

Chapter 6: The balance sheet – Comments of the worldwide review - Overview

Date of review: 15/3/2006 OECD

Number of comments received : 8

UNSD: Template

OECD: Template + chapter in PDF

Russia: Template

Australia: Template

ECB: Template

Eurostat: Template

IMF: Template

USA: Template + chapter in PDF

Part I: General comments

Country	Comment	Category
OECD	There are many deletions and changes to the old text that do not originate from the 44 issues but from pure redrafting choices. This makes a careful reviewing of these chapters very burdensome if not impossible. On the contrary, all the paragraphs proposed by the task force on non life insurance and which reflect the exact decisions of the AEG have not been taken up. On the opposite, very useful old paragraphs such as old paragraph 6.43 or 6.70 have been suppressed for unknown reasons. This choice is difficult to understand.	Editor
UNSD	The part on taxes is very well written. It is better than the one now in the SNA.	Editor
IMF	The new recommendations were incorporated with sufficient clarity. However, the treatment of capital services for non-market producers needs to be updated to reflect the last decision of the ISWGNA on this topic.	No action
Australia	We note that as number of recommendations are yet to be incorporated into this chapter so we are unable able to comment on them. For others please see our specific comments in part III below.	No action
Eurostat	6.2 & 6.7 The sentence immediately following the definition in 6.2 ("the production account shows the output of production and the various inputs to it") should be amended. In effect, is not consistent, if inputs are those mentioned in the definition of 6.2, with the last but one sentence of para 6.7: "the inputs recorded under uses ... consist of intermediate consumption and consumption of fixed capital".	Editor
	6.22 The introduction of the <u>new category of products</u> called "knowledge-capturing products" (see 6.22, but in 6.24 and 6.27 they are called "knowledge-embodying services") should be discussed in depth (see some detailed comments under comments to section B). In addition, it may be better to use the same terminology.	AEG (question 1 (a))
	Typo in second sentence of 6.22. Should read "The industries that produce <u>these</u> products..."	Editor
	In general, the agreement reached on issue 16 at February-March 2007	Editor

	UNSC for this SNA update should be reflected in the relevant parts of this chapter.	
ECB	<p>1. As in other cases the chapter is too long, repetitive and lacks concise and easily understood definitions (examples to follow). Again, there are many pages which would fit more appropriately in a compilation guide: examples include: the pages 8 to 13 for the production boundary; the pages 22 to 27 for the recording of market output, the pages 38 to 40 on the boundary for intermediate consumption, and the pages 14 to 16 on VAT.</p> <p>2. There are under lap/overlap/consistency issues with other chapters. See in particular, the alternative measurement of GDP (paragraphs 6.78 to 6.79) in chapter 14; the contribution of financial assets and liabilities (paragraphs 6.149 to 6.165) in chapter 17; a further discussion of economically significant prices (paragraph 6.91) in chapter 20; a comprehensive discussion on leasing (paragraph 6.201) in chapter 17; and a fuller discussion on consumption of fixed capital (Section H, already four pages) in chapter 19, capital services.</p> <p>3. In the introduction, the definition of the production account (6.2) should include a definition of the balancing item, gross value added, equal to output less intermediate consumption. The sum of gross value added and taxes less subsidies on products is GDP at market prices. This comes later in the chapter, on page 16. Would it not be also better to bring into the introduction: paragraphs 6.65 to 6.69 on value added and GDP; to include also the definition of GDP (paragraph 6.78) as the measurement of total domestic activity and as a definition which has two alternative valid measures; and to include the definition of "GDP at market prices" which is also referred to as purchasers' prices (paragraphs 6.61 to 6.64)?</p> <p>4. Paragraph 6.3 addresses three concepts. These should be better flagged as headings.</p> <p>Indeed where is the third concept: the link to the generation of income?</p> <p>5. Puzzled by Table 6.1 aside from the fact, we prefer no numbers. But, should the production account for the economy show as resources: output, plus taxes, less subsidies and uses: intermediate consumption and gross value added/GDP?</p> <p>6. The paragraphs on VAT (and other taxes) could easily go to the general government/public sectors chapter.</p> <p>7. Concerning the output of central banks please be aware that EU countries have to follow the regulation that</p> <p>a. Financial services provided by the central bank: The central bank must not be included in the calculation of FISIM: its output is measured as the sum of costs; and</p> <p>b. The central bank output should be entirely allocated to the intermediate consumption of other financial intermediaries (current subsectors S122 and S123). (See Council Regulation (EC) No 448/98 of 16 February 1998 and Commission Regulation (EC) No 1889/2002).</p>	ISWGNA

Russia	<p>I would support the comment that a new definition of services would be one of update issues and therefore the AEG should decide whether this issue is treated.</p> <p>If a new definition of services is being edited I would not agree with the wording suggested in the paragraph 6.17.</p> <p>Isn't the fundamental characteristic of services as mentioned in the paragraph 6.8 of the actual SNA? Services "can not be treated separately from their production". Why the definition of services should omit this feature?</p>	AEG (discussion on services)
USA	<p>The reorganization of the chapter to present valuation principles and the interpretation of value added before the more detailed discussion of industry output is quite helpful.</p>	No action

Part II: Comments on specific draft paragraphs or passages

1. In section B, the text extends the definition of services to cover margin services explicitly. Is this a useful extension? This section also is more precise about products capturing knowledge, some of which have many of the characteristics of goods. Is this precision useful?

IMF	Yes	No action
Australia	<p>Yes we believe the extension is useful though we do have some comments on specific elements of the extension in our detailed comments.</p>	No action
Eurostat	<p>6.16-6.21 Concerning the <u>distinction</u> between "transformation services" and "<u>margin services</u>", the terminology chosen may not be effective in some cases. In particular, "transformation" refers to a characteristic of the service itself, namely that it "consists of changes in the conditions of the consuming unit..."; while the term "margin" seems to refer to a category of services "facilitating the change of ownership".</p> <p>We would suggest replacing "<i>margin services</i>" with "<i>exchange facilitating services</i>".</p> <p>6.22 Concerning the introduction of the new category "knowledge-capturing products" (KCP) we have the following comments:</p> <p>1) Paragraph 6.11 says that "it is often necessary to understand which products have been treated as goods and which as services". However, afterwards, KCP appear as a hybrid category that possesses some characteristics of goods and some of services. In para 6.13 and 6.22 KCP seem to be treated as a sub-category of services having many of the characteristics of goods, in particular the possibility of establishing ownership rights and storability. But if this is the proposal of the editor, this should be spelled out more clearly.</p> <p>Furthermore, one could make the same reasoning to say that KCP could be treated as a subcategory of goods with some of the characteristics of services</p> <p>1. We don't have a definite preference on this at this moment, but the alternative subdivision proposed by Hill should also be considered in the discussion.</p> <p>2) The creation of third category (goods, services, KCP - which seems suggested by the subdivision of the sections from 6.14 to 6.22) would</p>	AEG (question 1)

