

FULL SET OF COMMENTS ON CHAPTER 10: THE CAPITAL ACCOUNT

Chapter posted: 14 December 2006

Deadline for comments: 12 February 2007

Comments received: Netherlands, Mexico, Denmark, Sweden, USA, Czech Republic, Switzerland, Australia, Germany, Hong Kong, Finland, Israel, Trinidad and Tobago, J. Prinsloo, EUROSTAT, UNSD, IMF, OECD, ECB

Chapter 10: The capital account – Part I: General comments

Netherlands

This chapter is perhaps one of most challenging ones, as so many changes are related to assets, non-financial as well as financial. In some cases, changes have been made that do not (directly) relate to the recommendations for changes to the 1993 SNA. In some cases, these changes are for the better. In other cases, however, I would prefer leaving the 1993 SNA unchanged. Among others, I prefer the original text in the following cases:

- The definition of assets, the asset boundary and issues in relation to ownership used to be part of the introduction of chapter 10. We could not find the general definition anymore, whereas the discussion of the asset boundary is now part of the text on gross capital formation and the text on natural resources. We would prefer a more centralised discussion of some of the more general issues in relation to assets.

- The definitions of individual assets have been moved from the annex to chapter 13 and embedded in the text. We prefer to have an annex with definitions of assets (and transactions) as well. This is very convenient for easy reference.

The assets described are not coded, which is quite inconvenient. One may want to add the relevant codes. Of course, this would be relevant throughout the whole SNA.

OECD

This chapter is presented in a logical way and in general it should be easy to refer to. However, a few parts of the text do not adequately reflect AEG decisions and/or are difficult to follow. It is evident that a spell-checker has not been used.

Denmark

In general we find that the changes made to the SNA93-text in all chapters are overwhelmingly large and much larger than anticipated. Many of the changes are in fact not actual changes of content but just mere reformulations. This blurs the actual changes of content and it makes it much more burdensome to identify the new recommendations.

Sweden

In general: The chapter is very clear and the new information fits well together with the old material.

R&D: A general explanation concerning the problems to incorporate R&D could be included. The ISWGNA recommendation to make test calculations in a satellite account before R&D is included in the core accounts should be mentioned.

IMF

On the whole, this is a very satisfactory revised chapter.

- The chapter states that own-account capital formation should be valued at basic prices (paragraph 10.60 and elsewhere). This presumes that no taxes on products are levied on these items, which is not necessarily true. Valuation at purchasers' values should therefore be recommended.

- We did not see that the chapter makes a reference to capital transfers as a result of the call of one-off guarantees.

European Central Bank

- To close the sequence of (transaction) accounts the capital account and the financial account (chapters 10 and 11) are discussed first followed by chapter 12 (Other changes in assets account) and chapter 13 (The balance sheet). However, it could also be considered to start with the presentation of the balance sheet followed by the presentation of the changes of balance sheet positions. This would allow discussing in detail the components of the balance sheet (non-financial assets, financial assets, liabilities and net worth) first. Afterwards the various accumulation accounts could be discussed without the need of many repetitions in the current text. The basic formula connecting the accumulation flows and the stocks ($(S(t) + T(t) + R(t) + O(t) = S(t+1))$) could be described and illustrated in a rather general way (a graphical presentation is already used in the IMF's GFSM).

- Some elements discussed on presentation issues could also be reflected in chapter 14.

- Views were also expressed that:

- The text should record matters of significance, only and be based on general clear principles and definitions.

- There is far too much text on rules, criteria, boundaries and practical issues which are better presented in a Guide. For example on valuation; time of recording; netting; consolidation.

- The text needs to be clear on what should be included and on what should be recorded in memorandum items. If the latter, there should be some text describing the process of inclusion in these accounts: is it recommended or just a "nice to have"?

- There are the same issues in formatting, as previously indicated in chapters 9 and 14-use of bold, italics, etc.

- The tables are generally unclear and we find the use of numbers confusing, particularly where values differ for identical items.

