

Efficient ways of dealing with accounting data from enterprises

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Introduction

Accounting data of non-financial corporations can play an important role in the fulfilment of the mission and tasks entrusted to national central banks. The “language of business”, as is known, reflects all aspects of a business’ financial performance; accounting documents, thus, are essential to reaching an accurate picture of a business’s true financial well being. Armed with such knowledge, central banks can make accurate economic and financial analysis about non-financial corporations, assess financial stability properly, take the right decisions in the field of prudential supervision and, last but not least, can compile and disseminate better statistics and appropriate indicators about non-financial corporations.

Based on the experience of *Banco de Portugal*, this paper aims to illustrate the advantages and potential uses of corporate accounting data by national central banks, namely in statistical domains.

The central balance sheet database

Banco de Portugal runs a Central Balance Sheet Database (CBSD) since 1983, based on accounting data of individual firms. As from 2006, annual CBSD data has improved significantly and has been based on mandatory financial statements reported in fulfilment of firms’ statutory obligations, namely with the Tax Authority, the Ministry of Justice, *Banco de Portugal* and Statistics Portugal. This is the result of close cooperation among the four above mentioned public entities, which, seeking a reduction in corporations’ reporting burden, have decided to integrate in a single format their demands on annual business accounting data, to be submitted by companies only once a year. The statement, IES – *Informação Empresarial Simplificada*, is submitted by each company with a delay of about seven months after the reference period.

The CBSD has been managed by the Statistics Department since 1999 and, presently, manages two databases:

- the annual database has annual accounting data of nearly all non-financial companies in Portugal (about 370 thousand companies) and contains all IES statements that have been submitted; this database has very much detailed data (more than 3 thousand items);

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- the quarterly database has quarterly accounting data from around 3,500 corporations/year, representing almost 45% of the total turnover of the non-financial corporate sector. It comprises the answers to a quarterly survey conducted jointly by Statistics Portugal and *Banco de Portugal*; this database covers about 70 items.

The quality issue

Given the strategic importance of this type of data, the *Banco de Portugal* has developed a very thorough set of procedures to ensure a high level of quality of the accounting data, as well as its consistency with other micro data collected by the Statistics Department.

Following a first level of quality checks that take place when companies submit their accounting data, *Banco de Portugal* carries out further quality controls to find out basically missing data and misclassifications in the reported data. In this domain, it has been crucial cross-checking CBSD data with other statistical data, namely from the Central Credit Register, the Securities Statistics Integrated System and the Balance of Payments / International Investment Position databases.

Besides, other corrections are undertaken with the aim to adjust reported data to statistical standards and common compilation criteria. This is done because the alternative solution (data adjusted from the reporters' side) could be worst and give rise to greater and uncontrolled errors.

In sum, control checks are done at different levels of data granularity, including the individual one so that data concerning the same firm are, in the end, coherent and comparable among the different statistical domains and regardless the reporting agent. Furthermore, micro data cross-checking noticeably boost data value and enables further exploitation of interlinks among different databases.

Accounting data and Statistics

The main objective of the CBSD is to contribute to a better understanding of the activity and situation of non-financial corporations. So far, this has been largely accomplished through the production of statistics. Overall, CBSD can be particularly useful in the following statistical domains:

- to produce a comprehensive set of statistics about non-financial corporations. E.g., Chapters A and G of the Statistical Bulletin of *Banco de Portugal*;
- to derive non-financial corporation sector for National Accounts, both financial and non-financial. In Portugal, CBSD data has been used for compiling trade credits, own funds, inter-company loans, pension funds, and loans granted by private shareholders;
- to estimate several items for Balance of Payments / International Investment Position. Portuguese CBSD main contributions cover external trade in services, trade credits, direct investment, loans granted by foreign credit institutions, inter-company loans;

- to produce sectoral benchmarks. A great number of Sector Tables is produced by *Banco de Portugal*, with economic and financial indicators for non-financial corporations aggregated by sector of activity and/or size class. These tables are made available on the *BPstat* |Statistics online in the *Banco de Portugal* website. Additionally, some harmonized sectoral aggregates are made available in the BACH database (Bank for the Accounts of Companies Harmonised), allowing for international comparison among companies in Europe;
- to return to companies valuable CBSD output. CBSD in Portugal deliver to each company the respective Enterprise and Sector Table, containing annual indicators for both the company and its sector of economic activity and size class. This provides companies with information about their position compared to other companies of the same economic activity and size and also from other countries, being, therefore, an important tool for management and decision taking; and,
- CBSD is a good source for updating business registers, which, in turn, plays an important role in statistics.

Finally, detailed accounting data of every firm undoubtedly embodies a powerful tool to respond to any users' requirements, reducing or eliminating potential data gaps in the field of corporation statistics.

Other uses

Alone or combined with other information, CBSD data has also proved to be of great value for pursuing other central bank statutory obligations. For example, data on the financial situation of companies, especially their level of debt and rate of return, is crucial to explain companies' investment decisions and further forecast the productive capacity of the economy. Additionally, data on the financial situation of companies is also essential to evaluating monetary policy impact on their financing and economic performance. Finally, in the field of financial stability, assessing companies' capability to fulfill their debt obligations is essential to detect potential risk sources of losses for financial institutions.

In short, analysis based on a firm-level accounting database is unlimited, irrespective of the purpose, namely because it allows a careful assessment of discrepancies among companies. This is what is done, *inter alia*, in the CBSD Studies, where some specificity beyond aggregates is explored. Moreover in the context of macroeconomic analysis and for financial stability purposes, indebted firms are better assessed by using individual accounting data in particular to detect sources of weakness.

References

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