# GOVERNMENT FINANCE

# STATISTICS MANUAL 2001

# COMPANION MATERIAL

## SELECTION OF DATA SOURCES, PREPARATIONS, AND THE COMPILATION OF *GFSM 2001* STATISTICS

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**Appendices:**

# Executive Summary

Compilers and users of government finance statistics (GFS) should distinguish four main stages in the GFS compilation process: (1) defining the scope and coverage of the general government sector and its subsectors; (2) selecting appropriate primary data sources for the units and entities covered; (3) preparing for compiling *GFSM 2001* statistics through analyzing the source data to identify any adjustments to meet the *GFSM 2001* methodology, and (4) actually compiling *GFSM 2001* statistics. The fourth stage comprises two distinct parts:

- adjusting these primary source data appropriately and consistently to meet the *GFSM 2001* methodology (i.e., derivation and classification) and, when done, combining the results by simple aggregation; and
- presenting these statistics, through consolidation, for a specific subsector or sector of government.

This *GFSM 2001* companion material paper focuses on stages two through four, excluding consolidation, which is addressed in a separate paper.

To compile a complete set of *GFSM 2001* statements and tables, compilers at stage two need to select appropriate data sources for transactions, stocks, and other economic flows. When selecting appropriate source data, they need to consider several factors, including their coverage, basis of recording and valuation, degree of detail, periodicity and timeliness, and their accuracy and reliability.

Once the institutional coverage and sectorization have been completed and all data sources have been selected, the compiler has to make systematic preparations at stage three prior to actually compiling the *GFSM 2001* statistics. Because source data seldom fully align with the *GFSM 2001* framework, the compilation of consistent and accurate *GFSM 2001* statistics may require adjustments to the source data. Besides coverage, basis of recording, and valuation, typical adjustments are for netting/grossing of stocks and flows, inconsistencies between periodicities, and classification. Some modifications to transactions may also be needed, for example rerouting, partitioning, and reassignments.

After identifying all the adjustments that must be made to the source data and developing bridge tables, compilers can begin stage four—actual compilation of *GFSM 2001* statistics for each subsector of general government—by applying bridge tables and derivation tables to the source data for a specific period. Bridge tables facilitate classifying the detailed source data to the detailed *GFSM 2001* nomenclature, for each general government unit/entity. Derivation involves systematically applying the adjustments (other than classification). In doing so, compilers use derivation tables to produce the aggregates and balances, as well as the details, for stocks and flows that conform to the *GFSM 2001* methodology. Derivation tables will differ among countries depending on the format of and degree of available detail in the source data. However, the general principle is always valid, i.e., applying the adjustments identified during the preparation stage, consistently, to the source data to derive the *GFSM 2001* statistics.

In the first distinct part of the fourth stage, the compilation of *GFSM 2001* statistics comprises three broad steps: (1) deriving high-level principal *GFSM 2001* aggregates, used to ensure that the adjustments have been applied consistently and as control totals in the more detailed compilation of the *GFSM 2001* statistics, (2) classifying the detailed source data to the *GFSM 2001* nomenclature, and (3) deriving the detailed *GFSM 2001* statistics. Compilers may follow a different order of steps, depending on country-specific circumstances (including the compiler's preferences). Nonetheless, each step must be applied.

# Selection of Data Sources, Preparations, and the Compilation of *GFSM 2001* Statistics[1,2]

*This companion note to the* Government Finance Statistics Manual 2001 (GFSM 2001)[3] *guides compilers and users of fiscal statistics on the factors to be considered when selecting data sources and the adjustments needed to transform those source data into statistics consistent with the recommendations of the* GFSM 2001.

# I.  OVERVIEW OF THE *GFSM 2001* STATISTICS COMPILATION PROCESS

The government finance statistics (GFS) compilation process requires compilers to define the scope and coverage of the general government sector and its subsectors (or the public sector and its subsectors); select appropriate primary sources for the units and entities covered; thoroughly analyze the source data to identify any adjustments that may be required to meet the *GFSM 2001* methodology, appropriately and consistently applying these adjustments to the primary source data (including classifying the source data in terms of the *GFSM 2001* nomenclature); and, lastly, combining these statistics through the process of consolidation, to form a specific subsector or sector of government (or the public sector). This process can be distinguished in four main stages (also see Figure 1 below):[4]

1.  **Institutional coverage and sectorization**. The first stage requires identifying all units and entities constituting the general government sector (or the public sector) and its subsectors (institutional coverage) and classifying these units/entities into the subsector to which they belong (sectorization).

2.  **Selection of data sources**. The second stage involves selecting of appropriate (primary) data sources for each unit/entity of the general government sector (or the public sector) for which data are compiled.

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[1] This paper draws on a draft paper prepared by Mr. Brian Donaghue (IMF expert) in 1999.

[2] Contributions of the following IMF Statistics Department staff and expert are also acknowledged: Ms. Sagé de Clerck, Messrs. Keith Dublin, Cor Gorter, Alberto Jiménez de Lucio, and Gary Jones, Ms. Rita Mesìas, Ms. Isabel Rial, and Mr. Paul Shevchenko (IMF expert).

[3] See http://www.imf.org/external/pubs/ft/gfs/manual/index.htm.

[4] In principle, all these stages are followed, regardless of whether the compilation process is automated or not. In practice, some of these stages may take place simultaneously, especially in an automated data compilation system.

3.      **Preparations before the compilation of *GFSM 2001* statistics**. The third stage involves analyzing the primary data sources to **identify** any adjustments to the source data that are required to meet the *GFSM 2001* methodology. These adjustments may range from adjustments for coverage and basis of recording to classification adjustments. The latter is achieved by **developing** bridge tables (or classification keys) at this stage.

4.      **Compilation of *GFSM 2001* statistics**. The fourth stage consists of two distinct tasks: (i) classifying and deriving *GFSM 2001* statistics and (ii) consolidating *GFSM 2001* statistics.

- During the **classification and derivation** task, compilers consistently **apply** the adjustments identified during the analysis in the third stage to source data. They achieve this task through **applying bridge tables** and **derivation tables** to the source data for a specific period. Bridge tables facilitate the classification of the detailed source data to the detailed *GFSM 2001* categories, for each government unit/entity. Derivation tables facilitate deriving the *GFSM 2001* statistics for transactions (revenue, expense, and transactions in assets and liabilities), other economic flows (holding gains and other changes in the volume of liabilities), and stocks (nonfinancial assets, financial assets, liabilities) consistently. Once the compilers have adjusted the data from each source to the *GFSM 2001* methodology, they **combine the results by simple aggregation** to provide a first "measure" of the data in terms of the *GFSM 2001* principles.

- **Consolidation** refers to presenting statistics for the combined set of government units (as derived and aggregated in the preceding task) as if they constituted a single unit. In principle, this process involves eliminating all transactions and reciprocal stock positions among the government (or public sector) units/entities being combined.[5]

It is imperative that the *GFSM 2001* data compilation process produces properly and consistently prepared data, useful for fiscal analysis. To achieve this, compilers must establish and follow appropriate and systematic data compilation procedures in all four stages.

This paper provides guidelines for stages two to four in the *GFSM 2001* data compilation process. It does not address in detail the institutional coverage and sectorization (stage one) nor consolidation (the final part of stage four) because these topics are covered by separate companion materials.[6]

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[5] Compilers should be careful not to incorrectly call a simple horizontal aggregation of statistics "consolidation", or the result of such a simple aggregation of data "consolidated statistics". The latter would be true **only** if there are no flows or reciprocal stock positions among the units for which the statistics are compiled.

[6] *GFSM 2001* Companion material can be found at http://www.imf.org/external/pubs/ft/gfs/manual/comp.htm. For a detailed discussion of stage one see *Coverage and Sectorization of the Public Sector* and, for the last task in stage four, see *Consolidation of the General Government Sector*.

**Figure 1:  The *GFSM 2001* Statistics Compilation Process**

Stage 1

Determine the institutional coverage and sectorization of the general government sector (or public sector)

Stage 2

Select the most appropriate data sources

Stage 3

Prepare for the compilation of *GFSM 2001* statistics

Stage 4

Classify and derive *GFSM 2001* Statistics

Consolidate *GFSM 2001* Statistics

Compilation of *GFSM 2001* Statistics
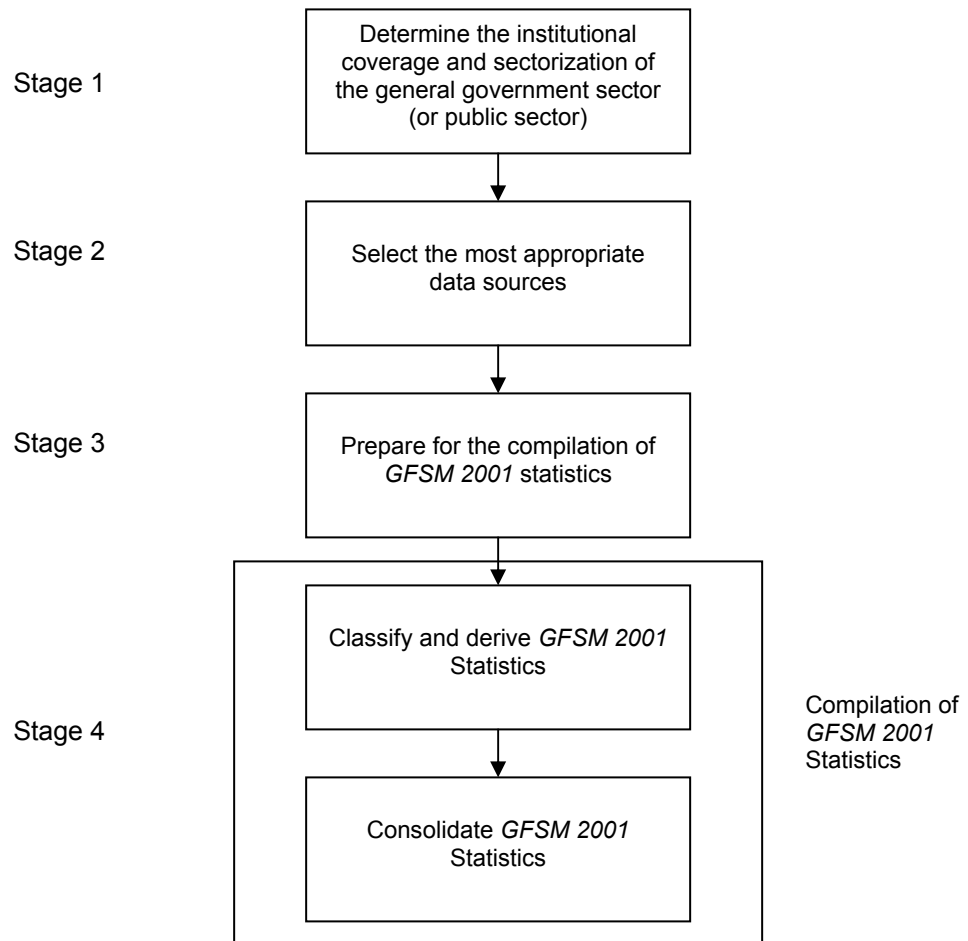
# II. INSTITUTIONAL COVERAGE AND SECTORIZATION

Ideally, countries should compile *GFSM 2001* statistics for all of general government and its subsectors and for the public sector as a whole. The distinction between the general government sector and the rest of the public sector **differentiates between market and nonmarket producers**. A general government unit is a particular type of nonmarket producer, namely one that is financed directly by taxes and/or compulsory social contributions or indirectly by transfers from other government units. Units of the general government sector also include nonprofit institutions that are nonmarket producers and that are controlled by general government units. The general government sector can, therefore, be defined as the collection of all public institutional units that are nonmarket producers.[7] On the one hand, it is perfectly possible for a nonmarket producer to produce some market output, as a secondary activity. On the other hand, if all or most of a public unit's output is intended for sale in the market at market prices, the unit is a market producer and becomes a public corporation (or quasi-corporation)—a member of either the financial corporations or nonfinancial corporations sector.

In the metadata that accompany the statistics, compilers should provide information on the institutional coverage of the sector or subsector for which data are compiled. For example, if the data cover the general government sector (i.e., all the units that comprise general government), compilers would provide information about all the units that exist and constitute, in principle, this sector, as well as the actual institutional coverage of the data being published.

While this paper refers to data sources and compilation methods for the **general government sector (and its subsectors)**, compilers can apply the same principles when compiling public sector statistics.

# III. SELECTION OF DATA SOURCES

## A. Introduction

The complete *GFSM 2001* framework requires that data are compiled for the following statements and tables of transactions, other economic flows, and stocks, covering all of general government:

- Statement of Government Operations
- Statement of Sources and Uses of Cash
- Table 1: Revenue classified by type of revenue
- Table 2: Expense classified by economic type
- Table 3: Transactions in assets and liabilities, classified by type of nonfinancial asset, and by type of instrument for financial assets and liabilities
- Table 4: Holding gains and losses in assets and liabilities, classified by type of nonfinancial asset, and by type of instrument for financial assets and liabilities

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[7] Stated another way, the general government sector can be defined as all government units (excluding quasi-corporations) and all nonmarket nonprofit institutions that are controlled by government units.

- Table 5:  Other changes in the volume of assets and liabilities, classified by type of nonfinancial asset, and by type of instrument for financial assets and liabilities
- Table 6:  Stocks of assets and liabilities (balance sheet), classified by type of nonfinancial asset, and by type of instrument for financial assets and liabilities
- Table 7:  Outlays classified according to the Classification of Functions of Government (COFOG)
- Table 8:  Transactions in financial assets and liabilities classified by the sector of the counterparty
- Table 9:  Total other economic flows in assets and liabilities, classified by type of nonfinancial asset, and by type of instrument for financial assets and liabilities

Ideally, compilers should use detailed government accounting records and financial statements as the main data sources for compiling *GFSM 2001* statistics on government stocks and flows. In addition, or alternatively—depending on circumstances—budget execution records may also serve the purpose. Compilers may need surveys and other means of obtaining data in circumstances where suitable accounting records, financial statements, or budget execution records are not readily available, for example, for data on local governments. Nonetheless, policymakers and analysts prefer the use of accounting records, financial statements, or budget execution records, rather than surveys, for *GFSM 2001* statistics, because the statistics can be directly related back to verifiable official sources of information.

If possible, the chosen data sources should provide **sufficient detail** on both stocks and flows to enable compilers to complete each of the above statements and tables. The wide range of circumstances that prevail in countries means that this paper cannot be specific about the sources to be used in any particular country. The remainder of this section, therefore, discusses the main considerations in selecting data sources for compiling GFS. This is followed by some general observations regarding the data sources for transactions, other economic flows, and stocks.

## B.  Some Considerations in Selecting Data Sources

As discussed in sections C though F below, compilers may have available various sources to use in compiling *GFSM 2001* statistics. They must exercise care in choosing the most appropriate source. Important factors to consider include the **coverage** of available data on economic stocks and flows, the **basis of recording** and **valuation** of stocks and flows source data, the **degree of detail** available, the **periodicity and timeliness** of the records, and the **accuracy and reliability** of the information presented in the documents. The **medium** in which the records can be made available might also be a consideration. For example, compilers might prefer records available in electronic form if the data can be transferred electronically into computer systems used to compile *GFSM 2001* statistics.

### Coverage

Based on the institutional coverage and sectorization of government defined in stage one of the data compilation process, compilers should identify the data sources that ensure "comprehensive coverage" of the government's economic activities. In this case, comprehensive coverage refers to institutional coverage (i.e., including all government entities and units defined in stage one), as well as the coverage of all stocks and flows of these government entities and units.

In many countries, the term "budget" is restricted to the revenues and outlays related to annual appropriations of funds by the legislature. This concept, however, may capture only a proportion of total fiscal transactions for central government. Various kinds of operations may be set up outside the annual budget appropriations process and are thus referred to as extrabudgetary, and some extrabudgetary funds (e.g., a social security fund or a national road fund) may be distinct from the general fund or main treasury account of government.[8]

It is important that compilers capture **all** government's operations through extrabudgetary channels when compiling *GFSM 2001* statistics. Often, the existence of such extrabudgetary funds will require identifying additional data sources for compiling comprehensive *GFSM 2001* statistics. For example, often there are transfers from the budget to extrabudgetary funds. These transfers would be captured in the budget execution documents, but the final utilization of these transfers by the extrabudgetary entities may not be captured. Similarly, some countries have set up extrabudgetary funds and channeled earmarked taxes to them that do not pass through the budget. Further, it is not uncommon for government agencies to be allowed to use directly—for outlays—revenue from fees and charges[9] (e.g., hospital fees and charges that are used by the health administration) that have not first been transferred to the general fund of government.

Another example of a data coverage issue that may arise in some developing countries stems from the relationship between the domestic budget and externally financed outlays. Separate, nontransparent processes for determining the size and allocation of external and other budgetary receipts are often the source of financial control problems. In such cases, compilers often need to identify sources other than the budget execution documents (for example, donor records) to capture the externally financed fiscal activities.

> **Compilers should become familiar with the coverage of the source data (e.g., budget execution data). Any flows, stocks, entities, or units of government that are not covered should be identified, so that information on these can be obtained from other sources.**

## Basis of recording and valuation

Ideally, the compilation of *GFSM 2001* statistics requires source data that are recorded on an **accrual basis**[10] and stocks and flows valued at current **market prices.**[11] In an increasing number of

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[8] Although valid reasons may exist for setting up some funds outside the budget and for earmarking, the use of such arrangements can diminish transparency and reduce fiscal policy control.

