



# Update on Revision of International Guidelines: *System of National Accounts*

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*BEA Advisory Committee*

*May 13, 2005*



## *System of National Accounts Revision*

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- International standard for the compilation of national accounts statistics. Revision scheduled for 2008. Last major revision was in 1993.
- Revision is under the direction of the UN Statistical Commission, with input from five major international organizations (European Commission, IMF, OECD, UN, and World Bank), and from national statistics offices throughout the world.
- At the May 2004 Advisory Committee meeting, I described the revision process and BEA's participation in it.



## Working Groups: Canberra II Group on Nonfinancial Assets

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- In last year there have been 2 meetings (in London and Canberra). Participants have included:
  - Barbara Fraumeni and Brent Moulton from BEA,
  - Mike Harper from BLS,
  - Academics - Erwin Diewert and Chuck Hulten.
- Group recommended that the SNA include measures of capital services and labor inputs, enabling countries to estimate multifactor productivity.
  - These measures would be considered optional and would appear in a supplementary presentation, since many developing countries lack data.



## Working Groups: Canberra II Group on Nonfinancial Assets

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- R & D - the Group voted to recommend the capitalization of research and development in the core national accounts.
  - The Frascati Manual will guide implementation.
- Issues with R & D:
  - Should freely available R&D be capitalized, or only that over which ownership rights are asserted?
  - Should capitalized R&D exclude basic research that is not likely to be used in production?
- Terminology - the Group recommended replacing the term “consumption of fixed capital” with “depreciation.”
- Group continues work on contracts, leases, shared ownership arrangements.



## Working Groups: Task Force on Harmonization of Public Sector Accounts

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- Improving consistency of national accounts with public sector financial accounting standards.
- Since May the Task Force held two meetings (in Washington and Paris) and made these recommendations:
  - For taxes, made recommendations for implementing accrual methods, treatment of refundable tax credits;
  - For government guarantees, recommended showing provision as liability/asset for “standardized” guarantees (e.g., mortgages, student loans); as addenda item for special guarantees.
- Work continues on accrual approach for government-owned business enterprises (similar to treatment of foreign direct investment).



## Working Groups: Task Force on Defined Benefit Retirement Schemes

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- John Ruser of BEA is co-chairing the Task Force (along with Adriaan Bloem of IMF).
- First meeting is scheduled for September 2005 (in Washington).
- Agenda includes
  - Actuarial treatment of retirement plans;
  - Harmonization with financial accounting;
  - Unfunded retirement schemes.



## Decisions: Advisory Expert Group

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- The Advisory Expert Group (AEG), which consists of 25 experts from 20 countries and 5 international organizations, is the body responsible for making decisions regarding proposed changes. In December it held its second meeting in New York City and has given tentative approval (subject to country review and UNSC final approval) to the following:
  - Databases should be capitalized
  - Capitalization of originals and copies of knowledge assets:
    - When they display the characteristics of fixed assets, creation of copies (for example, of software) should be recorded as investment, as should creation of originals.



## Decisions: Advisory Expert Group

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- For government-owned assets, there was strong support for including a rate of return (rather than just depreciation, as in the current SNA), but disagreement about the range of assets to be covered.
  - Assets used directly by government workers (computers, office buildings, etc.)?
  - Infrastructure assets (roads, etc.)?
  - Other assets (parks, land)?
  - Requested further consultation with countries regarding the range of assets to be covered.





## Decisions: Advisory Expert Group

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- De-installation costs should be written off over the life of an asset. Costs of ownership transfer should be written off over the period the asset is held.
- Residence of households was clarified (one-year criterion, exceptions for students and patients)
- For more information see:

<http://unstats.un.org/unsd/nationalaccount/aeg.htm>



## Questions for the Advisory Committee

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- What is your opinion regarding the proposed approach to measures of capital services?
- Do you think that R&D should be capitalized in the core GDP accounts? All R&D, or just R&D for which ownership rights are asserted (for example, through a patent)?
- For pensions, should the national accounts move to closer to an accrual approach based on actuarial assumptions?
- Should the output of general government include a rate of return to government-owned assets? For all government non-financial assets, or only for those used directly in production?