

Guideline for the Balance of Payments reporting

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1. GENERAL PRINCIPLES

Please use the **unconsolidated financial statements** when completing the report, **excluding the calculation of profit/loss** recorded in the tables "Investments in shares and equity with at least 10% of the voting rights and in the net assets of branches" and "Total gains/losses of previous financial years and the accounting year" (see the notes by the tables).

Prohibition of netting – netting (offsetting) of assets against liabilities or income against expenses is prohibited.

Accrual basis of accounting – the form must be completed using the accrual basis of accounting. Business transactions are recorded when they occur, regardless of when cash is received or paid for the transactions (Subsection 5 (2) of the Accounting Act).

Translation of foreign currency into euros and exchange rate spreads – all monetary amounts in the report must be presented in **euros**. Transactions in foreign currency are translated using the exchange rate on the day of the operation, and gains (+) or losses (-) from the revaluation of currency are shown in the column "Exchange rate changes", "Exchange rate and price changes", or "Other changes".

Non-resident – a legal or natural person that is registered abroad and whose country of residence is abroad. The branches and subsidiaries of non-resident companies that are located in Estonia are considered Estonian residents. Equally, the branches and subsidiaries of Estonian residents that are located abroad are considered non-residents. Non-residents include also the embassies of foreign countries and the representations of international organisations located in Estonia.

Resident – a person with permanent residence in Estonia or a legal person registered in Estonia. See also the [Definitions under External Sector Statistics](#).

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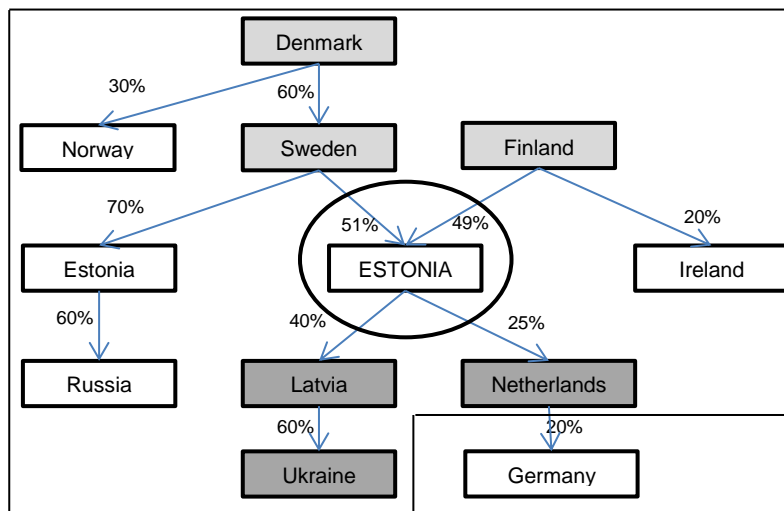
2. DIRECT INVESTMENT

Direct investment – an investment by a resident of one country (the direct investor) in a company of another country (the direct investment enterprise) to an extent which gives control or significant influence over the management of the company. Under international standards, significant influence

is achieved and a direct investment relationship created when an investor resident in one country owns at least 10% of the direct or indirect voting rights of a business resident in another country.

Direct investment group (in the balance of payments) – a group containing direct investors, direct investment enterprises and fellow enterprises. A natural person may also be part of a direct investment group as an investor. The illustration shows a direct investment group within the box.

Example of direct investment relations and recording of investment for an Estonian company:



The circled Estonian company has

- Three direct investors (in light grey): Sweden and Finland directly and Denmark indirectly. These three are the ascending enterprises in the direct investment group in the example given. Claims and liabilities to them are recorded in the tables of intra-group instruments by selecting "Parent or other ascending enterprise" under the field "Related party".
- Three direct investment enterprises (in dark grey): in Latvia and the Netherlands directly and in Ukraine indirectly. These three are the descending enterprises in the direct investment group. Claims and liabilities to them are recorded under "Subsidiary, associated enterprise or other descending enterprise" in the tables of intra-group instruments. The enterprise in Germany is not in the direct investment group, because it is the associate of an associate and claims and liabilities to it are recorded in the tables of extra-group instruments.
- Three fellow enterprises: through the Swedish direct investor in Russia, the Finnish direct investor in Ireland, and the Danish direct investor in Norway. Claims and liabilities to them are recorded under "Fellow enterprise" in the tables of intra-group instruments.

Parent or other ascending enterprise (Direct investor in the balance of payments) – a natural or legal non-resident who has a direct or indirect holding of at least 10% of the voting shares or equity.

Subsidiary, associated enterprise or other descending enterprise (Direct investment enterprise in the balance of payments) – a legal person of which the reporting company directly or indirectly owns at least 10% of the voting shares or equity. Branches abroad are also descending enterprises.



Fellow enterprise – a legal person in the same group as the reporting company, which may directly or indirectly own less than 10% of the voting rights of the reporting company, or of which the reporting company may directly or indirectly own less than 10% of the voting rights.

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