[9] User charges are, for example, increasingly being used in OECD countries as part of the control and incentive mechanisms for managers of agencies.

[10] In an accrual basis of recording system, transactions are recorded in the period in which economic value is created, transformed, transferred, exchanged, or extinguished. The "accrual basis of recording" in the *GFSM 2001* does not mean that no information is required on the cash operations of government. The framework also requires the compilation of a *Statement of Sources and Uses of Cash*, which is important for assessing the liquidity of the general government sector. To compile this statement, source data on government's cash transactions are required.

[11] In addition to recording stocks at market prices, the *GFSM 2001* system allows for recording outstanding debt at nominal and face values as balance sheet memorandum items.

countries, the source data documents are prepared on an accrual basis and are using valuation at market prices. Most countries, however, prepare source data on a cash basis (or, sometimes, a commitments basis for outlays) and do not value stocks of assets and/or liabilities (or debt) at market prices. In such cases, compilers may have to adjust the source data to bring them in line with the *GFSM 2001* methodology for basis of recording and valuation (see Sections IV.D and IV.E below).

In choosing sources of data for compiling *GFSM 2001* statistics, compilers should prefer records maintained on an accrual basis to records maintained on some other basis of recording. If data are available on a commitments or due-for-payment basis, such data would be preferable to cash data because they more closely resemble accrual data. Nonetheless, cash data will be needed for the compilation of the *Statement of Sources and Uses of Cash*.

The process to collect revenue and incur expenses (or outlays) typically comprises several stages (see Appendix I). If a choice is available between the stages, compilers need to select those data sources that represent the most appropriate stage for compiling accrual and/or cash-based *GFSM 2001* statistics. For the accrual recording of revenue, the most appropriate stage is when the event occurs that gives rise to the tax liability. For expense (or outlays), the delivery stage is most appropriate for accrual recording. For cash recording of revenue and expense (or outlays), the most appropriate stage is when cash is received or paid.

In practice, however, for many institutional units, no choice will be available because these units will have exclusively cash-based records or predominantly accrual-based records. The absence of any accrual-based data for a particular unit, however, does not preclude inclusion of that unit in the *GFSM 2001* statistics. **Cash data can often be used as a proxy for accrual data**, provided the cash data can be adjusted to an accrual basis, particularly when differences between cash and accrual data are believed to be significant, or when the differences are clearly identified. Compilers should seek information that would assist such adjustments.

Stocks and flows are valued at their current market prices, which reflect the prices that significantly influence the amounts the producers are willing to supply and the amounts the willing purchasers wish to buy. Compilers would ideally base a valuation on price observations in a market in which the identical assets and liabilities are traded in considerable volume, and their market prices are listed at regular intervals (e.g., financial claims, transportation equipment, crops, inventories, etc.). If no prices are observable because the assets or liabilities in question are not currently traded on a market or not traded at all, then the compiler must estimate a price or value. For example, loans are normally valued at nominal prices because they are not traded, and currency and deposits have fixed nominal values.

## Degree of detail

Compiling a complete set of *GFSM 2001* statements and tables requires source data records disaggregated to, at least, the same level of detail to be used in the compiled statistics. In classifying economic stocks and flows recorded in government charts of accounts, compilers generally rely on the descriptions of the stocks and flows provided in the sources. Such descriptions do not necessarily reflect *GFSM 2001* classification concepts. Also, the more aggregated the data to which the descriptions apply, the more likely the chance of errors arising from misleading descriptions. This does not, however, suggest that the ideal source data records would identify every single transaction, because such records may be too voluminous to use in compiling *GFSM 2001* statistics.

The ideal source data are based on detailed *GFSM 2001* classifications. In the absence of this, compilers should give preference to source data records that permit them to develop **bridge tables** that link the source classifications to those used in the *GFSM 2001* system (see Section IV.H).[12] Ideally, computer programmers should embed *GFSM 2001* classification codes, linked to the charts of accounts (or budget nomenclature), in the computer system to automatically reclassify the source data to the *GFSM 2001* nomenclature.

> **Compilers should strike a balance between choosing records that are sufficiently detailed to ensure accurate classification of flows and stocks but not so detailed as to render the compilation task too large and costly**.

## Periodicity and timeliness

The best practice is to compile and disseminate at least annual, but preferably also quarterly, general government *GFSM 2001* statistics within six months and one quarter, respectively, after the end of the reference period. Similarly, countries should compile and disseminate *GFSM 2001* statistics on central government operations monthly on a cash basis, within one month after the end of the reference period.

Data availability will set limits on the periodicity with which compilers can compile details. Compiling a monthly *GFSM 2001 Statement of Sources and Uses of Cash* requires the availability of sufficiently detailed monthly source data, while compiling quarterly statistics requires the availability of monthly and/or quarterly source data. Compiling annual *GFSM 2001* statistics could be carried out using monthly, quarterly, or annual source data.[13]

The subject of delay in the availability of data—i.e., timeliness—is another consideration in choosing source data. Compilers may find it necessary to use monthly or quarterly records if timely annual records are not available. In that case, compilers should review data extracted from monthly or quarterly records against annual data when those data become available.

Another consideration is the accounting period covered by source data. For example, budgetary central government data may cover a fiscal year April 1 through March 31, while local government data cover the period October 1 through September 30. Ideally, all source data should cover the same accounting period because the *GFSM 2001* statistics for each subsector of general government should cover the same period. However, different accounting periods should not exclude the use of the source data; compilers will need to adjust the source data that cover different accounting periods to estimate data for the required accounting period (see section IV.G below).

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[12] Of course, a procedure will have to be established to ensure notification of changes to the chart of accounts so that the bridge tables could be updated accordingly.

[13] Monthly and quarterly data will only to a limited extent be useful to compile annual data because such data (i) may exclude end-of-year operations and/or adjustments normally included in annual data, and (ii) are most likely not sufficiently detailed to allow for the compilation of all the *GFSM 2001* statements and tables.

## Accuracy and reliability

Throughout the budgetary cycle, source data with varying degrees of accuracy and completeness become available at different times. For example, the budgetary process usually encompasses the (i) preparation of budget proposals for consideration by the legislature, (ii) approval of the budget and the creation of appropriation accounts containing details of the authorized outlays, (iii) execution of the budget and preparation of monthly or quarterly reports on budget outturns, and (iv) auditing of the accounts and the preparation of a final audited statement. In addition, supplementary budget proposals may arise during the year.

At one extreme, the budget may include projections of revenue and outlays before the accounting period expires. Use of such projections to produce *GFSM 2001* statistics would result in timely information, but the statistics could lack detail and be subject to significant revisions when actual data became available. Such forecasts may be of interest to some users but should be identified clearly as being projections and not actual data. At the other extreme, final audited accounts usually become available quite some time after the close of the fiscal year. For *GFSM 2001* statistics compilation purposes, source data produced later in the accounting cycle are usually preferred. Preliminary *GFSM 2001* statistics will often be based on initial budget outturn (execution) data (which may even include estimates). Subsequently, compilers should use data from final audited accounts to revise the preliminary statistics.

> **For the purpose of compiling *GFSM 2001* statistics, a balance must be struck between timeliness and accuracy of the accounting records.**

## C.   Data Sources for Transactions

## Accounting records and financial statements

The accounting records of government units are the best data sources for compiling *GFSM 2001* statistics. These records may well be available on a timely basis, but certain factors may prevent the data compiler from using them:
- Accounting records may be timely but may not be readily accessible in a suitable medium or format.
- Accounting records may be too detailed and disaggregated, rendering the compilation task too large and costly.

From these accounting records, government units are increasingly preparing general purpose financial statements on the financial performance and financial position of the government, usually after year-end and covering the entire fiscal year. Compilers may use these financial statements for a government unit as the main data sources to compile annual *GFSM 2001* statistics. These sources are more aggregated than the most detailed accounting records, thus most likely rendering a more manageable compilation task.

Government units prepare financial statements using a variety of accounting presentations. Different accounting standards may apply to budgetary units and units outside the budgetary framework. Often, units use cash accounting standards for budgetary reporting and use accrual accounting standards for nonbudgetary units (for example, social security funds or nonmarket nonprofit institutions controlled by government such as government universities).

For revenue and expense transactions, the principal source document is the generic statement of financial performance, usually called the **income statement** or **operating statement**. It provides accrual-based information on revenue by type, such as sales, contributions to specific funds, tax revenue, and interest receivable, as well as on expense by economic type, such as goods and services, wages and salaries, administrative expenses, interest payable, and other expenses. For details on the acquisition and disposal of nonfinancial assets, as well as on financial activity of government, usually **separate statements/notes** provide information **on changes in the balance sheet positions during the period**. These statements identify changes in the holding of nonfinancial assets separately from activity in financial assets, including debt. Also, units that use accrual accounting commonly report a statement on changes in cash holdings, which compilers should use in compiling the *GFSM 2001* statistics.

In addition to the main statements, **notes to the accounts** usually provide additional, useful information (including data) on the government unit's economic activities during the period. Compilers should also refer to these notes when analyzing the unit's activities.

## Budget execution reports

Countries compile and disseminate monthly, quarterly, and/or annual budget execution reports, which are based on the underlying accounting records. These reports, often prepared in a format chosen by the policy makers and/or analysts in a country, are usually more aggregated than the detailed accounting data (thus less voluminous), and are more timely than the detailed annual financial statements. Thus, it may very well be that the budget reports (at each subsector of government in a country or for each government unit/entity) will be the principal source for compiling *GFSM 2001* statistics.[14]

At the central government level, the budget execution reports provide information on the activities of national administrative units. Most of the ministries, departments, agencies, boards, commissions, judicial authorities, legislative bodies, and other central government entities are covered by the primary (or main) central government budget, which is the fiscal policy instrument of the central government. State and/or local governments will have similar budgetary and financial reporting obligations, within their area of fiscal responsibility.

## Surveys

In many countries, the number of units at the local government level is very large, and often their data reporting is unsatisfactory or incomplete. It may simply be impractical to collect detailed data from each of a large number of local governments for each reporting period. In such cases, a scientifically selected representative sample survey of local government units by means of mailed questionnaires and field visits may provide adequate information that can be grossed-up for an estimate of all local government units' operations. However, to keep informed of changes in the relative importance of these units, compilers need to collect comprehensive data covering all local government units at less frequent intervals, perhaps every three or five years.

Since the size of the sample required will depend upon the variability of the units involved, the precision of results can be increased and the size and cost of the sample reduced by dividing the

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[14] Harmonized accounting, budgetary, and statistical formats will simplify the *GFSM 2001* statistics compilation process.

units of government into relatively homogeneous groups (or strata), for example, by size of overall outlays or receipts or by some substitute indicator such as population. It may thus be possible to sample a smaller proportion of smaller municipalities than of average-sized municipalities. However, it is preferable to maintain full coverage of the largest municipalities (or cities). Compilers would then estimate the total for all local governments by extrapolating the data collected for the randomly chosen sample in each stratum to build up an estimate of that stratum as a whole and then summing the data for all strata. A stratified sample survey of this kind will give a reasonably accurate picture of local government operations with the advantage of improved timeliness and lower data collection costs.[15]

In some cases, compilers may use surveys to gather additional information from units that are already covered by the administrative reporting system, for example, to obtain additional information on the operations of an extrabudgetary fund.

## Other sources

Some entities may not be covered by the budget documents, their financial statements may not be prepared with the same regularity, or their financial statements may not be available at the time that the compilation is being undertaken. For transactions of such units, compilers might obtained the data from other administrative sources, such as **annual reports, unpublished reports, and research papers**.

Similarly, the administrative sources may adequately cover units, but not include all their transactions. If this is the case, compilers will need to find sources for the missing transactions outside the administrative records of the government units. Examples of such sources are the balance sheets and financial records of the central bank, commercial banks, or public corporations. The assets and liabilities in these balance sheets may enable a compiler to estimate the liabilities and assets of the government units. Also, the changes in the balance sheet items of units outside government may allow for estimating government's transactions with these units.

Compilers should take care when using data from other sources, because **inconsistencies** may arise between the administrative data and the data derived from the alternative source. These discrepancies may be attributed to a number of factors, including **timing problems**, where reporting is for a different period; **valuation problems**, where the method for valuing transactions and balance sheets may not correspond; **coverage problems**, where the surveys of units outside government may be incomplete (for instance, by omitting some commercial banks); and **methodological and conceptual differences**, where the data in the alternative source may define outlays in a different way from the administrative record (for instance, by including the repayment of loan principal). If the inconsistencies are large, the compiler should investigate the reasons fully and make appropriate adjustments. If the differences are small, he or she can make an ad-hoc adjustment based on an assessment of which is the more reliable source.

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[15] In the design of the questionnaire for the collection of data from local governments, simplicity, clarity, and detailed instructions are particularly important. To minimize the data compilation burden of these units, cooperation with other data collection agencies is imperative. Therefore, the design of the questionnaire should accommodate the data requirements of all data users. Careful review of the questionnaire responses, both for internal consistency and for comparison with other available information, should also be undertaken so as to identify and correct possible misunderstandings of questionnaire instructions.

## D.   Data Sources for Stocks

Economic stocks are positions in, or holdings of, assets and liabilities at the reporting date. Stocks are connected with flows, in that the stocks remaining at the end of an accounting period are equal to the stocks that existed at the beginning of the period, plus the changes resulting from transactions and other economic flows that occur during the period.

### Balance sheets

The principal source for obtaining data on government stocks of assets and liabilities is a balance sheet, usually prepared at the end of each accounting period.

Balance sheets, or **statements of financial position**, that are compiled according to the International Public Sector Accounting Standards (IPSAS)[16] make the **current/noncurrent distinction** in the classification of assets and liabilities. This distinction (not made in the *GFSM 2001* system) is based on whether assets and liabilities are expected to be recovered or settled before (current) or after (noncurrent) one year from the reporting date. Current assets include items such as cash, bank deposits, inventories, and accounts receivable. The latter covers inflows of the government that have accrued but for which cash has not yet been received. Current liabilities include items such as accounts payable, which refers to expense that accrued to government (for example, for goods and services received) for which payment has not yet been made. The identification of current assets and liabilities is important for monitoring operational liquidity, which is an accounting concept.

**Noncurrent** assets are often broken down into receivables, investments, other financial assets, infrastructure, plant and equipment, land and buildings, and intangible assets.

**Liabilities** are often categorized into domestic and foreign liabilities, according to whether the creditor is a resident or nonresident.

**Net worth** (also referred to as net asset value in the accounting standards for public entities) is the measure of net wealth of a unit at a point in time and is defined as total assets minus total liabilities.

### Asset registers and debt registers

If a full balance sheet is not published, sufficient information usually exists on the government's holding of financial assets and incurrence of liabilities to construct a **financial balance sheet** (or "partial balance sheet" because it excludes nonfinancial assets). Partial balance sheet information may be available from asset registers maintained by the government and debt registers maintained by the debt management unit. Care needs to be exercised to ensure that the **coverage** of these registers is complete and, if possible, the **valuation** of assets and liabilities is consistent with the *GFSM 2001* principle of market value.

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[16] Many countries are in the process of adopting, wholly or in part, the standards of the International Public Sector Accounting Standards Board (IPSASB)—generally referred to as IPSAS—for their government nonmarket enterprises, which includes most budgetary entities. See http://www.ifac.org/PublicSector/.

## E.   Data Sources for Other Economic Flows

Other economic flows are changes in the value of assets and liabilities that do not result from transactions. These flows should be broken down into volume and revaluation (holding gains and losses) components.

## Data sources for other changes in the volume of assets and liabilities

Other changes in the volume of assets and liabilities normally result from readily identifiable economic events such as discoveries or depletion of subsoil resources, destruction by war, or natural disasters. Included in this category are changes in assets as a result of recognition of new assets or de-recognition of existing assets, changes to asset categories as a result of classification changes, and changes in assets recorded by a creditor due to the recognition of bad debts.

The source of data for these types of changes in the volume of assets and liabilities should be two consecutive balance sheets and the notes to the balance sheets explaining the most significant changes in assets and liabilities during the period under review.

## Data sources for holding gains and losses

Holding gains and losses (revaluations) are changes in the values of nonfinancial assets and financial items stemming from changes in general or relative prices. The most significant holding gains and losses for financial assets (and liabilities) usually result from changes in exchange and interest rates. Holding gains and losses may accrue on assets and liabilities held for any length of time during the accounting period, not only on assets and liabilities held from the beginning to the end of the period.

The main source of data on holding gains and losses is once again two consecutive balance sheets, valued at market prices, and the balance sheet notes explaining the most significant changes in assets and liabilities during the period under analysis. However, **valuation changes are not usually the result of readily identifiable economic events**. In some cases, information may be available in the notes to the accounts, or other data sources, that will identify specific reasons for price changes, but in most cases the revaluations will be implicit in changes to the market value of assets and liabilities on the balance sheet. Therefore, **in practice**, holding gains and losses will **generally be calculated as a residual** from changes in balance sheet values, minus transactions and other changes in volume. **Nevertheless, it is imperative that compilers always assess whether revaluations derived as residuals are consistent with information available on price movements generally**. For example, changes in the value of land owned by the government would be expected to parallel price changes in land generally, unless some specific reason exists for a difference. Similarly, changes in the value of government debt should be explainable in terms of changes to exchange rates (where applicable) and in prevailing interest rates.

