

Financial Statement Analysis of Corporations by the Bank of Korea

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1. Outline

The Financial Statements Analysis(FSA) which is compiled by the Bank of Korea is one of the most widely used economic statistics in Korea. The main purpose of FSA is to provide valuable information on businesses' financial conditions and managerial performance for government policy-makers and banking institutions as well as the corporate sector.

FSA presents estimated balance sheets, income statements, statements of cost of goods manufactured, and funds flow statements of Korean corporations by industry, along with financial ratios reflecting their growth, profitability, activity, productivity and financial position.

Based on the KSIC(Korean Standard Industrial Classification), the industries of FSA are grouped into manufacturing; fishing; mining; electricity & gas; construction; wholesale & retail trade; transport & storage; and other service industries.

In order to improve the accuracy of these statistics and reflect changes in industrial structure and business scale, careful revision of the samples and industrial reclassification is carried out every three years. The statistics are compiled twice a year.

2. The History of Survey

Since 1960, the Bank of Korea, the central bank of Korea, has surveyed the main corporations in most industries, except for some industrial sectors such as agriculture, forestry, and finance. However, not until 1978 was a scientific sampling introduced due to the lack of raw data about the population. Until then the number of surveyed corporations had increased annually, and FSA had been compiled by simply aggregating the results of every corporation. In consequence, there was a great difficulty in improving the accuracy of the FSA data and maintaining the continuity of time series. To solve these problems, sampling from the National Tax Service file of corporate entities which are required to file a tax report has been conducted since 1979, and samples are changed every three year. Systematic sampling has increased the accuracy of the FSA data and the continuity

of the time series.

3. Description of Sampling

3.1 Population

Scope of industry surveyed is all industrial sectors except:

- Agriculture, Hunting and Forestry
- Water Services
- Finance, Insurance
- Sanitation, and Similar Services, Individual and Housekeeping Services, etc.

Industry combinations used in the FSA are defined in accordance with the Korean Standard Industry Classification. The population was 40,347 corporations as of year 2000, selected from the National Tax Service file of 1995 of over 130,000 corporations, after excluding the categories of corporations which are irrelevant to the survey.

3.2 Sampling

All large companies meeting the following criteria have to file their data with the FSA, and other corporations are subject to a sampling process.

- annual sales of more than 70 billion won
- annual sales among top five in its industry
- exports within top hundred
- listed companies

Corporations which are not large companies make up the sub-population. They are chosen by stratified random sampling. Each corporation is stratified by industry classification and gross sales. After the sample size is determined by industry, the sample is allocated to each stratum using the Neyman allocation.

4. Method of Survey

The FSA Form which covers the main items of the balance sheet, income statement, and statement of cost of goods manufactured for two consecutive fiscal years is mailed out to corporations. After being filled out, it is sent back by mail. Every year the FSA surveys are carried out for about two months from March.

5. Fields of Use

FSA is used in various fields, such as calculating the financial ratios of reference industries, compiling national income statistics, input-output tables and flow of funds accounts.