

EBS/84/91  
Supplement 3

CONFIDENTIAL

June 22, 1984

To: Members of the Executive Board

From: The Secretary

Subject: Review of the Fund's Income Position for  
the Financial Years 1984 and 1985

The attached paper reports a correction of the Fund's net income for the financial year 1984 from that set out in EBS/84/91, Supplement 1 (5/21/84). In view of this change it is suggested to review and amend the decision taken by the Executive Board at Executive Board Meeting 84/85 (6/1/84). As indicated by the Acting Managing Director, this subject will be placed on the agenda of the Executive Board Meeting scheduled for Wednesday, June 27, 1984.

Att: (1)

INTERNATIONAL MONETARY FUND

Review of the Fund's Income Position  
for the Financial Years 1984 and 1985

Prepared by the Treasurer's Department

Approved by W. O. Habermeier

June 22, 1984

Net Income for Financial Year 1984

The statement of the Fund's income and expenses provided in EBS/84/91, Supplement 1 (5/21/84) showed net income for financial year 1984 of SDR 69 million. Because of an accounting error just discovered by the Treasurer's staff, reported net income did not include an amount of SDR 3.9 million of stand-by charges. These charges had been recorded as deferred income but had not been transferred to income as required when the relevant arrangements expired or were cancelled. Taking this amount into account, the net income for the financial year 1984, which remains subject to external audit, is SDR 73 million, and not SDR 69 million, as previously reported (see attachment).

In the view of the staff, this change in net income does not necessitate a change in the conclusions reached at Executive Board Meeting No. 84/85 that net income for financial year 1984 should be placed to the Special Reserve and that no retroactive adjustments in the rate of charge and rate remuneration need be made. Accordingly, it is proposed that the Executive Board reaffirm the decision taken at EBM/84/85 (6/1/84) to place the net income for 1984 to the Special Reserve.

Regarding the rate of charge in effect from May 1, 1984 and the target amount of net income for financial year 1985, the staff is of the view that it would be in keeping with the compromise reached at EBM/84/85 that the rate of charge shall be 7 percent as from May 1, 1984 and that approximately half of the additional income, or SDR 2 million, be added to the amount of 1984 income deemed as income in financial year 1985 for the purposes specified in Rule I-6(4)(d).

Accordingly, it is proposed that paragraph (b) of Executive Board Decision No. 7713-(84/85) be amended to provide that SDR 22 million, instead of SDR 20 million, of the net income in excess of the target amount for the 1984 financial year be deemed as income for the 1985 financial year. This amendment requires a majority of 70 percent of voting power.

Attachment

Table 1. Income and Expense  
for Financial Year 1984 1/

(In millions of SDRs)

	EBS/84/91 Supplement 1	Corrected
<b>1. <u>Operational Income</u></b>		
a. Periodic charges		
Regular facilities	1,117	1,117
SFF	781	781
Enlarged Access	<u>466</u>	<u>466</u>
Total charges	2,364	2,364
b. Interest on SDR holdings	372	372
c. Other income		
Regular facilities	27	31
SFF	5	5
Enlarged Access	<u>20</u>	<u>20</u>
Total other income	52	56
Total operational income	2,788	2,792
<b>2. <u>Operational Expense</u></b>		
a. Remuneration	1,286	1,286
b. Interest expense		
GAB	16	16
SFF	767	767
Enlarged Access <u>2/</u>	<u>457</u>	<u>457</u>
Total interest expense	1,240	1,240
Total operational expense	2,526	2,526
3. Net operational income	262	266
4. Administrative expense	<u>193</u>	<u>193</u>
5. Net income (deficit)	69	73
Pro memoria <u>3/</u>		
SFF	19	19
Enlarged Access	29	29

1/ Rounded to millions. Subject to external audit.

2/ Less net income from temporary investments held in the Borrowed Resources Suspense Account.

3/ Net income resulting from the margin between the rate of charge and the rate of interest on borrowing plus the service charge of 0.5 percent.