## F.   Compiling *GFSM 2001* Statistics from Forecast Source Data

Often, governments have adopted a medium-term budgeting approach, which typically produces "forward estimates" for three years ahead. In such cases, users of *GFSM 2001* statistics may benefit from a compilation of the forecast data on a *GFSM 2001* basis, provided that the forecasts are available in sufficient detail and provide full coverage of government transactions. Such information is particularly useful in tracking the effects of longer term infrastructure projects on

government fiscal policy. Compilers may, therefore, consider compiling forward estimates or forecasts, in the *GFSM 2001* format, provided that such information would be useful. The compilers should subsequently replace these forecast data with actual data, and compare the actual data with the forecast data. Such comparisons are useful as a measure of government budgeting or forecasting performance and as an indicator of changes in government priorities. It should be noted that replacing estimates with actual data should follow a well-publicized revision cycle. Moreover, the revised data and estimates should be clearly distinct from final data when presented in the dissemination formats.

# IV.   PREPARATIONS BEFORE THE COMPILATION OF *GFSM 2001* STATISTICS

## A.   Introduction

Once the institutional coverage and sectorization have been completed and all data sources have been selected, the compiler must make systematic preparations prior to actually compiling the *GFSM 2001* statistics. The preparation stage involves the **detailed investigation or analysis of the source data to systematically identify any adjustments that may be needed** to meet the requirements of the *GFSM 2001* methodology. The compilation of consistent and accurate *GFSM 2001* statistics may require a number of adjustments and/or modifications:

- **Coverage adjustments**. These adjustments refer to institutional coverage and sectorization, as well as transactions coverage. For example, source data for general government units may include the operations of unincorporated entities that operate as corporations. These should be excluded from the general government *GFSM 2001* statistics and classified with public corporations statistics. Similarly, source data for transactions may not cover all transactions and may exclude, for example, nonmonetary transactions, such as grants-in-kind. In such cases, supplementary information for these transactions needs to be collected. In all cases, if coverage is incomplete and estimates are not possible, metadata should clearly indicate that the statistics exclude the relevant category of flows or stocks, or institutional units/entities.

- **Modifications to transactions**. Some records of transactions do not reflect the economic substance of what is taking place. When compiling *GFSM 2001* statistics, compilers need to modify these transactions to bring out their underlying economic nature. Rerouting, partitioning, and reassignment are three types of modifications employed for this purpose in the *GFSM 2001* system.

- **Basis of recording adjustments**. Source data may record activities at a different time from that required for *GFSM 2001* statistics. For example, it may be that tax revenue and interest payable are recorded on a cash basis, rather than the accrual basis the *GFSM 2001* recommends for the *Statement of Government Operations*. Similarly, detailed source data for certain items may only be available on an accrual basis and not on a cash basis, as is required for sources of the *Statement of Sources and Uses of Cash*.

- **Valuation adjustments**. Source data, especially stocks, may not be valued at current market prices, as the *GFSM 2001* recommends.

- **Adjustments for netting/grossing of flows and stocks**. Source data may include netting of some transactions or stocks that should be recorded on a gross basis (or vice versa).

- **Adjustments for inconsistencies between periodicities**. Adjustments may be needed to ensure that, for example, the quarterly *GFSM 2001* statistics add up to the annual *GFSM 2001* statistics. Or, adjustments may be needed to bring source data with different fiscal years to a common fiscal year.

- **Classification adjustments**. More than likely, source data may follow a classification system that differs from the *GFSM 2001* classifications. Reclassification of data according to the *GFSM 2001* nomenclature is addressed through bridge tables.

The remainder of this section discusses the details of some common adjustments needed to bring the source data in accordance with the *GFSM 2001* methodology.

# B.   Adjustments for Coverage

## Institutional coverage and sectorization

Government accounts and administrative records will usually not cover all institutional units that should be classified in the general government sector. When the source data exclude entities or units that should be classified in the general government sector, they should be included through a **coverage adjustment**. For example:

- The source data may only cover the operations of general budget. However, suppose there is a separate account for education outlays, the Education Fund. This fund is fully financed through transfers from the general budget and is under the control of the Ministry of Education. Its operations should be added to those of the general budget account, with an appropriate elimination of any flows (and stocks) between these two accounts.

- Or, the source data may exclude the operations of a unit that legally operates as a public corporation but that should have been in the general government sector because it consistently sells all or most of its output at nonmarket prices. Thus, compilers should add its operations to those of the general government, appropriately eliminating any flows (and stocks holdings) between these two units.

Similarly, when source documents include units that do not belong in the general government sector, adjustments must be made to exclude such units from the data. For example, the accounts to be analyzed might combine the operations of a government unit and quasi-corporations that are administered by the government unit. Although, by definition, a full set of accounts must be available for each quasi-corporation, such accounts may be embedded in the accounts of the government unit. A coverage adjustment is therefore necessary to exclude the accounts of the quasi-corporation(s) from general government data.

## Transactions coverage

Government accounts and administrative records may not always record all transactions of the institutional units that should be classified to the general government sector. In such cases, compilers must adjust the data to include the omitted transactions, such as nonmonetary

transactions, imputed transactions, and arrears. Similarly, adjustments for transactions coverage are often required for expense (or outlays) funded from grants received from international donors. The spending from these foreign grants is often excluded from the budgetary accounts, owing to specific administrative arrangements between the donors and the recipient country. In such cases, compilers must adjust the data to include the omitted foreign grants received, as well as the spending it financed, in the budgetary accounts' data.

### *Nonmonetary transactions*

A monetary transaction occurs when one unit makes a payment or incurs a liability stated in units of currency, and the second unit receives the payment or another asset, also stated in units of currency. All other transactions are nonmonetary and can be transactions in revenue, expense, and assets/liabilities. Nonmonetary transactions comprise two-party (mutual) agreements, which can be exchanges or transfers (goods, services, or assets) and internal transactions. Compilers should include measures of significant nonmonetary transactions among the adjustments made to source data.

**Nonmonetary exchanges** comprise barter, remuneration in kind, and other payments in kind. In a **barter** transaction, two units exchange goods, services, or assets other than cash, of equal value. **Remuneration in kind** occurs when a government employee is compensated for his/her labor with goods, services, or assets other than money. Typical examples include housing, meals, and transport services provided for free or at insignificant prices. **Other payments in kind** occur when a payment to settle a liability is made by providing goods, services, or noncash assets rather than money.

**Nonmonetary transfers** are transfers receivable or payable in kind, including grants in kind. Typical examples are disaster relief in the form of medicine, food, and shelter or the provision of social benefits in the form of medical and educational services in kind.

**Internal transactions** comprise consumption of fixed capital, and the transfer of materials and the use of supplies from inventories.

A monetary value needs to be assigned to nonmonetary transactions for inclusion in the statistics. The valuation of nonmonetary flows is discussed in section IV.E.

### *Imputed transactions*

In the fully integrated, accrual *GFSM 2001* system, the following transactions have to be imputed:

- **Imputed sales of goods and services**. When a general government unit produces goods and services to compensate employees in kind, the unit is acting in two capacities: as an employer and as a general producer of goods and services. To measure the total amount paid as compensation of employees, compilers must treat the amount paid in kind as if it had been paid in cash as wages and salaries and then as if the employees had used the cash to purchase the goods and services. The revenue category *1424 Imputed sales of goods and services* is used to record the value of such imputed sales.

- **Unfunded or partially funded government employee pension schemes**. The accrual *GFSM 2001* system treats unfunded or partially funded government employee pension schemes as if they are fully funded schemes. This is done by recognizing a liability for the claim that current and former employees have on the government—as their employer—for

payment of their future retirement benefits.[17] This liability is measured as the present value of future pension payments. The increase in the liability during a period is a transaction in government liabilities—insurance technical reserves—arising from actual and imputed contributions by the employer and employee, plus property income on the existing liability. Payment of benefits to retirees or their dependents and survivors is recorded as a reduction in the same liability.

In a fully funded nonautonomous pension scheme, the government as an employer makes contributions and sets aside sufficient assets to meet its obligations under the scheme.[18] These contributions are shown as part of expense item *21 Compensation of employees*, and the increased liability is shown under item *3316 Insurance technical reserves*. In the case of unfunded or partially funded schemes, the government may make a contribution but the contribution is usually not sufficient to meet the government's obligations. As a result, compilers must **impute** a contribution for the difference between the actual contribution[19] and the contribution that would be required if the government were to build up sufficient funds to fully finance its obligations. Compilers should measure the imputed contribution using actuarial techniques, in a similar fashion to fully funded arrangements.

In summary, the *GFSM 2001* treatment requires the recording of any actual contribution against item *2121 Actual social contributions*, the imputed contribution against item *2122 Imputed social contributions,* and the corresponding increase in the liability against item *3316 Insurance technical reserves*. In addition, compilers should impute an interest payable on the liability and record the imputed expense against item *2813 Property expense attributed to insurance policy holders,* offset by an increase in the liability in item *3316 Insurance technical reserves*.

### *Arrears*

Payment arrears arise when an obligatory payment is not made by its due-for-payment date. In traditional cash accounting systems, recording arrears as a memorandum item was a way to, at least, partially compensate for the lack of accrual data. In accrual systems, arrears are time analyses for payables—it accommodates those payments that are past their due date. As a result, when the source data are compiled on a cash basis, all payment arrears should be included to proxy statistics compiled on an accrual basis. Typical examples of arrears are wage and salary arrears that arise when employees are not paid on time, goods and services arrears that arise because of a failure to pay for goods purchased on credit, and interest and principal arrears that arise because of a failure to comply with the terms for repayment of debt. In the traditional cash environment, arrears are often recorded as a memorandum item to the outstanding debt data (or balance sheet). However, in the *GFSM 2001* system, specific adjustments are required to include arrears in transactions.

With **wage arrears**, an adjustment should be made to increase expense item *21 Compensation of employees* appropriately and to record a counterpart liability against item *3318 Other accounts*

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[17] Such schemes should not be confused with social security or social assistance arrangements through which the government provides retirement benefits to the general public.

[18] Autonomous pension schemes are not part of the general government sector.

[19] In case of a completely unfunded scheme, the actual contributions will be zero.

*payable*. With **goods and services arrears**, similarly, an adjustment should be made to increase expense item *22 Use of goods and services* and record a counterpart liability against item *3318 Other accounts payable*. With **interest or principal arrears**, depending on the conditions of the contract, the terms and even the classification of the financial instrument may change. In all cases, the debtor has effectively obtained additional financing by not making the scheduled payments. To provide information on this type of implicit financing, the scheduled payment should be treated as if it had been made and then replaced by a new short-term liability.

## C.   Modifications to Transactions

In the source data, some records of transactions do not reflect the economic substance of what is taking place. Therefore, they need to be modified to reflect their underlying economic nature. Rerouting, partitioning, and reassignment are the three types of modifications employed for this purpose in the *GFSM 2001* system.

## Rerouting

Rerouting is required when a unit that is a party to a transaction does not appear in the actual accounting records because of administrative arrangements. For example, if government employees are enrolled in a retirement scheme, accounting records may show the government unit making payments directly to the retirement scheme on behalf of its employees. In such a case, it is necessary to **reroute** the payments so that the government is seen as paying the employees, who then are deemed to make payments of the same amount to the retirement scheme.

## Partitioning

Partitioning is dividing a single transaction (as viewed by the parties involved) into two or more transactions for recording in the *GFSM 2001* system. For example, when a general government unit acquires a fixed asset under a financial lease, the periodic payments need to be **partitioned** into two transactions: a repayment of principal and a payment of interest.

Some transactions appear to be exchanges but are actually combinations of an exchange and a transfer. For example, a general government unit might sell an asset at a price that is clearly less than the market value of the asset. In such cases, the actual transaction should be partitioned into two transactions—one that is only the exchange (the sale at market value) and the other a transfer (the difference between the actual transactions value and the market value of the asset).

## Reassignment

Reassignment is required when a unit acts as an agent for another unit. For example, a **reassignment** (or attribution) of taxes is needed when one government unit (for example, the budgetary central government) acts as a tax collection agent for another general government unit. In such situations, the unit acting as an agent may have no discretion with regard to the imposition of the tax or the determination of the tax rate. It simply acts as a vehicle for the transmission of tax payments from the taxpayer to the government unit that levied the taxes. The value of taxes must be recorded as revenue of the unit that levies the tax and not as revenue of the unit acting as agent.

As a general guide, tax revenues are attributed as follows:
- Where an amount is collected by one government for and on behalf of another government, and the latter government has the authority to impose the tax, set and vary its rate, and

determine the use of the proceeds, then the former is acting as an agent for the latter, and the tax is reassigned to the latter. Any amount retained by the collecting government as a collection charge should be treated as a payment for a service. Any other amount retained by the collecting government, such as under a tax-sharing arrangement, should be treated as a current grant. If the collecting government was delegated the authority to set and vary the rate as well as decide on the ultimate use of the proceeds from the tax, then the amount collected should be treated as tax revenue of the government that collects the tax.

- Where different governments jointly and equally set the rate of a tax and jointly and equally decide on the distribution of the proceeds, with no individual government having ultimate overriding authority, then the tax revenues are attributed to each government according to its respective share of the proceeds. If an arrangement allows one government unit to exercise ultimate overriding authority, then all of the tax revenue is attributed to that unit.

- There may also be the circumstance where a tax is imposed under the constitutional or other authority of one government, but other governments individually set the tax rate in their jurisdictions and individually decide on the use of the proceeds of the tax generated in their jurisdictions. The proceeds of the tax generated in each respective government's jurisdiction are attributed as tax revenues of that government.

> **In general, a tax is reassigned/attributed to the government unit that (i) exercises the authority to impose the tax (either as a principal or through the delegated authority of the principal), (ii) has final discretion to set and vary the rate of the tax, and (iii) has final discretion over the use of the funds.**

## D.   Adjustments for Basis of Recording

In the accrual *GFSM 2001* system, flows are recorded at the time economic value is created, transformed, exchanged, transferred, or extinguished. In other words, economic events are recorded in the period in which they occur, irrespective of whether cash was received or paid or was due to be received or paid. Accrual recording is used because the time of recording matches the actual resource flows. In general, the time attributed to economic events is the time at which ownership of goods changes, services are provided, the obligation to pay taxes is created, the claim to a social benefit is established, or other unconditional claims are established.

Thus, when compiling *GFSM 2001* statistics, compilers should make timing adjustments when transactions are recorded in the source data at times that do not coincide with the time when the economic event actually occurred. Typically, timing adjustments are required for adjusting cash-based data to the accrual basis. This section considers the accrual adjustments in general terms, before addressing some specific adjustments for taxes and interest flows.
Timing adjustments need only be made if they are significant. Thus, accrual adjustments need **not** be made:

- if the items concerned, in unadjusted or adjusted form, do not contribute significantly to major aggregates and balancing items; or

- if the items do contribute significantly to major aggregates and balancing items, but if the adjusted item would not vary significantly from the unadjusted item.

For example, **expense on wages and salaries,** which will generally be a major component of expense, may be recorded on a cash basis. However, investigations might indicate that altering the recording of wages and salaries to an accrual basis would have no material impact on the amounts. Under such circumstances a decision might be made not to adjust the item.

Obviously, a degree of judgment will be necessary in deciding whether or not accrual adjustments should be made. Often, compilers might decide not to adjust, owing to lack of sufficient information to determine the size of the necessary adjustment. On the other hand, such information might be derived from supplementary records. In the wages and salaries example, compilers could use information on the number of days between the final payday in the accounting period and the end of the accounting period to estimate the required accrual adjustment. Thus, if employees were paid every two weeks and the last pay day of the year fell ten days before the end of the accounting period, a substantial part of the first pay of the next year would relate to the previous accounting period, which would suggest that an accrual adjustment should be made.

As previously noted, source data recorded on a due-for-payment (commitment) basis are less likely to require adjustment to an accrual basis than cash data. However, significant differences between values recorded on a due-for-payment and accrual basis can arise. For example, on a due-for-payment basis, interest on zero coupon bonds would not be recorded until the bonds matured, which would be significantly different from a recording of interest as it accrued (see the section on Accrual of interest below).

> **Adjustments may be necessary when source data are not recorded on an accrual basis. However, such adjustments need only be made if they are significant.**

## Accrual measurement of taxation

Under accrual recording principles, governments should attribute tax revenue to the accounting period in which the events giving rise to the tax liability occurred. This is not necessarily the time at which the event being taxed occurred. For example, the obligation to pay tax on capital gains normally occurs when an asset is sold, not over the period when its value appreciates. Often, tax authorities do not become aware of economic activities that create obligations to pay taxes until a tax return is lodged and/or an assessment is made by the tax authorities of the amount that is payable.

In the *GFSM 2001* system, the **amount** of taxes payable in a given accounting period is determined by the amounts due-for-payment in that period, as evidenced by tax assessments, declarations, or other instruments, such as sales invoices or customs declarations that define the taxpayer obligations. Tax assessments generally refer to the accounting period chosen by the tax authority, which may or may not coincide with the taxpayers' financial reporting period. For example, income tax may be assessed in relation to a government's fiscal year ending in June, while the tax payer's accounting year ends in December. In such cases, income tax assessments for a given period are not a reliable measure of tax arising from income earned in that period—in other words, when economic value is created.

To overcome the absence of accrual tax data in administrative sources, compilers have to estimate measures of accrued taxes. These measures involve both the time of recording and the amounts to be recorded. Generally, two methods are recommended for implementing the accrual principle and avoiding an overestimate of tax revenue:

- **Time-adjusted cash method**. According to this method, the cash amounts actually paid in taxes should be recorded at, or shifted to, the time the tax liability was incurred, not the time the payment was actually made or became due.

