

**CONSOLIDATED ACCOUNTS OF THE NATION**

- 4.1 The Consolidated Accounts of the Nation recommended in the SNA 1968 framework are compiled for a comprehensive picture of the macro-economic behaviour of the country. The different estimates are put together in the form of a set of national accounts for presentation of the overall picture of the economy. This system consists of:
- Account 1: Gross Domestic Product and Expenditure;
  - Account 3: National Disposable Income and its Appropriation;
  - Account 5: Capital Finance Account; and
  - Account 6: External Transactions.
- 4.2 The independent estimates for the different macro-aggregates are used for constructing the national accounts. Because of the independent nature of the estimates, it is not always possible for the accounts to balance. No attempt has been made to adjust the estimates to achieve balance; instead the extent of difference between the receipts and the expenditure totals has been shown separately.
- 4.3 Account 1 presents the overall consolidated picture of total GDP at market prices and the expenditure on the same. Statistical Discrepancy shown in this Account, taking the GDP from the production approach as the controlling total, gives the measure of the overall difference between the production approach and the expenditure approach followed for estimation. The dis-aggregation
- of this discrepancy between the levels contributed by the two measures of capital expenditure and current expenditure are shown in Accounts 5 & 3 respectively. In Account 5 'errors and omissions' give the difference between GDCF and gross domestic saving using the latter as the controlling total. Similarly, in Account 3, expenditure on disposable income gives the extent of difference between disposable income and consumption expenditure plus saving. In addition the adjustments made for exports and imports in Account 6 are also included in the discrepancy in Account 1. Discrepancy in Account 1 is, therefore, the sum of 'statistical discrepancy', 'errors and omissions' in Accounts 3 & 5 and the net adjustments made for exports and imports in Account 6.
- 4.4 The entries in all the Accounts are obtained from different aggregates otherwise presented in the NAS and also from the Balance of Payments Statements (RBI) and Foreign Trade Statistics (DGCI&S). The correspondence of items of Consolidated Accounts of the Nation with items of other statements in NAS and the relationship between Balance of Payment categories and those of the External Transactions Account of the SNA are given in Appendices 4.1 and 4.2 respectively. Appendix 4.2 summarises the correspondence between the categories of Account 6 of the Consolidated Accounts of the Nation and those of the Balance of Payments (BoP) Statements.

*Appendix 4.1***CORRESPONDENCE OF ITEMS OF CONSOLIDATED ACCOUNTS OF THE NATION WITH ITEMS OF OTHER STATEMENTS IN NAS**

Items of Consolidated Accounts (Statements 5 to 8)		Items of Other Statements
1.1 & 3.6	Net domestic product at factor cost	Item 10, statement 12
1.2 & 5.6	Consumption of fixed capital	Item 4, statement 19
1.6 & 3.1	Government final consumption expenditure	Item 6, statement 29
1.7 & 3.2	Private final consumption expenditure	Item 8, statement 16
1.8 & 5.1.1	Gross fixed capital formation	Item 2, statement 19
1.9 & 5.1.2	Change in stocks	Item 3, statement 19
1.10 & 6.1	Exports of goods and services	Item 6.1, statement 75
1.11 & 6.7	Imports of goods and services	Item 6.7, statement 75
3.3 & 5.5	Saving	Item 6, statement 18
3.7 & (6.2-6.8)	Compensation of employees from rest of the world, net	Item 6.2 less item 6.8, statement 75
3.8 & (6.3-6.9)	Property and entrepreneurial income from rest of the world, net	Item 6.3 less item 6.9, statement 75
3.11 & (6.4-6.10)	Other current transfers from rest of the world, net	Item 6.4 less item 6.10, statement 75

