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Chapter 7

Ten Statements of Payments and Balances

The so-called 'statement of funds' is an important technical means of bringing to light underlying financial operations and movements — the ebb and flow of economic forces in terms of major elements and factors — which are not directly revealed in reports of the balance sheet and income sheet type. . . . The basic sources of funds to carry on the financial operations of an enterprise are revenues (including all special incomes and profits), borrowings, and additional proprietary investment. Funds may also be obtained, in a more restricted sense, through reduction of working capital or disposition of plant or other capital assets. Occasionally funds are made available as a result of gifts or other types of 'windfalls'. Similarly the available funds of an enterprise may be utilized in a given period to meet operating costs and taxes, pay interest and dividends, reduce liabilities, retire capital stock, or to expand current or other assets. Funds may also be consumed through sheer losses or — in rare cases — outright donations. W. A. Paton, *Advanced Accounting* (Macmillan, 1941), pp. 678-9.

In Chapter 6 we saw how the information from the fourteen national type of transaction accounts could be rearranged into a moneyflows account for each of the eleven transactor groups. One of these national accounts, the account of money obtained through financing and money advanced or returned to others, we have not yet gone into. Some of its technical features will be easier to understand if we consider first the full statements of payments and balances for various sectors. Part One of the statement is the sector moneyflows account. Part Two is both a partial balance sheet and analysis of the moneyflow through financial channels. It shows the cash balance, trade receivables, other loanfunds receivable, trade payables, and other loanfunds payable. And it relates the amount of money a transactor obtains through financing or advances to others to the changes in these loanfund balances.

Dispositions of money may be made for various objects: to buy services, pay taxes, interest, and 'dividends, reduce liabilities, retire capital stock, . . . expand current or other assets', etc. Sources of money include 'revenues' from sales of goods and services (chiefly receipts from customers), 'borrowings' (or increases in debts), and reductions in current and other assets. In the statement of payments and balances the nonfinancial sources of money — or sources of funds — are ordinary receipts; the financial sources are decreases in loanfunds receivable (assets) and increases in loanfunds payable. And the nonfinancial dispositions of money — uses or applications of funds — are ordinary expenditures; the financial dispositions — or uses — are increases in loanfunds receivable (assets) and decreases in loanfunds payable.

While the statement of payments and balances is not exactly the kind of sources and uses statement Paton had in mind in the above passage, substantially all he says applies to this kind of statement for a business concern. However, it will be best to consider the statements of payments and balances for some of the other sectors before we take up those for industrial corporations and for business proprietors and partnerships et al.

The statement of payments and balances is a variation of the sources and uses statement specially devised to provide measurements of main circuit moneyflows. Though this form may seem somewhat novel to accountants, it is a statement that, in its general outline, is implicit in a good deal of current economic analysis. In giving it an explicit expression we have had to be precise about its specifications. And these specifications in turn serve to give precision to our definition of the main money circuit.

Since economists seem not infrequently to have had in mind something like a statement of payments and balances, and since on their own they developed a statement along these lines for international moneyflows, it would seem they have a genuine need for an accounting report form of this kind. If accountants have failed to produce it the reason is not far to seek. To study moneyflows the economist needs a standardized form of statement, but the tradition of accounting has developed along lines that somewhat closely resemble the process of organic evolution. What started out as a single set of accounting conventions has become differentiated into several species. Today in the United States there are a number of distinct species of general financial accounting conventions in vogue in various sectors of the economy. When we speak of a set of accounting conventions, the species we ordinarily think of is that employed in private industry and trade. A rather different species prevails in the governmental sectors. Distinguishable from both of these is the species that has come into being in the insurance sectors. And there are still others. None of these established species of accounting conventions is fully appropriate to households; in the case of households it is doubtful whether we can say that a full grown set of conventions yet has general currency.

The diversity of accounting conventions has made it necessary, in deciding on the detailed specifications for the form of financial statement to use in providing measurements of moneyflows, to take two major criteria into consideration:

1) On the one hand, it has been the aim to have a statement that conforms as nearly as possible to ordinary conceptions of moneyflows, i.e., that excludes transactions that are mere imputations or accruals, but that includes all main circuit moneyflows and that shows cash balances and other balances related to them.

2) On the other hand, it has been necessary to adopt a standard form of statement applicable to all sectors of the economy — a kind of greatest common denominator for the various species of accounting — that will portray the moneyflows transactions of all types of transactors.

We have said that something very much like the statement of payments and balances is implicit in a good deal of economic thinking. Until relatively recently, indeed, most economists have not been sufficiently specific to enable one to say what form of financial statement they had in mind. But the trend has been toward fuller specification. Among those who have spelled out their conceptions of the money circuit sufficiently so that we can say with confidence that they meant about the sort of financial statement we have adopted are: Mitchell, Foster and Catchings, Hawtrey, Robertson, Angell, Hicks, and Lutz.[1] But none of these to our knowledge made an explicit commitment on the point. So far as we are aware, the first to do so was Mack, when she said: "This accounting technique [the source and application of funds analysis] makes it possible to use business financial statements . . . to reveal the flow of money to business and away from it over a period of time."[2]

1 *Households and Financial Moneyflows*

Though for households there is no well-rounded set of accounting conventions, the form of statement we have adopted conforms to most, if not all, of what there is in the way of established accounting usages (see Table 18). Part One of the statement of payments and balances for households presents the moneyflows account. Part Two is concerned

[1] On Mitchell see the quotation at the head of Chapter 1 above. On Foster and Catchings see the cases referred to in Chapter 5, footnote 3 above. On Hawtrey see *Capital and Employment* (Longmans, 1937), Chapter VI. On Robertson see 43 *The Economic Journal* 399-413. On Hicks see *Value and Capital* (Oxford University Press, 1946), especially Chapters XIV and XIX. On Angell and Lutz see the citations in Chapter 11 below.

[2] Ruth P. Mack, *The Flow of Business Funds and Consumer Purchasing Power* (Columbia University Press, 1941), Preface.

TABLE 18 STATEMENT OF PAYMENTS AND

(Millions of

		1935	1936	1937
				PART ONE:
	ORDINARY RECEIPTS AND OTHER SOURCES OF MONEY			
A	Gross Cash Pay	...	41,000	45,200
B	Cash Dividends	...	4,600	4,700
C	Cash Interest	...	2,800	2,700
D	Net Owner Takeouts	...	8,000	10,200
E	Receipts from Customers (for Secondhand Goods)	...	120	140
F	Net Payments for Real Estate Transfers	...	600	600
G	Tax Refunds	...	10	20
H	Unemployment Compensation Benefits	...	0	3/
J	Benefits from Other Social Insurance Funds	...	280	340
K	All Other Insurance Benefits	...	2,500	2,600
L	Public Purpose Payments	...	3,460	1,320
M	Total Ordinary Receipts	...	63,300	67,800
N	Net Money Obtained thru Financing	...	0	0
P	Total Sources of Money	...	63,600	67,800
	ORDINARY EXPENDITURES AND OTHER DISPOSITIONS OF MONEY			
Q	Gross Cash Pay (Chiefly to Domestic Servants)	...	760	880
R	Cash Interest	...	1,360	1,380
S	Gross Rents	...	3,300	3,600
T	Spent by Households as Customers	...	47,400	51,000
U	Instalments to Contractors	...	660	800
V	Taxes Collected	...	2,600	3,700
W	Insurance Premiums	...	4,200	4,300
	Public Purpose Payments:			
X	To Private Agencies and Institutions	...	960	1,080
Y	Personal Remittances	...	180	180
Z	To Governments	...	30	30
a	Total Ordinary Expenditures	...	61,300	66,900
b	Net Money Advanced or Returned to Finance Others	...	2,300	100
c	Total Dispositions of Money	...	63,600	67,800
				PART TWO:
	ASSETS, DECEMBER 31			
d	Currency and Deposits	29,000	31,800	32,200
e	Federal Obligations	9,300	9,800	10,400
f	Other Loans and Securities	111,100	111,000	110,700
g	Total Loanfunds Receivable	149,400	152,600	153,200
	LIABILITIES, DECEMBER 31			
h	Accounts Payable	2,600	3,100	3,400
i	Other Debts Payable	21,900	21,900	21,600
j	Total Loanfunds Payable	24,500	24,900	25,000
	COMPUTATION OF LOANFUND FINANCING			
k	Net Loanfund Balance Receivable, December 31	124,800	127,600	128,200
m	Increment in Loanfund Balance Receivable	...	2,800	600
n	Net Gains a/c Forgiven Debts	...	500	500
p	Money Advanced or Returned Less Money Obtained	...	2,300	100
	1/Includes net sources of money not accounted for as follows		300	0
	2/Includes net uses of money not accounted for as follows		0	900

3/Less than $10 million.

BALANCES FOR HOUSEHOLDS F&B I

Dollars)

1938	1939	1940	1941	1942	Source	
MONEYFLOWS						
42,100	45,100	48,900	60,400	79,100	HH 101 A	A
3,300	3,800	4,000	4,500	4,300	HH 101 D	B
2,800	2,700	2,700	2,700	2,500	HH 101 G	C
8,900	9,300	9,900	12,900	15,100	HH 101 K	D
120	140	160	180	120	HH 101 P	E
600	600	600	600	600	HH 101 Q	F
20	20	30	30	30	HH 101 V	G
400	440	540	360	360	HH 102 A	H
440	480	540	620	740	HH 102 G	J
2,700	2,800	2,800	2,800	2,800	HH 102 T	K
1,480	1,560	1,620	1,600	1,560	HH 103 I	L
62,800	66,900	71,800	86,700	107,100	A thru L	M
400	0	100	0	0	-p when p < zero .	N
64,200	67,300	72,000	87,300	110,700	M + N 1/	P
760	860	940	960	1,100	HH 201 C	Q
1,320	1,320	1,400	1,540	1,300	HH 201 D	R
3,800	3,900	4,000	4,300	4,500	HH 201 E	S
48,500	51,200	55,100	63,700	69,700	HH 201 F	T
800	1,040	1,200	1,420	800	HH 201 P	U
3,500	3,200	3,500	4,200	7,100	HH 202 X	V
4,300	4,300	4,600	4,900	5,200	HH 203 N	W
980	960	1,060	1,040	1,260	HH 203 Q	X
160	140	180	140	100	HH 203 R	Y
30	30	30	30	40	HH 203 P	Z
64,200	67,000	72,000	82,200	91,100	Q thru Z	a
0	300	0	5,000	19,600	p when p > zero .	b
64,200	67,300	72,000	87,300	110,700	a + b 2/	c
LOANFUNDS						
32,400	34,900	36,600	40,200	47,200	HH 301 H	d
10,000	10,200	10,700	13,600	22,300	HH 301 I	e
110,400	109,500	108,700	108,300	108,600	HH 301 J	f
152,900	154,600	156,000	162,100	178,100	d + e + f . . .	g
3,400	3,600	3,900	4,200	3,200	HH 301 O	h
21,100	21,800	22,500	22,800	19,700	HH 302 R	i
24,500	25,400	26,400	27,000	22,900	h + i	j
128,400	129,200	129,600	135,100	155,200	g minus j	k
100	800	400	5,500	20,100	Increment in k . .	m
500	500	500	500	500	HH 302 T	n
- 400	300	- 100	5,000	19,600	m minus n	p
1,000	400	100	600	3,600		
0	0	0	0	0		

Note: Due to rounding, figures for various lines calculated by formulas given in the source column may differ slightly from the entries shown.

with the cash balance and other balances related to cash — what we call loanfund balances — and with the computation of the amount of money advanced or returned to others (or of the money obtained through financial channels). Most of the references in the source columns of Table 18 and the tables that follow it are to Appendix A. A full explanation of the system of source references will be found in the opening pages of that Appendix.

