

FUNDS STATEMENT FOR CENTRAL GOVERNMENT FINANCES**1 General**

The Funds Statement for Central Government Finances is prepared in the form of a cash flow statement. It is the State's Income and Expenses Statement as well as a statement supplementing the State Balance Sheet and it sets out the sources and application of funds during the reporting period. The Cash Flow Statement is prepared by combining for the State's on-budget finances and extra-budgetary funds (hereinafter referred to as off-budget entities) the financial accounting data in the consolidated accounting database. The statement sets out separately on- and off-budget finances as well as their combined result after eliminations. The consolidation involves the elimination of both internal transactions within budgetary finances and transactions between on- and off-budget entities as well as the mutual receivables and liabilities of these sectors.

The basic structure of the statement is divided into descriptions of the cash flows within the Central Government's own operations, transfer finances, capital expenditures and financing. Each section presents the sources and application of funding for that section in such a way that the end result is the cash flow (cash surplus/deficit) generated by the functions belonging to that section. The grand total of the cash flows of all the sections constitutes the change in liquid assets for the reporting period, which is shown on the bottom line of the statement.

The Funds Statement is part of the monthly Funds Statement for Central Government Finances that is published by the State Treasury. The other parts of the bulletin are: Balance of the on-budget entities, On-budget entities' revenue, the State Income and Expense Account, Income and Expenses from payment transfers as well as the State Balance sheet. The Funds Statement serves as the basis for drawing up descriptions of the balance of central government finances, financial items and liquid assets.

The State Income and Expense Account comprises actual income and expenses as well as their difference (the income/expense surplus or deficit). The State Balance Sheet comprises the assets at the time of reporting as well as their source of financing (equity capital and borrowings). The Funds Statement for central government finances comprises cash receipts and cash disbursements as well as the change in liquid assets, which represents the difference between them. The statements in the monthly Central Government Finances Bulletin set out the cumulative transactions for the financial period up to the month in question. The previous year's data for the same period are presented as

comparison data. The information on the final central government accounts that is given for the previous year comprises the balance sheet, financial items and liquid assets.

2 Content of the Funds Statement

The Funds Statement is prepared substantially on a cash basis, i.e., for example, changes in receivables and liabilities connected with revenue and expenditures are allocated, as far as possible on the basis of accounting information, to those items which they have generated when entered on an accrual basis. The following pages present the content and nature of the item that is reported on each line of the statement.

OWN OPERATIONS:	
Income and wealth tax revenue:	On this line go the central government's income and wealth taxes.
Value added tax revenue:	On this line go value added tax revenue and value added tax refunds that are to be recollected from the municipalities. They are adjusted for changes in the value added tax receivables from off-budget entities.
Other tax revenue and revenue from public payments:	On this line go other turnover-based taxes, excise taxes, import taxes as well as tax-like charges and revenue from fines. These items are adjusted for changes in customs receivables.
Service sales, rents, usage charges and other operating income:	On this line go the following items that are entered on an accrual basis: income from fee-charging operations, rental income, electricity and water charge income as well as income from joint operations. On this line also go the excess amounts (deductibles) which employees pay to the State Pension Funds for pension insurance and unemployment insurance. Also entered on this line are non-life and other casualty compensation that has been received. The above-mentioned items are adjusted for changes in trade receivables and other prepaid expenses and accrued income. (Value added tax on sales is entered on the line Value added tax revenue.)
Interest income and withdrawal of profit:	On this line go items that have been entered in a manner corresponding to the accrual basis: interest income, dividend income as well as withdrawal of profit generated by unincorporated State enterprises. These are adjusted for changes in interest receivables.
Purchase expenditure on goods and services:	On this line go the following items that are entered on the accrual basis: purchase expenditure on goods and services, rents, user rights fees as well as non-life insurance premiums. Also entered on the line are all value added tax expenses. These items are adjusted for changes in trade payables, stocks and travel expense withdrawals.
Staff costs:	On this line go accrual-based entries for salaries as well as related social security charges and statutory insurance premiums. These are adjusted for the holiday pay liability and liabilities for staff social expenses as well as for changes in the unremitted employee's share of social insurance contributions that are withheld from salary (payroll tax, pension contribution, unemployment insurance premium, etc.) and levies of execution.
Other expenses:	On this line go disbursed compensation for damage and other claims as well as membership fees paid in Finland and abroad except for EU membership fees, which are entered on the line Transfers abroad. Also entered on the line are State-paid real-estate and other taxes, which are paid to the

