

Notes on Accounts

This brochure presents integrated economic accounts in which are included the Transaction accounts i.e., goods and services account, full sequence of accounts i.e., Current Accounts and Accumulation accounts (capital account and finance account) and Rest of the world Account (external transaction account). Current Accounts record production of goods and services and generation, distribution and use of income. Accumulation Accounts deals with changes in assets, liabilities and net worth, while the Rest of the world account comprises those categories of accounts necessary to capture the full range of transactions that take place between the total economy and the rest of the world.

Integrated accounts for total economy

Account 0: Goods and services account

The basic relationship in the goods and service account is the following:

$$\begin{aligned} \text{Output + Imports} &= \text{Intermediate consumption} \\ &+ \text{Final consumption} \\ &+ \text{Gross capital formation} \\ &+ \text{Exports} \end{aligned}$$

The goods and services account (Account 0) shows, for the economy as a whole, the total resources i.e. output and imports(S-75) and use of goods and services i.e. intermediate consumption, final consumption expenditure(S-3), gross fixed capital formation(S-5), change in inventories(S-5), acquisition less disposals of valuables(S-5) and exports(S-75). Taxes on products less subsidies are also included on the resource side of the accounts. Taxes on products are recorded only at the level of the total economy. Output estimates presented here include market output, non-market output and output for own final use. Estimates of output prepared for all economic activities have been summed up for the economy.

Account I: Production Account

. The basic relationship in the production account is the following:

$$\begin{aligned} \text{Output} &= \text{Intermediate consumption} \\ &+ \text{Value added} \end{aligned}$$

The balancing item (value added) is obtained by subtracting intermediate consumption from output. Value added may be gross or net (items 4 and 5 of S-1) of consumption of fixed capital (CFC)(S-1).

Account II.I: Generation of Income Account

The basic relationship in the generation of income account is the following:

$$\begin{aligned} \text{Value added} &= \text{Compensation of employees} \\ &+ \text{Other taxes less subsidies on production} \\ &+ \text{Operating surplus} \end{aligned}$$

The generation of income account records from the point of view of producers, how the value added is distributed to the factors of labour and capital and to the government by way of taxes on production and imports less subsidies. Value added (item 5 of S-1), the balancing item brought forward from the Production Account, is treated as a resource for the producer. Under uses are payments to labour as compensation of employees (CE) (item 10 of S-76.1), and to government in the form of taxes less subsidies on production and imports. Taxes on production consist of taxes payable on goods and services when they are produced, delivered, sold, transferred or otherwise disposed of by their producers plus other taxes on production, consisting mainly of taxes on the ownership or use of land, buildings or other assets used in production or on the labour employed, or compensation of employees paid. The balancing item in this account is operating surplus/mixed income. (The difference between the figures of OS/MI shown in S-76.1 and that presented in the account is due to the treatment of land revenue as production tax).

Account II.I.2: Allocation of Primary Income Account

The basic relationship in the allocation of primary income account is:

$$\begin{aligned} \text{Balance of primary incomes} &= \text{Operating surplus} \\ &+ \text{Property income received} \\ &- \text{Property income paid} \end{aligned}$$

The balance of primary incomes (item 9 of S-1) also includes receipts of compensation of employees in the case of households and receipts of taxes less subsidies on production and imports in the case of government. Compensation of employees (item 10 of S-76.1 and item 6.2 less item 6.8 of S-75) include also those receivable from non-resident institutional sector. Property income receivable (item 6.3 of S-75) from non-resident institutional sector and payable to rest of the world (item 6.9 of S-75) is also included.

Account II.2: Secondary Distribution of Income Account

The basic relationship in the secondary distribution of income account is:

$$\begin{aligned} \text{Disposable income} &= \text{Balance of primary incomes} \\ &+ \text{Current transfers received} \\ &- \text{Current transfers paid} \end{aligned}$$

In the Secondary Distribution of Income Account, the resources side of the account records current transfers and the balance of primary income (brought forward from the Allocation of Primary Income Account). The current transfers in cash described as follows: current taxes on income, wealth, etc.(item 8 of S-43 excluding land revenue) ; social contributions and benefits; current transfers (item 4.2 of S-43), other current transfers from rest of the world (item 6.4 of S-75) and miscellaneous receipts(item 10 of S-43). The same type of current transfers in cash, this time as payables,(other current transfers to rest of the world (item 6.10 of S-75)) are recorded on the use side of the account. These pertain to those sectors for which these transfers are payables. The account measures disposable income(S-1,S-4), which is the balancing item of the account and is shown on the use side.

