Volume Title: Measuring the Nation's Wealth

Volume Author/Editor: Wealth Inventory Planning Study

Volume Publisher:

Volume ISBN: 0-870-14185-6

Volume URL: http://www.nber.org/books/unkn64-3

Publication Date: 1964

Chapter Title: Appendix II-O: Nonfarm Business Financial Claims

Chapter Author: Eleanor J. Stockwell

Chapter URL: http://www.nber.org/chapters/c5222

Chapter pages in book: (p. 791 - 835)

APPENDIX II: PART O

REPORT OF THE WORKING GROUP ON NONFARM BUSINESS FINANCIAL CLAIMS

Prepared by Eleanor J. Stockwell

Membership of the Working Group on Nonfarm Business Financial Claims

Norman Adler, Statistics Division, Internal Revenue Service

John A. Gorman, Office of Business Economics, Department of Commerce

Robert E. Lipsey, National Bureau of Economic Research

Morris Mendelson, Wharton School of Finance, University of Pennsylvania

Vito Natrella, Office of Statistical Studies, Securities and Exchange Commission

Sally S. Ronk, Economics Department, Bankers Trust Co.

R. Duane Saunders, Office of Debt Analysis, Department of the Treasury

Eleanor J. Stockwell (secretary), Division of Research and Statistics, Board of Governors, Federal Reserve System

PREFACE

The Working Group on Nonfarm Business Financial Claims held four meetings: on August 7, October 4 and 25, and November 22, 1963. In addition to the members of the working group, those attending one or more meetings included Joel Popkin, John W. Kendrick, Robert M. Fisher and Robert L. Sammons.

All members of the working group participated actively in the discussions and reviewed a preliminary draft of this report. In addition, Mr. Gorman and Mr. Natrella each prepared special materials which greatly facilitated the work of the group.

The final report, however, is the responsibility of the secretary, though she has attempted to reflect the consensus of the group, especially with respect to recommendations.

ELEANOR J. STOCKWELL.

NONFARM BUSINESS FINANCIAL CLAIMS

I. Introduction

The Working Group on Financial Claims was formed to consider the kinds of data on financial claims of business enterprises that it would be desirable and feasible to collect in connection with a comprehensive inventory of national wealth. The economic sector assigned to the working group comprised all businesses other than farms and Government enterprises. Thus it included unincorporated businesses as well as corporations, financial institutions as well as nonfinancial businesses, nonprofit organizations as well as businesses organized to make a profit.

The focus of the working group's discussions reflected to a large extent, of course, the points of view of the particular people who were members of the group. In general, the members were more concerned with the composition of total claims of and on the business sector, than with the characteristics of specific financing instruments. Also, the working group viewed a reliable inventory of business financial claims as requiring full balance sheets, obtained directly wherever possible and derived by imputation only where absolutely necessary. No consideration was given to collecting wealth data on a selective, instrument-by-instrument basis—whether by surveying major holders, or by surveying major issuers, or by surveying both groups and merging the results. The focus of the working group's approach, on the sector rather than on types of wealth and on collection of comprehensive rather than selective data, is evident in its recommendations.

II. Uses of Benchmark Data

Data on financial claims for the business universe are needed for a variety of purposes which may perhaps be grouped under three major headings: (1) Analysis of financial structure, including liquidity positions, debt burdens, rates of return; (2) measurement of financial flows, both within the business sector and between this and other sectors; and (3) evaluation, based on theoretical as well as empirical investigation of business financial behavior, of the impact of actual or proposed fiscal, monetary or legislative actions of the Government. Each of these requires statistical information that is as reliable, as uniform in concept, and as comprehensive in coverage as it is practicable to obtain with available resources of time and money.

An impressive amount of information on business financial wealth is already available in the statistics compiled regularly by a variety of Government departments, regulatory bodies, and private organizations. A number of serious gaps exist, however. Some of these gaps are present in both benchmark and current data; for example, no strong data on financial wealth are available, on either a benchmark or current basis, for certain sectors of the business universe or for certain new types of wealth of covered sectors. Some gaps involve inconsistencies in concept, or in presentation, between benchmark and current statistics; major pieces of information, available on a current basis, are of limited usefulness for extrapolating purposes because no benchmarks are available for these particular pieces. Some of the most troublesome gaps relate solely to the coverage and quality of the statistics that are available on a current basis.

A systematic inventory of business financial wealth could fill present gaps in our benchmark statistics, although it must be recognized that collection of data in some areas might present insurmountable difficulties. Such an inventory could also provide a better basis than now exists for using less comprehensive current series to update benchmarks. Finally, one of the most significant contributions of the kind of benchmark statistics envisaged in this report could be to stimulate, and provide standards for, needed improvements in regular collected current statistics.

III. Review of Existing Data

The principal sources of balance sheet statistics are reviewed in this section of the report. In a later section, reference will be made to those sources that seem to be appropriate vehicles for obtaining parts of any systematic inventory of financial wealth, if arrangements can be made to expand and standardize the data they collect.

All corporations—tax return data

The most comprehensive body of existing data on business financial wealth is provided by the yearly tabulations of corporate balance sheets prepared by the Internal Revenue Service and published in "Statistics of Income—Corporation Income Tax Returns." A listing of the balance sheet categories on which information is to be collected for the 1963 tax year appears as exhibit A at the end of this report. Among the cross classifications of the data are distributions by industry and size of total assets. In recent years a number of new types of tabulations, such as operating and financial ratios, have been introduced. At the same time, some useful balance sheet detail formerly collected has been dropped.

Balance sheet figures shown in statistics of income are estimated from a stratified sample of unaudited returns and are for all corporations that are required to file Federal income tax returns on form 1120, or 1120-L, 1120-M, 1120-S, or 1120-F (resident only). Data are for accounting periods ended July of one year through June of the following year.

Despite continuing efforts by IRS to improve the timeliness of its reports, considerable delay is unavoidable. A large part of the delay arises because of the extended period over which corporate tax returns may be filed; in the extreme case—a corporation with a fiscal year ended June 30, and a 6-month extension on filing—a tax return for the 1960 income year would not have been available for processing until the spring of 1962. In addition, substantial processing of the data is required. As a result, balance sheet tabulations for the 1960 income tax year (accounting periods ended July 1960 through June 1961) were not published until mid-1963.

Manufacturing corporations—FTC-SEC quarterly data

More up-to-date balance sheet information is available, for manufacturing corporations only, in the "Quarterly Financial Report for Manufacturing Corporations," prepared jointly by the Federal Trade Commission and the Securities and Exchange Commission. A listing of the balance sheet categories shown in the report is presented in exhibit B.

Balance sheet figures in the quarterly financial report are universe estimates based on a stratified sample of about 11,000 manufacturing companies, drawn in part from income tax returns and in part from applications for a Federal social security employer's identification number. One-eighth of the smallest corporations in the sample are replaced each quarter.

This series differs in several respects from the Statistics of Income tabulations—the balance sheet categories are not quite the same, reporting by corporate entities is on a more highly consolidated basis, and accounting yearends are not tabulated together as in S.O.I. but are included in the appropriate calendar year quarter. Nevertheless, the FTC-SEC series has proved to be a valuable tool for extrapolating Statistics of Income data for the corporate manufacturing sector.

Nonfinancial corporations—SEC quarterly working capital series

Up-to-date statistics on the short-term portion of corporate balance sheets are available from the Securities and Exchange Commission's quarterly series on "Current Assets and Liabilities of U.S. Corporations." The items shown are: total current assets, divided into cash (on hand and in banks), U.S. Government securities, inventories, accounts receivable from the U.S. Government, other notes and accounts receivable, and other current assets; total current liabilities, divided into advances and prepayments from the U.S. Government, other notes and accounts payable, Federal income tax liabilities, and other current liabilities; and net working capital.

The series covers all corporations other than banks, insurance companies, and savings and loan associations. While figures are published and generally available only for all industries combined, these are summations of separate estimates for each of 13 major industrial groups. Yearend figures for each industry are benchmarked to the detailed IRS tabulations from Federal income tax returns, and substantial revisions are sometimes required when IRS data become available. Even for benchmark dates, some items are partly estimated because the classification of accounts desired for the working capital series is not directly available from IRS tabulations.

Extrapolations for post-IRS years (currently post-1961) are based on: the FTC-SEC quarterly financial report for manufacturing; Interstate Commerce Commission data for railroads; and, for all other industries, figures supplied by those registered companies that voluntarily file quarterly reports with the SEC. The agency has had considerable success in persuading a very large proportion of all registrants to file quarterly working capital statements, but in some industries the total number of registrants is very small. In agriculture, construction, wholesale and retail trade, service and finance—industries that together account for three-eighths of total corporate working capital—less than one-tenth of 1 percent of all corporations are registered companies; these industries contribute heavily to the benchmark revisions in the aggregate estimates.

Partnerships—tax return data

While partnerships are not taxed as entities, each partnership is required to file an information return form 1065. A balance sheet is included with the form. In odd-numbered years balance sheet aggregates are prepared, and published in "U.S. Business Tax Returns," for those partnerships filing this information. Tabulations are based on a stratified sample, they are shown by industry and by size of firm, and the categories of assets and liabilities are similar to those for corporations.

All business—flow-of-funds series

The Federal Reserve, as part of its flow-of-funds statistics, estimates both quarterly financial flows and end-of-year financial asset and liability levels for each sector. Estimates are derived from an enormous number and variety of data sources.

Other sources for specific industries

In addition to the the statistics described above, a large number of public and private organizations collect and/or tabulate data on business financial wealth, in most cases for some one type of enterprise—e.g., banks, railroads, pension funds. The kinds of information available vary greatly, since they reflect both the purpose for which the data are collected and the predominant activity of the type of enterprise covered. The variation is so great that it does not seem practical to describe these sources in detail, or even to list all of them.

The following listing is intended to cover most of the principal sources of specialized information. The listing includes only statistics that encompass the entire balance sheet, however broadly, and that are available on a regularly recurring basis. Thus it excludes regular series on specific types of wealth, such as the consumer credit and mortgage debt statistics, and one-time or occasional studies.

Banks.—Data are collected and tabulated by the various supervisory agencies. Detailed statistics on loans, investments, reserves, and other balance sheet accounts are available for all banks for call dates. Less-detailed information is collected for weekly reporting Federal Reserve member banks, and is estimated by the Federal Reserve for all commercial banks. Also, for all mutual savings banks, monthly estimates are published by the National Association of Mutual Savings Banks.

Insurance companies.—Detailed annual statements are filed by individual companies with State insurance commissioners. (Copies of these statements are required to be submitted with the IRS Forms 1120–L and 1120–M filed by these companies.) Tabulations, from company reports and other sources, are prepared for life insurance companies by the Institute of Life Insurance and for fire and casualty insurance companies by Best & Co.

Savings and loan associations.—Estimates of major categories of assets and liabilities, based on monthly reports of insured associations and annual reports of noninsured associations, are prepared and published by the Federal Home Bank Board.

Investment companies.—Data for open-end companies are compiled by the Investment Company Institute from reports of members.

Pension funds.—Every pension plan that covers more than 25 employees is required to file an annual financial statement with the Department of Labor. However, the only published aggregates presently available on a regular basis come from the Securities and Exchange Commission's annual survey of noninsured corporate pension funds.

