FINANCIAL ACCOUNTS METHODOLOGY AND COMPILATION

ESA2010 Methodology

The financial accounts disclose the stocks and flows that individual institutional sectors record as financial claims and liabilities in financial instruments vis-à-vis counterpart sectors. The methodological basis for the compilation of the financial accounts consists of the European System of National and Regional Accounts (ESA2010).

The financial accounts of the individual institutional sectors clearly illustrate how lending and borrowing are undertaken via transactions in financial instruments, depending on whether a particular institutional sector has a surplus or a deficit. The balancing item of the financial account (net acquisitions of financial assets minus net incurrence of liabilities) should be the same in value terms as the balancing item of the capital account (net borrowing or net lending), and thus constitutes a link between the financial account and the non-financial account.

Net items in balance sheet:
- the difference between financial assets and liabilities represents net financial assets;
- the difference between total assets (financial and non-financial) and liabilities represents net worth;
- net worth plus equity represents own funds.

Financial accounts may be unconsolidated or consolidated. In consolidated accounts claims and liabilities between institutional units within a particular sector are excluded.

The financial accounts represent an important analytical tool for studying the financial flows between institutional sectors in the economy, and the mutual financial relations between domestic institutional sectors and the rest of the world.

Institutional sectors

Business entities are classified into institutional sectors in accordance with the standard classification of institutional sectors under the ESA2010 methodology. Resident institutional units are combined into five institutional sectors: non-financial corporations (S.11), financial corporations (S.12), general government (S.13) households (S.14) and non-profit institutions serving households (S.15). The rest of the world (S.2) represents the group of non-resident units vis-à-vis which resident units hold claims or liabilities.

Overview of institutional sectors and sub-sectors:

Sector code	Sector name
S.1	Slovenian economy
S.11	Non-financial corporations
S.12	Financial corporations
S.121	Central bank
S.122+S.123	Other monetary financial institutions
S.124	Non-MMF investment funds
S.125	Other financial intermediaries, except insurance corporations and pension funds
S.126	Financial auxiliaries
S.127	Captive financial institutions and money lenders
S.128	Insurance corporations
S.129	Pension funds
S.13	General government
S.1311	Central government
S.1313	Local government
S.1314	Social security funds

S.14	Households
S.15	Non-profit institutions serving households
S.2	Rest of the world
S.21	EU Member States
S.2111	Members of the euro area
S.2112	Other EU Member States and EU institutions
S.22	Non-EU countries

The Slovenian economy (S.1) consists of resident institutional units.

Non-financial corporations (S.11) are market producers whose core business activity is the production of marketable goods and non-financial services.

The central bank (S.121) is the Bank of Slovenia.

Other monetary financial institutions (S.122+S.123) include commercial banks, savings banks and money-market funds.

Non-MMF investment funds (S.124) comprise:
- mutual funds;
- investment companies;
- management companies.

Other financial intermediaries, except insurance corporations and pension funds (S.125) comprise:
- financial vehicle corporations engaged in securitisation transactions;
- security and derivative dealers;
- financial corporations engaged in lending;
- specialised financial corporations.

Financial auxiliaries (S.126) include:
- brokerage houses;
- currency exchange offices;
- corporations providing financial markets infrastructure (e.g. Central Securities Clearing Corporation);
- stock exchanges (e.g. Ljubljana Stock Exchange);
- head offices.

Captive financial institutions and money lenders (S.127) are:
- holding companies;
- special-purpose entities;
- units that provide financial services exclusively with own funds, or funds provided by a sponsor;
- special-purpose government funds.

Insurance corporations (S.128) include:
- insurance corporations;
- reinsurance corporations.

Pension funds (S.129) comprise:
- mutual pension funds;
- pension companies.

Central government (S.1311) comprises:
- direct state budget spending units (non-governmental, governmental and judicial spending units);
- indirect budget spending units (public institutes and agencies) at national level;
- public funds at national level;
- corporations included in S.1311.

Local government (S.1313) represents:
- municipalities;
- regional authorities;
- public funds at municipal level;
- indirect budget spending units at local level;
- corporations included in S.1313.

Social security funds (S.1314) comprise:
- the Health Insurance Institute;
- the Pension and Disability Insurance Institute;
- Pension Fund Management.

The households sector (S.14) consists of private individuals and sole traders.

Non-profit institutions serving households (S.15) include societies, political parties, trade unions, clubs, associations, religious communities and humanitarian organisations.

The rest of the world (S.2) consists of non-resident units, and is divided into EU Member States (S.21) and non-EU countries (S.22). EU Member States are divided into members of the euro area (S.2111) and other EU Member States (S.2112).