	municipalities as well as other compulsory charges. Likewise entered on this line are transactions between on-budget entities and off-budget entities, which are eliminated as the end result of entry processing.
Pensions paid:	On this line go pensions paid to employees who have resigned.
Debt interest payments:	On this line go the following items that are entered in a manner corresponding to the accrual basis: interest payments, realized foreign exchange differences on central government debt, issue and capital premiums and discounts as well as SWAP payments. These items are adjusted for changes in interest payment liabilities and unrealized issue premiums and discounts as well as for changes in long-term prepaid expenses and accrued income arising in the periodisation over the relevant maturity of issue premiums.
TRANSFER FINANCES:	
Transfer finance revenue:	On this line goes transfer-type revenue received by the State. (Transfers obtained from off-budget entities are entered on the line Other expenses.)
Transfers to municipalities:	On this line go central government transfers and aids or grants to cover expenditures by the municipalities and federations of municipalities.
Transfers to industry:	Entered on this line are grants, subsidies and capital transfers to industry and business as well as to financial and insurance institutions.
Transfers to households:	On this line go transfers to households. Also entered on this line are State-paid transfers to the Social Insurance Institution of Finland and to other social security funds. These include, notably, central government transfers to cover sickness insurance and national pension expenditure.
Other transfers in Finland:	On this line go grants made and compensation paid as well as transfers to non-profit organizations. They are adjusted for grants and compensation given in advance.
Transfers abroad:	On this line go payments to the European Union as well as development aid and payment contributions to international organizations. (Membership fees payable to organizations are not entered on this line; instead they are entered on the line Other expenses.)
INVESTMENTS:	
Investments in fixed assets:	On this line go accrual-based net investments in fixed assets and national property. They are adjusted for depreciation and for deletions from account of investments as well as for changes in advance payments on fixed assets. Also entered on this line are losses on the disposal of fixed assets, which belong on the line Investments in fixed assets.
Gains on the sale of fixed assets:	On this line go gains on the sale of fixed assets, which belong on the line Investments in fixed assets.
Investments in securities:	On this line go net investments in such bonds and notes as are not counted as liquid assets. Also entered on the line are investments in shares and participations as well as the change in the acquisition (costs) value of unincorporated State enterprises. These items are adjusted for deletions from account for investments and loan receivables and changes in revaluations carried out as well as for losses on the disposal of real-estate

	shares and other shares.
Capital gains on investments:	On this line go capital gains on securities; these belong on the line Investments in securities.
Loans granted:	On this line go increases in loans granted by the State, including issue premiums and losses.
Repayments of loans granted:	On this line go repayments of loans granted by the State.

FINANCING:	
Net change in central government debt:	On this line goes the net change in the nominal value of the central government debt that is handled by the State Treasury. It is adjusted for changes in unrealized valuation items, such as unrealized gains and losses on foreign exchange as well as discounts on issuance.
Net change in other debt:	On this line goes the net change in outside funds in the State's possession, such as payments to be remitted to the EU and taxes to be remitted to other tax recipients as well as advance payments received by the State. Entered on this line is the net change in liabilities not included under the designation "Central government debt." These liabilities are handled by parties or bodies other than the State Treasury.
CHANGE IN LIQUID ASSETS:	The item is calculated as the sum of the above items.

3 Balance of central government finances

The Balance Statement for Central Government Finances is presented in the form of the Funds Statement lines grouped into income, expenses, capital expenditures and debt. The statement's subtotals are depicted by curves showing the difference in revenue and expenditures and the financing requirement. (Figures Central government revenue and expenditures and Balance of central government finances)

4 Financial items

The financial items table gives a specification of central government debt broken down into debt denominated in euros and in foreign currency. Added to and subtracted from this figure are unrealised foreign exchange differences, whereby the nominal central government debt is obtained. The figure corresponds to the amount of central government debt set out in publications by the State Treasury's Finance Division. The table furthermore gives information on the amount of other debt. Further down in the table are figures for the total change in financial items, which corresponds to the Funds Statement's financing cash flow. The table provides the input data for the curves depicting central government debt. (Figure Central government debt)

5 Liquid assets

Liquid assets are also presented in a separate table, in which they are specified by grouping them into short-term investments, bank accounts and cash assets, incl. outside funds. The table shows the final balance for the reporting month and the final balance for the previous year's final accounts, which serves as comparative information. The data in the table are picked out as follows:

Short-term capital expenditures:	On this line go the final balances of cash asset investments as well as investments in bonds and notes that are counted as liquid assets.
Bank accounts and cash in the till:	On this line go the final balances of chequing and foreign currency accounts, payment transfer accounts as well as the cash in the tills of government offices. Also entered on this line are the final balances of outside funds left to be managed by the State.

The liquid assets table is accompanied by a curve depicting liquid funds (Figure Liquid assets).