

BALANCE SHEET OF MALAYSIA

What is Balance Sheet?

A balance sheet is a statement drawn up in respect of a particular point in time, of the values of assets owned and of the liabilities owed by an institutional unit or group of units. A balance sheet may be drawn up for institutional units, institutional sectors and the total economy.

The financial and non-financial resources at the disposal of an institutional unit or sector shown in the balance sheet provide an indicator of economic status. These resources are summarised in the balancing item, net worth.

Net worth is the total value of an institutional unit's or sector's assets minus its outstanding liabilities. This can be expressed as:

Net worth = Assets - Liabilities

The balance sheet completes the sequence of accounts, showing the ultimate result of the entries in the production, distribution and use of income and accumulation accounts.

Objectives:

- Takes stock of the type and value of all financial and non-financial assets and liabilities (debts) of the economy at the beginning and end of the year.
- Identifies the changes in net worth and their sources leading to the "net wealth" of the nation.

Purpose of National Account Balance Sheets

Measure National Wealth:



- Involves recording the total assets (both financial and non-financial) and liabilities held by different sectors of the economy such as households, corporations and the government.
- It provides an estimate of the country's net worth by calculating the difference between total assets and liabilities.

Economic Planning:



Policymakers use balance sheets to make informed decisions about fiscal, monetary and economic policies.

Monitor Financial and Non-Financial Assets:



- Helps assess the financial condition of sectors like households, corporations and the government.
- o Identifies risks such as high debt levels or insufficient savings.

International Comparisons:



 They allow for comparisons between countries, providing insights into relative economic strength, debt sustainability and the efficiency of resource allocation.

Source: System of National Accounts (SNA), 2008







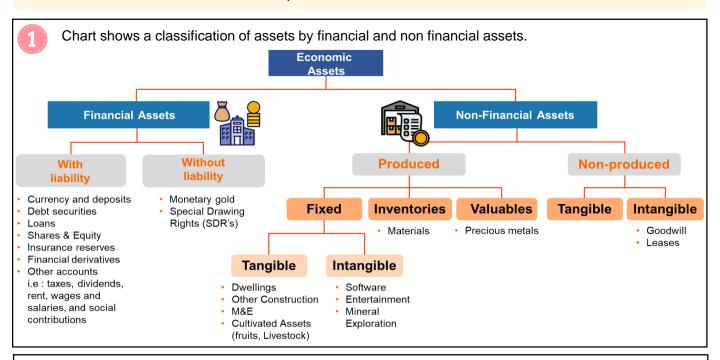






Three (3) Key Ingredients in Compiling Balance Sheet

The essential elements of a national balance sheet are assets, liabilities and net worth by institutional **sectors.** A detailed breakdown of the components are shown below:



There are five institutional sectors based on assets and liabilities in compiling the balance sheet; Non financial corporations, Financial corporations, General government, Households & Non profit institutions serving households and Rest of the world.

NON-FINANCIAL CORPORATIONS (NFC)

The non-financial corporation sector includes all resident corporations whose main activity is the production of goods or the provision of non-financial services for the market.

FINANCIAL CORPORATIONS (FC) The financial corporation

sector includes all resident corporations primarily engaged in financial intermediation or in additional financial activities that are closely related to financial intermediation. This sector includes Bank Negara, other banks, other financial corporations, as well as insurance companies and pension

funds.

Institutional Sectors



GENERAL GOVERNMENT (GG)

The government sector includes all government units that provide non-market government services as well as unincorporated enterprises owned by the government. In Malaysia, the government sector is divided into three subsectors: Federal, state and local government.

HOUSEHOLDS (HH) & NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS

Households consists of all resident households. A household is made up of individuals who share the same living space, pool some or all of their income and wealth, and collectively consume certain types of goods and services. Non-profit institutions where the primary objective is to provide goods and services to households either for free or at a price that is economically insignificant.



REST OF THE WORLD (ROW)

The rest of the world

comprises all non-resident institutional units that conduct transactions with resident units, or have other economic links with resident units.

Net worth = Assets - Liabilities

Net worth is the difference between the value of all financial and non-financial assets and all liabilities at a particular point in time. For this calculation, each asset and each liability is to be identified and valued separately. As the balancing item, net worth is calculated for institutional units and sectors and for the total economy.

Source: SNA 2008, para 13.85







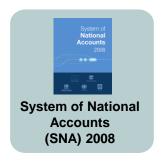






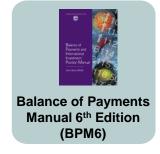


Manuals









The Importance of Balance Sheet Compilation

System of National Account (SNA)

The balance sheet serves as a fundamental framework within the SNA under the Integrated Economic Accounts.

Sequence of Account

The balance sheet is the final part of the Sequence of Accounts that record the values of the stocks of assets and liabilities held by institutional units or sectors at the beginning and end of the period.

✓ Agenda in Working Group on System of National Accounts (WGSNA)

Malaysia is committed to complying with the implementation of balance sheet compilation as part of its agenda in WGSNA.

Balance Sheet Main Framework

