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DEVELOPMENTS IN STATISTICS OF ENTERPRISES
(Memorandum prepared by the Secretary-General)

1. The Statistical Commission requested, at its ninth session, that work continue in the field of enterprise statistics with a view to developing suggestions as to the items of data which might be abstracted from the balance sheets and profit-and-loss accounts of enterprises for use in economic and statistical analysis. This memorandum is concerned with the developments in this field since the ninth session of the Statistical Commission.
2. During the last two years, increasing attention has been devoted, both by countries and international organization, to the type of data which may be derived from the balance sheets and profit-and-loss statements of enterprises. This interest stems from the number of uses to which those statistics may be put. For example, data on the fixed assets, inventories, securities held and issued, loans granted and received, cash or retained profits of business enterprises enter into the compilation of statements on real and financial transactions, on current and capital accounts, in order to complement accounts on national income. The same type of data are wanted in evaluating the liquidity and the creditor-debtor (claims) position of enterprises. These statistics as well as other profit-and-loss data, such as receipts from sales, depreciation charges, wages and salaries paid or dividends distributed, are desired in working out statements on the sources, uses and flow of funds and estimates of savings and other components of national income accounts. Balance-sheet and profit-and-loss data are also utilized to assess the activities and relative efficiency of business firms in the light of their assets and liabilities.
3. A considerable part of the attention that countries have recently devoted to statistics of enterprises has developed from the need for these data in compiling accounts of real and financial transactions, primarily to complement accounts on

national income. This has been the case for example, in Bulgaria, Canada, France, the Netherlands, Norway, Sweden, the United Kingdom and the United States. For these purposes transactions are being segregated according to the economic sectors (e.g., non-financial corporations, banks, incorporated business) which engage in them and are then being classified according to the character and degree of liquidity of the transaction. The scope of the transactions on which attention has been focused varies from dealings in money, securities and credit - for example, by the Inter Nordic Working Group for Credit Market Statistics - to real as well as financial transactions on both current and capital accounts - for example, the flow-of-funds statement of the United States. Measures of these transactions have generally been sought in terms of net changes over the accounting period for the kinds of transactions recorded in balance sheets and the flow over the accounting period for the kinds of transactions recorded in profit-and-loss statements. There has also been interest in data on the level at specific times of items of the balance-sheet type for purposes of measuring the claims position and liquidity of individual economic sectors and, in the case of some countries, for purposes of compiling national balance sheets.

4. The recent interest in data of the balance-sheet and profit-and-loss type for use in systems of national accounts represents systemization and extension of earlier interests in these statistics. A number of countries had been gathering these kinds of statistics for a number of years for essentially the same, though less organized and ambitious, purposes.^{1/} Countries had sought profit-and-loss data, such as advertising, general office and other overhead expenses, charges for depreciation, interest, dividends or retained profits, classified according to economic sector, for purposes of estimating components of national income accounts. It should be noted that figures for these components are not obtainable from the data on output and costs which are usually gathered in inquiries into establishments. There had been considerable interest in statistics on profits, both before and after taxes, as indicators of general economic conditions and of the relative successfulness of business enterprises. Countries had gathered data on balance-sheet items, such as net worth and its components, cash and securities

^{1/} For a detailed description of past interests and practices of countries in the field of statistics of enterprises see: Statistics of Enterprises, E/CN.3/202, Statistical Commission, Ninth Session. This description still holds, to a large extent, for the present.

held, inventories and fixed assets and loans and other liabilities in order to evaluate the relative liquidity, claims position and health of individual businesses as well as of sectors of the economy. These data had also been sought in estimating savings by use of the asset-liability approach and, together with profit-and-loss figures, in preparing statements on sources and uses of funds.

5. Countries have commonly gathered balance-sheet and profit-and-loss data from records and reports which are the by-product of governmental administration of income and other taxes, the registration and supervision of companies and other limited-liability businesses, or similar schemes. As a result of their growing interest in having data of the balance-sheet and profit-and-loss type, countries have made increasing use of administrative records and have designed special inquiries for purposes of gathering these statistics. Some countries are considering the use of special inquiries in place of administrative sources in collecting statistics of enterprises in the belief that the former source will yield more appropriate and uniform figures than the latter source. Special inquiries are also being developed because data for selected kinds of enterprises (e.g., unincorporated businesses) are not available from administrative sources.