Financial instruments

The stocks and flows of financial assets and liabilities are disclosed by individual financial instrument, and are equal on both the asset and liability sides. They are classified into eight categories: monetary gold and special drawing rights (F.1), currency and deposits (F.2), debt securities (F.3), loans (F.4), equity and investment fund shares or units (F.5), insurance, pension and standardised guarantee schemes (F.6), financial derivatives and employee stock options (F.7) and other accounts receivable/payable (F.8). Each individual financial instrument that a particular unit holds as a financial asset has a counterpart item in the liabilities of another unit, and vice-versa.

Overview of financial instruments:

Financial instrument code	**Name of financial instrument**
F.1	Monetary gold and special drawing rights
F.11	Monetary gold
F.12	Special drawing rights
F.2	Currency and deposits
F.21	Currency
F.22	Transferable deposits
F.29	Other deposits
F.3	Debt securities
F.31	Short-term debt securities
F.32	Long-term debt securities
F.4	Loans
F.41	Short-term loans
F.42	Long-term loans
F.5	Equity and investment fund shares or units
F.51	Equity
F.511	Listed shares
F.512	Unlisted shares
F.519	Other equity
F.52	Investment fund shares or units
F.6	Insurance, pension and standardised guarantee schemes

F.61	Non-life insurance technical reserves
F.62	Life insurance and annuity entitlements
F.63+F.64+F.65	Pension entitlements, claims of pension funds on pension managers, and entitlements to non-pension benefits
F.66	Provisions for calls under standardised guarantees
F.7	Financial derivatives and employee stock options
F.8	Other accounts receivable/payable
F.81	Trade credits and advances
F.89	Other accounts receivable/payable, excluding trade credits and advances

Monetary gold and special drawing rights (F.1) comprise:
- *monetary gold (F.11)*, which is gold to which monetary authorities have title and that is held in reserve assets. Gold bullion included in monetary gold is the only financial asset for which there is no counterpart liability;
- *special drawing rights (F.12)*, which are international reserve assets created by the International Monetary Fund and allocated to its members to supplement existing reserve assets. Special drawing rights are held exclusively by official holders, which are central banks and certain international agencies.

Currency and deposits (F.2) comprise:
- *currency (F.21)*, which consists of banknotes and coins of national and foreign currency in circulation that are issued by monetary authorities;
- *transferable deposits (F.22)*, which consist of sight deposits in domestic or foreign currency. Transferable deposits are deposits exchangeable for currency on demand, at par, which are directly usable for making payments without penalty or restriction;
- *other deposits (F.29)*, which are deposits in domestic or foreign currency that cannot be used to make payments except on maturity or after an agreed period of notice, and are not exchangeable for currency or for transferable deposits without some significant restriction or penalty.

Debt securities (F.3) are negotiable financial instruments serving as evidence of debt, and include:
- *short-term debt securities (F.31)* with an original maturity of up to one year;
- *long-term debt securities (F.32)* with an original maturity of more than one year.

Loans (F.4) are an unconditional debt to the creditor that has to be repaid at maturity and is interest-bearing, and which can be divided into:
- *short-term loans (F.41)* with an original maturity of up to one year;
- *long-term loans (F.42)* with an original maturity of more than one year.

Equity and investment fund shares or units (F.5) comprise:
- *equity (F.51)*, which is a claim on the residual value of a corporation after all other claims have been met, and is divided into:
  - *listed shares (F.511);*
  - *unlisted shares (F.512)*;
  - *other equity (F.519)*, which is all forms of equity in corporations that are not shares;
- *investment fund shares or units (F.52)*.

Insurance, pension and standardised guarantee schemes (F.6) comprise:
- *non-life insurance technical reserves (F.61)*, which are financial claims that non-life insurance policyholders have against non-life insurance corporations in respect of unearned premiums and claims incurred;
- *life insurance and annuity entitlements (F.62)*, which are financial claims that life insurance policyholders and beneficiaries of annuities have against corporations providing life insurance;
- *pension entitlements (F.63)*, which are financial claims that pension insurance policyholders and beneficiaries hold against insurance corporations and pension funds;
- *claims of pension funds on pension managers (F.64)*;
- *entitlements to non-pension benefits (F.65)*;
- *provisions for calls under standardised guarantees (F.66)*.

Financial derivatives and employee stock options (F.7).

Other accounts receivable/payable (F.8) are financial assets and liabilities created as counterparts to transactions where there is a timing difference between these transactions and the corresponding payments, and are divided into:

- *trade credits and advances (F.81)*, which arise from the direct extension of credit by the suppliers of goods and services, and prepayments by customers for goods and services not yet provided;
- *other accounts receivable/payable, excluding trade credits and advances (F.89)*, which are created as a result of the timing difference between accrued transactions and payments made in respect of, for example, wages and salaries, taxes and social contributions, dividends, rent, and purchase and sale of securities.