- **Coefficient method**. According to this method, amounts assessed as due-for-payment are to be adjusted by a coefficient, reflecting the assessments in the recent periods that were never collected. Thus, the amounts of accrued tax are the written-down amounts according to this adjustment. Taxes unlikely to be collected are not recorded as government revenue. The coefficient will need to be updated if changes occur over time in the efficiency of tax collections.

Some flexibility to the accrual recording principle is allowed in two cases:

- For tax revenue that is deducted at the source—for example, income tax deducted from wages in pay-as-you-earn (PAYE) deduction schemes—compilers should be attribute it the accounting period in which the tax was deducted. In some cases, the tax deducted might not meet the full liability of the taxpayer. In such cases, tax authorities record the remaining tax when final liability is assessed, but GFS compilers should attribute it to the accounting period in which the liability arose. Conversely, tax deducted can be in excess of the amount due and may be refunded. As noted above, compilers should deduct refunds of taxes relating to a particular period from the taxes recorded for that period.

- The taxable event is likely to be unknown with regard to taxes arising from activities in the "parallel" economy. In this case, the time of recording will be the time of assessment.

## Accrual of interest

For many financial instruments, the amount of interest recorded in a cash-based system is a reasonable estimate of the amount that accrues. As noted above though, adjustments may be needed if there are interest arrears.

For some items, however, the **difference between cash and accrual recording is significant, and an adjustment is always necessary**. For example, interest accruing on zero-coupon or deep-discount bonds will not be due for payment until the bond matures. In such cases, it is essential to record interest as it accrues. Compilers should estimate the accrued interest using the original discount rate for the bond that was established at its issue and applying that rate to the outstanding liability. The accrued interest should then be recorded as interest receivable/payable (depending on whether it is a financial asset or liability), and the value of the bond asset/liability increased by the same amount. The actual, cash payment of interest still takes place at the time the bond matures.

## E.  Adjustments for Valuation

The usefulness of the *GFSM 2001* system as an analytical tool stems largely from its ability to link numerous economic variables by expressing them in a single accounting unit. All flows and stocks are valued in money terms at their **current exchange value**, which is the amount for which goods and other assets, services, labor, or the provision of capital are, or could be, exchanged for cash.

The current exchange values, or **market prices**, for flows and stocks are defined as amounts of money that willing buyers pay to acquire something from willing sellers; the exchanges are made between independent parties and on the basis of commercial considerations only. Thus, a market price refers only to the price for one specific exchange under the stated conditions. A second exchange of an identical unit, even under circumstances that are almost exactly the same, could result in a different market price. A market price defined this way is to be clearly distinguished from a price quoted in the market, a world market price, a going price, a fair-market price, or any price intended to express the generality of prices for a class of supposedly identical exchanges rather than a price actually applying to a specific exchange. Furthermore, a market price should not be construed as equivalent to the price that would occur in a purely competitive market. A market transaction could take place in a monopolistic, monopsonistic, or any other market structure. Indeed, the market may be so narrow that it consists of the sole transaction of its kind between independent parties.

In general, **flows expressed in monetary terms when they occur can be recorded at their actual value** because that value is presumed to be the current market value. Exceptions may arise, such as when government sells an asset at a price clearly below its market value or purchases an asset at a price clearly above its market value (see the section on Partitioning above). In such cases, compilers must estimate the true market value and impute the remaining amount as a transfer.

Government accounts do not always use current market values for recording nonmonetary transactions or stocks of assets and liabilities. For example, the government balance sheet may record nonfinancial assets at historical cost, and compilers would have to change the historical cost value to market value. As a result, not all of the change in value of the asset between the two balance sheets needs to come from transactions. If some, or all, of the adjustment reflects a change in the market value of the asset that has occurred in the current accounting period, that part should be recorded as a holding gain or loss (revaluation) and included in the *Statement of Other Economic Flows*.

Ideally, compilers should take the **estimates of market value from markets in which the same or very similar items** are traded currently in sufficient numbers and in similar circumstances. The selection of the appropriate reference markets requires that compilers pay attention to such factors as differences between wholesale and retail markets and regional variations. In particular, compilers can usually value nonmonetary transactions (e.g., barter) in goods at the market price for similar goods. Similarly, current market values are available for the stocks of assets and liabilities that are traded in active markets—most commonly certain financial assets and their corresponding liabilities. Compilers can value stocks of existing fixed assets using the market price for similar new goods, providing that they allow for accumulated consumption of fixed capital and any other changes since the asset was produced.

If the compiler deems no market appropriate from which he/she can take the value of a particular nonmonetary flow or stock item, then as a second best, the item's **valuation could be derived from prices that are established in less closely related markets**, adjusted for changes in quality**.** Ultimately, compilers can only value some goods and services by the amount that it would cost to produce them currently.

Sometimes it is necessary for the compiler to value stocks of assets at their estimated **written-down current acquisition value**. This involves revaluing the historic (or acquisition) cost of the item, allowing for all the changes that have occurred to the item since it was purchased or produced (such as accumulated consumption of fixed capital, partial depletion, exhaustion, degradation, unforeseen obsolescence, exceptional losses, and other unanticipated events).

Assets may be recorded at the **discounted present value of expected future returns**. This method is particularly useful for a number of financial assets, natural assets, and intangible assets.

Compilers should convert flows and stocks **denominated in foreign currency** to a national currency value at the exchange rate prevailing at the time the flow takes place or to which the balance sheet applies. They should use the midpoint between the buying and selling rates. Many economic events, such as a purchase on credit and the subsequent payment of the credit liability, require two transactions at the same value in foreign currency units. The compiler converts each transaction to national currency at the exchange rate prevailing at the time of the transaction. Any difference between the national currency values of the two transactions is a holding gain or loss (on the liability, in the above example).

> **When appropriate values are not used in source data, their market value must be estimated, and valuation adjustments must be made to record them at the required values.**

## F.  Adjustments for Netting/Grossing of Flows and Stocks

Data sets in which all elementary items are shown for their full values are called **gross recordings**. **Netting** is the offsetting of one item against another. For *GFSM 2001* statistics compilation, gross recording is always preferred, except in cases where netting is implicit in the category or for certain financial account transactions. Change in inventories is an example where net compilation is implicit to avoid recording separately all additions to inventory and all withdrawals.

While statistics are generally compiled and presented on a gross basis in the *GFSM 2001* system, several cases exist in which netting may be the preferred form of presenting the statistics. The presentation calculates all balancing items by netting one class of transactions against another or one class of assets against corresponding liabilities. In this vein, the gross operating balance nets expense (excluding consumption of fixed capital) against revenue,[20] and the system calculates net lending/borrowing by netting transactions in nonfinancial assets against the operating balance (or by the difference between transactions in financial assets and liabilities). In balance sheets, the stock of total assets is offset against total liabilities to produce net worth.

The *GFSM 2001* system uses the term "net" in two ways: A specific restricted use is the distinction between net and gross balancing items such as the net operating balance (*GFSM 2001*) where the difference between the gross and net measures is the subtraction of consumption of fixed capital. The other use of the word net refers to an increase or decrease within a category (for example, net acquisition of financial assets).

When source data record items on a net basis but the *GFSM 2001* system requires a gross basis (such as the profit/loss on the sale of an asset), compilers need to gross up the items to record the gross stocks or flows. Conversely, if the source data show items on a gross basis and the items are required in the *GFSM 2001* system on a net basis (such as gross income taxes payable, with income tax refunds shown as an expense), compilers are required to net the items to record the net stocks or flows in the *GFSM 2001* system. The *GFSM 2001* (unlike the *GFSM 1986*) records sales of goods and services gross of the outlays used to produce them. Other economic flows (holding gains and

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[20] The net operating balance equals revenue minus expense (including consumption of fixed capital).

losses and other changes in the volume of assets and liabilities) in a specific asset or liability are presented net. For instance, holding gains are offset against holding losses for a specific class of asset or liability.

Moreover, in the *GFSM 2001* system, statistics should represent transactions net of refunds or other correcting adjustments. Taxes should be recorded net of refunds. Thus, when having gross income tax payable in the source data, compilers need to net the item by subtracting refunds from the specific tax category. Compilers should present expense categories net of inflows of the same expense arising from erroneous or unauthorized transactions. Therefore, the compiler should subtract a refund from a supplier for the erroneous payment of service from the expense category *22 Use of goods and services*.

Another example is where source data may record the book value of a government unit's assets as the disposal of the assets and the profit or loss realized on sale of assets as revenue. In the *GFSM 2001* system, compilers should record the market value of the assets for the disposal of the assets, and they should show the profit or loss as a holding gain or loss on the asset. Thus, they would need to make grossing adjustments to replace the recorded disposal value with the actual sale value and to record the profit or loss incurred as an other economic flow (revaluation), rather than revenue.[21]

Similarly, if source data record the operations of government market establishments on a net basis (i.e., as their net surplus/deficit), compilers will need to make grossing adjustments to replace the recorded net flow with the gross flows that underlie it (i.e., the market establishment's revenues, expenses, and transactions in nonfinancial assets).

## G.  Adjustments for Inconsistencies between Periodicities

GFS compilers should **reconcile** monthly and quarterly statistics with annual statistics when the annual source data become available. That is, compilers should check the sum of statistics for the twelve months or four quarters that correspond to the fiscal year against the corresponding fiscal year statistics. Compilers should establish procedures for **adjusting or revising** statistics where discrepancies occur between the monthly or quarterly and annual statistics. When they revise monthly and quarterly statistics, they should recalculate and revise seasonally adjusted and trend versions of the statistics. It is important to allocate adjustments to the correct subannual period.

Another type of adjustment for inconsistencies between periodicities relates to when a difference arises in the accounting periods covered by the sources data. In such cases, compilers should adjust the source data that cover different accounting periods to estimate data for the required accounting period. For example, budgetary central government data cover a fiscal year April 1 through March 31, while local government data cover the period October 1 through September 30. Compilers must adjust the local government data (fiscal year October 1–September 30) to a fiscal year April 1–March 31. In the absence of higher frequency data, compilers can do this, for example, by taking the second half of the first fiscal year and the first half of the next fiscal year's data for local governments and adding them together to obtain local government data for a fiscal year starting April 1.

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[21] This adjustment may also be considered as a valuation adjustment.

## H.   Classification Adjustments

The reclassification of the source data according to the *GFSM 2001* nomenclature will, most likely, constitute the bulk of the *GFSM 2001* statistics compilation process. Source data might not classify items in the same way as classified in the *GFSM 2001* system. In such cases, compilers need **classification adjustments** (or reclassifications) to move the items concerned from one classification to the other. For example, certain government accounts may follow the concepts applied in *A Manual on Government Finance Statistics, 1986*, and classify lending for policy purposes (lending minus repayments) with expense.[22] In such a case, a compiler would require a classification adjustment that moved lending for policy purposes from expense to financing. Similarly, source records might classify the profit on the sale of an asset as revenue, whereas, the *GFSM 2001* system would consider this a holding gain and include it with other economic flows. In such a case, the compiler would make a classification adjustment to transfer the holding gains from revenue to other economic flows. Yet again, in some countries, the government accounts show the proceeds from borrowing as revenue and the repayment of the borrowing (principal) as expenditure. Compilers should reclassify these transactions as relating to a liability.

### Bridge tables

To ensure a consistent and systematic classification process, compilers should use **bridge tables** (or classification keys) to link the classification codes (and/or categories) of the data sources to their appropriate *GFSM 2001* classification codes (and/or categories). They should prepare bridge tables at the detailed level of classification (e.g., the budget), and preferably link them directly to the chart of accounts of the source. As a result, bridge tables will address all the classification adjustments that compilers have identified as necessary for the source data.

While developing the bridge tables, compilers should identify significant transactions and stock positions among (i) the units/entities that constitute a particular subsector of general government (for example, within budgetary central government) and (ii) the different subsectors of general government (for example, between budgetary central government and an extrabudgetary fund or between budgetary central government and local governments). This information is necessary for intra- and intergovernmental consolidation—the last step in the *GFSM 2001* statistics compilation process (see Section VI below).

Table 1 shows an example of a partial bridge table for revenue transactions. Compilers should compile a similar table for expense, transactions in assets and liabilities, the balance sheet, and other economic flows (if available).

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[22] For more information on reclassifying source data in the *GFSM 1986* format to the *GFSM 2001* format, see *Classification of the GFSM 1986 Data to the GFSM 2001 Framework* at http://www.imf.org/external/pubs/ft/gfs/manual/comp.htm

**Table 1: Bridge Table for Detailed Classification of Revenue**

| Country / budget classification code | Country Descriptor | *GFSM 2001* classification code | *GFSM 2001* Descriptor | Comments / Source |
|---|---|---|---|---|
| | | | | |
| 00210 | Individual income tax | 1111 | Taxes on income, profits, and capital gains: Payable by individuals | |
| 00220 | Corporate income tax | 1112 | Taxes on income, profits, and capital gains: Payable by corporations and other enterprises | |
| 00230 | Other income tax | 1113 | Taxes on income, profits, and capital gains: Unallocable | |
| 00240 | Sales tax | 11412 | Taxes on goods and services: General taxes on goods and services: Sales tax | |
| 00250 | Tax on land | 1131 | Taxes on property: Recurrent taxes on immovable property | |
| 00260 | Profit on sale of assets | 4** | | Not *GFSM 2001* revenue. Classify as a holding gain (GFS category 4**) where ** depends on type of asset. |
| 00270 | Excise duties | 1142 | Taxes on goods and services: Excises | |
| 00300 | Interest income | 1411 | Other revenue: Property income: Interest [GFS] | |
| 00301 | ABC Bank | 14111* | Interest income from private sector | |
| 00302 | Social Security Fund | 14112* | Interest income from social security fund | To be eliminated in consolidation of budgetary central government and social security fund's data. |
| 00400 | Foreign project grants received to build schools | 1312 | Grants from foreign governments: Capital | |
| ... | ... | ... | ... | |
| ... | ... | ... | ... | |

 * There is not a category 14111 or 14112 in the GFSM 2001 classification system. This is an example of how the classification system can be expanded to collect (and present) more detail.

# V.   COMPILATION OF *GFSM 2001* STATISTICS

## A.  Introduction

After completing preparations to compile *GFSM 2001* statistics (i.e., after identifying all adjustments that have to be made to the source data), the actual compilation of *GFSM 2001* statistics for each of the subsectors of general government can commence. When compilers complete the compilation of *GFSM 2001* statistics for each subsector of general government, they will aggregate the statistics.

Specifically, as mentioned earlier, the fourth stage of the *GFSM 2001* statistics compilation process consists of two distinct tasks: (i) the classification and derivation of *GFSM 2001* statistics and (ii) the consolidation of *GFSM 2001* statistics. In the first part of the fourth stage, compilers **apply** the adjustments identified during the analysis in the third stage to the source data **in a consistent manner**. This is achieved through applying **bridge tables** and **derivation tables** to the source data for a specific period. Bridge tables help compilers classify the detailed source data to the detailed *GFSM 2001* categories, for each of the government units/entities. Derivation tables help compilers systematically compile statistics, leave a clear record of the compilation process, and facilitate consistency in future compilation of *GFSM 2001* statistics.[23]

Once compilers have adjusted the data from each source to the *GFSM 2001* methodology, they need to **combine the results by simple aggregation** to provide a first "measure" of the statistics in terms of the *GFSM 2001* system for each institutional unit. They aggregate first to produce statistics for the budgetary central government, the extrabudgetary central government, social security funds, state governments, and local governments, as applicable. At this time, they identify all intrasectoral flows and stock positions among the units/entities being combined for elimination in **intragovernmental** consolidation (see Section VI). After that, they aggregate the (consolidated) statistics for these respective units to produce (unconsolidated) statistics for the central government and general government sectors, respectively. Finally, they identify and eliminate all **intergovernmental** flows and stock positions among the units (subsectors) being combined in consolidation (see Section VI)—the last task in the *GFSM 2001* statistics compilation process.

Figure 2 illustrates the steps compilers should follow in classifying and deriving *GFSM 2001* statistics. **The order with which they follow the steps may differ among countries, depending on country-specific circumstances (including the compiler's preferences), but each step identified in Figure 2 must be applied**. For example, compilers could perform the detailed classification before, or after, they derive the *GFSM 2001* high-level aggregate statistics. Furthermore, they could compile the high-level derivation tables after—instead of before—they perform the detailed derivation and classification of *GFSM 2001* statistics. In such a case, the high-level derivation tables will serve the role of reconciling the *GFSM 2001* aggregates with those in the national data sources. Alternatively, computerization may enable a country to undertake the classification and derivation steps simultaneously.

For simplicity, this paper discusses the entire derivation process before it discusses the detailed classification of the data.

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[23] Analyses of changes in *GFSM 2001* time series and changes in the composition of *GFSM 2001* aggregates are only valid if the data are compiled on a consistent basis from one period to another.

**Figure 2:  The Classification and Derivation of *GFSM 2001* Statistics**

Prepare to compile *GFSM 2001* data (including the development of bridge tables)

Compile high-level derivation tables, deriving only the principal *GFSM 2001* aggregates from the source data aggregates **

Effect detailed reclassifications of source data to *GFSM 2001* nomenclature, using bridge tables

Compile detailed derivation tables, deriving the detailed *GFSM 2001* statements and tables through adjustments other than reclassifications

** This task may be done after the detailed classification and detailed derivation tables have been completed. In such a case, the "high-level derivation tables" will serve the role of reconciliation tables.

## B.    Derivation

Derivation involves **systematic application, to the source data, of the adjustments** identified in stage three of the *GFSM 2001* compilation process. This is achieved by using **derivation tables** to produce the aggregates, as well as the details, for stocks and flows that conform to the *GFSM 2001* methodology.

