

METHODOLOGY ON COMPILATION OF ANNUAL FINANCIAL ACCOUNTS

Sector Accounts Department

Section of Macroeconomic Statistics

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1. INSTITUTIONAL ENVIRONMENT

The independence and impartiality of The Statistical Office of the Slovak Republic (hereinafter SO SR), ministries and the state organizations in collecting, processing, disseminating and evaluating of statistical information is established in the Act No. 540/2001 Coll. On State Statistics, as later amended (paragraph 3, Part 2 of the Act on Statistics). Confidentiality of statistical data is laid down in Act No. 540/2001 Coll. On State Statistics, as amended, § 30.

As for the annual financial accounts, data are collected and have to be compiled and transmitted to the Eurostat (following the Regulation 549/2013 of the European Parliament and of the Council) by the SO SR. Based on ESTAT Annual Work Program, SO SR draws up Schedule of statistical activities for actual year and for individual departments which is published on SO SR website. The Schedule of statistical activities of the department of Macroeconomic Statistics includes also the part dealing with the task of financial accounts. In preparing the financial accounts, the SO SR cooperates closely with National Bank of the Slovakia (NBS).

2. REVISION POLICY

The revision policy is an important tool for improving the quality of statistics.

Routine revisions of data may be necessary due to:

- Incorporation of better quality data on the basis of a more complete data source and refinement of data as a result of new more precise data taken over from administrative data sources, mostly from the National Bank of Slovakia;
- Data refinement based on updated methodology and changes in used statistical methods;
- Corrections of inconsistencies in calculation process

SO SR carries out an extraordinary benchmark revision every 5 years. This revision is related to incorporating of updated methodological issues and the latest data into a whole NA system and statistical methods used for the extrapolation of data according to ESA2010 methodology. To ensure the comparable and consistent data, the revision covers all time series from 1995.

The Statistical Office of the Slovak Republic carries out regular data revision according to its national revision policy which is in line with the Harmonized European Revision Policy.

The first (preliminary) estimate for reference year T is based on quarterly data as a sum of 4 quarters and is released at time T + 4 months. Subsequently, the data for this year are updated based on available annual reports taken over from the statistical surveys and administrative data sources and are transmitted to Eurostat and released at time T + 9 months as a semi-final estimate. Finally, the data for reference year T become final at time T + 4 years in line with the EDP notification.

3. METHODOLOGY ON COMPILATION OF FINANCIAL ACCOUNTS

Within the compilation of financial accounts, SO SR follows the rules of ESA 2010 methodology. The data are reviewed continuously in terms of their completeness, quality and economic interpretability.

3.1 STATISTICAL PROCESSES

3.1.1 Residency and territory

The definition of residency and territory of units is in line with the principles and recommendations of ESA 2010.

3.1.2 Institutional unit definition and Sectorisation

The Institutional unit definition is in line with the principles and recommendations of ESA 2010. The data for subsector S.1312 is not relevant for the Slovak Republic.

For the compilation of the national accounts in ESA2010 the economy is divided into the following institutional sectors:

- Residents S.1
 - Non-financial corporations S.11
 - Financial corporations S.12
 - Central bank S.121
 - Deposit-taking corporations S.122
 - Money market funds S.123
 - Investment funds other than money market funds S.124
 - Other financial intermediaries S.125
 - Financial auxiliaries S.126
 - Captive financial institutions and lenders of money S.127
 - Insurance corporations S.128
 - Pension funds (PF) S.129
 - General government S.13
 - Central government S.1311
 - Local government S.1313
 - Social security funds S.1314
 - Households S.14
 - Non-profit institutions serving households S.15
- Rest of the World (non - residents) S.2

3.1.3 Instrument identification

In the national accounts, classification of financial instruments is based on classification listed in ESA 2010 and it is identical for all reported sectors.

For the compilation of annual financial accounts, the following financial instruments are used:

- Monetary gold and special drawing rights F.1
- Monetary gold F.11
- Special Drawing Rights (SDRs) F.12
- Currency and deposits F.2
 - Currency F.21
 - Transferable deposits F.22
 - Other deposits F.29
- Debt securities F.3
 - Short-term with original maturity up to 1 year F.31
 - Long-term F.32
- Loans F.4
 - Short-term with original maturity up to and including 1 year F.41
 - Long-term F.42
- Equity and investment fund shares/units F.5
 - Equity F.51
 - Listed shares F.511

- Unlisted shares F.512
- Other equity F.519
- Investment fund shares / units F.52
- Money market fund shares / units F.521
- Other Investment Fund Shares / Units F.522
- Insurance, pension and standardized guarantee schemes F.6
- Non-life insurance technical reserves F.61
- Life insurance and annuity entitlements F.62
- Pension entitlements F.63
- Claims of pension funds on pension managers F.64
- Entitlements to non-pension benefits F.65
- Provisions for calls under standardized guarantees F.66
- Financial derivatives F.7, F.71
- Other receivables and payables F.8
- Trade credit and advances F.81
- Other receivables and payables F.89

3.1.4 Valuation

In the national accounts, all flows and stocks are measured according to their exchange value, i.e. the value at which they are exchangeable for cash. Market prices are the basis for the valuation of transactions and positions. Nominal valuation as defined by ESA 2010, is used for positions in currency and deposits, loans and other accounts receivable/payable. If no market prices for certain financial or non-financial assets are available, method used for valuation is by reference to market prices for analogous assets.

