

**Comments on draft SNA chapter:
Chapter 3: Flows, stocks and accounting rules**

**Deadline for comments: 30 September 2007
Send comments to: sna@un.org**

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| Submission date: | 25 August 2007 |

This three-part template allows you to record your comments on draft chapter 3 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.

Especially when providing comments in Part III of the template, you are encouraged to focus on the new passages of the draft text. To facilitate this process, a file comparing the existing text and the draft text is available on the website under the following link: <http://unstats.un.org/unsd/sna1993/projectmanagement/drafts/Chapter3dv2cdv0.pdf>

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, such as about the clarity with which the new recommendations were incorporated (30 words or less).

Comment:

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| Section A. introduction is a bit too long. Perhaps, paragraph 3.17, for example, could be deleted from the introduction. |
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Part II: Comments on specific draft paragraphs or passages

In your review of draft chapter 3, you may wish to devote particular attention to the passages listed below. For ease of reference, we have identified the relevant paragraphs.

For each passage, a Word table is provided for you to use in making your comments. There is a row for general comments at the top of the table. Thereafter please use a separate row for each paragraph on which you wish to make detailed comments.

Definition of an asset

Questions about the adequacy of the 1993 SNA definition of an economic asset led to the issue being among the forty-four considered during the Update. An AEG meeting concluded that the 1993 definition did not adequately cover risk, demonstrable value and constructive obligations.

1. Section B, about stocks, opens with a new and fuller definition of an asset than appeared in the 1993 SNA. Paragraphs 3.18 – 3.28 describe the concepts of benefits and of legal and economic ownership, and then paragraphs 3.29 - 3.30 present the new definition. Are these paragraphs clear?

| General Comment | |
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| 3.2 | <p>We suggest:</p> <ul style="list-style-type: none"> - replacing “measure” with “reflect” in the first two sentences of paragraph 3.2 - deleting the part in brackets (and, for certain stocks, ... input-output context) in the third sentence of paragraph 3.2. |
| 3.18 | <p>The concept of benefits is introduced at the start of part B on stocks. It would be good to explain briefly why this concept is introduced here. In addition, some clarification may be necessary to avoid confusion because benefits are flows before they are accumulated.</p> <p>The title of section 1 “benefits” under part B. Stocks could be made more explicit by defining it "Benefits as recompenses of economic activities", because the word benefits has different meanings in the System.</p> |
| 3.19 | <p>We suggest rewording the third sentence of paragraph 3.19 "Consumption is an activity that takes place in the current period only..." as "Consumption is an activity that affects the current period only..."</p> <p>"Production and accumulation involve benefits postponed to future periods." This is not necessarily true for production, one example is own production for immediate consumption related to the first sentence of the paragraph. We suggest rewording as "Production and accumulation involve benefits postponed to the future."</p> |
| 3.29 | <p>This definition of assets doesn't add anything to the old one (SNA 1993 10.2), which was easier to read and understand. In addition, the proposed definition does not seem to meet the AEG requirements to cover risk, demonstrable value and contingent obligations (see report from the AEG meeting 30.01-8.02 2006).</p> |
| 3.39 | <p>After the fourth sentence of paragraph 3.39 "Occasionally...production process", we suggest adding a new sentence that says “In this case, it is classified as an economic appearance and recorded in the other changes in the volume of assets account” (ref: § 12.25 of SNA 93).</p> |

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| 3.46 | As this paragraph has not yet reached its final version, it will be good to give opportunity to comment on the final version when it is available. |
| 3.58 | The deleted lines from the former 3.22 (transfers may be either in cash or in kind) leads to less clarity and should be reintroduced |
| 3.77 | The deleted sentence from 3.42 (SNA 1993) referring to the reimbursement of recipient purchases by insurance or assistance scheme should be reintroduced. |
| 3.79 | Paragraph 3.79 is particularly unclear. In addition, it concerns issues pertaining to chapter 9. |
| After 3.84 | For the sake of clarity of the rules, we suggest introducing a new paragraph, which consists of the text of § 3.49 of SNA 93 after § 3.84 |
| 3.97 | Usually externalities cover only effects of legal human activities, but not hurricanes- or thefts-activities, as used here. We therefore suggest reintroducing paragraph 3.60 of SNA 93. |

Accounting rules: additions from *BPM6*

Section E presents the accounting rules of the System. Text from the draft *BPM6* has been added to the text from the *1993 SNA* in several places. These additions help implement the agreement to align the two manuals where appropriate. Of several additions (see file comparing the 1993 text with the present draft, where they are apparent), two in particular may be of interest.

2. Paragraphs 3.106 – 3.111 discuss quadruple entry accounting. Are these paragraphs clear and appropriate to the SNA?

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| General comment | These paragraphs are clear and appropriate to the SNA |
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3. Paragraphs 3.113 – 3.128 are about valuation of transactions. In particular, paragraphs 3.113-3.114 explain how “market prices” should be interpreted. Are the paragraphs clear and appropriate for the SNA?

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| General comment | |
| 3.114, | (3.114) reference to paragraphs 3.122-124 should be changed in" 3.120-124". |
| 3.119 | Can "non-financial resources provided without a quid pro quo" be replaced by "transfers in kind" ? Reword the second sentence of paragraph 3.119 as “Failing a market price, the donor’s view of the imputed value of the transaction may be quite different from that of the recipient” |
| 3.121 | The paragraph introducing the concept "transfer pricing" has become now 3.131, so that cross-references between the two paragraphs (3.121 and 3.131) would be helpful. |

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| 3.122 | The final sentence of § 3.122 needs clarification. We should not give the impression that “any other values assigned by the enterprise” are an acceptable valuation method. |
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Discounted present value of expected future returns

Section E.2 discusses valuation, beginning with the relatively straight-forward cases when actual exchange values represent market prices and then moving to the more difficult cases, including those where market-price equivalents must be used.

4. Paragraph 3.126 notes, as did the *1993 SNA*, that when none of several methods to represent market-price equivalents can be applied, flows and stocks can be recorded at the discounted present value of expected future returns. Does the description of this method strike an appropriate tone given the greater use and acceptance of this method since the *1993 SNA*?

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| General comment | Concerning Paragraph 3.126 (valuation at discounted present value of expected future returns), we suggest keeping the wording of 3.75 SNA 1993 ("this method is not generally recommended since it involves many assumptions and as a consequence the outcomes are highly speculative") |
| 3.142 | "Since financial assets and liabilities match, instrument by instrument, ..." This is not valid for shares because holding gains for the owner are not offset by recording holding losses. This paragraph needs to be reformulated. |
| 3.168 | This example on FISIM corresponds to the old definition of FISIM (non allocated FISIM). FISIM should no more be used as an example here, because the new definition of FISIM is only based on interests on loans and deposits and not property income earned and interest payable. |

Part III. Other specific comments

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

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>