Rules of recording and valuation

Stocks of financial assets and liabilities via financial instruments:

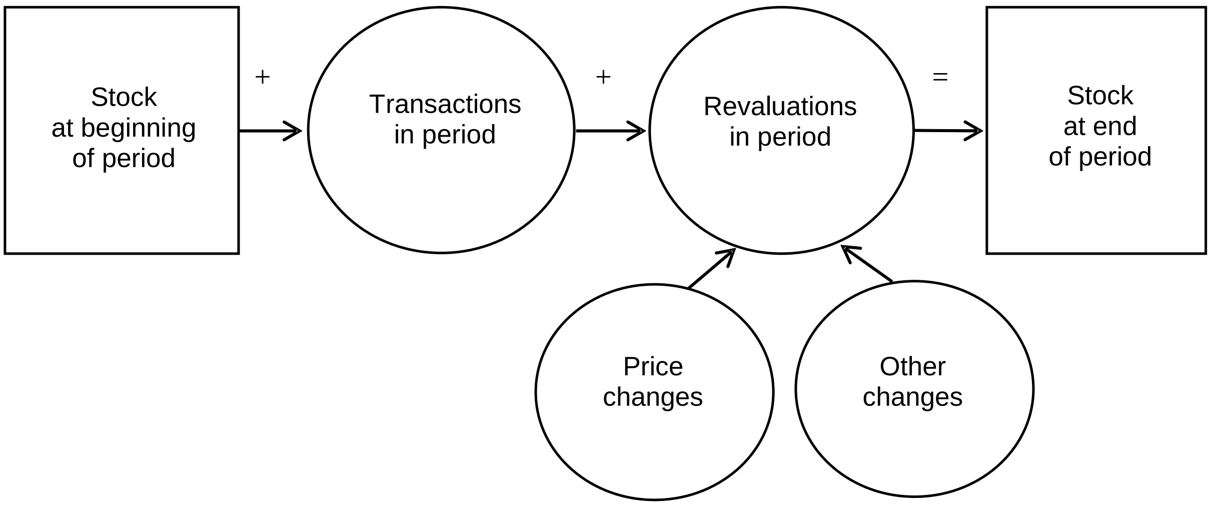
- marketable financial instruments are valued at market prices as at the cut-off date;
- unlisted shares and other equity are valued at book value;
- non-marketable debt instruments are valued at nominal value (value of funds paid in, minus repayments, plus accrued interest);
- loans are disclosed at nominal value at both the creditor and the debtor, irrespective of the quality of the loan (loan impairments do not have an impact on the loan stock; the stock is reduced solely at the final write-off of the claim);
- accrued interest is generally included in the instrument to which it relates;
- items in the financial accounts and items in the balance sheet may consequently differ in value.

Transactions are disclosed as net transactions in a particular financial instrument:

- transactions are determined separately for instruments on the asset side and on the liability side;
- transactions comprise the difference between increases (acquisitions) and decreases (disposals) in a particular financial instrument;
- the original cost during the acquisition of the instrument (e.g. purchase value) is taken into account as an increase in a financial instrument;
- the value realised during the disposal of the instrument (e.g. selling value) is taken into account as a decrease in a financial instrument.

Revaluations constitute changes in financial assets and liabilities that are not a consequence of financial transactions:

- revaluations are divided into price changes and other changes;
- price changes include foreign exchange differences as a result of changes in exchange rates, differences in the market price of securities, and equity revaluations;
- other changes comprise changes in the sectoral classification of institutional units, reclassifications between financial instruments, write-offs of non-performing claims, status changes (acquisitions, mergers), and changes in methodology.



Data sources for compilation of financial accounts

Various data sources are used in the compilation of the financial accounts:

- quarterly data on stocks and transactions via counterpart sectors on the basis of direct reporting by institutional units in conjunction with AJPES:
  - non-financial corporations (S.11): reporting threshold is balance sheet total of EUR 2 million;
  - financial corporations (S.12) except banks, investment funds and institutions engaged in leasing: reporting threshold is balance sheet total of EUR 1 million;
  - general government units (S.13): reporting threshold is balance sheet total of EUR 8 million;
- data from banks;
- data from investment funds;
- data from institutions engaged in leasing;
- external statistics data:
  - balance of payments data on transactions with the rest of the world;
  - data on the international investment position;
- data for the general government sector;
- data on securities.