	<p>be a too far reaching change, in that all references to “goods and services” in the SNA should refer also to KCP.</p> <p>3) From a procedural point of view, it may be questionable if this issue was ever discussed under the AEG issues and if it can be introduced at this stage.</p> <p>24: see comment on 6.2 on the general definition of production activity. 6.24 could be used to clarify some of the interpretative questions mentioned in our comment to 6.2.</p> <p>6.24 and 6.27 refer to "knowledge-embodiment services" rather than to "knowledge-capturing products".</p> <p>6.29 the meaning of point (c) is not clear.</p>	
ECB	<p>For both margin services and products capturing knowledge, examples for paragraphs 6.21 and 6.22 would help definitely. Why do we need to mention two other institutional units in case of financial assets? (paragraph 6.21)</p>	AEG (question 1)
USA	<p>Extending the definition of services to include margin services is indeed useful. Margin, however, may not be the most appropriate term for these kinds of services. Margin has a particular meaning in a supply-use context that may not cover all of the types of activities intended by paragraph 6.21. For example, securities brokerage and real estate brokerage are included in this category, but are not typically viewed as margin activities. Other types of services performed on a commission or fee basis, such as the arrangement of passenger or freight transportation, perhaps should also be included in this category. In addition, trade establishments facilitate the exchange of goods (change of ownership) not only by distribution on a “margin” basis by taking temporary ownership of the resold goods but also by brokerage on a commission basis. Finally, certain transport costs associated with the movement of goods from producers to consumers are treated as margins in the input-output accounts, but they are not mentioned in the discussion of margin services. Margins also include taxes on products and import duties. Since the intent of the extension of the definition is to capture services that occur when one unit facilitates the change of ownership of goods, knowledge-capturing products or financial assets between two other institutional units, possible alternative descriptions include “facilitation” services, “intermediation” services, or “distributive” services. These are general-purpose descriptions that are similar to the “transformation” services used to describe the other broad category of services.</p> <p>With regard to the category of “knowledge-capturing products,” it is useful to recognize that some services have the characteristics of goods. However, a better term might be “information products” or “information and entertainment products” or “knowledge assets.”</p> <p>The discussion on classification of goods and services, generally, may warrant its own section, given that (1) the discussion could benefit from further clarification and (2) the production account does not necessarily require distinctions to be made between goods and services.</p>	AEG (question 1)

2. Section D now discusses GDP as derived from the production account only. The expenditure based estimate and the relationship between this, the income based estimate of GDP and the production based measure are now discussed in chapter 14 after the components of the other estimates have been discussed in the accounts where they occur. Do you agree to this placement of the material on the alternative estimates of GDP?

UNSD	Agree	No action
IMF	Yes	No action
Australia	Agree that this sensible	No action
Eurostat	Yes. However, we have following comments on section D SNA93 6.223 and 6.224 have been deleted. Yet we consider that some of their content should be kept. Notably, the definition of value added as an unduplicated measure of output (production) in 6.223, and the entire 6.224. In contrast, new para 6.66 defines value added first as "contribution of labour and capital to the production process", and then as "compensation" of "labour and capital". These two concepts are mixed together in the same paragraph. The first sentence does not seem necessary.	ISWGNA
	6.66 Delete the word "formation" in the third sentence of paragraph	Editor
ECB	As above, prefer to have the alternative estimates of GDP, included at the beginning of Chapter 6.	Editor
USA	The new placement of this material is fine. However, Section D should refer readers to the more detailed discussion of this topic in chapter 14 rather than simply stating that "the sum of value added . . . leads to the first measure of GDP (SNA § 6.65)" and "value added represents the contribution of labor and capital to the production process (SNA § 6.66)."	Editor

3. The AEG recommended that goods sent abroad for processing should be recorded without imputing a change of ownership when no change actually happened. They further recommended that the same principle should be adopted for processing of goods by another resident unit. Does the text in section E reflect this recommendation adequately?

Australia	Yes we believe it does	No action
ECB	Could not see this recommendation so clearly and, as suggested above, prefer to see most of section E, in a compilation guide.	ISWGNA
IMF	Yes	No action
USA	We note and agree with the comments made by the OECD and the UNSD.	AEG (question 2)
UNSD	Change in ownership applies the level of institutional unit. The draft goes overboard in extending it to the producing unit (i.e. establishment)	AEG

4. Section E introduces the recommended change in terminology for kinds of production. Market production covers production for sale (short-hand term that includes other deliveries also) and for own use; non-market production relates only to production by general government and NPISHs. Is the resulting text sufficiently clear?

UNSD	Agreed	No action
IMF	Yes	No action
Australia	Yes, it is sufficiently clear.	No action
Eurostat	6.111. Third sentence: delete consumption of fixed capital. 6.113 Title should be "own <i>gross fixed</i> capital formation". 6.116 This paragraph is particularly unclear. 6.125: There is no need to change the current wording of paragraph 6.91 of SNA 93	Editor
ECB	Could not see this recommendation so clearly and, as suggested above, prefer to see most of this section E, in a compilation guide.	ISWGNA
USA	The text is sufficiently clear. However, in the specific comments we noted that the use of collective services needs to be made more precise.	No action

5. The output of the central bank is described in a stand-alone subsection of section F. Is the resulting text sufficiently clear on the proposals for compiling and allocating monetary policy services and financial intermediation services provided by the central bank?

UNSD	Yes, sufficiently clear	No action
IMF	It would be useful to add some text from the IMF/AEG paper "Output of Central Banks", in particular, on the allocation of output and the balancing of the accounts of the government and the central bank when recording taxes and subsidies.	ISWGNA
Australia	Yes	No action
Eurostat	The question of the Central Bank has been in depth analyzed at the European level. It was considered that financial intermediation services produced by the Central Bank could not be measured using the reference rate method. The treatment is defined by an EU Regulation. According to that Regulation, the output of the Central Bank is measured by the sum of costs. The part of that output not explicitly invoiced is considered as intermediate consumption of the banking sector.	ISWGNA
ECB	Section F should be less prescriptive. The text needs further fine-tuning to reflect also the common practice in the EU. Especially, paragraphs 6.146 and 6.147 are in contradiction to what is said in the 1995 ESA (no current transfers at all). See also item 7 of the general comments. Paragraph 6.147: Is the concept correct of "artificially high or low" interest rates? How could such a concept be measured?	ISWGNA

6. In section F, new text has been provided for the financial services. Is this text accurate and clear? This part of the text has been extended to include margins as well as FISIM and insurance charges. Are there any comments on this extension? (Further material will be added when chapter 17 is posted).

