

**Comments on the Updating of the 1993 SNA**  
**(April 2008)**

**(i) Comments on Volume 1 of the updated SNA**

1. Conceptual coherence and consistency

- The capitalization of expenditure on research and development is one of the 44 issues considered in this updating exercise. It is mentioned in paragraph 10.104 that

“..... The value of research and development (R&D) should be determined in terms of the economic benefits it is expected to provide in the future. .... Unless the market value of the R&D is observed directly, it may, by convention, be valued at the sum of costs, including the cost of unsuccessful R&D.”

Since R&D activities are often undertaken in-house, it would be useful to mention explicitly that much R&D is carried out on own account and is to be valued at cost, while R&D purchased on the market is to be valued at purchasers' prices.

- It is mentioned in both paragraphs 6.226 and 10.104 that R&D which does not provide any economic benefit to its owner should be treated as intermediate consumption instead of capital formation. This may cause some confusion as such cases should be very rare. Even if some R&D activities do not yield immediate or direct benefit, they may bring some indirect economic benefits in future either because they form the basis on which further R&D can be built, or they point to certain directions where further R&D would be futile. As it is difficult if not impossible to determine with certainty that an R&D activity will not bring any economic benefit in future, it would be useful to point out that in practice, it is acceptable to include all R&D expenditure as capital formation.
- Paragraph 14.41 of Chapter 14: In this paragraph, cross-reference is made to a “discussion in chapter 5”. However, the relevant discussion seems to be that contained in Chapter 6 (paragraph 6.84) instead of Chapter 5. Please check whether the cross-reference mentioned in paragraph 14.41 should be amended from Chapter 5 to Chapter 6.

## 2. Presentational issues

- It is understood that the updated SNA will consist of two volumes, with Volume 1 comprising Chapters 1-17 (on the framework and integration of the accounts and incorporating the recommendations on the 44 issues) to be released in 2008 and Volume 2 comprising Chapters 18-29 (on the interpretations of the accounts and extensions such as satellite accounts) to be published in 2009. It will be useful to include in Volume 1 some sort of readers' guide to inform readers about the organization structure of these two volumes and the expected timing for the release of Volume 2. An appendix outlining the 44 issues and the major changes of the updated manual as compared to the 1993 SNA would also be helpful.

### **(ii) The title of the updated System of National Accounts**

- Comparing the alternative titles "System of National Accounts 2008 (2008 SNA)" and "System of National Accounts 1993, Revision 1 (1993 SNA Rev. 1)", the former seems to better reflect that the manual is an up-to-date one and has incorporated the social and economic developments in recent years. However, such title may also convey the message that the updated manual has *significant* differences with the 1993 SNA, similar to the extent of changes between the 1968 SNA and 1993 SNA. On balance, we tend to support the latter title, i.e. 1993 SNA Rev. 1, which indicates that the substance of the updated manual basically follows that of the 1993 SNA. If further revisions to the manual are required in future (which are not unlikely considering the rapid developments in the global economy), the naming convention Rev.2, Rev. 3, etc. can be used so long as the basic framework and main features of the 1993 SNA remain unchanged.