6. In utilizing either administrative sources or special inquiries to gather balance-sheet or profit-and-loss data, countries have encountered difficulties in obtaining some of the desired figures. This has been due, in part, to the differences in definition, valuation and classification between the data recorded in the accounting records of enterprises and the data wanted for purposes of statistical analysis, particularly in conjunction with systems of national accounts. Because of such differences, problems have been encountered in gathering the desired data on, for example, the value of fixed assets, changes in the value of inventories and securities, charges for depreciation, and the amount of profits. A number of countries are, therefore, giving considerable attention to the definition of statistics of enterprises from the point of view of both the data wanted for economic and statistical analysis and the sources from which these figures are gathered.

7. The Working Group on Statistics of Savings of the Conference of European Statisticians has given attention to data of the balance-sheet and profit-and-loss

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type in discussing estimates of savings.^{2/} It has considered the use of such data in estimating savings from income and expenditures or changes in assets and liabilities and in providing a framework of accounts on financial transactions in order to trace the sources and uses of savings. For the latter purpose the Working Group indicated that transactions should be classified according to the sectors engaging in them, as well as the nature and relative liquidity of the assets (liabilities) involved. From the point of view of statistics of enterprises it is noteworthy that the Working Group suggested the segregation, among others, of the following sectors: financial institutions - money and banking systems, life insurance companies and private pension funds, other; corporations - public and private corporations; producers' co-operatives; other domestic sectors - unincorporated enterprises and other personal. The Working Group also pointed out some of the difficulties that arise in estimating savings, as defined for national accounting purposes, from figures originating in the accounting records of enterprises - for example, the inclusion of capital gains and losses in business accounts and the lack of standardization of these accounts.

8. During the last two years, the International Monetary Fund has expanded its compilation of data on the assets and liabilities of banks and related financial institutions. The number of countries for which balance-sheet data are compiled for central, deposit-money and closely related banks has been increased. These items of data are classified to reveal the relationship between the banking and other sectors of the economy as well as the character and degree of liquidity of the assets (liabilities) of the banking sector. The statements on balance-sheet data have also been extended to insurance companies for a number of countries.

9. The United Nations Secretariat, in working on statistics of enterprises, has taken the approach that definitions and classification should be developed for items of data on assets and liabilities and receipts and expenditures which, while yielding figures desired for statistical and economic analysis, would be sufficiently

^{2/} See: Report of Session Held in Geneva, 11-15 November 1957, Conf. Eur. Stats/WG.11/18, Working Group on Statistics of Savings, Conference of European Statisticians.

similar to accepted practice in business accounting to provide practicable models for the collection of these data and the standardization of business accounts. From this point of view it has seemed desirable to arrange preliminary, informal consultations with accountants on statistics of enterprises and to lay the basis for later, more formal consultations with the accounting profession internationally. Informal meetings have been held with representatives of the American Institute of Certified Public Accountants and the American Accounting Association in order to obtain their reactions to the direction in which work on the project was proceeding. The representative of the American Institute of Certified Public Accountants also very kindly arranged to describe the project to participants in the International Congress of Accountants and the Interamerican Conference of Accountants, which met last fall in Amsterdam and Santiago, respectively. This was done in order to interest the accounting profession in the work on statistics of enterprises and to lay the basis for future consultations, internationally, with the profession. These discussions have resulted in the American Institute of Certified Public Accountants being proposed as the channel through which comments on work in the field of balance-sheet and profit-and-loss statistics will be obtained internationally from professional accounting organizations. It also seems desirable to continue informal consultations with representatives of the American Institute and the American Accounting Association.

10. To furnish a basis for the informal discussions with the accounting profession, the character of the items of data being considered on assets and liabilities and receipts and expenditures was outlined. A brief description of this will indicate the direction of the research of the Secretariat in the field of balance-sheet and profit-and-loss data. At this time, attention is being focused on incorporated and other limited-liability enterprises in view of the difficulties involved in separating the business activities from personal affairs of the owners of other types of businesses. It seems desirable that the items of data on assets and liabilities and receipts and expenditures be measured on an accrued rather than a cash basis. This would be consistent with conventions in business as well as national accounting and would be necessary in order to reveal creditor-debtor interrelationships. Distinctions are needed in the items of data between the results of actual transactions and internal book adjustments

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so as to be able, for example, to compile data on dealings between business sectors. The type of categories being considered for assets and liabilities and receipts and expenditures are set out in the Annex. Assets and liabilities are to be separated according to degree of liquidity, role played and origin in business transactions. Receipts and expenditures are to be divided into operating and non-operating, and operating expenditures are to be classified according to object. It is noteworthy that the informal consultations with the accountants revealed that it was practicable to take the foregoing approach to data from balance sheets and profit-and-loss statements.

