Comments on draft SNA chapter:
Chapter 13: The balance sheet

Deadline for comments:
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This three-part template allows you to record your comments on draft chapter 13 easily and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any one, any two, or all of the three parts of the template.
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Part I: General comments

Part II: Comments on specific draft paragraphs or passages

In your review of draft chapter 9, you may wish to devote particular attention to the passages listed below. There is space after each issue for any comment you wish to make.

Comment:

13.1 The definition of net worth is wrong. Second sentence to be changed in "Assets *and liabilities* can be aggregated across all types so as to show the total value of assets *less the total value of liabilities*, or net worth, of an institutional unit.

13.3 last sentence: typos: suppress "." after chapter 19, include " and *a fuller description* of the distinction..."

13.8 after "single type of asset", add "*(or liability)*"

13.8 (b) after "financial assets" add "*(and liabilities)"*

13.12 typo: add blank after "in chapter 11."

13.16 typo: add comma after "but"

13.21 second sentence: "In some cases, prices may be approximated by accumulating and revaluing acquisitions less disposals of the *type of* asset in question over their lifetime, *where appropriate taking into account changes in the value due to consumption of fixed capital or depletion*;"

13.81 typo last sentence: "*can* be found"

13.32 clarification: second sentence: replace by: *However, house prices generally* *include the value of the land on which the house sits and it may be difficult to exclude it, in which case a technique such as PIM will have to be used.*

13.34 first sentence: wording: : "Markets for existing automobiles, aircraft, and other transportation equipment may be sufficiently representative to yield useful price observations *that can be used directly to value* these stocks or at least *be used* in conjunction with a set of PIM assumptions.

13.31 typos : replace "particularly vehicles" by "*such as* vehicles", suppress "for example" and suppress "." after "model"

13.35 typo, last sentence: "; *in this case, they should be recorded"*

13.36 : delete paragraph. R&D should be treated in the paragraph about originals (13.39)

13.37 clarification: the case of COT for non produced non financial assets should be treated separately. We propose: "There are no costs of ownership transfer shown separately in the balance sheets *for fixed assets*. *The costs of ownership transfer for non produced non financial assets are shown separately* ."

13.43 We do not understand why a large part of paragraph 13.48, which gave practical solutions for the valuation of work in progress, has been deleted. It should be reintroduced here.

13.39 first sentence: insert R&D in "Originals of intellectual property products, such as *research and development*, computer software....

13.39 last sentence: typo: "*present*"

13.49: we are not sure that "site clearance and preparation for the erection of buildings" should be included as land improvements.

13.47: Delete last sentence. Indeed, COT is not part of the value of land. COT is shown separately for non fixed assets.

13.49 second sentence: the discussion about the ratios is difficult to understand: We propose "*a more usual method is to deduce the value of land by subtracting the replacement cost of the buildings from the value on the market of combined land and buildings.*"

13.70 typo: non-performing

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.*"

13.80 typos: include "." after "shares."
suppress one of two ".." further down.

13.80 last sentence: it should be more general: replace "quasi-corporations" by "*these units"*

13.85 first sentence. The AEG formulation should be rather used: "The value to be entered in the balance sheet for calls under standardised guarantees *is the net present value of expected payments under the guarantee, net of any expected recoveries from* *the defaulting borrowers where the guarantor acquires the defaulting asset when paying the claim."*

13.82: The wording of paragraph 13.82 should be tightened, using text from the report to the AEG. We propose to replace this paragraoh by: "*Provisions for non life insurance to be recorded in the balance sheet consists of provisions for unearned premiums, and provisions for claims outstanding. Provisions for unearned premiums include the industry's definition of provisions for unearned premiums plus provisions for unexpired risks and provisions for bonuses and rebates. Provisions for claims outstanding includes the industry definition of provisions for claims outstanding plus provisions for incurred but not (enough) reported incidents and provisions for the equalisation of claims.*"

13.83 typo : But

13.89 typos: "to receive stocks (shares) at *a* future date." further down: "When an ES*O*" further down: "balance she*e*t"

13.90 typos: include "." after "granted". further down: "ESOs may be value*d*"

13.95: This paragraph is confusing, does not give a correct definition of "own funds", and 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, which 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, but which has not been extended to domestically owned corporations nor to the general government. If we did so, the concept would be interesting, but we did not do so.

Part III. Other specific comments

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