- There should be a common format for each chapter. The introduction should describe the uses and purpose of the account in clearly understood language; a brief review of the structure of the account; and any general issues regarding the entries which might be different from general SNA principles.

- More specifically:

- This chapter was found to be very confusing: the sequence of the chapter is difficult and the terminology and definitions vary during the chapter. The chapter should start from "2. The structure" and should include just the key headings: gross capital formation; inventories; other changes in assets; and net lending or borrowing. Just a simple structure with entries against these four headings. At present, the structure of this chapter (page 7) does not include non-financial assets and produced assets which precede 2, the structure or the sections B through E which follow.

- The references to left-hand and right hand side of the account is confusing and probably not consistent with accounting principles: better not to use this and present instead the balance sheet by analytical categories.

- The "asset boundary" (19.30-19.34) and "storage and stocks of inventories" (19.115-19.118) and all the detail of valuation and asset boundary should be included in a Guide.

- By the time one arrives at E. Capital transfers (19.189-19.204), it is difficult to visualise what the links are to the balance sheet.

Czech Republic

We agree with rearrangement of introduction into chapter 14 and also with further suggested changes, including dropping the existing annex about treatment of costs of ownership transfer.

Eurostat

Comments on Section A:

- 10.9: It would be useful to explain in more detail why services are included in inventories, and to give specific examples.
- 10.13: Contracts, leases and licenses – This issue should be revisited in the light of on-going discussions on the nature (non-financial or financial) of the assets concerned. This is also valid for the developments in paragraphs 10.174 to 10.188
- 10.16 "capital transfers are unrequited transfers" (also in 10.189) – We would suggest removing the word "unrequited".
- 10.17 At the end of the first sentence we suggest adding "of the recipient". At the end of the second sentence we suggest adding "of the payer".

Australia

We feel that the purpose of the capital account from an economic analysis perspective, which is to show the accumulation of non-financial assets by way of transactions and to identify net lending/borrowing as a residual, could be better articulated in the introductory chapter. The purpose statement in 10.2 is actually a summary of what is recorded in the account.

We have mixed views on the treatment of the ownership transfer costs on valuables and contracts, leases and licences seem reasonable. On the one hand, they are akin to ownership transfer costs on other assets (including non-produced assets such as land) and accordingly should be capitalised. On the other hand, ownership transfer costs for valuables and contracts, leases and licences are likely to be relatively trivial, so as a practical expediency that could be treated as current consumption.

Germany

A full assessment of the treatment of R&D as well as of military weapons can only be provided, after having received all relevant chapters and after the decision on how to deal with these issues in the future SNA has been taken.

The description of research and development (R&D) should be in line with the explanations presented in the document for the 38th session of the Statistical Commission of the UN (E/CN.3/2007/7), i.e. describe the difficulties and the links to work underway to solve them and mention the solution to start by compiling a satellite account for R&D outside the core accounts.

What is meant by inventories in services (10.6 + 10.9)? If it means unfinished services, please specify.

We suggest to check the order of the tables and the references again.

Hong Kong

The revised chapter provides a structured and more focused description of various components of the capital account.

Finland

In the definitions in transactions in inventories (paragraphs 10.126, 10.127, 10.130, 10.133, 10.134) there is used the word <enterprise> (e.g. 10.130 Work-in-progress consists of output

produced by an enterprise....). For a non-native English speaker the word enterprise here sounds too narrow because also e.g. government sector could be involved in these transactions. Could there be the word <unit>.

See these and other specific comments in the attachment.

Israel

The additions to the chapter are useful – they clarify concepts and link between accounts.

The references to other frameworks may also be helpful to users. However, especially SEEA is given prominence. Other special classifications could also be discussed.

In my view, the issue of ICT is not explained well enough, and not given enough weight in the classifications.

Chapter 10: The capital account - Part II: Comments on specific draft paragraphs or passages

1. Sections B covers produced assets. Much new material has been included originating in the Canberra II Group. Are the additions clear, especially to those not involved in the Canberra II Group work?

Netherlands

In our opinion, the recording of terminal cost could be further clarified. The time of recording of terminal cost should be discussed in this chapter instead of in chapter 19.