ANNEX

I. ITEMS OF DATA FROM BALANCE-SHEET ACCOUNTS

A. Assets

a. Current Assets

1. Cash: Cash on hand and on deposit in banks.
2. Short-term investments: Securities and paper, government and other, which are readily and usually marketed or have short-term maturities.
 - (i) Of which, in government bonds and notes.
3. Accounts Receivable: Net receivables arising out of sale of goods and services.
4. Inventories: Stocks of finished and semi-finished goods and of raw materials, fuels and supplies.
5. Other Current Assets: Advances and prepayments for goods, services, taxes, employee remuneration; loans to employees; dividends receivable from subsidiaries and others.

b. Non-Current Tangible Assets

1. Long-Term Investments: Securities, mortgages, paper and other forms of equity or indebtedness, government and other, which are usually not marketed or have long-term maturities; bonds and other sinking funds.
 - (i) Of which, investments in subsidiaries.
2. Fixed Assets
 - (i) Depreciable (reproducible): Net value of machinery, equipment, buildings and the like.
 - (ii) Non-depreciable (non-reproducible): Value of land.
3. Other: Long-term prepayments and bond discount.

c. Intangible Assets: Good-will, patent rights, organization expenses and related items.

B. Liabilities and Net Worth

a. Current Liabilities

1. Short-term Loans and Notes Payable: Loans from banks and others and marketed paper of short-term maturities.
2. Accounts Payable: Net payables arising out of purchase of goods and services.

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3. Accrued and Other Current Liabilities: Accrued rent, taxes, interest and the like; dividends payable; prepayments for goods and services.
- b. Bonds and Long-term Notes Payable: Bonds, debentures, mortgages, long-term notes and other forms of indebtedness.
- c. Net Worth
 1. Paid-in-Capital: Amounts paid into the business as investments. For incorporated businesses, this should be sub-divided into capital stock outstanding and paid-in-surplus.
 2. Earned Surplus: Retained income, whether or not appropriate to reserves for specific purposes.
 3. Revaluation Surplus: Gains from revaluation of fixed assets, etc.

II. ITEMS OF DATA FROM PROFIT-AND-LOSS ACCOUNTS

- A. Operating Revenue: Net receipts from sales of goods and services which are rendered as part of the business.
- B. Operating Expenses: All expenses involved in carrying out the business.
 1. Costs of Goods and Raw Materials: Cost of goods purchased which have been sold and of raw materials, components and supplies purchased which have been consumed.
 2. Cost of Fuels and Electricity: Cost of fuels and electricity purchased and consumed.
 3. Wages and Salaries and Other Labour Costs: Wages and salaries accrued to employees and payments accrued to social security and pension schemes.
 4. Cost of Sub-contract Work: Cost of sub-contract work performed for the business by others.
 5. Cost of Other Services: Cost of services received from other businesses, such as repair and maintenance, transport, communications, advertising, insurance, accounting, etc.
 6. Rents and Royalties.
 7. Interest: Interest accrued on bonds outstanding and loans.
 8. Depreciation: Depreciation charged to fixed asset accounts.
 9. Taxes: Accrued excise taxes, duties and property taxes.
 10. Losses: Write-downs on inventories and accounts receivable.
 11. Other: Other operating expenses not elsewhere classified.

- C. Non-Operating Income: Possibly sub-divided into:
1. Dividends and Interest: Dividends on shares held and interest on bonds, loans, etc.
 2. Rents and Royalties.
 3. Capital Gains: Gains on securities, property and equipment.
- D. Non-Operating Expenses: Capital losses on sale of securities, property and equipment and as a result of floods, fires, etc.
- E. Disposition of Income
1. Taxes: Income taxes accrued.
 2. Dividends: Dividends declared on stock.
 3. Undistributed Income: Addition to earned surplus.