Labor organizations.—These also make regular financial reports to the Department of Labor. Published figures are for the total liabilities and for very broad categories of assets.

College endowment funds.—Data are available every fifth year (including 1963) from a survey conducted by the Office of Education, U.S. Department of Health, Education, and Welfare.

Credit unions.—Data for major balance sheet categories are available from the U.S. Department of Health, Education, and Welfare. The Department also publishes monthly figures on total assets of credit unions.

Finance companies.—The Federal Reserve compiles annual balance sheet figures for about 100 sales and consumer finance companies. The data are obtained from stockholders' reports and other secondary sources. Similar compilations for about 300 large companies in other selected industries, which the Federal Reserve formerly prepared, were discontinued some years ago.

Hospitals.—The American Hospital Association publishes annual data on the total assets and plant of nonprofit and proprietary hospitals.

IV. Needed Improvements in Existing Data

Presently available information on business financial wealth, voluminous as it may seem to be, is incomplete or otherwise inadequate in a number of respects. The most important improvements needed on a benchmark basis are those that would provide: (1) more comprehensive coverage of the business sector, particularly of unincorporated concerns in all lines of activity and of corporations in a number of finance and service industries; (2) more detailed classifications of certain items of financial wealth, primarily to take account of postwar shifts in the structure of financial claims; (3) more comprehensive and more uniform reporting of business financing, on a from-whom-to-whom basis and with systematic term or maturity breakdowns; and (4) recasting of the industrial detail presently available, to segregate groups that have large holdings of financial wealth, or engage in unique financing activities, or are identifiable components of regularly collected series.

COVERAGE OF THE BUSINESS SECTOR

No benchmark data on financial claims are presently available for certain parts of the business sector; in some cases no vehicle currently exists for collecting such data.

Unincorporated concerns

Figures on the financial assets, debts and net worth of unincorporated concerns are needed for a number of purposes—to examine the financial health of small business especially with respect to the need for governmental assistance, to analyze the sensitivity of small business to fiscal or monetary policy or to cyclical fluctuations, or simply to provide statistics on financial wealth or financial flows that cover the entire corporate and noncorporate business sector. Such data are not presently available, however. Efforts to collect them have in the past been frustrated by lack of records, reluctance to supply such records as exist, and, in the case of sole proprietorships, the difficulty of distinguishing between business accounts and the personal accounts of owners.

Less than half of all partnerships file balance sheets with IRS. These are generally the larger firms; they account for 63 percent of the net profit and 70 percent of the total receipts of all partnerships ("U.S. Business Tax Returns, 1961–62"). It is not known to what extent the financial structure of reporting firms is typical of the universe of partnerships. No balance sheet statistics are presently collected for sole proprietorships, though they comprise three-fourths of the number of all nonfarm businesses.

When noncorporate balance sheet figures are required they are estimated, in one fashion or another, from whatever available series appear to be relevant or, alternatively, balance sheet data for small corporations are used as a proxy. Without a set of benchmark statistics, there is almost no way to test the validity of the various indirect methods of deriving balance sheet data for noncorporate business.

Tax-exempt organizations

A variety of organizations, since they are tax exempt, are not required to file any version of form 1120 with IRS, and hence are not included in the balance sheet data compiled by that agency. Some of these—including farmers' cooperatives, foundations, charitable trusts, hospitals, museums, libraries, miscellaneous nonprofit membership organizations (business, professional, civic, and social), and labor unions—file returns on some version of form 990 and are supposed to submit balance sheets with the form. Balance sheet information submitted by farmers' cooperatives were compiled by IRS for 1953 and will be compiled for 1963. Also, the Foundation Library Center has compiled some wealth data for foundations filing form 990–A (which is open to public inspection), but the underlying information appears to be unsatisfactory. With these two exceptions, the balance sheet data filed with IRS by tax-exempt organizations have never been compiled nor even examined for coverage.

A few of the organizations that report to IRS, and some—such as college endowment funds and pension and welfare funds—that are not required to file returns with this agency, file regular financial reports with other agencies. However, there are some that are not at present subject to any financial reporting requirements. Among the latter are churches and other religious organizations, charitable organizations (receiving funds primarily from the general public), and fraternal organizations.

Some types of tax-exempt organizations probably hold largely tangible assets but others are believed to hold substantial amounts of financial assets. Despite the desirability of covering all types of organizations in any inventory of wealth, collection of data has in the past been discouraged by seemingly insurmountable difficulties, including identifying a significant proportion of them, assigning meaningful values to certain of their assets, and persuading them to disclose their holdings.

CLASSIFICATION OF FINANCIAL ASSETS

Some of the present categories of business assets (and debts) are too broad to provide needed information. Certain types of assets, such as corporate holdings of non-Government short-term securities, are known to have increased greatly in importance in recent years but are still included in miscellaneous categories. Conversely, some miscellaneous categories have grown rapidly and no information is available as to what are now their principal components. For other categories, including accounts receivable and business debt instruments, needed details are not available directly but must be estimated from related series compiled for other purposes.

The following paragraphs illustrate the kinds of detail which are not now available but which, if available at least on a benchmark basis, would not only contribute to our knowledge of the composition of business financial wealth but could also greatly improve the quality of theoretical investigation, current analysis and projections of financial activity in the economy. The illustrations refer for the most part to data for nonfinancial corporations, and are not by any means a catalog of all the gaps that exist in available data on business financial wealth.

Liquid assets

The forms in which businesses (especially nonfinancial corporations) hold their cash-type assets have become more diverse in recent years. Thus, funds which were held almost entirely in cash and demand deposits in the late thirties, and in cash, deposits, and U.S. Government securities in the late forties, may now be held in almost any type of short-term instrument that provides the combination of liquidity and yield that a corporation desires at a given time. The flexibility with which corporate investments can be shifted from one instrument to another probably means that the management of corporate cash balances is not only sensitive to, but also influential in determining, money market developments.

But present compilations of liquid asset data from corporate balance sheets segregate only the categories of cash (including deposits) and U.S. Government securities (or, as in 1963 IRS tabulations, obligations of all governmental units). Other short-term marketable investments are included as part of the item "other current assets," though there is evidence that a few corporations include them in "notes and accounts receivable."

The unavailability of a complete counting of the cash assets of nonfinancial corporations understates their influence on money market developments, both in the long run as increasingly important suppliers of funds and in the short run as traders in money market instruments. It also introduces a downward bias to calculations of corporate liquidity. Part of the persistent decline in the conventional measure of liquidity for this sector (cash, deposits, and U.S. Government securities as a percent of total current liabilities) results from the shift of liquidity reserves into instruments that are excluded, for lack of data, from the numerator of the ratio.

Trade credit

One of the most striking developments in business financing practices over the postwar period has been the growth in customer financing. This is reflected in the increasing importance of notes and accounts receivable in corporate balance sheets. For nonfinancial corporations as a group, receivables outstanding have expanded about twice as much as sales over the past decade or so. They now total over $160 billion and account for nearly half of all current assets of business corporations.

Little information is available, except indirectly, on the composition of this large aggregate of financial wealth. The amount that represents funds due from the U.S. Government is known; it is relatively small and has increased less than $1 billion since 1953. The amount that represents credit extended to consumers is estimated from the Federal Reserve consumer credit statistics. (Several methods may be used; one that assigns to the nonfinancial corporate sector all consumer credit held by sales finance companies, consumer finance companies, and department stores, one-half of that held by other retail businesses, and one-third of service credit gives an aggregate that has increased roughly $15 billion over the decade.) The remainder is taken to represent trade credit extended to other businesses, but there is no assurance that this residual, which has grown $80 billion since 1952, is a valid measure of this type of credit.

A parallel situation exists with respect to the other side of the customer financing process: trade credit obtained by businesses from their suppliers, which is reported as part of "notes and accounts payable." This item has also grown rapidly and, for nonfinancial corporations, now accounts for two-thirds of total current liabilities. Little information is available on its composition, except for advances and prepayments from the U.S. Government and an estimate of the short-term bank loan component. Funds borrowed through issuance of open-market paper, as measured by the Federal Reserve series, are assumed to be included, and the residual is taken to be trade debt owed to business suppliers. Then, the difference between these two questionable residuals is taken as the measure of net trade credit extended to businesses other than nonfinancial corporations.

The foregoing steps represent a most unsatisfactory method for determining the composition of such large items as accounts receivable and accounts payable, let alone for calculating net amounts of trade credit extended from one business sector to another. With respect to the latter, there is no basis for assuming that errors in the trade receivables residual are so nearly matched, numerically, by errors in the trade payables residual as to produce a reasonably accurate net figure.

One basic difficulty is that we do not know enough about what kinds of transactions, other than the obvious ones, are typically reported as part of total receivables and total payables. A second one is that we do not know how adequately we are measuring the change in, let alone the level of, corporate holdings of consumer credit. Third, there is no way to measure the influence on the figures of "float" (that part of net trade receivables that arises because a given trade credit transaction is on the books longer as a receivable than as a payable). If good benchmark data were available, for *both* corporate and noncorporate business, on the gross amount (i.e., before deducting loss and other valuation reserves) of trade credit extended to other businesses and on the amount of trade debt owed to other businesses, the net figure for the entire business sector would be zero, except for float.

Ideally, a great deal of detail should be collected on receivables and payables. A distribution of receivables by maturity would provide data for assessing the liquidity content and measuring the turnover of this major financial asset. A sectoral breakdown that went beyond the broad categories of Government, households, and business (e.g., one that presented business receivables by industry and size of the supplier cross-classified by industry and size of the customer) would permit useful studies of the anatomy of trade credit as well as of the sensitivity of this important financing arrangement to economic and financial conditions. Efforts to collect this degree of detail, however, seem beyond the scope of an overall inventory of national wealth.

Bonds, notes, mortgages

In view of the magnitude of business debt, the variety of forms in which it is incurred, and the shifts that have been taking place with respect to the sources from which it is obtained, a minimum presentation of business liabilities would seem to require a breakdown of total interest-bearing debt which provided some classification according to original and/or present maturity, by some classification according to type (e.g., mortgage, term loan, bond), by some classification according to lender (bank, insurance company, open market). A comparable distribution of these instruments, when they appear as assets of lenders, would cross-classify them by maturity, type, and borrower (e.g., corporation, other business, individual).

Distributions such as these are needed just to describe the complex structure of our credit and capital markets and the nature of financial claims. Analysts also need them for studies involving debt burdens within different sectors, for evaluating the liquidity of borrowers and lenders, and for estimating actual and prospective flows of funds. Many of the data cells cannot be filled, however, even on a benchmark basis, except by patchwork and heroic assumption.

Corporations filing balance sheets with form 1120 are asked for only two categories of borrowed funds: (1) Mortgages, notes, and bonds payable in less than 1 year; and (2) mortgages, notes, and bonds payable in 1 year or more. The FTC–SEC quarterly financial report (manufacturing corporations only) separates bank loans from other types of borrowing and, by also separating for each of these two categories the amount of long-term loans falling due within 1 year, permits the user of the data to classify debt according either to original or to current maturity.