We have really already considered Part One of this statement, but when we see the moneyflows account on a comparative basis for seven years, it becomes much more meaningful. We get a far stronger sense of flow. Gross cash pay (line A) is not only the major source of money, but also most of the time it accounts for somewhat more than its proportionate share of year to year variations in total household sources of money. Dividends and net owner takeouts (lines B and D) stand out among the other ordinary receipts showing a positive cyclical variation. Lines H and L are supposed to vary countercyclically, but the unemployment compensation program was too recently organized to be very significant in 1938, and the drop in public purpose payment receipts, 1936-37 (the bonus was paid in 1936), is generally believed to have contributed to the ensuing recession. Among dispositions of money, what households spent as customers is almost as dominant as gross cash pay is among sources. On the receipts side we referred to unemployment compensation and public purpose payments as supposed — on policy grounds — to vary countercyclically. The chief potentially 'flexible' item on the expenditures side is line V; but taxes are supposed — for a fiscal policy aimed to moderate business fluctuations — to vary positively with the cycle, only more so. The lagging downward adjustment of taxes in 1939 stands out; it reflects principally the prepay-as-you-go income tax.

For some purposes, we have said, the net financial flow may be regarded as the balancing item in the moneyflows account. For households this may be taken to mean, among other things, that the net financial disposition of money varies positively with the business cycle.[3] In

[3] In saying this we posit an expenditure habit pattern that is suggested by facts outside the seven years under immediate observation: that household ordinary receipts vary positively with the cycle, and that household ordinary expenditures vary cyclically with receipts but less widely. Converse propositions easily suggest themselves for businesses, including the proposition that we may expect their net financial inflow, at least in peacetime, to vary positively with the cycle (reflecting wider cyclical fluctuations in ordinary expenditures than in ordinary receipts). In the area of governments, habit patterns point toward some positive cyclical variation in their financial inflow, but policy considerations are also important. A flexible fiscal policy would point in the opposite direction.

the low year of 1938, indeed, this money outflow became negative, and in the expansive years 1941 and 1942 it was large enough to help absorb the inflationary gap.

Part Two of Table 18 brings out several aspects of the social accounting approach to the money circuit that up to this point we have merely hinted at. The partial balance sheet for households shows the cash balance, Federal government bonds, and other loans and securities as assets or loanfunds receivable (lines d, e, and f) and trade payables and notes, mortgages, and other household debts as loanfunds payable (lines h and i). We think of the net financial flow as resulting from changes in these balances.

Our consideration of the thirteen national ordinary type of transaction accounts led us to expect each of them to balance (apart from errors of estimate and deviations from a uniform system of social accounting). We expect the same of moneyflows through financial channels. What is a money inflow for one transactor is a money outflow for someone else, and conversely. But in the case of financial flows this proposition takes on an added significance. Loanfund balances are claims one transactor holds against another. What is a loanfund receivable for one transactor is a loanfund payable for someone else, and conversely.[4] Line d in Table 18 reflects liabilities of the banking sector and line e of the Federal government. Line f reflects loanfunds payable by various sectors. The household obligations on line h are loanfunds receivable for industrial corporations and business proprietors and partnerships et al; some of those on line i are assets for the banking sector, some for security and realty firms et al, and some for other sectors.

We propose to mean by money in our present day economy the cash balances of nonbank transactors, i.e., the currency and deposit liabilities of the banking sector.[5] Money — on this common sense definition —

[4] Because it has seemed advisable to deviate in some respects from a uniform system of social accounting, we must presently recognize some exceptions to this proposition.

[5] The reader will doubtless have noted before this that we use the word 'money' in two quite different ways: (1) It appears by itself as a noun to designate the cash balances of nonbank transactors (e.g., line d in Part Two of Table 18); and (2) it appears in various phrases that designate transactor inflows and outflows, items in Part One of the statement of payments and balances. We have elected to write 'moneyflows' as one word to emphasize the fact that 'money' in this word combination is an adjective. But we also use the expressions, sources and dispositions of money (lines P and c in Table 18) and money advanced or returned and money obtained through financial channels (lines N and b). These four expressions — we shall occasionally employ variants of the latter two — all clearly refer to flows during a fiscal period, not to balances at a given date.

Some economists may object to using 'money' both as a kind of combining form in enters into the money circuit very much as do other loanfund balances. An increase in households' cash, like an increase in their holdings of government bonds, is disposition of money (use of funds) by households. A decrease in households' cash, like a decrease in their portfolios, is a source of money (source of funds) to households. This way of answering the question how money enters into the money circuit is an inescapable corollary of firmly established accounting usage. An increment in cash (like any other asset), is a debit, a decrement a credit. In this we are doubtless going directly contrary to a common sense view that treats cash differently from other assets. In the case of a new house, this view regards the asset increment (valued at cost) as a use of household funds — so do we. But it regards an increment in the household cash balance as a source of funds. We regard this increase as a disposition of money. And we can make no concession to the common sense view that treats it as a source, because that view embodies an accounting error. It calls what is a minus a plus; it calls a use of funds a source of funds. We must

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these four phrases and as a separate term to designate the balance reported on line d. In adopting this practice we have had in mind Alfred Marshall's advice that technical terminology should be made to conform to common sense usage. The man in the street thinks of his cash balance as money in the till and money in the bank; and he speaks of getting and spending money, raising money, etc. But he does not clearly distinguish the two meanings of 'money'; hence the confusion of plus and minus noted in the text a few lines down. We believe that in following common usage most of the way we have so chosen our words that there is no danger of ambiguity whatever. The combining form use of 'money' should always be easily distinguished from its substantive use.

Possibly it is in part the desire to meet the problem posed by the ambiguity of common parlance that has led various economists to think of the money circuit in terms of the cash account rather than in terms of a sources and uses of funds statement such as we have adopted here. The relation between these two accounting forms is considered in Chapter 10. Conceiving the money circuit in terms of the cash account is almost certain to mean thinking in terms of a single rather than a double entry system of transactor accounts. Decisions we have made in preceding chapters, for example those relating to the handling of offset settlements and of book credit transactions, presuppose a double entry system and require a sources and uses of funds conception of moneyflows. So do some of the decisions arrived at in the next two chapters. The terminological advantage of the cash account conception of the money circuit, if there be one, is hardly a reason for overturning all these decisions. And we doubt the advantage. The problem presented by common parlance is by no means confined to the word money. Perhaps one could completely avoid using 'money' in one of its colloquial meanings by focusing his attention on the cash account. But there are other words he would have to suppress too, words it is hard to do without in discussing the money circuit. One of them is 'spend'. The expenditure of funds must not be confused with the disbursement of cash; yet one can scarcely escape this confusion, if he tries to make the cash account do the work of a sources and uses statement.

insist that an increment in cash and an increment in portfolio have the same sign and that the same accounting sign phraseology be applied to both: use of funds or disposition of money. We do not think anyone can understand a social accounting view of the money circuit, unless he is concerned to keep his pluses and his minuses straight.

With this end in view we have emphasized the resemblance between the way money and other loanfund balances enter into the money circuit. Now we must note a difference at least for the period we have under consideration. In the case of money we take the (algebraic) net increment in book value during the year to measure the financial moneyflow. For other loanfund balances we may need to apply a correction because the increment in book value may reflect writeups and writedowns as well as moneyflows through financial channels.[6] In Part Two of Table 18 this type of correction applies to only one item (line h), because writeups and writedowns have already been eliminated from the valuations assigned to the other loanfund balances.

For purposes of explaining the computation of the net financial flow from changes in household accounts payable it will be convenient to refer to this flow (algebraically) as a disposition of money, or more specifically, since it is a financial flow, as money advanced or returned to others. A decrement in accounts payable resulting from account settlements we think of as borrowed money returned to others. But the book decrement in line h really represents the sum of two components: (a) The excess of settlements over debts newly incurred, and (b) The net book write-off for bad debts during the year. We subtract a crude estimate of (b) from the decrement in line h in order to get (a). From the point of view of households (b) represents a gain on account of forgiven debts. If when we subtract (b) from the decrement in line h the result is a negative quantity, this of course means a net financial source of money from the change in household trade payables, i.e., what we call money obtained through financial channels.

In the case of several of the sectors the correction for book revaluations affects other loanfund balances as well as trade payables. Consequently on each statement of payments and balances we show the correction as applying to the increment in the total net loanfund balance receivable (or payable). In Table 18 it is applied to line m.

In preceding chapters we related various items in Part One of Table 18 to the GNP account, and we made some references to another ac-

[6] Had our accounts included 1933 we would have had to take into consideration a write-down or write-off of a part of the bank deposits held by households.

count that really belongs to the accrual and imputation perspective, the account of personal income, personal consumption expenditures, and personal savings. Part One of Table 18 occupies somewhat the same position in the moneyflows perspective as does this personal account in the accrual perspective. Most of the ordinary receipts of households are personal income items and a large part of household ordinary expenditures is personal consumption expenditure. But there are several important differences between the two accounts.

In the first place, as explained in Chapter 3, Table 18 refers to what may be called households proper, while the Department of Commerce personal income and expenditure accounts include such items as household goods purchased by the owners of tenant occupied dwelling units, the operating expenses of private nonprofit institutions and of life insurance companies, and the interest income on government bonds owned by unincorporated businesses and endowment funds.

Estimators of consumer expenditures often attempt to treat owners and tenants on a par, as the Department of Commerce does, including a money rent item for tenants and an imputed rent item for owner occupants. Because ordinary expenditures in Table 18 portray moneyflows from households proper, the following points should be borne in mind in interpreting this table:

Line S	Gross rents represent only money rents paid by tenants
Line V	Taxes collected include taxes on owner occupied dwelling units
Line U	Instalments to contractors include billings by contractors for new construction on houses intended for owner occupants and for repairs on owner occupied units
Line T	Spent by households as customers excludes landlord purchases of household goods
Line R	Cash interest includes interest on mortgages on owner occupied dwellings

Total ordinary receipts of households also differ from the Department of Commerce concept of total personal income, first because they exclude imputed income (for example, the value of farm-produced food consumed on the home farm) and second because they report net owner takeouts, not entrepreneurial net income and net income accruing from the ownership of rental properties. They further differ from the Department of Commerce figures in that private as well as social insurance benefits are included. And this means that line W reports total insurance premiums (minus policyholder dividends), not the part of insurance premiums that constitutes a purchase of gross national product.

If from total ordinary receipts other than lines E and F we deduct taxes (line V) the residual may be called the disposable money income of households. This is devoted to two main ends — purchases of gross national product and transfer payments (endowment gifts, personal remittances abroad, a part of insurance premiums, etc.). What is left of household disposable money income after expenditures on gross national product and after transfer payments represents net money advanced to finance others (or borrowed money returned to others). Alternatively, if there is a negative balance in the household account (as there was in 1938), it represents net money obtained through financial channels.

But lines b and N do not give us a picture of household saving and dissaving in the ordinary sense of the word saving because the statement of payments and balances is on a moneyflows basis, not on an accrual basis, and saving is an accrual concept. Thus, as the term is ordinarily understood, some savings are included in Table 18 under instalments to contractors and expenditures by households as customers (for new owner occupied dwellings) and under life insurance premiums (a part equal to the additions to reserves). What lines b and N show is the net flow of funds from households into the money and capital markets, or the net flow in the other direction.

