**Compiling Accounts**

**Exercise – 3.5.1: Household Accounts**

Among the members of a household, there is a pensioner (***X***), one member (***Y***) who runs a small laundry business, and a third (***Z***) has a regular employment in a company. The following are the data on transactions made by the household during an accounting period:

|  |  |  |  |
| --- | --- | --- | --- |
| **Earnings of the household:** | |  |  |
|  | salary & wages earnings of ***Z*** |  | 2000 |
|  | Pension received by ***X*** |  | 600 |
|  | Total receipts of ***Y*** |  | 1200 |
|  | Remittances received from a family member living abroad | | 350 |
|  | Bank interest received |  | 250 |
| **Expenditures of the household:** | |  |  |
|  | Repair and maintenance of the dwelling unit | | 40 |
|  | Purchase of a vehicle (on loan) for laundry business | | 40,000 |
|  | Fuel cost for the vehicle |  | 200 |
|  | Insurance premiums for the dwelling unit |  | 30 |
|  | Household's purchase of goods & services for final consumption | | 1200 |
|  | Electricity charges and other expenses for the laundry business | | 550 |
|  | Salary paid to a part-time employee of the laundry business | | 150 |
|  | Payment to pollution control office for checking & certifying vehicle | | 5 |
|  | Income Tax paid by ***Z*** |  | 225 |
|  | Pension contributions made by ***Z*** |  | 10 |
|  | Money sent to a child studying abroad |  | 500 |
|  | Interest payment for the vehicle loan |  | 1150 |

Household lives in a owned dwelling, of which imputed rental is 425.

The company employing made a contribution of 20 to the social insurance scheme for ***Z***.

1. Construct the sequence of current transaction accounts for the household. The accounts based on these data would however be unadjusted for allocation of FISIM, insurance services and contribution.

[Note that purchase of vehicle being for the laundry business is capital formation. For determining how should “payment to pollution control for checking & certifying vehicle” be treated, please refer to paragraph 7.80 of 2008 SNA (page 144). ]

|  |  |  |  |
| --- | --- | --- | --- |
| **Current Transaction Accounts - unadjusted for allocation of FISIM, insurance services and contribution & premium supplements.** | | | |
| **Uses** | | **Resources** | |
| **Production Account** | | | |
|  | Intermediate consumption | *GVObp* |  |
|  |  | Market output (at basic price) |  |
|  |  | For own use |  |
|  |  | (*t-s*) on products & import duties |  |
|  | ***B.1g GDP*** |  |  |
| **Generation of Income Account** | | | |
|  | Compensation of employees | ***B1. GDP*** |  |
|  | Production (*t-s*) & import duties |  |  |
|  | ***B.2g OS*** / ***B.3g MI*** (gross) |  |  |
| **Allocation of Primary Income Account** | | | |
|  |  | ***B.2g OS*** / ***B.3g MI*** (gross) |  |
|  |  | Compensation of employees |  |
|  | Property income payable | Property income receivable |  |
|  |  | Production & import Taxes |  |
|  |  | Subsidies (-) |  |
|  | ***B.4g GNI*** |  |  |
| **Secondary Distribution of Income Account** | | | |
|  |  | *Balance of primary incomes* (***GNI***) |  |
|  | Current taxes on income & wealth, etc. | Current taxes on income & wealth, etc. |  |
|  | Net Social contributions |  |  |
|  |  | Social benefits (excl. in kind) |  |
|  | Other current transfers | Other current transfers |  |
|  | ***B.6g GNDI*** |  |  |
| **Use of Disposable Income** | | | |
|  |  | ***B.6g GNDI*** |  |
|  | ***FCE*** |  |  |
|  | Adjustments for changes in pension entitlements | Adjustments for changes in pension entitlements |  |
|  | ***B.8g Gross savings*** |  |  |

1. Under the following assumptions:

FISIM allocated to the household’s laundry business: 115

FISIM allocated to the household as a consumer: 20

Service charges of social insurance scheme 5

Service charges for non-life insurance scheme: 2

Investment income attributed to the household by

the non-life insurance agency 15

the social insurance fund 20

Adjustment for pension entitlements 12

please prepare the sequence of current transaction accounts for the household, adjusted for allocated of FISIM, insurance services and contribution.