UNSD	Adequate	No action
IMF	No comment	
Australia	We are concerned with the recommendation in para 6.158 that a single reference rate be used, representing the inter-bank rate. In our experience, this can lead to negative FISIM for particular financial institutions or groups of financial institutions, and we believe flexibility is needed to avoid nonsensical results.	AEG (question 3)
Eurostat	For FISIM, the annex of SNA93 is no longer referred to. This annex should be maintained as it is useful for those countries that have not yet implemented the allocation of FISIM to users.	ISWGNA
ECB	See overlapping/under lapping/consistency comment above, on cross-cutting references to be included in Chapter 17. In detail: 1. • Auxiliary financial activities do put themselves at risk (paragraph 6.150); 2. • Financial services are not produced almost exclusively by financial institutions, "because of the usually stringent supervision of the provision of those services"; 3. • The mechanics of credit card charges (paragraph 6.153) needs to be checked and the principle set out rather more concisely; 4. • There are financial subsidiaries of retailers who do accept both loans and deposits; and 5. • I am not sure one can be as definite as to say: "The service charge made by the financial institution offering a security is not linked to the payment of interest, no matter how it is calculated".	ISWGNA
USA	The text seems accurate and clear.	No action

7. Section G has a brief discussion of leasing, leaving the main discussion for chapter 17 on cross-cutting issues. Is the discussion here adequate in the context of chapter 6?

UNSD	Adequate	No action
IMF	No. The discussion on the characteristics of the operating leasing and the difference between the treatments of operating leasing and financial leasing as economic activities was deleted from this chapter. This discussion is relevant for the estimation of the production account.	ISWGNA
Australia	It is difficult to say without seeing chapter 17, but it should be adequate.	No action
Eurostat	Yes	No action
ECB	Paragraph 6.201 on leasing is clear, but then the reader will be surprised to discover that he has to refer to a more comprehensive discussion, in Chapter 17!	Editor
USA	Adequate. We recommend adding a little bit more (such as a brief description of operating and financial leases) here. Suggest changing the title of Section 9 to "Leasing fixed assets."	Editor

8. The discussion of consumption of fixed capital, in section H, is reduced from that in the 1993 SNA. The previous recommendations have been superseded; fuller discussion will appear in chapter 19 on capital services. Is the discussion in chapter 6 adequate in this content?

UNSD	Adequate	No action
IMF	No. It would be useful to retain some text from the <i>1993 SNA</i> or at least include a reference on this topic	ISWGNA
Australia	Yes it is.	No action
ECB	Very adequate and subsections 3 on calculation and 4 on the perpetual inventory method could go to a compilation guide.	ISWGNA
USA	For readers who are not familiar with the SNA, we suggest including references to more familiar terminology such as “financing or opportunity costs” or “depreciation” as was done in the paper presented to the AEG. Also, the chapter needs to more carefully distinguish between gross and net rates of return.	Editor

Part III. Other specific comments

OECD	A change is proposed by the editor regarding the <u>definition of services</u> . This change is not, in our view, in the scope of the 44 issues. The AEG should therefore decide whether it proposes to add this change to the list of issues.	AEG (discussion on services)
OECD	6.12 : this paragraph is new and includes a new criterion for <u>services</u> : “ <i>when goods dispatched to another unit for processing <u>do not include change in ownership</u> the work done on them constitutes a service.</i> ” While this change to the SNA apparently originates from the issue 40 “goods for processing”. The AEG decided that there would be no more an imputation of change of ownership for goods sent for processing, whether outside the economic territory or inside. However, the AEG did not decide that this entailed a new <u>definition</u> of services. Moreover this criterion is not very convincing: in the same chapter it is first said that the “non ownership of the good” is a criterion to classify the output as service, and a few paragraphs later (6.139) , it is said that retail trade and wholesale trade are services, while these are characterized by <u>owning</u> the goods they resale! The issue is really whether the SNA should discuss conceptually of the classification of products between goods and services. The main message of the SNA is that all products are included, whether goods or services. The classification of these products between goods and services should be left to the classification experts. Introducing the concept of knowledge-capturing products as a third type of product implies that the SNA should avoid referring to goods and services when all three products are meant to be covered. This requires quite numerous changes.	AEG(discussion on services)
OECD	6.21 The services provided by real estate agents and solicitors, which are included in ownership transfer costs, are presumably included in margin services. It is probably worth mentioning them explicitly.	Editor

OECD	6.22 The existence of the category " <i>Knowledge-capturing products</i> " is an illustration of the vanity of trying to categorize products as goods or services: as explained in this paragraph, these products may be tangible or intangibles (software). The important thing in national accounts is indeed that they are classified in the same group, whether tangible or intangible, it is not whether they are goods or services.	AEG (discussion on services)
OECD	6.23 Reference is made to the "not-observed activities" and later the "non-observed economy".	Editor
OECD	6.24 second sentence: here the implicit classification defined in 6.17 is reused (but with a change: "knowledge embodying <i>products</i> " has become "knowledge-embodying <i>services</i> "), however, the object of the sentence encompasses all products, so why not replace the very long "and owns any goods or knowledge embodying services.....transformation and margin services" by the very short " <i>of the products</i> ".	Editor
OECD	6.27 b : " <i>knowledge-capturing products</i> " has become here " <i>knowledge-embodying services</i> " ?	Editor
OECD	6.28- 6.31 These paras, unchanged from the old SNA, explain that the household production of most services for their own consumption is excluded from the production boundary. However, from these paragraphs, national accountants have generally understood that only goods produced for own use by households are included in the production boundary. But now the concept of knowledge-capturing products has been introduced, and the fact that they are not specifically excluded implies that software, databases, home movies or photographs, for example, produced by a household for its own consumption should be recorded as production. Although, the old SNA does not specifically exclude them, I believe national accountants have assumed that they are excluded. Given that the arguments used for not including services produced by households for own use mostly apply to these products they should be excluded too. Hence, it needs to be made clear that products of this nature are not in the production boundary.	AEG
OECD	6.47 This new paragraph is not very clear. It is proposed that it be replaced by "Regular thefts of products from inventories are not included in the value of output of the producer. However, products that are subject to a large, unexpected theft from inventory are included in the output of the producer and then recorded as an uncompensated seizure in the other changes in volume account. If the stolen products are sold, they are treated in the same way as the sale of used goods, i.e. the seller's output is equal to the selling price less the cost of the good to the seller, if any."	Editor
OECD	6.51 last sentence: The basic price is defined as excluding taxes on products and <i>including subsidies on products</i> . It is therefore a bit confusing to say that subsidies are <i>treated as not received</i> by the producer. It would be better to say: <i>Conversely, any subsidy on product received by the producer is included in the basic price</i> . Another reason: the initial sentence can be wrongly interpreted. If you say that subsidies on products received by producers are treated as received by purchasers (households) rather than the producer, this seems to lead to classifying these subsidies as "social transfers in kind". But they are not: they remain implicitly classified as	ISWGNA