**Relationship between categories of balance of payments and external transactions account**

- A4.1 The Table 4.1 summarises the correspondence between the categories of Account 6 (and detailed statement 75) of the Consolidated Accounts and the BoP statistics in the Indian context.
- A4.2 The items included in Account 6 of the Consolidated Accounts reappear at different places in Accounts 1, 3 and 5. These items cannot be estimated independent of the BoP statistics and, therefore, there are no cross checks of these items between the first three accounts and Account 6. In spite of uniformity in concepts, there may not be exactly one to one correspondence among the items of external transactions included in the SNA and the BOP statements. The external Transaction Account is based on Balance of Payments Statistics published by RBI. The transactions in BoP are recorded on the basis of ownership (legal title) of the goods and services. This is also the treatment used in the National Accounts. However, for preparing the estimates of Private Final Consumption Expenditure (PFCE) and capital formation, data on imports and exports, based on foreign trade statistics compiled by DGCI&S, are used. These data, being based on trade statistics, generally precede the physical movements of goods across the boundaries of the country. In order to maintain consistency with these estimates the exports and imports of merchandise in the External Transaction Account are based on Foreign Trade Statistics provided by the DGCI&S. To keep the overall BOP on current account undisturbed, the difference in the two sets of data (RBI & DGCI&S) has been shown as an additional entry in Account 6, that is, adjustment of merchandise imports and exports for change of ownership basis.
- A4.3 The entries in Account 6 and Statement 75 are obtained by slightly regrouping the items included in the BOP categories of (i) Travel, (ii) Transportation and (ii) Government, not included elsewhere.
- A4.4 Direct purchases in the domestic market by extra-territorial bodies and direct purchases abroad on current account, Government services, as specified in the detailed External Transaction Account (Statement 75), are mostly included under the BoP category "Government not included elsewhere" (*g.n.i.e.*). Direct purchases in the domestic market by non-resident households and direct purchases abroad by resident households appear under BoP categories of "Travel".
- A4.5 Transfer payments are classified in Account 6 as current or capital transfers depending upon the nature and purpose of the transaction. The BOP system, however, does not use the criteria of Account 6 for classification of transfers. Since some of the international transfer payments are in the nature of inter-governmental grants that cannot be classified as current or capital, the BOP system includes all transfers in the current account and classifies them as private transfers and official transfers. Remittances by migrants or inheritances are personal transfers and are categorised as private transfers, while inter-governmental transfers are made on economic considerations that affect the whole country, are categorised as Government transfers. In the SNA, transfers on Government account may be current or capital. Social assistance grants, unilateral shipments of food, clothing etc., grants to finance military outlays, budgetary deficits on current account are some of the examples of current transfers on official account. It is, however, difficult to decide whether the transfer is current or capital in nature when large-scale transfers from diverse sources are involved. Account 6 for India, therefore, treats all transfer payment on official account given in the BOP statements as capital transfers and those on private account as current transfers.
- A4.6 The capital transactions of Account 6 have three items, namely the net purchase of intangible assets from rest of the world not elsewhere classified, net acquisition of foreign financial assets and net incurrence of foreign liabilities. Intangible assets include exclusive rights to exploit natural resources, leases, patents, copyrights, trade mark etc., and exclude financial claims. While periodic income by way of fees, royalties etc., from such assets is included under investment (property) income, only the outright purchases/sales of such assets are included under the net purchase of intangible assets. Foreign financial assets/liabilities are classified according to the type of instrument, degree of liquidity and the institutional structure of the debtor/creditor. Conceptually the coverage and valuation of changes in foreign financial assets/liabilities are identical in the SNA and the BoP system. Account 6 for India, however, shows only a single entry against each of "net acquisition

of foreign assets" and "net incurrence of foreign financial liabilities". These include trade credits, advances etc. Acquisition of assets is netted against their dispositions

while the incurrence of liabilities is netted against their redemption and they are valued at cost, i.e., value of sale/purchase.

**TABLE 4.1: IDENTIFICATION OF THE BoP CATEGORIES WITH THE EXTERNAL TRANSACTIONS ACCOUNT CATEGORIES**

External Transactions Account categories	BoP categories
<b>A. Current Account Transactions</b>	
1. exports of goods & services(6.1)	1. merchandise-credit* plus a part of invisibles-credit
2. imports of goods & services (6.7)	2. merchandise-debit* plus a part of invisibles-debit
3. compensation of employees from/to the rest of the world (6.2/6.8)	3. compensation of employees (credit /debit)
4. property and entrepreneurial income from/to the rest of the world (6.3/6.9)	4. investment income (credit /debit)
5. other current transfers from/to the rest of the world (6.4/6.10)	5. transfer-private (credit/ debit)
6. adjustment of merchandise exports/imports for change of ownership basis (6.5/6.11)**	
<b>B. Capital Account</b>	
1. net incurrence of foreign liabilities (6.16)	
<i>plus</i>	
2. surplus of the nation on current account (6.12)	
<i>plus</i>	
3. capital transfers from the rest of the world, net (6.15)	

\* Source: DGCI&S and for other items, RBI.

\*\* shows the difference between the figures of merchandise exports/imports from the two sources viz. RBI & DGCI&S.

Note: Figures in the parentheses in column 1 refer to the items in 'Statement 8: External Transactions' as published in the National Accounts Statistics.