

Updating of the SNA-93
Issue 27: Classification and terminology of non-financial assets

Advisory Expert Group's (AEG) recommendations of 04/2006:

The AEG agreed with:

- (a) the highest level of the classification as follows:
 - Non-financial assets*
 - Produced assets*
 - Non-produced assets*
 - Financial assets*

- (b) the high level structure for produced and non-produced assets as follows:
 - Produced assets*
 - Fixed assets*
 - Inventories*
 - Valuables*
 - Non-produced assets*
 - Natural resources*
 - Contracts, leases and licences*
 - Goodwill and marketing assets*

- (c) the breakdown of fixed assets as follows:
 - Dwellings*
 - Other buildings and structures*
 - Non-residential buildings*
 - Other structures*
 - Land improvements*
 - Machinery and equipment*
 - Transport equipment*
 - ICT equipment*
 - Other machinery and equipment*
 - Weapons systems*
 - Cultivated assets*
 - Livestock for breeding, dairy, draught etc.*
 - Vineyards, orchards and other plantations of trees yielding repeat products*
 - Costs of ownership transfer on non-produced assets*
 - Intellectual property products*
 - Research and development*
 - Mineral exploration and evaluation*
 - Computer software and databases*
 - Computer software*
 - Databases*
 - Entertainment, literary or artistic originals*
 - Other intellectual property products (category should be re-examined in connection with issue 13 and 29)*

- (d) the breakdown of inventories as follows:

Materials and supplies
Work in progress
 Work in progress on cultivated assets
 Other work in progress
Finished goods
Military inventories
Goods for resale

- (e) the breakdown proposed for valuables as follows:

Precious metals and stones
Antiques and other art objects
Other valuables

- (f) the detailed categories proposed for natural resources. The AEG agrees that only first level should be standard and the rest optional, depending on the situation in individual countries. The Editor and the UNSD will work together to obtain the best alignment possible between the SNA and SEEA classifications.

Natural land
 Natural land under buildings and structures and associated surface water
 Natural land under cultivation and associated surface water
 Natural recreational land and associated surface water
 Other natural land and associated surface water
Subsoil assets
 Coal, oil and mineral gas reserves
 Metallic mineral reserves
 Non-metallic mineral reserves
Non-cultivated biological resources
 Natural forests
 Other crop and plant resources
 Wild stocks of fish and aquatic mammals
 In national waters including EEZ
 Outside EEZ
Water resources
 Aquifers
 Other
Other natural resources
 Radio spectra
 Other

- (g) The AEG postponed discussion of the proposal regarding contracts, leases and licences pending further work on the issue on contracts, leases and licences (issue 21).

(Third party property rights
 Marketable operating leases
 Permissions to use natural resources
Entitlement to future goods and services on an exclusive basis
 Of nominated legal persons
 Of future production)

- (h) the following format of the capital account entries. The AEG agreed with the format and did not wish to have any greater disaggregation. The AEG also agreed that the 1993 SNA term

“Consumption of fixed capital” should not be changed to “Depreciation” as recommended by the Canberra II Group.

Gross fixed capital formation

Acquisitions less disposals of fixed assets

Acquisition of new fixed assets

Acquisition of existing fixed assets

Disposal of existing fixed assets

Cost of ownership transfer on natural resources

Consumption of fixed capital

Changes in inventories

Acquisition less disposal of valuables

Acquisition less disposals of non-produced assets

- (i) the following proposals for the “Other changes in volume of assets account”:

Entries applying to a restricted number of assets

Economic recognition of produced assets (K4)

Public monuments

Valuables

Increase in the value of natural resources

Discoveries and upwards reappraisals of sub-soil resources (K3)

Natural growth of uncultivated biological resources (K5)

Decrease in the value of natural resources

Extractions and downwards reappraisals of sub-soil resources(K61)¹

Harvesting of uncultivated biological resources

Initiation of contract, leases and licences (K3)

Relating to third party property rights

Fixed assets

Natural resources

Relating to the entitlement to future goods and services

Termination of contracts, leases and licences (K62)

Relating to third party property rights

Fixed assets

Natural resources

Relating to the entitlement to future goods and services

Changes in the value of goodwill and marketing assets(K62)

Entries applying to all classes of assets

Catastrophic losses (K7)

Uncompensated seizures (K8)

Other volume change (K9 and K10)

German opinion:

¹ The word extraction has been used here to replace depletion. This is in keeping with usage in the SEEA where extraction is used for total removals and depletion for the net effect on the level of reserves.