Account II.3: Redistribution of income in kind account

The redistribution of income in kind account takes the process of income redistribution one stage further. The basic relationship in the Redistribution of income account is:

$$\begin{aligned} \text{Adjusted Disposable income} &= \text{Disposable income} \\ &+ \text{Social transfers received in kind} \\ &- \text{Social transfers paid in kind} \end{aligned}$$

The social transfers in kind payable by government units are recorded on the left-hand side of their redistribution of income in kind accounts under uses. The same type of social transfers receivable by the household sector is recorded on the right-hand side of the account under resources. The resources side of the account also records disposable income (brought forward from Secondary distribution of Income Account). Assuming that social transfers in kind take place only between resident units, the total value of the transfers in kind receivable by resident households must equal the total value of those payable by government units. This account measures adjusted disposable income, which is the balancing item of the account and is shown on the use side. The adjusted disposable income for the total economy is the same as its disposable income. In practice, the concept of adjusted disposable income is mainly relevant to government units and households, the distinction between adjusted disposable income and disposable income being irrelevant at the level of the economy as whole.

Account II.4.1: Use of disposable Income Account

The basic relationship in the use of disposable income account is:

$$\begin{aligned} \text{Saving} &= \text{Disposable income} \\ &- \text{Final consumption expenditure} \end{aligned}$$

The Use of Disposable Income Account, shows under resources disposable income which is brought forward from the Secondary Distribution of Income Account. Final consumption expenditure (S-1) is recorded on the uses side. Statistical discrepancy (S-6) is also shown here. The balancing item of the account is savings (S-1) .

Account II.4.2: Use of adjusted disposable income account

The basic relationship in the use of disposable income account is:

$$\text{Saving} = \text{Adjusted Disposable income} \\ - \text{Actual Final consumption expenditure}$$

The Use of adjusted Disposable Income Account, shows under resources, adjusted disposable income which is brought forward from the Redistribution of Income Account. Actual Final consumption expenditure (S-1) is recorded on the uses side. Statistical discrepancy (S-6) is also shown here. The balancing item of the account is savings (S-1) which is reflected in the next account in the sequence, i.e., capital account. The actual final consumption of households is obtained by augmenting their final consumption expenditure by the value of social transfers in kind receivable, while that for government units is obtained by subtracting from their final consumption expenditure social transfers in kind payable. The two versions of the use of income account are not sequential or hierarchical. They are parallel accounts that serve different analytical or policy purposes.

III. Accumulation Accounts

Account III.I: Capital Account

The basic relationship in the capital account is given by:

$$\left. \begin{array}{l} \text{Change in net worth due to saving} \\ \text{and capital transfers} \end{array} \right\} = \begin{array}{l} \text{Gross fixed capital formation} \\ - \text{Consumption of fixed capital} \\ + \text{Acquisitions less disposals of} \\ \quad \text{other non-financial assets} \\ + \text{Net lending} \end{array}$$

The Capital Account records assets on the left side and liabilities and net worth on the right side. The right side of the account presents the resources available to accumulate assets. These include net savings(S-1), the balancing item carried forward from the Use of Income Account and capital transfers(item 6.14 of S-75). Capital transfers payable are shown with a negative sign. The left side of the account enters of values of gross capital formation (S-20), CFC. The balancing item in the Capital Account which is net lending (+)/net borrowing (-) (item 6.15 of S-75) is shown on the left side of the account

Account III.2: Finance account.

The basic relationship in the financial account is:

$$\text{Net lending} = \text{Net acquisition of financial assets} \\ - \text{Net incurrence of liabilities}$$

The financial account records transactions that involve financial assets and liabilities and that take place between institutional units and between institutional units and the rest of the world. These transactions in the System show net acquisition of financial assets (item 6.16 of S-75) on the left side or net incurrence of liabilities on the right side. The balancing item is net lending (+) or net borrowing (-),(item 6.15 of S-75)which appears on the right side.

Account V.I: Rest of the world account (External Transactions Account)

The rest of the world account, following the general accounting structure with only minor variation, comprises those categories of accounts necessary to capture the full range of transactions (S-8,S-75) that take place between the total economy and the rest of the world.