The definition of ICT equipment in para. 10.82 could be more precise. Almost all electric devices are equipped with electronic controls: e.g. radio alarm clocks, microwave ovens. These items are generally not acknowledged as ICT equipment. The definition should be narrowed to computer hardware and telecommunication equipment.

Paragraph 10.95 and 10.98 seem to be contradictory. In paragraph 10.95, it is stated that intellectual property products are produced knowledge that delivers benefits *because use of knowledge is restricted by means of legal or other protection*, whereas paragraph 10.98 states that when copies are made freely available, meaning that there is no restricted knowledge anymore, an asset may still exist.

We disagree with the definition of R&D (paragraph 10.100). R&D made freely available is no asset, because it has no legal owner. Although it may provide benefits for the *producer* of the R&D, R&D made freely available still does not satisfy the definition of an asset, since being the producer of the R&D is not the same as being the owner of the R&D. Without exclusive ownership there is no asset with an economic value.

We would like to see some comments included about the overlap between R&D and software (or mineral exploration). Since both assets are often based on separate surveys, double counting may occur. This should be made clear.

It may be useful to state something about the valuation of R&D and mineral exploration in relation to the (implicit) treatment of successful and unsuccessful parts of the relevant expenditures.

OECD

Most of the text is clear, but here are some particular comments that are repeated in the text.

10.39 Negative GFCF sometimes occurs for the public sector when large assets are sold to the private sector. It most commonly occurs in small jurisdictions.

10.61 The last part of this paragraph requires further explanation. If the unpaid labour is recorded in production and is not attributed to CoE, where is it recorded on the income side of the accounts - GMI?

10.61 “The only type of capital transfer in kind concerns communal construction by households.” Why? What if government gives to another unit, such as an NPISH, an asset.

10.75 CFC should also be calculated for existing monuments. This may be determined as the expected cost of maintaining the monument in its current condition.

10.97 The text relating to a licence to use a copy does not reflect the recommendations of the AEG very well at all, and bears little relation to the text in the FSPR.

Suggested text:

A copy made available under a licence to use may also be treated as a fixed asset if it meets the necessary conditions, that is, it is expected to be used in production for more than one year and the licensee assumes all the risks and rewards of ownership. A good, but not necessary, indication is if the licence to use is purchased with a single payment for use over a multi-year period. If the acquisition of a copy of a licence to use purchased with regular payments over a multi-year

contract is judged to meet the conditions of capital formation then it should be regarded as the acquisition of an asset under a financial lease. If regular payments are made for a licence to use without a long-term contract, then the payments are treated as payments for a service under an operating lease. If there is a large initial payment followed by a series of smaller payments in succeeding years, the initial payment is recorded as gross fixed capital formation and the succeeding payments are treated as payments for a service.

10.100 The text has been amended by the commentator to reflect the revision to FSPR regarding R&D.

10.151 Should be omitted, or the last sentence of the previous paragraph should be omitted.

Sweden

§10.111 The difficulties to value R&D production and software for own use are explained. No information for entertainment and artistic originals are included, the old information is taken away. (It seems correct to exclude the old recommended method to value at future benefits and to only use the costs of production in line with R&D and software for own use.)

IMF

In our opinion, the additions are clear.

UNSD

Section B does cover all new materials. In para. 10.72, CPC 3212 should be changed to CPC5312 for non-residential buildings according to CPC Rev. 2.0. that will be adopted in 2007.

European Central Bank

Fine, but why say in 10.6 the different categories "need" to be distinguished?

Czech Republic

Less common cases would likely ask for more detailed description. E.g., this could refer to the notion of externality in paragraph 10.99.

Eurostat

- 10.34: Which are the services included within the asset boundary which consist of "free-standing capital"? Further explanations as well as a list of specific examples should be provided to the reader.

- 10.42 (b) we suggest adding "productive" before "capacity" in the first sentence.

