

**Fifth Meeting of the Advisory Expert Group on National Accounts
19 – 23 March 2007, New York**

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

Chapter 13: The Balance Sheet

Prepared by Intersecretariat Working Group on National Accounts

Comments on Chapter 13: The Balance Sheet

Comments received as of 12 March 2007 ¹

Countries (15)	ISWGNA (4)	Others (1)
Mexico	OECD	European Central Bank
Ireland	EUROSTAT	
Norway	IMF	
Switzerland	UNSD	
Germany		
Israel		
Hong Kong		
Finland		
Korea		
Czech Republic		
Netherlands		
Denmark		
USA		
South Africa		
Australia		

Comments from ECB and OECD on own funds

ECB: 13.74 Own funds at book value should be included as a fourth valuation method for “other equity” and not seen as an exceptional treatment. Later on (in 13.78) it is said that this method is widely used.

OECD: 13.95: This paragraph is confusing, it does not give a correct definition of "own funds" and it breaks ground on the concept of reinvested earnings. First, for corporations, "Own funds" should be defined as Total assets minus Total liabilities excluding shares, or, what is equivalent, "net worth plus shares" (and not net worth minus shares as in the current text). Second, it should be explained that for corporations the concept of own funds is a better tool than the concept of net worth, because shares are not a liability for corporations. Third, I do not see the advantage of the introduction of the concept of retained earnings. For the moment, there is a concept of reinvested earnings (D43) applicable to cross border corporations that has not been extended to domestically owned corporations or to general government. If we did so, the concept would be interesting, but we did not do so.

1. Questions for the AEG on own funds

- a) Do you think own funds at book value should be elevated and recognised as the fourth valuation method for other equity?
- b) Do you think the definition of own funds given in paragraph 13.95 should be amended to read “For corporations, "Own funds" should be defined as Total assets minus Total liabilities excluding shares, or, what is equivalent, "net worth plus shares"” (and not net worth minus shares as in the current text)?

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

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| <p>c) Do you think it should be explained that for corporations the concept of own funds is a better tool than the concept of net worth, because shares are not a liability for corporations?</p> <p>d) Do you think the concept of retained earnings should be included in the text?</p> |
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Comments from OECD on other equity

13.80 It should be stated that "Other equity" may include the counterpart of reinvested earnings. "Other equity also includes "the financial assets that non-resident units in their capacity as owners of land or buildings on the economic territory of the country have against notional resident units and vice-versa."

<h3>2. Question for the AEG on other equity</h3>

<p>Do you think that "other equity" may include the counterpart of reinvested earnings, and the following sentence should be added to paragraph 13.80 "Other equity also includes "the financial assets that non-resident units in their capacity as owners of land or buildings on the economic territory of the country have against notional resident units and vice-versa"?"</p>
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Comments from Korea on asset accounts in volume terms

The asset accounts can be compiled on a constant price basis with their asset deflators. It can be a part of process to derive these statistics for compiling the national balance sheet. Is it not good to refer to these things in this chapter?

<h3>3. Questions for the AEG on asset accounts and balance sheets in volume terms</h3>

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| <p>a) Do you think that the SNA should promote asset accounts and balance sheets in volume/real terms?</p> <p>b) If so, should they be expressed in volume terms or in real terms, i.e. in terms of their real purchasing power if liquidated?</p> |
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