The broad picture of household finances given by Table 18 should be useful for a variety of purposes. It is a comprehensive picture of moneyflows, for the account balances except for the statistical discrepancy. But we must remember that this type of statement cannot tell us all we may wish to know about households. If we ask, What did households consume? What did they save? or What were their total claims upon national wealth?, we cannot get the answer from Table 18 alone. In each case we need in addition to the information on moneyflows and loanfunds to have information that involves accrual accounting. Moneyflows play a central role in organizing economic activity; but data on moneyflows alone are only a part of the quantitative information we need concerning our economy.

In preceding chapters we have contrasted the accrual and imputation perspective and the moneyflows perspective. Economists need both; and the two should not be confused. It is especially important to distinguish net money advanced or returned by households through financial channels from personal savings. It is especially important also to distinguish between the national savings and investment account and the national account of money advanced or obtained through financing. In this area the difference between the two perspectives is sharpest.

2 *Governments*

We may consider next the statements of payments and balances for the two governmental sectors (see Tables 19 and 20). The prevailing accounting tradition yields financial statements for government that in many respects are like the form of financial statement we have adopted to portray moneyflows. However, there are several important differences. First, it is customary to show for any unit of government (e.g., a city) a separate financial statement for each of several funds, not to summarize these separate fund statements into a single consolidated summary for the (city or other) governmental unit as a whole. But since we regard each governmental unit as one transactor (and do not regard each of its funds as a separate transactor) there is need for a consolidated financial statement for each unit of government. Table 19 gives such a statement for the Federal government (excluding its monetary and local government funds), and Table 20 a combination of such statements for other units of government. Thus, because Table 19 is a consolidated statement, it reveals transactions between the Federal government and other transactors; but interfund transactions are excluded. The same is true of the statements that have been combined to make Table 20.

Another major difference between the statement of payments and balances and the ordinary governmental financial statement is that the latter commonly classifies expenditures in accordance with appropriation items, whereas for purposes of measuring moneyflows we have adopted a standard scheme of classification for both receipts and expenditures, a classification on the basis of types of transaction. Thus the expenditure items in Tables 19 and 20 include payrolls, interest, customer moneyflows, instalments to contractors, and the other types of transaction discussed in preceding chapters.[7]

Since all the statements of payments and balances conform to a standard pattern, Tables 19 and 20 have the same general outline as Table 18. Ordinary receipts and ordinary expenditures account for most of the main circuit moneyflows. The balancing item in the moneyflows account is computed from the changes in loanfund balances. As is customary in government financial statements, ordinary expenditures include both current expenses for labor, supplies, utility services, etc., and capital outlays.

With respect to the balancing item in these two accounts we may note

[7] Other technical differences are discussed in Concerning a New Federal Financial Statement, *Technical Paper 5* (National Bureau of Economic Research, November 1947).

that while households ordinarily advance money to finance others, governments much of the time are obtaining funds from other transactors. When governments have an excess of ordinary expenditures over ordinary receipts they are often said to be engaging in deficit financing. Because of the war, the Federal government's deficit financing was large in 1941 and 1942. State and local governments were advancing funds to the money and capital markets in six of the seven years under observation.

The computation of net money obtained through financing in Tables 19 and 20 is similar in principle to the corresponding computation in Table 18. However, in the two government tables we have a net loanfunds payable balance to deal with, and in the case of the Federal government a different type of valuation adjustment. In Table 19 net money obtained through financing equals the increment in the book value of net loanfunds payable (line j) minus the net write-downs in the book values of loans and securities held (line k). We may restate this formula somewhat, as in the case of households, by regarding line j as the sum of four components:

a) The increment in gross debt held by other sectors (including agency debt and accounts payable as well as direct debt in the case of the Federal government)
b) The decrement in the cash balance
c) The part of the decrement in the value of loans and securities held due to a net liquidation of investments
d) The part of the decrement in the value of loans and securities held due to net write-offs (line k)

Net money obtained through financing = (a) + (b) + (c) or line j minus line k. For the period under consideration we believe it is safe to neglect any valuation changes in the loanfund balances of state and local governments.

3 *International Moneyflows and International Balances*

The statement of payments and balances for the rest of the world may be thought of as a modified form of the balance of international payments statement. And our whole scheme of moneyflows measurements may be said to consist of a kind of balance of payments statement for each sector of the economy. This is precisely what these measurements are intended to be.

In taking this view of our moneyflows accounts, however, we have in mind the balance of international payments statement as originally conceived, i.e., a statement of supply of and demand for foreign exchange.

TABLE 19 STATEMENT OF PAYMENTS AND BALANCES

(Millions of

		1935	1936	1937	1938
					PART ONE:
	ORDINARY RECEIPTS AND OTHER SOURCES OF MONEY				
A	Cash Interest	...	500	430	410
B	Gross Rents	...	10	30	30
C	Receipts from Customers	...	740	880	1,000
D	Taxes Collected	...	4,200	6,120	5,840
E	Insurance Premiums	...	140	140	140
F	Public Purpose Payments	...	80	560	840
G	Total Ordinary Receipts	...	5,600	8,200	8,300
H	Net Money Obtained thru Financing	...	5,050	300	1,350
J	Total Sources of Money	...	10,700	8,400	9,600
	ORDINARY EXPENDITURES AND OTHER DISPOSITIONS OF MONEY				
K	Gross Cash Pay	...	4,040	3,540	4,020
L	Cash Interest Paid to Public	...	940	1,020	1,020
M	Instalments to Contractors	...	200	200	240
N	Gross Rents	...	20	30	30
P	Spent by Federal Government as a Customer	...	1.600	1,550	1,700
Q	Net Payments for Real Estate Transfers	...	0	0	0
R	Tax Refunds	...	50	60	70
S	Insurance Benefits	...	90	130	610
	Public Purpose Payments:				
T	Public Assistance	...	120	220	250
U	Veterans' Bonus and Pensions	...	2,740	440	420
V	Farm Benefits	...	290	370	480
W	Other Subsidies Paid in Cash	...	0	10	20
X	Grants-in-Aid to State and Local Governments, etc.	...	480	600	600
Y	Total Ordinary Expenditures	...	10,500	8,200	9,500
Z	Net Money Advanced or Returned to Finance Others	...	0	0	0
a	Total Dispositions of Money	...	10,700	8,400	9,600
					PART TWO:
	ASSETS, DECEMBER 31				
b	Cash on Hand and in Banks	2,240	1,980	3,020	3,160
c	Accounts Receivable	0	20	20	20
d	Loans and Securities	12,000	11,180	10,860	10,880
e	Total Loanfunds Receivable	14,250	13,150	13,900	14,050
	LIABILITIES, DECEMBER 31				
f	Accounts Payable	80	80	80	100
g	Government Debt Issues held by the Public	35,500	39,400	40,500	41,900
h	Total Loanfunds Payable	35,550	39,550	40,550	42,050
	COMPUTATION OF LOANFUND FINANCING				
i	Net Loanfund Balance Payable, December 31	21,300	26,350	26,650	27,950
j	Increment in Loanfund Balance Payable	...	5,050	300	1,300
k	Net Losses a/c Valuation Adjustment	...	50	5/	- 50
m	Money Obtained Less Money Advanced or Returned	...	5,050	300	1,350
	1/ Includes net sources of money not accounted for as follows		0	0	0
	2/ Includes net uses of money not accounted for as follows		100	300	100

3/ Includes $200 million aid to China.

4/ Indicates that prepayments exceed accounts payable.

5/ Lies between ± $25 million.

FOR THE FEDERAL GOVERNMENT P&B V

Dollars)

1939	1940	1941	1942	Source (All references are to Appendix B)	
MONEYFLOWS					
410	400	410	440	(103 B) + (105 D)	A
30	30	60	110	105 E	B
1,160	1,160	1,620	3,520	(101 H + I) + (105 G + H + I) .	C
5,300	6,180	9,120	17,120	101 C thru F	D
160	180	240	760	(103 C) + (104 C) + (105 J) . .	E
840	860	1,020	1,160	(102 D) + (105 K)	F
7,900	8,800	12,500	23,100	A thru F	G
2,200	2,400	10,050	41,150	m when m > zero	H
10,200	11,400	22,500	64,600	G + H 1/	J
3,940	4,040	5,040	9,800	101 P + Q	K
1,040	1,140	1,200	1,440	(101 R) + (105 O) minus (102 B + 103 A + 104 B + 105 C)	L
320	720	2,840	7,160	(101 T) + (105 P)	M
30	40	40	130	101 S	N
1,800	2,200	9,750	42,450	(101 U) + (105 Q)	P
0	100	300	300	SR 202 Q	Q
80	90	90	100	101 V	R
720	870	740	840	(102 H) + (103 G) + (104 H + I + J) + (105 R)	S
280	330	380	390	(101 X) + (105 U)	T
440	440	440	440	(101 Z) + (105 W)	U
810	770	590	700	101 Y	V
40	130	170	190	105 V	W
740	560	460	640 2/	(101 a) + (105 T)	X
10,200	11.400	22,000	64,600	K thru X	Y
0	0	0	0	-m when m < zero	Z
10,200	11,400	22,500	64,600	Y + Z 3/	a
LOANFUNDS					
2,580	2,020	3,660	10,680	(101 g minus k) + (102 M) + (103 J) + (104 N) + (105 Z)	b
40	400	400	1,360	105 a	c
10,680	10,840	11,320	10,900	(103 K) + (105 a + c + d + e) .	d
13,300	13,250	15,350	22,950	b + c + d	e
100	- 80 4/	780	4,100	105 i	f
44,100	46,400	57,800	103,400	(101 l) + (105 h) minus (102 N + 103 L + 104 O + 105 b)	g
44,150	46,300	58,600	107,500	f + g	h
30,900	33,000	43,200	84,550	h minus e	i
2,900	2,150	10,200	41,350	Increment in i	j
700	-300	150	200	105 o	k
2,200	2,400	10,050	41,150	j minus k	m
100	200	0	300		
0	0	500	0		

Note: Funds not regarded as part of the Federal Government for purposes of this financial statement are indicated in Chapter III, Exhibit A. Transactions included in the categories specified above are described in Chapters IV thru VIII.

Due to rounding, figures for various lines calculated by formulas given in the source column may differ slightly from the entries shown.