Some information on business debt, by type, can be obtained or estimated from balance sheet data compiled for lenders, but neither the present coverage of lenders, nor the detail by borrower that is available, permits more than a rough approximation of some of the categories desired. For example, the only figures for mortgage debt of businesses are those, estimated from reports of lenders, for outstanding mortgage debt on multifamily, commercial, and other business-type *properties*. An arbitrary proportion of the estimated total of all mortgages on such properties is taken as the mortgage debt owed by the corporate sector.

Foreign claims

Presently available data cannot be used to develop statistics on business financial wealth that will exclude all foreign claims, nor alternatively that will include net foreign claims on any specified consistent basis. In almost all cases, existing aggregates of business balance sheet accounts neither segregate foreign claims nor adjust the underlying statements to a standardized treatment of such claims.

Individual corporation reports to stockholders generally indicate the basis used to account for claims in foreign subsidiaries, and sometimes segregate or footnote the amounts included for claims of the domestic parent on foreign entities other than subsidiaries. Accounting treatment in such reports varies from company to company and, within companies, from country to country. There is more consistency in reports filed with IRS since foreign subsidiaries cannot be consolidated with the income tax returns of the U.S. parent corporation, with the exception of certain Mexican and Canadian subsidiaries.

CLASSIFICATION BY HOLDERS AND ISSUERS

A major use of data on financial wealth is to measure flows between those who supply funds and those who use them. In the process of compiling financial claim statistics on a from-whom-to-whom basis, a great many cells need to be filled—and filled with as reliable data as can be obtained. At present, too many of these cells are of necessity filled with data that are at best approximations and that may be grossly inaccurate.

The principal problem is that in so many cases the only way to develop a desired matrix is to treat holder and issuer data as interchangeable. For a particular type of wealth, some data may be available for holders, some may be available for the issuers, and the various pieces of partial data have to be transformed into a complete from-whom-to-whom matrix through a combination of simple arithmetic, arbitrary allocation, and "judgment." Thus, bank loans of unincorporated businesses are usually derived by subtracting the amount of bank loans that corporations are estimated to owe from the total business loans that banks report they hold; term loans by banks are usually estimated from data available for manufacturing corporate borrowers; time deposits held by corporations are derived from data on bank liabilities.

But holder and issuer data are not this interchangeable. More often than not, lender and borrower (holder and issuer) financial statements will record the same transaction differently. Many factors can contribute to such differences: "float"; differences in the basis of valuation; differences in the statement date; etc. Major errors can result from imputing borrower figures from lender reports (or vice versa), especially when the spread between available borrower statistics and available lender statistics is assigned to a residual, nonreporting group (like "noncorporate business" or "individuals and all other").

The existence of differences between the way data are reported by holders and by issuers is one of the reasons for needing complete balance sheets, and for attempting to collect such balance sheets for all subsectors of the business universe—with enough detail on assets and debts so that all information desired for suppliers of funds is obtained directly from them, and similarly for users of funds. The attempt cannot be expected to be wholly successful. Some imputations will probably always be necessary, as a last resort, but their number can undoubtedly be greatly reduced.

CLASSIFICATION BY INDUSTRY

Classification of business concerns by industry is difficult at best, given the amount of diversification that exists, especially among larger corporations. This need not preclude the tabulation of business data by as much industrial detail as seems meaningful but it does suggest the advisability of tailoring the amount of detail provided to the kind of statistics being tabulated.

Most statistical series that present data by industrial groupings provide very little detail under the broad heading of "Finance." For most purposes other than the measurement of financial wealth, this is quite apropriate. For purposes of a financial wealth inventory, however, especially for benchmarks designed both to spell out the distribution of financial claims and to facilitate the use of bits and pieces to carry forward the benchmark data, a specialized industrial classification is needed. Conversely, some major industries that are customarily shown in considerable detail because of the size of their sales, employment, or holdings of tangible assets, are relatively unimportant and/or homogeneous with respect to their holdings of financial assets and fine industry classifications are probably not needed.

V. Recommendations of the Working Group

The working group was confident that an inventory of financial claims could feasibly and very usefully be collected for almost all of the nonfarm business sector. However, collection techniques and other characteristics of such an inventory would need to differ from those developed for other parts of a national wealth inventory. This means that an inventory of business financial wealth could best be taken independently of an inventory of business real wealth and also independently of an inventory of financial wealth of other sectors.

The group recognized two major exceptions to this generalization. These will be noted at the start, since they were in a sense set apart and the bulk of the group's recommendations relate less directly to them than to the rest of the sector.

The working group tried to be as specific as possible in formulaing its recommendations. At the same time, the group was very conscious throughout its discussions of the major shifts in business borrowing and investing practices, and therefore in the composition of business financial wealth, that have taken place over the last decade. The group's recommendations reflect its views as to the kinds of information that it would be most meaningful to collect as of now. In all probability, however, some changes in the detailed recommendations will have become appropriate by 5 years from now.

SPECIAL HANDLING OF TWO SUBSECTORS

For sole proprietorships, and for certain tax-exempt organizations in the service division, the working group recommended that an inventory of financial claims be taken in conjunction with other parts of

38-135—64——54

a national wealth inventory, rather than independently of the rest of the inventory.

This recommendation was made for what the group considered compelling practical considerations. It did not reflect any downgrading of the importance of these two subsectors. Quite the contrary, in fact. The group believed that considerable effort should be made to develop wealth data for each of them. At present, because of the absence of such data, they are generally included as part of a complex of residuals, errors, and omissions.

Sole proprietorships

One of the more overwhelming problems involved in collecting financial wealth data for sole proprietorships is to distinguish between the business and the personal accounts of the owners of such businesses. The working group concluded that the most feasible way to separate the personal and business components of financial wealth of sole proprietorships would be to count all assets and debts as personal except for those that are clearly indentifiable as business accounts (e.g., receivables from customers) and except for some proportion of commingled bank deposits. It also agreed that a sole proprietor ought to be canvassed just once, for both his household and his business wealth.

Accordingly, the group recommended that, for data collecting purposes, sole proprietorships be considered as part of the household sector rather than as part of the business sector. The working group assumed, however, that the inventory of business assets and debts of sole proprietorships would be developed so as to be compatible with that of corporations and partnerships.

Selected industries

For some types of organizations that fall in the nonfarm business sector as defined, reliable information is not presently available for either tangibles or intangibles. This is particularly the case with most tax-exempt groups, including those that report neither to IRS nor to any other public or private agency as well as almost all of those that report to IRS.

The working group decided that, for all industries where both tangible and financial data must be collected "from scratch," whatever vehicle was developed for collecting data on tangible assets should also be used to collect data on financial wealth at the same time. Here also, the group assumed that the statistics so collected could validly be combined with those for other parts of the business universe. For tax-exempt groups that are supposed to report to IRS, it might be possible to use the tax return or a supplemental one-time schedule as a primary source of financial data.

GENERAL CHARACTERISTICS OF AN INVENTORY OF BUSINESS FINANCIAL WEALTH

Collecting agent

Wherever possible, an inventory should be taken by expanding or revising existing collection procedures rather than by setting up entirely new procedures or by assigning responsibility to a different agent than the one already collecting balance sheet data for the particular part of the business sector. This recommendation is discussed in more detail in a later section of this report.

Classification of business units

For data on financial claims, the business unit would have to be the company rather than the establishment.

In tabulations of these data, businesses should be classified by industry. Detailed recommendations with respect to industry classification are presented in a later section.

The working group did not take up the question of classifying businesses also according to their size. Some such classification would undoubtedly be wanted for many types of analysis, but the size criterion would presumably be total assets or some other measure derived from the balance sheet, and selection of one or more specific classification systems could appropriately be left to those compiling the inventory.

In view of the importance of large, nationwide corporations in the aggregate of business financial claims, classification of businesses by geographic location would not be feasible.

Information to be collected

Data should be collected in the form of a complete balance sheet, including liabilities and equity as well as assets, and including broad totals for tangible assets in addition to detailed categories of financial assets. Two major needs, which an inventory should be designed to meet, are for data to permit analysis of liquidity and rates of return, and for data to facilitates derivation of current estimates (especially in nonmanufacturing industries); meeting these needs requires a complete balance sheet, not just selected statistics on financial assets. While detailed information on tangible assets can be obtained more directly by surveying establishments, broad aggregates of real assets, obtained on the same company-unit, balance-sheet basis as the data collected for other assets, are not only necessary for computation of net worth but could also provide a helpful tie-in to the detailed data for real assets. To facilitate this tie-in, the group recommended that consideration be given to coding establishments not only according to their own industry grouping but also according to the group in which the parent company falls.

In order to provide benchmark measures of flows as well as of stocks, data should be collected for both the beginning and the end of the survey year.

The classification of financial assets and debts should be sufficiently detailed to segregate significant types of claims and to permit cross-classifications of assets and debts by sector (though not by indutry of holder and issuer within the business sector).

The unique terminology and balance sheet presentation customary in different industries should be recognized in taking an inventory. While a standard set of stub lines should be provided for the use of those compiling the final inventory statistics, this should be adapted—for the actual collection process—to the format to which respondents are accustomed. Thus the schedule sent to manufacturers would look quite different from that sent to life insurance companies but both would be reconcilable to the same standard form. The working group felt that this procedure would not only make reporting easier for businesses, but would also provide greater consistency in the final classification of accounts because the collecting agency, rather than each respondent, would make the translation from the special to the uniform stub. In line with this recommendation, the group developed a proposed stub for nonfinancial businesses, a sort of checklist stub for financial institutions and several variants of the latter for commercial and mutual savings banks, life insurance companies, and fire and casualty insurance companies. These are included with this report as exhibits D–G and are discussed in some detail in a later section.

Problems of valuation and nonstandardized accounting

Use of existing collection channels so far as possible, as recommended by the working group, would limit the extent to which standardized reporting could be required. Ways in which reporting would probably vary from business to business are indicated below, together with the group's recommendations for dealing with these inconsistencies.

Valuation.—Businesses would have to be permitted to report all items on a book-value basis. But they should be requested (*a*) to specify the basis of valuation, where appropriate, and (*b*) also to enter in a separate column the current market value of each type of marketable security they hold.

The group's recommendations provided for collection of only the book value of stockholders' equity. The members reached no consensus on a meaningful alternative valuation. Some felt that the difference between the market value of assets and the face value of liabilities was meaningful; others preferred the market's valuation of a public corporation's equities, and some approximation of this for closely held corporations and partnerships.

As a general principle, it would seem desirable to request a business to supply the information that only it could provide, and not to request information that the collecting agency could supply. Thus, with respect to other than book values, the business could best provide the market value of certain classes of assets it held; if the collecting agency were to calculate these, the business would have to report its security holdings by issue rather than by class. On the other hand, the collecting or processing agency could calculate the market value of a corporation's publicly traded bonds and stocks, develop methods for estimating market values for other business debts and equities, and, by doing the job itself, provide more consistent and meaningful figures—especially with respect to equities—than would be likely if these valuations were provided by each business.

Basis of consolidation.—Businesses would probably have to be permitted to consolidate their subsidiaries in their reports as they saw fit (or, in most cases, as they found most advantageous for tax purposes). The group would prefer a standardized basis of consolidation—probably at the 50-percent ownership level for domestic subsidiaries, with all foreign subsidiaries accounted for on a nonconsolidated basis—but the members concluded that it would not be feasible to require this. However, over the next few years, the basis of consolidation may tend to become more standardized, now that the Revenue Act of 1964 has both removed the 2-percent addition to the tax rate for companies filing consolidated returns and imposed a penalty rate on companies that file on an extremely nonconsolidated basis in order to escape being subject to surtax.