General remark:

It would be useful to have a differentiated list of all changes in the classification of assets from the 1993 SNA especially regarding the changes in the borderline between several asset classes. Inherent changes in the production boundary are of special interest giving their importance with regard to the influence on property income. The results of the discussion about issue 21 contracts, leases and licences are evident for the problem. Without these results there is no final appraisal possible.

On the different points:

- a) The Federal Statistical Office of Germany agrees that there is no change in the highest level of the classification of assets.
- b) We agree in principle with the high level structure for produced and non-produced assets, but we ask for clarification regarding the changes from the 1993 system, especially as far as there is a shift in the frontier between produced and non-produced assets on the one hand and non-financial assets and financial assets on the other hand. It could be helpful to identify all shifts in these frontiers, especially regarding the delineation to those assets creating property income in the 1993 SNA. We would prefer to keep a category "other non-produced (intangible) assets" from a classification point of view (like "not elsewhere classified"). In addition giving up the distinction tangible/intangible can be supported only after closing the topics about Originals and contracts and leases of assets and only if the new agreement over these matters wouldn't require such a distinction any more. Germany support the position, that the proposals for revision in these two points go further than the Fundamental Principles for the Revision of the SNA and that the distinction tangible / intangible is useful for understanding the production boundary and the distinction to property income.
- c) We agree in principle with the breakdown of fixed assets with the following exceptions (although seven categories on the highest level are not desirable):
 - Weapons systems should be dropped from the classification because issue 19 military weapons is not in line with the fundamental principles of the updating (see German opinion to issue 19). In addition it is not allowed in Germany to publish figures on military weapons systems nor to transmit them to the EU or another international organisation.
 - Land improvements should be included in other structures. We are not able to distinguish between the two (see German opinion to issue 20 land).
 - As a minor point and to avoid too many "other", we could imagine to replace the label "non-residential buildings by for instance "surface structures" and the line "other structures" by for example "underground structures".

- ICT equipment should not be shown as a separate category.
 - There should be only one single category for “computer software and databases” together without a subsequent disaggregation into “software” and “databases” (see German opinion to issue 12 databases).
 - Accumulated costs of ownership transfer (COT) on non-produced assets should not be shown as a separate category. Instead they should be included in “Other buildings and structures” together with land improvements (see “C. impact on the accounts” at page 7/8 in the issue paper on issue 20 “The treatment of land improvements”). This is useful not only for COT on land, but also for COT on other non-produced assets because of their minor practical importance (possible influence of the results of the discussion on issue 21 contracts, leases and licences).
- d) We agree in principle with the breakdown of inventories with the exception that military inventories should be dropped from the classification in accordance to what we said about military weapons systems.

Remark: We find it somewhat confusing to use exactly the same words “cultivated assets” for the category under fixed assets as well as under inventories, because they don’t relate to the same processes. You could treat vineyards and orchards in the first years of growth until their first harvest also as “work in progress on cultivated assets”, but this is not what is meant here. We suggest using for inventories “animal and plants” in place of “cultivated assets”. Another possibility is “living assets”.

- e) We find the proposed differentiation of valuables is going too far and suggest to keep all valuables together in only one position.
- f) We agree with the recommendation of the AEG on natural resources with one addition: The word “natural” should be dropped in the expression of land, because we have no “produced land” as alternative category. We have land as a non-produced asset and land improvements as part of fixed assets.
- g) We would be grateful to get the results of the discussion on issue 21 contracts, leases and licences as soon as possible.
- h) We agree in principle with the recommendation of the AEG on the format of the capital account entries, but the differentiation of “Acquisitions less disposals of fixed assets” should be optional.

Remark: All costs of ownership transfer on non-produced assets are to be included in gross fixed capital formation (GFCF) and not only COT on natural resources (see also c)). Regarding GFCF there is no change to the 1993 SNA in this respect, only on the asset side).

- i) The new asset-oriented structure of the entries to the “Other changes in the volume of assets account” seems useful. Some of the new entries are related to issue 21 contracts, leases and licences. That’s why a final opinion cannot be given here. Some remarks:
- Not all entries in the last category “Entries applying to all classes of assets” do this in the sense of the headline: K9 are clearly related to non-produced assets and K10 to financial assets and liabilities in the current SNA.
 - What about changes in classifications and structure (K12)? We are missing them.
 - (Other entries of the first part are also related to other classification numbers regarding the current SNA: “Extractions and downwards reappraisals of sub-soil resources” are also related to part of K62 from the current SNA as well as “Changes in the value of goodwill and marketing assets” are also related to part of K3 of the current SNA.)