- Concerning time of recording of terminal costs it should be clarified (either in section B or in section C 10.149, or in both) that when they are either not anticipated or cannot be predicted with reasonable accuracy, they are still recorded as gross fixed capital formation when they occur but may be written off as consumption of fixed capital immediately (see AEG document M2.04/10, p. 2, point v).

- 10.56 NPISH providing collective services seems not consistent with chapter 9 on the convention that all services provided by NPISHs are treated as individual even though some are partly collective in nature.

- 10.84 Italics/bold missing for this definition.

- 10.95 says that "intellectual property products are the result of research, development, etc.": we agree with this definition. But 10.96 says that research and development and mineral exploration are specific forms of intellectual property products: we don't agree with this definition that is not compatible with the one in 10.95. 10.100 and 10.102 give correct definitions of R&D and

mineral exploration as expenditures (on activities), not as products. Finally, for the same reasons, in 10.101 the words "result of" should be inserted between the article "the" and "R&D" in the last sentence.

- The remarks above apply also to the classification of assets shown in table 10.2.
 - 10.119 the last word "inventories" is missing and erroneously appears at the beginning of paragraph 10.120.
 - 10.121 "some goods will be incomplete at the end of one accounting period but will be completed long before the end of the next". The relevance of this sentence is unclear.
 - Concerning work in progress, reference is sometimes to goods, more often to output. The case of services (eg architectural or engineering services) would deserve clarification.
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- 10.127 should be deleted as it is the same as 10.126. Review numbering.
 - 10.131 This paragraph would need clarification. Why not mention construction?
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 - Table 10.2: Would seem better to talk about Research and development *expenditure* and Mineral exploration and evaluation *expenditure* under Intellectual property products

Australia

There are some cases where the discussion on produced assets was not clear:

10.48 - We feel that more discussion is needed on the treatment of terminal costs, particularly given their impact on the recording of consumption of fixed capital.

10.58 – In the case of building and structures with joint resident/non-resident ownership, it is not clear whether the notional unit holds all of the building or structure or only that part that is 'owned' by a non-resident. This can have different implications for income, and the assets held by the resident units owning the other part of the building or structure. Our position is that only that part of the building or structure that is 'owned' by the non-resident is owned by the notional unit. This comment also impacts on para 11.73.

10.61 - There is an inconsistency created between expenditure and income in valuing the asset on the basis of costs including unpaid labour for GFCF but not including the compensation of employees. It is assumed that the value gets shown in GOS or mixed income but this is not clear from the text. Furthermore, this paragraph states that the only type of capital transfer in kind is communal construction by households. In Australia, businesses construct infrastructure assets (such as power lines) and then hand these over to the relevant utility for connection to the grid. The business gives up ownership of the asset. Wouldn't this be a capital transfer in kind? Also, under some forms of recording of PPPs, the 'transfer' of the ownership of an asset from the operator to the government at the end of the period would also be recorded as a capital transfer in kind.

Germany

10.40 and 10.45: The wording concerning the treatment of improvements seems contradictory.

10.60: We miss a definition of the term "cost of production" or a link to the concerned paragraph.

10.61. The output of own account construction by voluntary non-paid work as an asset requires a general description to which para. 10.60 should refer to.

10.65: We are in favor of keeping the distinction between tangible and intangible assets in order to keep the consistency with the production boundary.

10.85+10.89: We deplore the use of the term "natural growth" for an activity under direct control of an institutional unit, just growth is sufficient (e.g. is genetically improved growth a natural growth?).

10.93: It seems preferable to refine the definition of exceptional losses. Shouldn't exceptional losses only cover unexpected losses ? For instance natural disasters such as hurricanes can be

expected with a high degree of certainty in certain geographical areas and thus considered in advance in the price calculations by the institutional units concerned.

10.95: We prefer to keep the present SNA term of intangible assets instead of intellectual property . Our problems with the term “intellectual property” stem from its content, as “knowledge” does not seem to cover the copyrights of most artistic originals.