Foreign claims.—A special problem would exist with respect to the consolidation of foreign subsidiaries. The working group assumed that an inventory of net foreign claims would be taken independently of an inventory of domestic wealth, and that it would not be feasible—nor necessarily desirable—to require domestic businesses to exclude all foreign claims from their accounts. This means that any foreign claims included in reported balance sheets of American businesses would, unless adjusted out, be counted twice in the overall inventory.

The working group recommended that businesses be requested to enter, in additional columns on the schedule, the book and market values of the foreign claims they have included—distinguishing between accounts of foreign subsidiaries and affiliates included in the consolidation, and claims of the domestic company on or to other foreigners (including nonconsolidated subsidiaries). At the least, this additional information would permit computation of nonduplicated totals of domestic and net foreign financial claims. Whether it would also provide data that could be incorporated into the inventory of net foreign claims (as an alternative to collecting this part of the inventory in some other way) would depend on how comprehensive such data might be. Some prior exploratory study of corporate reporting practices would be needed.

Accounting year.—It probably would not be feasible to collect benchmark statistics that were for the same date for all businesses; each business would have to be permitted to provide balance sheet data as of its own fiscal yearend. For practically all partnerships, sole proprietorships, and financial institutions this would be December 31, but many nonfinancial corporations have accounting years that end on some other date. The fact that "Statistics of Income" data for corporations are for varying dates (fiscal years ending July of one year through June of the next year) has created a longstanding problem for analysts who have had to use these data in conjunction with other economic and financial statistics.

It would be most desirable to have benchmark statistics on business financial claims that were as uniform as most other statistics with respect to dating, but it probably would not be feasible to require all corporations—even all large ones—to submit balance sheets as of December 31. The best that could be done—and this would assure only that the dating for the inventory would be no more varied than is presently the case for "Statistics of Income" tabulations—would be to take the inventory for the same tax year for all businesses.

Deferred items.—Another type of inconsistency that may have to be accepted relates to the accounting for installment sales and other deferred credits and charges. Ideally, an inventory designed to complement the national income and product accounts should consistently reflect the same treatment of deferred items as the national accounts. Exploratory work would be needed to determine what kind of reporting instructions, or ex post adjustments, would be most effective for achieving this goal.

Differences in holder and issuer records.—In the absence of arbitrary forcing of the data, national totals for the book and/or market value of a given type of financial wealth are different when the total is compiled from the assets of holders than when it is compiled from the reported debts of issuers. At the national level, the principal sources of difference are probably float and valuation methods.

The working group felt that one of the uses of an inventory could be to provide a rough measure of float, and that float should not be arbitrarily eliminated from the statistics. In part to assist in measuring it, the group recommended reporting procedures designed to reduce the valuation component of the discrepancy between holder and issuer data. Loan assets would be reported gross of bad debt reserves (which would be shown separately, preferably as a liability); security and other valuation reserves, if not shown separately either as a liability or as a deduction from assets, would be reported in a separate column on the schedule.

Recap of columnar arrangement.—In several parts of this section, reference has been made to requesting businesses to provide certain information "in a separate column on the schedule." The working group's recommendations were developed in terms of an inventory reporting form which would have, for each of the two financial statements filed by a firm, a list of balance sheet categories down the left side and nine columns, as follows, across the top:

(1) Value of item as carried on the books of the company, footnoted to indicate method of valuation, and gross of valuation reserve.
(2) Current market value, also gross of valuation reserve.
(3) Valuation reserves.

Foreign claims included (in dollars):
Consolidated foreign subsidiaries, affiliates, or branches:
(4) Book value.
(5) Current market value.
(6) Valuation reserve.
Other:
(7) Book value.
(8) Current market value.
(9) Valuation reserve.

The columns for market value would apply only to holdings of publicly traded securities. The columns for valuation reserves would apply, if at all, only to asset categories. Only the columns for book values would apply to the liability and equity sections of the balance sheet.

COLLECTION PROCEDURES

As noted in the preceding section, the working group felt that an inventory of business financial wealth should be collected so far as possible by utilizing or adapting existing collection procedures.

Business corporations and partnerships

The organization that should be requested to obtain data for the bulk of corporations and partnerships would seem clearly to be the Internal Revenue Service. This agency already collects balance sheet data from almost all taxable corporations, though the statistics are considerably less detailed than the working group recommended for purposes of an inventory. Provision for the greater detail could be made either by adding a supplement to the regular IRS form, or by using a single, special schedule rather than the regular form for the survey year only; the choice should depend on the Service's judgment as to which would be more efficient.

For partnerships, the problem of developing satisfactory collection procedures would be considerably more difficult. Many partnerships do not now file balance sheets with IRS, and there seems no reason for expecting this situation to improve by itself over the next few years. But a special enumeration by some agency other than IRS would require use of what is believed to be the only directory of partnerships extant—that maintained by IRS from form 1065 filings.

The members of the group were unanimous in agreeing that wealth data for business partnerships should be collected by IRS. The procedure that seemed most feasible and effective would be for IRS, under its general powers, to make filing of a balance sheet mandatory for the survey year.

Regulated utilities

Balance sheet data for most of the transportation, communications, and other utility divisions are also collected at present by Federal regulatory commissions. These agencies would be possible vehicles for taking an inventory of financial wealth in these industries, especially if a prime consideration was to lighten the collection burden which IRS was asked to bear.

Banks and insurance companies

The banking agencies and insurance commissioners might be asked to collect a wealth inventory for the institutions they supervise. IRS might prefer not to cover them, since a specialized form would be required which would differ considerably from the information it generally collects. But this alternative would involve other considerations which the working group was not in a position to weigh.

Pension funds

The members of the group agreed that any wealth inventory for pension funds should be taken by the Labor Department, though steps would need to be taken well ahead of time to eliminate the difficulties the Department would face in changing or expanding the reports it now receives.

Labor organizations

The Labor Department should also be responsible for this group. Here again, it is extremely difficult to change the form that is used, so as to obtain greater balance sheet detail. It is possible, however, that discussions with the Department and representatives of the unions might produce a satisfactory arrangement.

College endowment funds

The working group felt that the kind of survey conducted regularly by the Office of Education (HEW) would probably be adequate for an inventory, though it might be desirable to adjust the timing of the survey now scheduled for 1968, add a few additional details to the reporting forms, and expand the coverage by sampling smaller colleges.

Other tax-exempt organizations

The group concluded that data for a wealth inventory would probably have to be collected through special surveys.

INDUSTRIAL CLASSIFICATION

The recommendations of the working group are based on the 1957 Standard Industrial Classification, and will need to be reviewed in the context of the new enterprise classification when this reaches final form.

General principles

The skewed distribution of financial asset holdings requires a specialized industrial classification that differs, not in its major categories but in its degrees of detail, from the classifications appropriate for holdings of tangible assets, or from those used for other kinds of business statistics collected by the U.S. Government. In most cases, industrial groupings need to be broader for company figures on financial claims than for establishment statistics on real assets. At the same time there are some groups, especially within finance, where a four-digit classification is more appropriate for intangibles than for tangibles.

Classifications should provide meaningful categories separately for general purposes and for special analyses. The recommended general-purpose breakdowns are shown in exhibit C. The special-purpose categories would be provided by expanding the general-purpose classification to separate the components of combined groupings and to add one more digit to the two- and three-digit codes.

Classification should proceed from left to right in the SIC coding system, not vice versa. That is, in classifying individual corporations and partnerships, the general-purpose code should govern, and should be assigned first. Then, within the general-purpose category, more detail would be added for special uses. The alternative—to classify only according to the most detailed codes which are wanted and to derive broader categories from these—occasionally results in the misclassification of multiproduct companies, at the broader level.

For the general-purpose classification, it should be possible to assign specific codes to most businesses, with minimum last-resort use of "n.e.c." categories. As the classification system becomes more detailed, of course, problems of coding multiproduct businesses become more numerous and more difficult. The special-purpose classifications will be most useful if they are as "clean" as possible. For this reason, the greater detail should be added only where it is meaningful, i.e., in coding individual businesses, liberal use should be made of "n.e.c." or its equivalent, with more precise coding reserved for cases that are clear cut.

The working group felt that, in most nonfinancial industries and for more purposes, coding at the two-digit SIC level would provide as much industrial detail as was either necessary or appropriate for company data on financial claims. However, it strongly recommended three- and four-digit coding for the finance and insurance group. The classifications for this group, as well as other exceptions to two-digit coding are discussed in the paragraphs that follow.

Mining, construction, transportation, retail trade, and services

In each of these groupings, the working group felt that a full two-digit SIC breakdown would provide more industrial detail than necessary, and it recommended that some two-digit codes be combined.

Financial claims of businesses in these subgroups do not appear to be very large or to have any unique characteristics that need to be highlighted. For example, there seems no reason to show anthracite (SIC group 11) and bituminous (SIC 12) coal mining separately, or to provide for any subgroups under contract construction (SIC 15, 16, 17).

In transportation, railroads should be shown separately—not just because this is customary, but because of their relatively large holdings of temporary cash investments and because of their distinctive methods of financing acquisition of tangible assets. The only other subgroup that seemed worth segregating was transportation by air. The group decided that all other classes of transportation—water, motor freight, local transit, pipeline—should be combined for the general-purpose classification.

In retail trade, the group recommended segregating general merchandise (SIC 53) and food (SIC 54) but combining all other subgroups. An alternative would have been to segregate the major mail-order houses and nationwide chains, regardless of their line of business, and in this way to isolate the principal retail trade holders of financial assets.

In addition to suggesting that several two-digit SIC service industries be combined with others, the group recommended the establishment of a new group which would comprise businesses engaged in any kind of leasing other than real estate. At present, leasing companies are classified according to the kind of product in which they specialize. But several developments—the growth of leasing in general, the tendency for leasing firms to handle a variety of products, and the increasing interest in knowing more about the financial structure of such companies—make the present method of classifying them unsatisfactory even now. The group felt that the need for this new industry group would be even more obvious by the end of the decade.

Manufacturing

There are two SIC groupings in manufacturing—primary metals (SIC 33) and transportation equipment (SIC 37)—for which classification at the two-digit level is clearly inadequate for purposes of a financial wealth inventory. Producers of primary iron and steel products should be isolated from the first and manufacturers of motor vehicles and equipment from the second. The group also recommended that aircraft and aircraft parts manufacturers be shown separately, largely because of the importance, in their accounts, of their financing arrangements with the Federal Government.

Communications and utilities

The two-digit SIC code is also inadequate for communication companies, but the group felt that splitting communication into just two parts—telephone and all other—would be sufficient.

With respect to utilities, the group felt that a single two-digit code was probably inadequate but that the present three-digit codes are not particularly useful because they classify too many companies as "combination" companies. It recommended that companies be classed as electric utilities if 50 percent or more of their revenues is from this source, and similarly with gas utilities. This is the definition used by SEC in its statistical series. The present three-digit SIC codes classify a utility as a "combination" company unless 95 percent of its revenues comes from a single source.