	subsidies to the producers, because they are included in the value added of the producer.	
OECD	6.64 last sentence: this new sentence which recommends not to use the term "market price" is too general to be credible. I have counted 65 times the expression "market prices" in the SNA 93. Including for example paragraph 2.171, which says explicitly: <i>GDP at market prices represents the final result of the production activity of resident producers' units</i> . It would be more credible to limit the sentence to: <i>It is recommended that the term "market prices" should be avoided when referring to value added and the price basis used (basic, purchaser's or purchaser's) be specified to avoid ambiguity</i> .	ISWGNA
OECD	6.74 last sentence : include "taxes (<i>other than VAT</i>)"	Editor
OECD	6.81 This new paragraph should be limited to the discussion on what to record as the <u>value of the output</u> , following the AEG decision to record only the value of the processing in case of the establishment does not own the goods. The new paragraph should exclude any discussion on whether to classify the activity as goods or services. In particular a sentence such as "it is important to know when to record an output of a good and when a transformation service, the defining principle is that of economic ownership" is an undue extent of the decision of the AEG. The SNA uses the ISIC and the CPC for classification purposes. The discussion on classification should be left to experts in classification.	AEG (discussion on services)
OECD	6.85 (a) the sentence is : " <i>the output is defined as the goods and services produced by an establishment, excluding the value of any good and services used in an activity for which the establishment does not acquire the economic ownership</i> ". This sentence apparently implies that an establishment can acquire the economic ownership of <i>an activity</i> . To avoid this misunderstanding, it would be clearer as " <i>the <u>value</u> of the output is recorded as the value of the goods and services produced by the establishment, excluding the value of any good and services used in an activity <u>and for</u> which the establishment did not acquire ownership</i> ." Nota: in fact, this means that the measure of output corresponds to the sales of the establishment. It is unfortunate therefore that the old paragraph 6.43, which explained this has been moved out of this chapter.	ISWGNA (because of suppression of paragraph 6.43)
OECD	6.88 The sentence here is "The preferred method of valuation is at basic prices, especially when a system of VAT , or similar deductible tax, is in operation. Producer prices should be used only when valuation at basic prices is not feasible. " The part of this sentence saying " <i>especially when a system of VAT, or similar deductible tax, is in operation</i> " should be suppressed, because basically the treatment of VAT in the SNA is the same whether for basic prices or for producer prices. Thus the fact that there is or not VAT is not a reason to choose between basic prices or producer prices. In other words one should not think that when there is no VAT, producer price is better. In conclusion, the sentence should be simply: " <i>The preferred method of valuation is at basic prices. Producer prices should be used only when valuation at basic prices is not feasible</i> ". It would be useful to state this preference for basic price. I propose: " <i>The preferred method of valuation is at basic prices because this allows excluding all taxes of products from the value-added of industries and thus to obtain a better estimate of their share of total value added. For example, including any specific tobacco tax in the value added of the tobacco industry unduly significantly increases</i>	ISWGNA

	<i>their share of total value added, while these taxes are only collected by the industry on behalf of the government and are not a receipt of the industry</i> ".	
OECD	6.91 typo: Reference is made at the end to Chapter 20 (government and public sector), but it is Chapter 21	Editor
OECD	6.95 (d) the fact that the two establishments are part of the same enterprise is contradictory with the fact that there is a change in ownership. In other words, if the two establishments are part of the same enterprise, there will be no change of ownership. Indeed, legal ownership resides with the enterprise, not the establishment.	AEG (discussion on intra-enterprise flows)
OECD	6.95 It is regrettable that the old paragraph 6.43 which was so useful to make the bridge between business accounting and SNA was moved elsewhere.	ISWGNA
OECD	6.100 this paragraph says "intra-entreprise deliveries should be only recorded when there is a change of ownership". The relevance of this paragraph is questionable, because when deliveries are made between two establishments of the same enterprise, there is no change of ownership. It is the enterprise which legally owns the products, not the establishments.	AEG (discussion on intra-enterprise flows)
OECD	6.109 (f) It is said in this new bullet point: " <i>In specified cases, the value of goods and services for intermediate consumption within a same establishment or enterprise is recorded as output</i> ". It would be useful to explain which are the specific cases that are referred to for this unusual exception to the general rule.	AEG (discussion on intra-enterprise flows)
OECD	6.113 It would be useful that in this paragraph a reference is made to the own capital formation of <i>original knowledge assets (software and R&D) and of large weapon systems</i> . The former is a large own-account production for corporations, and the latter is induced by the new treatment of military expenditures, when done by government units themselves.	Editor
OECD	6.115 It is indeed unusual to start a paragraph of the SNA by " <i>It is unusual</i> ". But this paragraph starts indeed by these terms, and with some reason, because the proposal made in this paragraph is quite disturbing. This paragraph says that " <i>it may be desirable to record an output for a good or a service used as intermediate consumption <u>within the same establishment.</u></i> " This is quite different with the old SNA paragraph 6.152 which said (quite reasonably): " <i>When goods and services produced within the same establishment are fed back as inputs into the production within the same establishment, they are not recorded as part of intermediate consumption.</i> " Of course the new paragraph says that it is rare and that there are only "occasions" to do that. Apparently, the occasions are listed below in paragraphs 6.116, 6.117, and 6.118. 6.116 refers to delivery services. It is quite difficult to understand how delivery services can happen within the same establishment. 6.117 refers to deliveries between two separate establishments. Thus this is not a good example. 6.118 refers to the "output placed in inventories for use as intermediate consumption in the future". This is not relevant because it is not the issue that was raised in 6.115: indeed the use as intermediate consumption will be in the next accounting period, not the same. Overall, I do not understand the objective of this paragraph 6.115.	AEG (discussion on intra-enterprise flows)

OECD	6.116 The old SNA contained a sentence saying: " <i>The production of transportation for own use within enterprises is an ancillary activity that is not separately identified and recorded.</i> " This has been apparently deleted and superseded by this paragraph. The origin of this change to the SNA is unclear.	AEG (discussion on intra-enterprise flows)
OECD	6.117 This paragraph says: " <i>If a product is delivered by one establishment to another within the same enterprise it is shown as output of the first establishment and intermediate consumption of the second.</i> " This is contrary to paragraph 6.100 which says: " <i>Intra-enterprise deliveries <u>are only recorded when there is a change of ownership</u></i> ". Note: I already remarked that deliveries between establishments of the same enterprise do not imply, by definition, a change in ownership.	AEG (discussion on intra-enterprise flows)
OECD	6.125 First sentence: Non market output is not provided only to households.	Editor
OECD	6.125 It is most probable that a return to capital will not be included in the value of non-market output in the 1993 SNA rev 1. So this line (d) should be deleted. In addition, the mention of the item (e) " <i>rent on land used in the production if any</i> " in the valuation of non market output is new to me. I trace a reference to this in a proposal by John Pitzer included in clarification # C17. I am not against, but do you confirm a decision of the AEG on this? If not this should be put forward to the AEG.	AEG
OECD	6.130 Agriculture: It is quite annoying if not disturbing to note that the old paragraphs 6.94 to 6.100 have been completely deleted and replaced by new paragraphs, while there was no issue among the 44 issues which discussed any change in the measurement of the output of agriculture. There was indeed an issue 26 on cultivated assets, but it was merely a change in two words. I have not checked these new paragraphs as I am unable to understand the origin of the possible changes.	ISWGNA
OECD	6.139 second sentence. Please refer to my general comments on paragraph 6.12. Because of the choice made by the editor to give a definition of service based on the fact that the goods are not owned, one has to introduce here an arcane discussion on whether retailers have a "legal ownership of the good" or an "economic ownership of the good". This all originates from the proposal to include the criterion of legal ownership in the definition of services. If this first proposal was abandoned, as I propose, this discussion would not be useful here. Moreover, the qualification of retailers as being "passive" regarding the goods that they sell is irrelevant and could not be sustained in a face to face meeting with retailers... You only have to know the amount of advertising that they spend to realize that they are not passive...	AEG (discussion on services)
OECD	6.149 last sentence. There was <u>explicit</u> request from the AEG that the terms "financial intermediation" is included in the definition of financial services. See provisional recommendations of the 2004 AEG meeting in Washington on http://unstats.un.org/unsd/sna1993/recomm.asp?ID=78 and page 26 of AEG Frankfurt meeting. Thus the sentence should be: Financial services are the result of <i>financial intermediation</i> , <i>financial risk management</i> , liquidity transformation, etc..	ISWGNA (because the editor disagrees)

