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19 – 23 March 2007, New York

Substantive Comments on the Draft Chapters of the 1993 System of National Accounts Revision 1

Chapter 12: The Other Changes in Assets Account

Prepared by Intersecretariat Working Group

Comments on Chapter 12: Other Changes in Assets Account

Comments received as of 12 March 2007[1] from:

Countries (13)	ISWGNA (4)	Other (1)
Australia Czech Republic Denmark Finland Germany Israel Korea Mexico Netherlands Norway Switzerland South Africa USA	Eurostat IMF OECD UNSD	European Central Bank

For Discussion by the AEG

1. Table 12.1 Other changes in the volume of assets account

Comments from several countries, AEG members and ISWGNA members have been received on table 12.1. While some comments point to specific problems, others seem to have a more general problem with the format of the table and the way it is presented. Thus, there seems to be need for adjustments.

To focus the discussion, the Editor has prepared the following to explain the structure intended for the table as a basis for refining the table and hence its layout.

In contrast to the items appearing in the other changes in assets classification in the 1993 SNA, the update attempts to provide a recognisable structure for the types of changes to be considered. The broad groups of headings are as follows:

1. Appearance and disappearance of assets other than by transactions
2. The effects of externalities on the value of assets
    - 2.1 Catastrophic losses
    - 2.2 Uncompensated seizures
    - 2.3 Other volume changes
3. Changes in classification and structures

[1] All comments on this chapter received as of 12 March 2007 can be found at the 1993 Update website.

3.1 Changes in sector classifications and structure
3.2 Changes in classification of assets (and liabilities)

Within each of these heading and sub-headings, three major categories may exist, produced assets, non-produced assets and financial assets and liabilities. Each of these may be further disaggregated; produced assets into fixed assets, inventories, and valuables; non-produced assets into natural resources, contracts, leases and licences, and goodwill and marketing assets; and financial assets into the standard eight way breakdown.

The entries in the top part of table 12.1 are a somewhat uneven set of entries following this structure at unequal levels of aggregation. This was the result of using the existing values and assigning them to the most appropriate heading. The figures in the bottom part of the table are the result of adding together all types of other changes for each of the main classes of assets.

In order to illustrate the structure of the table more clearly I could suggest the following:

1. Introduce a table 12.1 with only aggregates first, that is only the eight lines corresponding to the broad groups of headings given above.

2. For each of the categories 1, 2 and 3, introduce a more detailed table with details for each of the main asset classes as these are successively introduced into the text (would be tables 12.2 to 12.5)

3. Then explain how the lower part of the existing table 12.1 (to be table 12.6) can be derived, and how it is used to feed into table 13.1 Balance sheets.

Question to AEG:
1. Would the above suggested steps to develop and clarify what is now table 12.1 overcome the present unease with it?

2. Treatment of agricultural epidemics

Comment from Germany on paragraph 12.61: *We suggest, to add also animal diseases into the enumeration of possible exceptional losses, otherwise one may conclude that all animal diseases on a large scale have to be treated as catastrophic losses. Further, it would seem helpful to introduce also the unpredictability as criterion for exceptional losses, because some animal epidemic diseases may cover more than one accounting period.*

Paragraph 12.61 in revised SNA reads: *Exceptional losses in inventories. Exceptional losses from fire damage, from robberies, from insect infestation of grain stores, etc., should be recorded here. In this context, exceptional losses indicate that the losses are not only large in value but also irregular in occurrence. Even very large losses, if they* *occur regularly, should be taken into account when calculating the change in inventories calculated for entry in the capital account as explained in chapter X.*

Questions to AEG:
2. Should losses due to agricultural epidemics be treated as exceptional losses? Moreover, should paragraph 12.61 be revised so as to include agricultural epidemics as a new kind of exceptional loss?

For Information

1. Derivatives

Quite a few comments on the text describing the treatment of derivatives were received. Thus, although the text in chapter 12 is the agreed text from a previous change to the 1993 SNA, the editor will look into the issue in consultation with the editors of the BOP Manual.

2. Employee Stock Options

Comments received on the issue of employee stock options as part of the review of chapter 12 will be taken into account when the issue is discussed in its entirety ("cross cutting issues").

3. Mergers and Acquisitions

The ISWGNA notes that several reviewers asked for clarification with regards to mergers and acquisitions. Further discussion of the issue is taking place. The issues will also be discussed when the Benchmark on Foreign Direct Investment group meets in March/April 2007. While some text on the treatment of merger and acquisitions could be included in chapter 12, the full issue could possibly be brought up in chapter 20, Measuring Corporate Activity.

4. Other issues

(i) Annex on the calculation of holding gains and losses
The ISWGNA notes the reluctance to make the existing annex on the calculation of holding gains and losses and electronic annex - available to all users but not part of the printed version, and will reconsider the issue.

(ii) Formulas
Several reviewers have also expressed desire for the reintroduction of formulas in the chapter. Thus, this is another issue that will be reconsidered.