

## CHAPTER - 3

## CONCEPTS AND DEFINITIONS

1. **Average daily persons employed** include employees, working proprietors and unpaid family workers.
2. **Census value added** is one of the concepts used in Pakistan's CMI. It equals value of industrial production minus industrial cost. The value can be measured at different prices, e.g. market prices, producer prices, basic prices or factor cost. In more detail census value added is defined as the value of census output less the value of census input, which covers: (a) value of materials and supplies for production (including cost of all fuel and purchased electricity); and (b) cost of industrial services received (mainly payments for contract and commission work and repair and maintenance work).
3. **Contribution to GDP** or gross value added (GVA) as measured by National Accounts equals census value added plus non-industrial receipts minus non-industrial cost. The concept of National Accounts is ideally represented by the contribution of the establishments in each branch of activity to the Gross Domestic Product of the economy. It is, therefore, also called contribution to GDP, here. For the measure of total value added, the cost of non-industrial services is deducted from and the receipts for non-industrial services are added to census value added. The estimates, whether in terms of census value added or total value added, are gross of depreciation and other provisions for capital consumption, unless otherwise stated. The valuation may be in factor values, at basic prices, at producers' prices or at market prices, depending on the treatment of indirect taxes and subsidies.
4. **Depreciation** measures the decline in the current values of the stock of fixed assets owned and used by producers as a result of physical deterioration, normal obsolescence and normal accident damages during the accounting period. In National Accounts the concept of "consumption of fixed capital" is employed which differs in some respects to "depreciation" which is the term employed in commercial bookkeeping.
5. **Employees** mean all persons whether part time or full time who work in the establishments and receive remuneration in cash or in kind. Working proprietors, unpaid family workers and home workers are excluded. The categories of the employee are given below:
  - a) **Production workers** are engaged in work directly associated with production like manufacturing, assembling, packing, repairing etc. Working supervisors and persons engaged for repairs and maintenance are also included.
  - b) **Non-Production workers** include administrative and professional employees, white-collar office employees, drivers, watchmen/guards, peons, sweepers, etc.

6. **Employment cost** includes wages and salaries paid *plus* cash and non-cash benefits paid to the workers. Remuneration of the workers is given below:

- a) *Wages and salaries* means payment made to employees as remunerations for their work. It includes dearness allowance and payment for leaves.
- b) *Other cash payments* include conveyance allowance; house rent allowance compensatory and other such allowances, bonus, employer's contribution towards social security scheme and provident fund & commission. Amount of gratuity and pension is excluded.
- c) *Non-cash benefits* are goods and services provided to employees free of cost or at subsidized rates. These include rent free accommodation, medical & transport facilities, cheap/free consumer goods including food, beverages & clothing, etc.

7. **Gross Fixed Capital Formation (GFCF)** or fixed investment measures the additions of fixed assets to the physical capacity to produce goods and services. GFCF includes:

- § Acquisition less disposal of new or existing produced assets, such as:
  - dwellings
  - other building structures
  - plant, machinery & transport equipment
  - furniture & fixtures
- § Cost of ownership transfers on non-produced assets such as land
- § Major improvement to land
- § Fixed assets produced for own final use (investment)

Cost of land does not become part of GFCF since at national level, the sale of land by one economic entity would be offset by a purchase of same by another economic entity.

8. **Industrial cost** consists of cost of raw materials, fuels and electricity consumed, payments for work done, payments for repairs and maintenance and cost of goods purchased for resale. Some of these components are defined below: -

- a) *Fuels* consist of firewood, coal, charcoal, kerosene oil, petrol, diesel, gas and other such items which are consumed in generating heat & power.
- b) *Raw-materials* include raw and semi-finished materials, assembling parts etc., which are physically incorporated in the products and by-products made. Chemicals, lubricants and packing materials which are consumed in the production and spare parts charged to current operating expenses are included. Raw-material given to other establishment for manufacturing goods (semi-finished and finished) on behalf of the establishment is included, whereas raw material supplied by others for manufacturing goods on their behalf is excluded.