Institutional Sector Accounts. **(Production and Generation of Income)**

In this section an attempt has been made to present production and generation of income account as prescribed by SNA93 for different institutional sectors on the basis of data available in the National Accounts Division(NAD) of CSO. At present NAD compile estimates of GDP, NDP and factor incomes by industry of origin and by organized and unorganized sectors of the economy. The same data source, methodology and coverage have been used to prepare these accounts. In NAS (National Accounts Statistics, India) total economy has been divided into organised and unorganised segments. In these accounts, unorganised sector has been treated as house hold sector and organised sector has been sub divided into, Government, Financial-corporations and Non-financial corporations.

Financial corporation (Banking and Insurance Sector)

Account I: Production Account

Estimate of output is shown in the resource side. The uses side includes intermediate consumption, gross and net value added and consumption of fixed capital (CFC).

Account II.I.I: Generation of Income Account

Value added, the balancing item brought forward from the Production Account is shown in the resource side. Under uses are compensation of employees (CE)(item 8.1 a of S-76.1) and other taxes on production. The balancing item in this account is operating surplus)(item 8.1 a of S-76.1)

Non - Financial corporations

Accounts for this sector has been arrived at as a residual as the accounts of total economy, household sector, General government sector and financial corporations which have been compiled separately.

Sequence Of Accounts for the General Government

Based on guidelines given in the SNA as well as keeping in view the organisational structure of the activities existing in the country, the Government sector is classified into the following groups:

- a. Producers of government services, viz., administrative departments of the government;
- b. Departmental enterprises viz., (i) Railways, (ii) Communication and (iii) Other departmental enterprises;

Account I: Production Account

Output estimates (sum of output given in S-37,38,39,40 and own account capital formation) present in the resources side include market output, output for own final use (S-43). The balancing item (value added) is obtained by subtracting intermediate consumption (sum of intermediate consumption given in S-37,38,39,40 adjusted for other taxes on production) from output. Value added may be gross or net of consumption of fixed capital (CFC) (sum of CFC given in S-37,38,39,40).

Account II.I: Generation of Income Account

Value added (S-1), the balancing item brought forward from the Production Account. Under uses are compensation of employees (CE) (sum of CE given in S-37,38,39,40), and other taxes on production. The balancing item in this account is operating surplus (sum of OS given in S-37,38,39,40).

Account II.I.2: Allocation of Primary Income Account

In this account, the items shown under resources are operating surplus which is brought forward from generation of income account. Also included are taxes on production and imports (sum of item 1.3 of S-1 and land revenue) less subsidies (S-1). Property income receivable (item 7.2 of S-43) is also included. Under uses side the components of property income includes interest on public debt (item 2 of S-43), rent (item 3.1 of S-39) and interest (item 3.2 of S-39) payable and distributed property incomes (item 1 of S-41 and item 1 of S-42).

Account II.2: Secondary Distribution of Income Account

In the Secondary Distribution of Income Account, the resources side of the account records current taxes on income and wealth etc., (items 8.1 and 8.3 of S-43), social contributions, other current transfers (item 10 of S-43) and the balance of primary income (brought forward from the Allocation of Primary Income Account). The same type of current transfers in cash, this time as

payables (sum of item 4 of S-43, item3 of S-41 and item3 of S-42) are recorded on the use side of the account. The account measures disposable income which is the balancing item of the account and is shown on the use side.

Account II.3: Redistribution of income in kind account

The social transfers in kind payable by government units are recorded on the left-hand side of the redistribution of income in kind accounts under uses. The resources side of the account records disposable income (brought forward from Secondary distribution of Income Account). The account measures adjusted disposable income which is the balancing item of the account and is shown on the use side.

Account II.4.1: Use of disposable Income Account

The Use of Disposable Income Account, shows under resources disposable income which is brought forward from the Secondary Distribution of Income Account. Government Final consumption expenditure (item 1 of S-43) is recorded on the uses side. The balancing item of the account is savings (sum of items 4 of S-41 and S-42 and item 5 of S-43).

Account II.4. 2: Use of adjusted disposable Income Account

The Use of adjusted Disposable Income Account, shows under resources, adjusted disposable income which is brought forward from the Redistribution of Income Account. Actual Final consumption expenditure is recorded on the uses side. The actual final consumption of for government units is obtained by subtracting from their final consumption expenditure (S-1), social transfers in kind payable. Statistical discrepancy (S-6) is also shown here. The balancing item of the account is savings (S-1) which is reflected in the next account in the sequence.