Real estate

Most of the members of the Working Group on Financial Claims initially felt that industrial classification of real estate firms did not need to go beyond the single two-digit SIC code (group 65). However, after consultation with a representative of the Finance, Insurance, and Real Estate Working Group, the general purpose classification was expanded to provide five subcategories at the three- or four-digit level.

Finance

The vast bulk of all financial claims in this country flow through the lending and investing institutions that comprise the seven two-digit SIC codes of finance (groups 60–64, 66, 67). The classification recommended by the working group distinguishes 19 different categories under finance.

Most of the 19 were singled out because of their unique characteristics either with respect to the kind of funds that flow to them or with respect to the kind of claims they hold, or both. Some were singled out because they are shown separately in current series and benchmarks are needed to back up the current statistics. Some were singled out because they would probably be handled separately in the actual collection or processing of the inventory and are large enough to be kept separate, even in tabulations by general purpose industrial groupings.

For one or more of the above reasons, the classification recommended by the working group provides for: two groups of banking institutions—commercial banks and trust companies, separate from mutual savings banks; savings and loan associations as a separate group; three categories of consumer credit agencies—credit unions, sales finance companies, consumer finance companies; two classes of specialized business financing agencies—mortgage companies, separate from commercial finance and factoring companies; two categories of brokers and dealers—those handling securities and those handling commodities; three divisions of insurance—life, fraternal, and other; a separate group for private noninsured pension funds; open-end management investment companies separate from other investment companies; and in the hope that some way can be found to collect comprehensive data carrying meaningful valuations, an entirely new group for personal trusts.

Except for the insurance, pension fund, and personal trust groups, each of the subgroups listed above (and two additional miscellaneous groups) are identical with an SIC group, or combination of groups, at the two-, three-, or four-digit level.

ASSET AND LIABILITY BREAKDOWNS

The balance sheet stub lines recommended by the working group were designed to: Take account of the unique financial structures of some subsectors; provide the same kind of detail when an instrument appears as an asset and when it appears as a liability; permit classification of wealth by sector of holder and by type and maturity of instrument, cross classified by sector of issuer; and minimize the size of "all other" categories.

Nonfinancial corporations and partnerships

The balance sheet stub recommended by the working group for collecting financial wealth of nonfinancial corporations and partnerships is shown in exhibit D. The major categories of assets and liabilities are quite similar to those used for the FTC–SEC quarterly financial report (exhibit B), but additional detail has been provided.

Tangible assets.—The reasons for including tangibles, in a stub designed to measure intangibles, have already been indicated and will not be repeated here. The amount of detail recommended for fixed assets is the same as that collected regularly by IRS (exhibit A).

Cash and deposits.—The working group recommended that currency be collected separately, not because it is believed to have any great economic significance but in order to obtain a "clean" figure for deposits in financial institutions. The categories shown for deposits are those that seem meaningful at present. They might need to be revised for an inventory taken several years from now, to reflect changes that cannot be foreseen—say, a marked decline in the importance of certificates of deposit and/or a substantial shift of time deposits to institutions other than commercial banks.

Government securities.—The breakdowns recommended by the working group would separate central government from agency issues and, for each, securities maturing in 1 year or less from those with later maturities. The stub lines are worded so as to cover both U.S. and any foreign issues included; the latter would be segregated in the additional columns described previously.

Other short-term securities.—The categories provided are those that are believed to be significant at present. Holdings of finance company paper would be combined with other commercial paper; an alternative would be to show the two types separately as is customary in the current series on outstandings.

Notes and accounts receivable.—The working group recommended separating these, first as between current and noncurrent accounts, then according to the sector to which the credit was granted. An exception is the consumer sector; in line with usual reporting practice, all credit advanced to consumers by nonfinancial business would be classified as current. A major reason for recommending that receivables be classified by sector is to permit calculation of more reliable figures for net trade credit.

Prepaid insurance premiums.—This item appears to be the most common large component of "other" current assets as usually compiled.

Categories of noncurrent assets.—In most published statistics, all noncurrent assets other than property, plant, and equipment are generally combined. The working group recommended that this complex of accounts be split up to isolate investment in nonconsolidated subsidiaries, holdings of long-term securities, noncurrent accounts receivable, deferred charges, and goodwill. A memorandum item would also be provided for equity in nonconsolidated subsidiaries and affiliates, to take care of cases where the value carried on the books was partial or artificial.

The long-term securities category would be divided along rather broad lines. Thus holdings of long-term corporate securities would be separated only into bonds and stocks; a more detailed breakdown which would isolate publicly traded securities, to which meaningful market values could be assigned, might be desirable. Also, corporate holdings of mortgages would be included in an "all other" category; perhaps they should be shown separately.

Liabilities.—The liability categories recommended by the working group were designed to: Provide three maturity classes for debt (though the group doubted that these would provide as much information as analysts would want); separate contractual debts to banks and to other lenders from trade debt owed to the Government and to trade suppliers; divide up the usual "other" current liabilities category into what were believed to be its major components; and provide enough detail on long-term debt to make these borrowings data comparable, at least conceptually, with data to be collected for lenders.

Stockholders' equity.—The working group recommended collecting only very broad categories of stockholders' equity. Surplus reserves would be shown separately, both to assure their exclusion from liability accounts and to permit the user to net them against assets if he wishes. Capital and earned surplus would not be separated from common stock.

Financial institutions and intermediaries

The stub lines recommended for financial institutions were designed to recognize the unique liability accounts that occur in finance, and to provide the kind of detail on financial assets of lending institutions that the group felt should be collected if at all possible. These proposed stub lines (excluding tangibles, which would also be collected) are listed in exhibit E. In the remaining exhibits, these stub lines have been arranged so as to illustrate their relationship to the asset and liability items presently supplied by banks, in the call report, and by life insurance and fire and casualty insurance companies, in commissioners' annual statements. Similar illustrative exhibits could be prepared for savings and loan associations, pension funds, securities brokers and dealers, etc.

Assets.—The working group felt strongly that a reliable matrix of financial claims would require a considerable improvement in the classification of loans made: to show type of loan, by type of borrower—e.g., government, corporate, partnership—by broad maturity class.

The recommended breakdown by type of loan is similar to that recommended for nonfinancial industries. It is less detailed than many lenders are accustomed to reporting, and does not call for some classifications that analysts might want. For example, no classification of residential mortgages by number of units in the property (e.g., 1- to 4-family, multifamily; or single family, 2- to 4-family, multifamily) is provided, partly because the group was unable to determine what classification would be preferred and partly because it gave higher priority to a classification by debtor group.

The further break by type of borrower is quite broad and does not require industrial detail. However, it does call for classification of business borrowers by legal form of organization.

The final division, by maturity, provides for just three classes—short term (including demand notes), current maturities on long term, other long term. It will be noted that all three maturity classes are listed under several types of loan usually thought of as long term only; this is because these types are also issued as demand notes and/or in serial form with some short maturities. No maturity distribution has been provided for any type of open-market paper, since all such paper now outstanding appears to have been issued with a maturity of 1 year or less.

The working group recognized that loan information classified according to the breakdowns it recommended could not be collected at present, as it is not available in lenders' records. Most members of the group were not convinced that it could never be collected. However, one or two members felt that the loan details recommended would be very difficult for lenders to develop, were not compatible with present automated recordkeeping procedures, and hence would be inordinately costly and time consuming for lenders to report. The group recommended that banks and other lenders be advised, a year or more in advance, of what information would be required for an inventory, that pilot tests be conducted to determine whether the problems of collecting comprehensive data on loans by sector are in fact insurmountable, and that, if necessary, the detailed information be collected only on a sample basis.

Liabilities and stockholders' equity.—The liability and equity accounts would of course vary considerably among groups of financial institutions. For the most part they would be identical with current reporting practices. Some additional detail would be required, however, primarily to build out the sectoral cross-classifications and to provide presently unavailable information on valuation reserves. Some of the additional details on sector balances, or techniques for obtaining them, may be more readily available several years from now than they are at present.

EXHIBIT A

BALANCE SHEET STUB: FORM 1120. STATISTICS OF INCOME—1963, U.S. CORPORATION INCOME TAX RETURNS

ASSETS

Cash.
Notes and accounts receivable.
  Less: Reserve for bad debts.
Inventories.
Investments in Government obligations.
Other current assets.
Loans to stockholders.
Other investments.
Buildings and other fixed depreciable assets.
  Less: Accumulated amortization and depreciation.
Depletable assets.
  Less: Accumulated depletion.
Land (net of any amortization).
Intangible assets (amortizable only).
  Less: Accumulated amortization.
Other assets.
    Total assets.

LIABILITIES AND CAPITAL

Accounts payable.
Mortgages, notes, and bonds payable in less than 1 year.
Other current liabilities.
Loans from stockholders.
Mortgages, notes, and bonds payable in 1 year or more.
Other liabilities.
Capital stock: Preferred.
Capital stock: Common.
Paid-in or capital surplus.
Surplus reserve.
Earned surplus and undivided profits.
    Total liabilities and capital.

Exhibit B

Balance Sheet Stub: Quarterly Financial Report for Manufacturing Corporations

ASSETS

Cash on hand and in bank.
U.S. Government securities, including Treasury savings notes.
    Total cash and U.S. Government securities.
Receivables from U.S. Government, excluding tax credits.
Other notes and accounts receivable (net).
    Total receivables.
Inventories.
Other current assets.
    Total current assets.
Property, plant, and equipment.
  Deduct: Reserve for depreciation and depletion.
  Total property, plant, and equipment (net).
Other noncurrent assets.
    Total assets.

LIABILITIES AND STOCKHOLDERS' EQUITY

Short-term loans from banks (original maturity of 1 year or less).
Advances and prepayments by U.S. Government.
Trade accounts and notes payable.
Federal income taxes accrued.
Installments, due in 1 year or less, on long-term debt:
  Loans from banks.
  Other long-term debt.
Other current liabilities.
    Total current liabilities.
Long-term debt due in more than 1 year:
  Loans from banks.
  Other long-term debt.
Other noncurrent liabilities.
    Total liabilities.
Reserves not reflected elsewhere.
Capital stock, capital surplus, and minority interest.
Earned surplus and surplus reserves.
    Total stockholders' equity.
    Total liabilities and stockholders' equity.

Exhibit C

Proposed Industrial Classification

Industry	*1957 SIC code*
Mining:	
Metal mining	10.
Coal mining	11, 12.
Petroleum and natural gas	13.
Other mining	14.
Construction	15–17.
Manufacturing:	
Food and kindred products	20.
Tobacco manufactures	21.
Textile mill products	22.
Apparel and other finished products	23.
Lumber and wood products, except furniture	24.
Furniture and fixtures	25.
Paper and allied products	26.
Printing and publishing	27.
Chemicals and allied products	28.
Petroleum refining and related industries	29.
Rubber and miscellaneous plastics products	30.

