



Reporting guidelines intercompany accounts

2. Currency

All amounts should be reported in the currency in which the intercompany account is denominated. Please do not convert the amounts in Netherlands Antilles Guilders.

3. Timing

The transactions are reported at the moment they are registered in the books of the resident company.

4. Gross reporting

All transactions have to be reported on a gross basis. Netting of debit and credit entries is not allowed. If, for example, a company imports goods from the parent company for USD 500 and exports USD 800 of goods to the parent company, these transactions should be registered as follows:

Debit:	export of goods	800
Credit:	import of goods	500

AND NOT:

Debit:	export of goods	300
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5. Debit and credit entries

If the beginning balance of the intercompany account is a liability to the parent company, it must be recorded in the credit column of the form¹. In the credit column of the form are reported all transactions that increase the liability to the parent company (or decrease the claim on the parent company), e.g., goods received from the parent company, services received from the parent company, and the extension of a loan by the subsidiary to the parent company².

¹ If the beginning balance is a claim on the parent company, it must be recorded as a negative amount in the credit column of the form.

² Assuming the subsidiary has a claim on the parent company, this short-term claim on the intercompany account may be converted into a long-term loan extended to the parent. When this happens, the short-term claim on the parent decreases, and consequently, this transaction must be reported on the credit side.

The debit column should include all transactions that reduce the liability to the parent company (or increase the claim on the parent company), e.g., the delivery of goods to the parent company and receipt of a loan from the parent company³.

Settlement of a debit or credit balance of the intercompany account through the banking system also has to be included in the form: a payment to the parent company (a reduction of the liability to the parent company) has to be included on the **debit side** and a payment received from the parent company (a decrease in the claim on the parent company) on the **credit side** of the form.

6. Description of transactions

In order to achieve a correct classification of the Balance of Payments transactions, it is very important that you give an accurate description of the transactions. When settlements of the intercompany account through the banking system take place, you must indicate whether the transaction was made through a local bank or a foreign bank. The following are the most common type of transactions between two companies that have a direct investment relationship:

Debit	Credit
Export of goods	Import of goods
Royalties due to be received	Royalties due to be paid
Dividend due to be received	Dividend due to be paid
Receipt of a loan from the parent	Repayment on received loan due
Repayment on extended loan due	Extended loan by subsidiary

The complete listing of possible transactions can be found in the sheet “Description” in the Excel template. When you select the description, the first column “CBCS code” will be automatically filled out.

³ Assuming the subsidiary has a debt to the parent company, this short-term debt on the intercompany account may be converted into a long-term loan received from the parent. When this happens, the short-term debt to the parent decreases, and consequently, this transaction must be reported on the debit side.

7. Example

The beginning balance of the intercompany account amounts to USD 3,750 and is a liability to the parent company. Then your company delivers goods to your parent company for the total amount of USD 2,000 and records a repayment on a received loan due for the amount of USD 250 through the intercompany account. Finally, you settle part of the outstanding balance by making a payment of USD 500 through a local bank. These transactions must be recorded as follows:

		Debit	Credit
Beginning balance			3,750.00
<small>(if debit value: add negative sign)</small>			
CBCS code	Description of transaction		
0	Export of goods	2,000.00	
740	Repayment loan abroad		250.00
980	Transfer to/from parent & affiliates	500.00	
Ending balance		1,500	
Consistency check: debit = credit		4,000	4,000