

# APPENDIX 4

## DISCLOSURE OF FINANCIAL POSITION WITH THE IMF IN THE BALANCE SHEET OF A MEMBER'S CENTRAL BANK

This appendix elaborates on the final section of Chapter 2 in the text, “Disclosure of Financial Position with the IMF by the Member Countries.”<sup>1</sup> The accounting treatment of IMF transactions should reflect the member’s legal and institutional arrangements and the substance of the transactions, as well as be compliant with the relevant financial reporting standards. The following four examples illustrate the gross and net methods for reporting IMF-related assets and liabilities in the balance sheet of a central bank.

In the examples below, all figures represent local currency units.

- I. The basic underlying assumptions for Examples 1 and 2 are the following:
  - (a) On the balance sheet date, the member has a quota equal to 2 million in local currency and an SDR allocation of 1 million.
  - (b) The reserve tranche portion of the subscription (25 percent of the quota) has been paid in SDRs. Hence, the central bank’s SDR holdings, originally equal to 1 million in local currency, are lower by 500,000 on the balance sheet date.
  - (c) The member has elected to pay 99 percent of the local currency subscription (75 percent of its quota) in the form of nonnegotiable, non-interest-bearing securities. Of the remaining 1 percent (15,000), 9/10 has been paid into the IMF No. 1 Account and 1/10 is maintained in the No. 2 Account.

<sup>1</sup> Refer also to Box 2.4 “The Reserve Tranche Position” and Figure 2.3 “Members’ Financial Position in the General Resources Account.”

### Reporting IMF-Related Assets and Liabilities: Example 1—Gross Method

Balance Sheet			
Assets		Liabilities	
<i>Foreign assets:</i>		<i>Foreign liabilities:</i>	
IMF quota	2,000,000	IMF No. 1 Account	13,500
		IMF No. 2 Account	1,500
		IMF Securities Account	1,485,000
		Total IMF currency holdings	1,500,000
SDR holdings	500,000	SDR allocation	1,000,000
Total assets	2,500,000	Total liabilities	2,500,000

### Reporting IMF-Related Assets and Liabilities: Example 2—Net Method

Balance Sheet			
Assets		Liabilities	
<i>Foreign assets:</i>		<i>Foreign liabilities:</i>	
IMF reserve tranche position	501,500	IMF No. 2 Account	1,500
SDR holdings	500,000	SDR allocation	1,000,000
Total assets	1,001,500	Total liabilities	1,001,500

II. Additional assumptions for Examples 3 and 4 are the following:

(a) The member has drawn its reserve tranche position of 500,000 in local currency.

(b) The member has received IMF resources (used IMF credit) equal to 4,500,000 million, for which securities have been issued.<sup>2</sup>

<sup>2</sup> As discussed in Chapter 2, additional considerations may arise when the credit is directed to the state treasury for budget financing.

### Reporting IMF-Related Assets and Liabilities: Example 3—Gross Method

Balance Sheet			
Assets		Liabilities	
<i>Foreign assets:</i>		<i>Foreign liabilities:</i>	
IMF quota	2,000,000	IMF No. 1 Account	13,500
		IMF No. 2 Account	1,500
		IMF Securities Account	6,485,000
		Total IMF currency holdings <sup>1</sup>	6,500,000
SDR holdings	500,000	SDR allocation	1,000,000
Foreign reserves	5,000,000		
Total assets	7,500,000	Total liabilities	7,500,000

<sup>1</sup> Includes 4,500,000 in local currency stemming from the use of IMF credit and 500,000 from the drawing of the reserve tranche.

### Reporting IMF-Related Assets and Liabilities: Example 4—Net Method

Balance Sheet			
Assets		Liabilities	
<i>Foreign assets:</i>		<i>Foreign liabilities:</i>	
Foreign reserves <sup>1</sup>	5,000,000	Use of IMF credit	4,500,000
SDR holdings	500,000	SDR allocation	1,000,000
Total assets	5,500,000	Total liabilities	5,500,000

<sup>1</sup> Foreign reserves are net of the balance in the No. 2 Account. This balance includes 4,500,000 from the use of IMF credit and 500,000 from the drawing of the reserve tranche. Since the reserve tranche was part of foreign reserves, the drawing changes the composition of foreign reserves but not the total balance.