

**Comments on draft SNA chapter:
Addendum 1 to Chapter 7: The distribution of income accounts**

**Deadline for comments: 16 October 2007
Send comments to: sna@un.org**

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Submission date:	Click here and enter your submission date

This three-part template allows you to record your comments on the Addendum 1 to draft chapter 7 (Add.1) 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.

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:

The chapter 7 add-on on interest is much better than the previous version. However, several clarifications seem still possible, see part II.
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Part II: Comments on specific draft paragraphs or passages

In your review of this Add.1, you may wish to devote particular attention to the passages listed below. For ease of reference, we have identified the relevant paragraphs. For the 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.

1. Paragraphs 7.101-7.109 of the revised text shown in Add.1 outline the key features of interest as property income payable on a specific set of financial instruments. Is the discussion clear? Are there any other general features concerning interest that should be incorporated into chapter 7 as well as in chapter 17, which elaborates on how interest is calculated on these specific instruments? (Please reference the relevant paragraph numbers in chapter 17 in your comment.)

General comment	Click here and start typing.
7.101	<ul style="list-style-type: none"> -It is not obvious why SDRs are not included in the bolded first sentence. - Readers may expect further explanation of the word “possibly” in the first sentence. By the way, there is a tendency in the Fund to classify other accounts payable/receivable under Loans if they carry interest. - Financial assets that give rise to interest are not exclusively created through lending. Cf. the definition of debt instruments in the External Debt Guide, page 253. - In literature, the principal is often defined as excluding accrued interest. The last sentence could be clearer in this respect. Also, the remainder of the Addendum refers to “principal outstanding” without a discussion on whether this is something else than just “principal.”
7.102	<ul style="list-style-type: none"> - The first sentence does not appear to cover variable interest rate. - Second sentence. Instead of using the verb “may,” say that accrued but not yet paid interest is part of the instrument’s principal outstanding, except if the compilers chose to record such interest separately. - “However” can be deleted from the last sentence, as there is no contrast with the previous one.
7.103	<ul style="list-style-type: none"> - Second sentence. “The amount” is quite undetermined. Probably, this sentence can be deleted. - It is not obvious why the section starting with “As explained in chapter 11” is discussed under the heading The accrual basis of recording.
7.104	<p>Third sentence. The amounts of SNA interest <i>payable ... is less than ... implicit</i> changes payable, while the amounts of SNA interest receivable by depositors <i>is higher than bank interest by the value of implicit charges payable by depositors to the financial institutions.</i></p>
7.105	<p>This paragraph is inconsistent with paragraph 7.102 that leaves the option open to record interest separately. Preferable, the question whether charges and interest are included in the principal outstanding should be discussed in a single paragraph.</p>
7.106	<p>It is suggested that "liability" replace "asset" in the second and third lines as the discussion surrounds the debtor rather than the creditor. Last sentence: In such cases, the <i>total</i> amount of interest payable <i>over the life of the debt security</i> is derived...</p>
7.108	<p>First line: "is able to" could be deleted and "discharges" replace "discharge." We wonder about the definition of "nominal" interest but</p>

	can live with it if others are content.
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* 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 comments. Please do so by using Adobe Acrobat Version 6 or 7 to comment directly on the PDF of the addendum.

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 addendum 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>