

**Seventeenth Meeting of the
IMF Committee on Balance of Payments Statistics
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Headings and Signs

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HEADINGS AND SIGNS

I. Current international standards for the statistical treatment of the issue

The issue of headings and signs concerns how BOP data can be presented in standard tables in a way that is clearest and most useful. *BPM5* uses a presentation for the balance of payments that uses credits and debits, often denoted by plus and minus signs. The system is stated in *BPM5* para. 19 and built into the column headings of the standard components. Some explanation is provided in *BPT* paras. 9-17.

The presentation is not adopted for the IIP or the other changes in assets account, which have “assets” and “liabilities” as headings, not credits and debits, and have some signs that are reversed from the financial accounts. The BOP presentation is not used in other macroeconomic datasets.

II. Concerns/shortcomings of the current treatment

(1) The *BPM5* presentation can be confusing for the financial account. In particular, the case of increases in assets being shown as a negative and reductions in assets as a positive, is often considered to be counterintuitive.

(2) The *BPM5* presentation is misleading in that each of the BOP financial account items represent the sum of credits and debits.

(3) *BPM5* did not apply the debits and credits presentation to the IIP and therefore fell short of the integrating IIP with the BOP. The IIP shows both assets and liabilities as positive values in line with a standard balance sheet presentation. Therefore, the signs of financial account transactions in assets would need to be reversed to integrate them with the IIP. Or to integrate the IIP and BOP, it would be necessary for assets to be shown with negative signs, etc.

(4) The credits and debits system is not used as a presentational tool for the financial account for other macroeconomic datasets such as the *1993 SNA* and government finance statistics.

III. Possible alternative treatments

The *AO* proposes to adopt the *SNA* terms and presentation for the financial account, bringing balance of payments into line with the *SNA*, IIP, and other changes in financial assets and liabilities account:

3.7 The use of the terms of *changes in assets* and *changes in liabilities* in the financial account and other changes in financial assets and liabilities accounts will be a change from *BPM5*, which used debit and credit. The proposed terms will bring the financial account into line with the IIP, which in *BPM5* used a different sign convention from the financial account. It will bring consistency with the *1993 SNA* presentation. It will also simplify the

interpretation of data; positive or negative changes indicate an increase or decrease, respectively, irrespective of whether the changes refer to assets or liabilities, whereas the increase/decrease under the credit/debit notion depends on whether it refers to assets or liabilities. Furthermore, the new terms are more consistent with the nature of each financial account flow, that is, they reflect better the net value of changes due to all credit and debit entries during an accounting period. The proposed notions are also used in other macroeconomic statistics.

The proposed presentation is considered to be easier to explain, technically more accurate, and consistent with other macroeconomic datasets.¹

Despite the proposed change in presentation, it should be noted the double-entry system still underlies the data, as stated in *AO* para. 3.8:

3.8 While the debit and credit presentation will not be emphasized for the financial account transactions, it will be noted that it is important to recognize and maintain the accounting identities, for example, a credit is always conceptually matched with a corresponding debit, increase in an asset, or reduction in a liability.

The double-entry foundation of the accounting system is discussed in *1993 SNA* paras. 2.57-62 and *GFSM* paras. 3.36-37, also without debits and credits being used as headings or signs in the tables.

Of the 13 countries that answered the relevant *AO* question, 10 agreed with the change. Three disagreed (one comment was that for users the new proposal is better, but from the practical side, it was better not to change; another comment was that more detailed discussion is needed before making a change).

IV. Points for Discussion

(1) Do Committee members agree to the proposed presentational changes for headings and signs to bring them into line with the national accounts, IIP, and other datasets?

References

BPM5, para. 19, BOP standard components tables pp.43-48, IIP standard components tables pp. 108-111.

Balance of Payments Textbook, paras. 9-17

Annotated Outline, paras. 3.5-7

¹ As noted in *AO* para. 3.5, it is proposed to continue the terms credit and debit for the current and capital accounts; the problems noted in Section II above relate to the financial account.