10.97: Replacing the term intangible assets by intellectual property renders the definition of artistic originals deceptive. The present SNA-93 was clear , that originals consist in some tangible “master copies” of the intangible original. In fact even if all (master)copies have been destroyed, there is still possible to reconstruct them (out of other copies or by memory). The Originals are not bound to any tangible copies, the production of tangible copies is the reproduction process of an original. This clarity of the present SNA gets lost in the new draft by using the term intellectual property . We suggest to keep the terms of intangible originals and tangible copies.

10.122: We do not see that costs of harvested products always affect mainly the harvesting period. By contrasts, there are a lot of preparation or maintenance activities in all quarters. Further there are also the invariable costs (e.g. rental fees) which will be charged to all quarters. We suggest allowing the possibility to calculate work in progress upon the costs structure even for agricultural products. Using an average cost structure for all agricultural products may be a good idea, especially considering the probable (un)availability of data related to the costs by products.

10.132: It seems unclear to us, if and when changes of prices and /or costs lead to revaluation to. We are generally in favour of correcting the previous estimations for work in progress, except for forestry (standing timber). Due to the long period of the work in progress of trees, we need a feasible special rule for the calculation of the work in progress in forestry.

Hong Kong

Research and development (R&D) is a new item to be classified as gross capital formation. It may be useful to mention other international guidelines, such as the Frascati Manual for collection of R&D statistics, as cross reference material.

For paragraph 10.112 on other intellectual property products, it would be useful if some examples can be provided as illustration.

Chapter 10: The capital account - Part II: Comments on specific draft paragraphs or passages

2. Section D1 covers natural resources. Every attempt has been made to harmonise with the asset categories in SEEA and some detail is left optional within SNA though included in SEEA. Are you satisfied with the balance? If not, what would you propose?

Netherlands

In paragraph 10.167, we would like to see some comments about how the definition of mineral and energy reserves relates to the definition used in the SEEA.

OECD

Balance with SEEA seems OK

Sweden

The asset boundary concerning fish in the territorial waters of a country could be explained more in detail. Are the fish an economic asset for the country or not? There are no ownership rights of the fish but of fishing?

GFCF in forestry is also not clear, but this is a problem also in the existing SNA93. After “harvest” of trees in the forest, you often prepare the ground, and plant new trees. The manual need to point out if this is GFCF or not.

IMF

We had no issues with section D1.

UNSD

It's good enough. But the term "mineral and energy reserves" should be replaced with "mineral and energy resources".

Para. 10. 166 and para. 10.119 and para 10.120 should be one para.

European Central Bank

Fine, but asset boundary, ownership and valuation (10.156-10.161) belong in a Guide.

Czech Republic

We do not consider as useful to duplicate a detailed segmentation of natural resources from SEEA also in SNA in countries where SEEA are compiled.

Eurostat

- Table 10.3 on page 28 should be 10.4.
- 10.162 table 10.7 should be table 10.4

Australia

We are satisfied with the balance.

Germany

10.162: The reference should be to table 10.3 instead of 10.7 (this one does not exist). In addition, table 10.3 exists two times in the present draft (on page 23 and on 28). The proper reference is the table on page 28 (which could be renamed table 10.4).

10.164: The referred points are described in section 10.159 instead of 10.156.

Hong Kong

The coverage of natural resources has been expanded to include mineral and energy reserves, non-cultivated biological resources etc. It is suggested mentioning in the SNA that the measurement and the estimation of the monetary values of some of these natural resources are under development in the SEEA.

Chapter 10: The capital account - Part II: Comments on specific draft paragraphs or passages

3. Section D2 covers contracts, leases and licenses. A fuller exposition of these will appear in chapter 17 on Cross-cutting and Other Special Issues. Although it may be difficult to comment without having chapter 17 in hand, are there points missing from this summary that you think should be necessary even in a summary?

Netherlands

Paragraph 10.181 and 10.182 seem inconsistent. A taxi permit should be treated as a tax. Only when the value of the permit differs from the original tax, an asset should be created. The taxi permit itself however seems to satisfy both definitions of an asset in paragraph 10.182, even when the value of the permit equals the original tax. In general, we think that this part may need further clarification.

