

Comments on draft SNA
Chapter 21: Measuring corporate activity

Deadline for comments: 7 November 2008
Send comments to: sna@un.org

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Submission date:	October 31, 2008

This template allows you to record your comments on draft SNA chapter 21 “Measuring corporate activity” 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 or all parts of the template.

There is no file comparing existing text with draft text for this chapter because the draft is largely new text.

Save this template and send it as an attachment to the following e-mail address:
sna@un.org

Part I: General comments

In the space below, please provide any general comments. This may cover e.g. the structure of the chapter, issues missing and (lack of) consistency with other chapters of the 2008 SNA.

General comments:

General comment	This chapter provides an opportunity to discuss additional issues that make corporations more difficult to conceptualize and measure. A discussion of simple versus complex corporations would be useful. A more thorough discussion of consolidation issues and how these relate to legal entities and/or concepts of statistical enterprises would also be useful. Linked to this, issues related to domestically-booked financial statements (for MNE) could appropriately be discussed also. Lastly, a discussion of conceptual/measurement issues related to holding companies would be useful.
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Part II: Comments on specific draft paragraphs and sections

All comments on specific draft paragraphs are welcome. They can be about e.g. scope, content and clarity. Proposing a concrete alternative text or table is also possible. For the paragraphs in separate sections, separate forms are used for providing and collecting comments (see below).

A. Introduction (paragraphs 21.1-21.6)

General comment	
21.6	
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* Insert rows in this Word table for each paragraph on which you wish to comment.

B. The demography of corporations (paragraphs 21.7-21.22)

General comment	
21.7	While the parallel with a list of individuals is useful, it is important, in particular for many of the issues raised in this chapter, that the business register contain information on the corporate structures of complex businesses, including both domestic and international links.
21.9	It is possible for a non-profit organization to create a corporation. This should be acknowledged.
21.12	
12.15	
21.22	

* Insert rows in this Word table for each paragraph on which you wish to comment.

C. Sub-sectors (paragraphs 21.23-21.26)

General comment	
21.23	
21.25	

* Insert rows in this Word table for each paragraph on which you wish to comment.

D. Relations between corporations in different economies (paragraphs 21.27-21.45)

General comment	<p>We are pleased to see the FDI discussion. Earlier in the chapter, it might be useful to discuss inter-company investment, more generally. In most countries, financial accounting-based survey forms collect national inter-company investment (of which FDI is a subset). Mergers and acquisitions activity is reflected in total inter-company claims. Also impacted by this item are considerations in the valuation of equity positions (listed and unlisted ... inter-company versus widely-held).</p> <p>Generally, the difficulty is to decide the best treatment of SPE's in FDI estimates. From an analytical perspective it is useful to "look through" these types of mechanisms and record the assets in the country and industry that they operate in. This, however, creates imbalances between flows amongst countries and complicates international comparability. In addition, it can alter the form of the investment income.</p>
21.27	<p>We are glad to see reference to globalization, given its increasing impacts (e.g., acquisitions), but it might be advisable to refer to the global re-organization of production and the structural changes in MNE that go along with it. In this regard one might add a reference to the work underway by the Working Group on the Impact of Globalization on the SNA.</p>
21.38	
21.44	

* Insert rows in this Word table for each paragraph on which you wish to comment.

E. The contribution of assets to production (paragraph 21.46)

General comment	
21.46	
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* Insert rows in this Word table for each paragraph on which you wish to comment.

F. The consequences of financial distress (paragraphs 21.47-21.53)

General comment	This section needs to be tied a little better with the rest of the chapter; otherwise it just repeats what is said elsewhere in SNA08. One way to do it is to discuss potential vulnerabilities that are specific to corporations, by way of introduction.
21.51	Since we do not use market value for loans it may be better to replace “ market value of a loan ” with “... may overstate the book value of the loan on the corporation’s books, which is typically stated net of allowances for bad debt.”
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* Insert rows in this Word table for each paragraph on which you wish to comment.

G. Links to commercial accounting (paragraphs 21.54-21.59)

General comment	
21.56	
21.58	<p>While we believe that national accountants (i) should have input into financial accounting standards and (ii) should keep an open mind and could benefit by a close study of changing accounting standards ... We would recommend that the phrase “if not by accepting the IASB position entirely,” be dropped from the paragraph.</p> <p>The recommendation to maintain a reconciliation table between national accounting information of corporations and commercial accounting is a very good proposal in that it facilitates to describe the differences between the two systems and would be a very useful tool for users (both external and internal) of the accounts.</p>

* Insert rows in this Word table for each paragraph on which you wish to comment.

Part III. Other specific comments

You are welcome to make other specific comments. To assist you in doing so, the following points are provided as a guide to the types of points on which you might wish to comment. Note, though, that you are not restricted to commenting on only these points.

1. Are the examples of how to record changes in corporate structure clear and sufficient?
2. Is the description of FDI adequate as an introduction to the fuller description in the benchmark definition?
3. Should there be more discussion about the consequences of financial distress?

Specific comments:

Specific comments	1. Numerical examples would be very useful in illustrating the treatment of certain transactions/aspects particular to corporations. 2. The FDI description is an adequate overview, but should be expanded to cover national and international forms of inter-company investment. 3. The discussion of the consequences of financial distress should include non-market (natural disasters) consequences as well.
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You are also welcome to comment directly on the PDF file of the draft chapter. Please do so by using Adobe Acrobat Version 6 or 7.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make detailed comments, please send a message to sna@un.org requesting a version of the draft chapter that permits 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>