TABLE 20 STATEMENT OF PAYMENTS AND BALANCES

(Millions of

		1935	1936	1937
				PART ONE:
	ORDINARY RECEIPTS AND OTHER SOURCES OF MONEY			
A	Cash Interest	...	140	140
B	Gross Rents	...	50	60
	Receipts from Customers:			
C	Public Service Revenues (Including Alcoholic Beverage Sales)	...	660	880
D	Miscellaneous Service Charges	...	340	360
E	Taxes Collected	...	6,800	7,600
F	Insurance Premiums (Nongovernment Payments into Retirement and Workmen's Compensation Funds)	...	160	180
	Public Purpose Payments:			
G	Private Gifts, etc.	...	20	40
H	Federal Grants	...	480	600
J	Other Intergovernmental Transfers	...	1,300	1,400
K	Total Ordinary Receipts	...	10,000	11,200
L	Net Money Obtained thru Financing	...	0	0
M	Total Sources of Money	...	10,200	11,200
	ORDINARY EXPENDITURES AND OTHER DISPOSITIONS OF MONEY			
N	Gross Cash Pay	...	3,560	3,820
P	Cash Interest	...	600	600
Q	Gross Rents	...	10	10
	Spent by State and Local Governments as Customers:			
R	Cost of Alcoholic Beverages Sold	...	140	180
S	Other Procurement Expenditures	...	2,040	2,260
T	Instalments to Contractors	...	1,500	1,400
U	Insurance Benefits	...	200	220
	Public Purpose Payments:			
V	Public Assistance	...	560	620
W	Payments into Unemployment Compensation Fund	...	60	560
X	Other Intergovernmental Transfers	...	1,300	1,400
Y	Total Ordinary Expenditures	...	9,900	11,100
Z	Net Money Advanced or Returned to Finance Others	...	300	200
a	Total Dispositions of Money	...	10,200	11,200
				PART TWO:
	ASSETS, DECEMBER 31			
b	Currency and Deposits 3/	3,300	3,500	3,400
c	Federal Obligations 3/	200	300	300
d	Other Securities 3/	4,100	4,300	4,400
e	Total Loanfunds Receivable	7,600	8,000	8,100
	LIABILITIES, DECEMBER 31			
f	Gross Debt	19,500	19,600	19,600
g	Total Loanfunds Payable	19,500	19,600	19,600
	COMPUTATION OF LOANFUND FINANCING			
h	Net Loanfund Balance Payable, December 31	11,900	11,600	11,500
i	Money Obtained Less Money Advanced or Returned (Increment in Loanfund Balance Payable)	...	- 300	- 200

1/Includes net sources of money not accounted for as follows	300	4/
2/Includes net uses of money not accounted for as follows	0	0

3/Includes sinking and trust funds.

4/Less than $50 million.

FOR STATE AND LOCAL GOVERNMENTS P&B VI

Dollars)

1938	1939	1940	1941	1942	Source	
MONEYFLOWS						
140	140	120	120	120	LG 101 K	A
50	50	50	50	60	LG 101 L	B
920	960	1,040	1,300	1,420	LG 102 D	C
380	400	420	440	460	LG 102 N	D
8,200	8,400	8,900	9,400	9,900	LG 102 O	E
190	180	190	210	220	LG 103 E	F
20	40	20	20	20	LG 104 D	G
600	740	560	460	440	LG 104 M	H
1,580	1,600	1,740	1,740	1,560	LG 104 S	J
12,100	12,500	13,100	13,700	14,200	A thru J	K
0	400	0	0	0	i when i is > zero	L
12,300	12,900	13,200	13,700	14,200	K + L 1/	M
4,060	4,160	4,300	4,400	4,460	LG 201 A	N
580	560	500	420	460	LG 201 D	P
10	10	10	10	10	LG 201 E	Q
180	200	200	240	260	LG 201 G	R
2,400	2,600	2,720	2,740	2,640	LG 203 R	S
1,400	1,500	1,500	1,400	1,200	LG 204 R	T
240	220	240	260	280	LG 205 C	U
760	800	720	620	580	LG 205 F	V
820	840	860	1,000	1,140	LG 205 G	W
1,580	1,600	1,740	1,740	1,560	LG 205 H	X
12,000	12,500	12,800	12,800	12,600	N thru X	Y
300	0	400	800	1,200	-i when i is < zero	Z
12,300	12,900	13,200	13,700	14,200	Y + Z 2/	a
LOANFUNDS						
3,700	3,600	4,000	4,400	4,600	LG 301 C	b
300	300	400	500	800	LG 301 D	c
4,600	4,700	4,700	4,800	4,700	LG 301 G	d
8,600	8,600	9,100	9,700	10,100	b + c + d . . .	e
19,800	20,100	20,200	20,000	19,200	LG 301 J	f
19,800	20,100	20,200	20,000	19,200	f	g
11,200	11,500	11,100	10,300	9,100	g minus e . . .	h
- 300	400	- 400	- 800	- 1,200	Increment in h . .	i
200	0	100	0	0		
0	400	0	100	400		

Note: Due to rounding, figures for various lines calculated by formulas given in the source column may differ slightly from the entries shown.

A statement of this type, designed to show international moneyflows, long served also to summarize international transactions viewed in accrual and imputation terms. But the difference between the two accounting perspectives has become so great that for recent years it is imperative to recognize the need for two types of statement.

Table 21 shows moneyflows between the United States and the rest of the world. The ordinary receipt and expenditure items present current transactions in what was formerly the customary balance of payments form, except for two points. First, since we are looking at this account not from the viewpoint of United States transactors but from that of the rest of the world, items usually called receipts appear here as expenditures, and vice versa. Second, line S, net payments on account of international transfers of direct titles to real estate, has customarily been classified as a capital movement.[8] From an accrual viewpoint it is doubtless a capital item. The balance of international payments statement has always gone as far as this in the direction of accruals. But from the moneyflows view real estate transactions are ordinary transactions, not transactions in loanfunds.

If one substitutes for lines X, Y, Z, and b their increments, this portion of the table becomes what was formerly the customary form of presenting the remainder of capital and gold movements. The valuations employed in lines X, Y, and Z are such that we do not need to take account of any adjustment in computing net money obtained by the rest of the world through financing. This moneyflow is simply the increment in the net loanfund balance payable, line d.

The loanfund section of the statement of payments and balances has two features not encountered in the three tables previously considered. First, the cash balance item is a net balance, an estimate of the currency and deposit liabilities of the U. S. banking sector held by the rest of the world minus the currency and deposit liabilities of the banking sectors of other countries held by U. S. transactors. Second, we have treated cumulative net gold imports as a liability of the rest of the world; we regard it as a claim upon the rest of the world held by our banking sector. Our decision to treat international gold movements in this way may be said to imply and to be implied by another decision that we must note here in anticipation of its consideration in Section 1 of the following chapter, viz: the decision to treat the monetary gold stock as a loanfund receivable of the banking sector. The procedure we have adopted in

[8] Line S is probably an overstatement of direct title transactions. It includes all that the Department of Commerce calls direct investment transactions.

Table 21 is in conformity with the present Department of Commerce practice in the national income and product accounts. However, we do not follow this practice to the extent of treating additions to the monetary gold stock from domestic production as additions to the liabilities of the rest of the world, for to do so we would have to introduce an imputed item into the international moneyflows account.[9] And since our main concern with line b is the computation of a moneyflow — money obtained by the rest of the world through financing — we do not need to worry about the absolute level at which this line is set. For convenience it has been arbitrarily set at zero as of the end of 1935. A similar comment applies to line Z, which represents the cumulative export of long and short term capital funds.

What is currently called the balance of international payments statement is an accrual and imputation summary of international transactions. In such a statement exports are defined to include not only what is spent by the rest of the world as a customer but also international aid exports in kind. This necessitates including as an adjustment entry in the account under 'payments' to the rest of the world an imputed item called unilateral transfers. In Table 21 lines P and Q report only what the rest of the world spent as a customer.

Most of the statements considered in this chapter are combined statements, i.e., each item represents a total for the corresponding item on the statements of the individual transactors of which the transactor group consists. But Table 21 — and the accrual and imputation balance of international payments statement as well — are consolidated statements. Transactions between one foreign transactor and another foreign transactor are canceled out. The rest of the world is treated as a single transactor dealing only with transactors in the United States.

4 *Businesses and Miscellaneous Financial Enterprises*

The moneyflows perspective is the familiar one in the case of the four transactor groups considered so far. But in the case of business transactors other than insurance carriers we are accustomed to financial statements on an accrual basis. Tables 22 through 25, the statements of payments and balances for industrial corporations, business proprietors and partnerships et al, farms, and security and realty firms et al, present a novel aspect of the operations and conditions of these four sectors of the

[9] Since the balance of payments statement now treats the entire change in our monetary gold stock as a capital movement, a further adjustment entry (under the caption unilateral transfers) is required to offset the difference between gold movements and changes in monetary gold stock.

TABLE 21 STATEMENT OF PAYMENTS AND BALANCES

(Millions of

		1935	1936	1937
				PART ONE:
	ORDINARY RECEIPTS AND OTHER SOURCES OF MONEY			
A	Cash Dividends	...	220	240
B	Cash Interest	...	30	30
	Receipts from Customers:			
C	U. S. Merchandise Imports	...	2,420	3,080
D	U. S. Service Imports	...	660	860
E	U. S. Silver Imports	...	120	100
	Public Purpose Payments:			
F	Government Aid to China	...	0	0
G	Personal Remittances	...	170	170
H	Institutional Remittances	...	30	30
J	Total Ordinary Receipts	...	3,700	4,500
K	Net Money Obtained thru Financing	...	0	1/
L	Total Sources of Money	...	3,700	4,500
	ORDINARY EXPENDITURES AND OTHER DISPOSITIONS OF MONEY			
M	Cash Dividends	...	220	260
N	Cash Interest	...	220	200
	Spent by the Rest of the World as a Customer:			
P	U. S. Merchandise Exports	...	2,540	3,480
Q	U. S. Service Exports	...	440	540
R	U. S. Silver Exports	...	10	10
S	Net Payments for Real Estate Transfers, etc. (a/c International Transfers of Direct Titles to Tangible Assets)	...	- 10	40
T	Public Purpose Payments (Personal Remittances)	...	20	20
U	Total Ordinary Expenditures	...	3,400	4,500
V	Net Money Advanced or Returned to Finance Others	...	200	0
W	Total Dispositions of Money	...	3,700	4,500
				PART TWO:
	ASSETS, DECEMBER 31			
X	Currency and Deposits (Net)	1,000	1,300	1,500
Y	Federal Obligations	0	0	0
Z	Other Loans and Securities (Cumulative Net Exports)	0	1,100	2,200
a	Total of Above Loanfunds Receivable	1,000	2,400	3,700
	LIABILITIES, DECEMBER 31			
b	Cumulative Net Gold Imports	0	1,100	2,400
c	Total of Above Loanfunds Payable	0	1,100	2,400
	COMPUTATION OF LOANFUND FINANCING			
d	Net Loanfund Balance Payable, December 31	- 1,000	- 1,300	- 1,300
e	Money Obtained Less Money Advanced or Returned (Increment in Loanfund Balance Payable)	...	- 200	3/

1/Less than $50 million.
2/Less than $5 million.
3/Lies between ± $50 million.