> The derivation process:
> *    **allows for adjustments to the source data** to derive the *GFSM 2001* aggregates **in a systematic manner** that preserves the internal consistency,
>
> *    **provides a direct link** between the source data and the *GFSM 2001* statistics, and
>
> *    **provides a record** that compilers can use as a guide (or "road map") for compiling statistics in subsequent periods.
>
> Therefore, the **purpose of a derivation table** is to:
> *    **keep a record** of the *GFSM 2001* statistics compilation process, and
>
> *    to **ensure consistent compilation procedures** from one period to another.

Two types of derivation tables are used in the *GFSM 2001* compilation process: One type—the high-level derivation tables—are used to derive the **principal *GFSM 2001* aggregates**. The second type—the detailed derivation tables—are used to derive the **detailed statistics in the *GFSM 2001* statements and tables**. In the first instance, derivation tables are prepared for the high-level aggregates of the *GFSM 2001* system. For example, for the *Statement of Government Operations*, such a table would derive *1 Revenue, 2 Expense, 31 Net acquisition of nonfinancial assets, 32 Net acquisition of financial assets,* and *33 Net incurrence of liabilities*.[24] Compilers then use these aggregates to ensure that the adjustments have been applied consistently and as control totals in the more detailed compilation of the *GFSM 2001* statistics. In the second instance, derivation tables are used to derive the detailed *GFSM 2001* statistics for transactions (revenue, expense, and transactions in assets and liabilities), other economic flows (holding gains and other changes in the volume of liabilities), and stocks (nonfinancial assets, financial assets, liabilities). This should produce a dataset that is consistent with the principal aggregates derived in the high-level derivation tables. These detailed data are used to fill out the standard *GFSM 2001* statements and tables listed in Section III.A of this paper.

Derivation tables will differ among countries depending on the format and degree of available detail in the source data. However, the general principle is always valid, i.e., applying the adjustments identified during the preparations stage, in a consistent manner, to the source data to derive the *GFSM 2001* statistics (details, aggregates, and balances).

Compilers can construct a derivation table in a matrix format for a single period, or in a time series format if covering a number of periods. Generally, the time series format is more useful.

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[24] Similar aggregates should be derived for the *Statement of Sources and Uses of Cash*, and the *Balance Sheet*.

## High-level derivation of principal *GFSM 2001* aggregates

In this—usually first—step of the compilation of *GFSM 2001* statistics, compilers should derive the principal *GFSM 2001* aggregates by means of high-level derivation tables, showing the amount and source of all the data and adjustments. Compilation should proceed through the accounts of each part of government in turn, making the adjustments necessary to ensure proper coverage, basis of recording, time of recording, appropriate netting or grossing, and classification, while maintaining consistency within the accounts. High-level derivation of the principal *GFSM 2001* aggregates should be done for the *Statement of Government of Operations*, the *Statement of Sources and Uses of Cash*, and the *Balance Sheet*.

The preparation of the high-level derivation table for the accrual transactions of the Main Treasury Account of budgetary central government is illustrated in Appendix II, Table A1. It derives the *GFSM 2001* aggregates for the *Statement of Government Operations* (*1 Revenue, 2 Expense, 31 Net acquisition of nonfinancial assets, 32 Net acquisition of financial assets,* and *33 Net incurrence of liabilities*). It also provides a consistency check using the *GFSM 2001* identity:

> **Revenue *minus* Expense *minus* Net acquisition of nonfinancial assets *minus* Net acquisition of financial assets *plus* Net incurrence of liabilities *equals* zero.**

If this check is nonzero, then it means that either an inconsistency exists in the original source data or the adjustments have been applied incorrectly, or both. It is important that compilers identify, and correct for, any inconsistency that arises. For example, compilers of source data for transactions in financial assets may have obtained the data as the difference between two stock positions. As such, it may contain not only transactions data but also other economic flows (such as exchange rate changes or other price changes) that need to be removed.

Compilers should note that some of the adjustments to revenue and expense will also require adjustments to transactions in assets and liabilities. As a result, compilers may also need to adjust the stock values recorded in the balance sheet. For example, timing adjustments for accrued taxes will involve a counterpart adjustment to accounts receivable that should also be reflected in the balance sheet position. Similarly, adjustments for tax collection as an agent may involve adjustments to accounts payable.

Compilers may find that the derivation table for the high-level *GFSM 2001* aggregates provides a useful tool for explaining to users the relationship between the source data and the published statistics.

## Derivation of detailed *GFSM 2001* statistics

Once compilers have reclassified the source data to the *GFSM 2001* nomenclature (see Section V.C below), they will also need to apply the adjustments applied at the aggregate level to the more detailed level. They should use the *GFSM 2001* high-level aggregates to confirm that the adjustments have been consistently applied at the detailed level.

The compilation of detailed *GFSM 2001* statistics is illustrated in Appendix II (Tables A4 through A7) in the context of the *Statement of Government Operations*, the *Statement of Sources and Uses of Cash*, the *Balance Sheet*, and the *Integrated Statement of Stocks and Flows* (to derive data for the *Statement of Other Economic Flows*). The illustration derives *GFSM 2001* statistics for these statements from the Main Treasury Account of the budgetary central government. It presents the

data at a fairly aggregated level to keep the presentation simple. However, in practice, compilers should apply the adjustments at the most (practical) detailed level of the classification. They should prepare similar derivation tables for each unit of government and their data sources used for compiling *GFSM 2001* statistics.

## C. Classification of Source Data to the *GFSM 2001* Nomenclature

As mentioned earlier, the reclassification of the source data according to the *GFSM 2001* nomenclature will, most likely, constitute the bulk of the *GFSM 2001* statistics compilation process. In the preparation stage, compilers developed bridge tables (or classification keys). These tables link the classification codes (and/or categories) of the data sources to their appropriate *GFSM 2001* classification codes (and/or categories).

The source data for the Main Treasury Account of budgetary central government and the bridge between the source data classification and the *GFSM 2001* nomenclature are illustrated in Appendix II. Table A2 provides source data on transactions, while Table A3 provides the stock data in a balance sheet. The bridge tables are presented at a fairly aggregated level to keep the presentation simple. However, in practice, compilers should compile the bridge tables at the most (practical) detailed level of the classification.

The bridge tables are then **applied** to source data for a specific period to effect their reclassification to the *GFSM 2001* detailed items (see Appendix II, Tables A4–A6). This process can be manual or automated (e.g., in MS Excel).

# VI.  CONSOLIDATION OF *GFSM 2001* STATISTICS

The final part of the *GFSM 2001* compilation process—consolidation—refers to presenting statistics for a combined set of government units as if they constituted a single unit. This step follows the simple aggregation of the results in the derivation process. In theory, the consolidation process involves eliminating all transactions and reciprocal stock positions among the government units/entities being combined. **Intergovernmental consolidation** refers to consolidation among different levels or subsectors of general government. **Intragovernmental** consolidation refers to consolidation within a particular subsector or institutional unit of general government.

The discussion of consolidation is beyond the scope of this paper. For more information on consolidation, see the paper *Consolidation of the General Government Sector* on the IMF's website http://www.imf.org/external/pubs/ft/gfs/manual/pdf/compan.pdf.

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**APPENDIX I**

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# Stages of Budgetary Outlays and Revenue Collection

If the source data are not on an accrual accounting basis, the choice of source data should, in part, be guided by an analysis of the stages at which outlays and revenue collection are recorded and the timing of available government records.

The transactions that take place in government operations may be recorded at a variety of **stages** in the revenue and outlays process. Source data may exist for each (or several) of these stages, and it is important that compilers understand what each stage represents so they make well-informed selections of data sources.

## Stages of Outlays

The stages for outlays are as follows:

1.    The first stage is the **budget proposal or estimates**[25] that are presented by the executive body of government, or the cabinet, to the legislative body (for example, parliament or congress). The budget is a request for spending authority, accompanied by an estimate of expected revenues.

2.    The second stage is called the **appropriations**. This is the budget that is approved (or *voted*) by the legislature. The appropriations may or may not be the same as the budget estimates submitted by the executive.

3.    The third stage in the outlays process is called **allocations** or **allotments**. These authorize the ministries to pay out specified funds within a given time period within the limits of the amounts appropriated. When the appropriation authorization is given directly by the legislature to the individual ministers or departments, the amount of the allocations is the same as the appropriations.

4.    The fourth stage is the **commitments** stage, which is the next stage entered into by ministries. Within the limits of their allocations, the ministries commit or place orders to purchase goods and services, or enter into agreements for future delivery of goods and services.

5.    The fifth stage is **deliveries**. This is when the goods and services (or nonfinancial assets) are delivered and the government issues a receipt, which signifies that the government has received (*taken delivery*) the goods or services, and gives rise to a liability for government to make payment at some future date. The important aspect of this stage is the transfer of ownership rather than the actual physical delivery (i.e., the passing to the government of legal title to the goods—and hence the liability to pay for them). This passage of legal title

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[25] This stage is often preceded by a medium-term budget plan.

can occur on delivery, on shipment, or on completion of specified stages of construction in advance of actual delivery, as set out in the purchase contract.

Broadly, this stage agrees with the principles for the compilation of accrual statistics for expense.

6.      The sixth stage is the preparation of **payment orders**, which are issued by the receiving ministry or by a central office certifying that payment is due and should now be made.

7.      The seventh stage in the outlays process is the issuing of **checks or warrants**, by the treasury or the ministries' own payment officers.

8.      The eighth and final stage in the outlays process is when **checks are paid or transfers are made to supplier bank accounts**—that is, when the checks issued in stage 7 are presented at banks and there is a corresponding reduction in the balance of the accounts of the treasury or the ministry that issued the check. It is checks paid, and the resulting debits in the government outlays accounts, that agrees with the pure cash principles for the compilation of cash data that should be reflected in the *GFSM 2001* **Statement of Sources and Uses of Cash**—however, in practice, the seventh stage is usually used for the cash basis of recording.

## Revenue Collection Stages

The revenue part of the government finance transactions is more complex because the stages vary according to the type of revenue collections. The stages are illustrated in through the following examples.

### *Corporate Income Tax and Income Tax for Self-employed*

Many stages occur with corporate income tax (that is, tax on the profits earned by businesses) and with income tax paid by self-employed people. The stages in a typical case are as follows:

1.      In the first stage, **income is earned** during a taxable period. Usually, but not always, the taxable period corresponds with the fiscal year of a country, which may also be different from the calendar year. Having earned the income, the taxpayer has *accrued a liability* to pay the tax on the income at some future date.

This stage is generally agrees with the principles for the compilation of accrual statistics for corporate income tax or income tax for the self-employed.

2.      The second stage occurs when the taxpayer **provisionally assesses and declares** the estimated amount of tax due while the taxable period is still in progress, on the basis of expectations of what the income and tax liability will be for the entire period. The taxpayer then submits this provisional assessment to the tax department, which notifies the taxpayer of how much must be paid at each installment date.

In practice, this stage is often the only time at which government can make a reliable first estimate of the taxable amount, and is often the stage at which the taxpayer's liability for tax payment is first recognized.

3.      The third stage is when parts of the assessed tax become **due for payment** without penalty on each of the installment dates.

4.      In the fourth stage, the **taxpayer pays the tax**, either on the due date without penalty or later with penalty, and the payment is received by government.
This stage agrees with the pure cash principles for the compilation of cash statistics.

5.      The fifth stage is the **filing**—that is, submission to the tax department—of a **tax return** and corrected assessment after the close of the taxable period. This tax return takes account of any variation between the provisional assessment made in stage 2 and the actual income earned during the taxable period.

6.      In the sixth stage, the government reviews the taxpayer's return and issues the government's **assessment of the tax liability**.
This stage often leads to an adjustment in the liability for tax payments.

7.      In the seventh stage, the **taxpayer pays** any amount remaining due or receives a refund or tax credit (against future tax liabilities) for any amount previously overpaid.

8.      In the eighth stage, the **assessment is reopened** either by the government on the basis of new information, or by the taxpayer, perhaps because of losses in later years that he or she is entitled to carry back and subtract from the tax due for the previous taxable periods.

9.      In the ninth and final stage, the altered tax assessment may lead the taxpayer to pay additional taxes or receive a **refund or tax credit**.
Stages 8 and 9 are very common with businesses and corporations that can have losses in later years that they are entitled to carry back.

### Sales Tax

A shorter series of stages is usually involved in the collection of other taxes such as sales taxes.

The stages are as follows:

1.      In the first stage, a **sale is made** during a taxable period and the taxpayer (usually the seller) incurs a *liability* to the government to pay taxes on the sale at some future date.
This stage generally agrees with the principles for the compilation of accrual statistics for sales tax.

2.      In the second stage, the taxpayer **files a tax return** at a specified date after the close of the taxable period (which can be a much shorter period than for income tax, as many countries have a sales tax taxable period of 3 months). This tax return declares the amount of sales, or of cash receipts arising from sales, and the amount of tax due and the taxpayer pays this tax liability on due date without penalty.
In practice, this stage is often the time at which government can make a reliable first recording of the taxable amount.

3.      At the third stage, the tax return and the payment are verified by the government and a **supplementary assessment** is issued if necessary. (This is an extra assessment issued when the government thinks that the taxpayer has not paid enough tax on the sales made.)

4.      In the fourth stage, the taxpayer **pays any additional tax due or receives a tax credit or refund** for any amount previously overpaid.

5.    The fifth stage consists of a periodic audit of past returns by a government field auditor against the taxpayers' accounts and any necessary **supplementary assessment** is issued. Usually during these audits a government officer visits the actual premises of the taxpayer to check all the records.

6.    At the sixth and final stage, the **taxpayer pays any amount remaining** due with interest and penalty or receives a refund or tax credit.

### *Customs Duty*

The stages in the collection of this revenue are:

1.    At the first stage, **goods enter the country** and go into an approved transit shed, customs area, or warehouse under the supervision of the customs authorities.

2.    At the second stage, a customs entry form accompanied by the shipping documents is filed with the customs agent by the importer or the importer's representative, declaring the contents of the shipment. This is called a **customs declaration form**. This form is then certified by the customs agent as being correct.
In the absence of being able to determine when the importer is taking ownership of the goods, this stage is generally agrees with the principles for the compilation of accrual statistics for customs duty.

3.    In the third stage, an **assessment of the customs duty** due is made by the customs agent. In some cases this may change the assessment made by the importer as part of the declaration of the contents of the shipment.
In practice, this stage is often the time at which government can make a reliable first recording of the taxable amount.

4.    In the fourth stage, if complete documentation is not available at the time, a **provisional declaration and assessment** are made.

5.    The fifth stage is when the **assessment is paid**, or, in some cases, charged against the importer on a credit basis, who then pays later.

This stage agrees with the pure cash principles for the compilation of cash statistics, if the assessment is actually paid in cash.

6.    At the sixth stage, the goods are **released** from customs.

7.    At the seventh stage, if complete documentation was not available earlier, **final assessment** is made at this time.

8.    At the eight and final stage, the **final assessment** is paid by the taxpayer or a tax credit or refund is received by the taxpayer.

## Summary

Most likely, source data are not on an accrual accounting basis. If so, it is important analyze the stage(s) at which the source data are recorded, so that the most appropriate stage can be selected for *GFSM 2001* statistics compilation. In selecting source data it is important to ascertain a number of facts about the stages of recording:

- First, **what stage does an entry in the government accounts represent**? For instance, is income tax entered into the government accounts on the basis of assessments, or on the basis of money actually received by the government? Or, is sales tax entered into the accounts on the basis of returns filed by the taxpayer, or on the basis of tax payments received by the government?

- Second, establish whether data at different stages are being confused. Are some sections of the customs department, for instance, entering customs duty into the government accounts on the **basis** of assessments of customs due, while other sections are entering it on the basis of customs duty paid and received by the government?

- Third, is it possible to obtain data for the **desired stages**? This will be, for example, the delivery stage in the recording of expenses, or when income is earned in the recording of income tax revenues.

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## APPENDIX II

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# An Illustration of the Compilation of Bridge Tables and Derivation Tables

## Introduction

The following numerical examples illustrate the compilation of *GFSM 2001* statistics (a *Statement of Government Operations, Statement of Sources and Uses of Cash, Balance Sheet*, and *Statement of Other Economic Flows*) through use of bridge tables and derivation tables, using Treasury Accounts source data. A Main Treasury Account records transactions data on a cash basis. The Main Treasury Account Balance Sheet source data are assumed—for simplicity—to be valued at market prices, but do not follow the *GFSM 2001* nomenclature.

Table A1 provides the high-level derivation of the principal aggregates in the *Statement of Government Operations*.

Tables A2 and A3 provide, respectively, the source data for transactions and stocks classified according to the nomenclature of the Treasury Accounts. They also provide a bridge between the Treasury source codes and the *GFSM 2001* codes for items at the level provided in the Main Treasury Account and the Main Treasury Account Balance Sheet. **Please note that, in practice, the bridge tables should be compiled at the budget classification and charts of accounts level of detail, <u>not</u> at an aggregated level as in this illustration**.

Table A4 provides a detailed derivation for the *Statement of Government Operations* in time series format. For each *GFSM 2001* item, this presentation provides the Treasury source items, as well as the detailed adjustments needed to convert the cash-based data to an accrual basis and in accordance with the *GFSM 2001* methodology. These adjustments can only be obtained from a detailed bridge table and a detailed investigation of the source data covering the operations of the budgetary central government. The adjustments are discussed in more detail below.