Industry	*1957 SIC code*
Leather and leather products	31.
Stone, clay, and glass products	32.
Primary iron and steel	331, 332, 3391.
Primary nonferrous and primary metal ind., not elsewhere classified	333–336, 3392, 3399.
Fabricated metal products	34.
Machinery, except electrical	35.
Electrical machinery	36.
Motor vehicles and equipment	371.
Aircraft and parts	372.
All other transportation equipment	373–379.
Instruments and related products	38.
Ordnance and miscellaneous manufacturing	19. 39.
Transportation:	
Railroad	40.
Air transportation	45.
Other transportation	41, 42, 44, 46, 47.
Communication:	
Telephone	481.
Other communication	482, 483, 489.
Utilities:	
Electric companies and systems (50 percent or more)	(491, pt. 493).[1]
Gas companies and systems (50 percent or more)	(492, pt. 493).[1]
Other utilities	(Rest 493, 494–497).[1]
Wholesale trade	50.
Retail trade:	
General merchandise	53.
Food	54.
All other	52, 55–59.
Real estate:	
Operators of residential properties	6513, 6514.
Operators of commercial and industrial properties	6512.
Other operators, including lessors	6515–19.
Subdividers, developers, and operative builders	655, 656.
All other	653, 654.
Finance:	
Commercial banks and trust companies	602, 604.
Mutual savings banks	603.
Savings and loan associations	612.
Credit unions	6142, 6143.
Consumer finance companies	6145.
Sales finance companies	6146.
Mortgage companies	6152.
Commercial finance companies and factors	6153.
Miscellaneous credit agencies	611, 613, 6144, 6149, 6159, 616.
Security brokers and dealers	621.
Commodity brokers and dealers	622.
Life insurance companies	(Pt. 631).[1]
Fraternal insurance	(Pt. 6313, pt. 6323).[1]
Other insurance	(Pt. 632, 633, 635, 636, pt. 639).[1]
Management investment companies, open-end	6722.
Other investment companies	6723–6725.
Private noninsured pension funds	(Pt. 639).[1]
Personal trusts	([1]).
All other	605, 623, 628, 64, 66, 671, 673, 679.

See footnote, p. 820.

Industry	*1957 SIC code*
Services:	
Hotels, etc	70.
Personal services	72.
Automobile repair, and miscellaneous repair services	75, 76.
Motion pictures	78.
Amusements, except motion pictures	79.
Medical and educational services	80, 82.
Business and legal services	73, 81.
Leasing companies	([1]).
All other	84, 86, 89.

[1] No equivalent 2-, 3-, or 4-digit SIC code. Figures in parentheses indicate nearest equivalent.

Exhibit D

Proposed Balance Sheet Stub: Nonfinancial Corporations and Partnerships

Assets

Cash and deposits:
- Currency.
- Demand deposits.
- Time deposits:
  - Open account.
  - Certificates of deposit.

Central Government and agency securities:
- Treasury bills.
- Other Treasury securities due in 1 year or less.
- Treasury securities due in more than 1 year.
- Agency securities due in 1 year or less.
- Agency securities due in more than 1 year.

Other short-term securities:
- Finance company paper.
- Commercial paper.
- Bankers' acceptances.
- State, provincial, and local securities due in 1 year or less.
- Other.

Inventories.

Notes and accounts receivable (current):
- From business:
  - Subsidiaries and affiliates.
  - Other businesses.
- From consumers:
  - Installment.
  - Noninstallment.
- From Government.
- From others.

Prepaid insurance premiums.

Other current assets.

Total current assets.

Property, plant, and equipment (net):
- Depreciable assets (gross).
  - Less accumulated depreciation.
- Depletable assets (gross).
  - Less accumulated depletion.
- Land.

Investment in nonconsolidated subsidiaries and affiliates.
Other securities:
    State, provincial, and local securities due in more than 1 year.
    Long-term corporate securities:
        Bonds.
        Stocks.
    Other, including mortgages.
Noncurrent accounts receivable:
    From business:
        Subsidiaries and affiliates.
        Other businesses.
    From others.
Deferred charges.
Goodwill and other intangibles.
Other noncurrent assets.
        Total assets.
    Memo: Equity in nonconsolidated subsidiaries and affiliates.

LIABILITIES

Short-term loans from banks (original maturity 1 year or less).
Advances and prepayments from Government.
Notes and accounts payable to suppliers:
    Subsidiaries and affiliates.
    Other suppliers.
Other short-term borrowings:
    In the open market.
    From finance companies.
    From officers or stockholders.
    From others.
Dividends payable.
Accrued Federal income taxes (excluding reserves for future or deferred taxes, renegotiation, etc.)
Other accruals:
    Accrued payrolls.
    Other.
Installments, due in 1 year or less, on long-term debt:
    Mortgages:
        From commercial banks.
        From others:
            Life insurance companies.
            Other financial institutions.
            Others.
    Term loans from banks.
    Bonds, notes, debentures:
        Publicly offered.
        Privately placed.
    Other long-term loans:
        From financial institutions.
        From officers or stockholders.
        From others.
Other current liabilities.
        Total current liabilities.

38-135—64——55

Long-term debt due in more than 1 year:
- Mortgages:
  - From commercial banks.
  - From others:
    - Life insurance companies.
    - Other financial institutions.
    - Others.
- Term loans from banks.
- Bonds, notes, debentures:
  - Publicly offered.
  - Privately placed.
- Other long-term loans:
  - From financial institutons.
  - From officers or stockholders.
  - From others.

Other noncurrent liabilities.

Total liabilities

EQUITY

Reserves not reflected elsewhere (including reserve for bad debts).
Preferred stock.
Common stock, capital surplus, and earned surplus.
Partners' capital accounts.
Total stockholders' or partners' equity.

Exhibit E

Proposed Balance Sheet Stub: Financial Institutions

(Checklist of categories other than tangible assets)

FINANCIAL ASSETS [1]

Cash and deposits:
- Currency.
- Demand deposits:
  - Cash items in process of collection.
  - Other demand deposits.
- Time deposits in commercial banks:
  - Certificates of deposit.
  - Other time deposits in commerical banks.
- Deposits and savings shares in other private financial institutions.
- Deposits in Federal financial institutions.

Central Government and agency securities and loans:
- Treasury bills.
- Other Treasury securities due in 1 year or less:
  - Marketable.
  - Nonmarketable.
- Treasury securities due in more than 1 year:
  - Marketable.
  - Nonmarketable.
- Agency securities due in 1 year or less.
- Agency securities due in more than 1 year (including stocks).
- Loans to Central Government agencies, due in 1 year or less.
- Loans to Central Government agencies, due in more than 1 year.

State, provinicial, and local securities:
- Original maturity 1 year or less.[2]
- Long-term debt or installments due in 1 year or less.
- Long-term debt due in more than 1 year.

Commercial paper.
Finance company paper.
Bankers' acceptances.

See footnotes, p. 825.

Advances to affiliated companies:
- Original maturity 1 year or less.[2]
- Long-term debt or installments due in 1 year or less.
- Long-term debt due in more than 1 year.

Real estate mortgages:[3]
- Construction loans:
  - Owed by corporations:
    - Original maturity 1 year or less.[2]
    - Long-term debt or installments due in 1 year or less.
    - Long-term debt due in more than 1 year.
  - Owed by partnerships.
    - (Three maturity classes, as above.)
  - Owed by nonbusiness institutions.
    - (Three maturity classes.)
  - Owed by individuals, including sole proprietorships.
    - (Three maturity classes.)
- Other, secured by residential property.
  - (Four debtor groups, by three debt maturity classes, as above.)
- Other, secured by farm property.
  - (Four debtor groups, by three debt maturity classes.)
- Other real estate mortgages.
  - (Four debtor groups, by three debt maturity classes.)

Bonds and debentures:
- Owed by corporations:
  - Privately placed.
    - (Three maturity classes.)
  - Publicly offered.
    - (Three maturity classes.)
- Owed by nonbusiness institutions.
  - (Three maturity classes.)

Policy loans.

Security loans.

Other loans:
- Owed by corporations.
  - (Three maturity classes.)
- Owed by partnerships.
  - (Three maturity classes.)
- Owed by nonbusiness institutions.
  - (Three maturity classes.)
- Owed by individuals, including sole proprietorships:
  - Installment loans:
    - Business loans.
      - (Three maturity classes.)
    - Consumer loans.
      - (Three maturity classes.)
  - Single-payment loans.
    - Business loans.
      - (Three maturity classes.)
    - Other loans.
      - (Three maturity classes.)

Accrued income and other miscellaneous assets:
- Prepaid insurance premiums.
- Interest due and receivable.
- Dividends due and receivable.
- Goodwill and other intangibles.
- Other.

Stocks and other equities:
- Investment (or equity) in nonconsolidated subsidiaries, affiliates, and parents.
- Other equities:
  - Preferred stocks.
  - Common stocks:
    - Rights and warrants.
    - Other.

Total, financial assets.

See footnotes, p. 825.

LIABILITIES AND EQUITY

- Demand deposits:
  - Owed to—
    - Other banks.
    - Nonbank financial institutions.
    - Central governments and agencies.
    - State, provincial, and local governments and agencies.
    - Nonfinancial corporations.
    - Partnerships.
    - Nonbusiness institutions.
    - Trust accounts administered by banks:
      - Pension funds.
      - Other corporate accounts.
      - Personal accounts.
    - Individuals:
      - Business accounts.
      - Other accounts.
- Time and savings deposits and shares:
  - Time certificates of deposit.
  - Other time and savings deposits and shares:
    - Owed to—
      - Other banks.
      - Nonbank financial institutions.
      - Central governments and agencies.
      - State, provincial, and local governments and agencies.
      - Nonfinancial corporations.
      - Partnerships.
      - Nonbusiness institutions.
      - Trust accounts administered by banks:
        - Pension funds.
        - Other corporate accounts.
        - Personal accounts.
      - Individuals:
        - Business accounts.
        - Other accounts.
- Insurance and pension liabilities:
  - Life insurance policy reserves.
  - Pension contract reserves.
  - Accident and health policy reserves and unearned premiums.
  - Other nonlife insurance reserves, unpaid losses, and unearned premiums:
    - Reserves and unpaid losses.
    - Unearned premiums:
      - Paid by corporations.
      - Paid by partnerships.
      - Paid by nonbusiness institutions.
      - Paid by governments.
      - Paid by individuals.
      - Memorandum: Portion of total unearned premiums to—
        - Stockholders' account.
        - Policyholders' account.
- Notes and accounts payable to suppliers.
- Other short-term borrowings:
  - From regulatory authorities.
  - From commercial banks.
  - From finance companies.
  - From affiliated companies.
  - From officers and stockholders.
  - Other open market.
  - From others.
- Accrued expenses:
  - Accrued Federal income taxes (excluding reserves for future or deferred taxes, renegotiation, etc.).
  - Other taxes payable.
  - Interest payable.
  - Commissions due to salesmen or representatives.
  - Other accrued payrolls.
  - Other accrued expenses.

Unamortized premiums:[1]
- U.S. Treasury bonds.
- U.S. agency bonds.
- State and local bonds.
- Corporate bonds.
- Mortgages.

Escrow accounts not included elsewhere.
Long-term debt or installments, due in 1 year or less on—
- Advances from affiliated companies.
- Real estate mortgages.
- Other loans, from banks.
- Other bonds, notes, and debentures.
- Other long-term debt.

Other current liabilities:
- Dividends payable to stockholders.
- Dividends payable to policyholders (if not included in reserves above).
- Dividends payable to depositors.
- Other.