OECD	6.150 Add (AEG decision to support recommendation of task force, Frankfurt, page 26): <i>"Financial services include monitoring services, convenience services, liquidity provision services, risk assumption services, underwriting services and trading services"</i> .	ISWGNA
OECD	6.158 The exact sentence should be(AEG decision, Frankfurt, page 28): <i>The reference rate is a risk-free rate that has no service element in it and that reflects the maturity structure of the loans and deposits to which FISIM applies.</i>	AEG
OECD	6.159 A reference should be introduced in this section on the AEG decision on FISIM for non performing loans.	Editor
OECD	<p>6.169 The task force on non life insurance had made a complete rewording of the old paragraphs of the new SNA to take into account the proposal of the task force that were subsequently approved by the AEG. It is difficult to understand why these paragraphs have not been used here. They can be found in the report to the AEG on non life insurance, on the web site of the UN. Here are (between the two lines of *****) the paragraphs regarding changes to chapter 6 (nota : in the below text, paragraph numbering is from the old SNA):</p> <p>*****</p> <p>6.135 The activity of insurance is intended to provide individual institutional units exposed to certain risks with financial protection against the consequences of the occurrence of specified events. It is also a form of financial intermediation in which funds are collected from policyholders and invested in financial or other assets which are held as technical provisions to meet future claims arising from the occurrence of the events specified in the insurance policies. Although insurance involves transfers in which funds are redistributed among institutional units, insurance enterprises also produce services that are paid for, directly or indirectly, by their policyholders. It is not easy to disentangle the different elements involved in the transactions between insurance enterprises and their policyholders and to record them appropriately in the System. Accordingly, a comprehensive explanation of insurance and pensions and the ways in which the various elements interact is given in annex IV at the end of this manual. The purpose of the present section is to explain how the output of the services produced by insurance enterprises is calculated and valued in the System.</p> <p>6.136 Typically, insurance enterprises do not make a separate charge for the service of arranging the financial protection or security which insurance is intended to provide. Whenever insurance enterprises do make explicit charges to their policyholders or others, these are treated as payments for services rendered in the normal way. For those services for which no explicit charges are made the value of the services they provide has to be estimated indirectly, however, from the total receivables and payables of insurance enterprises, including the income accruing from the investment of their reserves.</p> <p>6.137 Insurance enterprises build up technical provisions for several reasons. One is that insurance premiums are payable in advance at the start of each period covered by the policy so that insurance enterprises typically hold funds for a period of time before an eventuality giving rise to a payment occurs. This applies to non-life insurance as well as to life insurance. Another reason is that there is sometimes an important time-lag between the eventuality occurring and the payment of the subsequent claim taking place. In addition, insurance enterprises must hold considerable provisions in</p>	ISWGNA (principle of using task force material)

the form of actuarial provisions, including provisions on "with-profits" policies, and in respect of life insurance, provisions on unit-linked policies. The technical provisions built up for those reasons are invested in financial or non-financial assets, including real estate. The income generated by these investments in the form of the property income or net operating surpluses earned by renting residential or non-residential buildings is called premium supplements. It has, as well as the income received from own funds, a considerable influence on the level of premiums insurance enterprises need to charge. The management of its investment portfolio is an integral part of the business of insurance which has a considerable bearing on the profitability and competitiveness of the enterprise.

6.138a The value of the output of both non-life and life insurance services is obtained residually from an accounting relationship in which the following elements are involved.

- (a) Actual premiums earned
- (b) Income from the investment of the insurance technical provisions, as described above.
- (c) Claims incurred during the accounting period. In the case of non-life insurance, where observed claims have a significant volatility, claims incurred are adjusted as described below.
- (d) Changes in the actuarial provisions, including provisions for with profits insurance and unit linked life insurance.

Each of these elements is described below. The residual represents the cost of producing the insurance service and operating surplus; it is often referred to as the "service charge".

6.138b The risks insured are often reinsured. Reinsurance is particularly important in the case of non-life insurance, but exists also for life insurance. Reinsurance services are internationally traded to a significant extent. The value of the output of reinsurance services is measured in the same way as that of other insurance services.

6.138c In the following text, the term "direct insurance services" means insurance services which are provided to a policy-holder whose main activity is not in S.125. The term "reinsurance services" applies to insurance services provided by an insurer to a policy-holder whose main activity is in S.125 (or the equivalent, if non-resident), including autonomous pension funds. Many insurers act as both direct insurers and reinsurers, providing direct insurance services to non-insurance policy holders and reinsurance services to policy-holders who themselves are insurers or pension funds. Others specialise in reinsurance services, but may still provide some direct insurance services. Reinsurance services include those provided by one insurer acting as reinsurer to another also acting as reinsurer, known in the industry as "retrocession". In this case the policy-holder of the second reinsurer is the first reinsurer, and so on.

6.138d The value of direct insurance service produced relates to the whole of the risk which is insured, including any reinsured component. Thus, direct premiums and claims are recorded gross of reinsurance. The reinsurer's share of both is recorded as output of the reinsurer and as intermediate consumption of the direct insurer. It is the same in regard to premium supplements and their obverse, property income attributed to insurance policy-holders, which therefore includes, in the case of reinsurance services, policy-holders who are themselves insurers.

6.138e For simplicity, certain items to be found in the profit and loss accounts of insurance corporations are assimilated to others in the

calculation of the value of direct and reinsurance services produced :

-- Gross premiums earned include changes in the provision for unexpired risks, as part of changes in the

provision for unearned premiums (see (a) below).

-- Gross premiums earned are recorded after deducting rebates paid to policy-holders when these result from the experience of individual contracts. These rebates should be distinguished from bonuses paid or payable

in future to policy-holders, even though the two are often merged in the published accounts of insurance corporations (see below).

-- In the case of a reinsurer accepting risks on proportional reinsurance contracts, gross premiums earned are recorded after deducting the reinsurance commissions payable by him to the direct insurer.

-- Gross claims incurred include changes in the equalisation provision.