3.1.5 Coverage gaps

National accounts are exhaustive. That means they include all resident statistical units of the Slovak Republic in terms of sectoral breakdown according to the ESA 2010 methodology. The coverage gaps could still be found in the sectors consisting of some entities without a formal legal structure as quasi-corporations, notional resident units or multinational enterprises. Owing to the lack of adequate data sources some statistical adjustment have to be carried out.

3.1.6 Non-consolidation/Consolidation at sectoral level

Financial accounts are fully in line with the Regulation 549/2013, both in terms of requested series (consolidated / non-consolidated) and their corresponding time series (from 1995 onwards). Consolidated flows and stocks are fully consolidated on level S.1.

3.2 STATISTICAL PROCEDURES

3.2.1 Data sources

Following the fact, that FA represent secondary statistics, compilation depends on various primary data sources collected and reported to the NBS and SO SR. Data on sectoral financial accounts are aggregated data compiled according to the ESA 2010 methodology, based on a combination of data sources - statistical surveys of the SO SR and administrative sources. In addition to the basic statistical sources already mentioned, data from balance of payments statistics, foreign direct investment statistics and the international investment position are also used. Generally, data on the stocks are more available and of a higher quality in the majority of the institutional sectors. The table presented in Annex identifies main data sources used in the financial accounts compilation process in Slovakia.

3.2.2 Description of procedures and methods

Factors such as the time availability of data and data quality play a key role in the process of compiling the FA in terms of methodological requirements and the required structure of existing data. Gradually "Incoming" data must be continuously evaluated in terms of their completeness, quality and economic interpretability and to balance the asset and liability sides in parallel. In the case of a particular financial instrument, they are reported between sectors or within sectors different data between the assets on one sector and the liabilities on the other sector, an analysis is made possible causes of differences and the adoption of a consensus on the "preference" of a better data source, according to which the counterparties of assets and liabilities are balanced to the same value. In general, data on stocks are more accessible and of better quality.

Therefore, within the first phase, our compilation procedure of data is based on using of data on stocks, revaluations and reclassifications for individual financial instruments. Subsequently, the transaction figure is obtained as the difference between the stocks of two years minus values on other flows (revaluations and other changes in volume).

Data entered to the algorithm of compilation of financial accounts are collected taking into account data from counterparties for more accurate result.

3.2.3 Balancing procedures

Balancing procedure is used in 2 levels: vertical and horizontal.

In vertical balancing procedure the discrepancy occurred between B.9/B.9F is minimized by better clarification of financial or non-financial transactions. In the case of significant flows or unexplained changes occurred, the transactions are examined in more detail on the case-by-case basis using the qualitative criteria In identifying these inconsistencies in the solution of vertical discrepancies, we mainly use the following sources of information: QFAGG, IIP, MFI, NSI (for S.11).

The horizontal balancing procedure means alignment of financial transactions between institutional sectors in national economy and between national economy and the Rest of the world. In this procedure three institutional sectors (with regard of relative complexity of their data source) – sector S.13, S.12 and S.2 play key role in compilation of AFA data and form the basic frame for compiling and clarification of financial transaction in territory of national economy and financial transactions between residents and non-residents for Rest of the world. Financial transactions for other sectors are identified from other data sources, respectively based on counterpart information of above mentioned three sectors.

3.3 STATISTICAL OUTPUT

3.3.1 Timeliness and punctuality

At international level, annual financial accounts data are required by Eurostat based on the ESA 2010 transmission program which requires reporting of annual data from 1995 onwards. As a part of the transmission, we send data for following relevant tables:

- T610 Financial accounts by sector (transactions), consolidated
- T620 Financial accounts by sector (transactions), non-consolidated
- T621 Other changes in volume accounts, non-consolidated
- T622 Revaluation of financial instruments accounts, non-consolidated
- T710 Balance sheets for financial assets and liabilities (stocks), consolidated
- T720 Balance sheets for financial assets and liabilities (stocks), non-consolidated

Data are compiled and presented in mil. Eur. The completeness rate of AFA data represents the level of 100%. Link to the database of annual financial accounts is as follows:

<http://ec.europa.eu/eurostat/web/sector-accounts/data/database>

The annual data are transmitted to Eurostat via securing channel eDAMIS according to the ESA2010 Transmission Programme in T+4 and T+9 months after the last reference year in line with the SO SR national revision policy. The transmission tables are compiled using the SDMX structure.