9. **Intermediate Consumption** consists of goods and services, which are entirely used up by producers in the course of production to produce goods and services during the accounting period. Intermediate consumption comprises industrial cost plus non-industrial cost. It excludes labour cost, financial costs like interest payments. Intermediate consumption is valued at purchasers' prices. That means that production taxes which are levied with the supplier and which thus have to be borne by the

establishment as a purchaser are included. Taxes levied on products or on production of the establishment itself which have to be paid to the fiscal authorities are not included.

10. **Non-Industrial Cost** consists of payments for transport, insurances, copy rights/royalties, postage, telephone, fax & internet charges, printing and stationery, legal and professional services, advertising & selling services, traveling, etc. For valuation and for exclusions and inclusions see "intermediate consumption".
11. **Non-Industrial Receipts** include receipts for transport services, repair & maintenance, rental and lease of buildings & equipment for storage and warehouses, agency commissions, etc. For valuation and for exclusions and inclusions see No 9 "intermediate consumption".

## 12. Prices

- a) Market price is the producers' price plus sales tax.
- b) Producers' price is the basic price plus taxes on the output invoiced to the purchaser less subsidies on the output received by the producer from the government.
- c) Basic price is the amount received by the producer from the purchaser for a unit of output. It includes taxes less subsidies on production, such as, license fees or taxes on ownership or use of land, building or the assets used in production or labour employed. It excludes taxes less subsidies on output as well as transport charges.
- d) Factor cost is the basic price minus other taxes on production defined at 14.b below.

13. **Stocks** include value of raw materials, spare parts, packing materials, fuels and other inputs materials (like chemicals and dyes, lubricants etc.), semi-finished products and by products and goods expressly purchased for resale at the beginning/end of the year.

## 14. Taxes on production and imports consist of two main groups:

- a) **Taxes on products** payable on goods and services when they are produced, delivered, sold, transferred or otherwise disposed of by their producers, e.g. excise duties or taxes and duties on imports.
  - i. **Excise duties** consists of special taxes levied on specific kinds of goods, typically alcoholic beverages, tobacco and fuels; they may be imposed at any stage of production or distribution and are usually assessed by reference to the weight or strength or quantity of the product.
  - ii. **A value added type of tax (VAT)** is a tax on goods or services collected in stages by enterprises but which is ultimately charged in full to the final purchasers. In Pakistan, this applies to General Sales Tax.

- b) **Other taxes on production** do not vary with weight, strength or quantity of output but are levied on inputs. They mainly consist of taxes on the ownership or use of land, building or other assets used in production or on the labour employed, or compensation of employees paid. In Pakistan, they are mainly levied by the Provinces and the Districts.
15. **Value of production** consists of the value of finished products and by-products, receipts for work done for others, receipts for repairs and maintenance, value of sale of semi-finished products and by-products, wastes and used goods, value of electricity sold, value of sales of goods purchased for resale, the net increase in the value of work in process and the value of fixed assets produced by the establishment for its own final use (investment). Valuation can be made at different concepts of prices (see under "prices" above).

## ACRONYM

ACGR	Annual Compound Growth Rate
BOS	Provincial Bureau of Statistics
CG	Cotton Ginning and Baling
CMI	Census of Large-Scale Manufacturing Industries
CPC	Central Product Classification
CVA	Census value added
FBS	Federal Bureau of Statistics
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GVA	Gross value added
IMR	Installation, Maintenance & Repairs
ISIC	International Standard Industrial Classification (ISIC Rev 3.1)
LSMI	Large Scale Manufacturing Industries
MR	Maintenance & Repairs
MT	Metric Tonnes
NWFP	North West Frontier Province
PSIC	Pakistan Standard Industrial Classification (PSIC 2007)
QIM	Quantum Index of Large-scale Manufacturing