OECD

10.174 The text in this section does not cover cases like long-term licences to use natural assets, such as land and the radio spectrum. In these cases, transferability is not critical. Hence, the second type of third-party property rights does not fit the bill.

10.180 This second example is unclear.

10.182 This paragraph requires quite a few amendments to make it clear.

IMF

The coverage of section D2 is sufficient.

UNSD

No. However it may be useful to refer to chapter 8 for the distinction between taxes and purchases of licenses.

European Central Bank

Fine, but asset boundary and valuation (10.174-10.176) belong in a Guideline.

Czech Republic

It does not seem that there are points missing in section D2 in summary about contracts, leases and licenses. Nevertheless we expect the possibility to consider it again when chapter 17 is available.

Eurostat

See general comment on section A. Other specific comments below.

- 10.182: definition in bold/italics could specify "issued by government", as this appears in both sets of circumstances (a) and (b).

- 10.180: we think it would be better to put this rare case after, rather than before, the case of permits issued by government. The second sentence would be clearer if "payment of rent" comes before "service", because of the specification given after "on whether". "latter" and "former" in the following two sentences should be also adapted to this change.

Australia

It is difficult to comment without Ch.17.

Germany

10.179+10.180: Resource lease is mentioned in 10.180, but not described in 10.179. If the explanation is anywhere else, a reference would be a good idea.

10.180: Related to the permissions to undertake a special activity, we would like a clarification concerning milk quota (in our view this case isn't covered by the given definitions).

10.181 + 10. 182: We find these paragraphs very difficult to handle and wonder which facts they aim to exclude or to include. In our view it should be made clear, that road fees (permission to use a road) are treated as services and not as rental payments independently from who is the owner of the road.

Hong Kong

Contracts, leases and licenses are complicated issues in concept and data collection. It would be useful if detailed description of the measurement and data collation can be provided in Chapter 17

Chapter 10: The capital account - Part II: Comments on specific draft paragraphs or passages

4. It is proposed to omit the annex on costs of ownership transfer. Is there anything missing on this subject from the chapter if the annex is dropped?

Netherlands

The annex indeed seems to be superfluous in the revised text.

OECD

Without checking out chapter 6 it is hard to say whether anything has been omitted. A reference to chapter 19 should be made.

USA

Yes, the new treatment of ownership transfer is complex and needs an exposition. For example, a numerical example of writing off ownership costs over its expected holding period would be useful.

IMF

The text is sufficiently clear; the annex can be omitted.

UNSD

No.

European Central Bank

No.

Czech Republic

We do not object against omitting the annex on costs of ownership transfer.

Eurostat

Yes: the recording and calculation of a holding loss described in 3. and 6. of the annex.

Australia

No

Hong Kong

The annex provides numerical examples of the calculation and recording of costs of ownership transfer in the national accounts. Illustrations with numerical examples facilitate ease of understanding, especially for compilers of national accounts statistics. If the annex is to be dropped in the SNA, it would be useful if similar numerical examples can be included in other related compilation guide of national accounts statistics.

Israel

Seems to be covered under each relevant item, so could be omitted.

Chapter 10: The capital account - Part III. Other specific comments

Netherlands

General: In the new text, the phrase “consumption of fixed capital” is maintained, as discussed in the AEG. We would to state again our clear preference for the term “depreciation”.

Para. 10.16: The definition of capital transfers seems to be somewhat different from the one in the 1993 SNA (para. 10.132).

Para. 10.26: The new line describes the transaction identity, not the budget identity.

Para. 10.31: New text? In our opinion, the text could be clarified, especially the sentence starting with “As it stands ...”. On the whole, the text seems to come out of the blue.

Para. 10.27 and 10.35: The relevant “definitions” seem to exclude the possibility of an existing assets which previously was part of final consumption (consumer durables). Only in para. 10.38, this becomes clear.

Para. 10.46 and 10.49: It is not clear whether trade and transport margins are considered part of cost of ownership transfer. These costs can be a substantial part of the difference between the selling price and the purchasing price, e.g. in the case of cars.

Para. 10.62: The heading “Transactions in fixed assets” above para. 10.62 seems to be misplaced, could be moved to upwards, above para. 10.59.