FOR THE REST OF THE WORLD — P&B XI

Dollars)

1938	1939	1940	1941	1942	Source	
MONEYFLOWS						
160	180	180	160	140	RW 101 C	A
30	30	20	10	10	RW 101 F	B
1,960	2,320	2,660	3,440	3,180	RW 101 J	C
720	780	760	840	1,160	RW 101 S	D
220	100	60	40	40	RW 101 T	E
0	0	0	0	200	RW 102 A	F
150	140	190	140	100	RW 102 B	G
40	40	50	80	70	RW 102 C	H
3,300	3,600	3,900	4,700	4,900	A thru H	J
1,000	700	1,500	1,100	0	e when e > zero . .	K
4,300	4,300	5,400	5,800	4,900	J + K	L
360	320	300	260	220	RW 201 C	M
160	160	180	160	180	RW 201 G	N
3,180	3,240	4,120	4,440	3,260	RW 201 L	P
480	560	760	980	1,000	RW 201 U	Q
10	10	2/	10	2/	RW 201 M	R
20	10	30	- 30	20	RW 202 C	S
40	40	60	40	40	RW 202 D	T
4,300	4,300	5,400	5,800	4,700	M thru T	U
0	0	0	0	200	-e when e < zero .	V
4,300	4,300	5,400	5,800	4,900	U + V	W
LOANFUNDS						
1,900	3,100	3,900	3,500	3,800	RW 301 F	X
0	0	0	200	600	RW 301 G	Y
2,500	3,500	5,200	4,900	4,300	RW 301 S	Z
4,300	6,600	9,200	8,600	8,700	X + Y + Z	a
4,100	7,100	11,200	11,800	11,600	RW 302 D	b
4,100	7,100	11,200	11,800	11,600	b	c
- 300	500	2,000	3,100	3,000	c minus a	d
1,000	700	1,500	1,100	- 200	Increment in d . .	e

Note: Due to rounding, figures for various lines calculated by formulas given in the source column may differ slightly from the entries shown.

economy. Most of the items that appear as ordinary receipts, it is true, would be shown on the usual type of business financial statement as operating revenues or nonoperating income. But insurance benefits and — in the case of farms — net receipts from real estate transfers would not be so treated. Moreover, what appears as ordinary expenditures for business transactors in these four tables is quite different from operating expenses and other charges against the year's operations. There are no depreciation and depletion charges shown, and no charges for bad debts in Part One of these statements. But out of pocket capital outlays for tangible goods are included along with out of pocket current expenses.

The usual income sheet type of presentation of the year's operations has as its objective a summary analysis of the changes in proprietorship these operations have brought about. The moneyflows account is a summary analysis of the changes moneyflows produce in a transactor's cash balance and other balances closely related to cash — other loanfund balances. Out of pocket outlays affect the net loanfund balance payable in the same way, regardless whether, from an accrual viewpoint, they are chargeable against current operations or chargeable to a capital asset account. Book revaluation transactions such as those resulting from depreciation and bad debt charges involve no moneyflows.

The moneyflows account provides a kind of surplus or deficit computation, a surplus when ordinary receipts are larger than ordinary expenditures and a deficit when they are smaller. But this kind of surplus or deficit computation is very different from the accrual computation of the conventional income sheet, and it is well to have the difference between deficit in a moneyflows sense and deficit in an accrual sense in mind when we speak of a government as engaging in deficit financing. A business corporation that borrows money to finance a new plant is engaging in deficit financing in a moneyflows sense. But it is most likely to do this when on an accrual showing it is in the black. Also, when it is in the red in an accrual sense it may curtail capital expenditures on plant and liquidate inventories so as to get into a more liquid loanfund position; to the extent that it decreases its net loanfund balance payable in such a period, it shows a surplus in a moneyflows sense.

One further distinction between a statement of payments and balances for an industrial corporation and the conventional type of financial statement may be mentioned. They do not classify ordinary expenditures and operating expenses in the same way. Table 22, of course, details ordinary expenditures by type of transaction. The conventional type of business financial statement is likely to employ a partly functional classification of operating expenses, so that it may be difficult to pick out detail by type of transaction.

While a statement of payments and balances for a business concern is thus quite different from an income statement and balance sheet report, it is possible, if sufficient detail is given in the latter, to derive a statement of payments and balances from it. The method by which this may be accomplished is outlined in the Technical Note at the end of this chapter.

We do not mean to suggest the statement of payments and balances as in any sense a substitute for the conventional type of statement. We believe it has important uses as a supplement. Each form of statement brings out significant facts that can be determined from the other at best only with a good deal of effort. The facts brought out by the statement of payments and balances — moneyflows — are our immediate concern.

The statements of payments and balances in Tables 22 through 25 are combined statements, not consolidated statements. The difference between combined and consolidated statements is striking in the case of these four sectors of the economy, because business enterprises to a large extent deal with one another. Thus a considerable part of what appears as receipts from customers on line D of Table 22 appears also on line R as spent by industrial corporations as customers. A similar comment may be made with respect to lines E and T.

One technical question in connection with Tables 22 through 25 has to do with the computation of net money obtained through financing. The principle of this computation is the same as that in connection with Tables 18 and 19 but the valuation adjustment item is more complicated. To find funds obtained from the money and capital markets we must deduct from the increment in the net loanfund balance payable the part of this increment that is due to the excess of net writedowns of assets over net writedowns of debts. A book increase in net payables does not necessarily reflect provision of new funds; it may be due to a writeoff of some of the value of the holdings of loans and securities. A book increase in net payables may be due also to a writeoff of accounts receivable in connection with a conventional allowance for bad debts. Line n in Table 22 summarizes both types of writeoff (minus loanfunds receivable writeups and minus loanfunds payable writedowns). In an accrual statement a normal bad debt reserve valuation adjustment is regarded as an operating expense; a capital loss on security holdings as a deduction from nonoperating income, or possibly as an adjustment transaction

TABLE 22 STATEMENT OF PAYMENTS AND BALANCES

(Millions of

		1935	1936	1937
				PART ONE:
	ORDINARY RECEIPTS AND OTHER SOURCES OF MONEY			
A	Cash Dividends	...	1,080	1,120
B	Cash Interest	...	420	380
C	Gross Rents	...	540	540
D	Receipts from Customers	...	118,400	127,500
E	Instalments to Contractors	...	1,800	2,200
F	Tax Refunds	...	20	30
G	Insurance Benefits	...	200	210
H	Public Purpose Payments	...	0	10
J	Total Ordinary Receipts	...	122,500	132,000
K	Net Money Obtained thru Financing	...	0	1,100
L	Total Sources of Money	...	122,500	133,100
	ORDINARY EXPENDITURES AND OTHER DISPOSITIONS OF MONEY			
M	Gross Cash Pay	...	22,900	26,200
N	Cash Dividends	...	5,300	5,500
P	Cash Interest	...	1,800	1,800
Q	Gross Rents	...	1,800	1,940
R	Spent by Industrial Corporations as Customers	...	83,500	88,600
S	Net Payments for Real Estate Transfers	...	100	100
T	Instalments to Contractors	...	740	1,040
U	Taxes Collected	...	5,000	6,100
V	Insurance Premiums	...	940	1,020
W	Public Purpose Payments	...	30	30
X	Total Ordinary Expenditures	...	122,100	132,300
Y	Net Money Advanced or Returned to Finance Others	...	300	0
Z	Total Dispositions of Money	...	122,500	133,100
				PART TWO:
	ASSETS, DECEMBER 31			
a	Currency and Deposits	8,500	8,900	8,100
b	Accounts Receivable	14,700	16,100	15,600
c	Federal Obligations	1,800	1,700	1,700
d	Other Loans and Securities	22,600	21,900	21,300
e	Total Loanfunds Receivable	47,600	48,700	46,700
	LIABILITIES, DECEMBER 31			
f	Accounts Payable	11,400	12,600	11,400
g	Other Debts Payable	38,600	38,600	39,700
h	Paid-in Capital	66,400	66,600	66,400
i	Government Advances and Prepayments	0	0	0
j	Total Loanfunds Payable	116,400	117,800	117,500
	COMPUTATION OF LOANFUND FINANCING			
k	Net Loanfund Balance Payable, December 31	68,800	69,100	70,800
m	Increment in Loanfund Balance Payable	...	300	1,700
n	Valuation Losses (Net)	...	600	500
p	Money Obtained Less Money Advanced or Returned	...	- 300	1,100

1/ Includes net sources of money not accounted for as follows: 1936: 0; 1937: 0

2/ Includes net uses of money not accounted for as follows: 1936: 100; 1937: 800

FOR INDUSTRIAL CORPORATIONS F&B III

Dollars)

1938	1939	1940	1941	1942	Source	
MONEYFLOWS						
940	960	800	920	840	IC 101 A	A
360	340	320	340	400	IC 101 B	B
500	520	560	620	700	IC 101 F	C
107,500	119,500	133,900	174,100	201,600	IC 101 S	D
1,920	2,200	2,480	3,460	4,660	IC 101 T	E
30	40	50	40	50	IC 102 K	F
220	260	240	280	330	IC 102 P	G
20	40	70	70	90	IC 102 T	H
111,500	123,900	138,400	179,800	208,700	A thru H	J
0	0	0	0	0	p when p > zero .	K
111,500	125,100	139,200	180,200	209,200	J + K 1/	L
23,200	25,200	28,100	36,000	47,100	IC 201 A	M
3,600	4,300	4,400	5,000	4,600	IC 201 G	N
1,800	1,800	1,700	1,700	1,700	IC 201 H	P
1,820	1,860	1,920	1,880	2,180	IC 201 W	Q
71,200	81,500	92,000	119,800	125,700	IC 202 A	R
100	100	100	100	100	IC 202 B	S
720	680	1,020	1,400	1,140	IC 202 O	T
6,400	6,500	7,200	9,400	14,700	IC 202 P	U
1,000	1,060	1,140	1,320	1,720	IC 203 G	V
20	30	30	50	90	IC 203 H	W
109,900	122,900	137,600	176,600	199,000	M thru W	X
200	2,200	1,600	3,600	10,200	−p when p < zero .	Y
111,500	125,100	139,200	180,200	209,200	X + Y 2/	Z
LOANFUNDS						
9,000	10,000	11,900	12,800	16,100	IC 301 A	a
15,000	16,200	17,800	21,200	22,600	IC 301 Q	b
1,600	1,600	1,300	2,700	8,400	IC 302 L	c
21,500	21,600	21,800	22,100	20,300	IC 302 K	d
47,100	49,400	52,800	58,700	67,400	a thru d	e
11,200	12,200	12,800	14,400	14,800	IC 303 M	f
40,100	40,000	41,000	42,300	40,400	IC 304 D	g
67,500	67,300	67,400	67,000	66,200	IC 305 K	h
0	0	600	800	2,000	IC 305 L	i
118,800	119,500	121,800	124,500	123,400	f thru i	j
71,800	70,100	69,000	65,800	56,000	j minus e	k
1,000	− 1,600	− 1,100	− 3,200	− 9,800	Increment in k . .	m
1,200	600	500	400	300	IC 306 G	n
− 200	− 2,200	− 1,600	− 3,600	− 10,200	m minus n . . .	p
0	1,300	800	400	500		
1,400	0	0	0	0		

Note: Due to rounding, figures for various lines calculated by formulas given in the source column may differ slightly from the entries shown.