Similarly, Table A5 provides a detailed derivation for the *Statement of Sources and Uses of Cash* in time series format. The difference between this table and Table A4, is that only those adjustments that affect the cash recording of the *GFSM 2001* items are included in Table A5.

Table A6 provides a detailed derivation for the *Balance Sheet* in time series format. Like the derivation tables for transactions, this table shows the detailed adjustments needed to transform the source data to the *GFSM 2001* framework.

Table A7 provides a detailed derivation for *Other Economic Flows* (i.e., holding gains/losses and other changes in the volume of assets and liabilities). This derivation is done by using the *GFSM 2001 Integrated Statement of Stocks and Flows*, where **Opening Balance Sheet Value + Transactions + Holding Gains/Losses + Other Volume Changes = Closing Balance Sheet Value**. It should be noted that this procedure is suggested only if the source data are available in the format(s) shown in the examples, (i.e., transactions data, balance sheet data, and information on other volume changes). Different sources, such as data compiled according to accounting standards' definitions, will require different compilation procedures.

## Adjustments to the Source Data for Transactions

### *Reclassifications effected through the bridge table (Tables A2, A4, and A5)*

The following adjustments[26] to the source data are effected when the data are reclassified using the bridge table (for clarity and completeness they are also shown in Tables A4 and A5):

a.　　　Revenue item *001310 Social security contributions* should be classified under *GFSM 2001* code *12 Social contributions*.

b.　　　Revenue item *001320 Other tax revenue* should be classified under *GFSM 2001* code *11 Taxes*.

c.　　　Revenue item *001410 Contribution to employee pension funds* refers to contributions made by government employees to an unfunded pension scheme maintained by the government as their employer. According to the *GFSM 2001*, this should not be shown as revenue but should be recorded as an increase in the liability of the government under *GFSM 2001* code *3316 Insurance technical reserves*. (See "af" below for additional coverage adjustments that are needed to fully reflect the operations of the pension scheme.)

d.　　　Revenue item *001420 Receipts from domestic borrowing* comprises of receipts from the issue of securities (1,803) and should be recorded as an increase in the liability of the government under *GFSM 2001* code *3314 Liabilities, Domestic, Securities other than shares*.

e.　　　Revenue item *001430 Receipts from foreign borrowing* comprises receipts from loans (9,386) and securities issued (3,000). These should similarly be recorded as an increase in the liability of the government, under *GFSM 2001* code *3323 Liabilities, Foreign, Loans* and code *3324 Liabilities, Foreign, Securities other than shares*, respectively.

f.　　　Revenue item *001440 Other nontax revenue* should be classified under *GFSM 2001* code *14 Other taxes* (more details are needed to refine the classification).

g.　　　Revenue item *001440 Other nontax revenue* was found to include the proceeds from the privatization of the national airline, the value of which is 400. This receipt is not revenue but should be shown as the reduction in financial assets (equity). An adjustment is needed to remove the 400 from *GFSM 2001* item *14 Other revenue* and show it as the reduction in item *3215 Net acquisition of financial assets, domestic, shares and other equity*.

h.　　　Revenue item *001610 Sale of fixed assets, etc* should be shown as a disposal of assets under *GFSM 2001* code *31 Nonfinancial assets,* specifically *31.2 Disposals of nonfinancial assets*.

i.　　　Revenue item *001620 Capital transfers* refer to transfers received from the private sector to acquire fixed assets. These should be classified under *GFSM 2001* code *1442 Voluntary transfers other than grants, Capital*.

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[26] Reclassifications in these examples are carried out a different levels of detail, depending on the information available in each. In doing so, the components will not add up to the totals. In practice, the classifications should be performed at the same level of detail.

j.        Revenue item *001900 Grants* should be classified under *GFSM 2001* code *13 Grants* (more details are needed to refine the classification).

k.        Expenditure item *002210 Wages and salaries* should be classified under *GFSM 2001* code *211 Compensation of employees, Wages and salaries.*

l.        Expenditure item *002220 Employer contributions* should be classified under *GFSM 2001* code *212 Compensation of employees, Social contributions.*

m.        Expenditure item *002310 Subsidies* should be classified under *GFSM 2001* code *25 Subsidies* (more details are needed to refine the classification).

n.        Expenditure item *002320 Transfers to households* refer to payments under the social security scheme and should be classified under *GFSM 2001* code *271 Social benefits, social security benefits.*

o.        Expenditure item *002320 Transfers to households* was found to include retirement pensions (262) paid to former government employees under the unfunded pension scheme. An adjustment is needed to remove this amount from *GFSM 2001* item *27 Social benefits* and show it as a reduction in the government's liability under item *3316 Insurance technical reserves*.

p.        Expenditure item *002330 Grants* should be classified under *GFSM 2001* code *26 Grants* (more details are needed to refine the classification).

q.        Expenditure item *002340 Other current transfers* should be classified under *GFSM 2001* code *2821, Other expense, Miscellaneous other current expense.*

r.        Expenditure item *002400 Purchases of goods and services* should be classified under *GFSM 2001* code *22 Use of goods and services* (also see other adjustments later).

s.        Expenditure item *002510 Interest payments* should be classified under *GFSM 2001* code *24 Interest*  (more details are needed to refine the classification).

t.        Expenditure item *002520 Domestic principal payments: Securities* should be recorded as a reduction of the liability of government under *GFSM 2001* code *3314 Liabilities, Domestic, Securities other than shares*.

u.        Expenditure item *002530 Foreign principal payments* comprise of repayments of loans (1,000) and securities (1,204) and should be shown as a reduction in the liability of government, under *GFSM 2001* code *3323 Liabilities, Foreign, Loans* and code *3324 Liabilities, Foreign, Securities other than shares*, respectively.

v.        Expenditure item *002600 Other current expenditure* should be classified under *GFSM 2001* code *28 Other current expense* (more details are needed to refine the classification).

w.        Expenditure item *002710 Purchase of fixed assets, land, etc.* should be shown as the acquisition of nonfinancial assets under *GFSM 2001* code *31 Nonfinancial assets*. Specifically *31.1 Acquisitions of nonfinancial assets* (more details are needed to refine the classification).

x.      Expenditure item *002720 Capital transfers* refer to a large one-off payment to a public corporation and should be classified under *GFSM 2001* code *2822 Other current expense, Miscellaneous capital transfers*.

y.      The item *003000 Lending minus Repayments* should be shown as the net acquisition of domestic financial assets under *GFSM 2001* code *32 Net acquisition of financial assets, Domestic* (more details are needed to refine the classification).

z.      Domestic financing item *004110 Cash and deposits* should be classified under *GFSM 2001* code *3213 Net acquisition of financial assets, Domestic, Currency and Deposits*.

aa.     Foreign financing item *004210 Foreign financial assets* should be classified under *GFSM 2001* code *322 Net acquisition of financial assets, Foreign* (more details are needed to refine the classification).

Each of these adjustments affects both accrual and cash recording, and are shown as detailed adjustments in Tables A4 and A5.

### *Adjustments for transactions coverage (Tables A4 and A5)*

Using the bridge tables compiled at the budget classification and charts of accounts level of detail, and an investigation of the source data, identified a number of noncash transactions that need to be incorporated. The details are as follows:

ab.     **Grants in kind** (wheat) were received from abroad and have been valued as 1,526. Most of the goods have been transferred to households (1,493), and the balance added to inventories. Adjustments are needed to show the grants in kind under revenue—item *13 Grants*—and the transfer to households as an expense under item *2821 Miscellaneous other expense, current*. The part held in inventories (33) should be shown as an increase in nonfinancial assets under item *3121 Inventories of strategic stocks*.

ac.     **Wages and salaries in kind** were estimated as being valued at 416. These should be recorded as an expense under item *2112 Wages and salaries in kind*, with the counterpart entry recorded as revenue under item *1424 Imputed sales of goods and services*.

ad.     Purchases of goods and services amounted to 7,189. However, the **increase in inventories of materials** during the period was estimated as being 65. This should be recorded as a negative adjustment under item *22 Use of goods and services* and as an increase in nonfinancial assets under item *31221 Inventories of materials and supplies*.

ae.     **Consumption of fixed capital** has been estimated as being 220. This should be recorded as an expense in item *23 Consumption of fixed capital* and a reduction in fixed assets under *item 311 Net acquisition of fixed assets*.

af.     Estimates have been made of the **unfunded pension contribution** that is needed to fund the future retirement benefits of government employees through the scheme, valued at 221. This imputed contribution should be recorded as a labor cost under item *2122 Imputed employer contributions*, and an increase in liabilities under item *3316 Insurance technical reserves*.

ag.     Estimates have also been made of the **interest accruing** on the outstanding liability under the above pension scheme. The value is 80. This should be shown as an expense under item *242*

*Interest to residents other than general government* and as an increase in liabilities under item *3316 Insurance technical reserves*.

ah. Revenue item *001320 Other tax revenue* included taxes of 1,272 **collected by the central government as an agent** for other levels of government, while the expenditure item *002330 Grants* included the transfer of the taxes to those governments. Only 1,222 had been transferred. The amount of tax collected should be deducted from item *11 taxes* and the amount transferred should be deducted from item *26 Grants*, respectively. The difference (50) should be shown as an increase in account payable liability under item *3318 Other accounts payable, domestic*.

Each of these adjustments concerns a nonmonetary transaction and only affects accrual recording. They are shown as detailed adjustments in Table A4. None of the adjustments is in cash and so they do not affect Table A5.

### Adjustments for basis of recording (Tables A4 and A5)

The detailed investigation identified the need for some adjustments related to the accrual of taxes as follows:

ai. Tax revenue in the source data is on a cash basis. An identification of the accounting period to which the taxes relate, on a detailed tax by tax basis, resulted in an upward timing adjustment of the cash data by an amount of 1,600. This should be added to item *11 Taxes* with a counterpart increase in accounts receivable under item *3218 Other accounts receivable, domestic*.

This adjustment affects accrual recording only and it is shown as a detailed adjustment in Table A4.

### Adjustments for netting/grossing of stocks and flows (Tables A4 and A5)

The detailed investigation identified that some items had been recorded on a gross basis and others on net basis. The details are as follows:

aj. Expenditure item *002600 Other current expenditure* was found to include tax refunds of 170. These should be shown as negative revenue under item *11 taxes* and a negative adjustment to item *28 Other expense*.

ak. The surplus of the Government Printing Office, a market establishment of budgetary central government, was included in item *001440 Other nontax revenue* (32). In *GFSM 2001* this amount should be grossed-up to record the sales (195) and the costs of the production (wages 94 and materials 69). The adjustments remove the profit from item *14 Other revenue*, add the sales to item *1421 Sales by market establishments*, add the wages to item *2111 Wages and salaries in cash*, and add the materials to item *22 Use of goods and services*.

Each of these adjustments affects both accrual and cash recording, and they are shown as detailed adjustments in Tables A4 and A5.

## Adjustments to the Source Data for Stocks

### *Adjustments affected through the bridge table (Tables A3 and A6)*

The following adjustments to the source data are effected when the data are reclassified using the bridge table in Table A3 (for clarity and completeness they are also shown in Table A6):

a.      The stock of Buildings is classified under *GFSM 2001* code *6111 Net acquisition of nonfinancial assets, Fixed assets, Buildings and structures*.

b.      The stock of Machinery and heavy equipment is classified under *GFSM 2001* code *6112 Net acquisition of nonfinancial assets, Fixed assets, Machinery and equipment*.

c.      The stock of Land is classified under *GFSM 2001* code *6141 Net acquisition of nonfinancial assets, Nonproduced assets, Land*.

d.      The stock of Subsoil assets is classified under *GFSM 2001* code *6142 Net acquisition of nonfinancial assets, Nonproduced assets, Subsoil assets*.

e.      The stock of Nontraded equity assets in public corporations and shares traded on the stock exchanges all related to resident companies, and are both classified under *GFSM 2001* code *6215 Net acquisition of financial assets, Domestic, Shares and other equity*.

f.      The stock of Other financial assets, Loans extended refers to loans extended to residents and is classified under *GFSM 2001* code *6214 Net acquisition of financial assets, Domestic, Loans*.

g.      The stock of Other financial assets, foreign securities is classified under *GFSM 2001* code *6223 Net acquisition of financial assets, Foreign, Securities other than shares*.

h.      The stock of Cash and deposits is held at the central bank and is classified under *GFSM 2001* code *6212 Net acquisition of financial assets, Domestic, Currency and deposits*.

i.      The stock of Taxes receivable is classified under *GFSM 2001* code *6218 Other accounts receivable*.

j.      The stock of Inventories is classified under *GFSM 2001* code *612 Net acquisition of nonfinancial assets, Inventories*.

k.      The stock of Domestic and Foreign loan liabilities are classified under *GFSM 2001* codes *3314 Liabilities, Domestic, Loans* and *6324 Liabilities, Foreign, Loans*, respectively.

l.      The stock of liabilities for Domestic and Foreign bonds and bills issued are classified under *GFSM 2001* codes *6313 Liabilities, Domestic, Securities other than shares* and *6323 Liabilities, Foreign, Securities other than shares*, respectively.

m.      The stock of liabilities for Accounts payable relates to domestic (resident) accounts and is classified under *GFSM 2001* code *6318 Other accounts payable*.

### *Adjustments for stocks coverage (Table A6)*

n.        The notes to the Balance Sheet (Table A3) indicate that the unfunded pension liability for government employees was 68,444 at the end of year N-1, and 68,589 at the end of year N. This liability should be recognized in the balance sheet according to the *GFSM 2001* and classified under *GFSM 2001* code *6316 Insurance technical reserves*.

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**Table A1. High-level Derivation of Principal *GFSM 2001* Aggregates in the Statement of Government Operations Budgetary Central Government (Main Treasury Account)**

| Descriptor | Year N-1 | Year N | Source |
|---|---|---|---|
| **1 Revenue according to *GFSM 2001*** | | 34,359 | |
| **001000 Total Revenue and Grants in Source Data (Main Treasury Account)** | | 48,294 | Appendix II, Table A2. |
| Minus: | | | |
| 001410 Contributions to government employee pension funds [increase in liabilities] | | -106 | Appendix II, Table A2. |
| 001420 Receipts from domestic borrowing: Securities [increase in liabilities] | | -1,803 | Appendix II, Table A2. |
| Receipts from foreign borrowing: | | | |
| 001431 Loans [incease in liabilities] | | -9,386 | Appendix II, Table A2. |
| 001432 Bonds [increase in liabilities] | | -3,000 | Appendix II, Table A2. |
| 001443 Privatization proceeds [disposal of financial assets] | | -400 | Appendix II, Table A2. |
| 001610 Sale of fixed assets, land, etc. [disposal of nonfinancial assets] | | -1,503 | Appendix II, Table A2. |
| Tax refunds [netting] | | -170 | Appendix II, item aj |
| Taxes collected as an agent [reassignment] | | -1,272 | Appendix II, item ah |
| Net profit of Printing Office [netting/grossing] | | -32 | Appendix II, item ak |
| Plus: | | | |
| Timing adustment to accrual taxes [basis of recording] | | 1,600 | Appendix II, item ai |
| Grants in kind [transactions coverage] | | 1,526 | Appendix II, item ab |
| Imputed sales of goods & services (wages & salaries in kind) [transactions coverage] | | 416 | Appendix II, item ac |
| Gross sales of Printing Office [netting/grossing] | | 195 | Appendix II, item ak |
| | | | |
| | | | |
| **2 Expense according to *GFSM 2001*** | | 35,814 | |
| **02000 Total Expenditure according to Source Data (Main Treasury Account)** | | 41,173 | Appendix II, Table A2. |
| Minus: | | | |
| 002323 Unfunded pensions paid to retired employees [reduction in liabilities] | | -262 | Appendix II, Table A2. |
| 002520 Domestic principal payments: Securities [reduction in liabilities] | | -1,070 | Appendix II, Table A2. |
| Foreign principal payments | | | |
| 002531 Loans [reduction in liabilities] | | -1,000 | Appendix II, Table A2. |
| 002532 Securities [reduction in liabilities] | | -1,204 | Appendix II, Table A2. |
| 002710 Acquisition of fixed assets, land, etc. [acquisition on nonfinancial assets] | | -2,959 | Appendix II, Table A2. |
| Adjustment to goods and services for increase in inventories [basis of recording] | | -65 | Appendix II, item ad |
| Taxes collected as an agent and transferred [reassignment] | | -1,222 | Appendix II, item ah |
| Tax refunds [netting in revenue] | | -170 | Appendix II, item aj |
| Plus: | | | |
| Wages and salaries in kind [transactions coverage] | | 416 | Appendix II, item ac |
| Imputed employer contributions to unfunded pension [nonmonetary, imputed] | | 221 | Appendix II, item af |
| Wages and salaries of Printing Office [netting/grossing] | | 94 | Appendix II, item ak |
| Goods and services used by Printing Office [netting/grossing] | | 69 | Appendix II, item ak |
| Imputed interest on unfunded pension liability [nonmonetary, imputed] | | 80 | Appendix II, item ag |
| Grants in kind distributed to households [transactions coverage] | | 1,493 | Appendix II, item ab |
| Consumption of fixed capital [nonmonetary, internal] | | 220 | Appendix II, item ae |
| | | | |
| | | | |
| **31 Net acquisition of nonfinancial assets according to *GFSM 2001*** | | 1,334 | |
| 002710 Purchase of fixed assets, land etc [reclassified from Expenditure] | | 2,959 | Appendix II, Table A2. |
| minus: | | | |
| 001610 Sales of fixed assets, land etc [reclassified from Revenue] | | -1,503 | Appendix II, Table A2. |
| Consumption of fixed capital [nonmonetary, internal] | | -220 | Appendix II, item ae |
| Plus: | | | |
| Increase in inventories of materials [basis of recording] | | 65 | Appendix II, item ad |
| Grants in kind added to inventories [transactions coverage] | | 33 | Appendix II, item ab |

