

of "interest accrued" and "interest due and outstanding" are recorded as components of the public debt in the statement of the government's assets and liabilities.

In a year in which the compound interest coupon and/or bonus interest payment on a Canada Savings Bond series come due, cash interest payments will exceed interest accruals on that series; there is then a use of funds under "Other non-budgetary transactions". There is a corresponding reduction in the "interest accrued" and "interest due and outstanding" components of the total public debt.

The SR series of Canada Savings Bonds (issued May, 1968, \$120 million estimated outstanding) and the large S24 series (issued November, 1969, \$2.5 billion estimated outstanding), mature in 1978. Both series have compound interest provisions and are eligible for bonus interest. It is estimated that in 1978 compound interest coupons and bonus interest totalling \$850 million will be paid on these series, together with \$1,450 million in regular interest coupons. Only \$300 million will correspond to interest accruing on these bonds during fiscal year 1978-79. Thus, unlike recent years in which the excess of interest accruing over interest encashment on these two series provided a substantial source of funds (some \$350 million in 1977-78), in 1978-79 the excess of encashment over accruals gives rise to a requirement of some \$2 billion. On other series of CSBs, accrued interest continues to exceed cash payments. Overall, the interest accounts switch from giving rise to a source of funds of almost \$800 million in 1977-78, to giving rise to an estimated requirement of \$1,300 million in 1978-79.

The unusually high level of interest encashment in 1978-79 affects financial requirements but not the budgetary deficit. Nor does it affect the National Accounts deficit (Tables 3 and 4) as interest on the public debt is also treated on an accrual basis in the National Accounts.