Long-term debt due in more than 1 year:
- Advances from affiliated companies.
- Real estate mortgages.
- Other loans from banks.
- Other bonds, notes, and debentures.
- Other long-term debt.

Other noncurrent liabilities.
Stockholders' equity:
- Reserves not reflected elsewhere:[1]
  - Bad debt reserves.
  - Mandatory security valuation reserve.
  - Other security valuation reserves:
    - Bonds.
    - Loans.
    - Stocks.
  - Reserves for future or deferred taxes, renegotiation, etc.
  - Other reserves.
- Preferred stock.
- Common stock and paid-in surplus.
- Earned surplus.[4]
  - Total, liabilities and equity.

---

[1] Asset items should be reported gross of reserves. The reserves should be entered on credit side of account under "Unamortized premiums" or "Reserves not reflected elsewhere."
[2] Include demand obligations here.
[3] Excluding "loans in process."
[4] Include also "undivided profits," "surplus," "policyholders' surplus" (when not included under "Insurance and pension liabilities" above).

EXHIBIT F

PROPOSED BALANCE SHEET STUB: COMMERCIAL AND MUTUAL SAVINGS BANKS

(Adaptation of exhibit E)

NOTE.—Items presently available from Call Report are shown in italics; totals available, but not presently shown in this form in Call Report schedule, are identified by asterisks. Additional details suggested for wealth inventory are in roman type.

ASSETS

Cash, balances with other banks, and cash collection items:
- *Currency and coin.*
- *Reserve with Federal Reserve banks.*
- *Demand balances with banks in the United States.*
- *Other balances with banks in the United States:*
  - Certificates of deposit.
  - Other balances.
- *Balances with banks in foreign countries:*
  - Demand balances.
  - Time balances.
- *Cash items in process of collection.*

Obligations of the U.S. Government, direct and guaranteed:
- *Treasury bills.*
- *Other Treasury marketable securities due in 1 year or less:**
  - *Treasury certificates of indebtedness.*
  - *Treasury notes maturing in 1 year or less.*
  - *Other bonds maturing in 1 year or less.*
- *Treasury marketable securities due in more than 1 year:**
  - *Treasury notes maturing after 1 year.*
  - *Other bonds maturing in 1 to 5 years.*
  - *Other bonds maturing in 5 to 10 years.*
  - *Other bonds maturing after 10 years.*
- *U.S. nonmarketable bonds:*
  - Savings bonds.
  - Other nonmarketable bonds maturing in 1 year or less.
  - Other nonmarketable bonds maturing after 1 year.
- *Guaranteed obligations:*
  - Maturing in 1 year or less.
  - Maturing after 1 year.

*Other securities:**
- *Obligations of States and subdivisions:*
  - Original maturity 1 year or less.[1]
  - Long-term debt due in 1 year or less.[2]
  - Long-term debt due in more than 1 year.
- *Securities of Federal agencies and corporations.*
  - (Three maturity classes, as above.)
- *Other bonds, notes, and debentures:**
  - Owed by business corporations.
    - (Three maturity classes.)
  - Owed by nonbusiness institutions.
    - (Three maturity classes.)
  - Owed by foreign governments and instrumentalities, and by international institutions.
    - (Three maturity classes.)
- *Federal Reserve bank stock.*
- *Other corporate stocks:**
  - Shares in building and loan associations and credit unions.
  - Preferred stocks:
    - Affiliates' issues.
    - Other preferred stocks.
  - Common stocks:
    - Affiliates' issues.
    - Rights and warrants.
    - Other common stocks.

Loans and discounts:
- *Real estate loans:**
  - *Secured by farmland:*
    - Owed by corporations:
      - Original maturity 1 year or less.[1]
      - Long-term debt due in 1 year or less.[2]
      - Long-term debt due in more than 1 year.
    - Owed by partnerships.[3]
      - (Three maturity classes, as above.)
    - Owed by individuals.[3]
      - (Three maturity classes.)
  - *Secured by residential properties, insured by FHA:*
    - Owed by corporations:
      - Due in 1 year or less.[2]
      - Due in more than 1 year.
    - Owed by partnerships.[3]
      - (Two maturity classes, as above.)
    - Owed by individuals.[3]
      - (Two maturity classes.)
  - *Secured by residential properties, insured or guaranteed by VA.*
    - (Two maturity classes.)

See footnotes, p. 830.

Secured by residential properties, not insured or guaranteed by FHA or VA:

Owed by corporations:

Construction loans:

Original maturity 1 year or less.[1]

Long-term debt due in 1 year or less.[2]

Long-term debt due in more than 1 year.

Other loans on residential properties.

(Three maturity classes, as above.)

Owed by partnerships:[3]

Construction loans.

(Three maturity classes.)

Other loans on residential properties.

(Three maturity classes.)

Owed by individuals:[3]

Construction loans.

(Three maturity classes.)

Other loans on residential properties.

(Three maturity classes.)

Secured by other properties:

Owed by corporations:

Construction loans.

(Three maturity classes.)

Other loans on nonfarm, nonresidential properties.

(Three maturity classes.)

Owed by nonbusiness institutions:

Construction loans.

(Three maturity classes.)

Other loans on nonfarm, nonresidential properties.

(Three maturity classes.)

Owed by partnerships:[3]

Construction loans.

(Three maturity classes.)

Other loans on nonfarm, nonresidential properties.

(Three maturity classes.)

Owed by individuals:[3]

Construction loans.

(Three maturity classes.)

Other loans on nonfarm, nonresidential properties.

(Three maturity classes.)

Loans to domestic commercial and foreign banks:

Advances to affiliated companies.

(Three maturity classes.)

Other loans to domestic, commercial, and foreign banks.

(Three maturity classes.)

Loans to other financial institutions:

Finance company paper.

Other loans to other financial institutions.

(Three maturity classes.)

Loans to brokers and dealers in securities:

Owed by corporations.

(Three maturity classes.)

Owed by partnerships.[3]

(Three maturity classes.)

Owed by individuals.[3]

(Three maturity classes.)

Other loans for purchasing or carrying securities:

Owed by corporations, including investment trusts.

(Three maturity classes.)

Owed by partnerships.[3]

(Three maturity classes.)

Owed by individuals.[3]

(Three maturity classes.)

See footnotes, p. 830.

Loans to farmers directly guaranteed by the CCC.
Other loans to farmers:
Owed by corporations.
(Three maturity classes.)
Owed by partnerships.[3]
(Three maturity classes.)
Owed by individuals.[3]
(Three maturity classes.)
Commercial and industrial loans:
Open-market paper:
Commercial paper.
Bankers' acceptances.
Other commercial and industrial loans:
Owed by corporations.
(Three maturity classes.)
Owed by partnerships.[3]
(Three maturity classes.)
Owed by individuals.[3]
(Three maturity classes.)
Other loans to individuals for personal expenditures:
Passenger automobile installment loans:
Installments due in 1 year or less.
Installments due in more than 1 year.
Other retail consumer installment loans:
Installments due in 1 year or less.
Installments due in more than 1 year.
Residential repair and modernization installment loans.
Installments due in 1 year or less.
Installments due in more than 1 year.
Other installment loans for personal expenditures:
Installments due in 1 year or less.
Installments due in more than 1 year.
Single-payment loans for personal expenditures:
Original maturity 1 year or less.[1]
Long-term debt due in 1 year or less.[2]
Long-term debt due in more than 1 year.
All other loans (including overdrafts):
Overdrafts:
Owed by:
Corporations.
Nonbusiness institutions.
Partnerships.[3]
Individuals.[3]
Loans to Federal Government agencies, n.e.c.
(Three maturity classes.)
Loans to nonbusiness institutions.
(Three maturity classes.)
Bank premises, furniture and fixtures, and other real estate.[*]
Miscellaneous assets:[*]
Customers' liability on acceptances outstanding:
Owed by corporations.
Owed by partnerships.[3]
Owed by individuals.[3]
Securities borrowed.
Income earned or accrued but not collected:
Interest due and receivable.
Dividends due and receivable.
Other income earned but not collected.
Insurance and other expenses prepaid:
Insurance expenses prepaid.
Other expenses prepaid.
Cash items not in process of collection.
All other:
Goodwill and other intangibles.
Other.
Total assets.

See footnotes, p. 830.

LIABILITIES AND CAPITAL ACCOUNTS

- *Business and personal deposits:* *
  - *Individuals, partnerships and corporations—demand:*
    - Trust accounts administered by banks:
      - Pension funds.
      - Other corporate accounts.
      - Personal accounts.
    - Instrumentalities of U.S. Government.
    - Nonbank financial institutions.
    - Other business corporations.
    - Nonbusiness institutions.
    - Partnerships.[8]
    - Individuals:[8]
      - Deposits accumulated for payment of personal loans.
      - Business accounts.
      - Other accounts.
  - *Individuals, partnerships, and corporations—Time:* *
    - *Savings deposits.*
    - *Deposits accumulated for payment of personal loans.*
    - *Other deposits of I., P., & C.:*
      - Time certificates of deposit.
      - Other time deposits of I., P., & C.:
        - Trust accounts administered by banks:
          - Pension funds.
          - Other corporate accounts.
          - Personal accounts.
        - Nonbank financial institutions.
        - Other business corporations.
        - Nonbusiness institutions.
        - Partnerships.[8]
        - Individuals:[8]
          - Business accounts.
          - Other accounts.
  - *Certified and officers checks, etc.:*
    - Nonbank financial institutions.
    - Other business corporations.
    - Nonbusiness institutions.
    - Partnerships.[8]
    - Individuals.[8]
- *Government deposits:* *
  - *U.S. Government—Demand.*
  - *U.S. Government—Time.*
  - *States and subdivisions—Demand.*
  - *States and subdivisions—Time.*
- *Domestic interbank and postal savings deposits:* *
  - *Commercial banks in the United States—Demand:* *
    - Affiliated banks.
    - Others.
  - *Commercial banks in the United States—Time:* *
    - Affiliated banks.
    - Others.
  - *Mutual savings banks in the United States—Demand.*
  - *Mutual savings banks in the United States—Time.*
  - *Postal savings.*
- *Foreign government and bank deposits:* *
  - *Foreign governments, central banks, etc.—Demand.*
  - *Foreign Governments, central banks, etc.—Time.*
  - *Banks in foreign countries—Demand.*
  - *Banks in foreign countries—Time.*

See footnotes, p. 830.

Mortgages on bank premises and on other real estate.
*Miscellaneous liabilities:**
 Rediscounts and other borrowed money:
  Federal Reserve banks.
  Other Federal Government agencies.
  Other banks:
   Affiliated banks.
   Nonaffiliated banks.
  Accounts payable to suppliers.
  Other borrowed money.
 Acceptances outstanding.
 Securities borrowed.
 Dividends declared, but not yet payable.
 Income collected, but not yet earned.
 Expenses accrued and unpaid:
  Accrued Federal income taxes.
  Other taxes payable.
  Interest payable.
  Accrued payrolls.
  Other accrued expenses.
 *All other miscellaneous liabilities.**
  Total liabilities (excluding capital accounts).
Capital accounts:
 Common stock.
 Capital notes and debentures:
  Original maturity 1 year or less.[1]
  Long-term debt due in 1 year or less.[2]
  Long-term debt due in more than 1 year.
 Preferred stock.
 Surplus.
 Undivided profits.
 Reserves.
  Total liabilities and capital accounts.

