

**Comments on draft SNA chapter:
Chapter 10: The capital account**

**Deadline for comments: 12 February 2007
Send comments to: sna@un.org**

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This three-part template allows you to record your comments on draft chapter 10 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

In the space below, please provide any general comments, such as about the clarity with which the new recommendations were incorporated (30 words or less).

Comment:

This chapter is perhaps one of most challenging ones, as so many changes are related to assets, non-financial as well as financial. In some cases, changes have been made that do not (directly) relate to the recommendations for changes to the 1993 SNA. In some cases, these changes are for the better. In other cases, however, I would prefer leaving the 1993 SNA unchanged. Among others, I prefer the original text in the following cases:

- The definition of assets, the asset boundary and issues in relation to ownership used to be part of the introduction of chapter 10. We could not find the general definition anymore, whereas the discussion of the asset boundary is now part of the text on gross capital formation and the text on natural resources. We would prefer a more centralised discussion of some of the more general issues in relation to assets.
- The definitions of individual assets have been moved from the annex to chapter 13 and embedded in the text. We prefer to have an annex with definitions of assets (and transactions) as well. This is very convenient for easy reference.

The assets described are not coded, which is quite inconvenient. One may want to add the relevant codes. Of course, this would be relevant throughout the whole SNA.

Part II: Comments on specific draft paragraphs or passages

In your review of draft chapter 10, 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.

1. Sections B covers produced assets. Much new material has been included originating in the Canberra II Group. Are the additions clear, especially to those not involved in the Canberra II Group work?

Comment:

In our opinion, the recording of terminal cost could be further clarified. The time of recording of terminal cost should be discussed in this chapter instead of in chapter 19.

The definition of ICT equipment in para. 10.82 could be more precise. Almost all electric devices are equipped with electronic controls: e.g. radio alarm clocks, microwave ovens. These items are generally not acknowledged as ICT equipment. The definition should be narrowed to computer hardware and telecommunication equipment.

Paragraph 10.95 and 10.98 seem to be contradictory. In paragraph 10.95, it is stated that intellectual property products are produced knowledge that delivers benefits *because use of knowledge is restricted by means of legal or other protection*, whereas paragraph 10.98 states that when copies are made freely available, meaning that there is no restricted knowledge anymore, an asset may still exist.

We disagree with the definition of R&D (paragraph 10.100). R&D made freely available is no asset, because it has no legal owner. Although it may provide benefits for the *producer* of the R&D, R&D made freely available still does not satisfy the definition of an asset, since being the producer of the R&D is not the same as being the owner of the R&D. Without exclusive ownership there is no asset with an economic value.

We would like to see some comments included about the overlap between R&D and software (or mineral exploration). Since both assets are often based on separate surveys, double counting may occur. This should be made clear.

It may be useful to state something about the valuation of R&D and mineral exploration in relation to the (implicit) treatment of successful and unsuccessful parts of the relevant expenditures.

2. Section D1 covers natural resources. Every attempt has been made to harmonise with the asset categories in SEEA and some detail is left optional within SNA though included in SEEA. Are you satisfied with the balance? If not, what would you propose?

Comment:

In paragraph 10.167, we would like to see some comments about how the definition of mineral and energy reserves relates to the definition used in the SEEA.

3. Section D2 covers contracts, leases and licenses. A fuller exposition of these will appear in chapter 17 on Cross-cutting and Other Special Issues. Although it may be

difficult to comment without having chapter 17 in hand, are there points missing from this summary that you think should be necessary even in a summary?

Comment:

Paragraph 10.181 and 10.182 seem inconsistent. A taxi permit should be treated as a tax. Only when the value of the permit differs from the original tax, an asset should be created. The taxi permit itself however seems to satisfy both definitions of an asset in paragraph 10.182, even when the value of the permit equals the original tax. In general, we think that this part may need further clarification.

4. It is proposed to omit the annex on costs of ownership transfer. Is there anything missing on this subject from the chapter if the annex is dropped?

Comment:

The annex indeed seems to be superfluous in the revised text.

Part III. Other specific comments

General: In the new text, the phrase “consumption of fixed capital” is maintained, as discussed in the AEG. We would to state again our clear preference for the term “depreciation”.

Para. 10.16: The definition of capital transfers seems to be somewhat different from the one in the 1993 SNA (para. 10.132).

Para. 10.26: The new line describes the transaction identity, not the budget identity.

Para. 10.31: New text? In our opinion, the text could be clarified, especially the sentence starting with “As it stands ...”. On the whole, the text seems to come out of the blue.

Para. 10.27 and 10.35: The relevant “definitions” seem to exclude the possibility of an existing assets which previously was part of final consumption (consumer durables). Only in para. 10.38, this becomes clear.

Para. 10.46 and 10.49: It is not clear whether trade and transport margins are considered part of cost of ownership transfer. These costs can be a substantial part of the difference between the selling price and the purchasing price, e.g. in the case of cars.

Para. 10.62: The heading “Transactions in fixed assets” above para. 10.62 seems to be misplaced, could be moved to upwards, above para. 10.59.

Para. 10.65: We wonder whether it is needed to add this paragraph. In our opinion, I can be deleted.

Para. 10.86 – 88: The text in these paragraphs relates to the time of recording. Should it be described here, or earlier, as part of para. 10.51 etc.

Para. 10.90: Aquatic resources as part of animal resources?

Para. 10.94: We are not aware of a decision to have an exception for the treatment of costs of ownership transfer on land.

Para. 10.121 and 10.132: The term “revalued” may give rise to misinterpretation: it suggests a recording as holding gains.

Para. 10.124: Theoretically very nice, but far too complicated to implement in practice. We suggest to delete this paragraph.

Para. 10.126 and 10.127: Double?

Para. 10.133: The definition is too general; it relates to all work in progress.

Para. 10.188: In our opinion, one should make possible the recording of marketing assets evidenced by a recognition in the business accounts, not only marketing assets evidenced by sale/purchase.

You are welcome to make other comments. Please do so by using Adobe Acrobat Version 6 or 7 to comments directly on the PDF of the draft chapter.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make very detailed comments please send a message to sna@un.org requesting to receive a version of the draft chapter permitting you to comment. To optimize your commenting tools please download Adobe Reader 7.0 for free from <http://www.adobe.com/products/acrobat/readstep2.html>