Report on the Outcome of the Global Consultation on the Draft 2025 SNA

Chapter 28: Non-financial corporations

24 comments were received from 9 respondents

Question 1 – Have the agreed recommendations been reflected appropriately?

No substantive issues were raised.

No additional issues requiring changes of the current text were raised.

Question 2 – Is the material in the chapter clear?

One substantive issue was raised.

<u>Issue 28.2.1</u>: In paragraph 28.63 concerning operating leases for lessees and operating leases with a term of more than 12 months there are statements in relation to the treatment under IFRS. The respondent considers that these statements are incorrect. They noted that according to IFRS 16, *Leases*, lessees no longer classify leases as either an operating lease or as a finance lease and the 12 months reference is related to recognition exemptions for lessees, not to operating leases for lessees. Issue was raised by 1 respondent.

Proposed response: Although the text does not seem wrong it does appear incomplete. Following the suggestion of the respondent it is proposed to insert some additional explanation to clarify the IFRS treatment and hence the difference from SNA (changes highlighted by underlining).

> "28.63: Three particular areas where the IFRS adopts approaches somewhat different from the SNA are in the area of the recognition of holding gains and losses as income, in the recording of provisions and contingent liabilities, and in recording operating leases for lessees <u>and lessors</u> (where the IFRS has a treatment that is inconsistent between lessors and lessees). As discussed in paragraph 14.114, certain types of provisions should be recorded as supplementary items in SNA balance sheets. For operating leases with a term of more than 12 months, the IFRS requires the lessee to recognize an asset and associated liabilities, even though those assets and liabilities are also recognized by the lessor. <u>Under IFRS, lessees adopt a right-of-use model where they recognize a right-of-use asset and a lease liability, except for short-term leases (leases for 12 months or less) and leases of low value assets, while lessors adopt the risks and rewards incidental to ownership model where they classify each of their leases as either an operating lease or a finance lease.</u> The SNA treatment of operating leases is based on the concept of economic ownership and treats operating leases, regardless of duration, as not involving a change of economic ownership (see section B of chapter 27). <u>This treatment is applied consistently for both lessees and lessors, and both classify each lease as either an operating lease or a finance lease</u>."

One minor additional issue was raised which is considered relevant for inclusion:

- Para 28.18: It is proposed to insert the word generally such that the 2nd sentence reads “A merger implies that, as a result of the operation, <u>generally</u> only one entity will survive…’ to clarify that in some situations the parent corporation and the subsidiary will continue to exist as separate entities.

Question 3 – Are there any errors in the chapter, or inconsistencies within this chapter or with other chapters?

No substantive issues were raised.

No additional issues requiring changes of the current text were raised.

Question 4 – Are there any other concerns?

One substantive issue was raised.

<u>Issue 28.4.1</u>: Paragraph 28.59 notes that "There is a close relationship between the SNA and IFRS" but the respondent questioned whether that was an appropriate description of the relationship. They proposed the wording from SNA2008 was perhaps better: "The principles underlying the IFRS are in most cases entirely consistent with the principles of the SNA." Issue was raised by 1 respondent.

Proposed response: Propose no change as the new text better reflects the nature of the relationship between the SNA and IFRS and reflects ongoing discussions with the accounting community through the update process.

Three minor additional issues were raised which are considered relevant for inclusion:

- Para 28.38: It is proposed to amend the text to clarify the intention that the funds do not stay in the economy of the resident enterprise. The revised first sentence would read (changes highlighted by underlining): “Pass through funds” or “funds in transit” are funds that pass through a direct investment enterprise resident in one economy to an affiliate in another economy, so that the funds do not stay in the economy of the <u>resident enterprise</u> ~~affiliate~~.”
- Para 28.60: It is proposed to add the following sentence at the end of the paragraph. “Its objective is to allow users of macro-economic statistics to monitor and analyze the performance of the economy” in line with the text in the opening section of Table 28.1.
- Para 28.64: It is proposed to replace “government bodies” with “public sector entities” to be consistent with the IPSAS preface.

Disagreement with agreed recommendations for the update of the 2008 SNA – provided for information only

There were no recommendations regarding which five or more respondents disagreed.

Substantive concerns with 2008 SNA text unaffected by agreed recommendations – provided for information only

There were no substantial concerns regarding the 2008 SNA text unaffected by agreed recommendations.