TABLE 23 STATEMENT OF PAYMENTS AND BALANCES FOR

(Millions of

		1935	1936	1937
				PART ONE:
	ORDINARY RECEIPTS AND OTHER SOURCES OF MONEY			
A	Cash Dividends	...	60	60
B	Cash Interest	...	50	60
C	Gross Rents	...	200	220
D	Receipts from Customers	...	45,600	50,200
E	Instalments to Contractors	...	2,700	2,800
F	Tax Refunds	...	10	10
G	Insurance Benefits	...	120	140
H	Public Purpose Payments	...	1,000	1,100
J	Total Ordinary Receipts	...	49,700	54,600
K	Net Money Obtained thru Financing	...	0	3/
L	Total Sources of Money	...	49,800	54,600
	ORDINARY EXPENDITURES AND OTHER DISPOSITIONS OF MONEY			
M	Gross Cash Pay	...	6,900	7,600
N	Cash Interest	...	360	360
P	Gross Rents	...	1,200	1,300
Q	Spent by Business Proprietors and Partnerships et al as Customers	...	33,800	36,000
R	Net Payments for Real Estate Transfers	...	100	100
S	Instalments to Contractors	...	500	560
T	Taxes Collected	...	1,500	1,700
U	Insurance Premiums	...	420	460
V	Public Purpose Payments	...	40	60
W	Net Owner Takeouts	...	4,300	5,760
X	Total Ordinary Expenditures	...	49,100	54,000
Y	Net Money Advanced or Returned to Finance Others	...	700	0
Z	Total Dispositions of Money	...	49,800	54,600
				PART TWO:
	ASSETS, DECEMBER 31			
a	Currency and Deposits	4,700	5,200	5,400
b	Accounts Receivable	6,300	6,900	7,000
c	Federal Obligations	600	700	800
d	Other Loans and Securities	2,200	2,200	2,300
e	Total Loanfunds Receivable	13,800	15,000	15,500
	LIABILITIES, DECEMBER 31			
f	Accounts Payable	5,000	5,500	5,900
g	Other Debts Payable	6,600	6,900	7,100
h	Total Loanfunds Payable	11,600	12,300	13,000
	COMPUTATION OF LOANFUND FINANCING			
i	Net Loanfund Balance Payable, December 31	-2,200	-2,700	-2,500
j	Increment in Loanfund Balance Payable	...	- 500	200
k	Valuation Losses (Net)	...	200	200
m	Money Obtained Less Money Advanced or Returned	...	- 700	4/

	1936	1937
1/Includes net sources of money not accounted for as follows	100	0
2/Includes net uses of money not accounted for as follows	0	700

3/Less than $50 million.
4/Lies between ± $50 million.

BUSINESS PROPRIETORS AND PARTNERSHIPS ET Al P&B IV

Dollars)

1938	1939	1940	1941	1942	Source	
MONEYFLOWS						
60	60	60	60	60	PP 101 N	A
60	60	60	60	70	PP 101 M	B
220	220	240	240	260	PP 101 S	C
46,100	50,400	55,000	67,200	74,100	PP 102 E	D
2,800	3,300	3,900	5,900	7,400	PP 102 F	E
10	10	20	20	20	PP 102 K	F
140	140	160	180	200	PP 102 P	G
1,000	1,000	1,100	1,100	1,400	PP 102 V	H
50,500	55,100	60,600	74,800	83,500	A thru H	J
0	300	0	0	0	m when m > zero . .	K
50,500	55,600	61,000	75,200	83,500	J + K 1/.	L
7,100	7,800	8,400	10,500	12,700	PP 201 A	M
360	320	360	460	440	PP 201 F	N
1,400	1,500	1,500	1,800	1,700	PP 201 P	P
32,200	36,600	40,900	50,200	51,000	PP 201 Q	Q
100	100	100	100	100	PP 201 R	R
560	700	700	940	920	PP 202 K	S
1,800	1,900	2,200	2,500	2,600	PP 202 L	T
440	440	520	600	640	PP 202 R	U
60	60	80	100	80	PP 203 F	V
5,260	6,160	5,840	7,720	7,820	PP 203 G	W
49,300	55,600	60,600	75,000	78,100	M thru W	X
800	0	500	300	4,300	-m when m < zero .	Y
50,500	55,600	61,000	75,200	83,500	X + Y 2/.	Z
LOANFUNDS						
5,400	5,600	6,500	7,200	9,400	PP 301 H	a
6,400	6,700	7,300	8,600	8,200	PP 301 I	b
800	800	800	1,200	2,100	PP 301 J	c
2,300	2,300	2,300	2,300	2,000	PP 301 M	d
14,900	15,500	16,900	19,400	21,700	a thru d	e
4,800	5,200	5,300	6,300	5,900	PP 301 R	f
7,000	7,700	8,800	10,200	8,800	PP 302 J	g
11,800	12,900	14,100	16,500	14,700	f + g	h
-3,100	-2,600	-2,800	-2,900	-7,000	h minus e	i
- 600	500	- 300	- 100	-4,100	Increment in i . . .	j
200	200	200	200	200	PP 302 L	k
- 800	300	- 500	- 300	-4,300	j minus k	m
0	200	500	400	0		
400	0	0	0	1,100		

Note: Due to rounding, figures for various lines calculated by formulas given in the source column may differ slightly from the entries shown.

TABLE 24 STATEMENT OF PAYMENTS

(Millions of

		1935	1936	1937
				PART ONE:
	ORDINARY RECEIPTS AND OTHER SOURCES OF MONEY			
A	Receipts from Customers	...	8,400	8,900
B	Net Payments for Real Estate Transfers	...	100	100
C	Insurance Benefits	...	40	40
D	Public Purpose Payments	...	290	370
E	Total Ordinary Receipts	...	8,800	9,400
F	Net Money Obtained thru Financing	...	0	300
G	Total Sources of Money	...	8,800	9,600
	ORDINARY EXPENDITURES AND OTHER DISPOSITIONS OF MONEY			
H	Gross Cash Pay	...	680	820
J	Cash Interest	...	520	500
K	Gross Rents (Less Taxes and Interest Paid by Landlords Not Living on Farms)	...	460	440
L	Spent by Farms as Customers	...	3,200	3,700
M	Instalments to Contractors	...	40	60
N	Taxes Collected	...	460	480
P	Insurance Premiums	...	80	90
Q	Net Owner Takeouts	...	3,080	3,620
R	Total Ordinary Expenditures	...	8,500	9,600
S	Net Money Advanced or Returned to Finance Others	...	300	0
T	Total Dispositions of Money	...	8,800	9,600
				PART TWO:
	ASSETS, DECEMBER 31			
U	Currency and Deposits	1,600	1,900	1,900
V	Total Loanfunds Receivable	1,600	1,900	1,900
	LIABILITIES, DECEMBER 31			
W	Accounts Payable	1,400	1,600	1,800
X	Other Debts Payable - Farm Debt	8,700	8,400	8,400
Y	Total Loanfunds Payable	10,000	10,000	10,300
	COMPUTATION OF LOANFUND FINANCING			
Z	Net Loanfund Balance Payable, December 31	8,400	8,100	8,400
a	Money Obtained Less Money Advanced or Returned (Increment in Loanfund Balance Payable)		- 300	300

Note: Due to rounding, figures for various lines calculated by formulas given in the source column may differ slightly from the entries shown.

AND BALANCES FOR FARMS P&B II

Dollars)

1938	1939	1940	1941	1942	Source	
MONEYFLOWS						
7,700	7,900	8,300	11,200	15,300	AG 101 A	A
100	100	200	200	200	AG 101 B	B
40	60	60	60	80	AG 101 O	C
480	810	770	590	700	AG 101 P	D
8,300	8,800	9,400	12,000	16,300	A thru D	E
100	0	200	0	0	a when a > zero . .	F
8,400	8,800	9,600	12,000	16,300	E + F	G
800	780	800	960	1,280	AG 201 A	H
520	540	540	540	500	AG 201 D	J
400	440	460	660	960	AG 201 E	K
3,200	3,500	3,800	4,600	5,300	AG 201 S	L
40	60	60	80	60	AG 201 T	M
480	480	480	480	500	AG 202 G	N
90	100	110	110	140	AG 202 O	P
2,900	2,420	3,340	4,160	5,780	AG 202 T	Q
8,400	8,300	9,600	11,600	14,500	H thru Q	R
0	600	0	400	1,800	-a when a < zero .	S
8,400	8,800	9,600	12,000	16,300	R + S	T
LOANFUNDS						
1,900	2,100	2,300	2,800	4,100	AG 301 G	U
1,900	2,100	2,300	2,800	4,100	U	V
1,600	1,500	1,700	1,700	1,500	AG 301 K	W
8,700	8,500	8,800	8,800	8,600	AG 301 N	X
10,400	10,000	10,400	10,600	10,100	W + X	Y
8,500	7,900	8,100	7,700	6,000	Y minus V	Z
100	- 600	200	- 400	- 1,800	Increment in Z . .	a

TABLE 25 STATEMENT OF PAYMENTS AND BALANCES

(Millions of

		1935	1936	1937
				PART ONE:
	ORDINARY RECEIPTS AND OTHER SOURCES OF MONEY			
A	Cash Dividends	...	1,400	1,600
B	Cash Interest	...	1,000	1,000
C	Gross Rents	...	6,100	6,500
	Receipts from Customers:			
D	Real Estate Commissions and Margins	...	100	100
E	Commissions of Insurance Agents	...	600	700
F	Commissions and Margins of Security Dealers	...	700	400
G	All Other Operating Revenues	...	200	200
H	Insurance Benefits	...	140	160
J	Total Ordinary Receipts	...	10,100	10,600
K	Net Money Obtained thru Financing	...	1,200	800
L	Total Sources of Money	...	11,300	11,400
	ORDINARY EXPENDITURES AND OTHER DISPOSITIONS OF MONEY			
M	Gross Cash Pay	...	1,060	1,140
N	Cash Dividends	...	1,600	1,800
P	Cash Interest	...	1,300	1,300
Q	Gross Rents	...	260	240
R	Spent by Security & Realty Firms et al as Customers	...	2,200	2,400
S	Net Payments for Real Estate Transfers	...	300	400
T	Instalments to Contractors	...	800	900
U	Taxes Collected	...	1,300	1,400
V	Insurance Premiums	...	340	360
W	Net Owner Takeouts	...	600	800
X	Public Purpose Payments	...	10	3/
Y	Total Ordinary Expenditures	...	9,700	10,700
Z	Net Money Advanced or Returned to Finance Others	...	0	0
a	Total Dispositions of Money	...	11,300	11,400
				PART TWO:
	ASSETS, DECEMBER 31			
b	Currency and Deposits	1,800	1,900	1,800
c	Federal Obligations	1,100	1,200	1,300
d	Other Loans and Securities	47,000	46,300	45,900
e	Total Loanfunds Receivable	49,900	49,400	49,000
	LIABILITIES, DECEMBER 31			
f	Accounts Payable	200	200	300
g	Other Debts Payable	31,200	31,000	31,300
h	Paid-in Capital	36,600	37,400	37,500
i	Total Loanfunds Payable	68,100	68,600	69,100
	COMPUTATION OF LOANFUND FINANCING			
j	Net Loanfund Balance Payable, December 31	18,100	19,200	20,100
k	Increment in Loanfund Balance Payable	...	1,100	900
m	Valuation Losses (Net)	...	- 100	100
n	Money Obtained Less Money Advanced or Returned	...	1,200	800

1/Includes net sources of money not accounted for as follows		0	0
2/Includes net uses of money not accounted for as follows		1,600	700

3/Less than $5 million.