-- Gross claims incurred include bonuses actually payable in the accounting period.

-- Changes in the actuarial provisions and provisions for with profits insurance include the provision made for bonuses payable in future.

6.138f Adjustment of non-life claims incurred. Observed claims incurred have a significant volatility, in particular when major catastrophes occur, thus impeding their mechanical use in the measurement of the output of insurance services for a given accounting period. Indeed, this measure should not be affected by the volatility of claims: conceptually, neither the volume nor the price measure of the insurance output is affected by the volatility of claims. Thus the formula used to estimate the output of non life insurance services relies on *adjusted* claims incurred rather than *observed* claims incurred. It is also possible to extend this line of reasoning to *adjusted* premium supplements rather than *observed* premium supplements, but the volatility is lower in respect to premiums. Overall, the formula to calculate the output of non life insurance services includes the following elements:

(a) Gross premiums earned: these refer to those parts of the premiums payable in the current or previous periods which cover the risks incurred during the accounting period in question. They are not equal to the premiums actually payable during the accounting period, as only part of the period covered by an individual premium may fall within the accounting period in which it is payable. The prepayments of premiums, which refer to those parts of the premiums which cover risks in the subsequent accounting period or periods, form part of the technical provisions called unearned premiums. Thus, gross premiums earned are equal to gross premiums receivable less the value of the changes in the gross provisions on unearned premiums.; the rebates paid by the direct insurer to the policy holders are to be treated as a negative component of the gross premium earned, as are reinsurance commissions payable by an insurer acting as a reinsurer; but profit sharing payable by a reinsurer is not deducted from the premiums which he accepts and is treated as a miscellaneous current transfer (D.75).

(b) Premium supplements or expected premium supplements from investment of the insurance technical provisions, as described above, plus income or expected income from own funds. Although the provisions are held

and managed by the insurance enterprises, they are treated in the System as assets of the policyholders. The income earned on the investment of these provisions is, therefore, attributed to the policyholders for whose benefit the provisions are held. **The income on the own funds of insurance corporations held in respect of non-life business is also attributed to the policy-holders, because in practice the policy-holders benefit from it in much the same way; but, by convention, these own funds are not regarded as assets of the policy-holders.** The total of the income is recorded as receivable by the policyholders who pay it all back again to the insurance enterprises as premium supplements. These premium supplements must therefore always be equal in value to the corresponding income from the investment of the technical provisions; however, in the calculation of output expected premium supplements rather than observed premium supplements can be used, but, considering the lesser volatility of premium supplements compared to claims, adjusted premium supplements can be taken in practice as equal to observed premium supplements;

(c) Adjusted claims during the accounting period: adjusted claims differ from actual gross claims incurred, **which are equal to gross claims actually payable during the accounting period plus changes in the gross provision for outstanding claims.** Adjusted claims can be estimated using two methods. The first, the expectation approach, is based on an estimate of expected claims, using smoothed past figures of gross claims incurred or smoothed past ratios of gross claims incurred over premiums applied to current premiums. This method is fully described in the annex IV. The second one, the accounting approach, uses gross claims incurred, and, if necessary, changes in own funds, when the latter are used by insurance companies and subsequently rebuilt to face major unexpected claims; when withdrawal of own funds intervene in one period to dampen the impact of major claims, the subsequent rebuilding of these own funds should intervene in the next periods;

(d) Changes in the actuarial provisions and provisions for with-profits insurance. These changes consist of allocations to the actuarial provisions to build up the capital sums guaranteed under these policies and provisions for with-profits insurance policies. Most of these provisions relate to life insurance but they are also needed in the case of non-life insurance when **premium rates are fixed for more than one year (including policies providing mortality or disability benefit only on the occurrence of an event within a term, when correctly treated as non-life insurance) and when claims are paid out as annuities instead of lump sums.**

All changes in insurance technical provisions referred to (a), (c) and (d) are measured excluding any nominal holding gains or losses.

6.139 Items (a) and (b), i.e.:

Actual premiums earned; and

Premium supplements (or adjusted premium supplements) determine the total resources (or adjusted resources) of an insurance enterprise arising from its non life insurance activities. Items (c) and (d), i.e.:

Adjusted Claims incurred; and changes in **the actuarial provisions and provisions** for with profits insurance

determine the total adjusted technical charges to be met out of these resources. The difference between the total adjusted resources and total adjusted technical charges represents the adjusted amount available to an insurance enterprise to cover its costs and provide for a normal operating surplus. It is taken as measuring the value of the output of non-life insurance services produced by the enterprise. This method simulates the model used

	<p>by insurance enterprises to fix the level of premiums. Insurance enterprises take all the items (b) to (d) into consideration when fixing the levels of the premiums they charge in order to ensure that the excess of total resources over total charges provides sufficient remuneration for their own services.</p> <p>Thus, the basic formula used to estimate the value of the output of non life insurance services is as follows:</p> <p style="text-align: center;">Actual gross premiums earned</p> <p style="text-align: center;">plus gross premium supplements (or adjusted gross premium supplements),),</p> <p>Less Adjusted gross claims incurred</p> <p>Less Changes in actuarial provisions and provisions for with profits insurance</p> <p>= Value of the output of non life insurance services</p> <p>The value of life insurance services (<i>and pension funding services</i>) do not rely on expected measures but on actual ones:</p> <p>Gross premiums (<i>and contributions</i>) earned</p> <p>Plus gross premium (<i>and contribution</i>) supplements</p> <p>Less gross claims (<i>and benefits</i>) incurred</p> <p>Less Changes in actuarial provisions and provisions for with profits insurance, unit linked life insurance (<i>and defined contributions pension funding</i>)</p> <p>= Value of life insurance services</p> <p>Unit linked life insurance policies are also called "life insurance policies where the investment risk is borne by the policy-holder". The technical provisions in respect of these policies are often separated in insurance corporations' balance sheets. <i>{Defined contributions pension funds are also contracts where the investment risk is borne by the policy-holder.}</i></p> <p><i>NB. The formula above is subject to change in the case of defined benefits pension funds. This is why it is in italics. In the present formula, changes in liabilities to members are included in "changes in actuarial provisions".</i></p>	
OECD	<p>6.182 This new paragraph changes the treatment of own account production for intermediate consumption. The old SNA said: "<i>When goods and services produced within the same establishment are fed back as inputs into the production within the same establishment, they are not recorded as part of the intermediate consumption or the output of the same establishment.</i>" This seemed quite reasonable. The new paragraph says: "<i>When goods and services produced within the same establishment are fed back as inputs into the production within the same establishment, they are only recorded as part of the intermediate consumption if they have been recorded in the output of that establishment</i>". The new paragraph therefore allows that some output</p>	AEG (discussion on intra-enterprise flows)