Para. 10.65: We wonder whether it is needed to add this paragraph. In our opinion, I can be deleted.

Para. 10.86 – 88: The text in these paragraphs relates to the time of recording. Should it be described here, or earlier, as part of para. 10.51 etc.

Para. 10.90: Aquatic resources as part of animal resources?

Para. 10.94: We are not aware of a decision to have an exception for the treatment of costs of ownership transfer on land.

Para. 10.121 and 10.132: The term “revalued” may give rise to misinterpretation: it suggests a recording as holding gains.

Para. 10.124: Theoretically very nice, but far too complicated to implement in practice. We suggest to delete this paragraph.

Para. 10.126 and 10.127: Double?

Para. 10.133: The definition is too general; it relates to all work in progress.

Para. 10.188: In our opinion, one should make possible the recording of marketing assets evidenced by a recognition in the business accounts, not only marketing assets evidenced by sale/purchase.

European Central Bank

A. Introduction

A subheading for this part of the introduction should be introduced.

19.1 The reader would ask: (i) what is the reasoning to have two different transaction accounts, one OCIA account and one revaluation account; (ii) why not to have one for each or two for each; (iii) why not to have three different accumulation accounts (one for transactions, one for revaluations, and one for other changes in the volume of assets).

Why not to present a chart showing the relationship between flows and stocks and the corresponding reference chapters.

Is net worth already introduced? Or is it first mentioned in chapter 13?

Do we really want to show the accounts for an institutional unit in SNA or only for aggregates?

19.2 A rather complicated first sentence. Would it not be easier to refer to transactions in the various components (acquisitions and disposals)? Why now residents? What is an internal transaction? Is it explained? Only GFCF?

19.29 Why first fixed assets, then non-produced assets. The sec
 19.30 See paragraph 19.8.
 19.31 The example with the
 19.33 Assets equal fixed assets?
 19.34 Why not to use the same te
 “Costs incurred on acquisition and disposal of assets”? 19.35 periods
 19.36 Why res
 exactly where treatment of costs is explained. 19.38 Why not to merge with 19.31?
 19.39 Repetitive and very long.
Improvements to existing assets
 19.44 Not only repairs: repairs a
Costs incurred on acquisition and disposal of asset
 19.46 Is it really the case that delivery and installatio
 Taxes as costs? What are ‘these c
 19.49 Why not earlier (as an overview)? sleading (consumption
 19.50 Repetitive. The term write-off is mi
Time of recording
 19.51 Fixed asset
 19.52 These are no
 progress. 19.54 Is the term ‘communal effect’ somewhere explained?
 19.56 Own communal use, communal property of the group?
 19.57 Is the term ‘private finance initiative (PFI)’ explained? Why not to use PPP as
 recommended? The equation des
Transactions in fixed assets ow the classification of fixed assets in a table
 It might be useful to sh
 19.61 is repetitive ble 10.2; should be treated at the beginning.
 19.63 to 19.65 See Ta
 19.65 Are tangible and intangible assets explained earlier?
 19.67 Why not to include the reference in a footnote? Also
 19.79, 19.80, 19.86, 19.144: These paragraphs are repetitive.
 19.100 What is ‘experimental’ development?
 19.166, 19.169: Why not earlier? de here?
 19.199: Why a reference to a tax co

Eurostat

Part E:

- 10.189 see comment under part A.
- In part E1 bold/italics are missing.
- Table 10.4 on page 34 should be 10.5

Switzerland

§ 10.14

“*Goodwill and marketing assets represent the whole or part of net worth of an institutional unit.*”

It seems inappropriate to express goodwill and marketing assets as the whole/part of the net worth.

Explanation:

Goodwill and marketing assets are only accounted for at the time of sale and valued as the difference between the sale value of the corporation and the value of assets and liabilities “classified elsewhere within the SNA asset boundary”. At the time of the sale, net worth is therefore zero (see § 12.34). Before the sale takes place and un-der the assumption of perfect financial markets, the value of shares and other equity should exactly match the net value of the other assets/liabilities, including goodwill (and marketing assets). However, as the latter is not yet accounted for on the asset side, the value of shares and other equity would exceed the net value of the other as-sets/liabilities, leading to a negative net worth.

