reported.

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.

NIT units

These are open-end mutual funds that are issued by National Investment Trust. NIT units' unique attraction is that it provides investors with a one-window entry to Pakistan's equity markets, which at times can be illiquid and volatile. Capitalization is not fixed and normally shares are issued, as people want them.

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 continuous basis. The price at which the shares of open-end funds offered for subscription and redemption is determined by the NAV after adjusting for any sales load or redemption fee. 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. The trading usually occurs at a slight discount to the NAV. Over a period of time, the mutual fund managers have developed a variety of investment products to cater for the requirement of investors, having different needs. These include:

- Growth funds
- Balanced funds
- Income funds

Growth funds

The "growth funds" offer potential for appreciation in share value, while the current income may be low. The fluctuation in share price may also be high. Such funds invest in stocks and have tendency to outperform other funds and other modes of savings over a period of time.

Balanced funds

The "balanced funds", offer prospects of both moderate appreciation in share value as well as current income. The fluctuation in share price may be low. Such funds invest in stocks, corporate debts and Government paper.

Income funds

The "bond fund" or "income funds", offer good current income but very little potential for growth. Such funds invest in government paper, bonds issued by municipal or local bodies, corporate debts and in stocks of utility companies, offering regular return.

Preferred stocks / shares with claims on residual value

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. Preferred stock/ shares that provide for participation in the residual value on dissolution of an incorporated enterprise should be reported under this category.

Investment in shares outside Pakistan

An investment in the companies outside Pakistan, which makes the investor a part-owner of that company whose shares he has bought. Shareholders are rewarded with annual dividends if the company makes sufficient profits and capital growth in the value of their shares if the company attracts other interested investors. These should be reported under non-residents category.

Paid-up capital bonus shares

Bonus shares are issued free of cost to shareholders to convert reserves of a corporation into capital stock. The equity of a corporation remains unchanged, so that the shareholder's participation, while remaining constant, is distributed over a larger number of shares.

Paid-up capital in consideration other than cash

Shares of a corporation issued in consideration other than cash means the shares issued against services or any other obligations provided by the shareholders.

Paid-up capital unquoted/not-listed

These are unquoted shares, 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 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 a corporation less any amount allocated to general and special reserves, which is established as a capital cushion to cover operational and financial risks of the corporation.

Current year result

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 of a corporation.

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 of a corporation except for valuation changes recorded in the profit and loss accounts. The valuation adjustment is market valued by definition.

viii. 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 held by insurance corporations (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 reserves that insurance enterprises hold in order to cover the amounts they expect to pay out in respect of claims that are not yet settled or claims that may be disputed. Reserves against outstanding claims are therefore considered being assets of the beneficiaries and liabilities of the insurance enterprises. Therefore, claims on insurance companies not yet settled are assets of corporations and should be reported under this category.

ix. Others accounts receivable/ payable

Financial assets consisting of trade credit and advances, 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 etc.

Trade credit & advances

Unlike loans, trade credit is non-interest bearing credit facility. It is extended directly for sales of goods, supplies and materials on deferred payments to a buyer. Interest is charged if the debtor defers payments from the schedule.

Advances are extended for work in progress (if classified or to be classified as such under inventories by the debtor) and prepayments for goods and services. These do not include loans to finance trade credit, which are classified under loans.

Dividends receivable/ payable

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

Dividends payable are distribution of earnings to shareholders prorated by the class of security and paid in the shape of money, stock, scrip, or, rarely, company products or property. The amount is decided by the Board of Directors and is usually paid quarterly. Mutual fund dividends are paid out of income, usually on a quarterly basis from the fund's investments.

Settlement accounts

Settlement account is any account you wish to have funds settled into at the end of the transaction. Settlement accounts should be used to account for differences in the time of recording of (1) purchase or sale of financial assets, on the trade dates when change of ownership occur and (2) the subsequent payments for the financial assets on the settlement dates. A Settlement accounts within other accounts payable should show a corporation's obligations for payments on future settlement dates for assets that were purchased on trade dates.

Items in the process of collection

Items in process of collection include checks or other types of transferable items that are unavailable for use until after the transferable items have cleared through the central bank or clearing organization. On the liability side, these would be the bills issued but not yet paid from the accounts of corporations.

Head office / inter-branch adjustment

All adjustments made with head offices or branches and are receivable or payable would be reported under this head.

Deferred cost/preliminary expenses

This relates to the cost incurred for subsequent periods, which are reflected as ASSETS. This includes preliminary, formation and pre-operating expenses, discount allowed on the issue of shares if any and expenses incurred on the issue of shares including any sums paid by way of commission or brokerage on the issue of shares, to the extent not written off or adjusted.

Suspense account

It is a temporary holding account for errors and omissions, items that having no proper classification pending until the determination of the proper account about their allocation. On liability side, it would be an account that is used to store short-term funds or securities until a permanent decision is made about their allocation.

Provision for loan losses

Setting aside a part of a corporation's income to cover anticipated loan losses; such provisioning may be made as a percentage of various classes of non-performing loans or may be for specific loan identified as irrecoverable.

Provision for other losses

Setting aside a part of a corporation's income to cover anticipated losses other than loan losses.

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.

Miscellaneous liability items

Includes other liability items not specified elsewhere such as:

Deferred tax liabilities

Deferred tax liabilities arise from timing difference between recognized tax liabilities in an organization's 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 by the corporations and are outstanding at the end of the accounting period, are accrued wages.

Accrued rent

In finance, rent is a fixed income 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.

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.

Staff pensions funds

Liability of a corporation in the form of staff pensions funds contributed by the corporation.

Advance payments

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

x. 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

Produced assets comprise non-financial assets that have come into existence as outputs from production processes. These consist of fixed assets, inventories and valuables.

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),

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 including 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 use 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 including those acquired through financial lease and equipment assets not classified as “transport equipment” and “office equipment”.

Vehicles

Vehicles (as assets) including those acquired through financial leases consist 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.

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

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.

ii. **Inventories**

These are produced assets but not being used for further production such as materials and supplies, work-in-progress, finished goods, and goods for resale.

iii. **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 include non-monetary gold and paintings etc. Gold is valued at price not exceeding current market price.

Non-produced assets

Non-produced non-financial assets 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, leases, and purchased goodwill. For balance sheet purposes these assets shall be reported net of accumulated depreciation.

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.

Other tangible non-produced assets

Any other tangible non-produced assets not specified elsewhere. Non-produced assets are those that occur in nature and over which ownership may be enforced and transferred. Environmental assets over which ownership rights have not, or cannot, be enforced such as open seas or air are excluded.

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

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

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

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

Corporations such as securities brokers, loan brokers, floatation corporations, insurance brokers etc. they also include corporations whose principal function is to guarantee, by endorsement, bills or similar instruments intended for discounting or refinancing by financial corporations, 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. Employees

These are persons, which receive income from their employers.

xi. Own account workers

These are the workers who are not employee of any other but do their work at their own. For example, hawkers and street suppliers or small shop keepers who do not employee others.

xii. Recipient of property or transfer incomes

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