	for intermediate consumption <u>inside the same establishment</u> is recorded. We do not understand why the old SNA has been changed (please see our remarks on paragraph 6.115). This should be taken up to the AEG. The new paragraph continues by saying that deliveries of goods between establishments of the same enterprise are recorded as outputs and intermediate inputs if there is an effective change in ownership. But, by definition, there are no changes in ownership within the same enterprise.	
OECD	6.195 Following AEG decision (see decision of AEG in http://unstats.un.org/unsd/sna1993/recomm.asp?ID=18), the sentence on military equipment should be: <i>Expenditure on military equipment including large military weapons systems are treated as gross capital formation; expenditures on expendable durable military goods, such as bombs, torpedoes, and spare parts are treated as inventories, and which are consumed, when used, as intermediate consumption.</i>	ISWGNA
OECD	6.195 Insert "expenditure on" after "All".	Editor
OECD	6.203. It would be better to replace the word "normal" with "expected" when describing obsolescence, as rates of obsolescence can vary over time and there may be some particular factor or event that will occur in the future that will lead to particular assets becoming obsolete.	ISWGNA
OECD	6.207 As noted at the beginning of para 208, the value of an asset is not equal to the present value of future rentals, because the rental must cover maintenance and other costs and therefore exceed the benefits that the asset provides. Thus we should re-cast the discussion in terms of benefits and capital services. Proposed amendments have been made in the pdf file.	ISWGNA
OECD	6.208 The text does not address the AEG decision on Issue 23 Obsolescence and depreciation. It is proposed that the following text be inserted after the third sentence: "The decrease is expressed in the average prices of the period, i.e. in the prices of this type of asset at constant quality. The decrease should not include any holding gains or losses." The last three sentences could be deleted - they cover unnecessary detail.	ISWGNA
UNSD	<p>2. The description about output of establishment deviates from the SNA and AEG decision.</p> <ul style="list-style-type: none"> • In the SNA, production for own intermediate consumption in an establishment is not recognized as output. • This principle remains the same with the update. • Though the AEG decides that some output of ancillary units may be recognized but these units are recognized as separate establishments when conditions are met: <p>AED decision: "If an establishment undertaking purely ancillary activities is statistically observable, in that separate accounts for the production it undertakes are readily available, or if it is in a geographically different location from the establishments it serves, it may be desirable and useful to consider it as a separate unit..."</p> <p>With this new treatment, there is still no recognized of goods and services as output produced by an establishment for own intermediate consumption. Exceptions to this rule are applied only to goods for own-capital formation,</p>	AEG (discussion on intra-enterprise flows)

	goods for own final uses, and goods entered into inventories whatever their subsequent use (see SNA, para 6.81).	
UNSD	<p>3. The extension of the concept of economic ownership exposed by the Editor in the draft in the case of goods for processing to the level of establishment, transactions between one establishment and another establishment within the same enterprise is problematic and not even discussed by the AEG for the following reasons:</p> <ul style="list-style-type: none"> • Ownership can be established only at the institutional unit level. • When goods and services produced by one establishment and delivered to another establishment of the same parent enterprise, there is no change of economic ownership, although these goods and services are recognized as output. Ownership is immaterial here. • Should we generalize the rule applied to goods in processing such that the other establishments add only services to the output of the first establishment? We don't think so. The extension only complicates the treatment since, firstly, ownership is clearly with the parent enterprise, not the children establishments and secondly goods as a total can be easily valued. 	AEG discussion on intra enterprise flows
UNSD	<p>4. Given comments on 2 and 3, we have problems with interpretations of the draft given in para 6.16, 6.81, 6.81, 6.104, 6.110-6.112, 6.130:</p> <ul style="list-style-type: none"> • Para. 6.16 reads: "It is also possible for a unit to produce a service for its own consumption provided that the type of activity is such that it could have been carried out by another unit." This should be deleted. • Para. 6.85 should be modified (changes are underlined or crossed): <p>Thus <i>output is defined as the goods and services produced by an establishment <u>that are delivered to another establishment</u>, or</i></p> <p><i>a. excluding the value of any goods and services used in an activity for which the establishment does not acquire economic ownership, and</i></p> <p><i>b. excluding the value of goods and services consumed by the same establishment except for goods and services used for capital formation (fixed capital or changes in inventories), own final consumption or, in clearly specified circumstances, for own intermediate consumption</i></p> <ul style="list-style-type: none"> • Para. 6.27 (a) should be modified: <p><i>(a) The production of all goods or services that are supplied to units other than their producers, or intended to be so supplied, including the production of goods or services used up in the process of producing such goods or services;</i></p> <ul style="list-style-type: none"> • Para. 6.95(d) should be modified. 	AEG (discussion on intra-enterprise flows)

	<p>The value of goods or services supplied by one establishment to another belonging to the same market enterprise to be used as intermediate inputs where a change of economic ownership is involved;</p> <ul style="list-style-type: none"> • Para. 6.109(f) should be deleted. <p>In specified cases, the value of goods and services for intermediate consumption in the same establishment or enterprise:</p> <ul style="list-style-type: none"> • Para. 6.115-6.118 on own intermediate consumption should be deleted. • Para. 6.178 should be modified: <p>...When a unit provides only ancillary services, it continues to be shown <u>may be recognized</u> as a separate unit as long as the necessary information is available.</p> <ul style="list-style-type: none"> • Para 6.182 should be deleted. <p>When goods or services produced within the same establishment are fed back as inputs into the production within the same establishment, they are only recorded as part of the intermediate consumption if they have been recorded as part of the output of that establishment. There is discussion on when this might be appropriate in section E. Deliveries of goods and services between different establishments belonging to the same enterprise are recorded as outputs by the producing establishments and intermediate inputs by the receiving establishments only when there is an effective change of economic ownership to the receiving establishment.</p>	
UNSD	<ul style="list-style-type: none"> • The definition of services in para 6.17 covers transformation services and margin services. However it does not seem to cover services that are implicitly measured such as insurance services and FISIM. Those services do not fit into the definition of margin services. <p><i>Margin services result when one institutional unit facilitates the change of ownership of goods, knowledge-capturing products or financial assets between two other institutional units.</i></p>	AEG (discussion on services)
UNSD	<ul style="list-style-type: none"> • Is it better to use "knowledge-storing products" instead of "knowledge-capturing products"? 	Editor
UNSD	Change in ownership applies the level of institutional unit. The draft goes overboard in extending it to the producing unit (i.e. establishment)	AEG (discussion on intra enterprise)