Other assetsLiabilitiesOther assetsLiabilitiesSharesSharesGoodwillNet Worth

§ 10.180

“Permissions to undertake specific activities issued by units other than government are rare. They are treated as

payment for a service or payment of rent depending on whether the activity permitted makes use of a non-produced non-financial asset belonging to the permit issuer or not. An example of the former is a hotel offering

Australia

10.1 – For readability, the revaluation account might be mentioned before the other changes in volume account.

10.9 - There could be further clarification/expansion on the nature of services as inventories given that in general terms services must be consumed when produced. The definition refers to "other use at a later date" but other than sale or use in production it is unclear what this use might be.

10.12 – We think this would read better if the ‘which’ in the second sentence was changed to ‘that’.

10.13 – We think that in practice contracts, leases and licenses should also be recognized when an identifiable market exists.

10.14 - Definition: Goodwill and marketing assets should read 'Purchased goodwill and marketing assets'.

10.15 – The use of terms such as ‘as noted above’ imply that the reader is working through the material sequentially, which will often not be the case. To the extent possible, material should stand alone, and if this is not possible, there should be explicit reference to the elaborating material.

10.16 - The definition of capital transfer is difficult to work through especially the expression "realises the funds involved". Also the word "unrequited" is redundant. The wording used in SNA93 seems preferable.

10.18: The new sentence begins Net worth but should read “Changes in new worth”

10.24 - states that for the economy as a whole, the value of acquisitions less disposals of natural resources will be zero. This ignores the potential for land purchases by foreign governments for embassies.

10.31 - The explanation of the example of laundry services feels a little awkward - is it necessary to consider whether the services are produced by hand or by machine?

10.34 – ‘Services’ in the first sentence should perhaps read ‘assets’?

10.77 – Should ‘land’ in the last sentence read ‘asset’ instead?

10.94 – The proposed OECD IPP Manual should be referred to for further information on these assets.

10.109 – We are not sure why ‘initially’ is required at the end of the third sentence. Our understanding is that data acquisition/production costs are never reflected in the value of own-account databases, regardless of when acquired or produced.

10.118 - While the logic around measuring the holding gain or loss for goods in storage is fine there would seem little or no possibility of estimating this in practice. This might be recognised or some suggestions on method made. The section on valuing work in progress doesn't cover the issue sufficiently

Trinidad and Tobago

In 10.204 you said that transfers from govt units to publicly or privately owned enterprises to cover large operating deficits accumulated over 2 or more years are considered capital transfers. That is the same treatment as in the current SNA 93. In our society it is the norm for govt to underwrite the current losses of State Enterprises which run into

billions of dollars. This constitutes transfers in the govt receipts and disbursement accounts. As a result, govt savings are reduced because it is treated as a current transfer in these accounts. However if treated as a capital transfer, it would reduce govt current account expenditure and result in an unusually large savings and conversely inflate capital formation on the part of govt. This to me is not a realistic picture.

You need to me more specific in this situation. You said animals raised slaughter incl. poultry are not fixed assets but inventories. However you are not very specific in the treatment of timber and one use products such as cereals and vegetables. You said they cannot be fixed assets (10.92) Should they be treated the same as animals for slaughter?

In the current SNA 93 all Research and Development is treated as intermediate consumption. However in the revision it is to be capitalised. However you said that R&D that does not provide an economic benefit to its owner does not constitute a fixed asset and should be treated as intermediate consumption. Who makes that judgment call? Wouldn't that be introducing too much subjectivity in the system?

Weapons systems with their deterrence capability is classified as fixed assets (10.85) Who would put a value to the stocks of assets? Would any Government reveal such secrets to a Statistical organisation? What about holding gains? Most of the missiles were produced and deployed decades ago, who would be able to value them at current market prices? This inclusion/treatment of weapons systems may end up to be a mere theoretical conception.