**Table A1. High-level Derivation of Principal *GFSM 2001* Aggregates in the Statement of Government Operations (concluded)**
**Budgetary Central Government (Main Treasury Account)**

| | | | |
|---|---|---:|---|
| **32 Net acquisition of financial assets according to *GFSM 2001*** | | **8,321** | |
| **003000 Lending minus repayments in the Source Data (Main Treasury Account)** | | **2,103** | Appendix II, Table A2. |
| Minus: | | | |
| 01443 Privatization proceeds  [reclassified from Revenue] | | -400 | Appendix II, Table A2. |
| Plus: | | | |
| 004110 Cash and deposits  [reclassified from Financing] | | 931 | Appendix II, Table A2. |
| 004210 Foreign financial assets  [reclassified from Financing] | | 4,087 | Appendix II, Table A2. |
| Timing adjustment for accrual taxes  [basis of recording] | | 1,600 | Appendix II, item ai |
| | | | |
| | | | |
| **33 Net incurrency of liabilities according to *GFSM 2001*** | | **11,110** | |
| **004000 Total Financing in the Source Data (Main Treasury Account)** | | **5,018** | Appendix II, Table A2. |
| Minus: | | | |
| 004110 Cash and deposits  [acquisition of financial assets] | | -931 | Appendix II, Table A2. |
| 004210 Foreign financial assets  [acquisition of fionancial assets] | | -4,087 | Appendix II, Table A2. |
| Plus: | | | |
| 001420 Receipts from domestic borrowing: Securities  [reclassified from Revenue] | | 1,803 | Appendix II, Table A2. |
| Receipts from foreign borrowing: | | | |
| 001431 Loans  [reclassified from Revenue] | | 9,386 | Appendix II, Table A2. |
| 001432 Bonds  [reclassified from Revenue] | | 3,000 | Appendix II, Table A2. |
| 001410 Contribution to employee pensions  [reclassified from Revenue] | | 106 | |
| Imputed employer contribution to unfunded pension  [nonmonetary, imputed] | | 221 | Appendix II, item af |
| Imputed interest on unfunded pension liability  [nonmonetary, imputed] | | 80 | Appendix II, item ag |
| Taxes collected as an agent and not yet transferred  [reassignment] | | 50 | Appendix II, item ah |
| Minus: | | | |
| 002520 Domestic principal payments: Securities  [reclassified from Expenditure] | | -1,070 | Appendix II, Table A2. |
| Foreign principal payments | | | |
| 002531 Loans  [reclassified from Expenditure] | | -1,000 | Appendix II, Table A2. |
| 002532 Securities  [reclassified from Expenditure] | | -1,204 | Appendix II, Table A2. |
| 002323 Unfunded pension paid to retired employees  [reclassified from Expenditure] | | -262 | Appendix II, Table A2. |
| | | | |

**Consistency Check:**

| | | |
|---|---|---:|
| | 1 Revenue | 34,359 |
| minus: | 2 Expenditure | 35,814 |
| minus: | 31 Net Acquisition of nonfinancial assets | 1,334 |
| minus: | 32 Net acquisition of financial assets | 8,321 |
| plus: | 33 Net incurrence of liabilities | 11,110 |
| ***equals: Zero*** | | ***0*** |

**Table A2. Transactions Source Data and Bridge Table to *GFSM 2001* Classifications**
**Budgetary Central Government**
**Source: Main Treasury Account**

| Source Code | Source Descriptor | Value in Year N | GFSM 2001 codes (Bridge) | Comments |
|---|---|---|---|---|
| 001000 | **Total Revenue & Grants** | **48,294** | | |
| 001100 | **Total Revenue** | **47,985** | | |
| 001200 | **Current Revenue** | **46,079** | | |
| 001300 | *Tax Revenue* | *27,272* | | |
| 001310 | Social security contributions | 3,210 | 121 | |
| 001320 | Other tax revenue | 24,062 | 11 | |
| 001400 | *Nontax Revenue* | *18,807* | | |
| 001410 | Contributions to govt. employee pension funds | 106 | 3316 | Financing |
| 001420 | Receipts from domestic borrowing: Securities | 1,803 | 3314 | Financing |
| 001430 | Receipts from foreign borrowing | 12,386 | | |
| 001431 | Loans | 9,386 | 3323 | Financing |
| 001432 | Bonds | 3,000 | 3324 | Financing |
| 001440 | Other nontax revenue | 4,512 | 14 | |
| 001443 | of which: Privatization proceeds | 400 | 3215 | Financing |
| 001600 | **Capital Revenue** | **1,906** | | |
| 001610 | Sale of fixed assets, land, etc. | 1,503 | 31 | Sales of nonfinancial assets |
| 001620 | Capital transfers | 403 | 1442 | |
| 001900 | **Grants** | **309** | 13 | |
| | | | | |
| 002000 | **Total Expenditure** | **41,173** | | |
| 002100 | **Current Expenditure** | **35,760** | | |
| 002200 | *Labor Costs* | *8,693* | | |
| 002210 | Wages and salaries | 8,147 | 211 | |
| 002220 | Employer contributions | 546 | 212 | |
| 002300 | *Subsidies and Other Current Transfers* | *10,715* | | |
| 002310 | Subsidies | 212 | 25 | |
| 002320 | Transfers to households | 6,083 | 27 | |
| 002323 | of which: Unfunded pensions to retired employees | 262 | 3316 | Financing |
| 002330 | Grants | 3,628 | 26 | |
| 002340 | Other current transfers | 792 | 2821 | |
| 002400 | *Purchase of Goods and Services* | *7,189* | 22 | |
| 002500 | *Debt Servicing* | *7,160* | | |
| 002510 | Interest payments | 3,886 | 24 | |
| 002520 | Domestic principal payments: Securities | 1,070 | 3313 | Financing |
| 002530 | Foreign principal payments | 2,204 | | |
| 002531 | Loans | 1,000 | 3323 | Financing |
| 002532 | Securities | 1,204 | 3324 | Financing |
| 002600 | *Other Current Expenditure* | *2,003* | 28 | |
| 002700 | **Capital Expenditure** | **5,413** | | |
| 002710 | Purchase of fixed assets, land etc | 2,959 | 31 | Purchases of nonfin. assets |
| 002720 | Capital transfers | 2,454 | 2822 | |
| | | | | |
| 003000 | **Lending minus Repayments** | **2,103** | 32 | |
| | | | | |
| 004000 | **Total Financing** | **-5,018** | | |
| 004100 | **Domestic** | **-931** | | |
| 004110 | Cash and deposits | -931 | 3212 | |
| 004200 | **Foreign** | **-4,087** | | |
| 004210 | Foreign financial assets | -4,087 | 322 | |

Note: In practice, a bridge table is applied to the most detailed classifications available for all transactions. The above aggregated example is only for illustration purposes. An increase in financial assets (financing) are shown with a negative sign in the source data.

**Table A3. Balance Sheet Source Data and Bridge Table to *GFSM 2001* Classification**
**Budgetary Central Government**
**Source: Main Treasury Account Balance Sheet**

| Source Code | Source Descriptor | Dec. 31, Year N-1 | Dec. 31, Year N | GFSM 2001 codes (Bridge) | Comments |
|---|---|---|---|---|---|
| 007000 | **Total assets** | **992,127** | **1,025,135** | | |
| | | | | | |
| 007100 | **Noncurrent assets** | **774,559** | **803,678** | | |
| 007110 | Fixed assets | 360,381 | 372,858 | | |
| 007111 | Buildings | 202,123 | 207,611 | 6111 | |
| 007112 | Machinery and heavy equipment | 158,258 | 165,247 | 6112 | |
| 007120 | Land | 180,603 | 184,215 | 6141 | |
| 007130 | Subsoil assets | 78,000 | 79,200 | 6142 | |
| 007140 | Nontraded equity in public corporations | 44,567 | 44,567 | 6215 | |
| 007150 | Shares traded on stock exchange | 89,999 | 94,999 | 6215 | |
| 007160 | Other financial assets | 21,009 | 27,839 | | |
| 007161 | Loans extended | 14,606 | 16,709 | 6214 | |
| 007162 | Foreign securities | 6,403 | 11,130 | 6213 | |
| | | | | | |
| 007200 | **Current assets** | **217,568** | **221,457** | | |
| 007210 | Cash and deposits | 163,555 | 164,486 | 6212 | |
| 007220 | Taxes receivable | 18,024 | 19,624 | 6218 | |
| 007230 | Inventories | 35,989 | 37,347 | 612 | |
| | | | | | |
| 008000 | **Total liabilities** | **864,123** | **900,070** | | |
| 008100 | Loans | 339,763 | 362,101 | | |
| 008110 | Domestic | 200,998 | 200,998 | 6314 | |
| 008120 | Foreign | 138,765 | 161,103 | 6324 | |
| 008200 | Bonds and bills issued | 497,983 | 511,542 | | |
| 008210 | Domestic | 325,811 | 329,110 | 6313 | |
| 008220 | Foreign | 172,172 | 182,432 | 6323 | |
| 008300 | Accounts payable | 26,377 | 26,427 | 6318 | |
| | | | | | |
| 009000 | **Net worth** | **128,004** | **125,065** | | |

Note: In practice, a bridge table is applied to the most detailed classifications available for all balance sheet items.
The above aggregated example is only for illustration purposes.

*Notes to the balance sheet:*

1. Unfunded pension scheme liability on December 31, year N-1 is 68,444. At the end of year N, the liability is estimated to be 68,589.
2. During year N, a natural disaster destroyed buildings worth 3,800. This has already been accounted for in the closing balance sheet.
3. Subsoil assets increased during year N because of a discovery of exploitable subsoil assets worth 1,200.
4. Assume that all balance sheet items are valued at current market prices.
5. Reasons for changes in fixed assets during year N:

| Acquisitions of: | Acquisitions | Disposals | Consumption of fixed capital |
|---|---|---|---|
| Buildings | 1,850 | 847 | 95 |
| Machinery and heavy equipment | 1,109 | 656 | 125 |
| | 2,959 | 1,503 | 220 |

**Table A4. Derivation of the *GFSM 2001* Statement of Government Operations**
**Budgetary Central Government (Main Treasury Account)**

| GFSM 2001 Code | *GFSM 2001* Descriptor | | Year N-1 | Year N | Year N+1 |
|---|---|---|---|---|---|
| | **1 Revenue** | | | 34,359 | |
| | | | | | |
| 11 | Taxes | | | 24,220 | |
| | *Plus: Treasury item 001320 Other tax revenue (classification)* | *b* | | *24,062* | |
| | *Plus: Timing adjustment to accrual taxes (basis of recording)* | *ai* | | *1,600* | |
| | *Minus: Tax refunds (netting)* | *aj* | | *-170* | |
| | *Minus: Taxes collected as an agent (modification: reassignment)* | *ah* | | *-1,272* | |
| | | | | | |
| 12 | Social contributions | | | 3,210 | |
| | *Plus: Treasury item 001310 Social security contributions (classification)* | *a* | | *3,210* | |
| | | | | | |
| 13 | Grants | | | 1,835 | |
| | *Plus: Treasury item 001900 Grants (classification)* | *j* | | *309* | |
| | *Plus: Grants in kind (transactions coverage)* | *ab* | | *1,526* | |
| | | | | | |
| 14 | Other revenue | | | 5,094 | |
| | *Plus: Treasury item 001440 Other nontax revenue (classification)* | *f* | | *4,512* | |
| | *Minus: Treasury item 001443 Privatization proceeds (classification)* | *g* | | *-400* | |
| | *Plus: Treasury item 001620 Capital transfers (classification)* | *i* | | *403* | |
| | *Plus: Imputed sales of goods & services (wages & salaries in kind)(transactions coverage)* | *ac* | | *416* | |
| | *Minus: Profit of Printing Office (netting/grossing)* | *ak* | | *-32* | |
| | *Plus: Sales of Printing Office (netting/grossing)* | *ak* | | *195* | |
| | | | | | |
| | **2 Expense** | | | 35,814 | |
| | | | | | |
| 21 | Compensation of employees | | | 9,424 | |
| | *Plus: Treasury item 002210 Wages and salaries (classification)* | *k* | | *8,147* | |
| | *Plus: Treasury item 002220 Employer contributions (classification)* | *l* | | *546* | |
| | *Plus: Wages and salaries in kind (transactions coverage)* | *ac* | | *416* | |
| | *Plus: Imputed employer contribution to unfunded pension (Nonmonetary, Imputed)* | *af* | | *221* | |
| | *Plus: Wages and salaries of Printing Office (netting/grossing)* | *ak* | | *94* | |
| | | | | | |
| 22 | Use of goods and services | | | 7,193 | |
| | *Plus: Treasury item 002400 Purchase of goods and services (classification)* | *r* | | *7,189* | |
| | *Minus: Increase in inventories of materials (basis of recording)* | *ad* | | *-65* | |
| | *Plus: Goods and services used by of Printing Office (netting/grossing)* | *ak* | | *69* | |
| | | | | | |
| 23 | Consumption of fixed capital | | | 220 | |
| | *Plus: Estimate of consumption of fixed capital (nonmonetary, internal)* | *ae* | | *220* | |
| | | | | | |
| 24 | Interest | | | 3,966 | |
| | *Plus: Treasury item 002510 Interest payments (classification)* | *s* | | *3,886* | |
| | *Plus: Imputed interest on unfunded pension liability (nonmonetary, imputed)* | *ag* | | *80* | |
| | | | | | |
| 25 | Subsidies | | | 212 | |
| | *Plus: Treasury item 002310 Subsidies (classification)* | *m* | | *212* | |
| | | | | | |
| 26 | Grants | | | 2,406 | |
| | *Plus: Treasury item 002330 Grants (classification)* | *p* | | *3,628* | |
| | *Minus: Taxes collected as agent and transferred (modification: reassignment)* | *ah* | | *-1,222* | |
| | | | | | |
| 27 | Social benefits | | | 5,821 | |
| | *Plus: Treasury item 002320 Transfers to households (classification)* | *n* | | *6,083* | |
| | *Minus: Unfunded pensions paid to retired employees (classification)* | *o* | | *-262* | |

**Table A4. Derivation of the *GFSM 2001* Statement of Government Operations (concluded)**
**Budgetary Central Government (Main Treasury Account)**

| GFSM 2001 Code | GFSM 2001 Descriptor | | Year N-1 | Year N | Year N+1 |
|---|---|---|---|---|---|
| 28 | Other expense | | | 6,572 | |
| | *Plus: Treasury item 002340 Other current transfers (classification)* | *q* | | 792 | |
| | *Plus: Treasury item 002600 Other current expenditure (classification)* | *v* | | 2,003 | |
| | *Plus: Treasury item 002720 Capital transfers (classification)* | *x* | | 2,454 | |
| | *Minus: Tax refunds (netting)* | *aj* | | -170 | |
| | *Plus: Grants in kind distributed to households (transactions coverage)* | *ab* | | 1,493 | |
| | | | | | |
| GOB | *Gross operating balance (NOB plus item 23)* | | | *-1,235* | |
| NOB | *Net operating balance (Item 1 minus item 2)* | | | *-1,455* | |
| | | | | | |
| 31 | **Net acquisition of nonfinancial assets** | | | **1,334** | |
| | *Minus: Treasury item 001610 Sales of fixed assets, land, etc. (classification)* | *h* | | -1,503 | |
| | *Plus: Treasury item 002710 Purchase of fixed assets, land, etc. (classification)* | *w* | | 2,959 | |
| | *Plus: Grants in kind added to inventories (transactions coverage)* | *ab* | | 33 | |
| | *Plus: Increase in inventories of materials (basis of recording)* | *ad* | | 65 | |
| | *Minus: Estimate of consumption of fixed capital (nonmonetary, internal)* | *ae* | | -220 | |
| | | | | | |
| NLB | *Net lending/borrowing (NOB minus item 31)* | | | *-2,789* | |
| | | | | | |
| 32 | **Net acquisition of financial assets** | | | **8,321** | |
| 321 | Domestic | | | 4,234 | |
| | *Plus: Treasury item 003000 Lending minus repayments (classification)* | *y* | | 2,103 | |
| | *Plus: Treasury item 004110 Cash and deposits (classification)* | *z* | | 931 | |
| | *Minus: Treasury item 001443 Privatization proceeds (classification)* | *g* | | -400 | |
| | *Plus: Timing adjustment to accrual taxes (basis of recording)* | *ai* | | 1,600 | |
| | | | | | |
| 322 | Foreign | | | 4,087 | |
| | *Plus: Treasury item 004210 Foreign financial assets (classification)* | *aa* | | 4,087 | |
| 323 | Monetary gold and SDRs | | | 0 | |
| | | | | | |
| 33 | **Net incurrence of liabilities** | | | **11,110** | |
| 331 | Domestic | | | 928 | |
| | *Plus: Treasury item 001410 Contribution to employee pensions (classification)* | *c* | | 106 | |
| | *Plus: Treasury item 001420 Receipts from domestic borrowing: Securities (classification)* | *d* | | 1,803 | |
| | *Minus: Unfunded pensions paid to retired employees (classification)* | *o* | | -262 | |
| | *Minus: Treasury item 002520 Domestic principal payment: Securities (classification)* | *t* | | -1,070 | |
| | *Plus: Imputed employer contribution to unfunded pension (Nonmonetary, imputed)* | *af* | | 221 | |
| | *Plus: Imputed interest on unfunded pension liability (nonmonetary, imputed)* | *ag* | | 80 | |
| | *Plus: Taxes collected as agent and not yet transferred (modification: reassignment)* | *ah* | | 50 | |
| | | | | | |
| 332 | Foreign | | | 10,182 | |
| | *Plus: Treasury item 001430 Receipts from foreign borrowing: Loans (classification)* | *e* | | 9,386 | |
| | *Plus: Treasury item 001430 Receipts from foreign borrowing: Securities (classification)* | *e* | | 3,000 | |
| | *Minus: Treasury item 002530 Foreign principal payment: Loans (classification)* | *u* | | -1,000 | |
| | *Minus: Treasury item 002530 Foreign principal payment: Securities (classification)* | *u* | | -1,204 | |

Shaded areas indicate classification adjustments effected through the bridge table.