FOR SECURITY AND REALTY FIRMS ET AL P&B X

Dollars)

1938	1939	1940	1941	1942	Source	
MONEYFLOWS						
1,100	1,100	1,300	1,400	1,000	SR 101 C	A
900	900	900	900	900	SR 101 K	B
6,700	6,900	7,100	7,800	8,500	SR 101 N	C
100	100	200	200	200	SR 102 G	D
700	700	800	900	800	SR 102 K	E
300	300	300	400	100	SR 102 S	F
100	100	100	100	100	SR 102 U	G
160	140	180	200	220	SR 103 B	H
10,000	10,300	10,900	11,800	11,900	A thru H	J
0	400	200	300	0	n when n > zero . .	K
10,100	10,700	11,100	12,100	12,600	J + K 1/	L
1,040	1,060	1,100	1,180	1,180	SR 201 H	M
1,300	1,300	1,400	1,500	1,400	SR 201 U	N
1,300	1,300	1,300	1,300	1,100	SR 202 D	P
220	240	240	220	220	SR 202 L	Q
2,200	2,400	2,600	3,100	3,000	SR 202 M	R
520	480	480	460	460	SR 202 W	S
900	1,100	1,100	1,200	800	SR 202 X	T
1,400	1,300	1,500	1,500	1,600	SR 203 K	U
340	380	400	460	500	SR 203 O	V
700	700	700	1,000	1,500	SR 204 Q	W
10	3/	10	10	10	SR 204 S	X
10,000	10,200	10,900	12,000	11,800	M thru X	Y
100	0	0	0	800	-n when n < zero .	Z
10,100	10,700	11,100	12,100	12,600	Y + Z 2/	a
LOANFUNDS						
1,900	2,000	2,400	2,500	2,900	SR 301 H	b
1,400	1,400	1,400	1,800	3,300	SR 301 I	c
46,200	45,600	46,000	46,100	42,400	SR 302 L	d
49,400	49,000	49,800	50,400	48,600	b + c + d	e
300	300	300	300	300	SR 302 O	f
32,100	31,800	33,000	33,800	31,000	SR 303 S	g
37,400	37,700	37,600	37,900	38,100	SR 304 G	h
69,700	69,800	70,900	72,000	69,400	f + g + h	i
20,200	20,800	21,100	21,600	20,800	i minus e	j
100	500	400	400	— 800	Increment in j . .	k
200	100	200	100	100	SR 304 J	m
- 100	400	200	300	— 800	k minus m . . .	n
100	0	0	0	700		
0	500	200	100	0		

Note: Due to rounding, figures for various lines calculated by formulas given in the source column may differ slightly from the entries shown.

TABLE 26 STATEMENT OF PAYMENTS AND BALANCES

(Millions of

		1935	1936	1937
				PART ONE:
	ORDINARY RECEIPTS AND OTHER SOURCES OF MONEY			
A	Cash Dividends	. . .	20	20
B	Cash Interest	. . .	880	920
C	Gross Rents	. . .	180	200
D	Net Payments for Real Estate Transfers	. . .	-220	-60
E	Insurance Premiums, Life Policies 3/	. . .	3,420	3,500
F	Insurance Premiums, Casualty Policies 3/	. . .	100	120
G	Total Ordinary Receipts	. . .	4,400	4,700
H	Net Money Obtained thru Financing	. . .	0	0
J	Total Sources of Money	. . .	4,500	4,700
	ORDINARY EXPENDITURES AND OTHER DISPOSITIONS OF MONEY			
K	Gross Cash Pay	. . .	420	420
L	Cash Dividends (to Stockholders)	. . .	10	20
M	Dividends Withdrawn by Policyholders 4/	. . .	160	160
N	Gross Rents	. . .	30	30
	Spent by Life Insurance Companies as Customers:			
P	Commissions	. . .	250	280
Q	Procurement Expenditures	. . .	110	110
R	Instalments to Contractors	. . .	10	20
S	Taxes Collected	. . .	100	130
T	Insurance Benefits, Life Policies	. . .	1,900	1,900
U	Insurance Benefits, Casualty Policies	. . .	40	60
V	Total Ordinary Expenditures	. . .	3,000	3,100
W	Net Money Advanced or Returned to Finance Others	. . .	1,500	1,400
X	Total Dispositions of Money	. . .	4,500	4,700
				PART TWO:
	ASSETS, DECEMBER 31			
Y	Currency and Deposits	800	800	700
Z	Federal Obligations	2,600	3,700	4,400
a	Other Loans and Securities	16,800	17,200	18,000
b	Total Loanfunds Receivable	20,200	21,700	23,100
	COMPUTATION OF LOANFUND FINANCING			
c	Increment in Loanfunds Receivable	. . .	1,500	1,300
d	Valuation Gains (Net)	. . .	5/	-100
e	Money Advanced or Returned Less Money Obtained	. . .	1,500	1,400

	1936	1937
1/Includes net sources of money not accounted for as follows	100	0
2/Includes net uses of money not accounted for as follows	0	100

3/The premium receipts shown on lines E and F are gross of cash dividends withdrawn by policyholders; premium payments by other transactors to private insurance companies are reported net of such dividends. Contributions by private insurance companies to pension funds they maintain for their employees have been deducted from the premium receipts shown on line E.

4/Includes withdrawals of interest accrued on dividends left on deposit.

FOR LIFE INSURANCE COMPANIES P&B VIII

Dollars)

1938	1939	1940	1941	1942	Source	
MONEYFLOWS						
20	20	20	20	20	LI 101 B	A
940	980	1,020	1,040	1,120	LI 101 D	B
190	200	190	190	180	LI 101 E	C
40	-20	20	140	180	LI 101 K	D
3,540	3,500	3,620	3,800	3,880	LI 102 G	E
120	140	140	160	200	LI 102 J	F
4,800	4,800	5,000	5,400	5,600	A thru F	G
0	0	0	0	0	-e when e < zero . .	H
4,800	4,800	5,100	5,500	5,600	G + H 1/	J
440	420	460	480	480	LI 201 D	K
10	20	20	20	10	LI 201 E	L
160	120	120	140	100	LI 201 Q	M
30	30	30	30	30	LI 201 R	N
260	260	300	320	340	LI 202 A	P
120	120	120	120	110	LI 202 H	Q
10	10	10	20	10	LI 202 J	R
110	130	120	120	170	LI 202 K	S
2,000	2,100	2,100	2,000	1,900	LI 202 N	T
60	60	80	80	100	LI 202 Q	U
3,200	3,300	3,400	3,300	3,300	K thru U	V
1,600	1,600	1,700	2,200	2,400	e when e > zero . .	W
4,800	4,800	5,100	5,500	5,600	V + W 2/	X
LOANFUNDS						
800	900	1,000	900	700	LI 301 A	Y
4,800	5,300	5,800	6,800	9,400	LI 301 C	Z
19,000	19,800	20,800	22,000	22,000	LI 301 D	a
24,500	26,000	27,600	29,700	32,100	Y + Z + a	b
1,500	1,500	1,600	2,100	2,400	Increment in b . .	c
-100	-100	-100	-100	5/	LI 301 I	d
1,600	1,600	1,700	2,200	2,400	c minus d	e
0	0	100	200	6/		
6/	6/	0	0	0		

5/Lies between ± $50 million.
6/Less than $50 million.

Note: Due to rounding, figures for various lines calculated by formulas given in the source column may differ slightly from the entries shown.

TABLE 27 STATEMENT OF PAYMENTS AND BALANCES

(Millions of

		1935	1936	1937
				PART ONE:
	ORDINARY RECEIPTS AND OTHER SOURCES OF MONEY			
A	Cash Dividends	...	80	80
B	Cash Interest	...	200	220
C	Gross Rents	...	10	20
D	Receipts from Customers	...	10	10
E	Insurance Premiums 3/	...	2,400	2,600
F	Total Ordinary Receipts	...	2,700	2,900
G	Net Money Obtained thru Financing	...	0	0
H	Total Sources of Money	...	2,700	2,900
	ORDINARY EXPENDITURES AND OTHER DISPOSITIONS OF MONEY			
J	Gross Cash Pay	...	180	220
K	Cash Dividends (to Stockholders)	...	130	100
L	Gross Rents	...	20	30
	Spent by Other Insurance Carriers as Customers:			
M	Commissions	...	340	400
N	Procurement Expenditures	...	370	420
P	Instalments to Contractors	...	10	10
Q	Taxes Collected	...	70	90
R	Dividends Paid to Policyholders	...	50	70
S	Insurance Benefits	...	1,100	1,100
T	Total Ordinary Expenditures	...	2,300	2,500
U	Net Money Advanced or Returned to Finance Others	...	400	400
V	Total Dispositions of Money	...	2,700	2,900
				PART TWO:
	ASSETS, DECEMBER 31			
W	Currency and Deposits	400	500	500
X	Federal Obligations	600	800	900
Y	Other Loans and Securities	5,000	5,200	5,400
Z	Total Loanfunds Receivable	6,000	6,400	6,800
	COMPUTATION OF LOANFUND FINANCING			
a	Increment in Loanfund Balance Receivable	...	400	400
b	Valuation Losses (Net)	...	-20	40
c	Money Advanced or Returned Less Money Obtained	...	400	400

1/Includes net sources of money not accounted for as follows	0	0
2/Includes net uses of money not accounted for as follows	5/	5/

3/These premium receipts are gross of cash dividends withdrawn by policyholders; premium payments by other transactors to private insurance companies are reported net of such dividends. Contributions by private insurance companies to pension plans they maintain for their employees have been deducted from the premium receipts shown on line E.

4/Less than $5 million.

FOR OTHER INSURANCE CARRIERS F&B II

Dollars) ,

1938	1939	1940	1941	1942	Source	
MONEYFLOWS						
60	80	80	80	80	OI 101 B	A
240	220	240	260	240	OI 102 L	B
20	20	20	20	20	OI 102 M	C
10	10	10	10	10	OI 102 O	D
2,500	2,600	2,900	3,300	3,400	OI 102 U	E
2,900	3,000	3,200	3,600	3,800	A thru E	F
0	0	0	0	0	− c when c < zero .	G
2,900	3,000	3,300	3,600	3,800	F + G 1/.	H
200	240	240	260	280	OI 201 E	J
150	130	130	140	130	OI 201 F	K
30	30	30	30	30	OI 201 G	L
420	440	480	530	510	OI 201 M	M
370	370	390	430	450	OI 202 M	N
10	10	10	20	4/	OI 203 B	P
110	110	90	90	130	OI 203 C	Q
70	70	70	70	80	OI 203 D	R
1,200	1,200	1,300	1,400	1,600	OI 203 Q	S
2,500	2,600	2,700	3,000	3,200	J thru S	T
200	300	600	400	600	c when c > zero . .	U
2,900	3,000	3,300	3,600	3,800	T + U 2/.	V
LOANFUNDS						
600	700	900	900	800	OI 301 V	W
1,000	1,100	1,100	1,400	1,900	OI 303 I	X
5,400	5,400	5,700	5,800	5,900	OI 303 K	Y
6,900	7,200	7,700	8,100	8,600	W + X + Y	Z
100	300	500	300	600	Increment in Z . .	a
80	40	80	100	20	OI 304 R	b
200	300	600	400	600	a + b	c
0	0	100	0	5/		
200	5/	0	200	0		

5/Less than $50 million.

Note: Due to rounding, figures for various lines calculated by formulas given in the source column may differ slightly from the entries shown.

not attributable to the year's operations. The two will be shown separately in Tables 28 and 29 in the next chapter. They are combined in Table 22, line n.

5 *Private Insurance Carriers*

Tables 26 and 27 present statements of payments and balances for life insurance companies and other private insurance carriers. Such enterprises might be expected to follow the conventional rules of business accrual accounting. Actually, however, the usual financial statement form employed for insurance companies is on almost a moneyflows basis. Ordinary receipts correspond approximately to premium and other income, and ordinary expenditures to payments to policyholders and other expenditures. Even purchases of furniture and other durable equipment appear on a conventional insurance statement together with purchases of supplies, as they do in Table 26, line Q. Purchases of real estate, however, are handled as a capital item in the usual business accounting fashion.

The problem of handling offset settlements is a particularly involved one in Tables 26 and 27. We noted our handling of the larger items in the previous chapter. Line M, Table 26, reports actual withdrawals, not total dividends to policyholders.[10] Lines E and F in this table report premiums gross of dividends withdrawn by policyholders, but net of dividends applied. It seems to us appropriate that such a two cornered offset should be netted. But, when a third party is involved, as when an insurance agent retains a portion of his premium collections as commissions, the total of such premium payments is shown as received by the carrier in both tables and the commission is shown as an expenditure.