Account III.I: Capital Account

The right side of the account include net savings, the balancing item carried forward from the Use of Income Account and capital transfers payable (item 4 of S-46) and receivable (item 7 of S-44 and item 8 of S-46). The left side of the account enters of values of gross fixed capital formation (sum of item2 in S-44,S-45,S-46), change in inventories(sum of item 1 in S-44,S-45,S-46), Acquisitions of non-produced non-financial assets (sum of item 3 in S-44,S-45,S-46) and CFC. The balancing item in the Capital Account which is net lending (+)/net borrowing (-) is shown on the left side of the account.

Account III.2: Finance account.

Net acquisition of financial assets (item 11 of S-44) is shown on the left side or net incurrence of liabilities (item 9 of S-46 and items 17 of S-44 and S-45 and item 10 of S-46) on the right side. The balancing item is net lending (+) or net borrowing which appears on the right side.

Sequence of Accounts For The Household sector

The household sector including private unincorporated enterprise is the unorganized segment of the economy.

Account I: Production Account

Estimates of output prepared for all economic activities of the unorganized sector have been summed up and shown in the resource. The uses side includes intermediate consumption, gross and net value added and consumption of fixed capital (CFC).

Account II.I: Generation of Income Account

Value added, the balancing item brought forward from the Production Account. Under uses are compensation of employees (CE)(item 10 b of S-76.1) and other taxes on production. The balancing item in this account is operating surplus) (item 10 b of S-76.1).

Account II.I.2: Allocation of Primary Income Account

In this account, the items shown under resources are operating surplus which is brought forward from generation of income account, compensation of employees (item 10 of S-76.1 and item 6.2 of S-75) and property income(item 2 of S-43, item 6.3 of S-75 and S-76.2). Under uses side the compensation of employees (item 6.8 of S-75) and property income to rest of the world (item 6.9 of S-75) are included. The balance of primary income is shown on the use side.

Account II.2: Secondary Distribution of Income Account

In the Secondary Distribution of Income Account, the resources side of the account records current taxes on income and wealth etc.,(items 4.2 of S-43 and item 6.4 of S-75) and the balance of primary income (brought forward from the Allocation of Primary Income Account). Current taxes on income and wealth (item 8.3 of S-43) and current transfers as payables (item 10 of S-43 and item 6.10 of S-75) are recorded on the use side of the account. The balancing item of the account, disposable income (item 20 of S-4 after excluding consumption and savings of quasi-government bodies and current transfers to rest of the world(item 4.1 of S-43).

Account II.3 Redistribution of income in kind account

The social transfers in kind received by households are recorded on the right side of the redistribution of income in kind accounts under resources. The resources side of the account also records disposable income (brought forward from Secondary distribution of Income Account). The account measures adjusted disposable income which is the balancing item of the account and is shown on the use side.

Account II.4.1: Use of disposable Income Account

The Use of Disposable Income Account, shown under resources disposable income is brought forward from the Secondary Distribution of Income Account. Private Final consumption expenditure (item 3.2 of S-3) is recorded on the uses side. The balancing item of the account is savings (items 6.2 of S-18) and the statistical discrepancy (item 3.4 of S-3).

Account II.4. 2: Use of adjusted disposable Income Account

The Use of adjusted Disposable Income Account, shows under resources, adjusted disposable income which is brought forward from the Redistribution of Income Account. Actual Final consumption expenditure is recorded on the uses side. The actual final consumption of for households is obtained by augmenting their final consumption expenditure(S-1) by the value of social transfers in kind receivable. Statistical discrepancy (S-6) is also shown here. The balancing item of the account is savings (S-1) which is reflected in the next account in the sequence.

Account III.I: Capital Account

The right side of the account includes net savings, the balancing item carried forward from the Use of Income Account. The left side of the account enters of values of gross fixed capital formation (item 1. 2 of S-18 less item 3.3 of S-19), change in inventories(item 3.3 of S-19) and CFC. The balancing item in the Capital Account which is net lending (+)/net borrowing (-)(item 3 of S-73) is shown on the left side of the account.

Account III.2: Finance account.

Net acquisition of financial assets (item 1 of S-73) is shown on the left side and net incurrence of liabilities (item 2 of S-73) on the right side. The balancing item is net lending (+) or net borrowing (-)(item 3 of S-73) which appears on the right side.