At national level, the annual data are published in national database Datacube at T+4 months and T+10 months after the last reference year. Link on the national database of annual financial accounts: [StatDat](#)

3.3.2 Internal consistency

National accounting is based on the principle of double entry, which means that each transaction is to be recorded twice, once as a resource (or a change in liabilities) and once as a use (or a change in assets). The total of transactions recorded as resources or uses must be equal, thus permitting a check on the consistency of the accounts. Data on annual sectoral financial accounts are fully internally coherent.

3.3.3 External consistency

As it was mentioned above, vertical discrepancy on the items B.9/B.9F occurs possibly due to different data sources used in compiling of non-financial accounts and financial accounts. Despite the ongoing efforts to improve the vertical consistency of accounts, there is still discrepancy on these items (B.9/B.9F) due to the mentioned different data sources (NSI, MFI, BoP) used in compiling of these accounts.

3.3.4 Time and back-data consistency

In general, within the financial accounts data there is no significant breaks in the time series. Some breaks can be observed due to the sector reclassification of units (application of qualitative and quantitative criteria according to the ESA2010 methodology).

4. ANNEX

Map of main data sources

	ASSETS	S.11	S.121	S.122	S.123	S.124	S.125	S.126	S.127	S.128	S.129	S.13	S.14	S.15	S.2
F 11	Monetary gold		MFI												
F 12	SDRs		MFI												
F 21	Currency	Sur	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG	MFI/Sur	MFI/Sur	BoP
F 22	Transferable deposits	MFI	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG	MFI	MFI	BoP
F 29	Other deposits	MFI	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG	MFI	MFI	BoP
F 3	Debt securities other than shares	Sur/BoP	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG	MFI/Sur	MFI/Sur	BoP
F 4	Loans	Sur/BoP/OFI	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG	MFI/Sur	MFI/Sur	BoP
F 51	Equity	Sur	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG	MFI/Sur		BoP
F 511	Listed shares	Sur/BoP	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG	MFI/Sur		BoP
F 512	Unlisted shares	Sur/BoP	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG	MFI/Sur		BoP
F 519	Other equity	Sur	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG			BoP
F 52	Investment fund shares/units	OFI	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG	OFI, MFI	OFI, MFI	BoP
F 61	Nonlife insurance technical reserves	IC						OFI/Sur		IC		QFAGG	IC		IC
F 62	Life insurance and annuity entitlements												IC		
F 63	Pension entitlements /												PF, IC		
F 66	Provisions for calls under standardized guarantees											QFAGG			
F 7	Financial derivatives and employee stock options	BoP	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG	MFI		BoP
F 81	Trade credits and advances	Sur/BoP	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG	Sur	Sur	BoP
F 89	Other accounts receivable/payable	Sur/BoP	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG	Sur	Sur	BoP

	LIABILITIES	S.11	S.121	S.122	S.123	S.124	S.125	S.126	S.127	S.128	S.129	S.13	S.14	S.15	S.2
F 11	Monetary gold														MFI
F 12	SDRs														MFI
F 21	Currency		MFI	MFI								QFAGG			BoP
F 22	Transferable deposits		MFI	MFI								QFAGG			BoP
F 29	Other deposits		MFI	MFI								QFAGG			BoP
F 3	Debt securities other than shares	Sur/BoP/IF	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur			QFAGG			BoP
F 4	Loans	Sur/MFI	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC		QFAGG	MFI, OFI	MFI, OFI	BoP
F 51	Equity	Sur/MFI	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC		QFAGG			BoP
F 511	Listed shares	Sur/MFI	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC		QFAGG			BoP
F 512	Unlisted shares	Sur/BoP	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC		QFAGG			BoP
F 519	Other equity	Sur	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC		QFAGG			BoP
F 52	Investment fund shares/units				MFI	IF						QFAGG			BoP
F 61	Non-life insurance technical reserves			MFI						IC		QFAGG			IC
F 62	Life insurance and annuity entitlements									IC		QFAGG			IC
F 63	Pension entitlements /										PF	QFAGG			PF

F 66	Provisions for calls under standardized guarantees											QFAGG			
F 7	Financial derivatives and employee stock options	BoP	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG	MFI		BoP
F 81	Trade credits and advances	Sur/BoP	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG	Sur	Sur	BoP
F 89	Other accounts receivable/payable	Sur/BoP	MFI	MFI	MFI	IF	OFI	OFI/Sur	Sur	IC	PF	QFAGG	Sur	Sur	BoP

Key for data source:

NFC Non-financial corporation balance sheets

Sur Survey data

MFI MFI balance sheet statistics

IF Investment fund statistics

OFI Other financial institution statistics

IC Insurance corporation statistics

PF Pension fund statistics

QFAGG Quarterly financial accounts for general government

BoP Balance of payments and international investment position