|  |  |  |  |
| --- | --- | --- | --- |
| **Uses** | | **Resources** | |
| **Production Account** | | | |
|  | Intermediate consumption | *GVObp* |  |
|  |  | Market output (at basic price) |  |
|  |  | For own use |  |
|  |  | (*t-s*) on products & import duties |  |
|  | ***B.1g GDP*** |  |  |
| **Generation of Income Account** | | | |
|  | Compensation of employees | ***B1. GDP*** |  |
|  | Production (*t-s*) & import duties |  |  |
|  | B2. OS + B.3 MI |  |  |
| **Allocation of Primary Income Account** | | | |
|  |  | ***B.2g OS*** / ***B.3g MI*** (gross) |  |
|  |  | Compensation of employees |  |
|  | Property income payable | Property income receivable |  |
|  | ***B.4g GNI*** |  |  |
| **Secondary Distribution of Income Account** | | | |
|  |  | *Balance of primary incomes* (***GNI***) |  |
|  | Current taxes on income etc. | Current taxes on income etc. |  |
|  | Net Social contributions |  |  |
|  |  | Social benefits (excl. in kind) |  |
|  | Other current transfers | Other current transfers |  |
|  | ***B.6g GNDI*** |  |  |
| **Use of Disposable Income** | | | |
|  |  | ***B.6g GNDI*** |  |
|  | ***FCE*** |  |  |
|  | Adjustments for changes in pension entitlements | Adjustments for changes in pension entitlements |  |
|  | ***B.8g Gross savings*** |  |  |
|  |  |  |  |

1. Identify the monetary transactions between the household and other units. Find out the difference between receipts and expenditure. Compare the difference with *gross savings* that you obtain in the *use of disposable income account*. Explain your observation.

Answer **to Q. 2.1 C**:

1. Sum of monetary transactions that are receipts of the household =
2. Sum of monetary transactions are payments of the household =
3. Difference [(a) – (b)] =
4. *gross savings* =

Comparison of (c) and (d):

Explanation [within 50 words]:

**Exercise – 3.5.2: Non-financial Corporate Accounts**

The following are the data on transactions made by a branch (***B***) - a processing unit - of a multi-national corporation (***A***). The latter is NOT a resident of the economy.

|  |  |  |  |
| --- | --- | --- | --- |
| **Revenue of the branch** | |  |  |
|  | Processing charges received from domestic units | | 2400 |
|  | Interest on business loans from customers |  | 55 |
| **Expenditures of the branch** | |  |  |
|  | product taxes payable |  | 24 |
|  | other production tax |  | 5 |
|  | Salaries & wages paid to the workers |  | 560 |
|  | Contribution to social security for the workers | | 40 |
|  | Rent on land paid to the government |  | 200 |
|  | Material costs |  | 30 |
|  | Fuel & electricity |  | 700 |
|  | Transport & other costs |  | 45 |
|  | Corporate tax payable |  | 95 |
|  | Property tax on office building |  | 25 |
|  | Payment of annual royalty to the parent for use of IPP | | 250 |
|  | Purchase of machinery and computers |  | 225 |
|  | Interest payment to the bank for purchase of machinery | | 15 |

The parent multi-national company sends materials worth 100 for processing to the branch ***B***. After having the materials processed by ***B***, the parent ***A*** sells the processed product at 140 in the country where ***B*** is resident.

1. Assuming allocated FISIM is **4** and *CFC* as **200**, construct current transactions of the branch.

|  |  |  |  |
| --- | --- | --- | --- |
| **Current Transaction Accounts** | | | |
| **Uses** | | **Resources** | |
| **Production Account** | | | |
|  | Intermediate consumption | *GVObp* |  |
|  |  | Market output (at basic price) |  |
|  |  | For own use |  |
|  |  | Non-market |  |
|  |  | (*t-s*) on products & import duties |  |
|  | ***B.1g GVA*** |  |  |
|  | ***CFC*** |  |  |
|  | ***B.1n NVA*** |  |  |
| **Generation of Income Account** | | | |
|  | Compensation of employees | ***B.1n NVA*** |  |
|  | Production (*t-s*) & import duties |  |  |
|  | **B2. OS (net)** |  |  |
|  | | | |
| **Allocation of Primary Income Account** | | | |
|  |  | ***B.2g OS*** (net) |  |
|  | Property income payable | Property income receivable |  |
|  |  | Production & import Taxes |  |
|  |  | Subsidies (-) |  |
|  | ***B.4n NNI*** |  |  |
| **Secondary Distribution of Income Account** | | | |
|  |  | *Balance of primary incomes* (***NNI***) |  |
|  | Current taxes on income & wealth, etc. | Current taxes on income & wealth, etc. |  |
|  | Net Social contributions | Net Social contributions |  |
|  | Social benefits (excl. in kind) | Social benefits (excl. in kind) |  |
|  | Other current transfers | Other current transfers |  |
|  | ***B.6n NNDI*** |  |  |
| **Use of Disposable Income** | | | |
|  |  | ***B.6n NNDI*** |  |
|  |  |  |  |
|  | ***B.8n net savings*** |  |  |