Apart from these technical considerations the statement of payments and balances differs from the ordinary type of insurance statement in three main respects: (1) expenditures other than benefit payments are detailed by type of transaction; (2) the liability side of the balance sheet — policy reserves, surplus, etc. — is not shown;[11] (3) real estate does not appear as an asset (instead, the net change in this item appears in Table 26 as line D).

[10] The usual life insurance company statement shows dividends to policyholders under three heads: (a) withdrawn, (b) applied against premiums, and (c) left at interest. We regard (c) and the interest on such balances as accrual items. Withdrawals of these balances, including accrued interest, are reported on line M of Table 26. Line R of Table 27 reports all dividends to policyholders.

[11] Paid in capital of stock companies and borrowing by insurance carriers logically belong in Tables 26 and 27. During the seven year period changes in these loanfund balances appear to have been very small.

One statement of payments and balances remains to be considered, that for the banking sector. However, since we shall need to refer to it in discussing the role of the banking sector in total moneyflows, we will defer its full presentation to Chapter 13, but make a partial, illustrative presentation in the next chapter.

Technical Note on the Ordinary Business Financial Statement

A statement of payments and balances for a business enterprise can be worked out from a financial statement on an accrual basis, if sufficient detail is given. However, published income sheets and balance sheets often group transactions in such a way that it is impossible accurately to separate moneyflows transactions from inside transactions. For instance, insurance premiums charged against the year's operations may be separately disclosed, but not the opening and closing balances in the insurance premium deferred charge account. The latter may be lumped with other deferred charges. A similar difficulty may exist with respect to taxes. Further, some information is likely to be needed in addition to the accrual operating statement and balance sheet and their supplementary exhibits, e.g., the original cost and the book value at retirement of property retired during the year, as well as the salvage value, if any.

We may illustrate the process of deriving a statement of payments and balances from accrual information, taking an imaginary and somewhat over-simplified example, the X Merchandising Enterprise. The imagined accrual information for this concern is set forth in Table A on the following assumptions:

1) That there are no accrual items except those shown on the balance sheets and no imputed items. Thus debit items B(1), C(1), D(1), F(1), and J(1) are the same on a cash and on an accrual basis.

2) That the enterprise carries no insurance. The procedure for handling this type of item is illustrated by taxes.

3) That Table A provides sufficient information to enable us to infer all transactions in equipment and loans and securities during the year as well as the excess of charge account sales over collections.

4) That there was no payroll except that recorded on line B (i.e., no force account payroll).

5) That the enterprise does not do any manufacturing.

It is customary in the income sheet to deduct items G(1) and A(1) from sales to determine gross profit, then to deduct the costs of operations, items B(1), C(1), E(1), F(1), and H(1), from gross profit to obtain net income from the year's operations, and then to deduct D(1) and K(1) to determine the net profit. Finally the withdrawals from proprietorship account are deducted from net profit, leaving item L(1) which equals the balance sheet increment in proprietorship, item T(4) minus item T(3). And in the balance sheet it is customary to deduct the valuation reserves, items N(3) and (4) and P(3) and (4), from the gross asset valuations shown on lines N and P in columns 1 and 2. Thus total assets at 12/31/41 equal item

U(1) minus items N(3) and P(3). The three liability items, accounts, notes, and taxes payable, are then deducted to determine proprietorship. The rearrangement of the income sheet and balance sheet information in Table A is designed to make clear the process of translating this information into a statement of payments and balances.

To derive Table C, the statement of payments and balances, from Table A we first rearrange the information we need from Table A, Exhibit V, in the form of an account, Revised Exhibit V. We next set up in addition to Table C three clearing accounts to take care of inside transactions, i.e., transactions that involve no moneyflows but merely transfer money from one pocket of the transactor to another, Table D. We then post each entry in Table A and in Revised Exhibit V to either Table C or one of the clear-

Table A

X Merchandising Enterprise

DATA FROM THE INCOME SHEET FOR THE YEAR ENDING DECEMBER 31, 1942
(THOUSANDS OF DOLLARS)

	Debits	(1)	*Credits*	(2)
A	Cost of Goods Sold	57	Merchandise Sales	100
B	Payroll Expense	15		
C	Rent	5		
D	Interest	1		
E	Taxes Accruing during the Year	4		
F	Misc. Services Purchased	7		
G	Bad Debt Charges	4		
H	Depreciation Charges	1		
J	Net Owner Takeouts	3		
K	Capital Loss	1		
L	Additions to Surplus (Carried Forward to the Balance Sheet)	2		
M	Total Debits	100	Total Credits	100

DATA FROM THE COMPARATIVE 1942 YEAR END BALANCE SHEETS
(THOUSANDS OF DOLLARS)

	Debits	*December 1931* *1941* (1)	*1942* (2)	*Credits*	*December 31* *1941* (3)	*1942* (4)
N	Equipment	14	11	Depreciation Reserves	5	3
P	Accounts Receivable	12	12	Bad Debt Reserves	4	2
Q	Inventories	20	23	Accounts Payable	7	8
R	Cash	4	5	Notes Payable	4	4
S	Loans & Securities (at Cost)	2	1	Accrued Taxes Payable	1	2
T				Proprietorship	31	33
U	Total Debits	52	52	Total Credits	52	52

SUPPLEMENTARY EXHIBITS

V Equipment having (1) an original cost of $5,000 was sold (3) for scrap during the year at $1,000. At the time of the sale there was (2) an accumulated depreciation of $3,000. There was thus (4) a capital loss of $1,000.

Receivables totaling (1) $6,000 were written off during the year as uncollectible. There were no recoveries of receivables previously written off.

Government bonds (2) valued on the books at $1,000 were (3) sold for $1,000 during the year.

ing accounts. We shall expect entries in each clearing account to wash, so that Table C will necessarily be a balancing statement. The information in Exhibit W is of negative value only. Together with our five assumptions it tells us that we do not need any accounts except Revised Exhibit V to supplement Table A.

Revised Exhibit V

EQUIPMENT TRADING ACCOUNT

	Thousands of Dollars (1)	Source (2)
1) Cost of Equipment Sold (Gross)	5	V(1)
Total Debits	5	
2) Reserve Deduction from (1)	3	V(2)
3) Realization on Sale	1	V(3)
4) Transferred to P and L	1	Balance
Total Credits	5	

Table C

X Merchandising Enterprise

STATEMENT OF PAYMENTS AND BALANCES FOR THE YEAR ENDING DECEMBER 31, 1942 (THOUSANDS OF DOLLARS)

ORDINARY EXPENDITURES	(1)	During the year (2)	Source (3)
X Gross Cash Pay		15	B(1)
Y Gross Rent		5	C(1)
Z Cash Interest		1	D(1)
a Net Owner Takeouts		3	J(1)
b Taxes Collected		3	E(1) + S(3) − S(4)
Spent as Customer			
c Merchandise Purchased		60	A(1) + Q(2) − Q(1)
d Misc. Services Purchased		7	F(1)
e Equipment Purchased		2	N(2) + V(1) − N(1)
f Total Ordinary Expenditures		96	X through e
ORDINARY RECEIPTS FROM CUSTOMERS			
g Merchandise Sales		100	A(2)
h Sale of Equipment		1	V(2)
i Total Ordinary Receipts		101	
	December 31st		
LOANFUND BALANCES	1941	1942	Source
j Cash	4	5	R(1) & (2)
k Trade Receivables	8	10	P(1) − P(3); P(2) − P(4)
m Loans & Securities	2	1	S(1) & (2)
n Trade Payables	7	8	Q(3) & (4)
p Other Debts	4	4	R(3) & (4)
q Net Loanfund Balance Receivable	3	4	(j + k + m) − (n + p)
COMPUTATION OF MONEY ADVANCED OR RETURNED		During the year	Source
r Increment in Loanfunds Receivable		1	Increment in q
s Bad Debt Charges		4	G(1)
t Net Money Advanced or Returned to Others		5	r + s

Table C is a kind of sources and uses of funds statement. As is customary in other sources and uses reports, we treat debits and credits from the upper part of Table A as debits (uses) and credits (sources) respectively; also we treat the increment in a debit balance from the lower part of Table A as a use (debit) and the increment in a credit balance as a source (credit). Debit and credit mean the same as minus and plus. If the increment in a debit balance is to become a debit, the closing balance must be a debit and the opening balance a credit. Also if the increment in a credit balance is to be made a credit, the closing balance must take the same sign (credit or plus) and the opening balance the opposite sign. Therefore we shall treat the items in columns 1 and 4 as credits, and those in columns 2 and 3 as debits.

When we proceed in this manner we get Tables C and D; the source of each entry is indicated in the last column.

Table D

Clearing Accounts

	Thousands of Dollars (1)	*Source* (2)
FOR DEPRECIATION ITEMS		
USES OF FUNDS		
Depreciation Expense	1	H(1)
Decrease in Depreciation Reserve	2	N(3) minus N(4)
Total Uses	3	
SOURCES OF FUNDS		
Reserve on Sold Equipment	3	V(2)
Total Sources	3	
FOR CAPITAL LOSS		
USE OF FUNDS		
Capital Loss	1	K(1)
SOURCE OF FUNDS		
Closing Entry on Equipment Sale	1	V(4)
FOR SURPLUS AND PROPRIETORSHIP ITEMS		
USE OF FUNDS		
Additions to Surplus	2	L(1)
SOURCE OF FUNDS		
Increment in Proprietorship	2	T(4) minus T(3)

Table D and Exhibits V and W suggest two comments. First, since trade receivables are shown on the statement of payments and balances net of reserves for bad debts, and since there are no recoveries, the valuation adjustment item, line s, is necessarily the accrual item bad debt charges, regardless of the amount of receivables written off during the year (as long as the reserve is not exhausted). Second, since the government bonds were sold at book value, no inside transactions are involved in this sale.

We chose a merchandising enterprise in order to simplify the illustration. For such a concern we do not need to know the method of inventory valuation, provided the cost of goods sold is computed from purchases and the inventory increment determined in the usual manner. The formula on line c simply reverses this computation. However, if an inventory capital gain or loss were shown elsewhere in the income sheet (on the P and L statement) we would need to take this into account in line c.

In the case of a manufacturing concern the computation corresponding to line c is more complicated. The increment in the value of the inventory of goods in process and of finished goods in this case must be apportioned among several accounts, chiefly the cost of materials purchased (customer moneyflows) and gross cash pay.

For the sake of simplicity we assumed that there is no force account construction or manufacture of capital equipment. If a concern makes force account additions to its capital assets, we need to know the amount, although the additions are often not disclosed in the conventional type of business financial statement. Moreover, this amount must be apportioned among the various type of transaction expenditures — materials and equipment installations, payroll, interest, taxes, etc. Such force account payroll does not appear in the operating statement as payroll expense, and the same is true of force account capital expenditures for interest, procurement, etc. Expenditures for capital assets may have to be allocated even when no force account work is involved, e.g., into customer expenditures, instalments to contractors, real estate purchases, and possibly taxes and interest during construction.

The procedures for deriving a statement of payments and balances illustrated by Table C should not be taken as indicating the sources and methods by which Tables 22 and 23 were constructed. To some extent entries in Table 22 are based not on financial statement information for the corporations covered, but on data from transactors with whom they have dealings. However, to put together the information from various sources, the accounting relationships illustrated in Table C had to be borne in mind.