		flows)
UNSD	<p>Para. 6.146. Typos</p> <p>The recommendation, therefore, is that a current transfer of the value of the non-market output should be recorded as payable by the central bank and receivable by the general government and a purchase of the non-market output of the central bank by government should also be recorded.</p>	Editor
IMF	6.18. Part (d) from paragraph 6.10 of the <i>1993 SNA</i> was deleted. It is needed to introduce the services that change the general economic state of the institutional unit itself when the provider provides insurance, financial intermediation, protection, guarantees, etc.	Editor
	6.22. It is necessary to explicitly allocate research and development and mineral exploration in one of the service categories, for example in knowledge-capturing products.	ISWGNA
	6.90 and 6.125. Update the treatment of the return to fixed capital of non-market producers to reflect the decision of the ISWGNA to include this issue in the research agenda.	Editor
	6.131-6.132. Agriculture, forestry and fishing. Paragraphs 6.96 to 6.100 of the <i>1993 SNA</i> were not included. Similar should be placed in this chapter since it deals with the method to estimate work-in-progress (output and inventories) in agriculture, forestry, and fishing.	ISWGNA
	6.136-6.138. The section on storage was summarized too much. It is important at least to mention the indicators used to estimate the volume of storage services such as space-days	ISWGNA
	The production of original and copies. The whole section of the <i>1993 SNA</i> was deleted from this chapter. A similar section should be added including the recommendations on this issue.	ISWGNA
	6.195. It would be useful to add some text on the production of defense services.	Editor
Australia	6.1 We would prefer that production is described as a process rather than an activity. The term activity has other connotations in the accounts and is used, for example, in activity classifications.	ISWGNA
	<p>6.11 states that it is not necessary to make a distinction between goods and services. One place where such a distinction is necessary is own-account production by households, where production of goods is included in the production boundary whereas production of services (other than from owner-occupied dwellings) is not.</p> <p>6.14 The new product here is called "knowledge capturing products" but in most of the rest of the chapter they are referred to as "knowledge embodying services". Consistent terminology is needed.</p>	AEG (question 1(b))
	6.19 While services might not be held in inventories they can be embodied in assets - eg architectural services and ownership transfer costs – which may be held as inventories.	Editor
	6.23 The term not-observed economy is used here. In other places and more generally the term non-observed is used. In 6.39 the term	Editor

	informal economy is used. We would prefer to see consistency in terminology.	
	6.25 We suggest that the word ‘obtain’ in the second sentence be replaced with ‘employ’ or ‘utilise’.	Editor
	6.32 Water supply is mentioned in both 6.32(b) and 6.32(e). We’re not sure it is needed twice.	Editor
	6.35 Typo - should be "wages" of the domestic staff rather than "ages"	Editor
	6.45 The issue is not so much that a failure to record will lead to errors in the financial accounts so much as create asymmetries if the financial transactions are recorded and the production transactions are not.	ISWGNA
	6.49 It would be helpful to include some text distinguishing between taxes and subsidies on products versus those on production, this is also relevant in other paragraphs including 6.70.	Editor
	6.65 “the sum of value added ... leads to the first definition of gross domestic product” gives the impression that value added is equivalent to GDP when in fact taxes also need to be included	Editor
	6.66 We think subsidies need to be mentioned here	Editor
	6.68 In the first sentence we suggest "difficult items in the accounts to <i>define</i> conceptually" rather than measure conceptually. It is also difficult to measure/estimate in practice as the sentence explains.	Editor
	6.69 We think the last sentence could be replaced by the tone of text in para 7.4 although we note that the proposed approach is reversed in chapter 6. We feel that consistency is needed on this from chapter to chapter	Editor
	6.70 We suggest that the word ‘increase’ (in the third sentence) is replaced with the word ‘difference’.	Editor
	6.77 The last sentence of this paragraph does not seem to add anything to the discussion and seems out of context.	Editor
	6.89-90 The use of the terms capital services and return to capital could be tightened here to ensure different interpretations are not made in valuing output. There should also be close links to the definitions given later on - eg 6.120 to ensure consistency.	Editor
	6.98-99 There is a slight inconsistency in the valuation basis recommended in this section and those for compensation in kind in Ch.9. We recognise that the two valuation basis give the same value in this case put it may be helpful to use same terminology. Editor 6.100 It would be helpful to increase the discussion of intra-enterprise deliveries to more completely explain transaction across companies	Editor
	6.137-138 We suggest that the wording be tightened to ensure that there is appropriate distinction between value added by storage services (part of production process) and that by holding gains (not part of production process).	Editor
	6.144 The ‘borderline cases’ needs more elaboration.	Editor
	6.214 We think hyperbolic should also be mentioned - we think it the relatively most suitable and it is certainly better than linear decline.	ISWGNA

ECB	<p>Paragraphs (Ps) 6.6 and 6.7 are repetitive.</p> <p>Paragraph (P) 6.13: The concept of knowledge-capturing goods is not yet explained or defined.</p> <p>Ps 6.10 and 6.24 describe/define production. Why is it necessary to have two paragraphs?</p> <p>P 6.29 (b): I would doubt whether there are no suitable market prices.</p> <p>P 6.34: Why 'has been'? Better 'is'.</p> <p>P 6.35: Is this not an implementation issue?</p> <p>Ps 6.40 and 6.41: What are public authorities?</p> <p>Ps 6.56, 6.57 and 6.61: Is a net recording really the normal case? Sales are usually not recorded excluding invoiced VAT. Contradiction between p 6.60 and 6.61 in which the purchaser's price is defined as the price excluding VAT.</p> <p>Section 4: Why not to start with market output?</p> <p>P 6.97: The difference between amounts payable and paid should be shown as payables/receivables and not only as trade credits.</p> <p>P 6.100: Do not understand why intra-enterprise deliveries should be recorded? Do we record them at all (intra-flows)?</p> <p>P 6.123 and others: We should use general government instead of only government.</p> <p>Section 7, P 6.147ff: We should use the terminology as agreed: insurance corporations, liabilities, financial corporations, debt securities, pension funds or pension schemes, general government?</p> <p>P 6.147: The rates are by definition fixed by policy intervention. It is not obvious how to determine what an "artificial" rate is.</p> <p>P 6.151: Last sentence: This example may not be the clearest one.</p> <p>Ps 6.156 and 6.158: Even if deposits were equal to loans, I presume one could not derive the reference rate as a simple average of rates on deposits and loans? One may therefore start 6.156 at "However, the depositor of funds...".</p> <p>P 6.157: What is an actual corporation?</p> <p>P 6.164: What is meant by equities?</p> <p>P 6.165: I presume that paragraph 6.156 refers to FX transactions rather than to "foreign currency". Correct?</p> <p>P 6.209: The first sentence might be misleading. Consumption of fixed capital has to be determined by period taking predominantly into account past events</p>	Editor
USA	<p>The production boundary within households</p> <p>For this section, the text in the old SNA is clearer.</p>	Editor
	<p>6.65 last sentence</p> <p>Insert "gross" and should say "the sum of gross value added..."</p>	Editor
	<p>6.66 second sentence</p> <p>suggest "the compensation of labour and the return to property owners for the use of capital are revealed."</p>	Editor
	<p>6.120 and 6.125 should say "net return"</p>	Editor
	<p>6.123 can't a government or NPISH unit use collective services? The old SNA said "all members of the community"; I don't see a need to get more specific.</p>	Editor
	<p>6.125 as noted in 6.123, collective services may be provided to units other than households.</p>	Editor

	6.155 last sentence suggest "...the difference being the combined fees implicitly charged by the bank to the depositor and to the borrower. suggest "...and the rate actually paid to depositors and received from borrowers representing..."	Editor
	9. Leasing equipment Title should be "Leasing fixed assets"	Editor