**Table A5. Derivation of the *GFSM 2001* Statement of Sources and Uses of Cash**
**Budgetary Central Government (Main Treasury Account)**

| GFSM 2001 Code | GFSM 2001 Descriptor | | Year N-1 | Year N | Year N+1 |
|---|---|---|---|---|---|
| | **1 Cash receipts from operating activities** | | | **30,817** | |
| | | | | | |
| 11 | Taxes | | | 22,620 | |
| | *Plus: Treasury item 001320 Other tax revenue (classification)* | *b* | | *24,062* | |
| | *Minus: Tax refunds (netting)* | *aj* | | *-170* | |
| | *Minus: Taxes collected as an agent (modification: reassignment)* | *ah* | | *-1,272* | |
| | | | | | |
| 12 | Social contributions | | | 3,210 | |
| | *Plus: Treasury item 001310 Social security contributions (classification)* | *a* | | *3,210* | |
| | | | | | |
| 13 | Grants | | | 309 | |
| | *Plus: Treasury item 001900 Grants (classification)* | *j* | | *309* | |
| | | | | | |
| | | | | | |
| 14 | Other receipts | | | 4,678 | |
| | *Plus: Treasury item 001440 Other nontax revenue (classification)* | *f* | | *4,512* | |
| | *Minus: Treasury item 01443 Privatization proceeds (classification)* | *g* | | *-400* | |
| | *Plus: Treasury item 001620 Capital transfers (classification)* | *i* | | *403* | |
| | *Minus: Profit of Printing Office (netting/grossing)* | *ak* | | *-32* | |
| | *Plus: Sales of Printing Office (netting/grossing)* | *ak* | | *195* | |
| | | | | | |
| | **2 Cash payments for operating activities** | | | **33,449** | |
| | | | | | |
| 21 | Compensation of employees | | | 8,787 | |
| | *Plus: Treasury item 002210 Wages and salaries (classification)* | *k* | | *8,147* | |
| | *Plus: Treasury item 002220 Employer contributions (classification)* | *l* | | *546* | |
| | *Plus: Wages and salaries of Printing Office (netting/grossing)* | *ak* | | *94* | |
| | | | | | |
| 22 | Purchases of goods and services | | | 7,258 | |
| | *Plus: Treasury item 002400 Purchase of goods and services (classification)* | *r* | | *7,189* | |
| | *Plus: Goods and services used by of Printing Office (netting/grossing)* | *ak* | | *69* | |
| | | | | | |
| 24 | Interest | | | 3,886 | |
| | *Plus: Treasury item 002510 Interest payments (classification)* | *s* | | *3,886* | |
| | | | | | |
| 25 | Subsidies | | | 212 | |
| | *Plus: Treasury item 002310 Subsidies (classification)* | *m* | | *212* | |
| | | | | | |
| 26 | Grants | | | 2,406 | |
| | *Plus: Treasury item 002330 Grants (classification)* | *p* | | *3,628* | |
| | *Minus: Taxes collected as agent and transferred (modification: reassignment)* | *ah* | | *-1,222* | |
| | | | | | |
| 27 | Social benefits | | | 5,821 | |
| | *Plus: Treasury item 002320 Transfers to households (classification)* | *n* | | *6,083* | |
| | *Minus: Unfunded pensions paid to retired employees (classification)* | *o* | | *-262* | |
| | | | | | |
| 28 | Other payments | | | 5,079 | |
| | *Plus: Treasury item 002340 Other current transfers (classification)* | *q* | | *792* | |
| | *Plus: Treasury item 002600 Other current expenditure (classification)* | *v* | | *2,003* | |
| | *Plus: Treasury item 002720 Capital transfers (classification)* | *x* | | *2,454* | |
| | *Minus: Tax refunds (netting)* | *aj* | | *-170* | |
| | | | | | |
| *CIO* | *Net cash inflow from operating activities (Item 1 - item 2)* | | | *-2,632* | |

*Continue on next page*

**Table A5. Derivation of the *GFSM 2001* Statement of Sources and Uses of Cash (concluded)**
**Budgetary Central Government (Main Treasury Account)**

| GFSM 2001 Code | GFSM 2001 Descriptor | | Year N-1 | Year N | Year N+1 |
|---|---|---|---|---|---|
| 31.1 | Purchases of nonfinancial assets | | | 2,959 | |
| | *Plus: Treasury item 002710 Purchase of fixed assets, land, etc. (classification)* | *w* | | *2,959* | |
| 31.2 | Sales of nonfinancial assets | | | *1,503* | |
| | *Minus: Treasury item 001610 Sales of fixed assets, land, etc. (classification)* | *h* | | *1,503* | |
| **31** | **Net cash outflow from investments in nonfinancial assets** | | | **1,456** | |
| *CSD* | *Cash surplus/deficit (CIO - item 31)* | | | *-4,088* | |
| **32x** | **Net acquisition of financial assets other than cash** | | | **5,790** | |
| 321x | Domestic | | | 1,703 | |
| | *Plus: Treasury item 003000 Lending minus repayments (classification)* | *y* | | *2,103* | |
| | *Minus: Treasury item 01443 Privatization proceeds (classification)* | *g* | | *-400* | |
| 322x | Foreign | | | 4,087 | |
| | *Plus: Treasury item 004210 Foreign financial assets (classification)* | *aa* | | *4,087* | |
| 323 | Monetary gold and SDRs | | | 0 | |
| **33** | **Net incurrence of liabilities** | | | **10,809** | |
| 331 | Domestic | | | 627 | |
| | *Plus: Treasury item 001410 Contribution to employee pensions (classification)* | *c* | | *106* | |
| | *Plus: Treasury item 001420 Receipts from domestic borrowing: Securities (classification)* | *d* | | *1,803* | |
| | *Minus: Unfunded pensions paid to retired employees (classification)* | *o* | | *-262* | |
| | *Minus: Treasury item 002520 Domestic principal payment: Securities (classification)* | *t* | | *-1,070* | |
| | Plus: Taxes collected as agent not yet transferred  (modification: reassignment) | ah | | 50 | |
| 332 | Foreign | | | 10,182 | |
| | *Plus: Treasury item 001430 Receipts from foreign borrowing: Loans (classification)* | *e* | | *9,386* | |
| | *Plus: Treasury item 001430 Receipts from foreign borrowing: Securities (classification)* | *e* | | *3,000* | |
| | *Minus: Treasury item 002530 Foreign principal payment: Loans (classification)* | *u* | | *-1,000* | |
| | *Minus: Treasury item 002530 Foreign principal payment: Securities (classification)* | *u* | | *-1,204* | |
| *NFB* | *Net cash inflow from financing activities (Item 33 - item 32)* | | | *5,019* | |
| *NCB* | *Net change in the stock of cash (CSD + NFB = item 3212 + item 3222)* | | | *931* | |

Shaded areas indicate classification adjustments effected through the bridge table.

**Table A6. Derivation of the *GFSM 2001* Balance Sheet**
**Budgetary Central Government**

| GFSM 2001 Code | GFSM 2001 Descriptor | | Dec. 31, Year N-1 | Dec. 31, Year N |
|---|---|---|---|---|
| 6 | **Net worth** | | **59,560** | **56,476** |
| 61 | **Nonfinancial assets** | | **654,973** | **673,620** |
| 611 | Fixed assets | | 360,381 | 372,858 |
| 6111 | Buildings and structures | | 202,123 | 207,611 |
| | *Source balance sheet item 007111 Buildings (classification)* | *a* | *202,123* | *207,611* |
| 6112 | Machinery and equipment | | 158,258 | 165,247 |
| | *Source balance sheet item 007112 Machinery and heavy equipment (classification)* | *b* | *158,258* | *165,247* |
| 6113 | Other fixed assets | | 0 | 0 |
| 612 | Inventories | | 35,989 | 37,347 |
| | *Source balance sheet item 007230 Inventories (classification)* | *j* | *35,989* | *37,347* |
| 613 | Valuables | | 0 | 0 |
| 614 | Nonproduced assets | | 258,603 | 263,415 |
| 6141 | Land | | 180,603 | 184,215 |
| | *Source balance sheet item 007120 Land (classification)* | *c* | *180,603* | *184,215* |
| 6142 | Subsoil assets | | 78,000 | 79,200 |
| | *Source balance sheet item 007130 Subsoil assets (classification)* | *d* | *78,000* | *79,200* |
| 6143 | Other naturally occuring assets | | 0 | 0 |
| 6144 | Intangible nonproduced assets | | 0 | 0 |
| 62 | **Financial assets** | | **337,154** | **351,515** |
| 6202 | Currency and deposits | | 163,555 | 164,486 |
| | *Source balance sheet item 007210 Cash and deposits (classification)* | *h* | *163,555* | *164,486* |
| 6203 | Securities other than shares | | 6,403 | 11,130 |
| | *Source balance sheet item 007162 Foreign securities (classification)* | *g* | *6,403* | *11,130* |
| 6204 | Loans | | 14,606 | 16,709 |
| | *Source balance sheet item 007161 Loans (classification)* | *f* | *14,606* | *16,709* |
| 6205 | Shares and other equity | | 134,566 | 139,566 |
| | *Source balance sheet item 007140 Nontraded equity (classification)* | *e* | *44,567* | *44,567* |
| | *Source balance sheet item 007150 Shares traded on stock exchange (classification)* | *e* | *89,999* | *94,999* |
| 6206 | Insurance technical reserves | | 0 | 0 |
| 6207 | Financial derivatives | | 0 | 0 |
| 6208 | Other accounts receivable | | 18,024 | 19,624 |
| | *Source balance sheet item 007220 Taxes receivable (classification)* | *i* | *18,024* | *19,624* |
| 621 | Domestic | | 330,751 | 340,385 |
| | *Source balance sheet item 007210 Cash and deposits (classification)* | *h* | *163,555* | *164,486* |
| | *Source balance sheet item 007161 Loans (classification)* | *f* | *14,606* | *16,709* |
| | *Source balance sheet item 007140 Nontraded equity (classification)* | *e* | *44,567* | *44,567* |
| | *Source balance sheet item 007150 Shares traded on stock exchange (classification)* | *e* | *89,999* | *94,999* |
| | *Source balance sheet item 007220 Taxes receivable (classification)* | *i* | *18,024* | *19,624* |
| 622 | Foreign | | 6,403 | 11,130 |
| | *Source balance sheet item 007162 Foreign securities (classification)* | *g* | *6,403* | *11,130* |
| 623 | Monetary gold and SDRs | | 0 | 0 |

**Table A6. Derivation of the *GFSM 2001* Balance Sheet (concluded)**
**Budgetary Central Government**

| GFSM 2001 Code | *GFSM 2001* Descriptor | | Dec. 31, Year N-1 | Dec. 31, Year N |
|---|---|---|---|---|
| 63 | **Liabilities** | | **932,567** | **968,659** |
| 6302 | Currency and deposits | | 0 | 0 |
| 6303 | Loans | | 339,763 | 362,101 |
| | *Source balance sheet item 008110 Loans, Domestic (classification)* | *k* | *200,998* | *200,998* |
| | *Source balance sheet item 008120 Loans, Foreign (classification)* | *k* | *138,765* | *161,103* |
| 6304 | Securities other than shares | | 497,983 | 511,542 |
| | *Source balance sheet item 008210 Bonds and bills, Domestic (classification)* | *l* | *325,811* | *329,110* |
| | *Source balance sheet item 008220 Bonds and bills, Foreign (classification)* | *l* | *172,172* | *182,432* |
| 6305 | Shares and other equity | | 0 | 0 |
| 6306 | Insurance technical reserves | | 68,444 | 68,589 |
| | *Source balance sheet, Notes: Unfunded pension liability (Coverage adjustment)* | *n* | *68,444* | *68,589* |
| 6307 | Financial derivatives | | 0 | 0 |
| 6308 | Other accounts payable | | 26,377 | 26,427 |
| | *Source balance sheet item 008300 Accounts payable (classification)* | *m* | *26,377* | *26,427* |
| | | | | |
| 632 | Domestic | | 621,630 | 625,124 |
| | *Source balance sheet item 008110 Loans, Domestic (classification)* | *k* | *200,998* | *200,998* |
| | *Source balance sheet item 008210 Bonds and bills, Domestic (classification)* | *l* | *325,811* | *329,110* |
| | *Source balance sheet, Notes: Unfunded pension liability (Coverage adjustment)* | *n* | *68,444* | *68,589* |
| | *Source balance sheet item 008300 Accounts payable (classification)* | *m* | *26,377* | *26,427* |
| 633 | Foreign | | 310,937 | 343,535 |
| | *Source balance sheet item 008120 Loans, Foreign (classification)* | *k* | *138,765* | *161,103* |
| | *Source balance sheet item 008220 Bonds and bills, Foreign (classification)* | *l* | *172,172* | *182,432* |

Shaded areas indicate classification adjustments effected through the bridge table.

**Table A7. Derivation of the *GFSM 2001* Other Economic Flows**
**Budgetary Central Government**

| GFSM 2001 Code | GFSM 2001 Descriptor | Dec 31, Year N-1 | Trans-actions | Other economic flows — Holding gains | Other volume changes | Dec 31, Year N |
|---|---|---|---|---|---|---|
| | | See Table A5. | See Table A2. | Calculated residual | See Notes, Table A5. | See Table A5. |
| * | **Net worth (and changes in net worth)** | **59,560** | **-1,455** | **971** | **-2,600** | **56,476** |
| *1 | **Nonfinancial assets** | **654,973** | **1,334** | **19,913** | **-2,600** | **673,620** |
| *11 | Fixed assets | 360,381 | 1,236 | 15,041 | -3,800 | 372,858 |
| *111 | Buildings and structures | 202,123 | 908 | 8,380 | -3,800 | 207,611 |
| *112 | Machinery and equipment | 158,258 | 328 | 6,661 | 0 | 165,247 |
| *113 | Other fixed assets | 0 | 0 | 0 | 0 | 0 |
| *12 | Inventories | 35,989 | 98 | 1,260 | 0 | 37,347 |
| *13 | Valuables | 0 | 0 | 0 | 0 | 0 |
| *14 | Nonproduced assets | 258,603 | 0 | 3,612 | 1,200 | 263,415 |
| *141 | Land | 180,603 | 0 | 3,612 | 0 | 184,215 |
| *142 | Subsoil assets | 78,000 | 0 | 0 | 1,200 | 79,200 |
| *143 | Other naturally occuring assets | 0 | 0 | 0 | 0 | 0 |
| *144 | Intangible nonproduced assets | 0 | 0 | 0 | 0 | 0 |
| *2 | **Financial assets** | **337,154** | **8,321** | **6,040** | **0** | **351,515** |
| *202 | Currency and deposits | 163,555 | 931 | 0 | 0 | 164,486 |
| *203 | Loans | 14,606 | 2,103 | 0 | 0 | 16,709 |
| *204 | Securities other than shares | 6,403 | 4,087 | 640 | 0 | 11,130 |
| *205 | Shares and other equity | 134,566 | -400 | 5,400 | 0 | 139,566 |
| *206 | Insurance technical reserves | 0 | 0 | 0 | 0 | 0 |
| *207 | Financial derivatives | 0 | 0 | 0 | 0 | 0 |
| *208 | Other accounts receivable | 18,024 | 1,600 | 0 | 0 | 19,624 |
| *21 | Domestic | 330,751 | 4,234 | 5,400 | 0 | 340,385 |
| *22 | Foreign | 6,403 | 4,087 | 640 | 0 | 11,130 |
| *23 | Monetary gold and SDRs | 0 | 0 | 0 | 0 | 0 |
| *3 | **Liabilities** | **932,567** | **11,110** | **24,982** | **0** | **968,659** |
| *302 | Currency and deposits | 0 | 0 | 0 | 0 | 0 |
| *303 | Loans | 339,763 | 8,386 | 13,952 | 0 | 362,101 |
| *304 | Securities other than shares | 497,983 | 2,529 | 11,030 | 0 | 511,542 |
| *305 | Shares and other equity | 0 | 0 | 0 | 0 | 0 |
| *306 | Insurance technical reserves | 68,444 | 145 | 0 | 0 | 68,589 |
| *307 | Financial derivatives | 0 | 0 | 0 | 0 | 0 |
| *308 | Other accounts receivable | 26,377 | 50 | 0 | 0 | 26,427 |
| *32 | Domestic | 621,630 | 928 | 2,566 | 0 | 625,124 |
| *33 | Foreign | 310,937 | 10,182 | 22,416 | 0 | 343,535 |

* = 3, 4, 5 and 6 for transactions, holding gains/losses, other volume changes, and stocks, respectively.

Always verify that these calculated results make sense!