RESERVES OFFSET AGAINST ASSETS IN CALL REPORT

Reserves for bond premiums:
 Obligations of U.S. Government.
 Obligations of States and subdivisions.
 Securities of Federal agencies and corporations.
 Other bonds, notes, and debentures.
Valuation allowances:
 Obligations of U.S. Government.
 Obligations of States and subdivisions.
 Securities of Federal agencies and corporations.
 Other bonds, notes, and debentures.
 Federal Reserve bank stock.
 Other corporate stocks.
 Loans and discounts.
 Bank premises, furniture and fixtures.
  Total valuation reserves.
  Total capital accounts and valuation reserves.

[1] Include here items due on demand.
[2] Include installments on long-term debt coming due within 1 year, and other debt with original maturity of more than 1 year but coming due within 1 year.
[3] Joint accounts of husbands and wives, or other members of families living together, should be classified as "individual" and not as "partnership."

EXHIBIT G

PROPOSED BALANCE SHEET STUB: INSURANCE CARRIERS

(Adaptation of exhibit E)

NOTE.—Items appearing in Commissioners' annual statement form are shown in italic. Additional details suggested for wealth inventory are in roman type.

ASSETS

Bonds:
- *Governments, including obligations guaranteed by United States:*
  - Treasury bills.
  - Other marketable Treasury securities:
    - Maturing in 1 year or less.
    - Maturing in more than 1 year.
  - Nonmarketable Treasury securities:
    - Maturing in 1 year or less.
    - Maturing in more than 1 year.
  - Guaranteed obligations:
    - Maturing in 1 year or less.
    - Maturing in more than 1 year.
- *States, territories, and possessions:*
  - Original maturity 1 year or less.[1]
  - Long-term debt due in 1 year or less.[2]
  - Long-term debt due in more than 1 year.
- *Political subdivisions of States, territories, and possessions:*
  - Original maturity 1 year or less.[1]
  - Long-term debt due in 1 year or less.[2]
  - Long-term debt due in more than 1 year.
- *Special revenue and special assessment obligations.*
  - (Three maturity classes, as above.)
- *Railroads:*
  - Privately placed.
    - (Three maturity classes.)
  - Publicly issued.
    - (Three maturity classes.)
- *Public utilities:*
  - Privately placed.
    - (Three maturity classes.)
  - Publicly issued.
    - (Three maturity classes.)
- *Industrial and miscellaneous:*
  - Nonguaranteed Government securities.
    - (Three maturity classes.)
  - International agency.
    - (Three maturity classes.)
  - Nonbusiness institutions.
    - (Three maturity classes.)
  - Other industrial and miscellaneous:
    - Privately placed.
      - (Three maturity classes.)
    - Publicly issued.
      - (Three maturity classes.)

See footnotes, p. 835.

Stocks:
- *Railroad:*
  - *Preferred stocks.*
  - *Common stocks:*
    - Rights and warrants.
    - Other.
- *Public utilities:*
  - *Preferred stocks.*
  - *Common stocks:*
    - Rights and warrants.
    - Other.
- *Banks and trust companies:*
  - *Preferred stocks.*
  - *Common stocks:*
    - Rights and warrants.
    - Other.
- *Savings and loan.*
- *Insurance:*
  - Affiliated companies:
    - Preferred stocks.
    - Common stocks.
  - Other insurance:
    - Preferred stocks.
    - Common stocks:
      - Rights and warrants.
      - Other.
- *Industrial and miscellaneous:*
  - *Preferred stocks.*
  - *Common stocks:*
    - Rights and warrants.
    - Other.

Mortgage loans on real estate:
- *Farm mortgages—Purchase money and other:*
  - Owed by corporations:
    - Original maturity 1 year or less.[1]
    - Long-term debt due in 1 year or less.[2]
    - Long-term debt due in more than 1 year.
  - Owed by partnerships.[3]
    - (Three maturity classes, as above.)
  - Owed by individuals.[3]
    - (Three maturity classes.)
- *City mortgages—Insured or guaranteed:*
  - Owed by corporations:
    - Due in 1 year or less.[2]
    - Due in more than 1 year.
  - Owed by partnerships.[3]
    - (Two maturity classes, as above.)
  - Owed by individuals.[3]
    - (Two maturity classes.)
- *City mortgages—Purchase money and all other:*
  - Secured by residential properties:
    - Owed by corporations:
      - Original maturity 1 year or less.[1]
      - Long-term debt due in 1 year or less.[2]
      - Long-term debt due in more than 1 year.
    - Owed by partnerships.[3]
      - (Three maturity classes, as above.)
    - Owed by individuals.[3]
      - (Three maturity classes.)
  - Secured by nonresidential properties:
    - Owed by corporations.
      - (Three maturity classes.)
    - Owed by nonbusiness institutions.
      - (Three maturity classes.)
    - Owed by partnerships.[3]
      - (Three maturity classes.)
    - Owed by individuals.[3]
      - (Three maturity classes.)

See footnotes, p. 835.

Real estate.
Policy loans.
Premium notes.
Collateral loans.
Cash and bank deposits.
  Cash in company's offices or in transit.
  Deposits in banks and trust companies:
    Demand deposits.
    Time deposits in commercial banks:
      Certificates of deposit.
      Other.
    Deposits in other private financial institutions.
Premiums guaranteed under Soldiers' and Sailors' Civil Relief Act.
Advances for housing and other real estate projects.
Escrow funds in banks and trust companies.
Securities held by company for guarantee of performance of contracts.
Amounts recoverable from insurers.
Agents' balances.
Bills receivable:
  Taken for premiums.
  Not taken for premiums.
Funds held by or deposited with ceding reinsurers.
Reinsurance recoverage on loss payments.
Equipment, furniture, and supplies.
Cash advanced to or in hands of officers and agents.
Loans on personal security:
  Original maturity 1 year or less.[1]
  Long-term debt due in 1 year or less.[2]
  Long-term debt due in more than 1 year.
Other receivables.
Miscellaneous:
  Goodwill and other intangibles.
  Other miscellaneous assets.
Interest, dividends, and real estate income due and accrued:
  Interest due and accrued.
  Real estate income due and accrued.
  Dividends due and accrued.
Life insurance premiums deferred and uncollected, etc.
Accident and health premiums due and unpaid.
Net adjustment in assets and liabilities due to foreign exchange rates.
Prepaid real estate taxes.
Accrued commitment fees.
Federal employees group life conversion pool fund.
    Total assets.

LIABILITIES AND CAPITAL—LIFE INSURANCE CARRIERS

Aggregate reserve for life policy reserves:
  Pension funds.
  Other life insurance contracts.
Aggregate reserve for accident and health policies.
Supplementary contracts without life contingencies:
  Pension funds.
  Other life insurance contracts.
Policy and contract claims—Life:
  Due and unpaid:
    Pension funds.
    Other life insurance contracts.
  In course of settlement—Resisted.
  In course of settlement—Other:
    Pension funds.
    Other life insurance contracts.
  Incurred but unreported:
    Pension funds.
    Other life insurance contracts.
  Less: Reinsurance on reported claims.

See footnotes, p. 835.

Policy and contract claims—Accident and health:
Due and unpaid.
In course of settlement.
Incurred but unreported.
Less reinsurance on reported claims.
Policyholders' dividend accumulations:
Pension funds.
Other life insurance contracts.
Accident and health policies.
Policyholders' dividends due and unpaid:
Pension funds.
Other life insurance contracts.
Accident and health policies.
Amount provisionally held for deferred dividend policies not included in item.
Premiums and annuity considerations received in advance:
Pension funds.
Other life insurance contracts.
Accident and health policies.
Liability for premium deposit funds.
Surrender values on cancelled policies.
Commission to agents due or accrued.
General expenses due or accrued:
Salaries and wages.
Other general expenses due or accrued.
Taxes, licenses, and fees due or accrued:
U.S. Federal income tax.
Other taxes, licenses, and fees due or accrued.
*"Cost of collection" * * * in excess of total loading.*
Unearned investment income:
Dividends on stock.
Real estate income.
Interest.
Miscellaneous.
Amounts withheld or retained by company as agent or trustee.
Amounts held for agents' account.
Remittances and items not allocated.
Net adjustment in assets and liabilities due to foreign exchange rates.
Liability for benefits for employees and agents:
Pension funds.
Other life insurance contracts.
Accident and health.
Other liability for benefits for employees and agents.
Borrowed money:
Original maturity 1 year or less.[1]
Long-term debt due in 1 year or less.[2]
Long-term debt due in more than 1 year.
Interest thereon.
Dividends to stockholders declared and unpaid.
Miscellaneous liabilities:
Mandatory security valuation reserve.
Reserve for employee benefit plans:
Pension funds.
Other life insurance contracts.
Accident and health.
Reserve for other employee benefit plans.
Other reserves included in miscellaneous liabilities.
Other miscellaneous liabilities.
Total liabilities except capital.
Special surplus funds.
Capital paid up:
Preferred stock.
Common stock.
Unassigned surplus.
Total capital.
Total liabilities and capital.

See footnotes, p. 835.

LIABILITIES AND CAPITAL—FIRE AND CASUALTY INSURANCE COMPANIES

Losses.
Loss adjustment expense.
Contingent expenses and other similar charges.
Other expenses (excluding taxes, licenses, and fees):
    Claim adjustment services—direct.
    Commission and brokerage—direct.
    Allowances to managers and agents.
    Salaries.
    Directors' fees.
    All other expenses.
Taxes, licenses and fees (excluding Federal and foreign income taxes).
Federal and foreign income taxes.
Borrowed money:
    Original maturity less than 1 year.[1]
    Long-term debt due within 1 year.[2]
    Long-term debt due in more than 1 year.
Interest.
Unearned premiums:
    Accident only.
    Accident and health.
    Hospital and medical expenses.
    Group accident and health.
    Noncancellable accident and health.
    All other unearned premiums:
        Paid by corporations.
        Paid by partnerships.[3]
        Paid by nonbusiness institutions.
        Paid by governments.
        Paid by individuals.[3]
Dividends declared and unpaid—stockholders.
Dividends declared and unpaid—policyholders.
Funds held by company under reinsurance treaties.
Amounts withheld or retained by company for account of others.
Unearned permiums on reinsurance in unauthorized companies.
Reinsurance due from unauthorized companies.
Less funds held or retained by company for account of such unauthorized companies.
Excess of bodily injury liability, etc.
Net adjustments in assets and liabilities due to foreign exchange rate.
Other liabilities.
        Total liabilities.
Special surplus funds:
    Mandatory security valuation reserves.
    Other special surplus funds.
Capital paid up:
    Preferred stock.
    Common stock.
Unassigned funds (surplus).
Surplus as regards policyholders.
        Total liabilities, surplus, and other funds.
Memo: Reinsurance receivable from authorized and unauthorized companies.
    Unlisted assets.

---

[1] Include here items due on demand.
[2] Include installments on long-term debt coming due within 1 year, and other debt with original maturity of more than 1 year but coming due within 1 year.
[3] Joint accounts of husbands and wives, or other members of families living together, should be classified as "individual" and not as "partnership."

O