**Exercise – 3.5.3: Government Accounts**

**Data of the government**

Production taxes received: 350

Income taxes received: 2500

Receipts from sales: 5

Receipts from foreign assistance: 25

Receipts of rent 40

Goods purchased and distributed free: 70

Social benefits in cash: 55

International assistance payable: 20

Interest payable on bonds 70

Expenditure for production of collective *g&s* individual *g&s*

***IC*** 35 30

***CE*** 150 250

***CFC*** 15 20

1. Based on the data given above, complete the sequence of current transaction accounts for the government:

|  |  |  |  |
| --- | --- | --- | --- |
| **Uses** | | **Resources** | |
| **Allocation of Primary Income Account** | | | |
|  |  | ***B.2g OS*** / ***B.3g MI*** (gross) |  |
|  | Property income payable | Property income receivable |  |
|  |  | Production & import Taxes |  |
|  |  | Subsidies (-) |  |
|  | ***B.4g GNI*** |  |  |
|  | ***B.4n NNI*** |  |  |
| **Secondary Distribution of Income Account** | | | |
|  |  | *Balance of primary incomes* (***GNI***) |  |
|  | Current taxes on income & wealth, etc. | Current taxes on income & wealth, etc. |  |
|  | Net Social contributions | Net Social contributions |  |
|  | Social benefits (excl. in kind) | Social benefits (excl. in kind) |  |
|  | Other current transfers | Other current transfers |  |
|  | ***B.6g GNDI*** |  |  |
|  | ***B.6n NNDI*** |  |  |
| **Redistribution of Income in Kind Account** | | | |
|  |  | ***B.6g GNDI*** |  |
|  | Social transfers in kind | Social transfers in kind |  |
|  | ***B.7g Adjusted GNDI*** |  |  |
|  | ***B.7n Adjusted NNDI*** |  |  |
| **Use of Disposable Income** | | | |
|  |  | ***B.6g GNDI*** |  |
|  | ***FCE*** |  |  |
|  | Adjustments for changes in pension entitlements | Adjustments for changes in pension entitlements |  |
|  | ***B.8g Gross savings*** |  |  |
|  | ***B.8n Net savings*** |  |  |
| **Use of Adjusted Disposable Income** | | | |
|  |  | ***B.7g Adjusted GNDI*** |  |
|  | Actual ***FCE*** |  |  |
|  | Adjustments for households’ pension funds | Adjustments for households’ pension funds |  |
|  | ***B.8g Gross savings*** |  |  |
|  | ***B.8n Net savings*** |  |  |

1. **C**onstruct the *redistribution of income in kind account* and *use of adjusted disposable income* account for the household sector. The *secondary distribution of income account* and *use of disposable income* for the household sector are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Uses** | | **Resources** | |
| **Secondary Distribution of Income Account** | | | |
|  |  | *Balance of primary incomes* (***GNI***) | **14,550** |
| 1555 | Current taxes on income & wealth, etc. |  |  |
| 70 | Net Social contributions |  |  |
|  |  | Social benefits (excl. in kind) | 65 |
| 150 | Other current transfers | Other current transfers | 180 |
| **13,020** | ***B.6g GNDI*** |  |  |
| **12,795** | ***B.6n NNDI*** |  |  |
| **Redistribution of Income in Kind Account** | | | |
|  |  | ***B.6g GNDI*** |  |
|  | Social transfers in kind | Social transfers in kind |  |
|  | ***B.7g Adjusted GNDI*** |  |  |
|  | ***B.7n Adjusted NNDI*** |  |  |
| **Use of Disposable Income** | | | |
|  |  | ***B.6g GNDI*** |  |
| 9025 | ***FCE*** |  |  |
|  |  | Adjustments for changes in pension entitlements | 15 |
|  | ***B.8g Gross savings*** |  |  |
|  | ***B.8n Net savings*** |  |  |
| **Use of Adjusted Disposable Income** | | | |
|  |  | ***B.7g Adjusted GNDI*** |  |
|  | Actual ***FCE*** |  |  |
|  | Adjustments for households’ pension funds | Adjustments for households’ pension funds |  |
|  | ***B.8g Gross savings*** |  |  |
|  | ***B.8n Net savings*** |  |  |